CENTROTEC The European Energy Saving Company

Annual Report 2010

World of Systems

CENTROTEC Sustainable AG

World of Systems

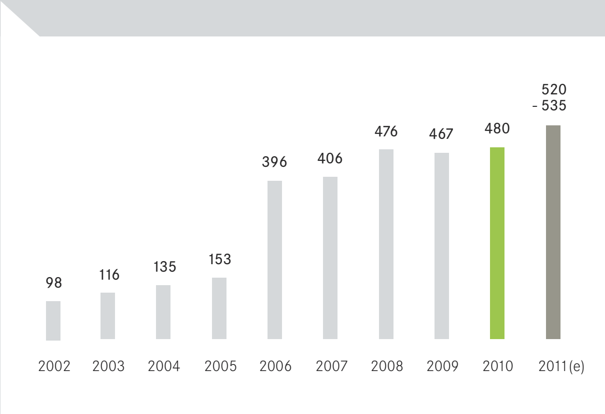
Nature – man – technology. Mankind thinks of itself as being at the very centre of what happens on this planet – but it is also part of a wider system. The global challenges of the 21st century are the world's growing population, scant resources and climate change. These megatrends will be the defining parameters of social and economic developments over the coming decades.

Our response to these fundamental issues about the future must both satisfy the needs of mankind and safeguard our natural resources. Ever since it was established CENTROTEC Sustainable AG has been committed to the principle of sustainability, and its innovative systems for heating, climate control and ventilation technology and for renewable energies as solutions to saving energy in buildings are a way of reconciling comfort with sustainability.

Revenue

[in EUR million]

CAGR +22 % p. a.



EBITDA

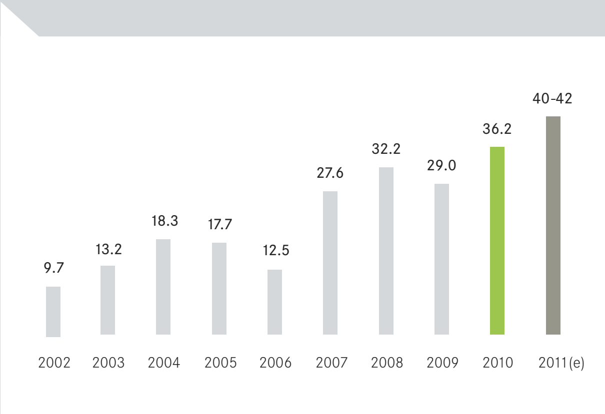
[in EUR million]

CAGR +17 % p. a.

EBIT

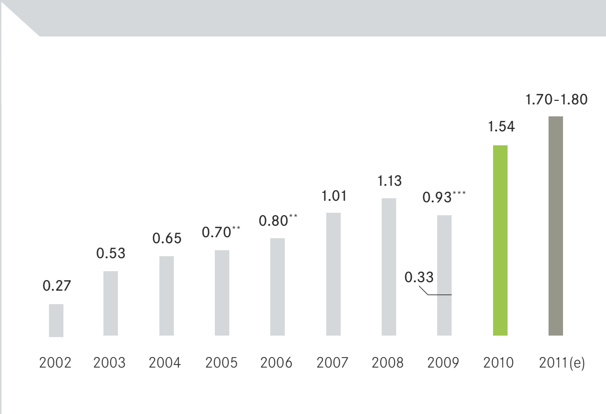
[in EUR million]

CAGR +18 % p. a.



EPS*

[in EUR]

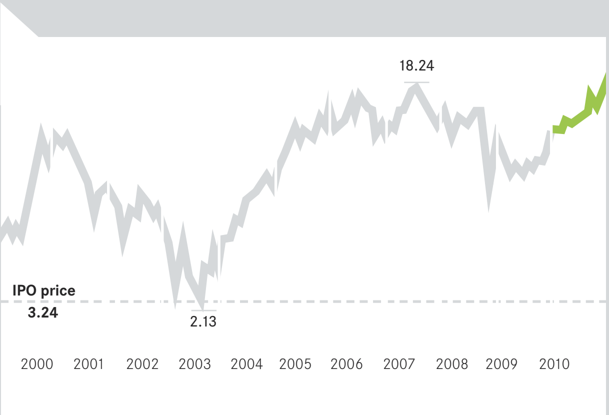


Gearing

[Net interest bearing debt/equity]

Share price

[in EUR]



* Earnings per share, undiluted

** After elimination of gains from transactions with minorities. Figures incl. special factors for 2005: EUR 1.13, for 2006: EUR 0.88

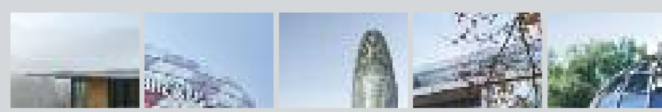
*** Excluding results from shareholdings

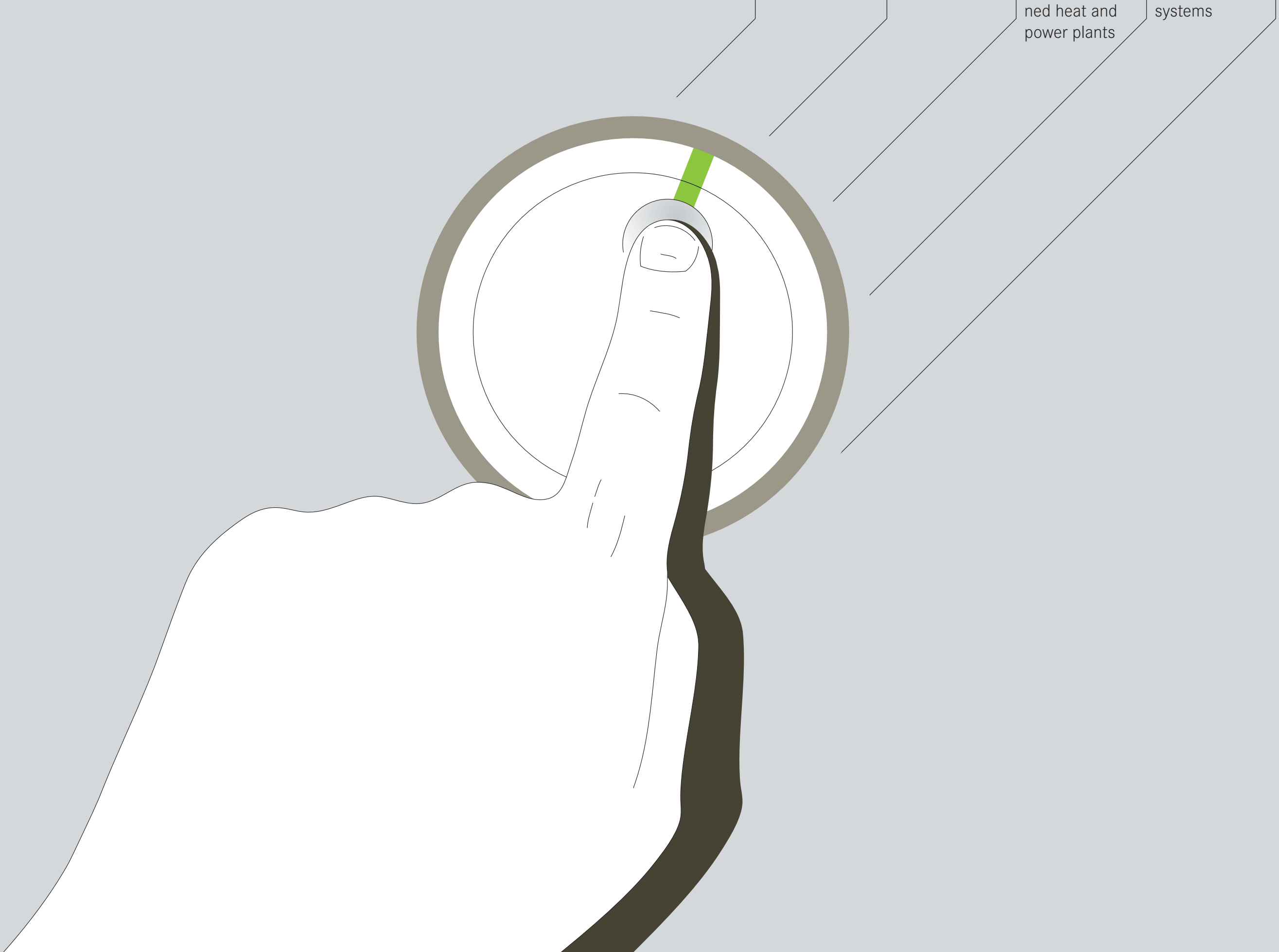
CAGR Compound Annual Growth Rate (2000 - 2010)

Five-Year Comparison

	2006 [EUR '000]	2007 [EUR '000]	2008 [EUR '000]	2009 [EUR '000]	2010 [EUR '000]	Changes 2009 to 2010 [Percent]
Total revenue (reported)	**396,311**	**406,417**	**476,081**	**466,613**	**479,650**	**2.8**
Climate Systems	110,024	274,111	319,308	309,524	331,769	7.2
Gas Flue Systems	80,310	96,359	118,822	128,111	112,835	(11.9)
Medical Technology & Engineering Plastics	33,793	35,947	37,951	28,978	35,046	20.9
Solar Systems ****	172,184	-	-	-	-	-
Earnings						
EBITDA	30,325	43,622	48,808	46,641	54,582	17.0
EBIT	12,525	27,552	32,171	29,037	36,158	24.5
EBIT yield (in %)	3.2	6.8	6.8	6.2	7.5	
EBT	16,851	18,463	25,785	12,727	34,541	171.4
EAT	15,298	16,501	18,635	5,216	25,572	390.3
EPS (in EUR; basic)	***1.76	1.01	1.13	0.33	1.54	366.7
Balance sheet structure 31/12/						
Balance sheet total	483,078	361,773	378,384	379,646	399,561	5.2
Shareholders' equity	146,313	109,066	127,804	132,674	160,816	21.2
Equity ratio (%)	30.3	30.1	33.8	34.9	40.2	
Property, plant and equipment	102,979	94,128	94,702	91,252	91,946	0.8
Intangible assets	58,827	37,427	36,571	37,542	39,265	4.6
Goodwill	118,867	60,482	60,911	60,914	61,074	0.3
Net financial liabilities	159,316	121,778	114,101	86,451	71,123	(17.7)
Net Working Capital	86,216	54,497	65,124	53,642	57,572	7.3
Cash flow statement						
Cash flow I (EAT & depreciation/amortisation)	33,097	32,571	35,272	22,820	43,996	92.8
Cash flow from operating activities	5,633	32,666	24,847	45,025	35,840	(20.4)
Cash flow from investing activities	(96,293)	(19,097)	(17,928)	(18,006)	(22,077)	22.6
Employees 31/12/						
Total (in FTE)	2,745	2,390	2,605	2,614	2,663	1.9
Shares						
Number of shares**	8.134	16.427	16.525	16.610	16.750	
Highest quotation*	***35,36	18,36	16,14	10,80	17,50	
Lowest quotation*	***22,44	11,00	6,85	6,05	9,15	
Year-end quotation*	***24,00	13,85	10,60	9,44	16,00	

* Quotation in EUR
** Weighted average shares outstanding (basic; in thousand)
*** Before conversion of share price with factor 2 due to issue of bonus shares
**** Since 2007 not fully consolidated stake in CENTROSOLAR Group AG





Company Structure
CENTROTEC Sustainable AG

Gas Flue Systems
100 %

Ubbink B.V.
Doesburg, NL

Ubbink N.V./S.A.
Gentbrugge, BE

Ubbink France S.A.S
La Chapelle sur Erdre, FR

Ubbink UK Ltd.
Brackley, GB

Ubbink East Africa Ltd.
Naivasha, KE

Centrotherm Systemtechnik GmbH
Brilon, DE

Centrotherm Eco Systems
LLC, Albany, US

Centrotherm Gas Flue Technologies Italy S.R.L.
Verona, IT

Centrotec J I Asia Pte. Ltd.
Singapur, SG

Centrotec Composites GmbH
Brilon, DE

Bond-Laminates GmbH
(25 %) Brilon, DE

Climate Systems
100 %

Brink Climate Systems B.V.
Staphorst, NL

Brink Climate Systems Ireland Ltd.
Naas, IE

Ned Air B.V.
Ijsselmuiden, NL

EnEV-Air GmbH
Ahaus, DE

Wolf GmbH
Mainburg, DE

Wolf France S.A.S.
Massy, FR

Wolf Iberica S.A.
Madrid, ES

Wolf Technika Grzewcza Sp.z.o.o.
Warschau, PL

Wolf Heating UK Ltd.
Northwich, GB

Wolf Klimaattechniek B.V.
Kampen, NL

Kuntschar + Schlüter GmbH
Wolfhagen, DE

Medical Technology & Engineering Plastics
100 %

medimondi AG
Fulda, DE

Möller Medical GmbH
Fulda, DE

bricon ag
Dietikon, CH

Centroplast Engineering Plastics GmbH
Marsberg, DE

Rolf Schmidt Industriplast A/S
Kolding, DK

CENTROSOLAR Group AG
26 %

Centrosolar AG
Hamburg / Paderborn / Kempten, DE

Centrosolar Sonnenstromfabrik GmbH
Wismar, DE

Renusol GmbH
Köln, DE

Centrosolar Glas GmbH & Co. KG
Fürth, DE

Solarsquare AG
Bern, CH

Dr. Gert-Jan Huisman

"The product range has been methodically updated and steadily refined over the past few years to place greater emphasis on user-friendliness and efficient all-in systems. Examples include a range of heat pumps offering market-leading performance, an innovative air ducting system for controlled home ventilation, a passive-house compact system that combines controlled home ventilation with solar thermal and a gas condensing boiler, and a gas-solar centre that brings together solar thermal and efficient condensing boiler technology in a single appliance."

Letter to Shareholders

Dear Shareholders, At the start of 2010, CENTROTEC set itself ambitious targets for the financial year. Against a backdrop of the economic crisis, we were fully aware that our targets would be hugely challenging to achieve. Today we are able to look back on a highly successful 2010 financial year and can conclude that we actually surpassed our ambitious expectations.

Revenue of EUR 480 million was at the lower end of our target corridor. On the other hand our operating result (EBIT) was clearly better than the original forecast of EUR 30 to 32 million which was made at the start of the year, with EBIT finally coming in at EUR 36.2 million. This substantial rise in profitability began to take shape as early as the third quarter (the forecast was increased to EUR 36 to 37 million on October 6), reflecting the strong market position of important group companies.

Major national economies in Europe, but above all Germany, emerged from the crisis faster than expected in 2010. This undoubtedly also contributed towards CENTROTEC's positive performance. However, the main factor behind the business performance of the CENTROTEC companies in 2010 was our exceptionally strong market position – in terms of both products and sales. It was exemplified by the performance in Germany, an important core market for CENTROTEC. The market for heating technology as a whole contracted by 4 %. CENTROTEC, on the other hand, succeeded in increasing its revenue in Germany by more than 4 %.

This market strength stems firstly from the comprehensive product range of innovative energy-saving solutions for buildings. In contrast to the established competitors in the market, the range includes a comprehensive portfolio of efficient energy-saving systems for climate control and ventilation technology as well as heating systems and renewable energy technology.

The product range has been methodically updated over the past few years and steadily developed. More recent additions include a range of heat pumps offering market-leading performance, an innovative air ducting system for controlled home ventilation, a passive-house compact system that combines controlled home ventilation with solar thermal and a gas condensing boiler, and a gas-solar centre that brings together solar thermal and efficient condensing boiler technology in a single appliance. In the sphere of product development the CENTROTEC companies collaborate closely, using their range of expertise in heating, climate control, ventilation, renewable energies and intelligent control engineering to develop highly efficient, innovative system solutions for energy conservation and climate protection in buildings.

The second mainstay of market success is the company's sales strength. In a market where all key product segments contracted, it yet again substantially increased its market shares. This sales success is based on having not just reliable, high-quality products, but also the right strategy, implementing it systematically and maintaining a customer-led approach throughout the sales and service organisation. It has continued to invest in both areas in recent years, a fact reflected in its acquisition of important new customers and the cementing of relations to transform them into regular customers.

Based on this market position, CENTROTEC has again set itself ambitious targets for 2011. We aim to take revenue beyond EUR 500 million for the first time, while further boosting profitability; our target is a profit margin of approx. 8 % on revenue of EUR 520 to 535 million.

In an effort to achieve that target, we will yet again be pushing forward with a large number of innovations in 2011. We will also be further reinforcing and expanding the sales organisations. Now that the economic crisis has been overcome, we are already seeing commodity prices climbing once more; this effect will have a direct impact on earnings, particularly in areas of our business that involve the key preliminary products steel, copper, aluminium and plastics. As in previous years, in 2011 we will systematically adhere to the group-wide earnings improvement programmes that seek to optimise the use of materials as well as production and process costs. In the past we have successfully held commodity price increases in check by gradually improving our products and processes, and will press ahead with the same approach in the current financial year.

As well as making progress in our core markets, we are increasingly turning our focus to new regions and future growth markets. In 2009 and 2010 we established subsidiaries in the USA, the United Arab Emirates, Kenya and Russia or entered into sales partnerships there in order to obtain a greater presence in the growth markets of the future.

We consider that this strategy keeps us in a good position to achieve growth in the established core markets thanks to our sound, profitable basis; meanwhile we will be among the first movers to tap the future growth markets for energy efficiency in buildings.

In looking to develop our company successfully in the global growth market for energy efficiency in buildings, we also aim to promote energy conservation and climate protection with greater insistence within our own company, too. We have therefore resolved that from now on, in keeping with CENTROTEC Group guidelines, all new construction projects will be executed with zero impact on the climate. We have also launched a group-wide programme to record our own carbon footprint as the basis for clarifying our own potential for protecting the climate and identifying further potential for improvements. Because on past form the climate protection debate produces plenty of talk but precious little action. In practice, climate protection is a challenge to each individual and we want to demonstrate our responsibility not just by making very energy-efficient, environmentally friendly products, but through the actions of our own company. The need for action is universally acknowledged. And the technology needed is available.

As well as concrete action on climate change, sustainability for us also means focusing on more lofty values. At CENTROTEC, alongside our strategic emphasis on sustainability we have always focused on values such as integrity, entrepreneurial attitudes and actions, and the role of a responsible employer. As part of the ongoing integration of existing companies as well as those successfully acquired in recent years, two years ago we launched an initiative to help these values, which we regard as fundamental, become even more deeply rooted in all companies of the CENTROTEC Group and to imbue our everyday actions and attitudes with them.

Thanks to our portfolio of innovative energy-saving solutions for buildings and our strong market position, we will continue to benefit from the development of this global growth market – to the advantage of our shareholders, customers, suppliers and employees, and in particular for the lasting protection of our livelihood.

With best wishes,

Dr. Gert-Jan Huisman
[Chief Executive Officer]

Alfred Gaffal
Alfred Gaffal (born 1947), the Managing Director of Wolf GmbH, which was acquired in autumn 2006, has been a Member of the Management Board of CENTROTEC Sustainable AG since January 2007. He is responsible for the segment Climate Systems (including the Wolf Group).

Jacko van der Stege
Jacko van der Stege (born 1972) has been Management Board member of CENTROTEC Sustainable AG with responsibility for the Gas Flue Systems segment since September 2010. An industrial engineer and business management graduate, he has been CEO of the Ubbink/Centrotherm Group within the CENTROTEC Group since 2008. Prior to that, the Dutchman held various senior posts in the housing industry.

Dr. Gert-Jan Huisman
Dr. Gert-Jan Huisman (CEO, born 1968), a Doctor of Business Management, has been the CEO of CENTROTEC Sustainable AG since 2002. A Dutch national, he has held management positions in Germany for over eight years, including as branch manager of a bank. He in addition worked at McKinsey & Company for five years as Senior Consultant and Project Manager.

Dr. Christoph Traxler
Dr. rer. nat. Christoph Traxler (born 1968), a member of the CENTROTEC Sustainable Management Board since early 2004, is responsible for the business area Medical Technology & Engineering Plastics of CENTROTEC Sustainable AG. The theoretical physicist and former Engagement Manager of McKinsey & Company, has turned the company Möller Medical into an innovative medical devices manufacturer and developer with an own, successful product brand.

Anton Hans
Anton Hans (CFO, born 1965), Business Manager, was appointed deputy Management Board member in May 2007 and Chief Financial Officer in January 2008. He has also taken charge of Finance at Brink Climate Systems. Prior to joining CENTROTEC, Anton Hans worked as a Senior Consultant for Reporting with focus on IFRS at Ernst & Young.

CENTROTEC
The Management Board

Report of the Supervisory Board

Dear Shareholders, The Supervisory Board of CENTROTEC Sustainable AG performed the tasks resting upon it in accordance with the law, the articles of incorporation and the rules of internal procedure during the 2010 financial year, in regularly advising the Management Board on the running of the company and monitoring its activities.

2010 was another highly successful business year for CENTROTEC Sustainable AG. For yet another year, the companies of the CENTROTEC Group demonstrated their sales strength, customer centricity, innovativeness and the reliability of their products in a challenging market environment. The evidence comes in the shape of a further increase in market shares and the acquisition of new customers with abundant future potential.

Since the takeover of the Wolf Group in 2006, CENTROTEC has covered the entire product range of heating, climate control and ventilation technology as well as renewable energies in buildings. Over the past few years synergies between the various different expertise areas, technologies, products and organisations have been realised in a forward-looking but measured way. This approach is exemplified by the development of the integrated energy roof, but also by many other cross-company projects. In that connection we expect the next few years to feature further innovations and market successes based on combining the entrepreneurial leeway granted to the individual companies with the cross-company coordination of resources, along with a unique blend of skills in the areas of heating and climate control that is unique in the entire heating technology market.

As well as organic growth, CENTROTEC continues to pursue opportunities that present themselves for expanding, building on its technological expertise and cultivating new markets. The company sets the yardstick for technology, market position and profitability very high here. The Supervisory Board supports and advises the Management Board in connection with such moves and critically scrutinises any such plans, while demonstrating the necessary receptiveness to new developments. The company is particularly looking to tap opportunities for energy-efficient building technology in the in the future growth markets of the USA, Asia and Africa.

The Supervisory Board held a total of four meetings in the 2010 financial year. In regular reports on the business position, the Supervisory Board was informed in detail and in a timely manner by the Management Board of the current business progress of the company, including above all the development in its revenue, orders, financial performance and financial position, along with the company's discernible opportunities and risks of future development. Annual, half-yearly and quarterly financial reports were discussed by the Supervisory Board with the Board of Management prior to their publication. Decisions of the Management Board requiring approval were examined and discussed at length by the Supervisory Board prior to their approval. Supervisory Board meetings during 2010 were held on March 18, May 20, September 20 and December 7. All Supervisory Board members attended all meetings in person.

Guido A. Krass [Chairman]

Guido A. Krass (born 1957) is an industrial lawyer and entrepreneur who has been focussing on rapidly growing mediumsized businesses since 1986. As a founder and important shareholder of CENTROTEC he is actively involved in terms of strategy and human resources management. He is able to call on a worldwide network of contacts in generating new business ideas and identifying interesting acquisition targets.

The members of the Supervisory Board furthermore discussed forthcoming projects and matters of substantive importance with the Management Board and with other management employees of the company outside the context of their regular meetings, in face-to-face discussions and by means of telephone conferences. Written reports were furthermore submitted on specific projects and issues. The Management Board always satisfied the information and reporting requirements laid down by the Supervisory Board in every respect. As the Supervisory Board has only three members, no committees were formed. All matters were discussed by the full board.

In the past financial year there were again no conflicts of interest among Management Board and Supervisory Board members that are to be disclosed to the Supervisory Board without delay and of which the Shareholders' Meeting is to be informed.

The topics discussed at the Supervisory Board meetings comprised fundamental and strategic matters concerning the holding company, segments and individual companies, but also individual matters of major importance and with far-reaching consequences from the viewpoint of the group. The individual matters discussed comprised:
- The strategic direction and business policy of the group, the segments and the group companies
- General business performance and financial reports to be published
- Acquisitions in progress and in preparation, as well as possible options for acquisitions
- Major or strategically significant investment decisions
- Various topics concerning the operating companies and the progress of important areas of business
- Strategic, operating and financial risks as well as risk management
- Matters of financing
- The corporate culture and social issues
- Response to changes to the Corporate Governance Code
- Changes to regulatory and negotiable instruments law
- Remuneration structures of the Management Board and management employees
- The efficiency of the Supervisory Board's own activities
- Opportunities and risks, and risk management
- The selection and monitoring of the independent auditor

The Supervisory Board and Management Board again discussed corporate governance within the company at length during the year under review and jointly issued an updated Declaration of Compliance on the German Corporate Governance Code in accordance with Section 161 of German Stock Corporation Law, and made it permanently available to the shareholders on the company's website. In connection with the amendments made to the Code in May 2010, the Supervisory Board identified specific targets in respect of its future composition and resolved to strive for diversity in the composition of the Management Board.

The Supervisory Board considered the remuneration system for the Management Board in the latter's absence. In the absence of the Management Board, on May 20, 2010 the Supervisory Board resolved the reappointment of Dr. Gert-Jan Huisman as Management Board Chairman from June 1, 2010 and on September 20, 2010 the appointment of Jacko van der Stege as member of the Management Board. Jacko van der Stege had already been responsible for the Gas Flue Systems segment as Managing Director for the previous two years.

The accounts, annual financial statements, management report, consolidated financial statements and group management report at December 31, 2010 have been examined by the auditors Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Essen, who have given their unqualified certification thereof. The above documents and the proposal by the Management Board on the appropriation of the accumulated profit were made available to each member of the Supervisory Board in a timely manner. These were discussed at length with the auditors at the Supervisory Board meeting on March 22, 2011, when the auditors reported on the principal findings of their audit. The auditors of the accounts furthermore established that the Management Board has set up a suitable information and monitoring system.

The Supervisory Board has considered at length the disclosures made in the management report and group management report. Reference is therefore made to the corresponding comments in the management report and group management report, which the Supervisory Board has examined and supports.

The Supervisory Board has examined the annual financial statements, management report and consolidated financial statements, including group management report, as prepared by the Management Board, together with the dependence report drawn up by the Management Board as a precautionary measure. The examination by the Supervisory Board has revealed no cause for objection. The annual financial statements of the group parent and the consolidated financial statements at December 31, 2010 were approved by the Supervisory Board. The annual financial statements of the group parent issued by the Management Board are hereby established. The proposal by the Management Board on the appropriation of the accumulated profit was approved by the Supervisory Board.

The Supervisory Board expects that CENTROTEC Sustainable AG will further consolidate and extend its position in the worldwide growth market for energy-saving building technology, and achieve a good return on investment in the interests of its shareholders.

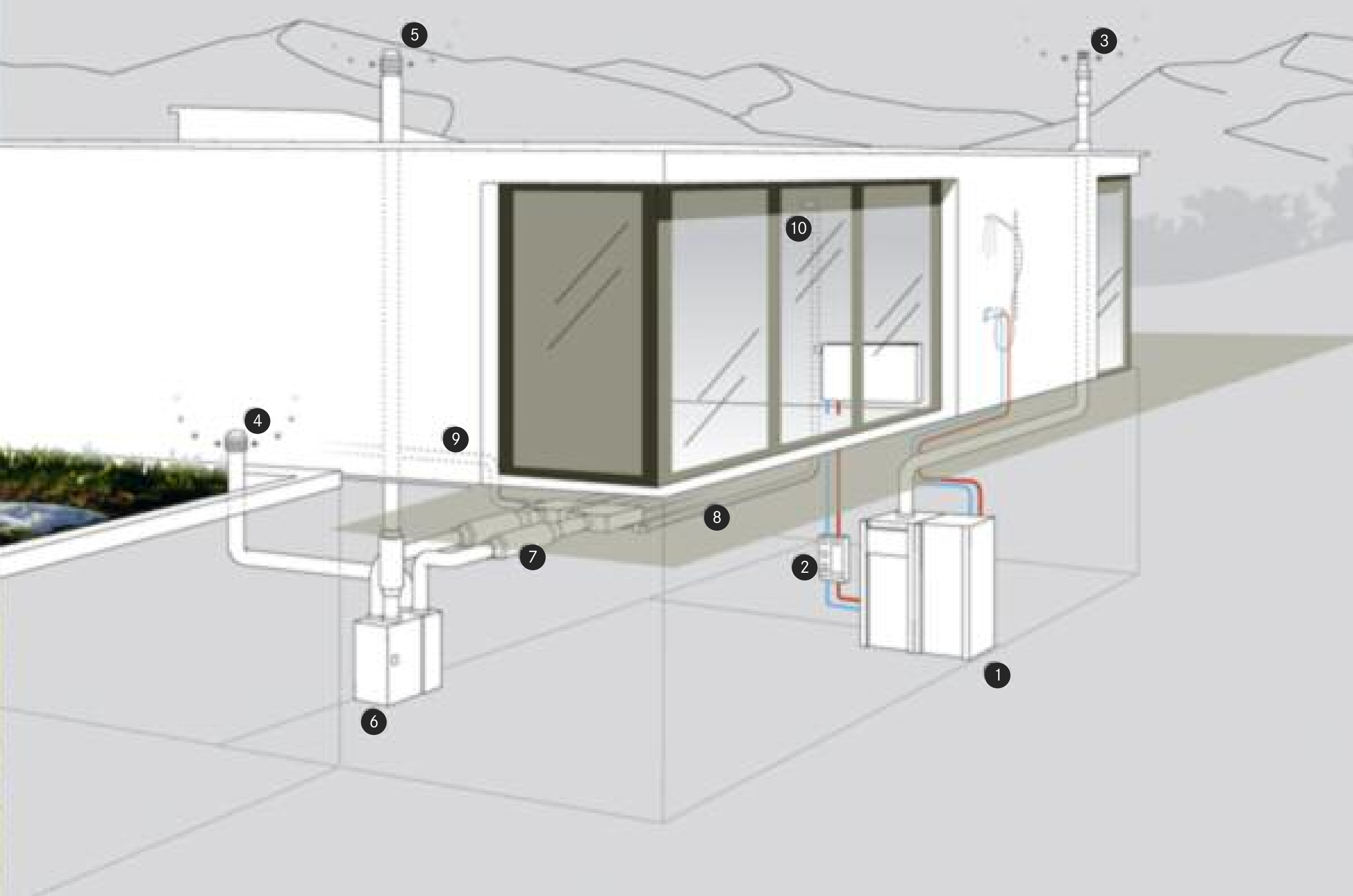
Particular thanks are due to the employees of the CENTROTEC Group, who have made a major contribution to the success of the company through their considerable dedication, expertise and creativity.

Brilon, March 2011
The Supervisory Board

Guido A. Krass
[Supervisory Board Chairman]

CENTROTEC home ventilation systems with heat recovery with an efficiency of up to 95 % maintain consistently high standards of interior air quality while using energy with maximum efficiency. Energy losses through ventilation are cut by up to two-thirds in highly insulated buildings. Condensing boiler systems for oil and gas make optimum use of these fuels, thus helping to preserve scant resources.

1 Condensing boiler technology (oil or gas) for space heating and hot water
2 Mixer circulating pump
3 Plastic gas flue system
4 Fresh air
5 Chimney
6 Controlled domestic ventilation (95 % heat recovery)
7 Sound absorber for whisper mode
8 Flat ventilation system with reduced installation height
9 Incoming air
10 Outgoing air



Corporate Governance Report

Corporate governance has been a central component of CENTROTEC Sustainable AG's corporate philosophy for many years. The Supervisory Board and Management Board have considered the Code at length in each amended version and incorporated the recommendations into their actions. As a result, CENTROTEC Sustainable AG complies in all key respects with the recommendations of the German Corporate Governance Code as amended most recently on May 26, 2010 and with the previously valid version of the Code dated June 18, 2009. The Declaration of Compliance below indicates and clarifies the departures.

Management and governance structure

In keeping with German Stock Corporation Law, CENTROTEC Sustainable AG has a two-tier management and governance structure that comprises a five-member Management Board (at the reporting date of December 31, 2010) and, as laid down in its articles of incorporation, a three-member Supervisory Board. The Management Board and Supervisory Board work together closely in the interests of the company. The Management Board coordinates both the strategic direction and principal transactions with the Supervisory Board.

In accordance with the rules of internal procedure of CENTROTEC Sustainable AG, 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 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, the opportunities and risks, and risk management.

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. It in addition appoints and dismisses the members of the Management Board. It may appoint a Chair of the Management Board. In accordance with the rules of internal procedure for the Supervisory Board, at least two meetings of the Supervisory Board are held each year. In the 2010 financial year, four meetings of the Supervisory Board took place. The members of the Supervisory Board are appointed until the Shareholders' Meeting that gives discharge for the fourth financial year after the start of their term of office. The financial year in which the term of office commences is discounted.

Diversity and composition of the Supervisory Board

CENTROTEC Sustainable AG welcomes the amendments to the German Corporate Governance Code dated May 26, 2010 on diversity as an important step towards increasing the participation of women and international members in the management echelons of the company as well as on the Management Board and Supervisory Board.

Taking account of the company's specific situation, the Supervisory Board has identified specific targets in respect of its composition, such as an age limit as well as efforts to ensure that women and international members participate adequately. The Supervisory Board will take account of these targets when proposing candidates to the electoral bodies, and in particular the Shareholders' Meeting.

At Management Board level, too, the Supervisory Board strives for diversity in keeping with the German Corporate Governance Code, including in particular the appropriate participation of women.

When filling management posts within the company, the Management Board is to adopt an employee-led human resources policy and in particular seek the appropriate participation of international experts and women. There are already numerous international experts in the middle management of the CENTROTEC Group, including the managing directors of the international subsidiaries. In view of the highly technical nature of the industry, there are currently only few women in the middle management of the CENTROTEC Group. CENTROTEC therefore strives to increase the number of women in management posts, bearing in mind its operational circumstances.

Shareholders and Shareholders' Meeting

The shareholders exercise their rights through the Shareholders' Meeting and make use of their voting rights there. Each share carries one vote. Every shareholder is entitled to take part in the Shareholders' Meeting. The Shareholders' Meeting takes decisions concerning in essence the appropriation of profits, discharge of the Management Board and Supervisory Board, the articles of incorporation and amendments thereto, key entrepreneurial measures, and measures that change the capital such as the issuance of new shares, the acquisition of treasury stock and the conditional capital. The participants of the Shareholders' Meeting elect the Supervisory Board members and determine their remuneration.

Remuneration system of the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board, including the principal contractual features. The remuneration system of the Management Board and Supervisory Board is presented in detail in the remuneration report, which forms part of this report.

Third-party financial loss insurance (D&O cover) has been taken out for the company's Management Board and Supervisory Board members, incorporating an appropriate excess for the Management Board members in accordance with the statutory provisions. An appropriate excess has also been agreed for the members of the Supervisory Board, in agreement with the Code. The managing directors and administrative board members of subsidiaries are included in this D&O cover.

Transparency

CENTROTEC Sustainable AG has acted openly and responsibly ever since its establishment, and therefore did so before the company pledged to observe the Corporate Governance Code. The overriding objective of CENTROTEC's 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 listing all key dates for CENTROTEC Sustainable AG, ad hoc information and press releases as well as a yearly document in compliance with Section 10 of German Securities Prospectus Law (WpPG), the latest developments regarding the Corporate Governance Code and notifiable securities transactions (directors' dealings) pursuant to Section 15a of German Securities Trading Law (WpHG) as well as changes in the principal investments and in the overall voting rights pursuant to Sections 26 and 26a of German WpHG are published on the CENTROTEC homepage, following disclosure to the German Financial Supervisory Authority and the stock market. All the above information is immediately published on the company's homepage and older information is also made publicly available, above and beyond the statutory requirements.

Article 6.6 of the Corporate Governance Code and Section 15a of German Securities Trading Law stipulate the obligation to report immediately acquisition and sale transactions (in excess of EUR 5 thousand p. a.) by Management Board and Supervisory Board members or by other persons performing management tasks who regularly have access to inside information about the company. Those persons are fundamentally held on a list of insiders at CENTROTEC Sustainable AG and, where they fall under the obligation to supply notice, are obliged to notify the company immediately and the Federal Financial Supervisory Authority (BaFin) of the transactions described in the above sections. CENTROTEC Sustainable AG has passed on all such transactions to BaFin without delay and published them on its homepage. The current holdings of shares and options by the members of corporate bodies are likewise documented there.

Legal transactions with companies in which members of the Supervisory Board and management hold or might hold an interest were also conducted in the financial year. As presented in detail in the Declaration of Compliance, these did not give rise to any conflict of interests.

As in previous years, a dependence report was issued by the Management Board as a precautionary measure. We refer to the contents of the dependence report for details.

Financial reporting and auditing of financial statements

The Consolidated Financial Statements are prepared by the Management Board, audited by the independent auditors and ratified by the Supervisory Board. The Consolidated Financial Statements and interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable within the EU, and published in both German and English.

Declaration of Compliance

The Management Board and Supervisory Board of CENTROTEC Sustainable AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated June 18, 2009 and subsequently in the version dated May 26, 2010 are and have been complied with since the last Declaration of Conformity, dated December 2009, 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, among other things, 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. CENTROTEC Sustainable AG has been operating a stock options scheme, applicable not only to Management Board members but also to executive staff and other employees, since 1999. 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 options, this was realised through allowing their exercise only within a limited time frame (for the first time two years after issuance, for the last time seven years after issuance). 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.

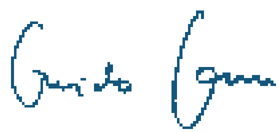
3) Article 5.4.2 of the Code recommends that the Supervisory Board includes an adequate number of members who – in the board's own opinion – are deemed to be independent. A member is to be regarded as independent if it has no business or personal relations with the company or with its Management Board that might constitute a conflict of interests. In its own opinion, our Supervisory Board includes an adequate number of independent members. Although Supervisory Board members do have business relations with the company, this does not constitute a conflict of interests.

Brilon, December 2010

On behalf of the Management Board

Dr. Gert-Jan Huisman
[Chairman]

On behalf of the Supervisory Board



Guido A. Krass
[Chairman]

Responsibility Statement

Responsibility Statement pursuant to Section 297 (2) fourth sentence and Section 315 (1) sixth sentence of German Commercial Code

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.

Brilon, March 22, 2011

Dr. Gert-Jan Huisman
Anton Hans
Alfred Gaffal
Jacko van der Stege
Dr. Christoph Traxler

Section 289a

LINK to CENTROTEC homepage:
http://www.centrotec.de/investor-relations/corporate-governance/statement.html

Remuneration Report of the Management Board and Supervisory Board

The remuneration report of CENTROTEC Sustainable AG is based on the requirements of the International Financial Reporting Standards (IFRS) and German Commercial Code (HGB) while also incorporating the recommendations of the German Corporate Governance Code. The report contains disclosures that are made in the Notes to the Consolidated Financial Statements and Management Report in accordance with the above standards. It therefore forms a part of the audited Consolidated Financial Statements. The matters explained in this report are therefore not presented additionally in the management report and Notes to the Consolidated Financial Statements.

Remuneration of the Management Board

The remuneration system for the Management Board including the key contractual elements is agreed by the Supervisory Board and regularly examined. The remuneration of the members of the Management Board comprises a non-performance-related fixed salary and a performance-related remuneration component. In addition to this there are retirement benefits, other pledges and fringe benefits. The level of the remuneration of the Management Board members reflects the size as well as the economic and financial position of the company, together with how typical the remuneration is when measured against its peer companies. Task areas, personal performance and experience as well as attainment of targets by the Management Board members are moreover taken into account in determining their remuneration. The remuneration system thus sets long-term behavioural incentives and focuses on sustainable development of the company.

The Management Board of CENTROTEC Sustainable AG comprised four and then five members in the 2010 financial year.

The non-performance-related Management Board remuneration is paid in the form of a fixed monthly salary. In the 2010 financial year these fixed salaries, including the employer's social contributions on them, amounted to EUR 1,215 thousand (previous year EUR 1,043 thousand).

In individual cases a monetary bonus is granted; its granting and level are dependent on the attainment of certain targets specified at the start of the financial year. Bonuses amounted to EUR 161 thousand in the 2010 financial year (previous year EUR 162 thousand).

The greater portion of the variable remuneration with long-term behavioural incentives is granted in the form of stock options via the CENTROTEC stock options scheme. It is dependent on the attainment of certain targets based on the specific performance of the company, as well as individual targets. Depending on attainment of the targets, the Management Board members receive a certain number of stock options, which have a long-term incentivising effect in view of the statutory vesting period and the threshold requirements for their exercising. The rules on the stock options scheme and the number of options that Management Board members are able to exercise are shown in detail in the Notes to the Consolidated Financial Statements in this Annual Report. In the year under review of 2010, the Management Board was offered the prospect of a maximum total of 131,000 options (previous year 125,000 options). Each of these options entitles the beneficiary to purchase one CENTROTEC share at an exercise price of EUR 8.50 (previous year EUR 8.30), provided certain conditions are met. The maximum number of all exercisable options was used as the calculation basis for determining the personnel expense pursuant to IFRS 2. The value of the stock options received in 2010 has been determined using a binominal model in accordance with the rules in IFRS 2 „Share-based Payments“ and totals EUR 448 thousand (previous year EUR 428 thousand).

The third category of remuneration for Management Board members comprises miscellaneous remuneration that is made substantially in the form of contributions towards pension schemes, the use of company cars, and insurance premiums, with a total cost of EUR 182 thousand (previous year EUR 119 thousand). No other fringe benefits are provided.

The remuneration of the Management Board of CENTROTEC fundamentally does not include pension contributions for Management Board members. German management board members are able to use the company agreement on company pension schemes. Like all other employees, they then make tax-advantaged contributions from their gross salary. In the Netherlands, as for all employees there, payments are made into an industry-specific fund, which guarantees an additional retirement pension on top of the state pension. The employee contributes 40 % and the employer the remaining 60 %. The pension entitlement for one Management Board member was topped up over and above the specified ceiling. This is customary for other employees, too.

The total remuneration for active and retired members of the Management Board of CENTROTEC Sustainable AG in the 2010 financial year amounted to EUR 2,006 thousand (previous year EUR 1,752 thousand). The remuneration of the individual Management Board members, broken down into non-performance-related and performance-related components, components with a long-term incentivising effect and miscellaneous remuneration, is shown in the following table in thousand euros:

Management Board member	Non-performance dependent component[1,4]	Performance-related component[4]	Components with a long-term incentivising effect[2]	Other benefits[3,4]	Total remuneration, 2010	Total remuneration, 2009
Active members of corporate bodies						
Dr. Gert-Jan Huisman	360	0	180	44	584	573
Anton Hans	127	1	78	41	247	239
Alfred Gaffal	288	160	98	7	553	533
Dr. Christoph Traxler	290	0	72	4	366	372
Jacko van der Stege (since September 20, 2010)	150	0	17	43	210	0
Retired members	0	0	3	43	46	35
Total	1,215	161	448	182	2,006	1,752

1 Incl. employer's social contributions
2 Valued options (max.)
3 Expense for pensions, company cars and other
4 Short-term component

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated by Section 18 of the articles of incorporation of CENTROTEC Sustainable AG. This specifies that, in addition to reimbursement of their out-of-pocket expenses, the members of the Supervisory Board receive a fixed annual remuneration that was determined by the Shareholders' Meeting on May 20, 2010, and also a variable, performance-related remuneration. The fixed remuneration amounts to EUR 24 thousand per member of the Supervisory Board for each full year of service. The Chairman receives double and the Deputy Chairman one and a half times the amount due to a member of the Supervisory Board. This remuneration of members of the Supervisory Board of CENTROTEC Sustainable AG amounted to EUR 108 thousand in the past financial year (previous year EUR 54 thousand). There were in addition other expenses amounting to EUR 2 thousand (previous year EUR 2 thousand). The statutory level of sales tax due on this remuneration is furthermore paid by the company to the extent that it is billed by a Supervisory Board member. No separate remuneration is paid for service on committees, because the three-member Supervisory Board of CENTROTEC Sustainable AG does not form separate sub-committees in view of its size. By way of variable and performance-related remuneration, in accordance with the articles of incorporation, each member of the Supervisory Board receives remuneration amounting to 0.1 % of the dividend payable for a given financial year; as in previous years, however, no dividends were distributed in the 2010 financial year.

Shares

The market environment

After all relevant stock exchanges had posted gains well into double figures in the previous year, the performance of the main indices was significantly less dynamic in 2010. The bandwidth of performance over the year stretched from the mildly negative to gains of 40 % or more. As in the previous year, the SDAX put in an impressively strong performance in climbing 43 % over the course of 2010, easily outpacing both well-performing German indices such as the DAX (14 %), MDAX (32 %) and TecDAX (2 %) and also international indices such as the EURO STOXX (down 7 %), the Dow Jones (9 %), the Nikkei (down 4 %) and the Hang Seng (down 4 %).

This fundamentally positive performance over 2009 and 2010 thus anticipated the corresponding pattern in the real economy's recovery that followed the global economic crisis of 2008 and 2009. As the real economic growth expected for 2011 in almost all major economic regions is likely to be lower than in 2010, and with spiralling public deficits and debt levels in many countries posing a threat to growth, the further direction of international stock markets over the next few months is difficult to predict.

Share price performance

CENTROTEC shares performed very well in 2010 both compared with all indices and also in relation to their peer group. In rising by 67 % to EUR 16.00 on December 31, 2010, CENTROTEC shares regained their long-term growth trend during the past financial year and more than recovered the approx. 10 % fall in the trading price from the previous year.

After falling from the opening price of EUR 9.49 to the year-low of EUR 9.15 in the first few days of 2010, the price climbed to over EUR 12 by the end of January and then proceeded to shift sideways in the months that followed. After the publication of the business figures for 2009 the trading price climbed further to around EUR 14. Over the summer months the shares then remained within a bandwidth of EUR 12 to 14, with a further climb to a year-high of EUR 17.50 in early November prompted by the publication of the first-half figures and the upgraded annual forecasts. The trading price then consolidated at a level around EUR 16 towards the end of the year. The year-end price was exactly EUR 16.00. All prices quoted here refer to XETRA trading.

Since the IPO at the end of 1998, the value of CENTROTEC shares has consequently increased five-fold; over this twelve-year period their price has increased on average by more than 14 percent annually. Despite this positive price performance in both the short and long term, the price-to-earnings ratio based on the figures targeted for 2011 and the 2010 year-end price is below eleven; consolidated revenue has risen steadily and is double the market capitalisation of the CENTROTEC Group.

After the period under review the trading price rose by more than EUR 4 to exceed EUR 21 for a time, with a markedly increased trading volume, to reach several new all-time highs. The performance lead over the indices, which rose only mildly in the same period, consequently widened considerably.

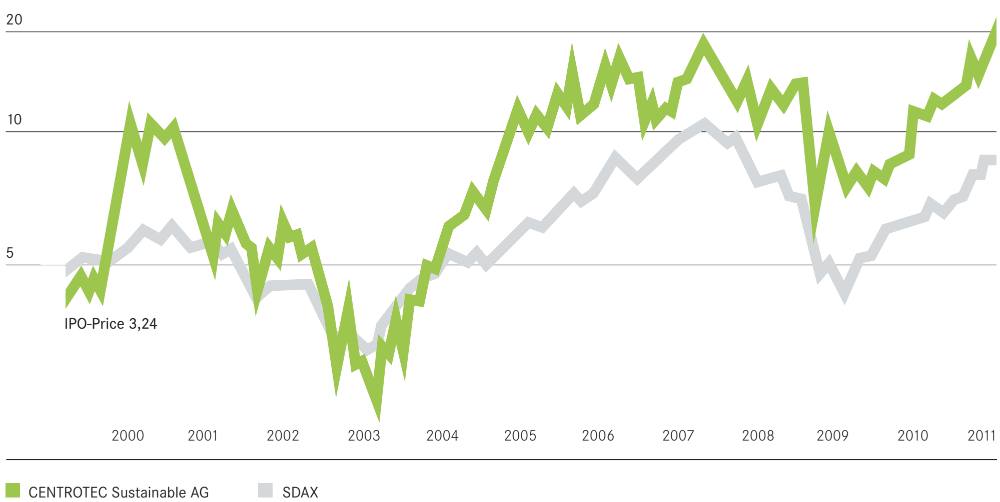
Share statistics

The shares of CENTROTEC Sustainable AG are listed under securities identification number WKN 540 750, the international number ISIN DE0005407506 and the stock exchange code CEV in the SDAX of Deutsche Börse. The shares are also listed in the Prime All Share and other subindices of the German Share Index (DAX).

The capital stock of CENTROTEC Sustainable AG at December 31, 2010 amounted to EUR 16,961,961, divided into 16,961,961 no-par-value bearer ordinary shares carrying full voting rights, each representing an arithmetical nominal value of EUR 1. Compared with the position at December 31, 2009 the capital

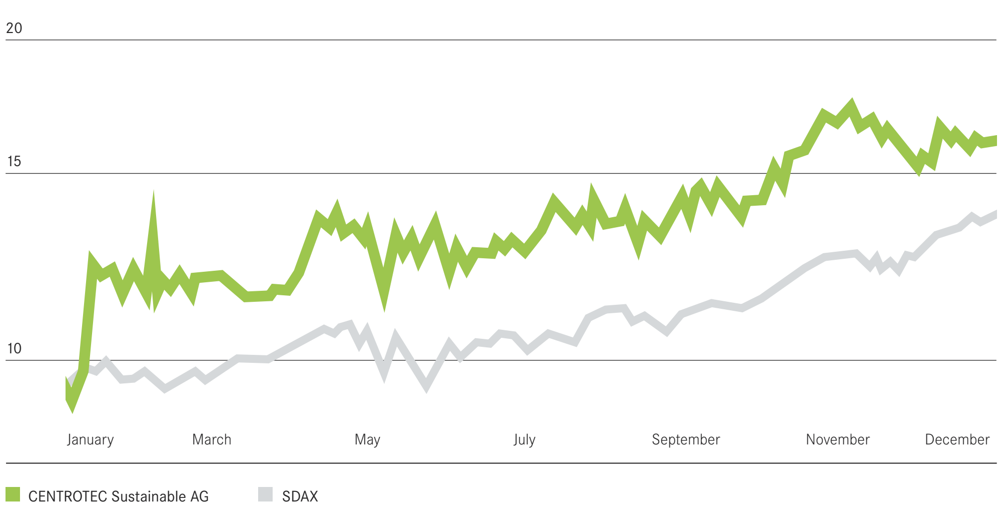
SHARE PRICE SINCE 2000

[in EUR]



SHARE PRICE 2010

[in EUR]



stock rose by EUR 245,699. The number of CENTROTEC shares outstanding correspondingly rose by 245,699. This change is exclusively attributable to the exercising of stock options by corporate bodies and employees of the CENTROTEC Group, who had been granted these options in the past as remuneration components with a long-term incentivising effect. Stock options were again granted or the possibility of them being granted was offered in the period under review. For further particulars, please refer to Section 11 of the Notes, under “Shareholder’s equity”.

The Management Board of CENTROTEC Sustainable AG, with the consent of the Supervisory Board, will propose to the Shareholders' Meeting on May 26, 2011 that as an initial step a dividend of EUR 0.10 per dividend-bearing no par value share be distributed for the 2010 financial year. The plan nevertheless remains to plough back the greater part of profit and invest it in the further organic and acquisitions-led growth of the company. This approach will however continue to be reviewed on a regular basis in the future and a separate decision taken each year. Since the IPO in 1998 the family of Supervisory Board Chairman Guido A Krass has remained the principal shareholder of CENTROTEC with a holding of more than 50 %. Over and above that, the company has no indication that there are other shareholders with a percentage holding running into double figures. Several notices that investors' holdings had exceeded or fallen below the reporting thresholds pursuant to Section 26 (1) of German Securities Trading Law were received in 2010. In every case the threshold in question was 3 %. Detailed information on this topic is permanently available on the website of CENTROTEC Sustainable AG (www.centrotec.de under the menu item Investor Relations/Share/Disclosures S. 26 (1) WpHG). CENTROTEC Sustainable AG moreover held an unchanged number of 12,080 treasury shares at the balance sheet date of December 31, 2010. These treasury shares do not carry any voting rights at the company's Shareholders' Meeting. All other shares outstanding are not subject to any restrictions with regard to transferability and voting rights.

The substantial rise in interest in CENTROTEC shares compared with the previous year is reflected in the sharp increase in trading volume in 2010. Over the year as a whole, 8.8 million (previous year 5.4 million) shares were traded at all German stock exchanges. This increase of almost two-thirds in the number of shares traded was spread over the entire period under review. Along with the marked price gain in the course of 2010, the trading volume expressed in euros grew by 164 % to EUR 119 million (previous year EUR 45 million). The proportion of shares traded in XETRA increased year on year to 87 %. The average daily trading volume in 2010 reached around 30,000 shares in XETRA trading alone.

	2006*	**2007**	**2008**	**2009**	**2010**
Total shares at Dec 31, thousand	8,204	16,493	16,582	16,716	16,962
Capital stock at Dec 31, EUR	8,204	16,493	16,582	16,716	16,962
Market capitalisation at Dec 31, EUR million	196.9	228.3	175.8	157.8	271.4
Year-end price, EUR	24.00	13.85	10.60	9.44	16.00
Year-low, EUR	22.44	11.00	6.85	6.05	9.15
Year-high, EUR	35.36	18.36	16.14	10.80	17.50
XETRA trading volume, average in thousand	19.1	43.4	27.9	17.2	29.6
Earnings per share, EUR	1.76	1.01	1.13	0.33**	1.54
Price-to-earnings ratio at Dec 31	13.6	13.7	9.4	28.6***	10.4

* Figures before issuance of 1:1 bonus shares in July 2007
** Excluding the investment result EUR 0.93
*** Excluding the investment result 10.2

Investor relations

The open, prompt and reliable communication that has been nurtured with all financial market participants since the IPO has consistently underpinned the healthy price performance of CENTROTEC shares that is driven by strategic and operational strength. This confidence-building communication work includes in particular publishing realistic, firm forecasts and adjusting these promptly in the light of sufficiently robust new data. This strategy, which was adhered to throughout the recent phase of economic difficulties, will continue to serve as the guiding principle for CENTROTEC's investor relations activities. The transparency guidelines required by law, based on German Securities Trading Law, German Stock Corporation Law, the International Financial Reporting Standards and the rules of corporate governance, merely constitute the minimum standard guaranteed by CENTROTEC. Over and above these standards, IR communication work will continue to reflect very strongly the needs of the target audiences and is also open to using new channels, provided they stand up to the test of cost effectiveness.

As in previous years, specifically the CENTROTEC Management Board sought direct contact with interested financial market participants at a large number of roadshows, through telephone and video conferences and at the Shareholders' Meeting. The Investor Relations area also ensured that the latest information was posted on the homepage of the group website and was available throughout to handle enquiries by phone, correspondence or electronic means. At the start of June CENTROTEC also held an Investors' Day at the Intersolar in Munich, where the biggest group subsidiary Wolf was among the exhibitors. The level of interest in the CENTROTEC Group detected through these activities was reflected to some degree in the CENTROTEC share price performance, which also benefited from the upgrading of the 2010 earnings forecast twice during the year. The consistently positive verdicts on the current position of CENTROTEC, but above all on its prospects, are reflected in the studies carried out by the following analysts, whose opinions are posted in the IR section of the group homepage shortly after disclosure.

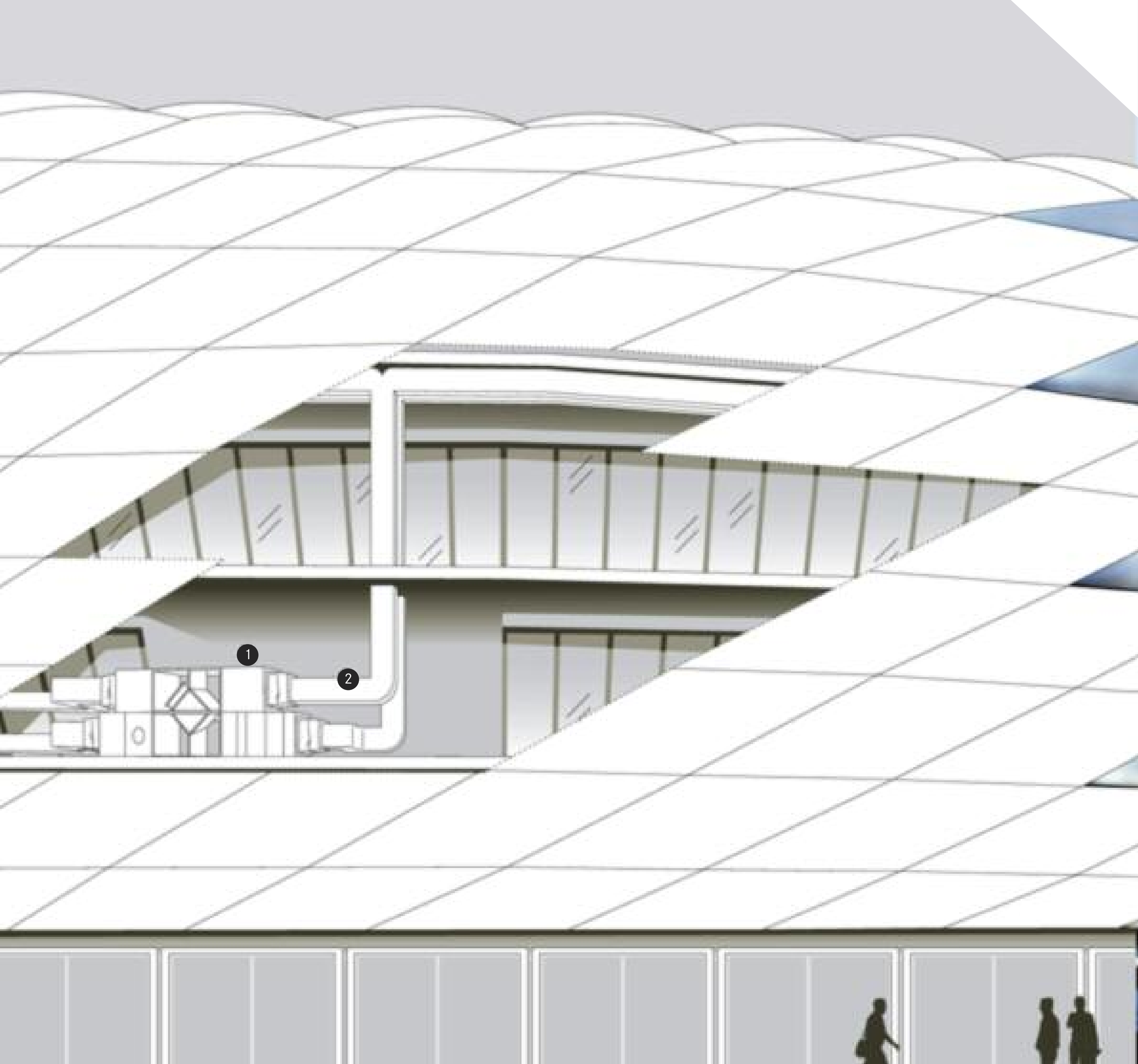
Coverage

Berenberg	M.M. Warburg	Merrill Lynch
BHF-Bank	Sal. Oppenheim	Montega
HSBC	Solventis	

Climate control solutions from CENTROTEC are configured along modular lines for various different applications – ranging from office blocks to event complexes, sports stadiums and clinics – and feature intelligent control for an optimum interior climate that uses energy in the most efficient way possible.

1 Climate control solution with heat recovery

2 Airducting systems




Allianz Arena

Group Management Report

The CENTROTEC Group – hereinafter also referred to as CENTROTEC – is Europe's only listed full-service supplier of energy-saving solutions and systems for renewable energies in buildings. The product range spans system solutions for the areas of heating, ventilation and climate control technology, as well as solar thermal, biomass, heat pump technology and co-generation.

In the 2010 financial year the CENTROTEC Group operated at record level in virtually all the relevant areas: revenue and earnings, market shares, total employees, the quality and breadth of the product range, customer ratings, and last but not least the capital market's verdict. This development is all the more notable bearing in mind the unprecedented global economic crisis specifically in 2008 and 2009 and the continuing difficulties being experienced in the German domestic market; it furthermore supplies evidence of how successful the CENTROTEC Group's long-term growth strategy is.

1 Structure, strategy and steering

Since its IPO in 1998 the CENTROTEC Group has enjoyed steady organic, profitable growth which has repeatedly been bolstered by targeted corporate acquisitions. This buy-and-build strategy has gradually optimised and extended the product range from a technical viewpoint, and brought it an increasingly strong sales position. The incremental gains in market shares in recent years in the target markets for integrated system solutions reflect the success of this corporate strategy, which is based on the ample entrepreneurial latitude enjoyed by the individual group companies, but also on growing intra-group partnerships.

The CENTROTEC Group comprises three segments, of which the two largest in revenue terms, Climate Systems and Gas Flue Systems, comprise the core business for energy-saving solutions and renewable energies in buildings. The third segment Medical Technology & Engineering Plastics, which is the smallest by revenue, develops, produces and sells products in the area of medical technology and high-performance plastics. CENTROTEC moreover holds a 26.16 % interest in the former fully-owned subsidiary CENTROSOLAR Group AG, which specialises in photovoltaic roof systems and has been listed on the stock market since 2005. As in previous years, the Netherlands and Germany provide the regional emphasis of the group's revenue. These two countries, where all the group's principal production locations are based, accounted for approx. 63 % (previous year 64 %) of consolidated revenue in 2010. However, the group's strategy of internationalisation will prompt a further rise in the export share in future. The structure of the CENTROTEC Group is represented diagrammatically on page 2 (organisation chart).

It is a key aspect of the CENTROTEC corporate philosophy to grant the individual operating units entrepreneurial freedom because that is how the operating subsidiaries can respond swiftly, innovatively and in a way that best reflects each regional market. The ability to assume independent responsibility moreover motivates employees, producing greater job satisfaction and correspondingly lower employee turnover. Taking this as the starting point, cooperation between the individual group companies both across and within segments will be further increased in order to develop joint product solutions, optimise existing customer relations, access new markets, speed up logistics processes and realise synergies in purchasing and sales. The group-wide planning and budgeting system that is updated in-year is additionally regularly adjusted to reflect changing requirements so that departures from the targets and changes in the general parameters can be identified early on in tandem with the risk management system, and appropriate corrective action taken. The ongoing efficiency improvement and cost-cutting programmes furthermore play a pivotal role in ensuring that the CENTROTEC Group is consistently successful at operating in rapidly changing markets.

2 Economic conditions

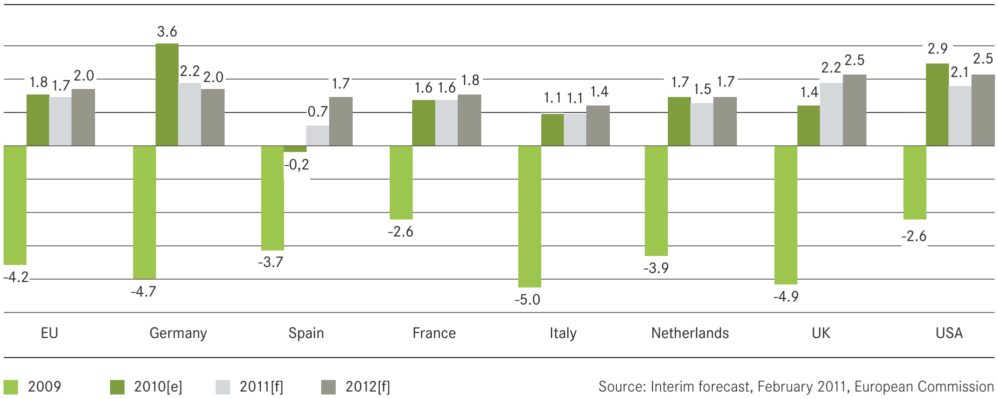
2.1 Economic environment

Particularly in Germany, 2010 brought a marked economic recovery compared with the year of the global crisis, 2009. Gross domestic product (GDP) in Germany grew by 3.6 % (previous year contraction of 4.7 %) and, if the growth of 2.2 % forecast for 2011 is achieved, will be back up at the level of the record-breaking year 2008 by the end of this year. A similar development can be observed in the Netherlands, though the current growth rate is somewhat lower. Economic output also rose in most other European national economies, though in most cases more slowly than in the CENTROTEC Group's core countries. The national economic output of countries throughout Europe is forecast to grow further in 2011 and 2012. As before the crisis, the highest growth rates are expected to be achieved by the newer members of the EU in Central and Eastern Europe. But the German economy, too, is expected to expand slightly faster than the EU average, by 2.2 % in 2011 and 2.0 % in 2012. Growth in the Netherlands is forecast at 1.5 % and 1.7 % respectively, and therefore slightly below the average for the EU.

In worldwide terms, the growth rates of the mostly highly developed Western European national economies are lagging well behind those of emerging countries. The highest rates of economic growth were once again achieved in China, which increased its economic output by more than 10 % in 2010 alone. The other

DEVELOPMENT OF GROSS DOMESTIC PRODUCT

[Change in relation to previous year in percent]



Source: Interim forecast, February 2011, European Commission

BRIC countries, too – India, Brazil and Russia – posted GDP growth well above the world average (3.8 %) in the period under review. For 2011 and 2012, the BRIC countries are likewise expected to achieve much higher growth than the worldwide forecasts of 3.3 % and 3.6 %. However, Russia is developing less dynamically than China, India and Brazil and is subject to greater fluctuations.

Energy prices, which have a major bearing on CENTROTEC's core business, climbed to levels significantly up on the previous year as an average for 2010. The crude oil price, which serves as a guide to the energy sector, spent most of the year at between USD 70 and 90 per barrel. At the end of the year, however, the price was significantly above the USD 90 mark for the first time since mid-2008. The average for the year of USD 80 was well up on the prior-year figure of USD 62. There are wide-ranging forecasts on where the oil price will actually be in the near and distant future. Amid these varying forecasts there is nevertheless consensus that the price of crude oil will rise at least in the medium to long term, as will all other fossil fuels such as gas and coal, which fundamentally track the oil price with some time lag at either a premium or a discount. The peaking of worldwide oil production expected in the short to medium term and the steady rise in demand specifically from the rapidly growing emerging countries make a further fundamental rise in energy prices appear indispensable. As a result, the efficient use of fossil fuels and their substitution wherever possible are becoming increasingly relevant; the technology to achieve this already pays its way in a steadily growing number of areas. Reduced consumption of fossil energy moreover benefits the environment and brings greater independence both for the individual and for entire countries. The issues of energy efficiency and the use of renewables are therefore one of the global megatrends for countries, businesses and private individuals.

As the key industry for the majority of CENTROTEC products, construction has experienced widely contrasting fortunes in recent years. There have been differences both regionally and between the new-build and renovation markets. The performance of the industry was in addition hugely influenced by the global economic crisis and the distinct ways in which it affected the various different regions. For example in the CENTROTEC core markets Germany and the Netherlands, the new housing market has been observed to be weak, stabilising at a low level over the past three years. The area of commercial construction suffered major falls in revenue in both 2009 and 2010. This happened despite ongoing economic stimulus programmes in 2010, including for public-sector building projects. In other European countries such as Spain and Ireland, much more dramatic fluctuations in construction volume have been witnessed in recent years. In parallel with this difficult situation in many areas of the new construction sector, demand from the renovation market is steadily rising; this is particularly the case in the area of energy-led refurbishment of residential buildings prompted by increased energy costs, state requirements, heightened environmental awareness and the appearance of the right products on the market. Equally, as a result of the long-term observed trend in combining different types of heating system and the convergence between these systems and solutions for ventilation and climate control, the overall volume of individual projects is steadily on the rise.

2.2 Development of heating and energy-saving technology market

2.2.1 Market structure

In heating, climate control and ventilation technology there are a large number of regional markets with many different market operators. The market as a whole can be differentiated both regionally and by product because of country-specific factors in climatic conditions and varying national regulatory requirements. Despite the range of underlying conditions, all markets exhibit a fundamental trend towards greater energy efficiency and convenience in the system solutions that they favour. The regulatory requirements specifically within the EU are also becoming standardised at a high level. There is moreover the trend towards integration of previously separate systems in the areas of heating, ventilation, climate control and solar energy. These coordinated, centrally controlled integrated systems are absolutely essential if low-energy or passive houses and other similar, increasingly popular energy-efficient designs are to operate efficiently. It is becoming ever more common for them to be combined with systems that use renewable energies.

Following the convergence of heating, ventilation and climate control technology and of renewable energies, increasingly high-performance systems suppliers will emerge. The consolidation of the European heating technology market that is expected as a result of these market developments is progressing only slowly and has not yet produced a clear global market leader. There are still more than 200 heating technology manufacturers as well as over 100 manufacturers of systems using renewable energies in the European market. The trend towards full-service suppliers that has been observed for some years continued in 2010. For instance, among the leading pan-European major German manufacturers there are clear signs of moves to offer a comprehensive range of products. The CENTROTEC subsidiary Wolf paved the way for the German heating industry in adopting a strategy to promote energy-saving systems and integrated overall solutions as far back as 2002. The Wolf Group remains one of the leaders for integrated system solutions that save energy in buildings, by virtue of combining expertise in handling various heating systems and solar technology with climate control and ventilation technology.

The leading heating technology suppliers are extending their product portfolios mainly by building up their own expertise, but also increasingly by making technology-led acquisitions. The industry is furthermore focusing on the regional expansion of the sales markets that have traditionally been limited to Germany and Europe, spreading specifically to the growth markets in Asia and North America. The leading players in the industry have the necessary resources to handle these developments. Alongside the CENTROTEC Group, with its core brand Wolf, there are other German companies among the European leaders: Bosch Thermotechnik, Viessmann, Vaillant and Weishaupt. Then there are other leading European companies such as the Dutch BDR Therma (formerly De Dietrich-Remeha-Baxi Group), France's Atlantic and the Italians Ferroli, Riello and Ariston (formerly MTS Group).

2.2.2 Market development and market outlook

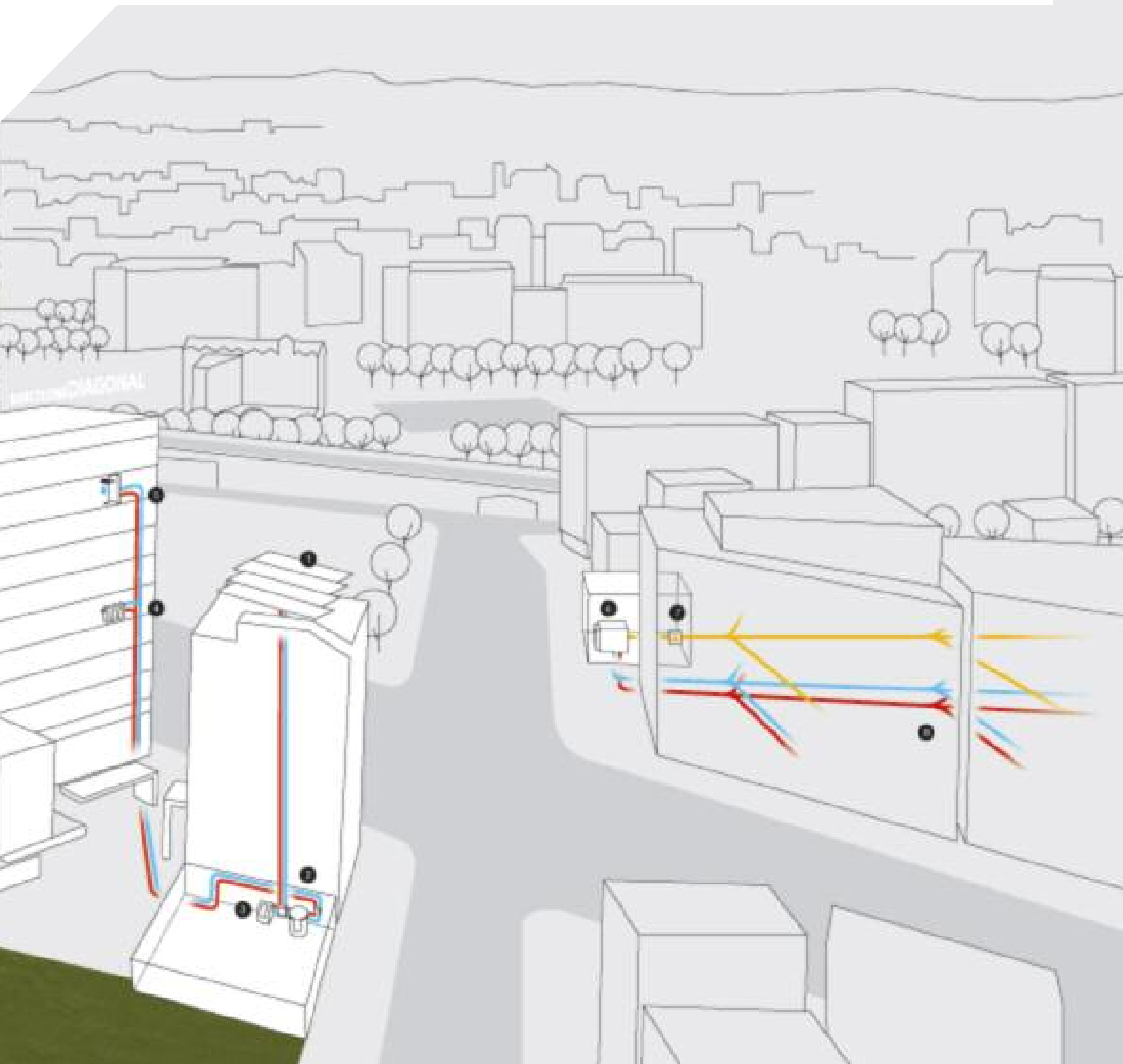
2010 was a difficult year for the European heating technology market, with a mixed performance both in regional terms and for the various types of heating systems available. The positive development in the national markets for heating technology in Benelux, Italy and the UK contrasts with a downturn in the French, Spanish, Austrian and Swiss markets. There were moreover mixed developments even within these national markets. In the areas of solar thermal and heat pumps, for example, there was growth by up to one-third in certain countries, while other countries experienced a double-digit percentage fall in the same market segments. However, the trend towards condensing boiler technology is uniform and has remained stable for a number of years, with increased market shares in all European markets. The levels of market penetration nevertheless remain widely varied. In the UK and the Netherlands, for example, over 90 % of heat-generating systems sold are already based on high-efficiency condensing boiler technology, while in many Southern European countries this technology features in less than a quarter of the appliances sold. The difference among appliances already in operation is even more marked, reflecting the considerable market potential that remains for condensing boiler technology.

The German heating market in 2010 suffered a 4 % downturn in unit sales, to 612,000 heat generators, despite the clear improvement in the economy as a whole (source: BDH industry association). What makes this all the more remarkable is that the market had grown in each of the previous two years despite the extremely difficult state of the economy as a whole. One factor behind this development is the wavering policy on subsidies in Germany, which unsettled consumers and prompted them to delay a frequently urgently needed decision to modernise their system. In terms of consumer priorities solar thermal systems, but also other forms of heat generation, were also in competition to some degree with much more highly subsidised photovoltaic systems, which were often chosen in preference to heating technology because of the prevailing conditions in 2010. The marked rise in energy prices in Germany compared with the previous year was likewise seemingly not a compelling enough selling point, as prices still appeared to be low compared with the peak figures from 2008. As in the previous year, biomass systems, heat pumps and solar thermal suffered the sharpest downturn in the German market. Heat-generating systems running on heating oil also saw a noticeable drop in their market shares, whereas gas-fired systems and more specifically condensing boiler systems were able to increase their market shares. The trend towards condensing boiler technology thus continues unabated in Germany, too. The market for heat recovery ventilation systems also developed highly satisfactorily in 2010.

For 2011, a mildly positive development is expected in the European and specifically German heating technology market. These expectations are based on the positive overall economic forecasts for Germany and most European countries, the anticipated stabilisation of the policy on subsidies at a lower level, the signs of further rises in energy prices and the generally improved competitive position compared with photovoltaics, for which subsidies are being scaled back. Meanwhile further programmes of subsidies and regulatory measures to increase energy efficiency in buildings have been launched in various countries. At European level these include most notably the EU's redrafted Energy Performance of Buildings Directive (EPBD) from mid-2010, which is to be translated into national law over the next few years and over that period will uniformly assert the legal requirement of energy efficiency or energy independence in building or renovation projects. In the medium and long term, the worldwide market for heating technology and renewable energies in buildings will enjoy considerable growth potential thanks to the megatrend of energy efficiency and energy saving.

Innovative solar thermal systems use highly effective solar collectors to capture the sun’s energy and heat the water for the hotel – entirely without any climate-harming emissions. Combined heat and power plants generate power and heat at the point of use, cutting primary energy demand by over one-third – and when run on biogas they are actually entirely climate-neutral.

1 Solar thermal collector
2 Heat accumulator, solar circulating pump and mixer circulating pump
3 Condensing boiler technology
4 Hot water
5 Backup heating system
6 Combined heat and power plant
7 Generated power supplied to grid
8 Generated heat supplied to grid



3 Business performance with revenue and earnings trend

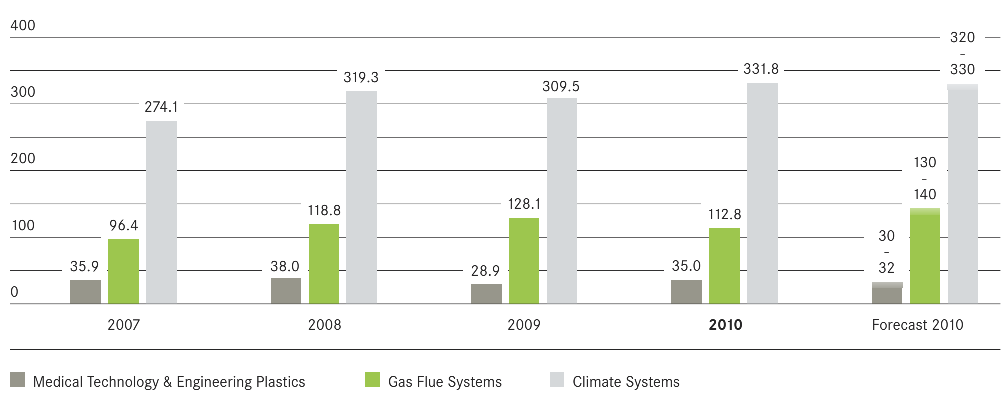
3.1 Key figures at a glance

In 2010, CENTROTEC saw all key figures for the group reach their highest ever level in the history of the company. What makes this all the more remarkable is that the market conditions in the group's core markets remained difficult last year, despite the recovery in the economy as a whole. The fundamentally positive development is in evidence in all segments, albeit to varying degrees and with regionally varying trends. There were no material changes to the group in the period under review compared with 2009.

CENTROTEC posted consolidated revenue of EUR 479.7 million in the 2010 financial year (previous year EUR 466.6 million), representing organic revenue growth of 2.8 % on 2009. Consolidated revenue was therefore likewise up on the previous record revenue total from 2008. There were substantial increases in revenue in the largest segment Climate Systems and also in the Medical Technology & Engineering Plastics segment. The Gas Flue Systems segment was not quite able to match the previous year's revenue figure, which had established a new record thanks to non-recurring effects. In the core segment Climate Systems, revenue of EUR 331.8 million was 7.2 % up on the prior-year figure of EUR 309.5 million and also bettered the previous record from 2008. Revenue equally exceeded the bandwidth of EUR 320 to 330 million projected at the start of the year. As already forecast during the year the second core segment Gas Flue Systems, which had grown particularly strongly and posted sharp increases in the previous years as a result of buildups of inventories, was not quite able to match those figures in the second half and was down 11.9 % on the previous year's record level at EUR 112.8 million (EUR 128.1 million). This was clearly below the revenue level of EUR 130 to 140 million expected at the start of the year. The smallest segment Medical Technology & Engineering Plastics staged a good recovery in 2010 from the cyclically induced slump of the previous year with revenue growth of 20.9 % to EUR 35.0 million, easily improving on both the previous year's figure of EUR 29.0 million and the forecast range of EUR 30 to 32 million. At group level the forecast for 2010 made at the start of the year proved accurate, with revenue coming in at EUR 480 million.

REVENUE BY SEGMENT FOR 2007 TO 2010 COMPARED WITH REVENUE FORECAST 2010

[in EUR million]



In terms of earnings, thanks to the positive overall development in operating business and the investment result the full-year forecast made at the start of 2010 was actually adjusted upwards twice. The operating result (EBIT) of EUR 30 to 32 million and the earnings per share (EPS) of EUR 1.10 to 1.20 expected at the start of 2010 were upgraded in the second half of the year to EUR 36 to 37 million, and EPS ultimately to EUR 1.50 to 1.60. Even the increased forecasts were comfortably achieved with a rise in EBIT of around one-quarter to EUR 36.2 million (previous year EUR 29.0 million) and EPS of EUR 1.54 (previous year EUR 0.33, previous year adjusted EUR 0.93). The group's investment result of EUR 4.4 million (previous year EUR -9.8 million) generated predominantly by the 26.2 % investment in the listed company CENTROSOLAR, contributed to both earnings before and after tax.

3.2 Climate Systems

3.2.1 Market environment and business development

2010 saw both the group's largest segment Climate Systems and in fact the group as a whole set new records for all its key figures. This continuing positive development was fuelled by growth in the shares of the German heating market over several successive quarters. As well as this healthy development in the German market, a sound performance on most international markets aided the segment's positive revenue performance.

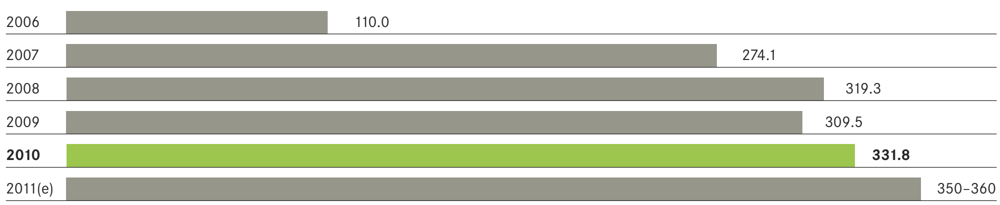
In 2010 the CENTROTEC companies in the Climate Systems Segment increased their revenue by 7.2 %, amid the difficult market environment already described, to the record level of EUR 331.8 million (previous year EUR 309.5 million). Revenue was therefore EUR 12.5 million up on the previous record from 2008 and also exceeded the bandwidth of EUR 320 to 330 million forecast at the start of 2010. The gross profit ratio ((aggregate operating performance - cost of purchased materials) / aggregate operating performance * 100) fell to 49.8 % (previous year 51.2 %) mainly as a result of the significant rise in materials purchase prices. Thanks to efficient use of economies of scale and the ongoing programmes to optimise processes, all key earnings figures were nevertheless increased more steeply than revenue. EBIT for the segment, for example, rose by 27.8 % to EUR 25.0 million (previous year EUR 19.5 million). The Climate Systems segment thus achieved an EBIT margin of 7.5 % in 2010 (previous year 6.3 %). At December 31, 2010 the Climate Systems segment employed 1,740 full-time equivalents (FTE) (previous year 1,753). The average for the year was 1,768 FTE, an increase of 30 FTE on 2009. Personnel expenses for the segment in 2010 were EUR 90.3 million, having risen by a much slower rate than revenue compared with the previous year (EUR 89.1 million). The personnel expenses ratio correspondingly fell from 28.9 % in 2009 to 27.0 % in the period under review. It should however be noted in this connection that for accounting reasons the changes in the temporary workers occasionally used are reported as cost of purchase materials rather than as personnel expenses.

3.2.2 Principal developments in the past financial year

In 2010 the Climate Systems segment yet again profited from the fundamental trend towards integrated overall solutions in the areas of heating, ventilation and climate control technology as well as the use of renewable energies. CENTROTEC's companies were able to hold their ground very successfully thanks to an innovative, very high-quality product range that has been steadily optimised and broadened over many years, and they strengthened their position in a market experiencing mixed fortunes.

REVENUE TREND CLIMATE SYSTEMS

[in EUR million]



As in previous years, the pan-European trend towards condensing boiler technology continued in Germany, too, in 2010 – with more than two-thirds of newly installed heating systems in Germany using this technology – and it will largely eclipse calorifier and low-temperature technology in the foreseeable future. Overall demand for condensing boiler systems in the 2010 financial year remained constant in a declining market; gas is the fuel on which the overwhelming proportion of condensing boilers run. There was a substantial drop in the market volume for heat pumps and biomass systems in Germany for the second successive year, following the record figures from 2008. The same is true of solar thermal. All in all, the German heating market contracted by 4 %, having grown by approximately the same amount in the previous year. However, this development contrasts with double-digit growth in unit sales of heat-generating systems by Wolf.

The CENTROTEC companies in the Climate Systems segment fared substantially better than their competitors in all areas of the heating market. Its biomass systems bucked the market trend in achieving slight growth. In the area of heat pumps, a newly launched own range of highly efficient heat pumps brought considerable growth even though the market as a whole contracted by around 10 %. With the market for combined heat and power plants advancing steadily, CENTROTEC equally achieved growth above the market average in 2010. In easily the most significant product area of condensing boiler systems for both gas and oil, growth was achieved across the board amid a difficult market environment. The highest growth both in absolute and percentage terms was achieved by gas condensing boiler systems. Easily more than half of the systems sold by this division are of the condensing boiler type.

Internationally, markets put in a mixed performance in 2010, mirroring the previous year. There was substantial growth in the Eastern European market in particular and much of the ground that had been lost in 2009 as a result of the economic crisis was recovered. Wolf succeeded in clinching a pioneering project in Russia, where large-scale boilers with outputs of up to 50 MW have been built for the local market since 2010 in a joint venture with a local partner. In the Spanish and French markets, which are also very significant for the segment, CENTROTEC's companies likewise posted above-average revenue growth. By contrast, there was a slight fall in the Dutch and Austrian markets. Overall, the European construction sector that is the basis for the segment's business remained weak throughout Europe in 2010. Particularly new housing construction was mostly only able to recover hesitantly from the drastic falls in new buildings in 2008 and 2009. It should however be noted that the significance and therefore the financial volume of heating, climate control and ventilation technology within the individual construction projects has long been rising significantly as a result of economic, ecological and regulatory requirements necessitating increasingly energy-efficient designs. In addition, both the market share and the overall volume of energy-led building renovation within the construction sector continue to rise throughout Europe. The European construction industry, as the reference sector for the CENTROTEC core segments Climate Systems and Gas Flue Systems, fundamentally continues to suffer from rock-bottom levels of new construction activity following the bursting of the property bubble. The occasionally very sharp downturns in previous years have affected both new housing construction and the commercial property sector. Specifically in Germany, new housing construction showed initial signs of recovering in 2010. In contrast to the fundamental trend in new construction activity, the market volume in the renovation sector specifically in Western Europe has been rising steadily for years and in Germany, for instance, it now easily exceeds the volume of the new construction market.

With regard to products, the companies in the Climate Systems segment again enjoyed a very strong position in 2010 and were duly rewarded for this by customers. Wolf introduced a range of self-developed, ultra-efficient heat pumps in May 2010 to give its product portfolio an even more progressive look, and further strengthened its position among the leading European suppliers of heating systems. The coefficients of performance (COP) of 3.8 for the air/water heat pumps and 4.7 for brine/water heat pumps meant that this low-noise, user-friendly product series immediately secured a place among the market leaders. This trailblazing product area is steadily acquiring a wider range of functions and higher performance categories are being added. More performance categories were also added to the multi-award-winning product range of oil condensing boilers (COB series). The Wolf "Comfort" range of ventilation systems for individual rooms, apartments and large rooms, with and without heat recovery and with a large number of other possible functions, was further optimised in 2010. Common features of all these different systems are straightforward installation, efficient running and ease of operation, bringing significant added benefits both for the engineer who installs them and for the end customer who uses them day in, day out. Wolf has succeeded in building up its market position not merely thanks to these pioneering market launches and ongoing refinements to established systems, but also by offering comprehensive service and maintaining strong customer relationships. At Wolf, this is traditionally manifested in particular through close, trust-based ties with the trade. The very good results in independent customer surveys and the fact that over 11,000 people again attended the specialist courses held at its own training centres supply impressive evidence of this. The increased capacity created at Wolf for metal finishing and the company-wide programmes to optimise production processes also helped the largest group company to maintain its positive business performance.

A joint contract to renovate a 134-house settlement to passive-house standards represented a further very interesting project in the area of climate control and ventilation technology for the Dutch company Brink Climate Systems, the segment's second largest. The systems being used include the innovative Brink integrated systems designed specifically for use in passive houses and based on controlled home ventilation with heat recovery. The integrated system used in this project for heating, hot water and home ventilation, integrated home ventilation combines heat recovery, air heating, solar thermal and condensing boiler technology systems from various group companies into an efficient overall system. Both the integrated system and the overall project exemplify the pioneering innovations supplied by the CENTROTEC Group.

The performance in the area of renewable energies yet again created a mixed picture, as in 2010. In the solar thermal area, the CENTROTEC companies were unable to stave off the general downturn in the market. Since mid-2009, CENTROTEC's companies have nevertheless once again performed better than the market, which declined by almost 25 % in Germany due to the difficult environment. A pioneering cross-segment joint-venture project involving Wolf and the Ubbink Group (Gas Flue Systems) also made headway with the development of an integrated energy roof system. In the area of biomass heating systems, Wolf was able to post almost stable revenue in an equally weak market. The area of combined heat and power plants that has been part of this segment since 2008 was likewise able to maintain the organic growth of the previous two years and further strengthen its market position in the German market. A major export contract was moreover clinched as part of a project in Russia, offering further growth potential for this relatively new CENTROTEC product area.

3.2.3 Strategic direction and outlook

For 2011 and beyond, CENTROTEC believes it is still very well positioned in the international growth market for energy efficiency and renewable energies in buildings through its Climate Systems segment. The further improvement in the market position in recent years, the enduring innovativeness of the group companies, energy prices that are now once again high and likely to rise further in the medium to long term, regulatory requirements on the efficient use of energy and a heightened awareness among growing sections of the population of the need to protect the environment and climate provide every reason to be optimistic about the future.

The steady evolution of the product range, the increased market presence especially internationally, and the convergence of efficient system components into user-friendly integrated overall systems are once again key tasks for the current financial year in the Climate Systems segment. The long-term global megatrends of energy efficiency and environmental and climate protection are accompanied by specific calls from customers for greater user convenience. The good ratings achieved by CENTROTEC's companies on this count in external surveys, studies and analyses stem from CENTROTEC's former focus on this trend. It has been able to carve out a competitive edge for systems expertise and with integrated control engineering, and past investment in refining these technologies is now paying dividends. Alongside bringing benefits for the end customer, Wolf always bears the needs of the fitter in mind; it is thus able to generate considerable value added and customer loyalty by providing this group with easy-to-install systems and high-calibre training courses.

Alongside this system concept, the spotlight will remain on gradually optimising all internal processes; this will be particularly relevant to the further development in the operating result, bearing in mind the marked rises in materials prices and current expectations of increased personnel costs. In the development sphere, the priorities will be to extend the performance range of combined heat and power plants downwards, and to add gas condensing boilers with an output of up to 600 kW. The development of a revised product range of condensing combi-boilers will be pushed, and in the area of climate control and ventilation flat appliances, large-room ventilation systems and compact appliances are to be added to the product range. Group-wide partnerships are also being promoted, both between companies within the segment and across segment boundaries with sister companies from the Gas Flue Systems segment.

Useful experience of such activities has been gleaned in recent years, for example in the development, production and marketing of the air distribution system for controlled home ventilation and in the development of the integrated energy roof system. As in previous years, the steadily growing importance of the renovation market will also be addressed by providing more flexible ways of installing and connecting up the various system solutions. International expansion of sales activities will moreover be further intensified in 2011. One particular area of focus will be the Eastern and Southern European market, but also the Middle East. The market entry in the Arab region was spearheaded in 2010 by the start of trading of the subsidiary CentroGulf, with its registered office in the United Arab Emirates. Investment spending in the Climate Systems segment in 2010 reached EUR 7.2 million, 11.6 % more than in the previous year.

On this basis, CENTROTEC anticipates a positive business performance for 2011. Revenue of EUR 350 to 360 million is planned for the Climate Systems segment, representing organic revenue growth of around eight percent. The operating result is expected to rise roughly in proportion to revenue because of escalating materials prices and the likelihood of increased personnel expenses. The target for sustainable medium-term performance remains 8 to 10 % organic revenue growth with an EBIT margin of 8 to 9 %.

3.3 Gas Flue Systems

3.3.1 Market environment and business development

The 2010 financial year fell into two distinct phases for the second core segment Gas Flue Systems in terms of revenue performance. In the first few months of the year it enjoyed healthy revenue growth, following on from the second half of 2009. In the second half of the year, however, it proved impossible to match the very high revenues of the prior-year period that had been driven by certain customers building up inventories. Meanwhile the deliberate shift in the product mix in the second half of 2010 had the effect of reducing revenue, while at the same time boosting profit. The emphasis in the revenue mix was moved more towards technical roof products, and in specific solar mounting systems, gas flue systems for condensing boilers and the ecological lead substitute. Revenue from lower-margin components was reduced correspondingly.

On this basis, revenue for the segment in 2010 fell by 11.9 % to EUR 112.8 million (previous year EUR 128.1 million) and was therefore well below the forecast bandwidth of EUR 130 to 140 million because of the shift in the product mix. At the same time, however, the segment's profitability was substantially improved, producing a gross profit ratio of 49.2 % (previous year 46.6 %) and a rise in the EBIT margin to 8.6 % (previous year 8.2 %). EBIT for the segment amounted to EUR 9.7 million (previous year EUR 10.5 million).

At the end of 2010 there were 620 full-time equivalents (FTE) employed in the segment (previous year 566). The average over the year was 590, an increase of 49 on the previous year as a result of the substantial increase in sales and development activities. Personnel expenses for the segment reached EUR 26.4 million (previous year EUR 24.8 million) in the period under review. The personnel expenses ratio thus climbed from 19.4 % to 22.1 %.

3.3.2 Principal developments in the past financial year

The Gas Flue Systems segment laid the foundations of further growth in 2010. On the one hand sales activities in already cultivated markets were further increased, along with the local presence in markets that have not yet been opened up. The most notable developments in this connection are the establishment of Ubbink East Africa Ltd. and the stepping-up of activities in North America. Operational and strategic functions within the organisation were also strengthened, with development and sales the priorities. The building at Brilon was significantly extended; this was the first instance where the new, binding guideline on CO2-neutral buildings for all new buildings throughout the group was applied.

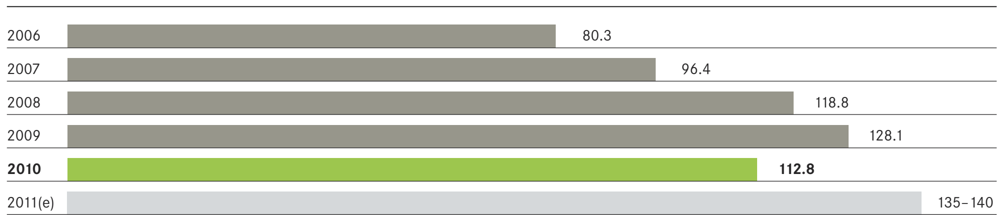
All key areas of the existing product range underwent refinement, for instance gas flue systems for condensing boilers, air ducting systems and technical roof products, solar mounting systems, ventilation solutions and the ecological lead substitute Ubiflex. The integrated energy roof, a cross-segment joint venture involving Ubbink and Wolf, was also developed to combine the use of solar thermal and photovoltaics into a single unit. Further headway was also made with the marketing of the products launched in 2009 such as the plastic gas flue system developed for the Dutch market, the oval air ducting system and various renovation solutions. Future demand in the very healthily evolving French market will be affected by the drastic changes in the eligibility criteria for subsidies and trenchant cutbacks in incentives for photovoltaics, with a corresponding impact on solar mounting and integrated solar systems. At the same time, the tougher French energy efficiency standards create substantial sales potential for further group products addressing energy efficiency in buildings. Following the introduction of the “Loi Grenelle 2” energy efficiency directive in mid-2010, all newly built houses from 2012 will have to meet the low-energy standard. Public and industrial buildings have already had to comply with this requirement since 2010. From 2020, a positive energy concept is actually prescribed for all new buildings from 2020. All in all, this will generate further strong growth for what is the most important export market for both the segment and the group as a whole.

3.3.3 Strategic direction and outlook

The companies of the Gas Flue Systems segment have in the past been able to demonstrate their strong position even throughout difficult times. Notwithstanding additions to the product range in recent years, condensing-boiler gas flue systems will remain the core products of the Gas Flue Systems segment. The growing spread of condensing boiler technology over many years will continue for the next few years and thus provide a sound basis for the further development of the segment. Condensing boiler technology will

REVENUE TREND GAS FLUE SYSTEMS

[in EUR million]



make further progress towards becoming the norm in the group's Western European core markets, while it still needs to gain a firm foothold in Southern and Eastern Europe, but also in North America. Because there is still a need for energy-efficient heating technology as a result of further increases in energy prices, and also specifically in the above countries, these markets will provide a focus for future international sales expansion.

Air ducting systems for climate control and ventilation continue to offer substantial market and growth potential because these systems are an indispensable part of the installations in modern, energy-efficient buildings with a highly insulated shell. Furthermore, the comfort requirements of users and also the regulatory requirements are becoming more demanding. CENTROTEC is responding to this development by substantially extending its product range, production capacities and sales activities in this product area.

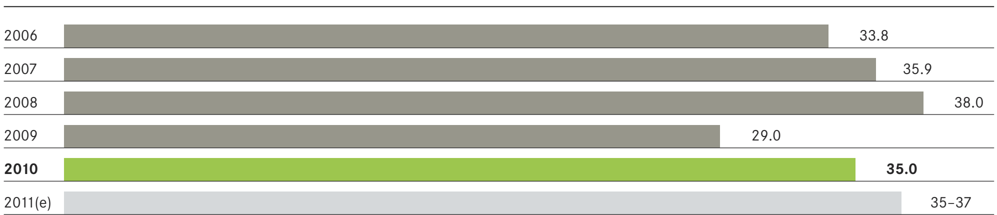
Building on this strong market position and based on the investment spending of EUR 10.5 million in 2010 (previous year EUR 9.3 million), CENTROTEC expects the Gas Flue Systems segment to achieve revenue of between EUR 135 and 140 million in the 2011 financial year, coupled with an increase in the operating result. As before, the medium-term expectations for the segment envisage average organic revenue growth of 10 to 12 %. The aim is moreover to take EBIT into double figures in the medium term.

3.4 Medical Technology & Engineering Plastics

3.4.1 Market environment and business development
The 2010 financial year brought growth well above the group average for the Medical Technology & Engineering Plastics segment, which operates under the umbrella of the parent company medimondi AG. After the sharp slump in revenue for engineering plastics in 2009, this sub-segment delivered the highest growth rates in the past financial year and should soon reach pre-crisis levels based on the positive market development that is taking shape. The Medical Technology sub-segment maintained a steady positive development throughout the crisis and achieved substantial growth in 2010 compared with the already good previous year.

Overall revenue for the segment in 2010 was EUR 35.0 million and therefore 20.9 % up on the prior-year figure of EUR 29.0 million. The development in the gross profit ratio to 65.3 % (previous year 70.7 %) is

REVENUE TREND MEDICAL TECHNOLOGY & ENGINEERING PLASTICS
[in EUR million]



not particularly meaningful – as in the previous year – because of the clearly overproportional growth for Engineering Plastics. EBITDA for the past financial year rose by 158.6 % to EUR 3.8 million (previous year EUR 1.5 million). On this basis, and taking into account that depreciation and amortisation remained virtually constant, EBIT rose to EUR 1.4 million whereas the prior-year figure had been a negative EUR -1.0 million. This produced an EBIT margin of 4.1 % (previous year -3.4 %). These figures for 2010 meant that both revenue (EUR 30 to 32 million) and EBIT (margin in low single figures) exceeded the full-year forecast made at the start of 2010.

The companies of the medimondi Group employed 303 full-time equivalents (FTE) at the end of 2010. This is an increase of 9 full-time equivalents compared with the end of the economically difficult previous year. The number of FTE as an average for the year was 309 and therefore actually lower than in the previous year (313). It should be noted in this connection that the previous year’s FTE figure would have been substantially lower if it had been adjusted to reflect the extensive use of short-time in 2009. Personnel expenses for the segment reached EUR 14.2 million (previous year EUR 13.2 million) in 2010. The purchased materials ratio thus climbed from 29.3 % to 34.7 %, the prior-year figure having been distorted by the sharp drop in revenue in the plastics area.

3.4.2 Principal developments in the past financial year

The Medical Technology sub-segment again put in a positive development in 2010. In the Engineering Plastics area, the effects of the concerted efforts made in the previous year to improve efficiency and streamline business furthermore came to fruition. Along with the gradual recovery in business for customers in the highly export-oriented mechanical and plant engineering sectors, the revenue of the companies in this segment also improved. All relationships with customers were maintained despite the crisis. The emphasis on highly efficient processes and structures enabled the segment to respond swiftly to the market’s growing momentum in the past financial year, restoring it to profitability early on. Alongside consistently high product quality, other decisive factors behind its success were its consistent approach to customer relations management and its efforts to acquire new customers. In the product sphere, alongside the extensive range of semi-finished articles an innovative product area was pioneered with the unveiling of the new technical plastic CENTROLAB HAT/PP-HT in 2010. These products designed specifically for use in medical technology met with a very positive reception at the various shows where they were exhibited.

In the Medical Technology area, medimondi AG continued to promote its entirely self-developed and self-built products in tandem with solutions that it manufactures on behalf of customers. This strategy has helped it successfully expand the core business in medical technology solutions and systems over the past few years and access further markets, particularly abroad. To reflect the increased volume of business and create potential for the growth that is expected over the next few years, the main location of the medimondi Group in Fulda was extended and modernised in 2010. With cutting-edge building infrastructure, the new facilities offer optimum working conditions and resources for the development, production and administration areas, as well as ample options for further growth. As at Brilon, the new group guideline on climate protection was applied for this building project. Another priority of the Medical Technology area in 2010 was the further expansion of the international sales network, with particular emphasis on the pioneering business area of spinal implants.

In all, the Medical Technology & Engineering Plastics segment invested EUR 3.9 million (previous year EUR 2.1 million) in property, plant and equipment and intangible assets in the period under review.

3.4.3 Strategic direction and outlook

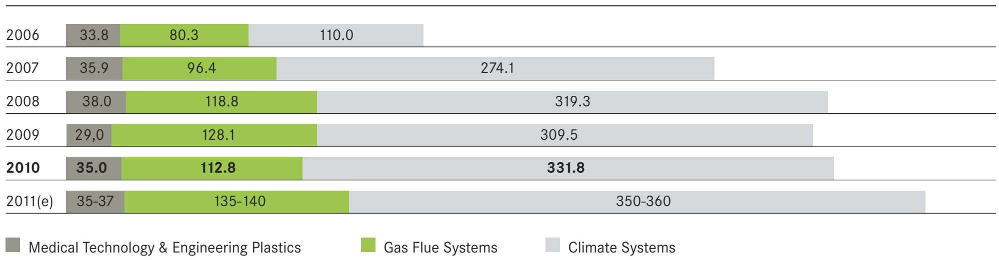
The positive development of 2010 reflects the fundamentally good position of the segment's companies, which stood up well to the economic downturn of 2008 and 2009 thanks to taking prompt countermeasures. These measures improved the competitive position and will enable the companies to benefit even more from the positive economic development in the future. Provided the conditions are right, acquisitions could further bolster this development and advance the medium-term aim to hive off medimondi AG as a separate entity.

Over and above the measures taken to optimise structures and processes, along with the increased capacity, stepping up sales activities in both sub-segments will be another of the priority tasks. Particular focus will continue to be given to the segment's own products for medical technology, especially in the areas of blood transfusion, aesthetic medicine and neurosurgery. The market for spinal implants, one of its main areas of activity in neurosurgery, offers potential for double-digit percentage growth over the next few years. The companies in the segment can capitalise overproportionally on that potential thanks to their comprehensive, high-quality product portfolio, innovative and practical product development activities and a further improved sales organisation.

On this basis, the Medical Technology & Engineering Plastics segment is suitably well positioned for the current financial year of 2011 and expects organic revenue growth to EUR 35 to 37 million along with a substantially higher EBIT margin. The target for the medium term remains to achieve an EBIT margin in high single figures or low double figures. This ambition is based on the assumption that annual organic revenue growth will average 10 % in the medium term.

REVENUE BY SEGMENT

[in EUR million]



The highly efficient CENTROTEC heat pumps and biomass heating systems open the way for a pioneering form of heating technology for buildings that taps the potential of renewable energies.

1 Heat pump
2 Earth probes
3 Intermediate calorifier
4 Biomass boiler
5 Pellet store
6 Gas flue system

3.5 Principal investment – CENTROSOLAR Group AG

CENTROSOLAR Group AG – hereinafter also referred to as CENTROSOLAR – represents the most significant investment of the CENTROTEC Group that is not comprehensively consolidated. The interest in the segment that was hived off in 2005 by way of an IPO was 26.16 % at December 31, 2010, unchanged from the previous year.

As in previous years, CENTROTEC reports the investment in CENTROSOLAR as an equity investment and it is therefore not comprehensively consolidated. As a result, it should be remembered that the figures for CENTROSOLAR are not included in the revenue and operating earnings figures of the CENTROTEC Group. They are merely reflected in the earnings before tax and the key figures derived from that. It should be noted that a proportion of CENTROSOLAR's earnings after tax finds its way into the CENTROTEC Group's earnings before tax through the investment result. When determining the relevant taxes for the CENTROTEC Group, the investment result is disregarded because it has already been taxed at the subsidiaries.

In 2010 CENTROSOLAR Group AG was able to report record levels of revenue and earnings. Revenue rose by 31 % from EUR 308.7 million in 2009 to EUR 403.4 million in the year under review. The forecast for the year of EUR 340 to 370 million was thus easily exceeded. Over three-quarters of revenue was generated by the Solar Integrated Systems segment, with just under one-quarter coming from the Solar Key Components segment. The export share of revenue was again increased significantly in 2010 to almost 60 %, having been just over 50 % in the previous year. As in the previous years, the French market was again easily the largest export market for CENTROSOLAR, with revenue reaching more than EUR 118 million. Thanks to the year-on-year improvement in the materials and personnel ratios, there was a markedly overproportional increase in EBITDA to EUR 34.7 million (previous year EUR 13.6 million). EBIT totalled EUR 26.6 million (previous year EUR 6.9 million) and, as announced during the course of the year, easily exceeded the original forecast for the year of EUR 14 to 16 million. Thanks to an improved interest result and based on an effective tax rate of 28 %, earnings after tax (EAT) amounted to EUR 15.8 million. In the previous year this figure had been deeply negative at EUR -29.7 million due to the discontinuation of the joint venture with Qimonda.

Both segments of the group contributed towards this development, each succeeding in increasing their revenue and earnings. In the Solar Integrated Systems segment, which sells photovoltaic modules and integrated solar systems to wholesalers and solar engineers, predominantly for smaller roof installations, sales volume rose by more than 60 % and therefore easily overcompensated for the fall in prices. Revenue for the segment rose from EUR 227.0 million in 2009 to EUR 311.5 million in 2010. Over 80 % of the modules sold in this segment were built at the group's own ultramodern facility in Wismar and were a key factor behind the sharply increased result for the segment.

The second segment, Solar Key Components, on the one hand develops, manufactures and sells solar glass mainly for photovoltaic solar modules and thermal collectors, most of its customers being manufacturers of PV modules and solar thermal solutions. On the other hand it develops and sells mounting systems for photovoltaic solar systems, predominantly to solar engineers and wholesalers. In 2010 this segment's external revenue rose by 13 % from EUR 81.7 million to EUR 91.9 million. The operating result, too, saw a further improvement.

For 2011, the market environment in Germany is expected to be difficult and prone to marked fluctuations in the short term as a result of the scaling-back of financial incentives. In the other markets in which CENTROSOLAR is active, the opportunities for growth nevertheless predominate, even if those markets too are likely to see the environment become increasingly competitive. All the same, CENTROSOLAR believes it is well equipped for this challenge thanks to its comparatively strong sales organisation, its adherence to a flexible purchasing policy and its continuous improvement processes that are steadily optimising costs. On this basis, CENTROSOLAR expects to post revenue of EUR 420 to 450 million in 2011, with an EBIT margin of 4 to 6 %, and would thus yet again make a significant contribution towards CENTROTEC's earnings.

For more detailed information on the development of CENTROSOLAR Group AG, please refer to that group's reports, which can be found on the CENTROSOLAR homepage (http://www.centrosolar-group.de/).

4 Net worth, financial position and financial performance

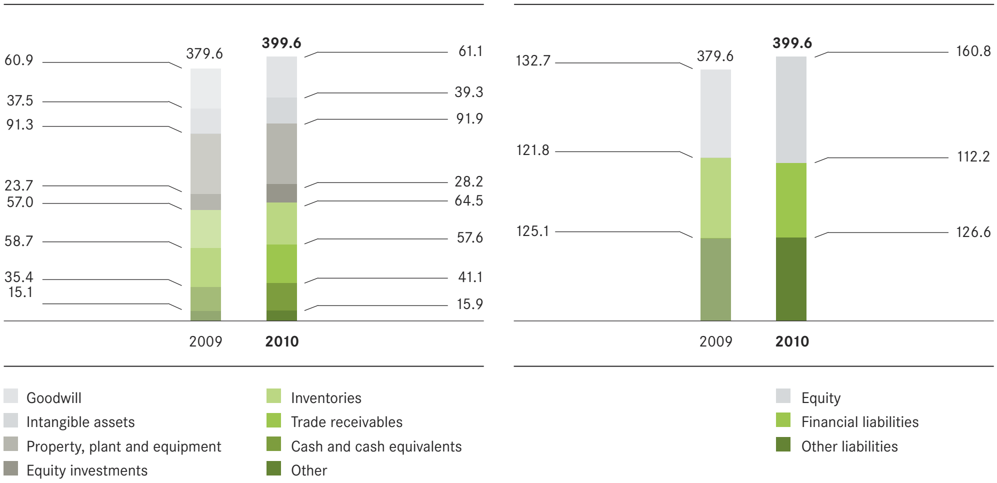
Compared with the previous year, there were no material changes in consolidation in 2010. There are moreover only minor structural changes in the balance sheet of the CENTROTEC Group at December 31, 2010 compared with the previous year's balance sheet.

4.1 Net worth

As in previous years, there were again minor changes to the Consolidated Balance Sheet in the course of 2010. These changes are in essence attributable to the seasonal fluctuations in business in CENTROTEC's core areas. Compared with the position at the previous year's balance sheet date, there were a number of minor shifts in the Consolidated Balance Sheet that did not, however, fundamentally alter the structure of the CENTROTEC balance sheet.

ASSETS
[in EUR million]

EQUITY AND LIABILITIES
[in EUR million]



As a result of increased business volume and consistently high investment spending in the further development of the group companies, the balance sheet total rose by 5.2 % to EUR 399.6 million (previous year EUR 379.6 million). This meant that there was an overproportional rise of 7.8 % in current assets at December 31, 2010 to EUR 172.7 million and a slightly below-par rise of 3.3 % in non-current assets to EUR 226.8 million. The biggest changes in the individual line items were the 16.3 % increase in cash and cash equivalents, which totalled EUR 41.1 million at the balance sheet date (previous year EUR 35.4 million) and the rise in inventories, which climbed to EUR 64.5 million (previous year EUR 57.0 million) as a result of the increased business volume. The equity investments furthermore grew by EUR 4.4 million to EUR 28.1 million as a result of the good business performance, mainly of the CENTROSOLAR Group. The other changes on the assets side of the balance sheet are mainly attributable to current and planned expansion of business operations. The snapshot nature of the balance sheet data moreover regularly produces deviations that would be evened out if the position were considered over a period of time rather than simply at a specific date.

As a result of the net income for 2010 of EUR 25.7 million and the continuing practice of ploughing back profits, shareholders' equity rose to EUR 160.8 million (previous year EUR 132.7 million). In addition, the exercising of a total of 245,699 stock options in 2010 resulted in an increase in the issued capital from EUR 16.7 million to EUR 17.0 million, with payment of the premium simultaneously raising the additional paid-in capital by EUR 1.7 million to EUR 27.0 million. All in all, the equity ratio of the CENTROTEC Group thus rose by 5.3 percentage points to 40.2 %, pushing it above the 40 % mark for the first time since the takeover of Wolf.

4.2 Financial position

Along with the rise in shareholders' equity, the further scheduled reduction in borrowings by EUR 9.6 million to EUR 112.2 million represented a further major change on the equity and liabilities side of the balance sheet in 2010. After taking into account the increase in cash and cash equivalents, net borrowings fell by 17.7 % or EUR 15.3 million to a current EUR 71.1 million. Compared with the peak level from 2006 caused mainly by the acquisition of Wolf, net borrowings have been reduced by more than half. Thanks to the prompt securing of long-term refinancing, the cash and cash equivalents of EUR 41.1 million available at December 31, 2010 and the group's unutilised credit lines, CENTROTEC has adequate liquidity reserves. This puts the group and its component companies in a position to exploit the full bandwidth of options when seeking to develop their business both operationally and strategically.

The further reduced borrowings in 2010 coupled with substantially improved profitability brought about a significant improvement in almost all financial indicators of the CENTROTEC Group. The dynamic gearing ratio (borrowings / EBITDA) at the balance sheet date thus fell from 2.5 to 2.1. The ratios between assets, both current and especially non-current, and the corresponding liabilities also reached new all-time best levels for the group of 1.6 (previous year 1.6) and 1.7 (previous year 1.5) respectively. Despite the significantly increased volume of business in 2010 and the very strong focus on this aspect in the previous year, the rise in net working capital (current assets less cash and cash equivalents, less current, non-interest-bearing liabilities) was broadly in proportion to the development in revenue. At December 31, 2010 net working capital for the group amounted to EUR 57.6 million and was therefore 7.3 % up on the figure of EUR 53.6 million at the end of 2009. The measures already employed to good effect in the past to optimise working capital will continue to be refined and implemented, and will further bolster CENTROTEC's profitable growth.

4.3 Financial performance

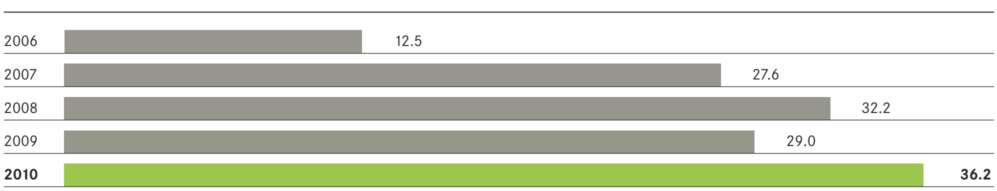
On the back of already good operating earnings in a previous year under the cloud of general economic difficulties, CENTROTEC was able to post record figures at group level for 2010. Revenue of EUR 479.7 million was 2.8 % above the prior-year figure (EUR 466.6 million) and, like all other earnings figures, up on the reference figure for the previous record-breaking year 2008.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed by 17.0 % in 2010 compared with the previous year (EUR 46.6 million) to EUR 54.6 million. Although the purchased materials ratio was higher in the course of the year following significant rises in commodity prices worldwide, when considered over the full year it was at the previous year's level of 48.7 %. The personnel expenses ratio was reduced slightly by 0.4 percentage points to 27.0 % in 2010 thanks to the increased business volume compared with 2009. The meaningfulness of both the personnel expenses and purchased materials ratios is, however, diluted somewhat by the need to report the slightly higher use of temporary workers in 2010 under cost of purchased materials for accounting reasons. The EBITDA margin in relation to revenue of 11.4 % in 2010 was well up on the previous year's level of 10.0 %. The slight 4.7 % increase in depreciation and amortisation of EUR 18.4 million (previous year EUR 17.6 million) produced an operating result (EBIT = earnings before interest and tax) that was almost one-quarter (24.5 %) up on the previous year at EUR 36.2 million and bettered even the record figure from 2008 by almost EUR 4 million.

Earnings before tax (EBT) for the group rose thanks to the further slight improvement in the interest result in 2010 to EUR 34.5 million (previous year EUR 12.7 million). Along with the significantly more healthy operating result, the positive investment result of EUR 4.4 million – which stemmed mainly from the interest in CENTROSOLAR Group AG – was the main driving force behind this highly overproportional increase. In the previous year the investment result had been adversely affected by a pro rata loss of EUR 10.0 million from the liquidation of a CENTROSOLAR joint venture. A reduction in the effective tax rate from 33.3 % to 29.8 % produced earnings after tax (EAT) of EUR 25.6 million (previous year EUR 5.2 million). Based on the average of 16,749,932 shares outstanding, earnings per share were EUR 1.54 (previous year EUR 0.33/adjusted EUR 0.93).

The Supervisory Board and Management Board of CENTROTEC Sustainable AG will propose to the Shareholders' Meeting that, as an initial step, a dividend of EUR 0.10 per dividend-bearing no par value share be distributed for the 2010 financial year. In keeping with the successful past practice, the bulk of the consolidated net income earned in the past financial year is nevertheless still to be invested in further profitable, organic growth that will now once again be acquisition-led. Please refer to the "Investments"

EBIT
[in EUR million]



NET INCOME

[in EUR million]

section from page 55. The decision on whether to distribute a dividend is critically discussed afresh each year by the Supervisory Board and Management Board and put to the vote at the Shareholders' Meeting.

In 2010, the cash flow from operations was EUR 35.8 million. The reduction compared with the previous year (EUR 45.0 million) is substantially due to the revenue-driven increase in working capital, which slightly overcompensated for the rise in the operating result. As a result of the further rise in the investment volume the cash flow from investing activities was EUR -22.1, compared with EUR -18.0 million in the two preceding years. Evidence of the further reduction in borrowings can be seen in the cash flow from financing activities. This latter was again negative at EUR -8.7 million (previous year EUR -11.7 million) and, in keeping with the steady development of recent years, reflects a further net reduction in liabilities of EUR 10.3 million. Meanwhile the payment of the strike prices for the exercising of stock options under the CENTROTEC Group's stock options scheme produced an amount of EUR 1.6 million reported here. All in all, financial resources increased by EUR 5.1 million (previous year EUR 15.3 million) in 2010. Taking account of bank overdrafts repayable on demand, the financial resources of the CENTROTEC Group at December 31, 2010 amounted to EUR 24.6 million (previous year EUR 19.7 million).

5 Employees

The workforce comprising almost 2,700 employees at the CENTROTEC Group companies makes a decisive contribution towards the business success of the individual companies and therefore of the group as a whole. In keeping with CENTROTEC's philosophy, the group companies are granted ample entrepreneurial latitude. In the same way, employees are managed in a way that promotes entrepreneurial attitudes and individual responsibility. This approach serves to boost employee motivation and commitment, and supports the group's profitable growth that now stretches back more than a decade. A targets system comprising individual, company, segment and group targets provides an appropriate framework for individual responsibility while at the same time acting as a profit-driven incentive and remuneration system.

One key effect of CENTROTEC's personnel policy is high employee retention and low turnover, even after acquisitions. In view of its corporate growth, however, CENTROTEC too is forced to recognise that the labour market is a competitive environment and that the levels of training and qualifications expected of employees are steadily rising. The important issue of training and advancement at CENTROTEC's companies is duly acknowledged, with the measures implemented non-centrally by the individual group companies in line with their respective requirements. One typical example is Wolf, the largest group company, where the rate of further training was further increased; statistically speaking, each employee now attends one further training course per year. Alongside such further training measures that are likewise conducted at the remaining group companies, both internally and with the involvement of external providers, basic training is a second cornerstone in safeguarding a successful future. Providing training for young people is regarded not simply as competing for the talents of tomorrow's workforce, but also as a matter of social responsibility, a challenge which the CENTROTEC companies take up with relish.

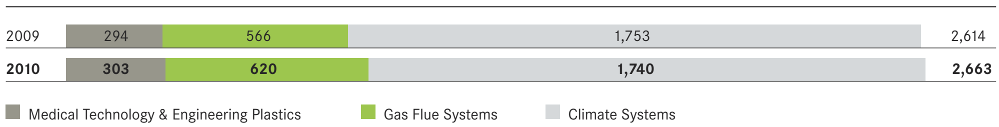
The number of people employed within the CENTROTEC Group has steadily risen over the past few years, in tandem with its successful economic development. In 1998, the year of the initial public offering, there were slightly fewer than 100 employees; this figure had risen to more than 300 ten years ago. In 2005 the number of full-time equivalents reached four figures for the first time, and then more than doubled the next year as a result of the takeover of Wolf. At December 31, 2010 there were 2,663 full-time equivalents (FTE) (previous year 2,614 FTE) in the group as a whole. The average for the year was 2,667 FTE (previous year 2,592 FTE). The increase of 75 FTE is mainly attributable to the increased volume of business in the Climate Systems segment and the stepping-up of international activities in the Gas Flue Systems segment. In the Medical Technology & Engineering Plastics segment, short-time ended mid-way through 2010. This measure had been introduced in 2009 to cushion the impact of the economic crisis on the Engineering Plastics sub-segment, and largely helped to prevent redundancies among the core workforce. The number of employees in the group averaged 2,781 over the year (previous year 2,696). At the end of 2010 the figure was 2,781 individuals (previous year 2,744). Of these, 50 % (previous year 55 %) were industrial workers, meaning that the remaining 50 % (previous year 45 %) were office staff. The employees of companies that are not comprehensively consolidated are not included in the CENTROTEC employee totals. The overwhelming majority of the employees not included for this reason work for the CENTROTEC Group, which employed 1,050 (previous year 1,071) people at the end of the financial year.

Personnel expenses for the CENTROTEC Group reached EUR 130.8 million in 2010, an increase of EUR 3.7 million or 2.9 % on the 2009 figure. This rise largely reflects the growth in the number of employees and the effect of terminating short-time. The personnel expenses ratio as a proportion of aggregate operating performance fell from 27.4 % to 27.0 % in 2010. As a result of the forecast revenue growth, the personnel expenses ratio is not expected to rise substantially despite the significant wage and salary increases expected in 2011.

CENTROTEC again granted stock options to employees, managers and Management Board members in 2010 by way of a variable remuneration component with a long-term incentivising effect; these are incorporated into personnel expenses at their measured value rather than as a cash expense. Depending on individual levels of target attainment, and provided the beneficiary remains with the company, these prospective options become actual exercisable fixed-price options to acquire CENTROTEC shares. In 2010, as in the previous year, there were 215,000 prospective stock options. Of the prospective options for 2009, approx. 74 % were granted. In 2010, 245,699 options (previous year 134,146) were furthermore exercised by members of corporate bodies and employees of the CENTROTEC Group at an average price of EUR 6.68 (previous year EUR 2.28). This led to the creation of 245,699 new shares in the company. The group accrued the exercise price in full.

EMPLOYEES BY SEGMENT

[FTE/Full Time Equivalent on 31/12]



6 Research and development

Keeping markets and customers in focus is exceptionally important to CENTROTEC's Research and Development area, too. The non-central structure of R&D activities affords considerable flexibility by permitting a focus on the individual companies. In combination with the group companies' market proximity, this R&D strategy has repeatedly proved to be a competitive advantage in recent years. This structure permits a prompt response to current market developments, regulatory requirements or new customer demands. New directions in the market have moreover often been anticipated in the past, and it has thus been possible to influence trends early on. The faster the markets change, the more important this ability will become, thus endorsing CENTROTEC's strategy. In order to exploit synergies within a non-central structure, the various development departments within the group also collaborate on many cross-company and even cross-segment projects. This approach was adopted in the past for example for the development of the integrated energy roof and the oval, very space-efficient air ducting system, as well as for the passive-house compact systems that were used in 2010 in a major project to refurbish an entire housing settlement in the Netherlands to passive-house standards. There will be increased use of internal partnerships of this nature, as well as joint ventures with external partners, customers, suppliers, public and private universities and research institutes, without the non-central structures being undermined.

The group's focus in the 2010 financial year was on the launch of Wolf's self-developed series of heat pumps, which from a technical viewpoint have been the market leaders since their unveiling and have gradually acquired additional functions. Another development priority was the integrated energy roof system; innovations in the sphere of roof products were also brought onto the market and existing products were optimised and refined, often in close partnership with customers. In order to increase international sales, adjustments were made to reflect country-specific particularities and requirements. It was also possible to make extensive use of international customer contacts for this. One typical example is an in-roof solution for mounting solar systems, developed specially for the French market. The system in question had to be rapidly modified to accommodate a change in the law and became one of the first systems to be officially approved in France at the start of 2011. New developments will again make a significant contribution to consolidated revenue in 2011. The main topics of development work and its future focus are portrayed in the segment reports. Overall spending on R&D activities in the CENTROTEC Group increased further to a volume of EUR 7.3 million (previous year EUR 7.1 million) in 2010. This figure almost emulated the current record of EUR 7.4 million from 2008 and kept the R&D ratio constant at 1.5 % (previous year 1.5 %) despite the increase in consolidated revenue.

In the area of energy efficiency and the use of renewables in buildings, combining compatible, efficient individual components into integrated systems is becoming increasingly important. CENTROTEC picked up on this trend at a very early stage and has long been responding to it by providing competitive system solutions. User-friendly, optimally matched control engineering for the individual systems is of prime importance in this respect. This area will remain a priority within CENTROTEC's R&D strategy. Customer benefit, e.g. ease of installation, intuitive operation and maximum energy efficiency, will furthermore remain the benchmark for all development projects.

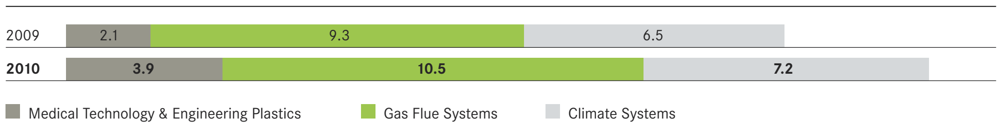
7 Investment

The CENTROTEC Group invested a total of EUR 21.6 million in property, plant and equipment and intangible assets in the 2010 financial year, representing a rise of 20.8 % on the prior-year total of EUR 17.9 million. As in the previous year, this figure included no acquisitions-driven capital expenditure. This record level of investment contrasted with depreciation and amortisation amounting to EUR 18.4 million (previous year EUR 17.6 million, evidencing the group's need for increased capacity if it is to realise further growth.

As in the previous year, the priority area for capital expenditure was property, plant and equipment, which accounted for EUR 14.4 million of spending (previous year EUR 12.4 million). A further EUR 7.2 million (previous year EUR 5.5 million) was invested in intangible assets. Broken down by segment, the second-largest segment Gas Flue Systems accounted for the lion's share of capital expenditure in 2010, as previously in 2009. The total investment volume in this segment amounted to EUR 10.5 million (previous year EUR 9.3 million). The principal investment projects in this segment included the major extension to the building at Brilon, where additional production, office and warehouse capacity was created. This extension building was erected in keeping with the new group-wide guidelines and can be operated with an entirely neutral CO_2 balance. The continuing roll-out of the new, uniform ERP system for all companies in the segment also pushed up investment in intangible assets and was a major factor in the relatively high investment volume for the Gas Flue Systems segment. In the highest-revenue segment, Climate Systems, investment spending totalling EUR 7.2 million (previous year EUR 6.5 million) again focused on the optimising of production capacity at Mainburg and specifically on increasing production operations for the company's own range of heat pumps. In the Medical Technology & Engineering Plastics segment, the investment volume rose to EUR 3.9 million in a reversal of the marked scaling-back of spending to EUR 2.1 million in 2009. The lion's share of this sum was earmarked for extending and modernising the development, production and administrative infrastructure at the Fulda location. Over and above this spending on infrastructure, the Medical Technology area continues to invest in expanding mainly its international sales network, with the spinal implants area its priority. With capital expenditure remaining high, CENTROTEC is optimising and extending its existing basis for further profitable growth; there will also be growing emphasis on acquisitions in the future.

INVESTMENTS

[in EUR million]



8 Environment and sustainability

Since changing its name from CENTROTEC Hochleistungskunststoffe AG to CENTROTEC Sustainable AG in 2004, the CENTROTEC Group has outwardly expressed the corporate objective of sustainability in its name. By definition, sustainability means satisfying the needs of the present generation without endangering the scope for future generations to satisfy their needs. It is a perpetual aim of the company's management to infuse this broad concept with life. A corporate policy dedicated to sustainability for example includes a product range with lasting customer appeal, environmentally compatible operating processes, and social responsibility towards the company's own employees as well as its customers, suppliers and all other groups associated with the company, alongside general social responsibility in society in general. CENTROTEC strives to uphold these aims both in its strategic decisions and in its day-to-day business.

The most significant contribution to sustainable economic activity involves offering resource-conserving product ideas that enhance energy efficiency and provide access to renewable energies in buildings at reasonable prices. For example, modern condensing boiler technologies, highly efficient climate control solutions and innovative ventilation systems with and without heat recovery all help to use fossil energy resources very efficiently. Systems exploiting solar energy and combined heat and power units running on sewage gas or biogas generate heat and power entirely without using any fossil fuels at all, avoiding the CO_2 emissions that such fuels would generate. These systems will increasingly converge in the future, making the buildings of the future energy self-sufficient and CO_2-neutral.

CENTROTEC likewise heeds the objectives of sustainable economic activity in its internal processes. The various group companies have already implemented a wide range of measures over the past few years to reduce the consumption of fossil fuels. Examples include the use of ultramodern heating and climate control technology, particularly in spacious production halls, energy-saving lighting and compressed air supplies, and the use of solar thermal and co-generation at the Mainburg location. All investment achieves short payback periods based on the current levels of energy prices, and thus makes a positive contribution towards consolidated earnings in the medium term. Meanwhile these measures help to save considerable amounts of climate-harming greenhouse gases within the company's own sphere of influence.

In future, CENTROTEC will be even more open about its own progress in avoiding CO_2 emissions and will record and publish details of the emissions by the individual group companies using an internationally recognised process. Following its pilot launch at a Dutch subsidiary in the first half of 2010, this process will gradually be rolled out at all other group companies and is to be adopted by a large number of them in the course of 2011. In order to realise corresponding progress in the avoidance of CO_2, much more rigorous low-energy building standards have been imposed throughout the group. Since 2010, all new buildings in the CENTROTEC Group have now had to achieve CO_2 neutrality for the building itself and its technical installations, as well as fulfil practicality and cost-effectiveness targets. These specifications are enforced as early as the planning phase through an overall energy concept, taking account of all energy types (heat, cooling, power etc.), the architectural requirements and the structure of the building. Within the overall concept, the architecture and the energy requirements are coordinated so as to optimise the passive and active use of solar energy and keep cooling requirements or heat losses to a minimum. To further minimise the level of heating and cooling required, the building shell is constructed at least to low-energy standards, but ideally to passive-house standards, in harmony with the technical installations concept. To reduce the amount of energy used for generating heat and cooling, heat recovery solutions and ultra-efficient cooling systems in particular are used, as well as combined heat and power units for co-generation, preferably running on biogas. Renewable energies are moreover used as a matter of course for heating and hot water, and the highest efficiency standards are mandatory for consumers of electricity in the administrative and production buildings. The use of solar power from our own photovoltaic systems to supply technical installations also ensures that new CENTROTEC buildings are CO_2-neutral. These measures enable CENTROTEC to combine economy with sustainability in its own buildings. In the past financial year of 2010, these challenging standards were successfully applied to the extensions and new buildings erected at Brilon and Fulda.

As well as these central aspects of environmental protection, sustainability includes assuming social responsibility. The operating environment, and specifically the way it interfaces with employees, is a key area of sustainable social action. The principal aspects were already dealt with in the “Employees” section from page 52. Typical examples are the extensive training and advancement measures organised independently by the various CENTROTEC companies, including courses that look beyond narrowly defined operational requirements, a large number of effective measures to avoid industrial accidents, efforts to create working conditions that are as family-friendly as possible, and voluntary employer contributions to employees’ pension schemes. The success of these measures is reflected in the outstanding examination results achieved by certain apprentices, the low number of industrial accidents and low employee turnover. This aspect of sustainable action paves the way for consistently sound growth for the CENTROTEC Group, underpinned by well-qualified, motivated employees, and proves that sustainable action ultimately promotes economic success in the medium to long term, even if the extent of its benefit is difficult to quantify here. As well as assuming responsibility internally, the CENTROTEC companies demonstrate social responsibility outside their own sphere of activity through their support for charities, the arts and sport. The Dutch-Kenyan project of Ubbink East Africa Ltd. for the manufacture of small solar modules for own use constitutes a form of development aid as well as having a business component, and is therefore being supported directly by the Dutch government. In this project, fragments of polycrystalline solar cells, e. g. supplied by CENTROSOLAR, are assembled into solar modules for the local market by an established African partner at a production plant near Nairobi, and marketed as a low-cost energy source e.g. for cooling, communication and information technology. These applications can make a major contribution to the sustained economic development of the region, for instance by enabling communication through solar-powered charging points for mobile phones.

To harmonise the various initiatives to conserve resources, protect the environment and promote sustainability within the CENTROTEC Group and also enshrine further-reaching shared values throughout the organisation, a group-wide process on values and visions was launched in 2009 and developed further in 2010. All companies in the CENTROTEC Group in essence share the same vision and are committed to the same values, but there are naturally varying nuances, interpretations and priorities in a non-centrally organised group of companies. The current process seeks to identify a common core of values and visions that underlies all the current activities and projects, in order to implant it even more deeply in the organisation and in day-to-day processes. As well as the Management Board, the Managing Directors and managers of the group companies are all contributing to this process to ensure that both the process of defining a set of shared values and its outcome will be widely accepted throughout the whole organisation. The findings and guidelines arising from this process, along with the results of an initial survey of quantifiable factors conducted among all major production units in the CENTROTEC Group, will form the basis for an initial group-wide sustainability report.

9 Risk report

The CENTROTEC Group has systematically focused on the topic of sustainability. The spotlight of the group's activities is on the development, manufacturing and sale of system solutions for the energy-efficient heating, ventilation and climate control of buildings, making use of renewable energies. CENTROTEC's activities thus contribute towards improving the environment and exploit the market opportunities arising in this area. These market opportunities are created through accessing new markets or penetrating existing markets with established, improved and new innovative product solutions from such areas as condensing boiler technology, solar technology and building climate control. Integrated systems that require expertise in several of the above product areas are also becoming increasingly prevalent. CENTROTEC's objective is to exploit fully the opportunities that present themselves in this context, both through organic growth and through an active acquisitions strategy, while nevertheless guaranteeing the highest possible degree of stability and risk limitation. The latter means in particular that it rigorously applies a strict set of criteria when selecting and analysing takeover options and financing and integrating acquisitions. For this strategy, CENTROTEC relies on the one hand on the extensive experience and market knowledge of its group and segment management, and on the other hand on systematically monitoring and steering the risks that this business model entails.

To monitor and control the various risk areas, CENTROTEC implements a group-wide risk management system that is constantly being refined and assessed for effectiveness. This requires all significant companies in the group to submit regular reports on the nature, likelihood and potential impact of identified risks, in accordance with the existing guidelines. Operating business is moreover closely monitored by the respective members of the Management Board. With this as the basis, it is possible to initiate an early response within the risk management system and involve various escalation hierarchies right up to the Management Board and Supervisory Board in good time, depending on the potential value of the risk, in order to avoid or hedge risks.

9.1 Risk areas

9.1.1 Risks from the economic environment and the industry

The business performance of CENTROTEC, too, is fundamentally dependent on the wider conditions in its economic environment and on general cyclical developments, especially in Europe. With regard to its industry context, CENTROTEC operates in the area of building investment in the broader sense; in the 2010 financial year this area stabilised at a fairly low level in Europe, the group's main sales region, in the aftermath of the global economic crisis. Germany began to see slight growth in new housing construction in 2010 compared with the very weak previous year. On the other hand the commercial construction area in Germany and indeed in most other European countries declined markedly yet again in 2010. Public-sector construction was moreover disappointing, with revenue falling despite the economic stimulus programmes under way in many countries. Activity in the sphere of building investment also serves as an important indicator for CENTROTEC. However, business was latterly increasingly able to detach itself from the general trend in the construction industry by focusing on energy-saving solutions, of which the public is acquiring a growing awareness. Irrespective of increasingly short-term cyclical fluctuations, CENTROTEC energy-saving solutions are achieving lasting appeal for both new buildings and particularly for the retrofit and renovation market as well as for municipal projects. This effect can be attributed to long-term growth in building refurbishment for energy efficiency as a proportion of the overall market and the increased priority given to energy-saving solutions in each construction project.

Statutory framework conditions and public subsidies nevertheless continue to have an influence. For instance a scaling-back of subsidies if the general conditions otherwise remain unchanged could lead to falling revenue or slower revenue growth. The effects of such measures were in evidence in Germany in 2010. A large number of changes were made at various points throughout the year, causing considerable uncertainty among end customers. Nevertheless, with climate protection remaining as pre-eminent a concern as ever, along with the rebound in energy prices since mid-2009 and the medium to long-term expectations of substantially higher levels, plus growing efforts to achieve greater energy independence, CENTROTEC does not expect any fundamental reduction in the measures and subsidies to promote energy-focused building refurbishment. Other European countries, but also other parts of the world, are increasingly adopting many of the measures already practised in Germany, involving increasingly stringent requirements or higher levels of subsidies. Specifically in the area of subsidies, however, the financial crisis could prompt certain countries to freeze financial aid or suspend state measures to promote construction activity and protect the climate. Above and beyond these state incentives and directives, the awareness of and pressure on each individual to actively cut their energy costs while helping the environment will continue to rise and provide a useful basis for maintaining the market's positive development. The failure of the Copenhagen and Cancun Climate Change Conferences to agree yet on far-reaching joint aims and measures will increase the pressure on both each individual and whole countries to act.

The development in prices for fossil fuels furthermore has a major influence on readiness to invest in efficient heating, ventilation and climate technology and the use of renewable energies. The high price level now reached and the further rise specifically in oil, gas and coal prices expected in the medium to long term nevertheless offer more opportunities than risks. The price argument aside, the question of independence from suppliers is a factor that should not be underestimated for those considering switching to renewable energies and making savings through energy efficiency.

9.1.2 Corporate strategy risks

Growth through acquisitions is one aspect of CENTROTEC's strategy. The high growth of recent financial years in itself harbours risks. One key challenge is to adapt the internal organisation and processes swiftly to the new, larger entity each time and to integrate the acquired or newly established, predominantly foreign businesses into the corporate structure. If ties between new entities and the existing group are too weak, a loss of transparency and control can ensue. Forcing the corporate culture onto new entities can cause employees to lose their ability to identify with products and companies, and thus ultimately lead to a weakening of the market position and thus of the market value. CENTROTEC therefore strives to strike a balance between control and entrepreneurial freedom at its group companies. The dovetailing of acquired or newly established entities with the group is promoted by an overarching integration management approach and continually monitored until the entity is finally fully integrated into the group-wide mechanisms of control and steering. The structure of the group as a whole is continually scrutinised for potential for improvements that are implemented by reorganisation projects in the individual segments in order to establish a workable basis for the continuing sustained development of the group.

Until now, the focus of business has been on core European countries, specifically in Western Europe. The overwhelming proportion of revenue is generated in the eurozone. This emphasis gives rise to limited exposure to risks from changes in foreign exchange rates. Business outside the eurozone and in other countries outside Europe will also become increasingly important. The aim here is to establish a broader basis for sales and thus reduce dependence on the German and Dutch markets. The previously manageable risks from possible exchange rate movements are hedged selectively within the group by means of appropriate instruments. The fundamental risk of a devaluation of the euro nevertheless goes hand in hand with increased opportunities for exports to countries outside the eurozone. A growing international spread furthermore entails wide-ranging risks arising e.g. from changing political and legal circumstances, transport and processing risks, and cultural differences. For its further expansion, CENTROTEC relies in particular on strong local partners with extensive market and logistics expertise and knowledge of their local context. By aligning the interests of the partners involved and regularly revisiting and examining risk positions in the context of risk management, the market opportunities that arise are thus kept under control and risk minimisation is gradually optimised.

9.1.3 Risks from operating business

CENTROTEC addresses the potential risks in the operating sphere of the group's individual companies through extensive, ongoing measures.

Reliable deliveries, in particular for supplies procured internationally, are assured on the one hand through close technical cooperation with important suppliers and on the other hand by maintaining at least two sources of supplies in each case. Rising procurement prices constitute another potential risk at the procurement end. Depending on the segment and product area, this risk is controlled by methods such as shoring up long-term supplier relations and corresponding price agreements, and by continually observing the market and optimising procurement sources. At present, procurement prices are still on the increase but remain below the record levels of 2008. In line with further global economic growth, a further rise in procurement prices is expected for the current financial year. Price developments in raw materials and supply markets are being actively monitored; at the same time potential for compensating for price increases is being identified through the group-wide earnings enhancement programmes and suitable improvements implemented.

Potential risks within the production or service areas of the group companies are addressed by means of internal guidelines drawn up at the level of the individual companies, and certification to international quality standards such as ISO 9001, ISO 14001 and ISO TS 16949. However, in line with CENTROTEC's strategy and as a reflection of their broad operational leeway, the individual group companies always use the most rigorous quality standards in their specific sectors as the benchmark. To safeguard product quality and minimise the associated risks, quality-critical components of CENTROTEC products are subjected to comprehensive quality checks both during the entire production process and in the end products. The methods and systems used to this end are examined and regularly updated in line with the latest standards. The risk of accidents and plant breakdowns is countered by providing suitable training for customers and employees, and implementing accident prevention regulations and task instructions. The risk of production plant breakdowns is countered by preventive maintenance and ongoing monitoring of the operating parameters. Plant itself is insured against potential forms of loss in line with its value.

The development of innovative products fundamentally entails the risk that the desired outcome may not be achieved despite the expending of considerable resources. To minimise this fundamental development risk, intensive exchanges and peer reviews of product development activities take place between the individual group companies, as does very intensive market analysis. The internationally spreading sales organisation is also increasingly called upon to contribute its market knowledge. This helps to identify off-target developments at an early stage and gives top priority to market-led product development work. All capital investments and development projects are in addition evaluated intensively and promptly in the context of group-wide development activities, looking at the overall portfolio and the individual opportunities and risks involved.

At the sales end, there is the potential risk of the loss of important customer relations, in particular with key accounts. Dependence on individual customers is fundamentally reduced by focusing predominantly on products for end users. CENTROTEC for instance has no individual customer accounting for more than 3 % of total consolidated revenue. At the level of the group companies, this threshold is nevertheless exceeded in individual cases. The loss of contact for instance with a wholesale or key account fundamentally always has a palpable impact on revenue and earnings for both the group and the group company. This risk of dependence is countered by active management of customer relations and diversification of the sales channels in the various markets. These tasks involve continually monitoring the sales channels in the individual segments and countries for scope for expansion in line with the strategy. Revenue dependence on individual customers has furthermore fallen along with growth already realised, and will continue to decline along with the future growth that is being targeted.

A further risk in the sales sphere stems from the increasing pressure on the prices of CENTROTEC products, in particular from existing or new competitors. CENTROTEC believes it is in a strong position in its various segments thanks to its existing technological lead and the market position it has already achieved. The product portfolio is moreover regularly scrutinised for potential for innovations that will safeguard and extend its competitive position. Although there exists an overall risk of price pressure on CENTROTEC products, positions have been achieved and mechanisms set up to keep this area of risk under control.

The customary insurance cover has been taken out to minimise the general risks from operating business. This includes in essence business interruption, business liability, legal protection, business and property, credit sale, loss of earnings and serial losses insurance, as well as D&O cover for Management Board members, managing directors and non-executive directors. There is in addition special property insurance cover (damage by the elements) for warehouses.

9.1.4 Personnel risks

There fundamentally exists the potential risk of losing managers and employees in key positions, with a corresponding impact on the company. CENTROTEC addresses this potential risk on the one hand by adopting a sensitive approach to the integration of newly acquired entities (see “Corporate strategy risks”) and on the other hand by diversifying its personnel base as part of developing the group organisation as a whole. The further development and regular training of employees in their respective specialist areas are promoted, and the independent initiative of employees to develop and implement new approaches and methods is encouraged. As a result, CENTROTEC is able to offer its employees long-term perspectives for development and thus helps to minimise fluctuation in key positions by giving its employees a high level of job satisfaction. These are important measures for guarding against a general future risk of shortages of specialists; this risk is also specifically addressed by training measures for young people that are tailored to the needs of the individual group companies. CENTROTEC furthermore enables Management Board members, managers and employees in key positions to share financially in the group’s long-term growth prospects through the group-wide stock options scheme, boosting loyalty to the group by means of such a long-term incentive system.

In addition, specifically at times of general economic buoyancy, there is the risk of excessive rises in costs in the personnel area as a result of high wage and salary increases. This risk is countered by active personnel costs management and trust-based partnership between the workforce and the management in a spirit of mutuality. The consequences of potential high pay settlements are also limited by the forecast revenue rises and the ongoing optimisation of processes throughout the group.

9.1.5 Information technology risks

In the domain of information technology, the possibility cannot fundamentally be excluded that problems will arise with existing systems or future extensions to existing systems, such as introductions of new software releases, or that system failures will hamper business operations. The customary precautions and security measures in the IT sector are adopted to limit these risks. The appropriateness of the security measures in information technology is regularly checked and the systems and processes in use adapted to changing requirements if necessary. In addition, a cautious migration approach is adopted for the integration of new business units, to avoid major risks to business operations for instance as a result of incompatibility between systems or inadequate reflection of specific business features. Furthermore, the number of systems used throughout the group is progressively being reduced to avoid possible errors or incompatibility and further optimise systems maintenance.

However, the operating units are increasingly integrated at systems level in line with their business requirements. A topical example is the roll-out of a joint ERP system in all companies of the Gas Flue Systems segment from 2009; the three main companies were migrated to the new joint system in 2010.

9.1.6 Financial risks

Financial risks for CENTROTEC result largely from the use of borrowed capital for financing its growth, and in particular its acquisitions. The opportunities successfully seized in the past to generate high, steadily rising earnings in this way go hand in hand with the potential risk of falling or even lost earnings, with the corresponding financial consequences. In the financing of external growth, CENTROTEC limits the risk it bears on a local basis to the entities in question (ring-fenced financing) and subjects the current and future profitability of all corporate entities to comprehensive profit and earnings controlling. Deviations are thus rapidly identified and any corrective measures needed can be implemented promptly and thoroughly. For financing, the interest rate risks for the mostly variable-rate loans are hedged predominantly by means of interest rate derivatives. In the past, CENTROTEC has in addition paid back borrowings on schedule in order to minimise the resulting financial burdens and maintain sufficient financial leeway.

CENTROTEC responded swiftly to the potential risk of more limited access to financing from the banking sector following the financial crisis and in 2008 realised an overall concept to safeguard the group's short and long-term financing for the next few years. Together with the substantial reduction in borrowings over the past four years, there are consequently adequate reserves to keep pursuing the development of the group under our own momentum, with additional leeway for seizing any external options that might present themselves.

For more detailed information on the financial situation of the CENTROTEC Group, we refer to the Notes to the Consolidated Financial Statements from page 84.

9.1.7 Miscellaneous risks

The supplying and selling of products, plant and services may expose the CENTROTEC Group and its individual companies to legal risks due to the possibility of deliveries not as per agreement, product liability claims, product defects, quality problems, breaches of intellectual property or the failure to comply with fiscal regulations. Despite a comprehensive quality management activities and corresponding regularly optimised organisational structures, such risks cannot be ruled out altogether. To guard against this exposure, warranty provisions of the customary extent for our business operations are created and corresponding product liability insurance cover taken out, based on figures from experience of failures and corresponding warranties for potential customer claims, and reflecting potential accountability. All customer complaints are moreover systematically checked and processed, then investigated with a view to identifying scope for internal optimisation.

There are currently no cases of litigation pending that could entail significant financial obligations, including ones which could threaten it as a going concern.

9.2 Directors' assessment of the risk situation

The assessment of the risk situation of CENTROTEC is based on ongoing risk management, for which the company management discusses the status of risks and their possible impact and approves any necessary corrective measures, as well as ensuring that the operating units are closely monitored by the appropriate Management Board members. The fundamental risks to CENTROTEC's business include a great many external risks which the company is unable to influence directly, but the probability and potential impact of which is analysed regularly. There are in addition potential risks attributable to internal factors, for which the management has created instruments and methods in order to identify them early on and implement measures to prevent or curb their effect.

The risks mentioned here do, however, go hand in hand with numerous opportunities, which are described in greater detail in the outlook and the reports on the segments. As matters stand the management regards the opportunities and risks profile as balanced, with no risks to the company as a going concern. All areas of the company were able to develop positively in 2010 and the marginal area of Engineering Plastics in particular succeeded in overcoming the previous year's difficult situation. The detailed current and anticipated future impact on the individual areas of business has been described at length in the segment reports. The overall economic situation both in Germany and beyond fundamentally improved between 2009 and 2010. For 2011, too, the overall economic outlook worldwide, nationally and for the industry offers the prospect of a further improvement in the underlying situation, even if there could still be potential setbacks in the form of more financial crises, excessive rises in the prices of materials or a deterioration in the regulatory conditions. As repeatedly demonstrated in the past, CENTROTEC enjoys a high degree of flexibility in its cost structure and cash flow, enabling it to respond proactively to an increasingly dynamic market. The options available to it include using the flexibility that exists within its production capacity by hiring temporary workers and applying flexible working hours models, as well as continually reassessing and adapting investment spending in order to increase capacity and access to new markets in response to demand. As in the past, CENTROTEC will very carefully examine the attractive acquisition options that continue to be available, and will consider and assess such propositions specifically in terms of their viability in the current rapidly changing economic climate. The group's ongoing earnings improvement programmes will moreover focus on optimising materials and commodities procurement costs in order to actively confront current and future price rises.

9.2.1 Disclosures on the internal control and risk management system for financial reporting purposes, pursuant to Section 289 (5) of German Commercial Code

The internal control and risk management system for financial reporting by the CENTROTEC Group aims to identify potential internal sources of error and to limit or eliminate the risks arising from them. In addition to optimising internal processes and procedures, it above all encompasses the entire financial reporting of the CENTROTEC Group.

One core function of financial reporting is to steer the group as a whole. Target and deviation analyses are conducted on the basis of the budget and mid-range planning approved by the supervisory bodies. Regular forecasts are made to monitor the risks to ongoing business operations.

CENTROTEC's financial statements are based on a group-wide reporting system. This constitutes the basis for a standardised data reporting process throughout the group. The companies' accounting functions are organised non-centrally but are harmonised by means of a group-wide accounting manual that regulates how accounting standards are to be applied in group-wide financial reporting.

The information obtained within a narrow time frame from this comprehensive reporting system provides the basis for active, prompt group steering. The holding of regular Management Board and Supervisory Board meetings and the close support provided for managing directors by the respective Management Board members guarantee that the information obtained in reporting is suitably evaluated, leading to appropriate measures as necessary. Together with the provisions of the articles of incorporation and the individual rules of internal procedure for the Supervisory Board, Management Board and managing directors, this portfolio of reporting and analytical measures creates a coherent, effective overall system. The efficiency and effectiveness of this system are examined by the Management Board at regular intervals, and the system is then revised as necessary.

The group's Legal department helps to draft or cross-checks all materially significant contracts of group companies.

The auditors of the individual companies, sub-groups and Consolidated Financial Statements examine the internal system of control for financial reporting purposes to the extent that is necessary based on the audit standards and chosen audit strategy, and report on their findings to the Supervisory Board. Suggested improvements are taken up by the Management Board and management with the aim of continually developing and improving the system.

10 Other particulars

10.1 Provisions 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, which is also responsible for nominating a member of the Management Board as Management Board Chairman. The Shareholders' Meeting resolves amendments to the articles of incorporation. The resolutions of the Shareholders' Meeting require a simple majority of votes cast and, if a majority of shares is required, a simple majority of shares, unless a greater majority or further requirements are stated in law. The same applies to amendments to the articles of incorporation.

10.2 Authorisation of the Management Board to issue or buy back shares

10.2.1 Share buy-back

Pursuant to the resolution of the Shareholders' Meeting of May 20, 2010 the company is authorised until May 19, 2015 to acquire treasury stock which, together with existing treasury stock, represents up to ten percent of the capital stock at the time of the authorisation taking effect. The price for the acquisition of these shares may not be more than 10 % higher or more than 10 % lower than the closing price in Xetra trading on the Frankfurt Stock Exchange (or in a successor system) for shares of the same class and features on the ten trading days preceding the acquisition. The Management Board is authorised to offer all or some of the shares thus acquired to third parties in (part) payment of the acquisition of companies or investments in companies, excluding the shareholders' right of subscription. The Management Board is furthermore authorised to retire the company's treasury stock without the need for a further resolution to be adopted by the Shareholders' Meeting. Retirement may be restricted to part of the purchased shares.

10.2.2 Approved capital

By the shareholders' resolution of May 24, 2007, the Management Board is authorised, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions by up to EUR 8,212,082 (approved capital) up until May 23, 2012 through the issue of new no par value bearer shares in return for cash or non-cash contributions. The Management Board was also authorised, with the approval of the Supervisory Board, to specify the details of the share issue and, in defined conditions, to exclude the subscription right (a) for residual amounts, (b) for capital increases for cash if the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law, (c) for capital increases for contributions in kind for the granting of shares for the purpose of acquiring (including indirectly) companies, parts of companies or interests in companies or assets of other companies, and (d) for issuance to employees of the company.

Conditional capital

By resolution of the Shareholders' Meeting of May 28, 2002 the capital stock is conditionally increased (Conditional Capital I). The Management Board was authorised to issue warrants for subscription to new bearer shares in the company until December 31, 2004, on one or more occasions. Employees, managing directors and Management Board members of the company and of its affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. As a result of the exercising of option rights, Conditional Capital II at December 31, 2010 fell to EUR 21,984, divided into 21,984 no par value shares (previous year EUR 175,292, divided into 175,292 no par value shares). In view of the conditions of exercise specified in the shareholders' resolution, stock options from Conditional Capital I may no longer be exercised after the end of the 2010 financial year.

By resolution of the Shareholders' Meeting of June 1, 2005 the capital stock is conditionally increased further (Conditional Capital II). The Management Board is authorised to issue warrants for subscription to new bearer shares in the company until December 31, 2011, on one or more occasions. Employees, managing directors and Management Board members of the company and of its affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. Conditional Capital II at December 31, 2010 amounted to EUR 461,742, divided into 461,742 no par value shares (previous year 526,804 EUR, divided into 526,804 no par value shares).

By resolution of the Shareholders' Meeting on May 29, 2008 the capital stock is conditionally increased by a further EUR 756,000, divided into 756,000 no par value shares (Conditional Capital III). The Management Board is authorised to issue warrants for subscription to new bearer shares in the company on one or more occasions, until December 31, 2014. Employees of CENTROTEC Sustainable AG as well as employees of affiliated companies as defined by Section 17 of German Stock Corporation Law are entitled to subscribe. The managing directors/Management Board members of the above companies are furthermore entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. Conditional Capital III at December 31, 2010 amounted to EUR 728,671, divided into 728,671 no par value shares (previous year 756,000 EUR, divided into 756,000 no par value shares).

For further disclosures on the company's equity, please see the Notes to the Consolidated Financial Statements.

10.3 Remuneration report

The basic features of the system of remuneration as well as particulars of the group remuneration of individual Management Board and Supervisory Board members are summarised in the remuneration report for the 2010 financial year. It takes account of the provisions of German Commercial Code and of the principles of the Corporate Governance Code. The remuneration report, which includes the particulars of the remuneration of the corporate bodies, is published in the section dedicated to the Corporate Governance Report and is to be regarded as part of this management report, as a result of which it is not presented separately here.

10.4 Rendering of accounts

Some of the particulars provided in the management report, including statements on anticipated revenues, earnings and capital expenditures, as well as potential changes in the framework conditions of markets and of the financial position, contain future-related statements. These have been formulated on the basis of expectations and estimates by the Management Board with regard to future occurrences that could affect the group. Such future-related statements are intrinsically open to risks, uncertainties, exceptions and other factors that could result in the actual revenues and earnings of CENTROTEC, significantly departing from or falling short of those explicitly indicated or implicitly assumed or described in these statements.

In the rendering of the accounts, the potential for leeway in measurements in the Consolidated Financial Statements was analysed, assessed and handled in such a way as to present figures that the Management Board believes are as fair and reliable as possible. Open, timely and continual communication with the capital market moreover forms part of CENTROTEC's philosophy, which the rendering of accounts satisfies.

11 Report on post-balance sheet date events

Via its subsidiary Ubbink B.V., Doesburg, the Netherlands, CENTROTEC Sustainable AG, Brilon, acquired 60 % of the solar specialist Solar23 by way of a capital increase upon entry of the transaction on the Commercial Register on March 1, 2011. This aside, there were no significant events at and after the balance sheet date, or only to the extent that has already been indicated or is already evident from the remarks in the group management report.

12 Outlook

CENTROTEC confirmed its outstanding market position and operating strength in the 2010 financial year and fully achieved the ambitious targets set at the start of the year – and subsequently upgraded in-year – amid a demanding market environment. Whereas consolidated revenue of EUR 480 million was at the lower end of the forecast bandwidth of EUR 480 to 500 million, the operating result (EBIT) easily beat the original forecast of EUR 30 to 32 million. Ultimately coming in at EUR 36.2 million, it was squarely within the EBIT forecast range that was revised upwards to EUR 36 to 37 million during the course of the year. Earnings per share (EPS) of EUR 1.54 were also considerably higher than the January 2010 bandwidth forecast of EUR 1.10 to 1.20, and in the middle of the most recent forecast range of EUR 1.50 to 1.60. In addition, the reduction in net borrowings by EUR 10 million as announced more recently was likewise easily exceeded because this item was actually reduced by EUR 15 million in 2010. This forecasting accuracy, which has almost always been consistently achieved in recent years, defines the benchmark for CENTROTEC.

The wider economic recovery that turned out to be much stronger than expected in most European core markets in 2010, but especially so in Germany, and the further growth predicted for 2011 provide a positive overall framework within which the CENTROTEC Group operates. However, it was also apparent in the past year that this macroeconomic development does not always filter through directly to the markets that are relevant to CENTROTEC. In contrast to the rises in gross domestic product (GDP) of 1.9 % in the European Union and 3.6 % in Germany, the heating market in Europe as a whole achieved only tentative growth and contracted by 4 % in Germany. A similar level of growth is expected across Europe in 2011 and slightly weaker economic growth in Germany. The market for energy efficiency and renewable energies in buildings will continue to exhibit a lack of uniformity both regionally and among the individual product groups in 2011, but is fundamentally expected to develop positively. This expectation is backed by the renewed rises in energy prices, the drive to create greater independence from energy imports, the need to act on climate change, and the regulatory requirements and accompanying financial incentives put in place by the state in response to this situation.

In this market environment, CENTROTEC has carved out a niche for itself in recent years as the only listed company in Europe to supply a comprehensive range of energy-saving solutions and systems using renewable energies in buildings. This huge success achieved even in difficult market conditions owes much to the fact that the CENTROTEC Group is able to offer all the relevant technologies and skills that matter in this market: heating, ventilation and climate control technology, along with renewable energies. This comprehensive expertise is becoming increasingly important along with the convergence of the various different systems encountered in modern building services engineering, and offers the companies of the CENTROTEC Group excellent market prospects. Thanks to the group's high-quality, highly efficient, user-friendly systems, the dense, steadily growing, internationally diversifying sales organisation is in a position to seize these opportunities. The further expansion of the existing sales organisation and the ongoing refinement of the product range to incorporate intelligent control engineering will remain major priorities for the CENTROTEC Group.

The gradual optimisation and adjustment of internal processes and structures represents another key area in the further development of the CENTROTEC Group. In addition, the group-wide earnings improvement programmes are successfully addressing areas such as manufacturing costs, materials purchase prices and production processes, as the earnings performance of recent years demonstrates. Commodity prices, which have risen substantially over the past two years in some cases already to record levels, will probably be the biggest challenge on the costs side in 2011. Optimising internal processes also includes steadily bringing the corporate infrastructure in line with the growing business volume. The spotlight for all areas of the group will be specifically on increasing production and logistics capacities in line with demand. In all, the record sum of EUR 21.6 million (previous year EUR 17.9 million) was invested in property, plant and equipment and intangible assets in 2010. Another moderate increase to capital expenditure is planned for the current financial year. Over and above this, acquisitions are conceivable if the right opportunities present themselves, in keeping with the buy and build strategy. There is the financial leeway to do this thanks to the steadily improved financial situation of the group; for example, net borrowings were reduced by a further EUR 15.4 million in 2010 to EUR 71.1 million. Net borrowings were thus brought down to less than half the highest reported level from the end of 2006 following the takeover of Wolf. A further reduction in net borrowing from operating business can be expected for 2011.

Given the general situation and the group companies' position, CENTROTEC expects revenue to grow to EUR 520 to 535 million for the 2011 financial year, with the operating result (EBIT) increasing to EUR 40 to 42 million. Earnings per share (EPS) of EUR 1.70 to 1.80 are forecast for 2011. In a departure from previous years, the Supervisory Board and Management Board of CENTROTEC Sustainable AG will propose to the Shareholders' Meeting that, as an initial step, a dividend of EUR 0.10 per dividend-bearing no par value share be distributed for the 2010 financial year. They nevertheless still plan to plough back the greater part of profit and invest it in the further organic and external growth of the company. This approach will however continue to be reviewed on a regular basis in the future and a separate decision taken each year. CENTROTEC equally expects the organic revenue and earnings growth that is taking shape for 2011 to continue in subsequent years. CENTROTEC fundamentally sets itself the long-term target of approximately 10 % annual organic revenue growth at group level, coupled with an EBIT margin exhibiting an upward tendency in the high single figures.

The main driving forces behind the continuing business performance, which have fundamentally remained largely unchanged from previous years, are:

- The long-term rise in energy prices due to limited resources and rising worldwide consumption,
- The growing pressure to act swiftly and decisively on climate change in order to hold its negative consequences in check,
- Tougher statutory requirements throughout Europe for the energy efficiency of buildings,
- The strong, expanding market position of the group companies thanks to their established, innovative, energy-efficient solutions for buildings,
- The impressive development expertise that is behind the recent and forthcoming market launches of very many new, technologically pioneering products,
- Further investment in product development and innovations,
- Competitive advantages thanks to anticipating accurately the trend towards the integration of various solutions for heating, ventilation and climate control technology, and involving renewable energies, into integrated system solutions.
- Exploiting further synergies within the CENTROTEC Group in operational and strategic areas,
- The sound financial situation, which assures ample entrepreneurial scope.

13 General statement on the expected development of the group

The increases achieved in 2010 in all the key parameters applied in the evaluation of the company, with the market environment again remaining challenging, demonstrated the CENTROTEC Group's good position in the market for energy efficiency and the use of renewable energies in buildings. The group companies furthermore have a strong, competitive position with market-oriented system solutions and a customer-focused sales organisation. The innovative product range with integrated system solutions for heating, climate control and ventilation technology addresses the global megatrends of energy conservation and climate protection.

On this basis, CENTROTEC regards itself as enjoying a strong position to increase its market shares in the global growth market for energy efficiency and renewable energy technology in buildings yet further in the long term, equally maintaining the positive long-term development in revenue and earnings. Overall, CENTROTEC therefore expects a positive business performance for the group as a whole in 2010 and beyond, even when making allowance for residual uncertain factors in the economy as a whole.

Forecast 2011

Revenue

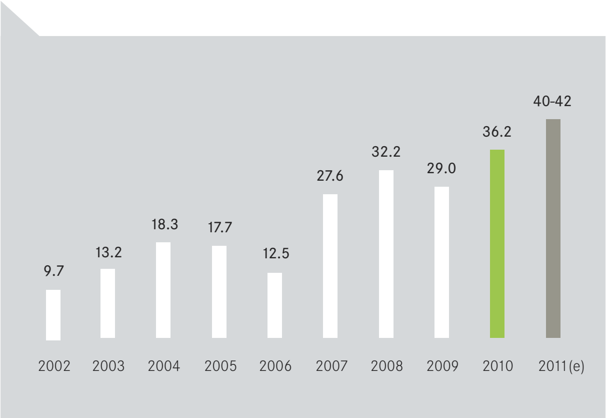
[in EUR million]

CAGR +22 % p. a.

EBIT

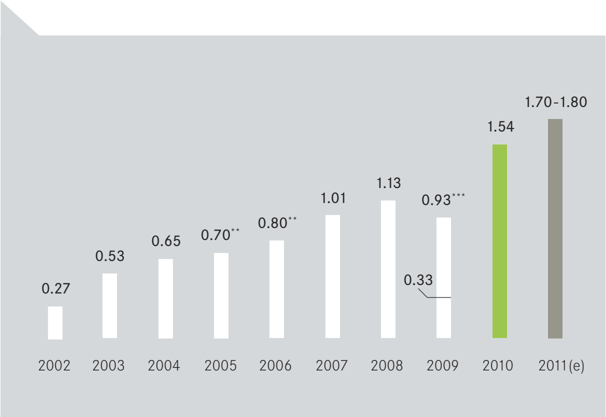
[in EUR million]

CAGR +18 % p. a.



EPS*

[in EUR]



* Earnings per share, undiluted

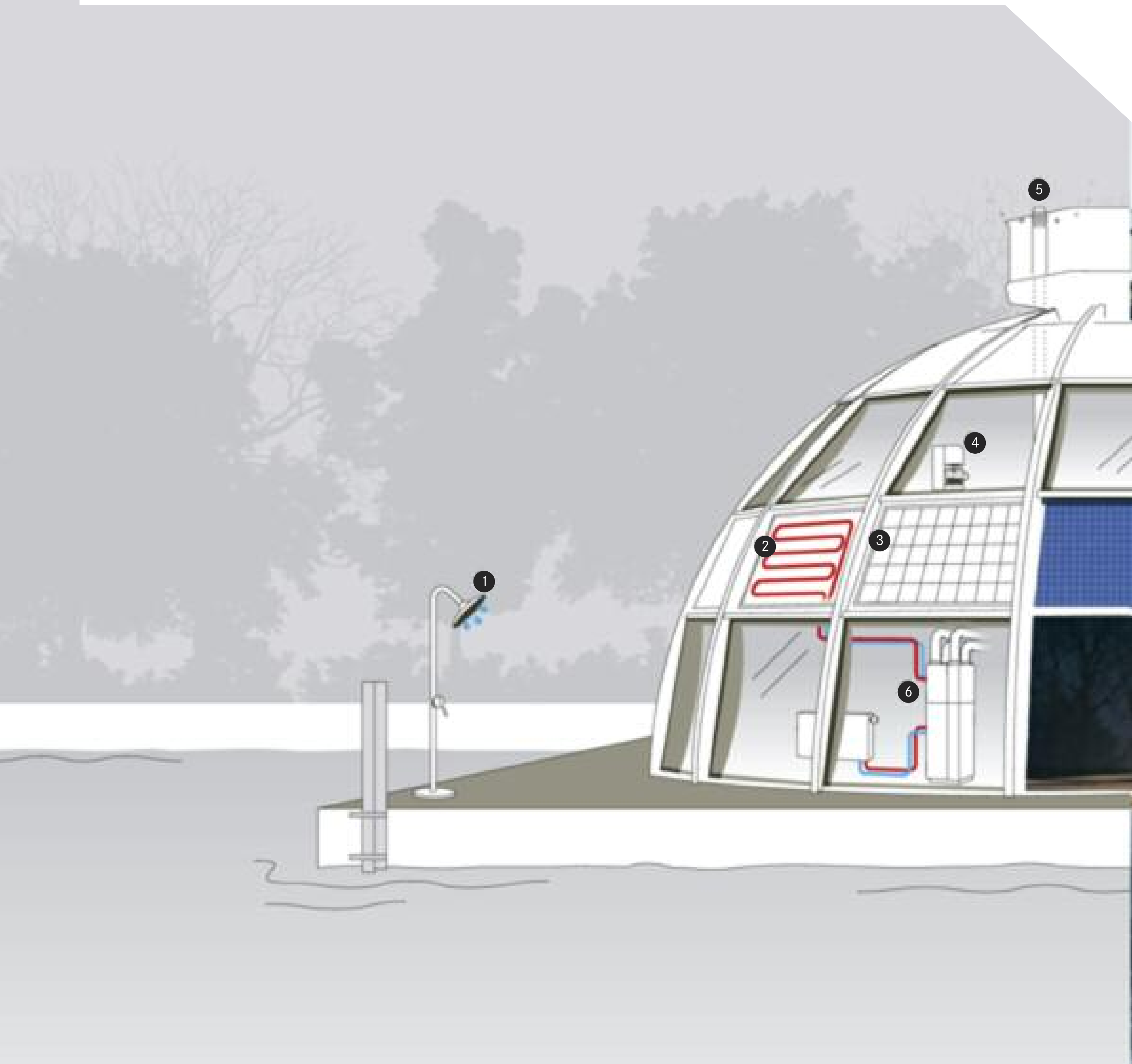
** After elimination of gains from transactions with minorities. Figures incl. special factors for 2005: EUR 1.13, for 2006: EUR 0.88

*** Excluding results from shareholdings

CAGR Compound Annual Growth Rate (2002 - 2010)

Innovations for sustainable energy-saving solutions in buildings. CENTROTEC's comprehensive product range combines heating, climate control and ventilation technology as well as renewable energies into integrated system solutions that provide more comfort while using less energy.

1 Solar heated water
2 Solar thermal collector
3 Photovoltaic module
4 Photovoltaic generated electricity
5 Chimney
6 Passive house compact system



Financial Statements

2010

Consolidated Statement of Financial Position

Asset in EUR thousand	[Notes]	**31/12/2010**	31/12/2009
Non-current assets			
Goodwill	1	61,074	60,914
Intangible assets	2	39,265	37,542
Property, plant and equipment	3	91,946	91,252
Financial investments accountend for using the equity method	4	28,144	23,699
Loans and investments	4, 15	2,019	715
Other assets	5, 15	1,471	1,531
Deferred tax assets	6	2,906	3,827
		226,825	**219,480**
Current assets			
Inventories	7	64,521	57,024
Trade receivables	8, 15	57,629	58,723
Income tax receivable		298	769
Cash and cash equivalents	9, 15	41,123	35,356
Other assets	5, 15	9,165	8,294
		172,736	**160,166**
Assets		**399,561**	**379,646**

Equity and Liabilities in EUR thousand	[Notes]	**31/12/2010**	31/12/2009
Shareholders' equity	10		
Share Capital		16,962	16,716
Capital reserves		27,014	25,302
Treasury stock		(112)	(112)
Retained earnings and profit carryforward		91,632	85,577
Profit attributable to shareholders of CENTROTEC Sustainable AG		25,748	5,400
		161,244	**132,883**
Minority interest presented within equity		(428)	(209)
		160,816	**132,674**
Non-current liabilities			
Pension provisions	11	22,864	22,253
Other provisions	12	12,027	11,396
Financial liabilities	13, 15	78,720	90,080
Other liabilities	14, 15	3,081	3,621
Deferred tax liabilities	6	14,486	16,727
		131,178	**144,077**
Current liabilities			
Other provisions	12	2,112	1,708
Income tax payable		7,264	6,042
Financial liabilities	13, 15	33,526	31,727
Trade liabilities	15	32,467	31,402
Other liabilities	14, 15	32,198	32,016
		107,567	**102,895**
Equity and Liabilities		**399,561**	**379,646**

Consolidated Income Statement

in EUR thousand	[Notes]	01/01/2010 31/12/2010	01/01/2009 31/12/2009
Revenues	24	**479,650**	**466,613**
Other income	16	7,600	8,794
Changes in inventories of finished goods and work in progress	17	4,674	(3,400)
Production for own fixed assets capitalised	2	3,050	3,666
Cost of purchased materials and services	17	(235,667)	(225,575)
Personnel expenses	18	(130,829)	(127,142)
Other expenses	19	(73,896)	(76,315)
EBITDA		**54,582**	**46,641**
Depreciation and amortisation	2, 3	(18,424)	(17,604)
Operating income (EBIT)		**36,158**	**29,037**
Interest income	20	276	735
Interest expense	20	(6,181)	(7,225)
Result from investments	4	4,288	(9,820)
Result before income taxes (EBT)		**34,541**	**12,727**
Income taxes	21	(8,969)	(7,511)
Net income (EAT)		**25,572**	**5,216**
Profit or loss attributable to minority interest	22	(176)	(184)
Profit or loss attributable to shareholders of CENTROTEC Sustainable AG		25,748	5,400

EPS (Earnings per share in EUR)			
Earnings per share (basic)	23	1.54	0.33
Earnings per share (diluted)	23	1.52	0.32
Weighted average shares outstanding (in thousand units; basic)	10, 23	16,750	16,610
Weighted average shares outstanding (in thousand units; diluted)	10, 23	16,986	16,702

Consolidated Statement of Comprehensive Income

in EUR thousand	[Notes]	01/01/2010 31/12/2010	01/01/2009 31/12/2009
Net income (EAT)		**25,572**	**5,216**
Exchange Rate differences on translation		159	85
Derivative financial instruments		171	(1,925)
Income tax relating to components of other comprehensive income	6	(123)	453
Other comprehensive income, net of tax		**207**	**(1,387)**
Total comprehensive income		**25,779**	**3,829**
Attributable to:			
Minority interest		(219)	(183)
Shareholders of CENTROTEC Sustainable AG		25,998	4,012

Consolidated Statement of Cash Flows

in EUR thousand	[Notes]	01/01/2010 31/12/2010	01/01/2009 31/12/2009
Net income before interest and taxes (EBIT)		36,158	29,037
Depreciation and amortisation	2, 3	18,424	17,604
Gain/loss on disposal of fixed assets		113	(184)
Other non-cash items		(308)	(988)
Increase/decrease in provisions		1,647	2,325
Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities		(7,175)	3,586
Increase/decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities		(2,278)	5,063
Interest paid		(5,740)	(6,728)
Interest received		514	834
Income tax paid		(5,515)	(5,524)
Cash flow from operating activities	25	**35,840**	**45,025**
Purchase of property, plant and equipment/intangible assets/investments/finanical assets/loans receivable	2, 3, 4	(22,866)	(21,110)
Proceeds from disposal of property, plant and equipment/intangilbe assets/investments/financial assets/loans receivable		789	3,104
Cash flow from investing activities	25	**(22,077)**	**(18,006)**
Proceeds from issuance of shares	10	1,642	305
Proceeds from financial liabilities		4,772	6,410
Repayment of financial liabilities		(15,067)	(18,454)
Cash flow from financing activities	25	**(8,653)**	**(11,739)**
Change in financial resources*	25	**5,110**	**15,280**
Foreign currency exchange gain/loss of the financial resources		(215)	35
Financial resources at the beginning of the financial year		19,716	4,401
Financial resources at the end of the financial year	25	24,611	19,716

* Cash and cash equivalents deducted of credits current account

Consolidated Statement of Changes in Equity

in EUR thousand [Note 10]	Share capital	Capital reserve	Treasury Stock	Stock option reserve	Income tax relating to components of other comprehensive income reserve
January 1, 2010	**16,716**	**25,302**	**(112)**	**2,076**	**663**
Transfer to revenue reserves					
Change from exercise of options	246	1,396			
Stock option plan		316		405	
Comprehensive income					(123)
Other changes					
December 31, 2010	**16,962**	**27,014**	**(112)**	**2,481**	**540**
January 1, 2009	**16,582**	**25,068**	**(112)**	**1,452**	**210**
Transfer to revenue reserves					
Change from exercise of options	134	171			
Stock option plan		63		624	
Comprehensive income					453
Other changes					
December 31, 2009	**16,716**	**25,302**	**(112)**	**2,076**	**663**

	Exchange Rate differences on translation	Derivative financial instruments	Retained earnings and profit carry-forward	Sum other retained earnings and profit carryforward	Profit attributable to shareholders of CENTROTEC Sustainable AG	Total capital to shareholders of CENTROTEC Sustainable AG	Minority interest presented within equity	Consolidated equity
	(237)	**(2,315)**	**85,390**	**85,577**	**5,400**	**132,883**	**(209)**	**132,674**
			5,400	5,400	(5,400)			
						1,642		1,642
				405		721		721
	202	171		250	25,748	25,998	(219)	25,779
	(35)	**(2,144)**	**90,790**	**91,632**	**25,748**	**161,244**	**(428)**	**160,816**
	(321)	**(390)**	**66,768**	**67,719**	**18,622**	**127,879**	**(75)**	**127,804**
			18,622	18,622	(18,622)			
						305		305
				624		687		687
	84	(1,925)		(1,388)	5,400	4,012	(183)	3,829
							49	49
	(237)	**(2,315)**	**85,390**	**85,577**	**5,400**	**132,883**	**(209)**	**132,674**

Consolidated Segment Reporting

Segment Structure in EUR thousand ***Income Statement***	[Note 24]	Climate Systems **2010**	 2009
Revenue from third parties		331,769	309,524
Revenue from other segments		603	413
Changes in inventories of finished goods and work in progress		2,227	(1,245)
Cost of purchased materials		(168,069)	(150,612)
Personnel expenses		(90,266)	(89,084)
Other expenses and income		(40,541)	(38,861)
EBITDA		**35,723**	**30,135**
Depreciation and amortisation		(10,751)	(10,598)
Segment result (EBIT)		**24,972**	**19,537**
Interest income		177	480
Interest expense		(3,289)	(3,694)
Result from investments		(157)	0
EBT		**21,703**	**16,323**
Income taxes			
Net income (EAT)			
Profit or loss attributable to minority interest			
Profit or loss attributable to shareholders CENTROTEC Sustainable AG			
Balance sheet key figures			
Assets*		228,090	218,569
Financial investments accounted for using the equity method		0	0
Loans and investmens		982	715
Entitlement to income tax rebates**			
Liabilities		75,812	69,162
Financial liabilities			
Income tax payable**			
Investments			
Total investments in property, plant, equipment and intangible assets ***		7,243	6,489

Regional Structure in EUR thousand		European euro countries **2010**	 2009
Revenue from third parties		416,954	409,728
thereof Germany		248,048	241,464
Assets****		379,092	361,409
thereof Germany		249,412	233,783
Total investments in property, plant, equipment and intangible assets ***		20,471	17,262

* Excl. Financial investments accounted for using the quity method, loans and financial assets available for sale and entitlement to income tax rebates **

** Including deferred tax

*** Incl. goodwill and figures out of business combinations

**** Excl. entitlement to income tax rebates**

Gas Flue Systems		Medical Technology & Engineering Plastics		Consolidation		Total	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
112,835	128,111	35,046	28,978	0	0	479,650	466,613
4,309	840	513	488	(5,425)	(1,741)	0	0
2,037	(813)	410	(1,342)	0	0	4,674	(3,400)
(60,594)	(68,407)	(12,486)	(8,232)	5,482	1,676	(235,667)	(225,575)
(26,376)	(24,822)	(14,187)	(13,236)	0	0	(130,829)	(127,142)
(17,218)	(19,811)	(5,487)	(5,183)	0	0	(63,246)	(63,855)
14,993	**15,098**	**3,809**	**1,473**	**57**	**(65)**	**54,582**	**46,641**
(5,313)	(4,554)	(2,360)	(2,452)	0	0	(18,424)	(17,604)
9,680	**10,544**	**1,449**	**(979)**	**57**	**(65)**	**36,158**	**29,037**
356	366	34	39	(291)	(150)	276	735
(2,473)	(2,918)	(710)	(763)	291	150	(6,181)	(7,225)
4,445	(9,820)	0	0	0	0	4,288	(9,820)
12,008	**(1,828)**	**773**	**(1,703)**	**57**	**(65)**	**34,541**	**12,727**
						(8,969)	(7,511)
						25,572	***5,216***
						(176)	(184)
						25,748	5,400
101,617	98,937	36,492	33,191	(5)	(61)	366,194	350,636
28,144	23,699	0	0	0	0	28,144	23,699
1,037	0	0	0	0	0	2,019	715
						3,204	4,596
24,178	28,374	4,759	4,860	0	0	104,749	102,396
						112,246	121,807
						21,750	22,769
10,479	9,305	3,871	2,081	0	0	21,593	17,875

European non-euro countries		Rest of world		Consolidation		Total	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
53,603	47,439	9,093	9,446	0	0	479,650	466,613
						248,048	241,464
16,839	14,431	2,442	651	(2,016)	(1,441)	396,357	375,050
						249,412	233,783
898	587	224	26	0	0	21,593	17,875

CENTROTEC Sustainable AG
Notes to the Consolidated Financial Statements
for the financial year 2010

A_ Basic data for the group

The CENTROTEC Group – hereinafter also referred to as CENTROTEC – is an international group with subsidiaries in thirteen European countries, two Asian countries, one African country and one subsidiary in the USA, posting annual revenue of EUR 480 million (previous year EUR 467 million) and 2,663 employees worldwide (full time equivalents) (previous year 2,589 FTE). The focus of CENTROTEC's activities is the development, production and sale of the following product areas:

- Heating systems and in particular condensing-boiler technology for gas, oil and biomass as the energy source, together with solar thermal systems
- Gas flue systems for heating systems, made predominantly from plastic components
- Technical roof systems
- Ventilation systems with and without heat recovery
- Climate control systems
- Heat pumps
- Combined heat and power units, in particular fuelled by biogas and sewage gas
- Medical technology components and equipment
- Plastic semi-finished products and prefabricated products, and
- Indirectly via the equity interest in the CENTROSOLAR Group, turnkey photovoltaic systems and solar modules, mounting systems and components for solar power systems. Also components for solar power systems such as securing and covering concepts.

As well as the existing businesses, the CENTROTEC Group defines its business purpose as creating and acquiring new business areas and companies in which energy-saving products are developed and sold, and/or the expertise of which lies in the domain of medical technology products, innovative plastic-based products or gas flue and ventilation systems.

CENTROTEC Sustainable AG has been listed on the Frankfurt Stock Exchange as a public limited liability company since December 8, 1998. Many of the companies included in the Consolidated Financial Statements nevertheless go back further. The group parent, CENTROTEC Sustainable AG, Brilon, Germany, is listed in the Prime Standard in the SDAX index under the codes CEV, WKN 540750 and ISIN DE0005407506. CENTROTEC Sustainable AG is entered on the Commercial Register of the Local Court of Arnsberg, Germany, under the number HRB 2161. That group parent's registered offices are located at Am Patbergschen Dorn 9, 59929 Brilon, Germany. CENTROTEC Sustainable AG is not part of a superordinate group, and is the ultimate parent company of the group presented in these Notes and Consolidated Financial Statements. Further financial and corporate information on CENTROTEC is available from the above address, or on the homepage www.centrotec.de.

The financial year of CENTROTEC corresponds to the calendar year. The income statement therefore covers the period from January 1 to December 31, 2010 and has been prepared using the nature of expenditure method. The Consolidated Financial Statements have been prepared in euros; unless otherwise indicated, the amounts quoted refer to thousand euros (EUR thousand). For mathematical reasons, there may be rounding differences of +/- one unit.

B_Standards applied

The Consolidated Financial Statements at December 31, 2010 have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB), as applicable within the European Union (EU), taking account of Section 315a (1) of German Commercial Code. All IFRS standards, the application of which is mandatory for the financial year from January 1, 2010, have been applied.

CENTROTEC Sustainable AG, as the parent company of the CENTROTEC Group, is required to prepare annual financial statements in accordance with the requirements of German Commercial Code.

Accounting standards applied for the first time

The accounting standards have been revised and published by the IASB. They wholly or partly replace earlier versions of these standards/interpretations or constitute new standards/interpretations. CENTROTEC has applied the following IFRSs 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 2009 in agreement with the new accounting standards:

IAS 27 (revised)/ IFRS 3 (revised)	Consolidated and Separate Financial Statements / Business Combinations
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Amendments to IFRS 2	Group Cash-settled Share-Based Payment Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
Diverse	Extinguishing Financial Liabilities with Equity Instruments

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

The application of the new standards and interpretations for the first time had no impact on the Consolidated Financial Statements of the company in the 2010 financial year.

Accounting standards applicable from the 2011 financial year or later

The following standards and interpretations issued by the IASB have been adopted into European law by the EU. None of the standards to be applied from the 2011 financial year or later was applied early.

IAS 24 (revised)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

IAS 24 (revised)

The IASB issued a revised version of IAS 24, Related Party Disclosures, on November 4, 2009. The amendment to IAS 24 in particular fundamentally revised the definition of related parties, and amended the definition of the transactions to be disclosed. Another major priority of the revision is moreover the introduction of a simplified requirement for government-related entities. The revised version of the standard takes effect for financial years beginning on or after January 1, 2011. The new rules are to be applied retrospectively. Earlier application is permitted, and there is scope for applying solely the exemption clause for government-related entities. 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.

Amendments to IAS 32

In October 2009 the IASB published the amendments to IAS 32. The amendments relate to the classification of rights issues, options and warrants with an exercise price denominated in a currency other than the functional currency of the issuer. Presentation within equity is now called for in certain conditions, irrespective of the currency in which the exercise price is denominated. The amendment is to be applied from the start of the first financial year beginning after January 31, 2010. The amendment is to be applied retrospectively. 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.

Amendments to IFRIC 14

The IASB published an amendment to IFRIC 14 in November 2009. According to this amendment entities that are subject to minimum funding requirements may report the advantage from prepayments in order to fulfil minimum funding requirements as an asset. The amendment is to be applied from January 1, 2011. Its application for the first time will not have any impact on the net worth, financial position and financial performance of the group.

IFRIC 19

The IASB published IFRIC 19 in November 2009. The interpretation deals with the accounting of the full or partial extinguishing of financial liabilities through the issuance of own equity instruments. The interpretation deals exclusively with accounting by the debtor, i.e. the issuer of the equity instruments. IFRIC 19 is to be applied for financial years beginning on or after July 1, 2010. Its application for the first time will not have any impact on the net worth, financial position and financial performance of the group.

In addition, various minor amendments that were adopted into European law on February 18, 2011 were made to the IFRS under the annual IFRS improvement process (“Improvements to IFRSs”). The amendments are to be applied from July 1, 2010 or from January 1, 2011. Their application for the first time will not have any material impact on the net worth, financial position and financial performance of the group.

The following standards and interpretations issued by the IASB had not yet been adopted into European law by the EU as at December 31, 2010:

Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets
Amendment to IFRS 7	Transfer of Financial Assets
IFRS 9	Financial Instruments: Classification and Measurement

Amendment to IAS 12

On December 20, 2010 the IASB published an amendment to IAS 12 Income Taxes that introduces an exception for certain investment properties carried at fair value. The amendment offers a practical solution to the problem of deferral for the question of whether the carrying amount of an asset is recovered through use or through sale, by introducing a rebuttable presumption that recovery of the carrying amount will normally be through sale. As a consequence of the amendment, SIC 21 no longer applies to investment properties carried at fair value. The remaining guidance has been incorporated into IAS 12 and SIC 21 withdrawn. Retrospective application of the amended version is mandatory for financial years beginning on or after January 1, 2012. Its application for the first time will not have any impact on the net worth, financial position and financial performance of the group.

Amendment to IFRS 7

The IASB published amendments to IFRS 7 on October 7, 2010. The amendments relate to enhanced derecognition disclosure requirements for transfer transactions of financial assets. The amendments are intended to give users of balance sheets and financial reports an improved understanding of transfer transactions (for example, securitisation or factoring). Where any of the opportunities and risks from such transactions remain with the entity that transferred the assets, including where the financial assets are disposed of in full, the new disclosure requirements are intended to create greater transparency and clarity about their continuing involvement. Retrospective application of the amendments by enterprises is mandatory for financial years beginning on or after July 1, 2011. In the first year of application, comparative figures are not necessary. Application for the first time will have no effect on the net worth, financial position and financial performance.

IFRS 9

IFRS 9 now envisages only two categories into which financial assets are to be classified upon initial recognition: measurement at fair value, and measurement at amortised cost. Measurement at amortised cost requires the scheduled holding of the financial asset to collect the contractual cash flows, as well as contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Financial instruments that do not satisfy these requirements are to be measured at fair value. The categorisation made upon initial recognition may only be revised in subsequent periods if the business model under which the asset is held has changed. The standard envisages retrospective application to all existing financial assets, with the circumstances at the date of initial application determining categorisation according to the new rules. Various transitional rules have moreover simplified matters. The rules must be applied from January 1, 2013. It remains to be examined whether this will affect the net worth, financial position and financial performance of the group.

C_Consolidation methods

The balance sheet date of the companies included in the Consolidated Financial Statements is December 31, 2010. 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, and adjusted, i.e. pursuant to IAS 27.

Unless indicated to the contrary, the consolidation methods applied in these accounts have remained unchanged from the previous year. In connection with the more detailed classification of notes on the items Other provisions, Liabilities, Receivables and Other operating income/expenses, the prior-year figures have been adjusted to reflect the method of allocation for 2010.

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. Where the group may determine the financial and business policy of a company even if it does not directly hold a majority of voting rights, the company in question is likewise included in consolidation. The date of first or last inclusion in the Consolidated Financial Statements within the context of full consolidation is fundamentally based on the date on which controlling influence is acquired or lost.

Business combinations are reported according to the purchase method. For this purpose, all assets and liabilities as well as contingent liabilities of the acquired company in existence at the time of acquisition are measured at fair value, irrespective of the existence of minority interests. For each corporate acquisition, CENTROTEC decides on a case by case basis whether the non-controlling interests in the acquired enterprise are measured at fair value or based on the proportion of net assets held in the acquired enterprise. The option of measuring minority interests at fair value is not currently exercised. Minority interests are thus measured on the basis of the proportional net assets allocable to them, without goodwill for the portion allocable to minority interests. The cost of acquisition, including the transaction costs directly allocable to the acquisition, is offset against the corresponding acquirer's interest in the acquiree's net equity at the time of initial inclusion in the Consolidated Financial Statements. The difference in amount between the cost of acquisition and the pro rata net equity is initially allocated to the assets, liabilities and contingent liabilities where its fair value differs from the carrying amount at the time of first-time consolidation. The deferred tax effects resulting from a business combination are likewise taken into account. Any remaining balance in the cost of acquisition over the fair value measurement of the net assets acquired is reported as goodwill. This is then tested for impairment on an annual basis and, if necessary, written down to the lower value determined. Shares in the equity of subsidiaries that are not allocable to the group parent are reported as non-controlling interests. Where the cost of acquisition falls below the fair value measurement of the net assets acquired, the remaining difference is recognised in the income statement.

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.

b_Associated companies

Investments in associated companies are included in the Consolidated Financial Statements by the equity method if the ownership interest is between 20 % and 50 % or if the group exercises considerable influence, but no control, by another means. Under the equity method, shares in associated companies are measured initially at cost. The carrying amount is increased or decreased to recognise the investor's profit share of the investee's earnings for the period after the date of acquisition. The share also includes goodwill arisen at the time of acquisition. The investment is then tested for impairment and, if impairment is established, written down to the lower value determined.

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.

c_Miscellaneous investments

Investments over which the CENTROTEC Group exercises no control or no significant influence and where its ownership interest is generally not in excess of 20 % are recognised as available-for-sale financial assets. Moreover, certain economically insignificant investments are likewise classified as financial assets available for sale.

D_Foreign currency translation

The Consolidated Financial Statements are prepared in euros (EUR), as this is the functional currency of CENTROTEC Sustainable AG.

As part of the consolidation process, the financial statements of foreign group companies are translated into EUR 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. Where necessary, shareholders' equity is translated at historical rates. Goodwill having arisen from business combinations as well as adjustments of stated amounts to fair values are attributed to the respective units, reassessed in their currency and, if necessary, translated at the exchange rates valid at the reporting date. None of the companies included in the Consolidated Financial Statements is based in a hyperinflationary economy.

The following table shows the exchange rates used for these accounts:

Foreign currency translation

ISO Code	Rate at reporting date 31/12/2010	31/12/2009	Average rate 2010	2009
GBP	0.8608	0.8881	0.8578	0.8909
DKK	7.4535	7.4418	7.4473	7.4462
CHF	1.2504	1.4836	1.3803	1.5100
PLN	3.9750	4.1045	3.9947	4.3276
USD	1.3362	1.4406	1.3257	1.3948
SGD	1.7136	2.0194	1.8055	2.0241
KES	106.0180	-	104.6882	-

E_ Accounting policies

a_ Goodwill

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

Goodwill is assessed for impairment (value in use) once a year by means of an impairment test, irrespective of whether or not there is evidence of impairment. If necessary, an impairment loss is applied. Goodwill is recognised at cost, less accumulated impairment. If the reasons for a reduction for impairment applied to an asset on the basis of an impairment test have wholly or partly ceased to exist in a subsequent period, that impairment is not reversed accordingly.

b_ Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated regular depreciation occasioned by use and impairment. 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 production-related direct costs. Depreciation is charged according to the straight-line method. If necessary, a reduction for impairment is recognised for property, plant and equipment down to the recoverable amount. All expenses arising in conjunction with the maintenance of property, plant and equipment are recorded in the income statement for the period in which they are incurred.

c_ Intangible assets

Intangible assets: acquired brand rights, customer bases, software and licences are capitalised at cost and amortised in accordance with their anticipated useful lives. In the same way, software developments and other development work that can be capitalised at cost are capitalised at cost and likewise amortised in accordance with their respective anticipated useful lives. Intangible assets also comprising brand names identified upon the acquisition of a company are amortised in accordance with the underlying expectations and not amortised on a regular basis in the event of unlimited use (∞, but not infinitely). The customer bases acquired in connection with business combinations are amortised on the basis of anticipated use, shrinkage rates and margins, correspondingly to the anticipated economic benefits. Profitable supply agreements are amortised on the basis of the underlying terms of the agreements, corresponding to the anticipated economic benefits. According to IAS 38, development costs are to be capitalised as "intangible assets" insofar as certain criteria stated are met cumulatively. 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.

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	3 - 20
Patents/technologies	3 - 25
Capitalised development costs	5 - 10
Buildings	10 - 50
Technical equipment and machinery	3 - 20
Fixtures and office equipment	3 - 15
Software and software developments	3 - 5

Impairment of non-monetary assets such as property, plant and equipment and intangible assets:
Assets that are subject to depreciation and amortisation are examined for impairment if corresponding occurrences or changes in circumstances indicate that the carrying amount may possibly no longer be realisable. Assets that have an indeterminate useful life, such as goodwill, are tested annually for impairment unless indications are detected earlier that impairment may have occurred. The amount by which the carrying amount exceeds the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less the costs of disposal, and the value in use. For the impairment test, assets are combined at the lowest level for which independent cash flows can be identified (cash generating units). For the determination of the value in use, forecast cash flows are discounted at the WACC (weighted average cost of capital) at the balance sheet date. 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.

d_Non-current investments

Non-current investments comprise investments in associated companies, non-associated companies (investments), other loans originated by the enterprise, and securities. Investments in associated companies are recognised using the equity method. The other non-consolidated investments as well as securities are allocated to the category "Available-for-sale financial assets” and loans originated by the enterprise to the category “Loans and receivables”.

e_Inventories

Inventories are measured at the lower of cost or net realisable value. Raw materials and supplies are valued at the average cost. Work in progress, finished goods and merchandise are measured at average values or on the basis of cost, using the FIFO method. The cost of conversion for work in progress and finished goods consists of direct costs of materials, direct labour, other direct costs as well as appropriate shares of production-related indirect materials and indirect labour which have arisen as a result of bringing the inventories to their current location and current state. It is determined 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.

f_Trade receivables

Trade receivables and other non-derivative financial assets are considered to be current assets provided their maturity date is no more than twelve months from the balance sheet date. They are allocated to the category “Loans and receivables” and are recognised at amortised cost. Appropriate impairment has been recognised for identified risks, as indicated by experience.

g_Deferred tax

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

h_Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and deposits with a maturity of up to 3 months. Amounts owed to banks repayable on demand form an integral part of the group’s cash management. For the purpose of the cash flow statement, they are therefore included in the financial resources alongside cash and cash equivalents with a maturity of three months. These amounts owed to banks and due at any time are shown in the balance sheet as financial debt.

i_Shareholders’ equity

The issued capital (capital stock) comprises all no par value shares issued by CENTROTEC Sustainable AG. These are reported as shareholders’ equity. Each individual share represents a pro rata amount of the capital stock of EUR 1.

The change in the additional paid-in capital is attributable to the premiums from the issuance of shares through the stock option scheme. 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. If a group company acquires treasury stock, the costs including ancillary costs and potential income tax effects are deducted from the shareholders’ share of equity in the treasury stock reserve 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.

Other reserves and profit carryforward essentially comprise the profit carryforward as well as the values of changes from currency translation recognised with no income effect, and changes in interest rate hedging instruments and securities.

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.

j_Share-based forms of payment

CENTROTEC uses share-based forms of payment 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. Their recognition and measurement are based on the provisions of IFRS 2. Under IFRS 2, share-based forms of payment are to be reported at the fair value of the consideration received. As the fair value of the consideration received cannot be estimated reliably, CENTROTEC calculates the changes to shareholders' equity indirectly, using the fair value of the stock options granted. In the absence of market prices, this fair value is determined with the aid of a 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. All factors and assumptions that market players would take into consideration in determining the price and that are specified by IFRS are observed. Insofar as applicable, it is assumed when determining the factors and assumptions on which the calculation is based that historical values and developments will likewise apply to future developments and can serve as a point of reference or starting point for calculation parameters. The value of an option is determined on a once-only basis at the time it is granted. Subsequent changes to the parameters are disregarded.

The expense from share-based forms of payment is distributed over the vesting period by the straight-line method as a personnel expense and recognised in the additional paid-in capital for stock options until the option is exercised or lapses. Changes after the end of the vesting period have no effect on income and are only recognised within shareholders' equity. If there are tax effects from share-based forms of payment, 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 forms of payment 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.

k_Pension provisions

The pension provisions are created for defined benefit pension obligations to management and other employees, 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. A variety of pension plans exist within the group. In the case of existing plan assets, the present value determined is reduced by their fair value and adjusted to reflect as yet unrecognised actuarial gains and unrecognised past service cost. Actuarial gains and losses are taken into account where they exceed 10 % of the extent of the liability or value of the asset. These are indicated by experience adjustments and changes to actuarial assumptions. The amount in excess of this corridor is booked to or against income over the period of the average remaining working lives of the active workforce. 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.

In many countries in which CENTROTEC employees are engaged, there exists a contribution-based statutory basic pension scheme that pays out a pension on the basis of income and contributions made. In the case of defined contribution plans, fixed amounts are paid to funds outside the group. In paying the contributions to public pension schemes, CENTROTEC has no further benefit obligations. In addition, individual employees in the group have taken out policies with private insurance companies which are subsidised in certain respects on the basis of company agreements. Apart from the personnel expenses for subsidies that are included in employee benefit costs, the group has no further benefit obligations. This applies in particular if a fund outside the group does not maintain sufficient assets to settle the claims made against it from current and previous financial years.

l_Other provisions

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 accruals and provisions are stated at the present value of the most likely, reliably estimable amount of settlement and are not netted against revenue and gains. The likelihood of the cash outflow must be more than 50 % ("more likely than not" criterion). Provisions are created only where a legal or factual obligation to third parties exists and the level of the provisions could be reliably determined. In the event of a wide range of obligations of a similar nature resulting for instance from statutory warranty obligations, they shall be determined on the basis of this group of obligations. 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.

The provision for warranties should likewise be created for reworking free of charge, substitute deliveries, price reductions or compensation payments for nonfulfilment. It may be based on statutory obligations or on an independent warranty commitment. Within the CENTROTEC Group, as well as individual provisions, general provision should be created if a warranty claim must be expected on the basis of past events. The flat rate is to be determined independently by each group company on the basis of past experience.

m_ Borrowings and trade payables

Borrowings and trade payables are allocated to the category "Financial liabilities measured at amortised cost". Liabilities from loans are classified as current if they are repayable within the next twelve months.

n_ Leases

Leases where all opportunities and risks are allocable in substance to the group are classified as finance leases. They are measured at the fair value of the asset at the start of the lease term or at the lower cash value of the future leasing instalments. Every lease payment is divided up into a capital and an interest portion. Leases where significant portions of the opportunities and risks rests with the lessor are classified as operating lease obligations. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease.

o_ Financial instruments

A financial instrument is any contract that gives rise to both a financial asset at one enterprise and a financial liability or equity instrument at another enterprise. The balance sheet includes both primary and derivative financial instruments. The settlement date is decisive for the initial recognition of a financial instrument. Only in the case of derivative financial instruments is the trade date decisive. A financial instrument is derecognised if the rights to payments from the financial instrument have expired or been transferred in full and the group has in essence transferred all risks and rewards associated with its title.

Classification of financial assets

When reported for the first time, a financial asset is fundamentally to be classified in one of the following categories: loans and receivables, held-to-maturity investments, financial assets at fair value through profit or loss, distinguishing between those that are held for trading and those that have been designated as belonging to this category upon initial recognition, available-for-sale financial assets.

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

Loans and receivables include non-derivative financial assets that have determinable cash flows and are not traded on an active market. If there is the intention to hold investments with a maturity date (e. g. bonds) that are traded on an active market until maturity, they can be categorised as held-to-maturity investments. Financial assets held for trading are to be allocated to the category "financial assets at fair value through profit or loss". Financial instruments are allocated to the category "available-for-sale financial assets" if they are designated as such or if allocation to another category is not possible.

Derivates are fundamentally to be classified as financial assets held for trading unless they have been designated as an effective hedging instrument for hedge accounting (hedging derivatives). The latter do not fall into any of the above four categories.

Measurement of financial assets

Loans and receivables as well as held-to-maturity investments are measured at fair value upon initial recognition, taking account of any transaction costs. They are subsequently measured at amortised cost using the effective interest rate method and taking account of any impairment necessary.

Financial assets at fair value through profit or loss and available-for-sale financial assets are generally recognised at fair value both initially and upon subsequent measurement. In the case of available-for-sale financial assets, gains or losses from subsequent measurement (except for impairment losses) are reported income-neutrally in a separate item under equity (revaluation surplus) until the financial asset is derecognised. When the financial asset is sold, the accumulated measurement result reported in the revaluation surplus is liquidated and recognised in the income statement. In the event of impairment, the revaluation surplus is adjusted by the impairment and the surplus amount reflected in the income statement. Reversals are performed income-neutrally in the case of equity instruments, but otherwise with an effect on income. If the fair value of equity instruments that have been categorised as available-for-sale financial assets cannot be reliably determined, they are measured at cost. No reversals are performed in this instance.

Reductions for impairment are applied if, following recognition of the financial asset upon its receipt, there is objective evidence of impairment that affects the anticipated future cash flows from the financial instrument. The amount of the impairment loss is the difference between the carrying amount and the present value of the anticipated cash flows. In the case of trade receivables, the carrying amount is adjusted by means of an impairment account. In all other cases, the carrying amounts are reduced directly.

The categories loans and receivables and available-for-sale financial assets are of relevance for the CENTROTEC Group. Derivatives are moreover designated as effective hedging instruments for hedge accounting (hedging derivatives).

The loans and receivables category comprises substantially loans, cash and cash equivalents, and trade receivables. The available-for-sale financial assets include investments and securities.

Accounting of hedging relationships

Derivative financial instruments are fundamentally used within the group for hedging the interest and exchange rate risks resulting from operating activities, financial transactions and investments, and are designated as cash flow hedges. Initial and subsequent measurement are at the fair value. The measurement result is broken down into an effective and an ineffective portion. The effective portion is recognised income-neutrally under a separate item within equity. The ineffective portion of the measurement result, on the other hand, is recognised in the income statement. The accumulated measurement results within equity are liquidated with an income effect if the hedged item starts to affect income.

Classification of financial liabilities

Financial liabilities are to be classified as belonging to one of the following categories upon initial recognition: financial liabilities at fair value through profit or loss, distinguishing between those that are held for trading and those that have been designated as belonging to this category upon initial recognition, financial liabilities measured at amortised cost.

As with financial assets, the classification here again depends on the respective purpose. If a liability is held for trading, it is to be allocated to the category “Financial liabilities at fair value through profit or loss”. All other financial liabilities are to be classified as “Financial liabilities recognised at amortised cost”.

Derivates are fundamentally considered as financial liabilities held for trading unless they have been designated as an effective hedging instrument for hedge accounting (hedging derivatives). The latter do not fall into either of the above two categories.

Measurement of financial liabilities

Financial liabilities at fair value through profit or loss are measured both initially and subsequently at fair value. Financial liabilities measured at amortised cost are measured at fair value, including discounts, upon initial recognition, taking account of any transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Essentially the financial liabilities measured at amortised cost are of relevance for the CENTROTEC Group. Derivatives are designated as effective hedging instruments for hedge accounting (hedging derivatives).

The financial liabilities measured at amortised cost mainly originate from trade payables and from the financing of the group.

Determination of the fair values of financial instruments

An enterprise is to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. This hierarchy comprises three levels: a) the prices quoted in active markets for identical assets or liabilities (and adopted unchanged) (Level 1); b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and c) inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

The fair values carried in the balance sheet generally correspond to the market prices of the financial assets and liabilities (Level 1). If no market prices are available, they are calculated with the aid of accepted valuation models (Level 2). In the CENTROTEC Group, securities that are measured at market prices come under Level 1. The financial derivatives for which the fair value is determined with the aid of the DCF method come under Level 2. The relevant market prices, interest rates and interest rate volatilities observed at the balance sheet dates and obtained from accepted external sources serve as the input parameters for this method. There are no other financial instruments that are carried at fair value.

p_Revenue recognition

Revenue in particular 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.

q_Financing costs

Financing costs such as interest are recognised as income or expense time-proportionally and on an accrual basis that reflects the terms of the asset or liability, using the effective interest rate method. Provided borrowing costs are in connection with the production, construction and acquisition of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, they are capitalised pursuant to IAS 23.

r_Dividends

Dividends such as dividend revenue from investments and shareholders' entitlements to dividend payments are recognised as payments when the right to receive payment arises.

F_Financial risk management

a_Financial risk factors

Financial risk management objectives and policies

The CENTROTEC Group operates internationally. In view of the variety of its activities, the group is exposed to a large number of financial risks. We take risk to mean unexpected occurrences and possible developments that adversely affect the attainment of set targets and expected progress. Risks that have a material influence on the net worth, financial position and financial performance are of relevance. 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.

In measuring and controlling significant individual risks, the group distinguishes between credit, market and liquidity risks.

Credit risk

We take credit risk to mean the risk of a loss following the defaulting or deterioration in creditworthiness of a business partner. The maximum credit risk corresponds to the aggregate of the carrying amounts of financial assets in the balance sheet which are recognised net of reductions for impairment, plus these same reductions for impairment. Trade receivables exist mainly in respect of customers in Germany and the Netherlands.

Impairment of trade receivables is applied according to uniform rules and cover all discernible creditworthiness risks. Portfolio impairment was created for losses that have materialised but not yet been identified. For further disclosures on impairment and the maturities structure of receivables, we refer to the disclosures on trade receivables.

Credit risks regarding accounts receivable are in essence limited by the application of credit approvals, credit insurance, credit limits and monitoring procedures. The level of a credit limit reflects the creditworthiness of a counterparty and the typical size of the transaction volume with that counterparty. The assessment of creditworthiness is based on the one hand on information from external credit reporting agencies and on the other hand on internally acquired values indicated by experience in dealing with the counterparty in question. With regard to receivables that are neither overdue nor impaired, there is no evidence at the reporting date that the debtors will not meet their commitments from these receivables.

As a result of the large number of customers in various customer groups and their international structure and the application of credit insurance, the credit risk of trade receivables is diversified. CENTROTEC has no significant concentration of credit risk with any single customer. The largest customer in the group accounts for less than 3 % of revenue (previous year 4 %).

Liquidity risk

We take the liquidity risk in the narrower sense to mean the risk of being unable to meet current or future payment commitments or only being able to meet them on unfavourable terms. The group generates financial resources predominantly through its business operations. The liquidity risk is controlled by maintaining adequate levels of cash and unutilised credit lines with banks. All contractual loan arrangements are continuously monitored. The following table shows the contractually agreed, undiscounted cash flows from financial instruments. Variable interest payments were stated at the rates determined at the reporting date. Foreign currency amounts were translated using the spot rate at the reporting date.

Liquidity analysis (including forecast on interest payments)

in EUR '000	Total outstanding amount	Of which maturity less than 1 year	Of which maturity 1 to 2 years	Of which maturity 3 to 5 years	Of which maturity more more than 5 years
2009	181,279	81,028	20,503	60,753	18,995
2010	167,538	82,360	20,782	48,791	15,605

There are moreover the following anticipated outflows of liquidity from the derivatives concluded:

Liquidity analysis for derivatives concluded

in EUR '000	Total outstanding amount	Of which maturity less than 1 year	Of which maturity 1 to 2 years	Of which maturity 3 to 5 years	Of which maturity more than 5 years
2009	5,255	1,593	1,262	2,143	257
2010	3,129	1,279	982	827	41

Market risk

We take the market risk to mean the risk of a loss that may arise as a result of a change in market parameters that have a bearing on measurement (exchange rate, interest rate, price).

The market risks from currency translation within CENTROTEC are limited, as the transactions take place principally in eurozone countries. However, a growing portion of business activities is taking place in European countries outside the eurozone, particularly Eastern Europe, but the markets outside Europe are also coming increasingly into focus. This geographical expansion gives rise to limited, manageable exposure to market risks from changes in interest and exchange rates. The group therefore uses instruments for hedging foreign currency risks only selectively.

If the euro had gained 10 % in value against the principal foreign currencies for CENTROTEC at December 31, 2010, earnings would have been lower by EUR 125 thousand (previous year EUR 185 thousand higher). If the euro had lost 10 % in value, earnings would have been higher by EUR 153 thousand (previous year EUR 218 lower).

Currency sensitivity

in EUR '000 Currency	Rate at reporting date	Rate if EUR gains 10 % in value	Sensitivity if EUR gains 10 % in value	Rate if EUR loses 10 % in value	Sensitivity if EUR loses 10 % in value
CHF	1.2504	1.38	105	1.13	(124)
DKK	7.4535	8.20	142	6.71	(173)
GBP	0.8608	0.95	(148)	0.77	175
PLN	3.9750	4.37	(147)	3.58	181
USD	1.3362	1.47	(74)	1.20	90
SGD	1.7136	1.88	(3)	1.54	4
Total			**(125)**		**153**

If the euro had gained 10 % in value at December 31, 2010, shareholders' equity would have been EUR 72 thousand lower (previous year EUR 402 thousand higher) or, if it had lost 10 % in value, EUR 88 thousand higher (previous year EUR 487 thousand lower). The determination of currency sensitivities took account of all significant financial instruments where the currency of the contract is not the same as the functional currency of the CENTROTEC Group. The calculations do not contain currency translation risks, nor deferred and actual taxes.

The market risks from interest rate changes stem predominantly from rate-sensitive financial assets and liabilities where interest rate changes result in changes in the anticipated cash flows. To hedge against adverse interest rate movements, interest rate caps and interest swaps have been concluded in order to hedge against the cash flow risks of loans with variable interest rates; they can be designated cash flow hedges in accordance with IAS 39. For further particulars of the hedging instruments used, please refer to the disclosures on the derivative financial instruments.

If market interest rates had been 100 base points higher or lower at December 31, 2010, earnings would have been EUR 383 thousand (previous year EUR 407 thousand) lower or EUR 381 thousand (previous year EUR 462 thousand) higher. Shareholders' equity would correspondingly have been EUR 1,458 thousand (previous year EUR 1,110 thousand) higher or EUR 747 thousand (previous year EUR 845 thousand) lower at December 31, 2010.

All significant variable-interest receivables and liabilities from primary financial instruments of the CENTROTEC Group as well as cash flows from derivative financial instruments were taken into account in determining the sensitivity of earnings to interest rates. Equity sensitivity was calculated on the basis of hypothetical changes in the market value of the derivatives designated as hedges.

Other risks affecting the prices of financial instruments exist for the CENTROTEC Group above all in the form of market prices. However, at the balance sheet date there were no significant investments in listed companies that were not consolidated or accounted for by the equity method. The near-money market funds reported under securities are not exposed to any significant fluctuations in value.

Operating risks

Through its operating activities, the group is exposed to market price risks in the form of commodity price risks. These may have a negative effect on the net worth, financial position and financial performance. CENTROTEC assesses these risks on a regular basis by monitoring changes in key indicators as well as market information. These market price risks are controlled predominantly via routine business operations and financing activities.

Credit risks on the procurement side are limited in the case of CENTROTEC. There are a great many suppliers for many raw materials and supplies. In critical areas of procurement, at least two sources of supply exist in virtually every case.

b_Capital risk management

The group's aims with regard to capital management are to maintain the company as a going concern, in order to protect the interests and expectations of our shareholders, employees and other stakeholders. Another aim is to maintain an optimum capital structure in order to reduce the capital costs and control the risks, building in a premium for maintaining financial flexibility. To minimise risks, a financing structure is being established in which the financing of the individual parts of the group is ring-fenced. It is necessary to ensure that both internal and external growth prospects and opportunities can be realised by the company at any time.

Potential measures for influencing the capital structure may concern both equity (e. g. ploughback) and debt (e. g. through the raising/repayment of loans). The target equity ratio should not normally be below 20 %.

Figures in EUR '000	31/12/2010	31/12/2009	31/12/2008	31/12/2007
Shareholders' equity	160,816	132,674	127,804	109,066
Long-term debt	131,178	144,077	155,276	152,350
Short-term debt	107,567	102,895	95,304	100,357
Balance sheet total	399,561	379,646	378,384	361,773
Equity ratio	40.2 %	34.9 %	33.8 %	30.1 %
Debt ratio	59.8 %	65.1 %	66.2 %	69.9 %

G_ Critical assumptions and estimates

All assumptions, whether classified as critical or not, may influence the reported net worth or financial performance of the CENTROTEC 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 CENTROTEC 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 the consolidated companies, non-current assets, impairment of inventories and trade receivables, contingent purchase price liabilities and provisions.

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 CENTROTEC is active may result in the recoverable amounts of these assets changing. CENTROTEC therefore examines the useful lives on a regular basis to assimilate the carrying amounts with the realisable benefit by way of reductions for impairment. In spite of every effort to determine appropriate useful lives, certain situations may arise where the value of a non-current asset or group of assets is reduced and thus the economic value is below the carrying amount. As impairment occurs only sporadically, rarely for individual capital goods and not at all for entire classes, it is not possible to estimate these costs precisely as early as the preparation of the financial statements. Such costs are therefore reported only when the corresponding information is known. No general sensitivity analysis for all useful lives is performed.

For acquisitions, assumptions and estimates have an influence on the purchase price allocation process. 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 that are of significance are 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 and brands with an uncertain useful life are subjected to an annual impairment test. A sensitivity analysis yielding the following results is moreover performed: if the estimates of the underlying free cash flow had been 10 % lower, there would have been no reduction in goodwill. If the interest rate serving as the basis for discounting of the cash flows had been 100 base points higher, this would have led to a reduction of EUR 80 thousand.

Conditional purchase price components are included in the determination of the purchase price at their fair value at the time of the acquisition independently of their probability of occurrence. The conditional purchase price components may be both equity instruments and financial liabilities. Depending on category, changes in the fair value are taken into account upon subsequent measurement.

CENTROTEC grants various warranties for products. Basic warranties are recognised at the amount of the estimated expenses, taking account of historical data. 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 recorded is tested on a quarterly basis.

The group is subject to the tax regimes 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.

H_Segment reporting

The operating segments are reported on in a way that corresponds to internal reporting to the principal decision-makers. The principal decision-maker is responsible for decisions regarding the allocation of resources to the operating segments and for examining their profitability. Three Management Board members have been designated the principal decision-makers, with each member exercising control over one of the following three segments:

1_**„Climate Systems“**: in this segment, heating, ventilation and climate control systems together with systems for using renewable energies for detached and semi-detached houses as well as for utility buildings such as public amenities, schools etc. are developed, produced and sold. The main focus of the product range is on a high degree of energy-saving and on interlinking heating, ventilation and climate control systems. In this market segment, CENTROTEC is among the leading companies in Europe.

2_**„Gas Flue Systems“**: here, gas flue systems for diverse applications as well as technical roof products are developed, produced and marketed. The emphasis of these systems is on plastic gas flue systems for condensing boiler systems. In this segment, CENTROTEC is one of the leading companies in Europe. It also produces assemblies made from hot-shaped materials in small production runs.

3_**„Medical Technology & Engineering Plastics“**: this segment develops, manufactures and sells medical technology and diagnostic articles and instruments. This segment also comprises the manufacture and sale of semi-finished plastic products, prefabricated products and assemblies for small series in various sectors, but predominantly in medical technology.

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. The data is taken from the accounting systems of the companies that are allocated to the respective segments.

I_Particulars of the consolidated companies

All direct and indirect subsidiaries of the parent company and group parent are included in the Consolidated Financial Statements of CENTROTEC. The following companies, which simultaneously constitute the CENTROTEC Group, were consolidated within CENTROTEC Sustainable AG at December 31, 2010:

Company

	Place and country of incorporation	Share of capital	Subscribed capital	Currency (ISO code)	Founded/ acquired
Fully consolidated					
CENTROTEC Sustainable AG	Brilon, DE	-	16,961,961	EUR	*17/07/1998
Segment Climate Systems					
Brink Climate Systems B.V.	Staphorst, NL	100 %	20,004.00	EUR	02/01/2002
Deveko B.V.	Deventer, NL	100 %	18,152.00	EUR	02/01/2002
Golu B.V.	Soest, NL	100 %	18,152.00	EUR	02/01/2002
Kempair B.V.	Eindhoven, NL	100 %	18,152.00	EUR	02/01/2002
Brink Climate Systems Ireland Ltd.	Blessington, IE	100 %	100.00	EUR	10/05/2010
Ned Air Holding B.V.	Ijsselmuiden, NL	100 %	54,454.00	EUR	05/06/2003
Ned Air B.V.	Ijsselmuiden, NL	100 %	54,454.00	EUR	05/06/2003
Ned Air France S.A.S.	Helfrantzkirch, FR	100 %	40,000.00	EUR	12/11/2007
Ned Air UK Ltd.	Manchester, UK	100 %	150.00	GBP	02/10/2006
Ned Air Polska Sp.z.o.o.	Katowice, PL	100 %	50,000.00	PLN	19/03/2008
EnEV-Air GmbH	Ahaus, DE	98.9 %	450,000.00	EUR	29/11/2005
Innosource Holding B.V.	Sassenheim, NL	100 %	38,500.00	EUR	08/09/2005
Innosource B.V.	Sassenheim, NL	100 %	18,000.00	EUR	08/09/2005
Soundscape B.V.	Sassenheim, NL	100 %	18,000.00	EUR	08/09/2005
Centrotec Energy Solutions B.V.	Staphorst, NL	100 %	18,000.00	EUR	08/09/2005
Centrotec Energy Solutions Nederland B.V.	Staphorst, NL	100 %	18,000.00	EUR	19/11/2010
Stiller Wonen B.V.	Amstelveen, NL	100 %	18,151.00	EUR	08/09/2005
Brink-Innosource GmbH	Freudenberg, DE	100 %	25,000.00	EUR	08/09/2005
Wolf Holding GmbH	Mainburg, DE	100 %	25,000.00	EUR	22/09/2006
Wolf GmbH	Mainburg, DE	100 %	20,000,000.00	EUR	05/10/2006
Wolf France S.A.S.	Massy, FR	100 %	40,000.00	EUR	05/10/2006
Wolf Iberica S.A.	Madrid, ES	100 %	781,316.00	EUR	05/10/2006
Wolf Technika Grzewcza Sp.z.o.o.	Warsaw, PL	100 %	2,564,000.00	PLN	05/10/2006
Wolf Heating UK Ltd.	Northwich, UK	100 %	150,000.00	GBP	05/10/2006
Kuntschar & Schlüter GmbH	Wolfhagen, DE	100 %	250,000.00	EUR	01/11/2008
Wolf Klimaatechniek B.V.	Kampen, NL	100 %	150,000.00	EUR	05/10/2006
Gas Flue Systems segment					
Ubbink B.V.	Doesburg, NL	100 %	46,286.00	EUR	21/12/1999
Ubbink N.V./S.A.	Gentbrugge, BE	100 %	592,117.48	EUR	21/12/1999
Ubbink UK Ltd.	Brackley, UK	100 %	35,000.00	GBP	21/12/1999
Ubbink France S.A.S.	La Chapelle sur Erdre, FR	100 %	310,000.00	EUR	21/12/1999
Ubbink East Africa Ltd.	Naivasha, Kenya	60 %	100,000.00	KES	17/09/2009
Centrotherm Systemtechnik GmbH	Brilon, DE	100 %	102,258.38	EUR	15/12/1993
Centrotherm Gas Flue Technologies Italy S.R.L.	Verona, IT	100 %	119,000.00	EUR	19/10/2000
Centrotherm Eco Systems, LLC	Albany, USA	65 %	200,000.00	USD	22/04/2009
Centrotec JI Asia Pte. Ltd.	Singapore, SG	57.50 %	170,000.00	SGD	23/04/2003
Centrotec JIT Bintan PT	Bintan, ID	57.50 %	615,484,000.00	IDR	01/01/2004
Centrotec Composites GmbH	Brilon, DE	100 %	27,000.00	EUR	01/08/1990
Centrotec International GmbH	Brilon, DE	100 %	25,000.00	EUR	18/12/2002
Centrotec Energy Solutions GmbH	Brilon, DE	100 %	25,000.00	EUR	23/07/2008

Company

	Place and country of incorporation	Share of capital	Subscribed capital	Currency (ISO code)	Founded/ acquired
Medical Technology & Engineering Plastics segment					
medimondi AG	Fulda, DE	100 %	11,640,000.00	EUR	*16/10/2006
Möller GmbH	Fulda, DE	100 %	60,000.00	EUR	28/08/2003
Möller Medical GmbH	Fulda, DE	100 %	1,400,000.00	EUR	28/08/2003
medimondi AG	Dietikon, CH	100 %	100,000.00	CHF	06/11/2006
bricon ag	Dietikon, CH	100 %	2,000,000.00	CHF	12/09/2007
Centroplast Engineering Plastics GmbH	Marsberg, DE	100 %	250,000.00	EUR	01/08/1990
Rolf Schmidt Industriplast A/S	Kolding, DK	100 %	3,000,000.00	DKK	16/03/2001
Centroplast UK Ltd.	Stafford, UK	100 %	100,000.00	GBP	03/06/2005
Centroplast Solar GmbH	Marsberg, DE	100 %	25,000.00	EUR	14/07/2008
Companies consolidated using the equity method					
Bond Laminates GmbH	Brilon, DE	24.95 %	93,800.00	EUR	21/11/2000
CENTROSOLAR Group AG	Munich, DE	26.16 %	20,333,309.00	EUR	12/08/2005
Companies recognised as available-for-sale financial assets (non-consolidated companies)**					
Wolf Klimatechnik S.a.r.l.	Junglinster, LU	100 %	14,874.00	EUR	05/10/2006
Elco Klöckner Wärme- und Solartechnik GmbH	Leobersdorf, AT	100 %	254,355.00	EUR	05/10/2006
Goodison Thirty Nine Ltd.	Naivasha, Kenya	60 %	100,000.00	KES	17/05/2010
CentroGulf Limited	Abu Dhabi, UAE	20 %	500,000.00	AED	07/07/2010
Hostro GmbH	Wegscheid, DE	4 %	25,000.00	EUR	04/07/2010
Malmö Air AB	Malmö, SE	100 %	100,000.00	SEK	11/02/2010

* Date of creation by modifying conversion

** Insignificant, therefore not comprehensively consolidated

The sales subsidiary Brink Climate Systems Ireland Ltd., Naas, Ireland, was established in may 2010 and allocated to the Climate Systems segment. The company is fully consolidated.

Compared with the previous year Ubbink East Africa was now operational and is therefore fully consolidated. The company is allocated to the Gas Flue Systems segment. The company furthermore purchased Goodison Thirty Nine Ltd., Nairobi, Kenya. This company is not operational and is consequently not fully consolidated.

The company KORRI*BAT S.A.R.L. was wound up.

The company Ned Air Austria GmbH was sold for EUR 50 thousand. The sale resulted in losses of EUR 131 thousand that are recognised in the income statement. Controlled bankruptcy proceedings were opened against the company Ned Air France SAS on October 6, 2010. Because these companies are of no material significance to CENTROTEC, these events had no significant effect on the net worth, financial position and financial performance of the group.

Compared with the position at December 31, 2009, investments and loans originated by the enterprise include the amount of EUR 1 million for Malmö Air AB, Malmö, Sweden, which was purchased in the first quarter of 2010. No IFRS 3 accounting takes place because only intangible assets in the form of patents, and no business operations, were acquired. The company is not operational so for reasons of economy and in view of its lesser significance for the net worth, financial position and financial performance of the CENTROTEC Group it is recognised at cost and reported under investments and loans originated by the enterprise instead of being included in consolidation.

J Explanatory notes on components of the consolidated financial statements

1 Goodwill

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

Goodwill

in EUR '000	
2009	
Accumulated cost Jan 1	63,175
Exchange differences	3
Additions	0
Disposals	0
Accumulated cost Dec 31	63,178
Accumulated impairment Dec 1	(2,264)
Exchange differences	0
Additions	0
Disposals	0
Accumulated impairment Dec 31	(2,264)
Net carrying amount 31/12/2008	**60,911**
Net carrying amount 31/12/2009	**60,914**
2010	
Accumulated cost Jan 1	63,178
Exchange differences	160
Additions	0
Disposals	0
Accumulated cost Dec 31	63,338
Accumulated impairment Jan 1	(2,264)
Exchange differences	0
Additions	0
Disposals	0
Accumulated impairment Dec 31	(2,264)
Net carrying amount 31/12/2009	**60,914**
Net carrying amount 31/12/2010	**61,074**

The goodwill totalling EUR 60,914 thousand reported at December 31, 2009 rose by an amount of EUR 160 thousand in the 2010 financial year to EUR 61,074 thousand. This was attributable exclusively to income-neutral exchange differences.

There are four distinct cash generating units in the CENTROTEC Group. These four cash generating units constitute the organisational structure of the group (management approach).
The impairment test was performed on the basis of value in use. The calculations were based on a cash flow oriented model. The calculations are based on the approved plans for the years 2011 to 2015. A perpetual pension is in addition calculated on the basis of the fifth year of the planning period. The perpetual pension was assumed to have a growth rate of 1.0 % (previous year 1.0 %). The discount rate was formed from the weighted costs of borrowed capital and equity capital, with the equity capital costs derived using CAPM. Depending on the cash generating unit, the discount rate before tax ranges between 7.97 % and 8.77 % (previous year 8.17 % and 8.67 %).

The impairment tests revealed no need for impairment of goodwill in either the 2010 financial year or in the comparative period 2009.

The following table shows the distribution of goodwill between the cash generating units:

Cash generating unit	31/12/2010	31/12/2009
Wolf Group	19,788	19,788
Brink Group	24,839	24,839
Ubbink Group	11,110	11,110
medimondi Group	5,337	5,177
Total	**61,074**	**60,914**

The breakdown by operating segment is as follows:

Allocation of goodwill to segments

	Climate Systems		Gas Flue Systems		Medical Technology & Engineering Plastics		Total	
in EUR '000	2010	2009	2010	2009	2010	2009	2010	2009
Euro countries	44,627	44,627	8,142	8,142	2,749	2,749	55,518	55,518
European non-euro countries	-	-	2,968	2,968	2,588	2,428	5,556	5,396
Total	**44,627**	**44,627**	**11,110**	**11,110**	**5,337**	**5,177**	**61,074**	**60,914**

2 Intangible assets

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

Intangible assets

in EUR '000	Industrial rights and similar rights	Software	Capitalised development costs	Assets in course of construction	Total intangible assets
2009					
Accumulated cost Jan 1	17,690	6,942	25,231	0	49,863
Exchange differences	1	10	0	0	11
Additions	80	467	1,635	4,107	6,289
Reclasses	0	(33)	(174)	0	(207)
Disposals	(50)	(896)	0	0	(946)
Accumulated cost Dec 31	17,721	6,490	26,692	4,107	55,010
Accumulated impairment Jan 1	(1,419)	(4,964)	(6,729)	0	(13,112)
Exchange differences	(3)	(9)	(1)	0	(13)
Additions	(363)	(885)	(4,039)	0	(5,287)
Reclasses	0	0	0	0	0
Disposals	50	894	0	0	944
Accumulated impairment Dec 31	(1,735)	(4,964)	(10,769)	0	(17,468)
Net carrying amount 31/12/2008	**16,271**	**1,978**	**18,502**	**0**	**36,751**
Net carrying amount 31/12/2009	**15,986**	**1,526**	**15,923**	**4,107**	**37,542**
2010					
Accumulated cost Jan 1	17,721	6,490	26,692	4,107	55,010
Exchange differences	4	9	102	0	115
Additions	6	2,446	2,751	2,025	7,228
Reclasses	385	1,733	2,640	(4,270)	488
Disposals	(100)	(98)	(937)	(422)	(1,557)
Accumulated cost Dec 31	18,016	10,580	31,248	1,440	61,284
Accumulated impairment Jan 1	(1,735)	(4,964)	(10,769)	0	(17,468)
Exchange differences	(1)	(6)	(20)	0	(27)
Additions	(450)	(1,364)	(3,698)	0	(5,512)
Reclasses	(272)	272	0	0	0
Disposals	100	91	797	0	988
Accumulated impairment Dec 31	(2,358)	(5,971)	(13,690)	0	(22,019)
Net carrying amount 31/12/2009	**15,986**	**1,526**	**15,923**	**4,107**	**37,542**
Net carrying amount 31/12/2010	**15,658**	**4,609**	**17,558**	**1,440**	**39,265**

EUR 5,158 thousand of this total (previous year EUR 5,286 thousand) served as security for bank loans at the reporting date.

The industrial rights and similar rights include the “Wolf” brand (EUR 11.5 million). The Wolf brand has no specified useful life because we have secured the exclusive right to use the “Wolf” brand under trademark rights; its useful life is therefore indefinite from a legal perspective. Equally when the economic perspective is taken as the assessment basis, we are unable to make any estimate of how long the company and therefore the “Wolf” brand will exist. As a result, following an analysis of all relevant factors we are unable to state any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the enterprise. No amortisation takes place in view of the indefinite useful life. The Wolf brand is therefore subjected to a yearly impairment test, which has hitherto revealed no need for write-down. The parameters used for this correspond to the parameters for the impairment test of goodwill in Note 1. Capitalised development costs also include around EUR 8.5 million in carrying amounts from the acquisition of Wolf that were capitalised during purchase price allocation and relate to technologies and development projects.

Expenses for predominantly internal research and development in the financial year amounted to EUR 7,275 thousand (previous year EUR 7,097 thousand). Development activities focused mainly on heating systems, plastic gas flue components, technical roof products, ventilation, climate control and solar systems, coating techniques and applications, medical technology equipment, and software developments. The results of these efforts can be used for a variety of customers. Development expenditures amounting to EUR 2,751 thousand (previous year EUR 1,635 thousand) were capitalised in the year under review, as future benefit in the form of cash flows and additional profit from new products can be predicted with adequate certainty. These include development projects approaching market readiness.

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
2009					
Accumulated cost Jan 1	76,105	68,632	32,620	2,766	180,123
Exchange differences	3	23	20	0	46
Additions	1,807	4,597	2,789	2,393	11,586
Reclasses	4	2,211	459	(2,467)	207
Disposals	(4,923)	(5,423)	(3,653)	(11)	(14,010)
Accumulated cost Dec 31	72,996	70,040	32,235	2,681	177,952
Accumulated impairment Jan 1	(19,866)	(47,083)	(18,472)	0	(85,421)
Exchange differences	(1)	(21)	(22)	0	(44)
Additions	(3,243)	(4,551)	(4,523)	0	(12,317)
Reclasses	(168)	(94)	262	0	0
Disposals	2,398	5,246	3,438	0	11,082
Accumulated impairment Dec 31	(20,880)	(46,503)	(19,317)	0	(86,700)
Net carrying amount 31/12/2008	**56,239**	**21,549**	**14,148**	**2,766**	**94,702**
Net carrying amount 31/12/2009	**52,116**	**23,537**	**12,918**	**2,681**	**91,252**
2010					
Accumulated cost Jan 1	72,996	70,040	32,235	2,681	177,952
Exchange differences	(1)	95	158	0	252
Additions	1,069	2,782	4,602	5,912	14,365
Reclasses	2,719	792	635	(4,634)	(488)
Disposals	0	(3,593)	(1,535)	0	(5,128)
Accumulated cost Dec 31	76,783	70,116	36,095	3,959	186,953
Accumulated impairment Jan 1	(20,880)	(46,503)	(19,317)	0	(86,700)
Exchange differences	(1)	(54)	(121)	0	(176)
Additions	(3,293)	(5,382)	(4,237)	0	(12,912)
Disposals	0	3,483	1,298	0	4,781
Accumulated impairment Dec 31	(24,174)	(48,456)	(22,377)	0	(95,007)
Net carrying amount 31/12/2009	**52,116**	**23,537**	**12,918**	**2,681**	**91,252**
Net carrying amount 31/12/2010	**52,609**	**21,660**	**13,718**	**3,959**	**91,946**

Land and buildings comprise mainly the production and office buildings in Brilon (Germany), Mainburg (Germany), Doesburg (Netherlands), Kampen (Netherlands), La Chapelle sur Erdre (France), Fulda (Germany), Marsberg (Germany) and Kolding (Denmark).

Technical equipment and machinery at the production plants was extended and technologically upgraded. Other furniture, fixtures and office equipment consists of various items in production, warehouses and administration. The fixed assets include assets to the value of EUR 325 thousand (previous year EUR 346 thousand) reported in the context of finance leases. The bulk of these comprises technical equipment and machinery amounting to EUR 175 thousand (previous year EUR 233 thousand) and other furniture, fixtures and office equipment amounting to EUR 143 thousand (previous year EUR 97 thousand). Software in addition accounted for EUR 7 thousand (previous year EUR 16 thousand). Interest costs amounting to EUR 73 thousand were capitalised in the financial year. The capitalisation rate was 4.51 %. EUR 63,623 thousand of property, plant and equipment served as security for bank loans at the reporting date (previous year EUR 65,604 thousand).

The assets in course of construction at the reporting date consist mainly of the new office and production buildings of Möller Medical GmbH at Fulda as well as technical plant and machinery supplied to the production plants at the reporting date but not yet technically accepted.

Disposals and reclasses of technical plant and machinery as well as other furniture, fixtures and office equipment are moreover in connection with the commissioning of locations or plants or other organisational measures carried out.

4 Investments accounted for using the equity method, investments and loans originated by the enterprise

These assets comprise investments accounted for using the equity method, other investments that are not included in consolidation, loans originated by the enterprise, and securities.

The investments at year-end still show the investments reported at cost for the sake of simplicity, for reasons of minority.

Investments accounted for using the equity method

in EUR ’000	31/12/2010	31/12/2009
At Jan 1	23,699	30,587
Share of losses	0	(9,972)
Share of gains	4,445	152
Share of purchase	0	2,932
Close of Dec 31	**28,144**	**23,699**

The fair value of CENTROSOLAR Group AG, which is based on the closing price of EUR 5.07 on December 31, 2010 and the number of shares, is EUR 27.0 million. This is below the reported carrying amount of the equity investment of EUR 26.8 million.

Carrying amount of the equity investment

	CENTROSOLAR Group AG (consolidated)		Bond Laminates	
in EUR ’000	**31/12/2010**	**31/12/2009**	**31/12/2010**	**31/12/2009**
Ownership interest in %	26.16	26.16	24.95	24.95
Fixed assets	97,250	90,715	2,970	2,413
Current assets	87,448	92,642	4,436	3,541
Total liabilities	89,121	104,481	5,075	4,768
Revenue	403,446	308,704	11,053	7,741
Profit/loss for the year	15,760	(29,705)	1,307	610

5 Other assets

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

Other asstes

in EUR '000	31/12/2010	31/12/2009
Other non-current assets		
Derivative assets	9	44
Miscellaneous non-current	1,462	1,487
Total non-current	**1,471**	**1,531**
Other current assets		
Payments on account for inventories	1,117	49
Derivative assets	60	275
Miscellaneous financial assets	4,678	3,817
Receivables from VAT	1,505	2,705
Prepaid expenses	1,805	1,448
Total current	**9,165**	**8,294**

The miscellaneous financial assets also include e. g. receivables from insurance and suppliers in respect of bonuses.

6 Deferred tax assets and tax liabilities

Pursuant to IAS 12 the deferred tax assets and deferred tax liabilities are calculated on the temporary difference between the stated amounts of assets and liabilities in the IFRS balance sheet and the tax balance sheet, and also from tax loss carryforwards. These differences in the stated amounts result among other things from adjustments to stated amounts in the context of business combinations. The net values shown represent the netted values of deferred tax assets and deferred tax liabilities of a group company in respect of a taxation authority.

The deferred tax assets result principally from loss carryforwards, other provisions and pension provisions, and are comprised as follows:

Deffered tax asstes on temporary differences and tax loss carryforwards

		Gross		After netting
In EUR '000	**31/12/2010**	**31/12/2009**	**31/12/2010**	**31/12/2009**
Reversal expected within 12 months	4,210	3,826	707	524
Reversal expected after more than 12 months	2,867	2,897	2,199	3,303
Total	**7,077**	**6,723**	**2,906**	**3,827**

The deferred tax assets from loss carryforwards are comprised as follows:

Tax loss carryforwards

in EUR '000	31/12/2010	31/12/2009
Loss carryforwards	21,356	20,227
Deferred tax assets from loss carryforwards	5,686	5,843
Reductions for impairment	(3,717)	(3,809)
Deferred tax assets from loss carryforwards (net)	**1,969**	**2,034**

Of the deferred tax assets on loss carryforwards, EUR 2,421 thousand (previous year: EUR 5,159 thousand) relate to companies which also posted a loss in the current year. The deferred tax assets in question were examined on the basis of earnings forecasts and by means of longer-range plans in the event of the loss-making situation continuing.

Except for an amount of EUR 4,121 thousand, the loss carryforwards can be carried forward indefinitely. Of the losses for which carryforward is restricted, EUR 2,052 expire in over five years, EUR 392 thousand within five years, EUR 1,545 within four years and EUR 132 thousand in up to three years.

The composition of deferred tax liabilities is as follows:

Deferred tax liabilities

		Gross		After netting
in EUR '000	**31/12/2010**	**31/12/2009**	**31/12/2010**	**31/12/2009**
Reversal expected within 12 months	5,506	6,437	2,543	3,798
Reversal expected after more than 12 months	13,151	13,187	11,942	12,929
Total	**18,657**	**19,624**	**14,486**	**16,727**

The composition of deferred tax assets and deferred tax liabilities by balance sheet item is as follows:

Defered tax

in EUR '000	2010	2009
Deferred tax assets (gross)		
Intangible assets	416	20
Property, plant and equipment	194	364
Inventories	520	426
Pension provisions	1,683	1,712
Other provisions	1,130	1,062
Other liabilities	123	161
Miscellaneous	1,042	944
Tax loss carryforwards	1,969	2,034
	7,077	**6,723**
Deferred tax liabilities (gross)		
Intangible assets	8,971	9,238
Property, plant and equipment	8,317	8,624
Inventories	452	431
Other provisions	99	0
Other liabilities	315	1,086
Miscellaneous	503	245
	18,657	**19,624**

Of the deferred tax assets and deferred tax liabilities, EUR (123) thousand (previous year EUR 453 thousand) were netted directly with equity. Exchange differences represent EUR (71) thousand of this amount (previous year EUR (44) thousand), and interest rate derivatives EUR (52) thousand (previous year EUR (497) thousand).

Deferred tax balance sheet items

in EUR '000	31/12/2010	31/12/2009
Deferred tax assets	2,906	3,827
Deferred tax liabilities	(14,486)	(16,727)
Balance	**(11,580)**	**(12,900)**
of which: from netting against shareholders' equity	(540)	(663)

Development in deferred tax

in EUR '000	31/12/2010	31/12/2009
Recognition of deferred tax (balance)	(11,580)	(12,900)
Difference year on year	1,320	2,341
of which:		
Recognised in income statement	1,443	1,888
Netted against shareholders' equity (incl. exchange differences)	(123)	453

No deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries (outside basis differences) amounting to EUR 4,676 thousand, because these differences will probably not be reversed in the foreseeable future.

7 Inventories

The first of the following tables 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. The second table shows inventories according to category.

Inventories

In EUR '000	31/12/2010	31/12/2009
Inventories at historical cost	23,805	18,186
Inventories at net realisable value:		
Original value at historical cost	45,710	44,537
Provision for obsolescence	(4,994)	(5,699)
Carrying amount after depreciation	40,716	38,838
Total	**64,521**	**57,024**

Inventories by category

In EUR '000	31/12/2010	31/12/2009
Raw materials and supplies	25,983	21,879
Work in progress	9,220	7,906
Finished goods and merchandise	29,318	27,239
Total	**64,521**	**57,024**
Of which serving as security for loans/credit lines	41,068	36,632

The reductions for impairment and reversal of reductions for impairment due to restricted realisability produce a net income of EUR 705 thousand (previous year expense of EUR 854 thousand) in the income statement.

8 Trade receivables

Trade receivables

in EUR '000	31/12/2010	31/12/2009
Receivables (0<90 days)	56,215	56,510
Receivables overdue >90<180 days	1,654	1,683
Receivables overdue >180<360 days	1,337	941
Receivables overdue >360 days	1,522	1,072
Receivables from equity investments	395	1,237
Trade receivables prior to impairment	**61,123**	**61,443**
Reductions for impairment	(3,494)	(2,720)
Trade receivables after impairment	**57,629**	**58,723**
Of which billed in		
EUR	55,375	56,476
USD	963	1,025
GBP	1,868	1,276
DEK	928	627
CHF	50	116
PLN	1,817	1,820
Other currencies	122	103
Total	**61,123**	**61,443**
Of which serving as security for loans/credit lines	27,777	25,774

Adequate impairment for losses on receivables has been applied on a case by case basis to cover identified risks. Where there was no objective evidence of impairment in individual cases, specific allowances for collectively assessed financial assets were formed. The table shows the changes in impairment:

Changes in impairment

in EUR '000	31/12/2010	31/12/2009
Impairment at the start of the financial year	2,720	2,605
Income-effective changes in impairment during the period under review	1,231	1,023
Derecognition of receivables	(380)	(525)
Payments received and recovery in value of receivables originally written off	(114)	(395)
Currency translation effects	37	12
Impairment at end of financial year	**3,494**	**2,720**

Supplementary information on impairment

in EUR '000	Trade receivables prior to impairment	Reductions for impairment	Trade receivables after impairment
Receivables (0<90 days)	56,215	(1,503)	54,712
Receivables overdue >90<180 days	1,654	(714)	940
Receivables overdue >180<360 days	1,337	(233)	1,104
Receivables overdue >360 days	1,522	(1,044)	478
Receivables from equity investments	395	0	395
Total	**61,123**	**(3,494)**	**57,629**

The credit quality of financial assets that are neither overdue nor impaired is determined on the basis of past experience of default rates among our business partners. The credit quality is therefore classified as good.

9 Cash and cash equivalents

Cash and cash equivalents

in EUR '000	31/12/2010	31/12/2009
Cash in hand	28	25
Cash in banks	41,095	35,331
Total	**41,123**	**35,356**

10 Shareholders' equity

General

The issued capital of the company amounted to EUR 16,961,961 at December 31, 2010 (at December 31, 2009: EUR 16,716,262). It is divided into 16,961,961 no par value shares with a notional value of EUR 1.00 per share. The capital stock is fully paid in. With additional paid-in capital of EUR 27,014 thousand, other retained earnings of EUR 91,632 thousand and net income of EUR 25,748 thousand, the group had shareholders' equity allocable to the shareholders of CENTROTEC Sustainable AG of EUR 161,244 thousand (previous year EUR 132,883 thousand) at December 31,

2010. Shareholders' equity rose as a result of the consolidated net income and the capital increases from payments received from the exercising of stock options in 2010, resulting in an increase in the issued capital and the additional paid-in capital from the premiums paid in.

Development in number of shares

in thousands	2010	2009
Total, January 1	16,716	16,582
Addition through the exercising of options	246	134
Total, December 31	**16,962**	**16,716**

Proposal for the distribution of accumulated profit

According to German commercial and stock corporation requirements, the annual financial statements of the group parent CENTROTEC Sustainable AG constitute the basis for the appropriation of profit for the 2010 financial year. A distributable dividend therefore depends, among other things, on the retained earnings reported by that company in the separate financial statements at December 31, 2010. The net income for the year reported there is EUR 570 thousand and the reported retained earnings EUR 22,349 thousand. In a departure from previous years, the Supervisory Board and Management Board of CENTROTEC Sustainable AG will for the first time propose to the Shareholders' Meeting that a dividend of EUR 0.10 per dividend-bearing no par value share be distributed for the 2010 financial year.

Treasury stock

A total of 12,080 treasury shares were held at 31.12.10. These shares represent less than 0.1 % of capital stock. These shares were held at the parent as treasury shares as at the reporting date for the annual financial statements. No treasury stock was acquired or sold during the financial year.

Pursuant to the resolution of the Shareholders' Meeting of May 20, 2010 the company is authorised until May 19, 2015 to acquire treasury stock which, together with existing treasury stock, represents up to 10 percent of the capital stock at the time of the authorisation taking effect. The price for the acquisition of these shares may not be more than 10 % higher or more than 10 % lower than the closing price in Xetra trading on the Frankfurt Stock Exchange (or in an equivalent successor system) for shares of the same class and features on the ten trading days preceding the acquisition. The Management Board is authorised to offer all or some of the shares thus acquired to third parties in (part) payment of the acquisition of companies or investments in companies, excluding the shareholders' right of subscription. The Management Board is furthermore authorised to retire the company's treasury stock without the need for a further resolution to be adopted by the Shareholders' Meeting. Retirement may be restricted to part of the purchased shares.

Approved capital

Pursuant to the resolution of the Shareholders' Meeting on May 24, 2007 the Management Board is, with the approval of the Supervisory Board, authorised to increase the capital stock on one or more occasions by up to EUR 8,212,082 (in words: eight million two hundred and twelve thousand and eighty two euros) by May 23, 2012 in return for cash and/or contributions in kind through the issuance of new no par value bearer shares (Approved Capital). The Management Board is, with the approval of the Supervisory Board, authorised to exclude the shareholders' statutory subscription right in the following instances:

- For residual amounts,
- If the capital increase is for cash and the issuing price of the new shares does not significantly undercut the market price of the shares of the same class and features already listed at the time when the issuing price is finally fixed by the Management Board, in keeping with Sections 203 (1) and (2), and 186 (3), fourth sentence of German Stock Corporation Law; this authorisation is given with the proviso that neither at the time of this authorisation becoming effective nor at the time of exercising of this authorisation may the total of ten percent of the capital stock be exceeded by the total (i) of the shares which are issued on the basis of the aforesaid authorisation, excluding the subscription right, and of the shares which are issued after this authorisation takes effect on the basis of another authorisation, valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, to utilise an amount of approved capital pursuant to Section 186 (3) fourth sentence of German Stock Corporation Law, excluding subscription rights; (ii) of those shares which may be subscribed to on the basis of the convertible or warrant-linked bonds and which are issued after this authorisation becomes effective, utilising an authorisation resolved at the time of this authorisation becoming effective, or a substitute authorisation of the former, pursuant to Section 186 (3) fourth sentence of German Stock Corporation Law, excluding subscription rights; and (iii) of the treasury stock sold, insofar as that sale after this authorisation becomes effective, on the basis of an authorisation valid at the time of this authorisation becoming effective, or a substitute authorisation of the former, is for cash by a means other than via the stock exchange or through an offer to all shareholders,
- For capital increases for contributions in kind for the granting of shares for the purpose of acquiring (including indirectly) companies, parts of companies or investments in companies or assets of other companies,
- For issuing to employees of the company.

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

Conditional capital and share-based payments

Conditional Capital I

By resolution of the Shareholders' Meeting of May 28, 2002 the capital stock is conditionally increased (Conditional Capital I). The Management Board was authorised to issue warrants for subscription to new bearer shares in the company until December 31, 2004, on one or more occasions. Employees, managing directors and Management Board members of the company and of its affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. As a result of the exercising of option rights, Conditional Capital II at December 31, 2010 fell to EUR 21,984, divided into 21,984 no par value shares (previous year EUR 175,292, divided into 175,292 no par value shares). In view of the conditions of exercise specified in the shareholders' resolution, stock options from Conditional Capital I may no longer be exercised after the end of the 2010 financial year.

Conditional Capital II

By resolution of the Shareholders' Meeting of June 1, 2005 the capital stock is conditionally increased further (Conditional Capital II). The Management Board is authorised to issue warrants for subscription to new bearer shares in the company until December 31, 2011, on one or more occasions. Employees, managing directors and Management Board members of the company and of its affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. Conditional Capital II at December 31, 2010 amounted to EUR 461,742, divided into 461,742 no par value shares (previous year 526,804 EUR, divided into 526,804 no par value shares).

Conditional Capital III

By resolution of the Shareholders' Meeting on May 29, 2008 the capital stock is conditionally increased by a further EUR 756,000, divided into 756,000 no par value shares (Conditional Capital III). The Management Board is authorised to issue warrants for subscription to new bearer shares in the company on one or more occasions, until December 31, 2014. Employees of CENTROTEC Sustainable AG as well as employees of affiliated companies as defined by Section 17 of German Stock Corporation Law are entitled to subscribe. The managing directors/Management Board members of the above companies are furthermore entitled to subscribe. New shares are created where the options are exercised. These pay dividends from the beginning of the financial year in which the options are exercised. Conditional Capital III at December 31, 2010 amounted to EUR 728,671, divided into 728,671 no par value shares (previous year 756,000 EUR, divided into 756,000 no par value shares).

Share-based payment

CENTROTEC uses share-based payment transactions counterbalanced by equity instruments. The share-based payment agreements are based on corresponding resolutions by Shareholders' Meetings. There accordingly exist conditional capital totalling EUR 1,190,413 at the reporting date of December 31, 2010 (previous year EUR 1,458,096), divided into a total of 1,190,413 (previous year 1,458,096) no par value shares. The Management Board is authorised to issue stock options for subscription to new bearer shares in the company until December 31, 2014 (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 company and of its affiliated companies pursuant to Section 17 of German Stock Corporation Law are entitled to subscribe, on the basis of individual stock option agreements.

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

Exercise of options is moreover tied to the fulfilment of market conditions. They may accordingly only be exercised if the market price on the day on which the options may first be exercised or at a later time during the term of the options has risen by 30 % on the 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, and following the day on which it is announced that annual press conferences have been held. New shares are created at the time an option is exercised. The new shares pay dividends from the beginning of the financial year in which the options are exercised. The exercise price per share (subscription price) to be paid upon exercising of the options is currently 90 % of the average closing price in Xetra trading on the Frankfurt Stock Exchange (or in an equivalent successor system), calculated from the prices on the 30 trading days – for Conditional Capital I – or on the 10 trading days – for Conditional Capital II and Conditional Capital III – preceding the day of issue of the option, but at least one euro.

The weighted average fair value of the options issued in 2010 is EUR 3.21 (previous year EUR 3.39). The options were measured with the aid of a binominal model. The model took the parameters described below as the basis:
The issue date of the 2010 tranche is January 11, 2010 (2009 tranche: February 5, 2009) and the exercise price is EUR 8.50 (previous year EUR 8.30). As in the previous year, no dividend is expected. The risk-free interest rate is 3.08 % (previous year 3.15 %) and is based on risk-free investment alternatives in Germany of a comparable term. The normalised volatility of CENTROTEC shares, based on the historical daily volatility of CENTROTEC shares, was assumed to be 33.95 % p. a. for 2010 (previous year 33.75 %). Volatility describes the intensity of fluctuation in the share price around its mean value over a fixed period.

Levels of target attainment and fluctuation rates among option holders were moreover taken into account when determining the underlying option totals. As soon as the exact number of vested options in a tranche is determined, the anticipated option figures are adjusted to bring them in line with options that have become vested. 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 721 thousand arose in the 2010 financial year from the stock options schemes described here (previous year: EUR 687 thousand). A further personnel expense of EUR 306 thousand is expected in 2011 from the stock options schemes outstanding at December 31, 2010. The weighted average share price of the stock options exercised in the financial year is EUR 15.36 (previous year EUR 7.88).

The following table shows the stock option tranches with the number of options that may still be exercised:

Stock option

	Date of issue	Exercise price	Date of expiry	Options at end 2010	Options at end 2009	Changes
Granted 2003	15/04/2003	2.00	14/04/2010	0	16,218	(16,218)
Granted 2004	13/01/2004	4.35	12/01/2011	0	137,090	(137,090)
Granted 2005	01/06/2005	9.85	31/05/2012	117,414	133,150	(15,736)
Granted 2006	13/09/2006	10.60	12/09/2013	104,946	126,040	(21,094)
Granted 2007	08/01/2007	11.10	07/01/2014	191,377	222,173	(30,796)
Granted 2008	23/06/2008	11.70	22/06/2015	150,377	181,326	(30,949)
Granted 2009	05/02/2009	8.30	04/02/2016	158,994	209,000	(50,006)
Granted 2010	11/01/2010	8.50	10/01/2017	215,000*	0	215,000
Total				**938,108**	**1.024,997**	**(86,889)**

* attainment of targets not yet established

The following table indicates additions and disposals of options outstanding, together with the average exercise prices of movements and reporting-date totals:

Total options

	2010		2009	
Units/price in EUR	**Options**	**Avg. exercise price**	**Options**	**Avg. exercise price**
Start of year	**1,024,997**	**9,13**	**996,819**	**8,50**
Granted	215,000	8,50	209,000	8,30
Exercised	(245,699)	6,68	(134,146)	2,28
Expired or forfeited	(56,190)	8,64	(46,676)	11,70
End of year	**938,108**	**9,55**	**1.024,997**	**9,13**
of which exercisable	564,114	10,91	634,671	9,05

Non-controlling interests (minority interests)

This item includes the shareholders' equity attributable to the minority interests of EUR (428) thousand (previous year EUR (209) thousand).

11 Pension provisions

Employees' entitlements to defined benefit plans are based on statutory or contractual arrangements and direct commitments. The pension liabilities in Germany stem to a substantial degree from benefit obligations based on contractual arrangements. These constitute defined benefit commitments by German companies, based substantially on benefit arrangements of the Essen Federation and on guidelines on the granting of company pensions and a defined benefit scheme. The obligations comprise the payment of retirement benefits, 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 benefit obligations based on these contractual arrangements relate principally to the existing obligations of one domestic company. The plans based on statutory arrangements largely consist of benefit obligations for a limited number of management employees in the Netherlands, who will receive life-long retirement benefit payments from the time their employed relationship ceases as a result of reaching pensionable age. In other countries, there exist commitments to a minor extent.

Retirement benefits in Germany are financed exclusively by means of pension provisions. The benefit obligations in the Netherlands are financed mainly by means of external pension funds.

The accrual for pension plans recognised in the balance sheet corresponds to the present value of the share of retirement benefits earned at the balance sheet date, taking account of future increases (defined benefit obligation, DBO) less the fair value at the balance sheet date of the external plan assets, 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 (Germany: G. Heubeck 2005; Switzerland: BVG 2005; Netherlands: "Collectief 1993").

Key actuarial assumptions

			2010			2009
in %	**Germany**	**Switzerland**	**Netherlands**	**Germany**	**Switzerland**	**Netherlands**
Pensionable age (years)	63	65	65	63	65	65
Discounting rate	5.10	2.75	5.10	5.30	3.25	5.40
Assumed salary increases	2.50	2.00	2.00	2.50	2.00	2.00
Assumed pension increase	1.00	0.75	3.00	1.00	0.70	3.00
Employee turnover	2.00	0.00	2.97	2.00	2.00	2.97
Expected return on plan assets	2.75	2.75	5.10	2.75	3.40	5.40

Discounting has been based on an interest rate in line with a matching average interest rate for high quality corporate bonds. Values for statutorily due termination payments upon taking retirement are also included.

Retirement benefit payments

in EUR '000	31/12/2010	31/12/2009
Fund-financed obligations	4,069	3,221
Fair value of plan assets	(3,994)	(3,012)
Subtotal	75	209
Present value of non-fund-financed obligations	20,985	19,617
Unrecognised actuarial gains	1,804	2,427
Pension provisions reported	**22,864**	**22,253**

Development in external plan assets

in EUR '000	2010	2009
Plan assets at January 1	3,012	2,519
Expected return on plan assets	145	132
Actuarial gains and losses	622	185
Exchange differences	161	2
Contributions by employer	240	169
Contributions by plan participants	68	102
Payments made	(254)	(97)
Plan assets at December 31	**3,994**	**3,012**

The "expected return on plan assets" is based on an assumed long-term return of between 2.75 % and 5.1 %. This takes account of the asset structure, maturities and reinvestment opportunities at the balance sheet date.

Composition of plan assets

in EUR '000 at December 31	2010	2009
Equity instruments	44	62
Debt instruments	826	710
Land and buildings	110	89
Other plan assets	3,014	2,151
Total plan assets	**3,994**	**3,012**

The total plan assets include own financial instruments amounting to EUR 268 thousand (previous year EUR 247 thousand).

The pension commitments developed as follows:

Development in present value of defined benefit obligation

in EUR '000	2010	2009
At start of financial year	22,838	19,106
Current service cost	544	519
Interest expense	1,183	1,155
Contributions by plan participants	99	102
Exchange differences	179	1
Actuarial gains and losses	1,027	2,560
Payments made	(816)	(605)
At end of the financial year	**25,054**	**22,838**

Pension cost

in EUR '000	2010	2009
Current service cost	544	519
Interest expense	1,183	1,155
Expected return on plan assets	(145)	(132)
Actuarial gains recognised in the current year	(12)	(226)
Total	**1,570**	**1,316**

The current service cost and the actuarial gains are shown under pension cost, whereas the interest expense and the expected return on plan assets are reported within net interest. The actual return on plan assets amounted to EUR 32 thousand. For the 2010 financial year, payments into the plan of EUR 196 thousand and from the plan of EUR 721 thousand are expected.

In recent years the financing status, comprising the present value of all retirement benefits and the fair value of the plan assets, has changed as follows:

Development in defined benefit obligations and plan assets

December 31 in EUR '000	2010	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	25,054	22,838	19,106	19,898	22,273	3,108
Fair value of external plan assets	3,994	3,012	2,519	2,251	1,558	1,575
Financing status	**21,060**	**19,826**	**16,587**	**17,647**	**20,715**	**1,533**

Sensitivity analysis on pension provisions

The calculations of pension provisions can be influenced substantially by the discount rate applied. We have therefore in addition calculated the pension provisions with a 0.5 % lower discounting rate. This would therefore increase the carrying amount of the defined benefit obligations by EUR 2,015 thousand.

12 Provisions

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

Provisions

in EUR '000	Warranty obligations	Claims and legal proceedings	Other personnel-related costs	Miscellaneous provisions	Total
01/01/2010	**8,639**	**1,447**	**1,480**	**1,538**	**13,104**
Added	5,686	236	1,233	1,301	8,456
Used	(5,250)	(110)	(409)	(900)	(6,669)
Reversed	(297)	(433)	(214)	(64)	(1,008)
Exchange differences	0	2	0	57	59
Compounding	197	0	0	0	197
31/12/2010	**8,975**	**1,142**	**2,090**	**1,932**	**14,139**
Of which use expected <1 year	542	115	0	1,455	2,112

A distinction between short-term and long-term provisions was made on the balance sheet, based on the estimated timing of their use. 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. The warranty obligations were created for general and individual warranty risks on the basis of various warranty factors. The warranty periods generally last between 2 and 6 years, possibly varying upwards for goodwill reasons. The outflow of resources for claims and court processes is expected within the next 1 to 3 years. The personnel-related provisions largely relate to adjustment measures agreed and were calculated on the basis of court settlement proposals or settlement formulas agreed with individuals or works councils.

The personnel-related provisions moreover include provisions for long-service payments made after employment by the company for a specified number of years. Provisions e. g. for impending losses and agency commission outstanding that will largely be used next year are recognised as a liability in the other accruals and provisions.

13 Borrowings

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

Liabilities maturities schedule

in EUR '000 31/12/2009	Total outstanding amount	Of which maturity less than 1 year	Of which maturity 1 to 5 years	Of which maturity more than 5 years	Interest rate spread
31.12.2009					
Real estate loans	7,239	1,025	3,669	2,545	3.4 - 6.3 %
Other loans	98,640	14,938	68,928	14,774	2.0 - 6.8 %
General credit facilities	15,640	15,640	0	0	1.6 - 8.5 %
Borrowings excluding leases	**121,519**	**31,603**	**72,597**	**17,319**	
Finance leases	288	124	164	0	
Total	**121,807**	**31,727**	**72,761**	**17,319**	
31/12/2010					
Real estate loans	9,696	1,025	3,528	5,143	1.81 – 6.1 %
Other loans	85,735	15,824	61,131	8,780	1.71 – 6.0 %
General credit facilities	16,512	16,512	0	0	1.73 – 8.5 %
Borrowings excluding leases	**111,943**	**33,361**	**64,659**	**13,923**	
Finance leases	303	165	138	0	
Total	**112,246**	**33,526**	**64,797**	**13,923**	

Carrying amounts of liabilities denominated in the following currencies

in EUR '000	31/12/2010	31/12/2009
EUR	108,145	118,109
DKK	2,414	2,387
CHF	1,563	1,311
USD	112	0
SGD	12	0
Total	**112,246**	**121,807**

In the case of the real estate loans, the fixed interest rates in the individual loan agreements expire at various times between 2011 and 2021, with the result that the risk is adequately diversified. The same applies to the other loans, where the fixed interest rates expire between 2011 and 2020. The fair value of the financial debt that was determined by discounting future cash flows is approx. EUR 3.1 million (previous year approx. EUR 4.1 million) above the carrying amounts.

The following tables indicate the level of securities furnished:

Securities for liabilities to credit institutions

in EUR '000	31/12/2010	31/12/2009
Property, plant and equipment	63,623	65,604
Intangible assets	5,158	5,286
Inventories	41,068	36,632
Receivables	27,777	25,774
Other assets/cash and cash equivalents	25,583	21,816
Total	**163,209**	**155,112**

Securities for liabilities to credit institutions in 2010

	Pledged interest in companies Ownership interest
Möller GmbH	100 %
Möller Medical GmbH	100 %
Brink Climate Systems B.V.	100 %
Ned Air Holding B.V.	100 %
Ubbink UK Ltd.	100 %
Ubbink France S.A.S.	100 %
Ubbink N.V./S.A.	100 %
Innosource Holding B.V.	100 %
Centrotherm Systemtechnik GmbH	90 %

Security was furnished on the customary commercial terms for lending.

Finance leases

Leasing arrangements are entered into only to a limited extent. The decision on whether to finance an investment measure by bank loan or by lease agreement is reached on a case-by-case basis and depends primarily on the prevailing terms available at the time of deciding. The majority of finance lease agreements pursuant to IAS 17 (Finance Leases) incorporate a purchase option at a price of either EUR nil or well below the anticipated market value. It is therefore to be expected that the assets in question will pass into the ownership of the CENTROTEC Group at the end of the lease's term. The following table shows the capital lease obligations with corresponding discounted and nominal leasing instalments including the interest component, broken down according to term.

Finance leases

in EUR '000	Total	Of which maturity less than 1 year	Of which maturity 1 to 5 years	Of which maturity over 5 years
31/12/2009				
Minimum lease payments	322	140	182	0
Of which interest portion	34	16	18	0
Present values	**288**	**124**	**164**	**0**
31/12/2010				
Minimum lease payments	322	171	151	0
Of which interest portion	19	6	13	0
Present values	**303**	**165**	**138**	**0**

14 Other liabilities

The following summary shows the movement in other liabilities, which rose by EUR 182 thousand from EUR 32,016 thousand to EUR 32,198 thousand in the 2010 financial year. The following table shows the breakdown line by line:

Other liabilities

in EUR '000	31/12/2010	31/12/2009
Other non-current liabilities		
Financial derivatives	2,495	2,899
Miscellaneous non-current financial liabilities	217	232
Miscellaneous non-current non-financial liabilities	369	490
Total non-current	**3,081**	**3,621**
Other current liabilities		
Taxation and social premiums	3,297	3,053
Vacation and overtime	4,592	3,910
VAT	628	2,389
Advances received	944	255
Partial retirement	1,449	2,329
Employee remuneration	7,526	7,215
Non-financial commitments	**18,436**	**19,151**
Interest deferrals	588	573
Outstanding invoices	3,000	3,912
Bonus payments to customers	4,059	4,003
Credits outstanding	759	773
Miscellaneous liabilities	5,356	3,604
Miscellaneous financial liabilities	**13,762**	**12,865**
Total current	**32,198**	**32,016**

The actuarially determined obligations for partial retirement were discounted at 3.75 % and recognised as a liability at their present value. The liabilities, which relate to current partial retirement obligations, were netted against assets from securities amounting to EUR 1,549 thousand (previous year EUR 1,782 thousand). The securities were acquired via a trusteeship in order to fulfil statutory requirements in respect of statutory insolvency insurance for partial retirement obligations entered into. The miscellaneous current liabilities include liabilities for pledges and audit costs, among other things, as well as a current derivative of EUR 14 thousand.

15 Supplementary disclosures on financial instruments

The following tables show the carrying amounts of financial assets and liabilities according to measurement category, as well as their fair values:

Financial assets and liabilities

	At amortised cost		At facquisition cost	At fair value		Stated amount acc. to IAS 17	Total	
in TEUR	Liabilities recognised at amortised cost	Loans and receivables	Available-for-sale financial instruments	Available-for-sale financial instruments	Derivative financial instruments used for hedging purposes			
Balance sheet item at December 31, 2009	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair value
Loans originated by the enterprise		80					80	80
Investments			0				0	0
Securities				635			635	635
Cash and cash equivalents		35,356					35,356	35,356
Trade receivables		58,723					58,723	58,723
Derivative financial instruments					319		319	319
Miscellaneous financial assets		3,817					3,817	3,817
Total financial assets, December 31, 2009	**0**	**97,976**	**0**	**635**	**319**	**0**	**98,930**	**98,930**
Borrowings excluding finance leases	121,519						121,519	125,638
Finance leases						288	288	288
Trade payables	31,402						31,402	31,402
Derivative financial instruments					2,899		2,899	2,899
Miscellaneous financial liabilities	13,097						13,097	13,097
Total financial liabilities, December 31, 2009	**166,018**	**0**	**0**	**0**	**2,899**	**288**	**169,205**	**173,324**
Balance sheet item at December 31, 2010								
Loans originated by the enterprise		79					79	79
Investments			1,075				1,075	1,075
Securities				865			865	865
Cash and cash equivalents		41,123					41,123	41,123
Trade receivables		57,629					57,629	57,629
Derivative financial instruments					69		69	69
Miscellaneous financial assets		4,678					4,678	4,678
Total financial assets, December 31, 2010		**103,509**	**1,075**	**865**	**69**		**105,518**	**105,518**
Borrowings excluding finance leases	111,943						111,943	115,091
Finance leases						303	303	303
Trade payables	32,467						32,467	32,467
Derivative financial instruments					2,509		2,509	2,509
Miscellaneous financial liabilities	13,979						13,979	13,979
Total financial liabilities, December 31, 2010	**158,389**	**0**	**0**	**0**	**2,509**	**303**	**161,201**	**164,349**

The category of loans originated by the enterprise includes long-term loans that are measured at amortised cost. The fair value of the loans corresponds approximately to the carrying amount.

Interests in companies not included in consolidation and not accounted for by the equity method are summarised in the investments category. These are exclusively non-listed corporate enterprises. The investments are measured at acquisition cost as no publicly listed market prices exist and the fair value cannot be reliably determined due to the uncertainty of future cash flows. The fair value could only be reliably determined through specific sales negotiations.

The carrying amounts of the assets in the securities category correspond to the respective market prices.

The assets in the categories cash and cash equivalents, trade receivables and miscellaneous assets have predominantly short maturity dates, with the result that their carrying amounts at the balance sheet date correspond to the fair values.

The categories derivative assets and liabilities in hedge accounting include exclusively hedging instruments designated as cash flow hedges, which are recognised at their fair value.

The categories trade payables and miscellaneous financial liabilities fundamentally contain liabilities with regularly short maturities. The carrying amounts therefore correspond to the fair values.

The categories borrowings excluding finance leases and finance lease liabilities contain liabilities predominantly with maturities of more than one year. The fair values are determined by discounting the cash flows associated with the liabilities, taking account of the current interest rate parameters. The individual creditworthiness ratings within the group are taken into account in the form of market creditworthiness and liquidity spreads when determining the present value.

Net gains or losses from financial instruments by measurement category

The following table shows the net gains or losses on financial instruments taken into account in the income statement, by measurement category. Interest, currency translation, impairment, reversals and results from disposals were taken into account in determining the net results.

Net gains or losses on financial instruments

in EUR ’000	Loans and receivables	Liabilities not recognised at fair value	Available-for-sale financial instruments	Total
2009	175	(8,161)	0	(7,986)
2010	593	(8,123)	0	(7,530)

Derivative financial instruments

The group uses derivative financial instruments such as interest rate swaps and caps for hedging interest rate risks. Forward contracts to hedge against exchange rate fluctuation were also concluded in the period under review. They comprise cash flow hedges. The following table shows the contracts concluded.

Derivative financial instruments

		2010		2009	
Financial derivatives	**Contract volume**	**Total assets**	**Total liabilities**	**Total assets**	**Total liabilities**
Interest rate swaps	54,573	0	2,426	0	2,763
Caps	16,750	9	0	44	0
Floors	3,000	0	14	0	66
Collars	1,800	0	69	0	70
Forward contracts	800	60	0	275	0
Total		**69**	**2,509**	**319**	**2,899**
of which short-term		60	14	275	0

The full fair value of a derivative hedging instrument is classified as a non-current asset/liability provided the maturity of the hedged instrument exceeds 12 months; it is otherwise classified as a current asset/liability.

The ineffective portion of cash flow hedges recognised in the income statement amounts to EUR 88 thousand (previous year EUR 0 thousand). During 2010, net unrealised losses from the measurement of derivatives amounting to EUR 171 thousand (previous year EUR 1,925 thousand) were measured income-neutrally within equity. The future cash flows hedged by means of cash flow hedges will probably fall due in the next five to six years.

Interest rate hedging instruments

At December 31, 2010 the fixed interest rates for interest rate swaps varied between 1.86 and 4.40 % (previous year 2.59 and 4.40 %), for caps between 4.25 and 5.00 % (previous year 4.25 and 5.00 %), the interest rate floor is 2.75 % (previous year 2.75 %) and the interest rate collar is 3.25 % (previous year 3.25 %). The gains and losses from interest rate hedging instruments recognised within equity (reserve for cash flow hedges) are continually recognised through profit and loss until the bank loans have been repaid.

Forward contracts

Hedged foreign-currency transactions with a high probability of occurrence are expected to occur at various points within the next twelve months. Gains and losses on future contracts in foreign currency at December 31, 2010 that are recognised in the hedging reserve within equity are recognised in the income statement in the period in which the hedged, planned transaction has an effect on the income statement. This normally occurs in the twelve months following the balance sheet date.

16 Other income

The breakdown of other income is as follows:

Other income

in EUR '000	2010	2009
Costs passed on/costs refunded	1,099	1,327
Government grants	1,012	1,115
Foreign exchange gains	716	195
Reversal of provisions	629	1,437
Insurance and other compensation	256	288
Liquidation/reversal of reductions for impairment on receivables	220	395
Sales proceeds from the disposal of fixed assets	118	277
Income from tenancy agreements	94	657
Other	3,456	3,103
Total	**7,600**	**8,794**

The compensation comprises payments from insurers and other compensation received or claimed.

Government grants

in EUR '000	2010	2009
Personnel-related	820	914
Miscellaneous	192	201
Total	**1,012**	**1,115**

The government grants consist mainly of reimbursements from the Federal Employment Agency for employees in partial retirement. Conditions that were attached to these payments have been fulfilled as at the balance sheet date.

17 Cost of purchased materials and services as well as change in inventories

Cost of purchased materials

in EUR '000	2010	2009
Cost of purchased materials	227,696	217,587
Cost of purchased services	8,838	8,748
Supplier discounts	(867)	(760)
Total	**235,667**	**225,575**

Change in inventories of finished goods and work in progress	(4,674)	3,400
Adjusted cost of purchased materials	230,993	228,975

As well as the cost of materials, the change in inventories includes personnel expense and other expense components. However, the cost of materials component is generally the largest single item.

18 Personnel expenses and total employees

Personnel expenses

in EUR '000	2010	2009
Wages and salaries	107,798	104,840
Social insurance	11,969	13,841
Expenses for defined benefit plans	532	293
Expenses for defined contribution plans	9,809	7,481
Share-based payment	721	687
Total	**130,829**	**127,142**

of which Personnel expenses ratio	27.3 %	27.4 %

Total employees

	2010 Average	2010 At reporting date	2009 Average	2009 At reporting date
FTE (taking account of short-time)	2,662	2,663	2,574	2,589
Individuals	2,781	2,781	2,696	2,744

19 Other expenses

Other expenses fell by EUR 2.4 million in the 2010 financial year, from EUR 76.3 million to EUR 73.9 million.

Other expenses are broken down as follows:

Other expenses

in EUR '000	2010	2009
Outward freight	14,621	13,402
Travel expenses and fleet	9,949	9,093
Promotional costs	8,351	7,944
Guarantee expenses	4,383	6,166
Energy	4,107	4,053
Maintenance costs	3,933	3,208
Rent for buildings	2,892	2,826
Sales commissions	2,702	3,554
Legal and consultancy costs	2,550	2,547
IT expenses	2,146	1,828
Other personnel expenses	2,111	1,882
General running costs	1,738	1,629
Communication	1,460	1,343
Insurance	1,416	1,756
Bad debt losses and impairment	1,150	1,023
Other administrative costs	1,065	995
Other taxes	743	748
Leasing/other rent	624	490
Research and development expenditure	353	687
Patent protection	328	426
Waste disposal	318	358
Membership fees (e. g. Chamber of Commerce)	309	268
Building services	304	264
Investor relations	246	185
Packaging	237	989
Losses from the disposal of assets	231	93
Exchange rate losses	86	106
Miscellaneous	5,543	8,452
Total	**73,896**	**76,315**

20 Interest income and expense

Interest income and expense is broken down as follows:

Net interest

in EUR '000	2010	2009
Interest income	276	735
Interest expense on loans	(4,673)	(5,687)
Other interest expense	(1,508)	(1,538)
Total	**(5,905)**	**(6,490)**
of which Retirement benefit obligations	1,038	1,023

The total interest income and total interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss amount to EUR (4,464) thousand (previous year EUR (5,179) thousand).

21 Income tax

Income tax is composed as follows:

Income tax expense

in EUR '000	2010	2009
Actual income tax expense for the current financial year	10,254	9,666
Actual income tax expense for previous financial years	158	(267)
Deferred tax liabilities	(1,443)	(1,888)
Total	**8,969**	**7,511**

Deferred tax income developed as follows:

in EUR '000	2010	2009
From temporary differences	(1,378)	(1,179)
From loss carryforwards	(65)	(709)
Deferred tax income	**(1,443)**	**(1,888)**

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

Reconcilation of actual expense with anticipated tax expense

in EUR '000	2010	2009
Result before income taxes (EBT)	34,541	12,727
Less result from investments recognised using the equity method	(4,445)	9,820
Adjusted result before income taxes	30,096	22,547
Anticipated tax expense (on basis of respective company tax rates)	**(8,725)**	**(6,372)**
Anticipated tax rate: 29.0 % (previous year: 28.3 %)		
Adjustments to anticipated tax expense		
Effect of non-deductible expenses and tax-exempt income	(528)	(435)
Tax effects from loss carryforwards	(199)	(544)
Effect from changes in tax rates	(112)	(44)
Adjustments for earlier financial years (actual income tax expense and deferred tax)	595	(116)
Tax expense according to income statement	**(8,969)**	**(7,511)**
Effective tax rate (in %)	29.8	33.3

22 Profit attributable to non-controlling interests (minority interests)

The other shareholders of CENTROTEC are entitled to a share of gains and losses, as stated separately under non-controlling interests. The net loss shares amount to EUR 176 thousand at the reporting date (previous year net loss share EUR 184 thousand). These comprise profit shares amounting to EUR 1 thousand (previous year EUR 0 thousand) and loss shares amounting to EUR 177 thousand (previous year EUR 184 thousand).

23 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 of CENTROTEC Sustainable AG in relation to the weighted number of shares issued throughout the year, less treasury stock (12,080 shares).

Basic earnings per share

	31/12/2010	31/12/2009
Consolidated net income of shareholders in EUR '000	25,748	5,400
Weighted average ordinary shares issued, '000	16,750	16,610
Basic earnings per share in EUR	**1.54**	**0.33**

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 granted through stock option schemes that could be exercised if the balance sheet date were the end of the contingency period had actually been exercised. Due to the fact that the exercising of stock options is tied to the fulfilment of individual and corporate targets, it is expected that only a smaller number of options than the maximum number granted will be 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 number of dilutive options thus determined 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. Such shares are dilutive and are consequently added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

Diluted earnings per share

	31/12/2010	31/12/2009
Consolidated net income of shareholders in EUR '000	25,748	5,400
Weighted average ordinary shares issued, '000	16,750	16,610
Assumed exercise of stock options granted (weighted average), '000	236	92
Weighted average diluted ordinary shares issued, '000	16,986	16,702
Diluted earnings per share in EUR	**1.52**	**0.32**

24 Segment report and revenues

The CENTROTEC Group has identified three reportable segments, which are organised and run largely independently in accordance with the type of products and services they offer: Climate Systems, Gas Flue Systems, and Medical Technology & Engineering Plastics. The three segments are distinguished essentially by their product ranges. The Climate Systems segment encompasses extensive products portfolios of equipment for heating, ventilation and cooling in order to maintain a healthy home climate in every interior. One particular focal area is integrated systems incorporating solutions that use renewable energies. The Gas Flue Systems segment manufactures and sells plastic and metal gas flue systems. The product range is rounded off by almost 1,000 components for gas flue systems engineering and innovative roof products. Finally, the smallest segment Medical Technology & Engineering Plastics develops and sells its own and OEM products from the sphere of medical technology systems and comprehensive solutions, spinal implants and semi-finished products, prefabricated parts and assemblies made from engineering plastics for medical technology and plant engineering, all from a single source. One Management Board member is responsible for each segment. Mr Gaffal is responsible for Climate Systems, Mr van der Stege for Gas Flue Systems and Dr Traxler for Medical Technology & Engineering Plastics. The subsidiaries are allocated to one of the three segments in line with their product range and the management responsible for them, and consolidated accordingly. Details of which fully consolidated companies in the Consolidated Financial Statements are allocated to which individual segments are indicated in the presentation of the consolidated companies.

The revenues relate principally to deliveries of goods. They are reported net of VAT, returns, discounts and price reductions. The "Gas Flue Systems" segment also includes the figures for CENTROTEC Sustainable AG and CENTROSOLAR (equity investment). Inter-segmental business is priced according to the arm's length principle. Pricing is comparable to third party transactions 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. The segment expenses and income also include allocations of expenses for the holding company.

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

The depreciation and amortisation for the segments represent the loss of value by the segments' long-term assets, the investments, and the respective additions to the fixed assets and intangible assets for the segments.

The segment assets include the fixed assets and current assets for each segment. Entitlements to income tax rebates and deferred tax assets capitalised are not included.

Reconciliation of assets

in EUR '000	**2010**	**2009**
Total assets	366,194	350,636
Financial investments accounted for using the equity method	28,144	23,699
Loans and available-for-sale financial assets	2,019	715
Entitlements to income tax rebates	3,204	4,596
Total (ASSETS):	**399,561**	**379,646**

The segment liabilities include the operating liabilities and provisions for each segment. Income tax liabilities, deferred tax liabilities and financial debt are not included.

Reconciliation of liabilities

in EUR '000	2010	2009
Total liabilities	104,749	102,396
Borrowings	112,246	121,807
Income taxes payable	21,750	22,769
Shareholders' equity	160,816	132,674
Total (EQUITY AND LIABILITIES):	**399,561**	**379,646**

25 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 are determined according to the indirect method, by adjusting the earnings before interest and taxes for non-cash items, changes in working capital (receivables and other assets, inventories and liabilities) and all changes that are allocable to investing and financing activities to produce the cash flow from operating activities. By contrast, the interest result and the income taxes paid are based on actual cash flows. The financial resources consist almost exclusively of demand deposits and the availment of current accounts with commercial banks. The financial resources are composed as follows:

Breakdown of financial resources

in EUR '000	31/12/2010	31/12/2009
Cash in hand	28	25
Cash in banks	41,095	35,331
Bank overdrafts	(16,512)	(15,640)
(included in "Short-term borrowings" item)		
Total	**24,611**	**19,716**

The cash flow from operating activities showed a year-on-year fall of EUR 9,185 thousand in 2010, reaching EUR 35.8 million (previous year EUR 45.0 million). This was mainly due to the increased working capital. The cash flow from investing activities amounted to EUR -22.1 million in 2010, compared with EUR -18.0 million in the previous year. The cash flow from financing activities amounted to EUR -8.7 million as a result of the further increase in net repayments (previous year EUR -11.7 million).
In total, financial resources in 2010 thus amounted to EUR 24.6 million at the end of the period (previous year EUR 19.7 million).

Financing streams

in EUR '000	2010	2009
Financial resources raised	4,772	6,410
Financial resources repaid	(15,067)	(18,454)
Change in borrowings	**(10,295)**	**(12,044)**

Cash inflow from asset disposals

in EUR '000	2010	2009
Net residual carrying amounts	902	2,920
Gain/loss on asset disposals	(113)	184
Proceeds from asset disposals	**789**	**3,104**

Short-term credit facilities to secure constant liquidity have been arranged with several credit institutions that are independent of each other. At the balance sheet date, the available borrowing facilities from current account, guarantee/surety or discount lines and from a free credit facility included amounts to EUR 28.3 million (previous year EUR 27.3 million).

Substantial non-cash transactions result from the change in deferred taxes and the issuance of stock options.

K_Other particulars

1_Contingent liabilities and miscellaneous particulars

The customary warranty obligations are assumed, for which provisions have been formed where claims are probable. In the context of its ordinary business activities, the company moreover regularly enters into contingent liabilities from guarantees, cheques and bills of exchange, among other things. Furthermore, contingent liabilities may arise from areas of the group in which there exist statutory arrangements on partial retirement but for which no provisions have been recognised, as it is unlikely that employees in those areas will call upon the existing statutory arrangements.

Provisions were formed for areas in which the probability of use is greater than 50 %.

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

The following table shows the non-capitalised operational leasing obligations at the balance sheet date, with the corresponding lease instalments broken down by maturity or minimum remaining term.

Operational leasing

in EUR ’000	Total	Of which maturity less than 1 year	Of which maturity 1 to 5 years	Of which maturity over 5 years
31/12/2009				
Minimum lease payments	8,997	2,503	5,699	795
Of which interest portion	1,049	104	465	480
Present values	**7,948**	**2,399**	**5,234**	**315**
31/12/2010				
Minimum lease payments	7,930	2,237	4,946	747
Of which interest portion	909	104	388	417
Present values	**7,021**	**2,133**	**4,558**	**330**

The operating leases result mainly from lease arrangements with a term of between 1 and 5 years for passenger cars that are used principally by our field service employees. We in addition have tenancy agreements for buildings in Mainburg and Staphorst. No purchase option exists.

2_Significant events occurring after the balance sheet date

Along with the entry on the Commercial Register on March 1, 2011, Ubbink B.V. acquired a 60 % shareholding in Solar 23 GmbH, Reutlingen by way of a capital stock increase of EUR 150 thousand. The total purchase price was EUR 0.9 million. The business purpose of the company is the planning, sale and erecting of turnkey systems running on renewable energies such as photovoltaics and solar thermal. The company feeds renewable energies into existing grids and is a systems supplier for rural electrification. In acquiring an interest in this company, CENTROTEC would like to facilitate its entry into the African market. Because the compiling of the data for the application of IFRS 3 had not yet been completed at the time the deal was approved or because data is not yet available, no further disclosures pursuant to IFRS 3B66 can be made at this stage.

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

3_Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party’s financial and operating decisions. Pursuant to IAS 24, the members of the Management Board and Supervisory Board, close members of their families as well as subsidiaries that are not fully consolidated and equity investments can fundamentally be considered to be related parties in the case of the CENTROTEC Group. Related parties were not involved in any large, atypical or unusual transactions of the CENTROTEC Group.

Legal transactions with Management Board members and Supervisory Board members

In the event of work remunerated separately, the Supervisory Board regularly checks that services rendered on an ad hoc basis by Supervisory Board members involve substantially more than that which can normally be expected from a Supervisory Board member within the context of their Supervisory Board duties.

The Chairman of the Supervisory Board (Guido A. Krass) holds a participating interest in Pari Holding GmbH, Munich (“PH”). PH might therefore be classified as a “related party”, even though the Management Board does not believe that control actually exists between the parties. Other companies of the Pari Group could likewise be classified as “related parties”, for example Pari Capital AG. Costs of EUR 31 thousand (previous year EUR 0 thousand) for consultancy services were incurred in the financial year. Mr Krass received remuneration of EUR 25 thousand (previous year EUR 0 thousand) as a member of the Supervisory Board of CENTROSOLAR Group AG.

Dr Heiss is also a member of the Supervisory Board of CENTROSOLAR Group AG and has concluded a consultancy agreement with it. The framework consultancy agreement envisages ad hoc consultancy by Dr Heiss on legal questions arising in the course of business operations, as well as on special questions. An appropriate remuneration per hour of his services, plus statutory VAT, is to be paid as consideration. As in the previous year, Dr Heiss did not charge any fees for legal consultancy in the financial year. As a member of the Supervisory Board of CENTROSOLAR Group AG, Dr Heiss received remuneration of EUR 24 thousand (previous year EUR 15 thousand).

Legal transactions with the CENTROSOLAR Group

CENTROTEC Sustainable AG passes on management charges to the CENTROSOLAR Group in essence for operational management services performed by employees and the management of CENTROTEC Sustainable AG. These charges are fundamentally passed on to all subsidiaries of CENTROTEC Sustainable AG and, in the case of the company, relate to such services as consultancy on accounting matters, strategy, legal question, projects, communication and IT. A total amount of EUR 120 thousand (previous year 138 thousand) was charged for these by CENTROTEC Sustainable AG in the 2010 financial year.

In August 2005 Ubbink B.V., CENTROTEC and Renusol GmbH concluded a production agreement. In it, Renusol GmbH commissions Ubbink B.V. exclusively with the production of the module mounting systems “ConSole” and “InterSole”. Ubbink B.V. has acquired the expertise and the corresponding patents for the module mounting systems “ConSole” and “InterSole” in the context of the shareholder agreement with Econcern B.V., Ecoventures B.V. and Ecostream B.V. The goods supplied by Ubbink B.V. to Renusol are billed as arm’s length transactions. Cost accounting factors that are comparable to those applied in third party transactions are used. Cost savings to reflect the more straightforward communication and processing are generally built into the pricing structure. The production agreement was terminated in October 2009. Notwithstanding this, supplies of goods amounting to EUR 4,096 thousand (previous year EUR 9,884 thousand) were again made in the 2010 financial year.

CENTROSOLAR in addition supplied Ubbink B.V. and its subsidiaries with solar modules to the value of EUR 857 thousand in arm’s length transactions in the 2010 financial year.

Centrosolar Glas GmbH & Co. KG sold goods to the value of EUR 1,413 thousand (previous year EUR 1,254 thousand) to Wolf GmbH in arm’s length transactions during the 2010 financial year.

The group’s total receivables from CENTROSOLAR Group AG amounted to EUR 395 thousand (previous year EUR 1,237 thousand) at December 31, 2010. This compared with liabilities of EUR 31 thousand (previous year EUR 1,253 thousand) at the balance sheet date.

Other legal transactions with persons who could potentially be regarded as related parties

The private companies Immobilien GbR Wülbeck and Solar GbR Wülbeck could possibly be quantified as a related party, as Dr Huisman (Chairman of the Management Board of CENTROTEC Sustainable AG), Dr Kirsch (Chairman of the Management Board of CENTROSOLAR Group AG) and Mr Wülbeck (Managing Director of Centrotherm Systemtechnik GmbH and of Centrotec Composites GmbH) hold an interest in it. GbR Wülbeck erected an industrial building which is used by Bond Laminates GmbH for appropriate consideration. CENTROTEC holds a 24.95 % interest in Bond Laminates GmbH. Solar GbR Wülbeck operates photovoltaic systems on the roofs of Centrotherm Systemtechnik GmbH and Bond Laminates GmbH.

Sauerland Solar Fund GmbH & Co. KG (SSF) could in addition be classified as a related party. The company is a closed-end fund of which only senior employees and Management Board members of the CENTROTEC Group are members. CENTROTEC Sustainable AG has concluded a service contract with SSF KG.

Relations between the parent company and the subsidiaries

The activities of CENTROTEC Sustainable AG focus essentially on performing strategic and financial holding functions for the operative affiliated companies, on advising and supporting them for individual projects, and on providing services on behalf of group companies in the areas of accounts, taxes, payroll accounting and data processing. CENTROTEC in addition steers the group finances, coordinates investor relations and provides support for projects at the subsidiaries, including particularly mergers and acquisitions activities.

Total remuneration of the Management Board

The total remuneration of the Management Board members (including retired members), including the value-assessed options issued in 2010, was EUR 2,006 thousand (previous year EUR 1,752 thousand). The total remuneration comprises non-performance-related and performance-related components and also includes social contributions and fringe benefits such as company cars and pension commitments. The total amount also includes the expense incurred in 2010 for options granted, which have a theoretical value of EUR 448 thousand (previous year EUR 428 thousand). The remuneration of the Management Board is shown according to member in a separate remuneration report, in keeping with the criteria of the Corporate Governance Code. The remuneration of each individual Management Board member is shown in the following table:

Management Board members	Non-performance-dependent component[1,4]	Performance related component[4]	Components with a long-term incentivising effect[2]	Other remuneration[3,4]	Total remuneration 2010	Total remuneration 2009
Dr. Gert-Jan Huisman	360	0	180	44	584	573
Anton Hans	127	1	78	41	247	239
Alfred Gaffal	288	160	98	7	553	533
Jacko van der Stege	150	0	17	43	210	0
Dr. Christoph Traxler	290	0	72	4	366	372
Retired members	0	0	3	43	46	35
Total	**1,215**	**161**	**448**	**182**	**2,006**	**1,752**

1 Incl. employer's social contributions,
2 Valued options,
3 Expense for pensions, company cars and other,
4 Current component

Jacko van der Stege was appointed to the Group Management Board by the Supervisory Board on September 20, 2010. The remuneration totals for the year are shown here.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board amounts to EUR 108 thousand (previous year EUR 54 thousand). There were in addition other expenses amounting to EUR 2 thousand (previous year EUR 2 thousand). Mr Krass received EUR 48 thousand, Mr C C Pochtler EUR 24 thousand and Dr Heiss EUR 38 thousand.

Directors' holdings

The following table shows directors' holdings at the balance sheet date

Management Board	Shares (total)	31/12/2010 Options (total)	Shares (total)	31/12/2009 Options (total)
Dr. Gert-Jan Huisman	65,704	226,234	78,704	225,023
Anton Hans	0	67,405	0	53,593
Alfred Gaffal	7,000	142,931	7,000	117,931
Jacko van der Stege	0	14,287	0	0
Dr. Christoph Traxler	0	129,262	5,140	159,456
Supervisory Board				
Guido A. Krass	2,400,000	0	2,400,000	0
Dr. Bernhard Heiss	45,550	0	45,550	0
Christian C. Pochtler	0	0	0	0
CENTROTEC				
Ordinary shares	16,961,961	0	16,716,262	0
Treasury stock	12,080	0	12,080	0

The stock options have been issued on the same terms and conditions as to the other employees.

Management Board and Supervisory Board

Members of the Management Board:
Dr. Gert-Jan Huisman,
Nijkerk, Netherlands, merchant (Chairman)
Anton Hans,
Apeldoorn, Netherlands, merchant
Alfred Gaffal,
Mainburg, Germany, merchant
Jacko van der Stege,
Voorthuizen, Netherlands, graduate engineer
Dr. Christoph Traxler,
Fulda, Germany, physicist

Members of the Supervisory Board:

Guido A. Krass,
Oberwil-Lieli, Switzerland, entrepreneur (Chairman)
Dr. Bernhard Heiss,
Munich, Germany, entrepreneur
Christian C. Pochtler, MA,
Vienna, Austria, entrepreneur

The following members of the Management and Supervisory Boards also hold other non-executive directorships as defined in Section 125 (1), third sentence of German Stock Corporation Law:

Guido A. Krass	PACT Technologies AG, Munich, Germany Wolf GmbH, Mainburg, Germany medimondi AG, Fulda, Germany (Chairman) CENTROSOLAR Group AG, Munich, Germany (Chairman)
Dr. Bernhard Heiss	Altium Capital AG, Munich, Germany Channel 21 Holding AG, Munich, Germany (Chairman) CENTROSOLAR Group AG, Munich, Germany Langenscheidt KG, Munich, Germany (Deputy Chairman of Advisory Board)
Christian C. Pochtler, MA	Denzel AG, Vienna, Austria PP Capital AG, Vienna, Austria (Chairman)
Anton Hans	medimondi AG, Fulda, Germany
Alfred Gaffal	Wolf Iberica S.A., Madrid, Spain (President of Board of Directors) Wolf France S.A.S., Massy, France (Member of Board of Directors)
Dr. Christoph Traxler	Rolf Schmidt Industriplast A/S, Kolding, Denmark (Chairman) bricon ag, Dietikon, Switzerland (President of Board of Directors)

4_Corporate Governance Code

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

The Management Board and Supervisory Board of CENTROTEC Sustainable AG have declared the extent to which the recommendations of the Government Commission on the German Corporate Governance Code are complied with by the respective companies. The regularly submitted declarations and explanations are permanently available on the website of CENTROTEC Sustainable AG at www.centrotec.com.

5_Independent auditors' fees

The auditors of CENTROTEC are PricewaterhouseCoopers AG. The amounts shown below do not contain the fees for other auditors of group subsidiaries.

in EUR '000	2010	2009
Auditing services for the financial statements	303	248
Other certification services	0	0
Tax consultancy services	5	0
Other services	20	0
Total expenses	**328**	**248**

6_Date and approval of the financial statements

The financial statements were approved by the Management Board and authorised as a whole for issue on March 22, 2011.

Once approved and ratified by the corporate bodies and following their publication, these financial statements may only be amended to the extent that is permissible by law.

Brilon, March 22, 2011

Dr. Gert-Jan Huisman, Chairman

Anton Hans

Alfred Gaffal

Jacko van der Stege

Dr. Christoph Traxler

Independent Auditors' Report

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

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

Our audit has not led to any reservations.

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

Essen, March 22, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ben Buitung
(German Public Auditor)

ppa. Matthias Schwarze-Gerland
(German Public Auditor)

Financial Calendar 2011

March 29	Annual Press Conference / Analysts Meeting / Publication of 2010 accounts Frankfurt am Main
May 12	Publication of Q1 2011 Quarterly Report
May 26	Annual General Meeting of Shareholders Brilon
August 11	Publication of Q2 2011 Quarterly Report
November 10	Publication of Q3 2011 Quarterly Report
November 21 – 23	German Equity Forum Frankfurt am Main

Imprint

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