

Supervisory Board Report



Prof. Dr. Brigitte Zürn | Chairperson
of the Supervisory Board

Consultation and continuous dialogue with the Management Board

With great care, the Supervisory Board fulfilled the responsibilities in the 2010 financial year that are incumbent upon it as the result of the law, the company's statutes, and procedural rules.

The course of the financial year was characterized by growth in new orders from Asian countries, and the tapping of new markets, such as in the Arabian region. Production capacities were strengthened significantly to this end, and production structures and processes were improved and gained greater flexibility.

The year was also utilized intensively for research and development activities, in order to strengthen our leading market position through further improvements in our product and technology portfolio. We aim to further expand our Constance site, and set up a new research and development center for highly efficient solar cell technology, in order to continue to drive

innovations forward, and implement ideas. These strategic decisions, among other things, formed the content of the trusting exchange between the Managing and Supervisory Boards.

The Supervisory Board was informed regularly, promptly and comprehensively, both in written and verbal form, about the Group's position, particularly its operating business, corporate planning, risk management, as well as its financing and earnings positions, and was directly included in all decisions of fundamental importance.

In my function as Supervisory Board Chairperson, I was also in regular contact with the Management Board in the periods between meetings. Above and beyond this, further project-related working meetings, separate resolutions, as well as several coordination discussions were held with the Management Board. In particular, the Management Board also provided constant information to the Supervisory Board, and coordinated with the Supervisory Board concerning the relevant topics.

Meetings and resolutions in the 2010 financial year

Presence at Supervisory Board meetings was 100 percent. No supervisory Board member participated in fewer than half of the meetings. During the year under review, the company's Supervisory Board convened for a total of nine meetings that covered the following topics:

- The Supervisory Board was particularly concerned with the budget for the 2010 financial year at the meeting on January 25, 2010.
- The consolidated and single-entity parent company financial statements for 2009 were discussed in the presence of the auditor at the meeting on March 22, 2010. Further agenda items included a discussion of the progress of business in the Thin Film Module segment, and coordination concerning the agenda for the ordinary Shareholders' General Meeting 2010.
- The new thin film concept was discussed and the technology roadmap was presented at the meeting on May 7, 2010. The selection of the auditor was also discussed.
- The meeting on June 17, 2010 primarily included the financing of the planned investment and R&D projects, including investments planned at the Constance site.
- The interim financial statements as of June 30, 2010 were discussed at the meeting on August 9, 2010.
- Focus points of the meeting on August 20, 2010 included a discussion of the technology portfolio and the status of the projects in the production and service area that are intended to lend further flexibility to the production and to expand the services area.
- The interim financial statements as of September 30, 2010 were discussed at the meeting on October 19, 2010, and the future strategy for the Silicon & Wafer and Solar Cell & Module segments was also discussed and approved.
- The meeting held on December 1, 2010 particularly included a discussion of current market trends and sales potentials, as well as Group strategy for subsequent business years.
- The budget for the 2011 financial year was approved at the last Supervisory Board meeting, which was held on December 17, 2010.

Transparency, trust and responsibility are three core elements of our corporate governance. The Management and Supervisory boards of centrotherm photovoltaics engage in close cooperation according to these principles. In this way, we aim to chart our course of sustainable growth and profitability into the future.

Formation of committees

The Supervisory Board formed no committees from among its members, since it consists of the statutory minimum number of three members.

Corporate Governance and Declaration of Conformity

Responsible corporate governance and controlling that is oriented to sustained value-creation is of the highest priority for both the Management and Supervisory Boards. With respect to all its activities, the Supervisory Board has been guided by the recommendations of the German Corporate Governance Code, and has followed these recommendations with a few exceptions. The Supervisory Board conducted a detailed discussion on the implementation of the Code and its latest amendments at its meeting on December 1, 2010. On December 17, 2010, the Management and Supervisory Boards issued a declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG), which is permanently accessible to all shareholders on the company's website.

A deductible to D&O (Directors & Officers) insurance cover for the of Management Board members was agreed in 2010 in line with the amendment of § 93 Paragraph 2 Clause 3 in the of the German Stock Corporation Act (AktG), and the recommendation contained in Figure 3.8 of the Code. There were no conflicts of interest in the 2010 financial year on the part of Management and Supervisory Board members that must be disclosed immediately to the Supervisory Board, and where there is a duty to inform the Shareholders'

General Meeting, in particular due to the relationship between Deputy Supervisory Board Chairman, Rolf Hans Hartung, and the CEO (Management Board Spokesman), Robert M. Hartung.

More information about centrotherm photovoltaics AG's divergences from the Code can be found in the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG).

The Management Board also reports on the Supervisory Board's behalf about corporate governance in the Corporate Governance statement on pages 26–33, pursuant to Figure 3.10 of the German Corporate Governance Code.

Composition of the Management and Supervisory Boards

The composition of centrotherm photovoltaics AG's Supervisory Board complies with the requirements of § 100 Paragraph 5 of the German Stock Corporation Act (AktG). It continually monitors its independence and professional expertise. Two of the total of three members of the Supervisory Board exercise the profession of auditor and tax consultant.

There were no changes to the composition of the Supervisory Board in 2010. There was one personnel change within the Management Board, however. The Supervisory Board appointed Dr. Thomas Riegler to be Chief Financial Officer (CFO) with effect as of September 1, 2010. Dr. Riegler thereby replaced Oliver M. Albrecht, who wished to devote himself to new career challenges, and who relinquished his post

new career challenges, and who relinquished his post as of June 30, 2010. The Management and Supervisory Boards would like to thank Oliver Albrecht for the many years of trusting cooperation within the Management Board, and continue to wish him all the best for the future. Following undergraduate business management studies in Graz, Nice and Chicago, and several years spent as a consultant, Dr. Thomas Riegler occupied various management positions over a twelve-year period for the Daimler Group both in Germany and abroad, most recently as CFO of the Belgian company Mercedes-Benz Belgium Luxembourg S.A.

Management Board remuneration

The Supervisory Board annually reviews the appropriateness of Management Board remuneration. Management Board members' contracts currently correspond to only a limited extent to the recommendation in Figure 4.2.3 Paragraph 2 of the German Corporate Governance Code, whereby the structure of variable management Board members' remuneration components should reflect both positive and negative developments. The Supervisory Board does not regard adaptation of these contracts as requisite, since several Management Board members already have an interest in the company's sustained and positive development due to their substantial stake in the company. In addition, a divergence is made with respect to the recommendation in Figure 4.2.3 Paragraph 4 regarding the introduction of a settlement cap in employment contracts for Management Board members in the instance of the discontinuation of Management Board activity without an important reason. Further divergence is made with

the recommendation in Figure 4.2.3 Paragraph 5, which limits a commitment to 150 percent of the settlement cap for services arising from early termination of Management Board activity following a change of control. Given the aforementioned, divergence is also made with the recommendation in Figure 4.2.4, whereby such commitments should be published individually. The implementation of these recommendations would firstly give rise to significant legal difficulties and uncertainties. Secondly, when negotiating contracts relating to the initiation, continuation, or termination of Management Board member activities, the Supervisory Board does not wish to be subject to restrictions, thereby allowing it to always achieve the best negotiating result for the company.

Extended Supervisory Board auditing and monitoring responsibilities

§ 107 Paragraph 3 of the German Stock Corporation Act (AktG) specified supervisory Board auditing and monitoring responsibilities with respect to financial reporting, the auditing of financial statements, and corporate controlling systems. The Supervisory Board of centrotherm photovoltaics AG complies with § 107 Paragraph 3 of the German Stock Corporation Act (AktG), and monitors both the accounting process and financial statement auditing at regular intervals. When appointing the auditor, it is particularly ensured that the auditor is independent. The Supervisory Board also controls the efficacy of the internal controlling system, as well as that of risk management.

Auditing of the single-entity parent company and consolidated financial statements

RÖVERBRÖNNER GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, audited the single-entity parent company financial statements and management report for the 2010 financial year that were prepared according to German Commercial Code (HGB) regulations, and the consolidated annual financial statements and Group management report for the 2010 financial year that were prepared pursuant to § 315 a of the German Commercial Code (HGB) on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The Supervisory Board issued the auditing mandate in line with the resolution of the Shareholders' General Meeting of June 22, 2010. The auditor furnished an unqualified audit certificate for both the single-entity parent company annual financial statements and management report, as well as the consolidated financial statements and Group management report. The auditor participated in the Supervisory Board's accounts meeting on March 21, 2011, which concerned itself with the single-entity parent company annual financial statements and the consolidated financial statements, and delivered its report pursuant to § 171 Paragraph 1 Clause 2 of the German Stock Corporation Act (AktG). The auditor was also available for additional questions and information during the discussion of the specifics of the financial statements and management reports. The audit identified no significant weaknesses in the accounting-related internal controlling and risk management system during the audit. No circumstances arose relating to the bias of the auditor. All documents relating to the financial statements, as well as the audit reports, were presented on time to the Supervisory Board. The Supervisory Board was provided

with extensive documents – partially in draft form – in order to prepare themselves, including the Group management report, consolidated financial statements and notes to the financial statements, as well as detailed assessments concerning significant individual thematic points.

Following in-depth analysis, the Supervisory Board determined that there were no objections to the result of the audit conducted by the auditor, and gave its assent to this result. The Supervisory Board also approved the financial statements that had been prepared by the Management Board. As a consequence, the single-entity parent company financial statements have been approved, and released for publication. The Supervisory Board also adopted the proposal of the Management Board regarding the appropriation of the balance sheet profit. The Supervisory Board also examined the related parties report for the 2010 financial year that was prepared by the Management Board pursuant to § 312 of the German Stock Corporation Act (AktG). The auditor also furnished the related parties report with an unqualified audit opinion.

The Supervisory Board would like to thank both the Management Board and the company's staff members for their personal commitment, and for the work they rendered in the 2010 business year, as well as shareholders for the confidence they have invested in the company.

Blaubeuren, March 21, 2011
On behalf of the Supervisory Board



Prof. Dr. Brigitte Zürn
Chairperson of the Supervisory Board