



CONERGY

# OUR WORLD

**IS FULL OF**

# 50/50/08

Strong brands and a truly entrepreneurial organisation enable us to offer the best solutions worldwide for renewable energy systems – whatever customers' energy needs. From 2008, we plan to generate more than 50 percent of our revenue abroad and more than 50 percent through regenerative products that complement solar energy. We are already on our way to achieving that goal. Come grow with us!

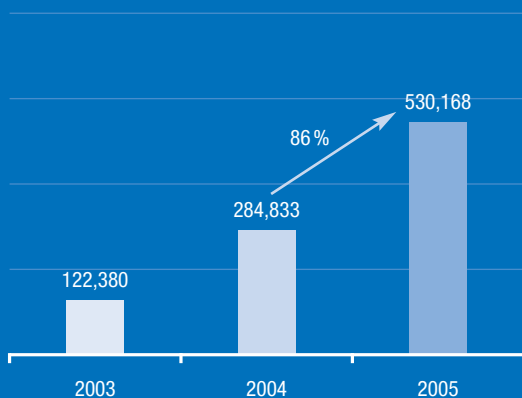
# ENERGIE.

## KEY GROUP DATA

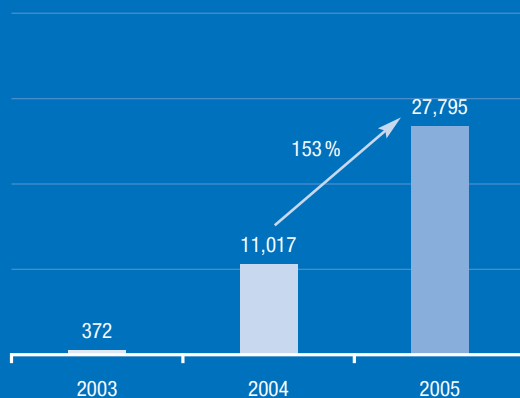
		2005	2004	2003
Revenue	TEUR	530,168	284,833	122,380
Germany	TEUR	454,546	268,018	113,120
International	TEUR	75,622	16,815	9,260
EBIT (pre IPO expenses)	TEUR	47,435	19,188	967
EBIT margin (pre IPO expenses)	in %	9	7	1
Consolidated net income	TEUR	27,795	11,017	372
Total assets	TEUR	346,289	76,510	33,335
Equity	TEUR	151,330	20,043	9,187
Equity ratio	in %	44	26	28
Cash flow from investing activities	TEUR	15,694	5,855	1,359
Cash flow from operating activities	TEUR	20,538	18,899	5,082
Earnings per share	EUR	2.92	1.39	0.05
Average number of shares issued (as of 31.12.)	Thsd.	9,503	7,899	7,904
Number of employees FTE <sup>1</sup> (as of 31.12.) <sup>1</sup>		724	347	194
Germany		560	298	162
International		164	49	32

<sup>1</sup> Full time equivalent

Revenue performance in TEUR



Consolidated net income performance in TEUR





## COMPANY SITES

Conergy is committed to the goal of providing customised support in all significant renewables markets through its own regional offices and subsidiaries. Conergy's brand worlds already have a local representation in all blue-coloured regions.

The energy demand for electricity, heat or cooling varies greatly in foreign markets. To address this fact, Conergy offers a wide range of solar products and has increased the international focus of its management team. The further expansion in North and South America, the European Mediterranean area, Asia and Australia will be supervised by highly experienced regional heads who will analyse and assess the diverse demand for regenerative energy and the customer potential for Conergy's brand worlds in these regions. At the same time, they will review local players to identify takeover targets if they offer promising growth and profit potential, recruit experienced staff for new branches or forge new distribution partnerships.

The Group's headquarters in Hamburg oversees Conergy's activities at home and abroad. Here we share resources and create synergies in order to improve our service to the customer.

Conergy's networked production provides the backbone for the company's growth. Our business operations collaborate closely to ensure fast and flexible delivery of integrated renewables systems, providing a decisive competitive edge to the customer. Conergy currently manufactures and develops products at three plants in Germany: in Hamburg, Rangsdorf (near Berlin), and Bad Vilbel (near Frankfurt).









## **ALBERTO MEDRANO**

**REGIONAL HEAD, MEDITERRANEAN COUNTRIES**

This Spaniard is one of the pioneers of the solar industry. All around the Mediterranean, plentiful sunshine and attractive programmes designed to promote solar energy create ideal markets for solar power systems based on the most divergent technologies.

“Major solar thermal power plants are needed in addition to decentralised photovoltaic and solar thermal systems for heating or cooling, especially for generating electricity during hot peak demand periods.”

## **PAUL BENSON CONERGY, USA**

The team headed by this Massachusetts-born economist possesses more than ten years of experience in the US market. The United States is already the third-largest market worldwide for solar energy behind Germany and Japan.

“Combining Conergy’s solar product lines – which have been tried and tested worldwide – with our American sales teams puts us in the pole position and helps us to expand market share considerably.”







## MATTHEW THORNINGTON REGIONAL HEAD, ASIA-PACIFIC

This British native has lived in Asia for ten years and has managed major renewables projects used for rural electrification. The growing need for energy in countries such as China has caused demand for hybrid systems to skyrocket.

“It is often much more cost-efficient to utilise off-grid renewables systems instead of investing in the expansion of the power grid.”









## **DANIEL PRIEM** **SUNTECHNICS, AUSTRALIA**

This US-born son of German and Indian parents studied in Australia; he now manages our Australian SunTechnics subsidiary. In Australia, solar energy is used for heating, cooling and electricity, offering enormous growth potential.

“Our customers rely on SunTechnics’ proven worldwide engineering expertise in delivering renewable energy systems.”



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*Dear shareholders,*

Conergy's growth remains on a dynamic trajectory that continues to outperform the booming renewables markets worldwide. The Group's sales surged by 86 percent to EUR 530 million in 2005 thanks to its consistent international orientation, compared to market growth of 25 percent for various regenerative systems technologies. Steadily increasing demand worldwide is the force driving these developments even though capacity limits acted as a brake on growth in a few product areas, such as photovoltaics. But these capacities are being expanded at a rapid pace. As a result, increasing economies of scale and product improvements will turn clean energy into the most affordable alternative to scarcer crude oil, natural gas or uranium in ever-expanding applications.

Market share in the market for renewable energies will be distributed in the next five years. This means that now is the time to establish a presence in promising regions, build up strong brand names and offer cutting-edge technologies. Only companies that have reached a critical mass in both products and corresponding total sales will be able to remain independent.

This means that we must continue to outperform the market in future as well, using an approach that broadly covers all major types of energy with a focus on renewables. We tried from the start to bring ourselves into a pole position in close proximity to the customer in tomorrow's most lucrative energy markets. Conergy's more than 900 employees worldwide consistently practice and implement this customer-driven philosophy by means of our 50/50/08 strategy. The aim of this strategy is to achieve more than 50 percent of total revenue abroad from 2008, as well as more than 50 percent through complementary regenerative energy products such as solar cooling, solar thermal systems or even bioenergy, for example. These are admittedly ambitious aims because photovoltaics, our core business, continues to post strong growth.

Yet we will have to work hard and accomplish a lot to achieve our targeted market position. This includes establishing a powerful sales and distribution infrastructure in even more countries and rounding out our product range. Our success to date puts us ahead of our own planning and we believe that we are ahead of the market strategically by about one year. As the largest European solar company, we will employ both this advantage and our synergies in sales, distribution and development to achieve the pole position in both other renewables and globally too.

The key to this success is our ability to attract the best minds and entrepreneurs and build a company that is passionate about its aims, inspires its customers, develops innovative products and structures its organisation such that it can manage rapid growth professionally. Doing so

enhances our ability to listen to our customers and develop exactly those solutions that optimally satisfy their needs. For instance, our new line of string inverters will set standards in terms of revenue generated, operating and monitoring procedures, safety and useful life. And our sales force helps us right away to achieve the critical mass necessary to that end.

We are very pleased not just that business has been very good but also that the new German government has clearly committed itself to the continuation of policies aimed at promoting renewable energies in Germany. The coalition agreement already sets the stage for heating legislation and the continuation of the German Renewable Energies Act (German abbreviation: EEG). Two German solar industry associations (UVS and BSi) merged as of 1 January 2006 into the Bundesverband Solarwirtschaft e.V. (BSW). This means that more than 650 solar companies are standing shoulder to shoulder to ensure that the solar industry speaks with one voice and is heard on the political stage. I am pleased that I will continue to contribute to the development of the solar industry in my role as the association's president. For a strong domestic market remains both the basis and the launching pad for penetrating the most lucrative markets worldwide for renewable energy.



The course has been set such that we may continue to outperform the renewables market. Both present order levels and supplier contracts make us very confident that we will be able to attain the targets set by industry analysts. We are increasing investments in research & development and plan to make further acquisitions of companies that offer uniquely capable system technologies to ensure that we remain on this trajectory. Step by step, all of this will bring us closer to our vision of becoming the world's leading systems provider for renewable energies. I am very pleased that you as an investor have chosen to accompany us on this sustainable journey.

A handwritten signature in blue ink, appearing to read 'H. Rüter', on a light-colored background.

Hans-Martin Rüter  
Hamburg, Germany, 23 March 2006



# The Management Board



**HANS-MARTIN RÜTER,  
CHAIRMAN OF  
THE MANAGEMENT BOARD**

Hans-Martin Rüter (born 1965) is an engineer, who was involved in scientific research on solar cells for satellites as a student. From 1993 to 1996, he worked as a management consultant for Bossard Consultants GmbH. As the founder of SunTechnics GmbH, he himself designed and personally installed photovoltaic systems as early as in 1996. He founded Conergy GmbH in 1998 and has served as the company's managing director since then. Following the company's conversion into a joint stock company, he has served as its chairman of the Management Board and is responsible for both strategy and marketing. Mr. Rüter also is the president of the Bundesverband Solarwirtschaft e.V. (BSW), the major German solar industry association, previously known as UVS.

**NIKOLAUS KRANE**

Nikolaus Krane (born in 1965) is an engineer, who worked as an international management consultant for Bossard Consultants GmbH, focusing on business development and process reengineering. In 1999, Nikolaus Krane joined Conergy and has been a member of the Management Board since 2000. Nikolaus Krane is responsible for the company's project business.

**HEIKO PIOSSEK**

Heiko Piossek (born 1955) has a degree in business administration and worked for six years with Peat, Marwick, Mitchell & Co. (today KPMG). A position as commercial director of several German subsidiaries of a US corporation followed. Subsequently, he served as the management spokesman of a sub-group of Vossloh AG. From 1996 to January 2005, he served on the board of Berentzen-Gruppe AG as both chief financial officer and chief information officer. Mr. Piossek joined Conergy AG as CFO in February 2005, and he is responsible for finance, IT and human resources.

**ALBERT EDELMANN**

Albert Edelmann (born 1970) has a degree in business administration and founded AET GmbH back in 1991. He has pushed the company's international expansion since it was acquired by Conergy in 1999 and successfully integrated leading solar wholesalers in Spain, Greece and France. Under his management, AET (a wholly-owned subsidiary of Conergy) has grown into Europe's leading solar trading enterprise. As Conergy's Director of Sales, in 2003 Mr. Edelmann also took over responsibility for the Group's overall sales. Albert Edelmann was appointed to the Management Board in 2005 and is responsible for internationalisation and sales.

**DR. EDMUND STASSEN**

Dr.-Ing. Edmund Stassen (born 1968) is an engineer and joined a leading recycling company in 1995. There, he served first as the managing director of a subsidiary and was subsequently responsible for international sourcing for eight European production sites. From 1999, he held senior positions with Beck & Co / Interbrew Deutschland, the world's leading brewery. Dr. Stassen has served on the Management Board of Conergy AG since 2004 and is responsible for logistics (supply chain), production as well as research & development.



The Supervisory Board regularly advised and monitored the Management Board to the extent mandated by both the law and the company's Articles of Association. To that end, the Management Board kept the us abreast of the development of business, providing timely and ongoing information on all major events and projects related to both the company and the Group as a whole. We placed a particular focus on the operational planning for 2006 and both financial and balance sheet budgeting in the medium term. As chairman of the Supervisory Board, I communicated regularly with the chairman of the Management Board, ensuring that the Supervisory Board was always informed of the company's business policies, its financial, investment, and personnel planning, the profitability of both the company and the Group, and their status overall.

Inasmuch as Management Board decisions were subject to the Supervisory Board's approval, we reviewed all proposals pertaining to pending resolutions in our meetings or adopted the respective resolutions on the basis of written information. Members of the Management Board regularly participated in meetings of the Supervisory Board. We were included in all decisions critical to the company.

## Report of the Supervisory Board

Given that Conergy now is a listed company, the Supervisory Board was expanded from three to six members in 2005 in order to satisfy enhanced corporate governance requirements. Messrs. Büchting, Metzger and Spörr are the new members of the Supervisory Board. We met six times in 2005. In addition, several resolutions concerning Management Board business subject to the Supervisory Board's approval were adopted by means of a written procedure. No member of the Supervisory Board participated in less than half of its meetings.

### Focal points

The Supervisory Board was an active participant in the preparation and execution of the Company's IPO in March 2005. Detailed reports on the entire process were submitted to us several times and we supported all major decisions. Our participation in personnel decisions affecting the Company's boards was equally significant. We repeatedly reviewed projects in connection with start-ups and acquisitions serving to accelerate the Group's strategic aim to become a leading provider worldwide of renewables systems. Based on reports by the Management Board regarding the projects' status and outlook, we discussed and analysed the major ramifications of these projects for the Group's ongoing development in detail.

### Committees

We established both a chairman's committee (Präsidialausschuss) and an audit committee (Bilanzausschuss) in connection with the Supervisory Board's expansion to six members. In 2005, the audit committee met three times while the chairman's committee met once. The former paid particular attention to the Group's risk management and issues related to IFRS accounting. It also established the focal points for the external audit of the company's financial statements for 2005. Each committee reported on its work to the full Supervisory Board.

## Corporate governance

We worked on the ongoing development of the company's corporate governance policies, taking amendments to the German Corporate Governance Code made in June 2005 into account. On 2 December 2005, the Management Board and the Supervisory Board jointly issued a new Declaration of Compliance; for details, please see the section on corporate governance in this annual report.

## Annual financial statements and consolidated financial statements; audit

The annual financial statements of Conergy AG under the German Commercial Code (HGB), the IFRS consolidated financial statements of the Conergy Group, the combined management report for both Conergy AG and the Group – in each case prepared by the Management Board as of 31 December 2005 – as well as the Auditors' report were available to the members of the Supervisory Board. The auditors issued unqualified auditors' reports. Besides presenting the results of the audit to the audit committee and at the Supervisory Board's financials meeting on 30 March 2006, the auditors also answered the questions of Supervisory Board members and provided additional explanations. We discussed and reviewed these documents in accordance with Section 171 German Stock Corporation Act (Aktiengesetz) and did not raise any objections. We approved the annual financial statements by resolution dated 30 March 2006. This constitutes approval of the annual financial statements as defined in Section 172 German Stock Corporation Act. We also approved the consolidated financial statements at the same meeting. Furthermore, we reviewed the Management Board's profit allocation proposal – which provides, among other things, for a dividend of EUR 0.30 per share – and we recommend to the General Shareholders' Meeting that it adopt this proposal.

We thank the members of the Management Board and the staff of the company and its subsidiaries for their commitment and their performance in the company's interest. The company's success in recent years would not have been possible without the enormous commitment of all employees.

Hamburg, Germany, March 2006



On behalf of the Supervisory Board  
The Chairman of the Supervisory Board  
Dieter Ammer

### The Supervisory Board members and memberships (as of 8 March 2006)

Name	Member since	Occupation outside of Conergy AG
Dieter Ammer (Chairman)	2000	Chairman of the Management Board of Tchibo AG Chairman of the Supervisory Board of Tchibo GmbH Chairman of the Supervisory Board of Beiersdorf AG Member of the Supervisory Board of GEA Group AG Member of the Supervisory Board of IKB Deutsche Industriebank AG Member of the Supervisory Board of Heraeus Holding GmbH
Alexander Rauschenbusch (Deputy Chairman)	2000	Managing Director of Grazia Equity GmbH Managing Director of 5r private Equity KG Member of the Supervisory Board of WANZL GmbH und Co. Holding KG Deputy Chairman of the Supervisory Board of my-con AG Member of the Supervisory Board of Reldata Inc.
Dr. Dr. h. c. Andreas J. Büchting	18.02.2005	Spokesman of the Management Board of KWS SAAT AG
Oswald Metzger	18.02.2005	–
Andreas Rüter	2000	Managing Director of Booz, Allen & Hamilton, a management consulting firm Member of the Supervisory Board of Völcker Informatik AG Member of the Supervisory Board of Reldata Inc.
Eckhard Spoerr	18.02.2005	Chairman of the Management Board of mobilcom AG Chairman of the Management Board of freenet.de AG Chairman of the Supervisory Board of financial advertising AG Chairman of the Supervisory Board of Strato AG Chairman of the Supervisory Board of Strato Medien AG Member of the Supervisory Board of aktiencheck.de AG



Conergy aims to engage in open and transparent corporate communications in order to strengthen shareholders' trust in the company. The goals of the German Corporate Governance Code require, in particular, responsible collaboration of the Management Board and the Supervisory Board. The principles enshrined in the Code enhance the trust placed in us by both national and international investors, our business partners, the general public – and, last but not least, our employees.

# Corporate Governance

For Conergy, good corporate governance did not just start with the publication of the Code in 2002. Sustained success, creation of value, and growth are contingent on responsible and good management. The fact that Conergy went public thus did not require any substantial changes within the company. Corporate governance as a whole is part of the company's in-house legal department and the Compliance Officer has been appointed from within that department. This department also maintains insider lists in which all relevant persons are included.

## **Declaration of Compliance as of 2 December 2005**

Both the Management Board and the Supervisory Board of a company listed on a German stock exchange are required by law (Section 161 German Stock Corporation Act – Aktiengesetz) to declare once a year whether they are in compliance with the German Corporate Governance Code as amended and, if this is not the case, which recommendations were not satisfied.

The Management Board and Supervisory Board issued this Declaration of Compliance pursuant to Section 161 German Stock Corporation Act on 2 December 2005. Based on this declaration, Conergy is in compliance with all recommendations of the German Corporate Governance Code as amended on 2 June 2005 and from 20 July 2005 to 2 December 2005 complied with all recommendations with one exception:

No age limit had been set for members of the Management Board. On 2 December 2005, the Supervisory Board resolved to include an age limit for members of the Management Board in the rules of procedure of the Supervisory Board. When appointing members of the Management Board, the Supervisory Board should now ensure that the term of office of a Management Board member expires at the end of the financial year which follows the year in which that Management Board member reaches the statutory pension age.

The current Declaration of Compliance is available on the website of Conergy AG ([www.conergy.de](http://www.conergy.de)) in the Investor Relations section. The company also intends to adhere to the Code in the future.

### **Dual management system**

As a joint stock company domiciled in Germany, Conergy is subject to German law, in particular, German securities law, as well as the company's Articles of Incorporation. As a German joint stock company, Conergy is also required to maintain the dual management and control structure embodied in the Management Board and the Supervisory Board.

### **Management Board**

The Management Board is responsible for running the company and managing its business. It is bound by laws, the provisions of the company's Articles of Association, the rules of internal procedure applicable to the Management Board and the Supervisory Board, as well as the resolutions of the General Shareholders' Meeting. The Management Board shall act in the company's interests and with the aim of boosting its enterprise value. The Supervisory Board appoints and recalls the members of the Management Board; it may appoint a chairman of the Management Board. The Supervisory Board also promulgates and amends the rules of internal procedure governing the Management Board. The distribution of the tasks and responsibilities of the individual members of the Management Board are described on page 15.

### **Supervisory Board**

Under the Articles of Association, the Supervisory Board has had six members since February 2005. The members' terms of office run until the conclusion of the General Shareholders' Meeting charged with approving the actions of the Supervisory Board members in the 2009 financial year. Pursuant to the internal rules of procedure governing the Supervisory Board, there shall be at least one Supervisory Board meeting per quarter. The Supervisory Board convened six times in the 2005 financial year. The Supervisory Board established two committees.

### **Performance-oriented compensation of the Management Board and the Supervisory Board**

The compensation paid to the members of the Management Board consists of an annual fixed salary and a bonus established by the Supervisory Board at its discretion, provided particular targets stipulated with the Supervisory Board are achieved. In addition, the members of the Management Board receive allowances for health insurance and pension insurance. In the 2005 financial year, the members of the Management Board of Conergy AG received total compensation of TEUR 1,889.

A detailed presentation of individual salaries is provided in the table under Note 45 of the consolidated financial statement (page 108).

There is currently no stock option plan in place for members of the Management Board.

In addition to reimbursement of cash expenses, the members of the Supervisory Board are paid annual compensation as determined by the General Shareholders' Meeting. Since the beginning of financial year 2005, the members of the Supervisory Board have been paid a fixed salary and a performance-oriented bonus. The fixed compensation is EUR 15,000 per annum and EUR 16,500 per annum as of the 2007 financial year. The variable compensation is EUR 500 per one-million euro increment of annual net income but no more than EUR 10,000 per year and no more than EUR 11,000 per year starting in the 2007 financial year. The Chairman of the Supervisory Board is paid two-and-a-half times and the Deputy Chairman one-and-a-half times the amounts paid to a regular member of the Supervisory Board. If committees are established, each committee member is paid compensation of EUR 500 for each day on the which the respective committee meets.

In the 2005 financial year, the members of the Supervisory Board of Conergy AG received total compensation of TEUR 232.

#### **Constructive collaboration of the Management Board and the Supervisory Board**

The Management Board regularly reports to the Supervisory Board in a timely and comprehensive manner on all issues relevant to planning, performance, and risk and risk management, as well as on strategic measures. The Management Board must also report any deviations in the company's development from plans and targets, stating the reasons for such differences.

#### **D&O insurance**

A D&O insurance policy has been purchased for the members of Conergy's Management Board and Supervisory Board and an appropriate deductible has been stipulated with these directors as of the 2005 financial year. The members of the Management and Supervisory Boards, as well as the managing directors, of Conergy's European subsidiaries are also covered by this insurance policy.

#### **Improvement of transparency**

Providing timely, continual, and comprehensive information equally to all target groups and ensuring that our relationship to our shareholders is characterised by transparency are central objectives of our corporate communications policies. Key information about Conergy and related developments have been posted on our website not just since we went public. Besides financial data, the financial calendar, which includes all of the company's dates, as well as press releases and ad-hoc releases, current developments concerning corporate governance issues, and all securities transactions that must be filed under Section 15a Securities Trading Act are published on the website. Information on the tasks and responsibilities of the members of the Management Board and the Supervisory Board as well as the Articles of Association of Conergy AG are also available on the Internet.

#### **Accounting**

Conergy's consolidated financial statements and the quarterly reports are prepared pursuant to the International Financial Reporting Standards (IFRS).



### **The Conergy share: Sustained increase in value in the first year after going public**

The shares of Conergy AG have been listed for trading on the Official Market of the Frankfurt/Main Stock Exchange since 17 March 2005. Due to the oversubscription by 29 times at an upper-range issue price of EUR 54, unfortunately we were unable to honour all subscription requests. This overwhelming demand and the development of the share price show us that our unique business model has convinced the capital market as well. We shall use the additional capital base to further expand our position in the most lucrative markets worldwide for solar energy systems. Given that Conergy has no net debt, we plan to use the IPO proceeds of about EUR 100 million for the consistent implementation of our strategic goals in the coming months. Until that time, the proceeds have been invested in secure, interest-bearing flexible instruments. After the IPO, the share levelled off at over EUR 80 at the end of December 2005. The media's response shows us that we can be very satisfied with this development. Private and institutional investors' interest in the solar industry has skyrocketed not least due to the fact that the IPO of Conergy AG such a success. Many other solar companies have used this encouraging environment to enter the capital markets – a truly positive development both for the German solar industry as a whole and for Conergy. In turn, this increases the number of potential suppliers of individual components which Conergy, the market and technology leader worldwide in the field of solar energy systems, needs to fuel and sustain its above-market growth.

# The share

### **Conergy share gains fast entry listing in the TecDAX and GEX on 20 June 2005**

Just three months after the successful IPO, Conergy AG's share was included in the TecDAX. The TecDAX is the leading index of the 30 largest German technology issues. According to Deutsche Börse, Conergy is among the 25 largest technology issues in the Prime Standard based on market capitalisation and trading volume (12th place in market cap and 11th place in weighting in the TecDAX as of 30 June 2005). Our share is also listed in the GEX (German Entrepreneurial Index). This index, which was just introduced at the beginning of 2005, contains 120 of the companies listed in the Prime Standard that continue to be managed by their founders. Inclusion in these indices calls additional attention to our shares, making them more attractive for investors.

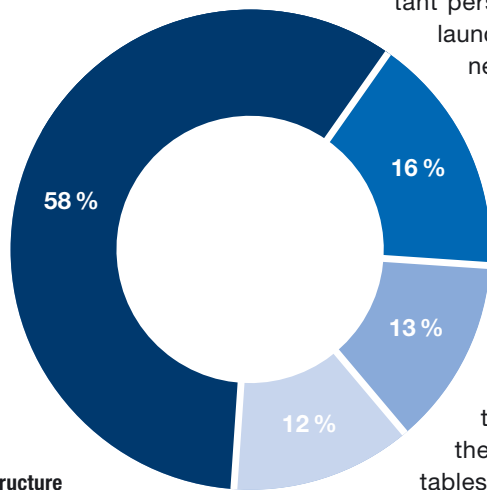
<b>Key figures for the Conergy share</b>	<b>2005</b>
Share capital in EUR	10,000,000
Number of shares (as of 31.12.)	10,000,000
Market capitalisation (as of 31.12.) in EUR	809,000,000
Closing price in EUR	80.90
High in EUR	101.00
Low in EUR	66.05
Average traded volume (204 days)	65,577.65

**Conergy is among the four strongest growing technology companies in Germany**

Our Investor Relations team is handling a growing number of private and institutional investors and analysts who visit Conergy at its corporate headquarters in Hamburg or meet with us at numerous and increasingly international conferences. Conergy's regular presence on the most important international capital markets ensures that investors' long-term interest in one of Germany's most successful growth stocks continues to grow. The fact that the Deloitte Technology Fast 50 Ranking honoured Conergy AG in the autumn of 2005 as one of the fastest growing technology companies in Germany is the best evidence yet of this development. Conergy took fourth place thanks to cumulative revenue growth of 2,700 percent in the past five years. And Conergy was able to exceed its own ambitious growth targets in the year it went public as well. Both the development of the share price and the positive response from the media show that Conergy's growth was able to meet the capital market's high expectations. We are working enthusiastically and passionately to meet these expectations in future as well.

**News flow at Conergy: So that you are always informed about current developments**

In 2005 alone, six ad-hoc announcements and more than 50 press releases – whether related to the establishment of international branch offices, acquisitions, and important personal particulars, or to unique reference projects and the launch of innovative technologies – ensured a continual flow of news about Conergy and its subsidiaries on an almost weekly basis. And Conergy's Investor Relations team will continue to inform you regularly and in a timely manner to ensure that this remains the case. Those who subscribe to the newsletter available at [www.conergy.de](http://www.conergy.de) are kept abreast of current corporate developments.



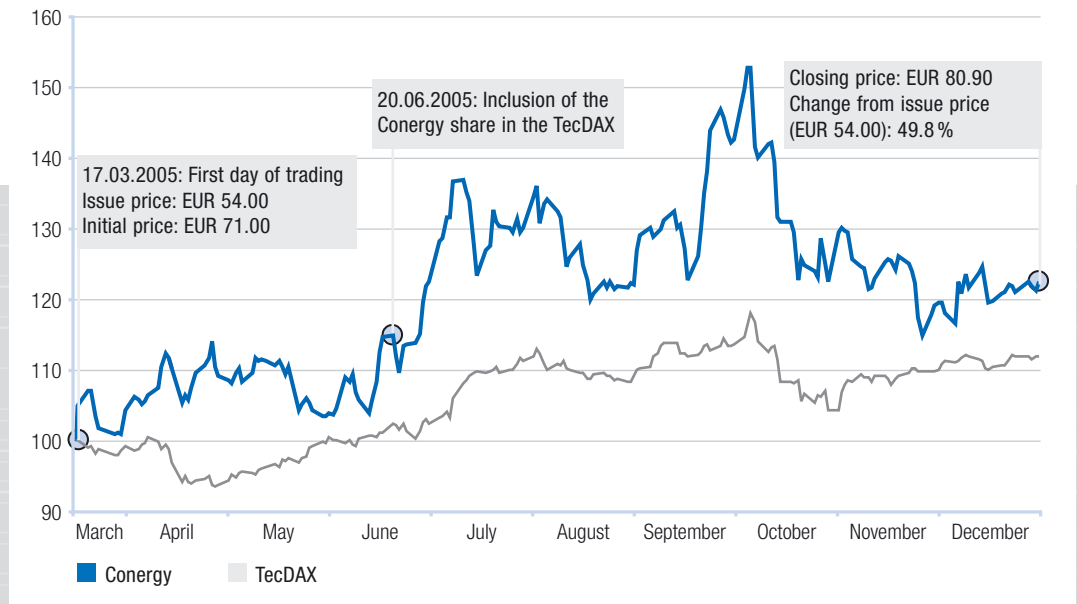
**Shareholder structure as of 31 December 2005<sup>1</sup>**

- Free float
- Hans-Martin Rüter
- Dieter Ammer
- Grazia Equity GmbH

<sup>1</sup> rounded

Naturally, we are very pleased with the feedback that we receive from our shareholders and the steadily growing interest in our company among private and institutional investors alike. Yet this also provides us with an incentive to continually improve our investor services. In addition to the newsletter, you may also download a broad range of share tables, share tracking tools, a deposit account manager, as well as of course our quarterly and annual reports. Our Investor Relations team will be happy to answer any questions you may have over the phone.

**Entwicklung der Conergy Aktie im Geschäftsjahr 2005 (indiziert)**



# Our world is full of energy


















# Our world is full of energy

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# Photovoltaics

## Using solar energy directly – instead of waiting for millions of years

Supplies of the solar energy stored in fossil fuels such as coal, crude oil and natural gas for millions of years are limited and far too precious to burn them up in large power plants to generate electricity. Besides, this conventional method of generating electricity is harmful to both the environment and the climate. All the more reason to tap directly into the earth's most powerful source of energy: The sun itself!

## Making money with roofs

Modern photovoltaics systems offer homeowners the opportunity not only to use the sun's energy to generate environmentally sound electricity but also to earn good money doing so. In Germany, systems operators are paid up to

51.8 euro cents over 20 years for every kilowatt hour of solar energy that they feed into the public grid. Thanks to innovative technology, solar power systems can now be tailored to the requirements of every roof

structure – whether the project involves new construction, modernisation or renovation. A mere 40 square metres are sufficient for meeting an average home's annual energy needs, even in northern Germany, and at the same time for protecting the environment from roughly 72 tonnes of carbon monoxide over the next 20 years.

## From the sun to your power outlet: Solar energy

Photovoltaics modules that generate direct current from sunlight are at the heart of these systems. Generating electricity from this source requires a flow from the positive to the negative pole, just as in a battery. This explains why each photovoltaics cell consists of two layers, one that has a positive charge and another with a negative charge. A ray of light that hits the cell creates a potential difference between the two layers which can be picked off the two poles. By themselves, individual cells produce very little electricity, however. This is why many photovoltaics cells are connected together in modules that serve to generate enough voltage and current for powering entire apartment buildings. But electricity generated from sunlight must be "processed" before it can be used as a source of electricity in a home. The photovoltaics cells deliver direct current, which is converted into alternating current via so-called inverters and fed to electrical outlets via the public grid.



### Photovoltaics: An forward-looking investment

Thanks to the promotion of renewables intended by the Kyoto Protocol, a growing number of countries have decided to launch statutory programmes aimed at promoting regenerative energies, using the German Renewable Energies Act as a blueprint. This has turned solar energy into a high-potential alternative to other investment opportunities. The enthusiasm of institutional investors and private customers alike for investing in the promise of solar technology has been growing not just in Germany, but in other renewables markets as well.

### In demand internationally and profitable at that:

#### Conergy's solar technology

Take one of the largest photovoltaics projects in Alicante, a region in eastern Spain. The partner company of Conergy SunTechnics Enersol Nuevas Energías S.L. installed more than 552 solar modules on the 2,000 square metre roof of VIATEX S.A., a textile manufacturer. Equipped with SunTechnics' high-performance STW 80 central inverters, this solar power plant now produces more than 140,000 kilowatt hours of environmentally sound electricity per year. This corresponds roughly to the electricity five families consume annually on average. But it is not just the environment that profits from this plant due to the reduction in CO<sub>2</sub> emissions by approximately 115 tonnes a year. Thanks to government subsidies, the investment in this high-tech system also generates a return of EUR 60,000 for the roof's owner.



Solar thermal systems can be employed in a broad range of applications. Besides heating potable water and providing backup heating and process heat, they are particularly suitable for climate control in buildings.

The need for cooling is becoming a major issue worldwide not just due to global warming. Rising demand for a comfortable life style also contributes to the steady growth in demand for air conditioning systems. In fact, in the EU alone annual demand for air conditioning has grown more than fivefold in the past 20 years. Approximately 135 million electrically-powered air conditioning systems are sold each year worldwide, generating sales of USD 50 billion in 2003 alone. A good ten percent of that revenue is generated in Europe.

#### **Solid arguments for a solid solution**

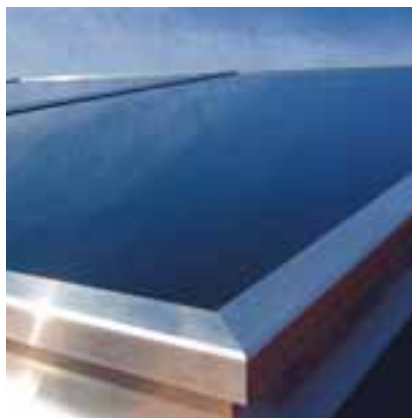
Besides solar thermal systems, Conergy also develops innovative solar cooling systems that turn sunlight and heat directly into cold water, which is then fed into air conditioning systems, instead of going the more cumbersome and less efficient route via solar electricity.

# Solar heating and cooling

Conergy's unique product has met with enormous interest on the part of building planners, home owners and governments alike, all of which are searching for alternative avenues to avoid energy bottlenecks and mandatory power shutdowns. As the need for cooling largely rises and falls with the availability of

sunlight, solar cooling helps to both reduce peaks in demand and stabilise the public grid. It also fosters independence from conventional energy providers and helps to reduce CO<sub>2</sub> emission in the long term. Finally, utilising efficient solar thermal systems also yields a return. The cost of electricity for

climate control of an entire building thus can be lowered by at least 40 to 70 percent. The higher initial investment compared to conventional climate-control systems clearly is economical as it reduces operating costs significantly. Furthermore, the solar energy that is generated this way can be used year round to obtain hot water and on cold days to provide backup heating.





### Open or closed systems: The cool way to achieve results!

We basically distinguish between closed systems for the provision of cold water (such as adsorption or absorption chillers) and open cooling and dehumidification procedures (such as sorption-based climate control) for direct air conditioning. The open systems generally combine sorptive air dehumidification with evaporative cooling, which is used in ventilation systems for treating the air. The humidified air, which is blown into the room directly – serves as the medium for conveying cold air to the DEC-based air conditioning system (DEC stands for “desiccant and evaporative cooling”).

Conergy is driving the development of these innovative methods for generating electricity – in both theory and practice. The company has executed a cutting-edge project related to sorption-based climate control in the Bavarian city of Ingolstadt which is supported by the Bavarian Ministry for the Environment. More than 50 Conergy F 6000 collectors – which are particularly suitable for solar air conditioning applications thanks to non-reflective clear-glass plate with special anti-reflective coating – were installed on the roof of IFG Ingolstadt’s new cargo service centre (GVZ) in Ingolstadt. A central air conditioning system with a desiccant rotor (DEC unit) serves to provide solar-powered air conditioning with a cooling performance of 48 kilowatts. In addition, the hot water for the 70-bed hotel in the same building is generated year round using the solar thermal system.



## Wind power

### **Conergy's hybrid systems combine the power of the wind and the sun for the autonomous generation of electricity far from the public grid**

Ambitious electrification programmes in emerging countries such as India or Thailand offer enormous growth potential for grid-independent hybrid systems used to generate electricity in rural areas. This is often much more cost-effective than expanding the public grid into remote regions. To this end, Conergy has acquired Inventus GmbH with the aim of expanding its renewables product lines by small wind power systems.

Thanks to their lightweight construction and a tower that is only 13 or 19 metres high, Conergy's small wind power units can be easily installed on roofs with the help of a winch. They are equipped with robust eight-kilowatt generators that provide particularly high performance and generate power

efficiently even when wind velocities are low. In China, for instance, these units have been providing electricity reliably to entire villages since 1991 – even under extreme environmental conditions such as sandstorms and temperatures that dip to minus

40 degrees centigrade. The small wind power units, which are certified by both Germanischer Lloyd and Deutsche Typenprüfung, generate three-phase alternating current to power high-performance equipment directly from the generator. These units ensure a continuous supply of electricity when combined with Conergy's solar systems and battery storage. Unused excess energy can be converted into usable heat. Standalone small wind power units represent an economical alternative to generating electricity from diesel generators, especially in agriculture, and they are easy to use.

### **Small wind power units: Autonomous generators of electricity**

In addition to solar high-tech components, Conergy also produces small wind power units. Units capable of an output of up to ten kilowatts re-emerged from the leeward side of large windmills so to speak once hybrid

wind/solar systems had been developed. They can be put to manifold uses and also save resources: as battery chargers or local off-grid generators or for feeding electricity into the grid.



The market for small wind power units: The total installed global output of currently 70 megawatts is expected to increase fivefold to at least 350 megawatts by 2010. Just the Chinese government alone plans to provide electricity to more than 10,000 villages in a decentralised and autonomous fashion through regenerative energy systems by that date. Moreover, the combination of solar and wind technology enhances our competitive edge in lucrative energy markets far from the public grid.

#### **Major wind power plants are attractive ecological capital investments**

Besides bioenergy and major photovoltaics projects, Conergy's subsidiary, voltwerk, also designs, executes, finances and operates wind power projects in the megawatt class on an international scale. These wind power projects are placed primarily with institutional investors or financed through closed funds.

In 2005, voltwerk succeeded in implementing and selling one of its largest wind projects to date. The Soltau Wind Park (with a total output of 23.6 megawatts) and the Würzburg Wind Park (with a total output of 56 megawatts) were sold to a major international investor. Both projects are an integral part of the "Breeze II Portfolio", which comprises the wind parks of five different project companies, 221 wind power units with a total output of 410 megawatts and a total investment volume of EUR 520 million. The Soltau project was fully connected to the grid in 2005, and the units in Würzburg will be brought online in the middle of 2006. The total contract volume exceeds EUR 90 million.



# Bioenergy

## Clean electricity from biogas

Bioenergy is one of the oldest forms of energy available to us. It offers enormous growth potential worldwide and it is also very versatile. Bioenergy is suitable for generating heat and electricity but it can also be used as fuel, irrespective of whether it is obtained from plant or animal residue or from plants grown specifically for that purpose.

Today, more than 1,300 agricultural customers in Germany alone already rely on SunTechnics' solar power systems. In July 2005, the company also started to offer customised turnkey biogas units. The successful acquisition of MAT-tec Engineering GmbH – a profitable and renowned company – has turned SunTechnics into one of the leading providers in the field of bioenergy as well.

In its capacity as a systems integrator, SunTechnics has specialised on planning and developing turnkey systems solutions for utilising bioenergy since 1999. The company's product range, the comprehensive engineering know-how of its engineers, as well as the regional sales networks for agricultural customers that its sales teams have established, offer ideal synergy effects for executing renewable energy projects tailored to customers' specific needs.

### Biogas – generating energy without harming the climate and the environment

Bio plants are used to create biogas from liquid manure and wet organic raw materials and residue through fermentation which, in turn, is used to generate electrical and thermal energy. As almost any type of biomass can be used to operate biogas installations, this means that besides agricultural products, technically, biowaste could also be used. In order to generate biogas for the generation of electricity, the biomass is placed in closed airtight fermenters. Anaerobic fermentation and putrefaction processes – i. e. processes from which oxygen is excluded – turn the biomass into biogas rich in energy.





In a process that is similar to the production of electricity using natural gas, electrical and thermal energy is generated from biogas through controlled incineration in co-generation plants. However, in contrast to the incineration of fossil fuels, this method of generating electricity is almost CO<sub>2</sub> neutral. Energetic utilisation of biomass releases precisely that amount of carbon dioxide that photosynthesis previously bound during the plants' growth. This makes biomass a climate-friendly fuel that does not generate additional greenhouse gases. The fermented raw materials can also be used as high-quality manure, which is much less aggressive chemically than liquid manure, has a higher fertiliser value and also has significantly less odour.

### **Bioenergy – a market with huge potential**

In Germany, bioenergy currently accounts for approximately two percent of the primary energy generated. According to estimates of the Bundesverband BioEnergy (BBE – German bioenergy industry association), as a result of the long-term development of existing potentials soon more than 17 percent of the current need for heat and electricity will be covered from biomass. The bioenergy industry already generates sales of more than EUR 3.8 billion and makes investments of approximately EUR 1.8 billion. It presently provides jobs for roughly 50,000 people. Given long term, continuing increases in fossil fuel prices, the upward market trend for bioenergy will continue unabated.

Compensation for feeding electricity produced from biomass into the public grid is subject to the German Renewables Energy Act. By law, plant operators that connect their biogas installation to the public grid are guaranteed compensation for 20 years for their contribution of environmentally friendly electricity. Biomass thus also represents a promising source of renewable energy that already offers farmers, in particular, new long-term opportunities for generating income.



**Conergy always puts its customers first. This is also the cornerstone of our four clearly delineated brand worlds. They focus entirely on the specific needs of their respective target group and permit us to cover all primary stages of the renewables value chain:**



**DMS & CS**

As an original equipment manufacturer, Conergy is oriented toward indirect sales and distribution via wholesalers. As a distribution partner, our aim is to provide optimal support to ensure successful sales of our premium products and thus to generate brand loyalty.



**Wholesale**

AET, the leading pan-European solar distributor, offers optimal just-in-time service for installers. The company's customers profit from its comprehensive range of services and technical support for planning, marketing, sales and distribution.



**Engineering**

SunTechnics, a company specialising in systems integration, banks on a brand world full of engineering expertise and innovative services that are tailored to meet its customers' needs – from private thermal systems all the way to major biogas or photovoltaics projects.



**Projects**

voltwerk's closed and customised funds for renewable energy projects are designed for private and institutional investors alike. The company finances, develops and executes solar and wind parks, bioenergy installations, as well as solar thermal power plants.

Innovation continually enhances the efficiency of regenerative energy systems. At the same time, future demand for energy will be subject to large regional variations. We thus perform ongoing reviews of new renewables technologies to ascertain whether they are marketable, whether they complement our existing broad product range in a meaningful way and whether they fit into our sales and distribution channels. Given the extreme diversity of regional and local energy needs, we already take extreme care all over the world to identify the optimal renewables solution for each scenario and then adapt our offers accordingly.

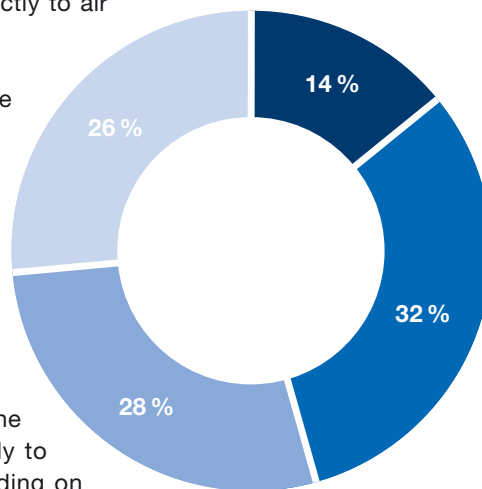
Photovoltaics are suitable for decentralised generation of electricity from solar energy especially in regions with varying intensities of sunshine. Biomass for its part is especially suitable for farmers because it also offers new long-term opportunities for generating income. The experience Sun-Technics has gained from executing thousands of solar and bioenergy projects allows the company to offer its core target group secure ways of entering the market and attractive returns on their investments.

Major solar thermal installations already provide lucrative investment opportunities in regions where levels of sunshine are high. This is because the cost of conventionally-generated electricity – especially at midday during hot peak periods – is particularly high while the cost of generating solar electricity is comparatively low. This is also a good argument for solar climate-control systems that provide cold water directly to air conditioning units when the need is greatest.

In areas far from the public grid, it often is far more cost-effective for governments and energy providers to invest in hybrid solar, wind and bioenergy systems instead of in expanding the grid. This has led Conergy to expand its production by small wind power units that are suitable for reliable autonomous provision of electricity in combination with the company's solar power systems and storage batteries.

These are just a few good examples of the way the Conergy Group responds consistently and flexibly to the demand for energy that varies greatly depending on both the region and the target group.

# Conergy brand worlds



Sales by segment

■ DMS & CS ■ Wholesale ■ Engineering ■ Projects

## DMS & CS

### Products for wholesalers

#### High revenues, consistent quality and long useful lives:

##### Conergy modules – performance that profits all

Conergy orders its modules from leading manufacturers worldwide according to the most exacting specifications. Product development in this area benefits from decades of experience among Conergy's engineers in the construction of solar power systems. And vendors know that they have the world's strongest distribution partner on their side. Thanks to these long-standing strategic partnerships, Conergy can act flexibly in international markets – like no other provider of solar technology. This is a key prerequisite for the successful implementation of our 50/50/08 strategy. All of Conergy's modules are subject to optical, mechanical, and electrical inspections during production already. The

next is to determine performance pursuant to the "standard test conditions" that are binding on all manufacturers worldwide. This internationally recognised testing certificate for crystalline modules guarantees quality even during long-term operations under extreme environmental conditions. This certification according to protection class II identifies the modules as safe electrical equipment. Of course, long-term product and performance warranties are an important measure of quality too.



#### Power, efficiency and design:

##### Conergy's inverters shine on all sides

Inverters are at the heart of any photovoltaics system. They convert the direct current produced by solar generators into alternating current that meets grid requirements. In the spring of 2005, Conergy started to market its own product developments via its worldwide sales and distribution channels. These products set new standards for efficiency and operational safety – specifically, for both applications linked to the grid (on-grid) and autonomous standalone systems (off-grid).



### **Central inverters from Conergy – tried and tested cutting-edge technology for major solar installations**

Conergy's IPG series central inverters are particularly suitable for flexible system dimensioning in connection with major solar projects. The IPG series inverters achieve above-average efficiency and are available with power ratings of 40, 60, 80, 100 and 280 kilowatts. Each solar power system can be monitored from any PC using IPG online for Windows, which displays the installation online. It is these additional, customer-oriented features that greatly distinguish Conergy from its competitors. And systems operators benefit from an edge on both performance and services that yield stable and extremely high revenue streams.

### **Standalone inverters & Solar Home Systems: Clean energy for every corner of the world**

Conergy is increasingly developing solutions that aim to provide efficient answers to strong growth in demand for energy in regions far from the public grid. The Conergy Solar Home Systems best embody this approach. Conergy ISA series inverters (standalone inverters) are at the heart of this system and are a central component for independent generation of electricity in regions where the public grid is unavailable or unreliable at best. These inverters are used on boats and in telephone relay stations, for instance, and they provide electricity for agricultural operations, medical facilities and entire villages, to name just a few.

### **Conergy's PV products enhance customer loyalty**

We offer user-friendly, practical hardware and software to give our customers the decisive competitive edge in the market. The specific advantages of these products also boost customers' confidence when investing in a photovoltaics system from Conergy, as the following two examples illustrate. For installers, the Conergy Planner cuts down on expensive and time-consuming calculations needed for optimally designing a photovoltaics system – from the projected energy output all the way to printing out complete parts lists for easy ordering from Conergy.

SunReader, the intelligent monitoring system, provides continual online monitoring of solar output and automatic notification of performance deviations.



### **Conergy mounting systems secure the investment on your roof**

Whether pitched roof, integrated, flat roof, or ground mounting – mounting systems for photovoltaic installations are one of Conergy's core competence areas. Many years of experience in the development and production of state-of-the-art mounting technology make us a particularly competent partner for the trade and technicians alike. Individual roofs, wind, and inclement weather place high static requirements on these products – and our mounting systems meet the most stringent requirements in terms of technology, appearance, and quality: from pre-fabricated and partially pre-mounted frames to customised solutions for end customers.

**Conergy's SunTop III** product was developed as a universal system for on-roof mounting on pitched roofs. Framed photovoltaics modules can be easily installed on pitched roofs of new and old buildings alike, regardless of the roof cladding, using Conergy's patented aluminium base rails, as well as its quickstone and telescoping connector technology. This also delivers cost and time savings because the SunTop III is largely pre-assembled. The new quickstone technology helps to bring about dramatic reductions in the time required for assembly and simplifies handling for installers. All they need for a complete assembly on the roof is a hexagon key.

### **Solar thermal systems from Conergy – one-stop quality and innovation**

Integrating its comprehensive solar thermal product range enabled Conergy in the past year to use synergies in distribution and customer service for successfully expanding this complementary product portfolio. Whether a project involves new construction, modernisation, renovation, or an expansion of a building: Conergy offers not just solar electricity but also suitable solar heating system solutions for every need. Conergy's F series thus consists of various high-performance flat collectors in order to satisfy individual needs and requirements. But all other components for systems used for heating drinking water, heating support, and solar cooling are available from

Conergy too. This is because in addition to solar heating, the demand for cooling also increases especially in sunny regions.



**Conergy is expanding solar production just outside of Berlin**

The bundling of production further optimises the fit and performance of the solar and renewables system components Conergy has developed. Thanks to its proximity to Berlin, the Rangsdorf plant offers excellent logistical advantages – and we have not even fully exploited the potential of this area yet. We inaugurated a large storage facility on the property as late as in May 2005. Rangsdorf is thus gradually becoming Conergy’s pivotal production site for state-of-the-art renewables system technology “Made in Germany”.

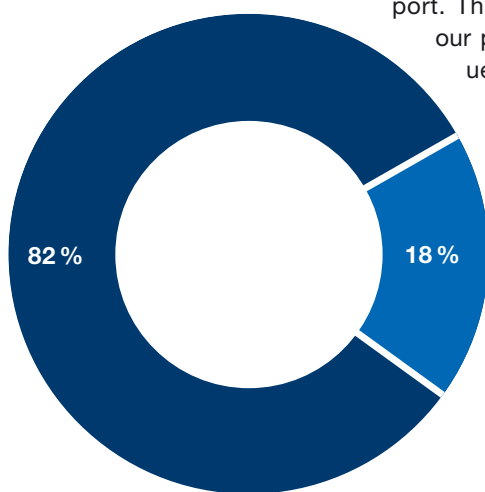


**Brand energy for our wholesale customers**

Conergy is a reliable partner of the trade and consistently pursues a three-tiered distribution system in Germany. Conergy’s products and systems are sold exclusively via wholesalers in Germany: Photovoltaic products are available from electrical wholesalers while solar heating products are available from sanitary and heating wholesalers. Conergy continually expands its sales and distribution network with the aim of both increasing our proximity to wholesale customers and servicing key accounts in ever more targeted ways. Our employees’ knowledge of the specific needs of this target group is deep. They continually monitor developments in the solar market and create customised products developed with practical concerns in mind. In turn, these products meet with customers’ full approval and generate growing demand.



Furthermore, by offering in-house training and professional seminars Conergy also offers a broad range of “human” support services. Ongoing advertising and marketing initiatives provide additional support. This multifaceted approach shows our partners that Conergy will continue to grow and develop and that our customers’ interests are always at the fore of our concerns.



**DMS & CS customer structure**

■ Electrical wholesalers ■ Sanitary and HVAC wholesalers

**Partner for installers**

AET Alternative-Energie-Technik GmbH, founded in 1991, is the leading European trading company for solar technology components. The company is a partner for professionals in the field of solar energy and markets its products especially to installers. Particularly companies that offer electrical, sanitary, HVAC and solar technology appreciate our comprehensive range of products and services. Customers across the entire European continent rely on our logistics and just-in-time deliveries, our detailed and comprehensive insight into the market and the close collaboration we offer in terms of both planning and consulting.

**AET: International market leader for solar wholesalers**

The company is headquartered in Sulzbach near Saarbrücken, Germany, but it also maintains both branches and logistic centres throughout Europe in close proximity to its customers in the continent's most lucrative solar markets. Besides Germany, France, Spain, Greece and Switzerland, it now has also established a presence in Italy. AET, which has belonged to the Conergy Group since 1999, continues to expand internationally into promising

# Wholesale

## From professionals for professionals

solar markets. The company's stated aim is to develop profitable growth markets early and before its competitors catch up. This enables AET to establish a strategically advantageous starting position that permits it to benefit from the growth potential of the international solar market in the long term. AET uses its expert touch in predicting future trends and its comprehensive market knowledge to tap into new markets. This has enabled the company not just to respond in a timely and flexible manner to changing customer needs but also to participate repeatedly and actively in shaping both markets and products.



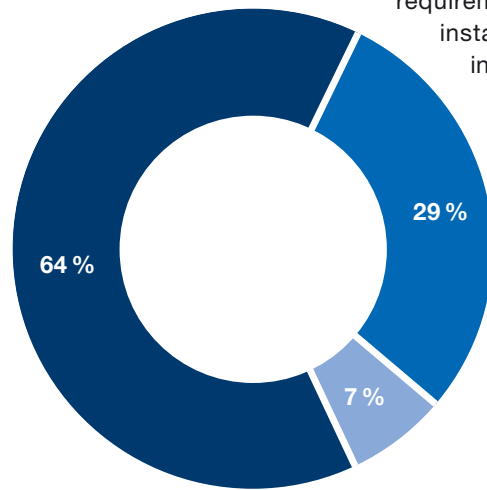


### **Generating solar energy: products from a single source for every application**

As an international distributor, AET markets high-quality products from leading manufacturers for a wide range of applications related to the generation of power from solar energy such as high-performance photovoltaic components and matching accessories for feeding environmentally friendly electricity into the public grid. In addition to modules, AET also offers specific inverters, charge controllers, batteries and corresponding accessories for off-grid systems that ensure autonomous generation of electricity far from public utilities. Top-of-the-line components for solar provision of heat – from high-quality flat collectors, to controllers with various power ratings, all the way to the matching mounting technology – round out this product portfolio. Our range of carefully coordinated components also includes pumps, storage devices, heat transfer fluid and other accessories.



As a competent partner to installers, AET not only offers high-quality premium hardware and a staff that possess a high level of technology know-how. The company also employs meaningful services and professional support in connection with logistics, services and marketing to create what is probably its most valuable product: customer satisfaction. As the requirements for an optimally planned solar power installation can differ greatly from roof to roof, installers benefit from the lead in experience and expertise that AET's engineers have gained across Europe and from the optimum support they provide during the execution of high-performance individual solar power systems.



**Wholesale customer structure**

- Electrical installers
- Sanitary and HVAC installers
- Professional solar power system installers



**Internationally, AET's subsidiaries ensure proximity to the customer:**

- | AET ALBASOLAR – which is headquartered in Madrid, Spain, and has branches in Barcelona, Spain, and Miami, Florida, USA – is the company's main subsidiary on the Iberian peninsula. In addition to the Spanish market, AET and its staff serve installers in Portugal, North Africa and Latin America from these sales and distribution sites.
- | AET FRANCE, domiciled in Brignoles, France, offers close customer support in France, Belgium and Luxembourg. Through its branch in Martinique, AET's French subsidiary also provides local assistance to its partners in the French-speaking Caribbean.
- | AET Swiss, headquartered in the vicinity of Zurich, is the subsidiary that deals with the particular needs of our customers in the Alpine region. It delivers primarily components and solutions for the autonomous generation of electricity to customers in Austria, Switzerland and southern Germany. However, demand for on-grid systems is also rising.
- | AET SOLION was founded in Athens, Greece, in 2004. The company markets solar power systems in Greece, Cyprus and Turkey. Off-grid systems have been a focal point in the eastern Mediterranean for a long time, and a law providing compensation for feeding this type of electricity into the public grid based on the German model is slated to be adopted shortly.
- | AET ITALIA is the youngest member of the AET family. The company was established in 2005 in Vicenza, giving AET a presence in Italy in close proximity to its customers there. Thanks to the new compensation law for solar energy (conto energia), the company's Italian subsidiary benefits from customers' rising demand for on-grid systems.



SunTechnics GmbH is the Conergy Group's end customer brand. Back in 1996, Hans-Martin Rüter founded SunTechnics in his living room in Hamburg, Germany. It was a one-man operation for photovoltaics systems and he initially planned, sold and installed the solar power units all by himself. In just ten years, his business idea evolved into a leading international group for renewables technology run by him, now known as Conergy.

SunTechnics has long been considered a premium brand thanks to its experience, which trumps all competitors, and a large number of cutting-edge reference projects and innovative services. The company executes complete turnkey systems for generating electricity and heat from the sun and bioenergy for customers around the world. Engineering know-how, innovative solutions, highest quality and comprehensive services permit SunTechnics to maintain its lead as a specialty provider ahead of the competition, mainly regional electrical installers that do not possess particular expertise in the field of renewable energies.

# Engineering

## Services for end customers

### Individual energy solutions from a single source

SunTechnics' product range is designed for anybody desiring to produce or utilise renewable sources of energy – a family that wants to use a thermal system on the roof of its home to generate hot water and heat in an environmentally friendly manner; a medium-size company that wants to contribute to the general provision of electricity by mounting a photovoltaics system on its roof; or operators that want to generate biogas or solar electricity in major power plants. SunTechnics offers every customer a technology solution from a single source that satisfies their specific needs.



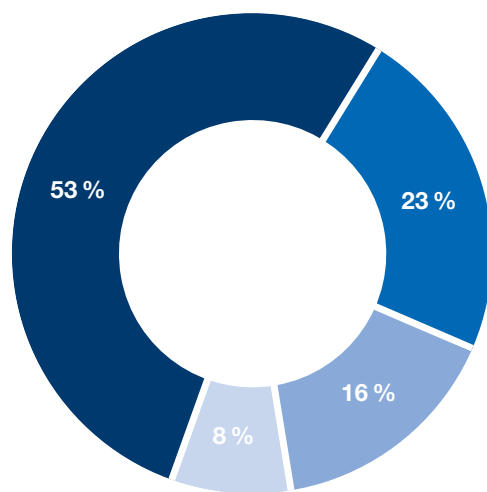


**Comprehensive customer service create a competitive edge**

SunTechnics offers its customers complete consulting and support services in relation to its energy system. A broad services and distribution network enables the company to provide comprehensive support locally – from initial consulting, to financing and technology, to planning and installation, all the way to ongoing support of installed systems. Whatever the technology used, systems operators worldwide profit from SunTechnics’ quality, services and proximity to the customer.

**Electricity and heat from renewables systems for every need**

SunTechnics bundles technical know-how and comprehensive services to plan, develop and install customised systems solutions for utilising renewable sources of energy. By entering the solar thermal market in 2004, SunTechnics expanded its activities from a pure provider of photovoltaics to a comprehensive supplier of solar installations. The company continued its diversification in 2005. The acquisition of MAT-tec Engineering GmbH, a renowned company, has allowed SunTechnics to secure the necessary know-how for maintaining its competitive edge through experience and expertise in the field of bioenergy as well. SunTechnics thus has come yet another step closer to its goal of offering anybody and everybody the best possible systems solution for generating renewable energy.



**Engineering customer structure**

- Farmers
- Private customers
- Commercial customers
- Fund project managers

**Regenerative engineering know-how is in demand worldwide**

In 2005, SunTechnics expanded its worldwide sales and distribution channels close to its customers by establishing subsidiaries in Australia, Portugal, the United States and India. Customers in the respective markets have the most diverse requirements and needs that must be satisfied with the help of intelligent system technology. In India, for instance, demand for autonomous solar power installations in connection with rural electrification is particularly high because many regions are not connected to the public grid. The company's success in markets with divergent needs and requirements is rooted in the bundling of its engineers' know-how. Ten years of experience in the construction of thousands of the most diverse installations flow into every individual system. Regular training sessions and the transfer of information safeguard the existing knowledge – and open the door to new innovative solutions. In turn, this enables SunTechnics to adapt its energy technology to any conditions to ensure an optimal fit and thus to be successful worldwide in countries where the most diverse technical or climatic conditions prevail.



**Be a part of it: What the customers of SunTechnics can rely on**

Irrespective of the country and technology: quality and comprehensive services are the focal points of SunTechnics' activities. In 2004, the German TÜV confirmed the demanding standards that SunTechnics places on its work. SunTechnics was the first company in the world to be awarded the German TÜV seal for the highest quality in consulting, installation and services related to all manner of solar energy units. SunTechnics Leasing- und Vermietungsgesellschaft was established in 2005 to further improve the company's range of services. Commercial customers can now obtain suitable financing for their investments in renewable sources of energy directly from the company's subsidiary; of course, the financing is custom tailored to each company's financial situation and the type of energy desired. This is necessary because photovoltaics, thermal or biogas units entail different economic incentives. A variety of subsidies are available to systems operators depending on the location and type of energy generated. SunTechnics thus offers not just the best possible systems technology but also matching financial packages along with personalised profitability analyses – all from a single source. Following its comprehensive guarantee for photovoltaics systems and the coveted TÜV seal, SunTechnics thus has achieved yet another milestone in the industry.



voltwerk AG designs, implements, finances and operates major international projects in the field of renewable energy for its customers. As one of the world's leading project development companies in photovoltaics, voltwerk has been increasingly applying its expertise to the development of major wind and bioenergy projects for the capital markets that are tailored to customers' needs.

Regenerative energy funds already offer attractive investment opportunities for both institutional and private investors who want to combine ecological investments with attractive yields. Statutory compensation for feeding electricity generated from renewables into the grid ensures a high level of forecasting security and thus the reliability of the projects' revenues.

#### **Renewable sources of energy**

Energy is the engine that drives our civilisation. However, which sources we use in order to generate energy are pivotal to securing our standard of living.

Crude oil, natural gas and coal are forms of energy that already will no longer be available in unlimited quantities to our children, i. e. in the foreseeable future. Hence the issue of future forms of energy will be answered increasingly in favour of an intelligent energy mix based

on renewable sources of energy. The goal of the European Union is to lift the share of regenerative energies in the member states to 22 percent by 2010. By offering economically viable operator models and ecologi-

cally responsible concepts related to site development, voltwerk AG makes a decisive contribution to generating alternative energies. Not just future generations will benefit from these efforts – investors will too.

# Projects

## Renewables projects

#### **Becoming the world's biggest issuer for renewables projects**

At the time voltwerk AG was founded in 1998, the company was one of the pioneers in the solar fund industry. By now, this Hamburg-based company is considered one of the leading providers in this growth segment. Among the world's top ten largest photovoltaics systems, voltwerk is represented three times with the solar parks in Hemau (Bavaria), as well as in Göttelborn and Homburg (both in the Saarland). Last year, the collaboration between voltwerk and Michelin, the radial manufacturer, garnered a lot of attention. PV systems with a total output of nine megawatts were installed on the roofs of four of Michelin's German production and storage facilities with a total surface of 200,000 square meters – the largest solar on-roof project in the world. In 2005, voltwerk AG launched solar funds with a total investment volume of more than EUR 80 million.



Moreover, in the 2005 financial year voltwerk AG was also active in the field of bioenergy and wind power. At year's end, voltwerk AG had executed two biogas units in Gollensdorf and Schwanebeck (both in Germany's Saxony-Anhalt province). The investment volume for both units was about EUR 6 million.

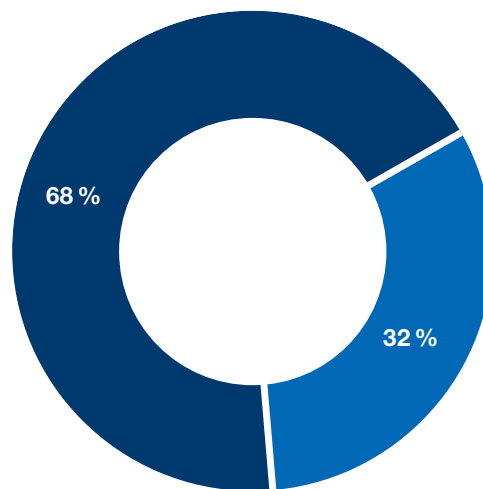
In the wind division, voltwerk AG transferred its largest wind project to date (which is located in Soltau near Bremen) to an institutional investor. The park has a total output of some 24 megawatts that are generated by a total of 16 wind power units. The contract with this major international investor comprises a total investment volume about EUR 95 million. voltwerk's other wind power projects will be completed by the middle of 2006.



Overall, the company has executed solar projects with a total output of almost 40 megawatts and an investment volume of more than EUR 185 million since its founding. This has catapulted voltwerk to first place in all of Europe in the financing of major solar energy projects. Together with nine additional wind parks and two biogas power plants, units with a total output of just under 125 megawatts and an investment volume of more than EUR 280 million are now connected to the grid.



This success is rooted, in particular, in comprehensive project management. voltwerk assumes the responsibility for the key pillars of each project, in order to guarantee smooth and secure execution: financing, investor support, site development as well as commercial and technical management on behalf of the investors.



**Projects customer structure**

■ Private fund investors ■ Institutional investors

### **Financing, fund design and management as well as investor support**

In 2005, issuers of closed-end funds faced a major challenge. The German government introduced provision 15b of the tax law on 11 November 2005, which eliminated loss allocations for closed-end funds. The introduction of this new requirement signified a major change for voltwerk AG. However, given its ongoing observation of both the market and the political arena, the company realised at the start of the year already that an amendment in the tax law was in the offing and thus decided early on to adapt its business model to the imminent changes. In future, voltwerk AG will expand its product range for institutional investors. For this target group, the capital investment products related to renewable sources of energy remain highly attractive investments. In 2005 alone, voltwerk AG achieved approximately 50 per cent of its total revenue through sales to institutional investors. voltwerk AG will continue to adapt its closed funds to prevailing tax laws, as in the past, and thus will be in a position to offer these investors funds at attractive terms in future too.



voltwerk's comprehensive security concept provides private and institutional investors with professional financing and fund concepts even under the new taxation regulations, both of which are necessary for generating attractive yields. Due to its leading position in the European solar fund industry, voltwerk AG and its project partners benefit from their long-standing collaboration with leading banks. This facilitates the acquisition of capital for possible advance financing and accelerates the execution of projects, thus enhancing their financial success. The company also offers consulting for individual investors and fund management services. Transparent disclosures regarding the profitability of the funds are key to long-term and trusting collaboration with investors.

By offering economically viable operator models and ecologically responsible concepts related to site development, voltwerk AG makes a decisive contribution to generating clean electricity.

### **Integrated and professional approach is the key to success**

From site development through technical monitoring of the solar and wind parks, voltwerk delivers everything from a single source. This includes, for example, obtaining construction permits, concluding lease and licence agreements, reviewing the possibilities for connecting to the grid, and executing the construction project. Integrated project management gives rise to valuable synergies and ensures rapid implementation of the construction projects.

### **Technical and commercial project management**

The professional nature of voltwerk's technical and commercial project management throughout a project is a key ingredient in guaranteeing the successful operation of solar and wind parks. A comprehensive remote monitoring system helps to recognise errors before they lead to downtimes. Due to its technical and commercial project management, voltwerk AG achieves maximum capacity utilisation and ensures reliable operation of the power plant for its customers throughout its useful life.

The tried and tested project management skills of voltwerk AG have made their mark on the domestic market, making the company a market leader in this segment. The company is also increasing the international focus of its project development activities in order to meet the growing demand for investments in sustainable energy projects.

### **voltwerk AG: A global player in the making**

Germany currently is the world champion in the use of wind energy and the global runner-up in the use of solar energy. In 2005, the gigawatt barrier was broken in connection with the installation of solar electricity systems in Germany. Other countries are just starting to intensify their investment in these future technologies. voltwerk AG has targeted its activities abroad to countries where it expects growth in this segment to be strongest in the years to come and established subsidiaries in France, Spain and Australia. The support provided by local partners will ensure the projects' smooth and rapid progress. The international pipeline is constantly growing. The company will thus be able to offer its investors attractive investment vehicles and customised project portfolios in future as well.

### **Visions for an economically and environmentally attractive future**

As before, the future aims of voltwerk AG will be to create attractive investment opportunities both in Germany and abroad, to successfully realise a large number of plants for generating clean electricity, and to use state-of-the-art technologies. Both the quality and the reliability of investments in an expanding market are first on the company's value scale.



# Research & development

INTERVIEW WITH THE MANAGEMENT BOARD MEMBER  
DR. EDMUND STASSEN

## Why does Conergy engage in research and development?

Ongoing product development enables us to expand our product portfolio with customised innovations that meet specific needs. This creates enthusiasm among new target groups and lays the foundation for additional competitive advantages and hence for additional profit and growth potential. Research and development also provide us with unique selling propositions (USPs) that secure our

decisive lead on the competition. For instance, in the past year alone the Electronics staff applied for seven new patents serving to improve or further develop existing systems and

components. In addition to providing greater efficiencies and better quality electricity in the field of inverters, they will also permit smaller component sizes.

components. In addition to providing greater efficiencies and better quality electricity in the field of inverters, they will also permit smaller component sizes.

## What distinguishes R & D at Conergy from that undertaken by other companies?

Conergy's R & D is intentionally geared toward practical concerns and thus is horizontally integrated. This means that our employees in the respective product divisions are also closely integrated into production and manufacturing. The R & D developers and technicians collaborate very closely with their engineering colleagues who utilise our products for our customers in the planning and execution of thousands of renewable energy systems worldwide. These direct contacts allow them to perceive needs and demand trends in the market early on. Developers and technicians also gain valuable practical insight and impetus for their development work from these experiences, be it in relation to existing products or new ones. These advantages arise from the fact that Conergy is a sales-driven company. Rapid and comprehensive flows of information allow us to react quickly to changing and regionally enormously diverse requirements.

## Who at Conergy is responsible for R & D?

At the close of 2005, a total of 52 Conergy employees were working in R & D. We expanded this area considerably last year. About 300 engineers overall work for Conergy at present. Both the added personnel and the additional know-how thus enhance our ability to improve and expand our product portfolio in targeted ways. Our R & D staff came from renowned institutions, such as, for instance, the Fraunhofer Institute for Solar Energy Systems, RWTH Aachen University of Technology and TU Darmstadt University of Technology.



**What are the areas in which Conergy is developing into the technology leader?**

To put it succinctly, we are aiming to become the technology leader in the most lucrative renewables system components of tomorrow. Our flair for identifying market developments and trends helps us to recognise early on the kinds of functionalities that will be in demand. This leads us to consistently gear our entire in-house production on profitability. We invest in product development only if it is clear that both the value chain and the expected margins offer promising growth potential.

**What current trends do you see and how do you react to them?**

In future, solar, wind and bioenergy systems will be combined into so-called hybrid systems particularly in regions far from the public grid. In the new field of small wind power units that Conergy has added to its portfolio, for example, patented mechanical blade positioning provides effective passive wind adjustment, ensuring not just greater efficiencies but also reliable operation even when the unit is subject to squalls and high winds.

**Conergy manufactures products that serve to generate environmentally friendly electricity. Do you pay attention to that maxim during production as well?**

We feel a particular obligation to do just that. The environmentally sound design of both our products and the packaging makes a major contribution to the positive implementation of environmental policies. Conergy also supports its customers in the careful handling of natural resources. We employ environmentally sound methods in the manufacture of our products and packaging and ensure their environmental compatibility in terms of production, utilisation and reusability. For instance, our products use lead-free electronic components, varnishes that do not contain solvents or environmentally neutral housing materials. Our packaging materials are designed such that they do not contain mixed materials and thus can be easily disposed of and recycled. This holistic and sustainable approach corresponds to Conergy's general outlook and guidelines. And it also provides enormous motivation for our staff to keep searching for new solutions in support of an environmentally compatible future.

### Securing additional growth momentum

Global demand for energy is growing at a dramatic pace. In addition to the western industrialised countries, China and India have long started to search for additional sources of energy worldwide. Energy consumption in China, for instance, has been growing every three years by the volume that Japan consumes each year. At the same time, the increasing number of regional promotional initiatives are creating new market potentials for renewable sources of energy. Conergy has been expanding its global activities against this backdrop with the aim of offering every energy consumer worldwide customised systems for the use of renewable energy.

### M & A at Conergy: Professional support for start-ups and takeovers

In order to execute its internationalisation strategy consistently and successfully, Conergy has created both a management team that has an international orientation and an experienced M & A team. The latter is responsible

# Mergers & Acquisitions

for consistent execution of the Group's strategic expansionary offensive. Conergy is pleased to have recruited Mr. Andreas Denkmann, an internationally experienced M & A executive, who worked previously for six years as the director of Europe's leading private equity fund where he was responsible for acquisitions. Under his management, six renewable energy

companies were acquired and successfully integrated into Conergy's operating units in the past year alone. We also established nine additional independent sales and distribution centres in countries with promising growth potential. Both the companies acquired and the start-ups will already make substantial contributions to the expansion of Conergy's international renewables business in 2006.



### **Professional know-how helps to overcome international barriers**

Our M&A team analyses the demand for renewables that differs greatly from location to location in collaboration with experienced regional heads on site. They also review local players with the aim of being able to evaluate the growth and profit potential of promising takeover targets, recruit experienced professionals for start-ups or forge strategic sales and distribution partnerships. In addition to differing legal environments, differences in accounting rules and market mechanisms but also in language and culture harbour challenges that should not be underestimated. We always work with professional local partners – such as attorneys, auditors and consultants – who know the conditions and laws in the respective region. And the management we employ each time we acquire a company possesses relevant regional experience too. The key to the success of promising acquisitions resides in the creation of deals that are structured as intelligent partnerships and take different market environments into account, integrating local professionals and a region-based operational management.



### **New companies are fully integrated into Conergy within three months**

Integrating new companies is successful in the long term only if the company's integration into the Conergy Group's structures is smooth. This explains why start-ups and acquisitions, both at home and abroad, are prepared and executed with the close collaboration of both Conergy's Management Board and the Group's central services. The M&A department begins to plan post-merger integration work as soon as the relevant letter of intent has been signed and starts to implement the acquired company's integration into the Group's existing structures immediately upon execution of the contracts. The aim is to seamlessly and fully integrate the new business units into such Group areas as marketing, controlling and, of course, IT structures within no more than three months.



### **Deals structured as partnerships create a win-win situation for all participants**

Many mid-size companies lack the additional management know-how and resources that are needed to take their enterprise to the next level of growth by themselves. That too makes Conergy an attractive partner. Accounting, controlling as well as both IT and human resources are made more professional once a company has been acquired, giving rise to a win-win situation for both partners that allows them to develop a dominant market position, jointly and rapidly.

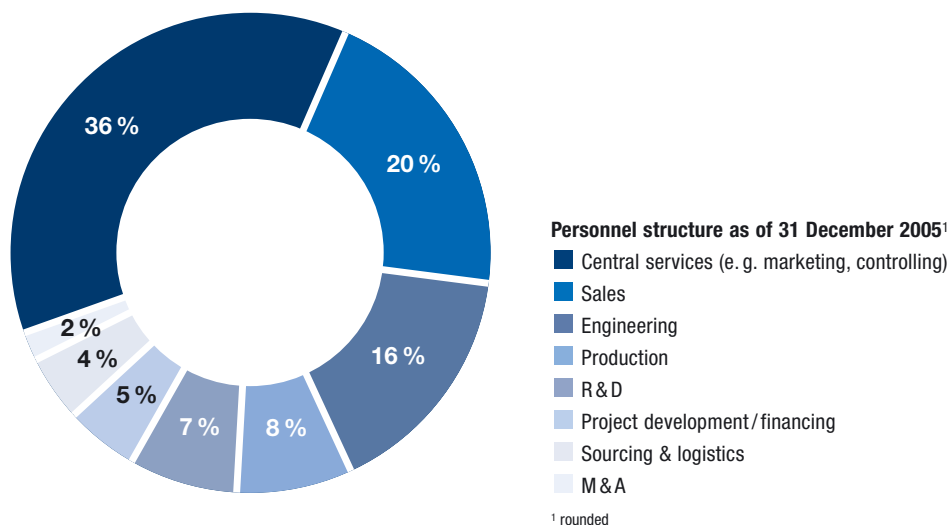
Our well-trained and competent employees, who are passionately committed to the goal of expanding the use of renewables in more than 18 countries worldwide, are at the root of Conergy's success. Conergy invests in both initial and continued education of its employees and offers them attractive career prospects in a globally growing Group.

As of 31 December 2005, the Conergy Group had 724 employees worldwide (previous year: 347), 20 percent of whom already work outside of Germany. This is because Conergy continues to pursue its goal of outperforming the worldwide market for regenerative energies and fortifying its position as the leading provider of renewable energy systems. The Group will continue to expand its personnel in coming years as well in order to achieve this objective. Given Conergy's international growth strategy, its staff is increasingly employed in the most lucrative renewables markets close to the customer.

# Human resources

Conergy has structured its human resources strategy such that it meets employee needs that vary from country to

country and make Conergy's entrepreneurial culture a common experience for our new colleagues. Our executives and teams are duly prepared for their responsibilities in cross-cultural training sessions. The transfer of knowledge between experienced and new employees is also fostered. This helps us to jointly create both synergies and new customer contacts with the aim of putting our forward-looking products and services to good use.

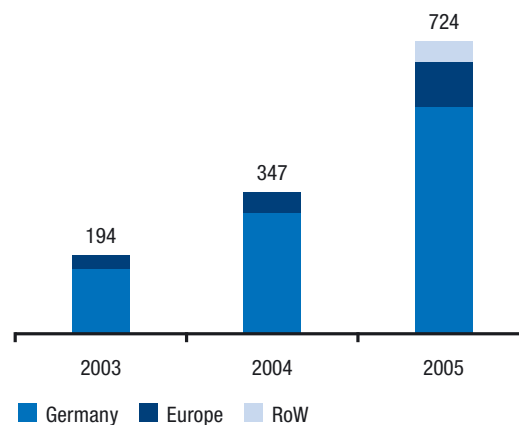




## Recruiting

Conergy is employing a twin strategy of international expansion and expansion of production capacities. By definition, this strategy entails a growing need for staff with an entrepreneurial outlook. We are always on the lookout particularly for candidates with extensive professional experience in the field of renewable energies. But Conergy also offers good career opportunities and perspectives to young industrial engineers and graduates with degrees in engineering and environmental technology, as well as economists. The attractiveness of an employer and the career opportunities it offers are key to identifying qualified specialists and executives in the solar industry as well. Yet Conergy's recruiting efforts also benefit from the steadily rising public perception of the company's unique success story. The result has been a dramatic rise in the number of unsolicited resumes that we receive from specialists and executives in all kinds of high-tech industries. In addition to the prospects of working for a cutting-edge company with a strong international orientation, what makes Conergy attractive to many applicants are its lean organisational structure, short decision-making chains and a high level of teamwork. Conergy uses a separate "careers" page on its website and strategic recruiting initiatives to draw attention to itself, with the aim of gaining the best human resources for the expansion of its business.

Entwicklung Mitarbeiterzahl zum 31. Dezember



## Continued education and personnel development

Conergy's personnel development policies aim to provide continuing education to our employees and motivate them. We have launched numerous continuing education programmes to prepare salaried and hourly-paid personnel alike for the steadily increasing requirements of our globally growing technology Group. Conergy is thus well on the way to creating a sufficient pool of specialists in the as-of-yet underdeveloped labour market for the renewables industry. Strategic personnel management in the long term and targeted expansion of employees' expertise in specialties and leadership qualities – for example, through development discussions and comprehensive continued education options – make it possible to create a corporate culture that fosters trust and loyalty among employees even in a growth market.



**Performance-based compensation**

As a company with strong growth, it is critical for Conergy to ensure that its strategic goals are executed at every organisational level. To this end, we have decided to use balanced scorecards (BSC) to ensure that the pursuit of our long-term strategic goals is firmly anchored on all levels using clearly-defined responsibilities even in day-to-day operations. Our goal-setting and bonus system is based on this approach and gives every employee the opportunity to contribute to the attainment of our strategic goals and to benefit from them personally too.

**Many thanks to all!**

2005 was yet another successful financial year for Conergy. This success could not have been achieved without the commitment and professionalism of all our employees. The Management Board thanks all of its employees for their exceptional engagement and passion in the pursuit of our joint goal of making Conergy the leading company for renewable sources of energy. We

are convinced that this enthusiasm – as well as the expertise and sheer energy of our staff – give us good reason to look to the future with confidence. We look forward to jointly tapping into this enormous potential!



# Group management report











CONERGY



# Group management report

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# Group management report of Conergy AG for the 2005 financial year

## A. GENERAL

### 1. Globally growing energy demand makes intelligent energy mix necessary

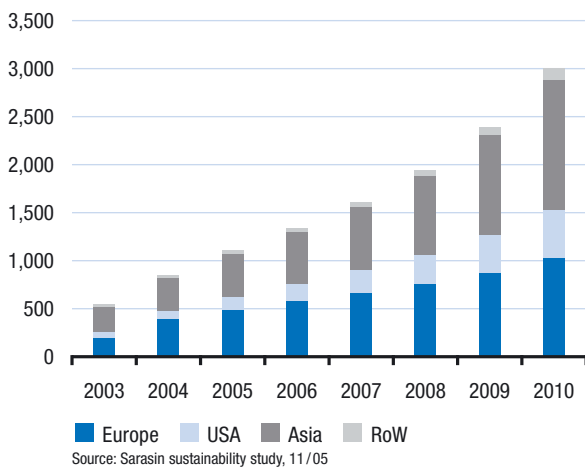
In addition to the western industrial nations, both China and India are also seeking to tap additional sources of energy the world over. Primary energy consumption is rising annually by a good 2%, not least due to the economic upswing in both these two countries and other Asian nations, as well as due to world population growth. In contrast, the limited supply of fossil energy resources is becoming ever scarcer and hence more expensive. For some time now, the issue has no longer been whether or not oil or gas prices will increase further, but rather only by what amount. For example, many experts believe that crude oil will cost more than USD 100 per barrel in the foreseeable future. The un-

stable political situation in significant producing regions such as Iraq or Iran could further accelerate this development.

National economies are already paying higher and higher energy prices or must accept gaps in supply. At the same time, the number of energy exporting countries is declining while imports from crisis regions are rising. This has resulted in a fundamental shift: demand for sustainable alternatives keeps growing. Those national economies that fail to set the course for a forward-looking energy supply in due time will have to reckon with growing cost burdens or increasing supply bottlenecks.



**Forecast by country for the PV market**  
(annual installations of new output in MW)

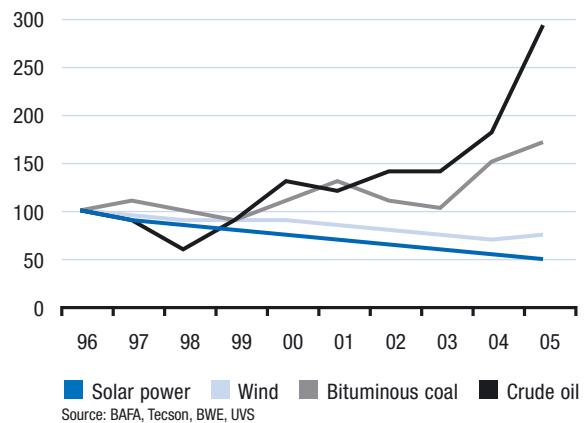


## 2. Renewable energy systems offer enormous cost-cutting potential

Energy costs will continue to rise until oil, gas, coal and uranium are replaced by energy carriers that are not subject to shortages and dependency on a handful of energy exporting countries. Solar, wind and hydropower are already making a larger contribution to the worldwide power supply than nuclear energy, for instance, whose raw material uranium is not available in unlimited quantities either. And in contrast to the continually increasing prices of fossil fuels, mass production of systems for utilising renewables offers enormous cost-cutting poten-

tial which, little by little, will make these technologies of tomorrow the most economical energy sources in many applications. The price for electricity, heating or cooling from solar energy systems, wind parks or bioenergy installations falls along with the system costs. This goes hand in hand with increasing investments in research and development aimed at enhancing the efficiency of energy yields. All of these effects further improve the competitiveness of renewable energy systems.

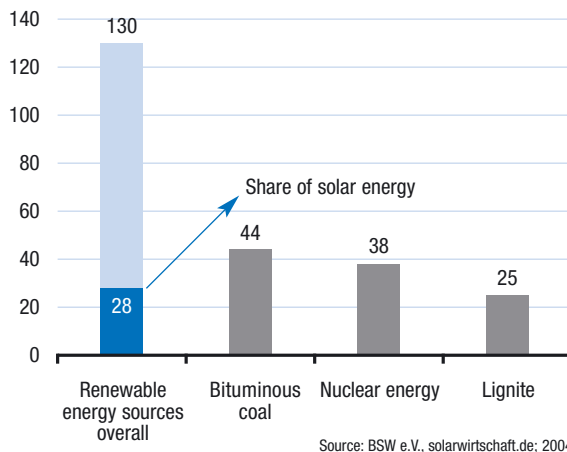
**Renewable energies are becoming increasingly affordable**  
(in percent)



### 3. Promotion of renewable energy creates jobs for the world of tomorrow

Jobs in tomorrow's high-tech industry – renewable energy – will not be created by waiting for them to materialise automatically. This insight is growing worldwide in more and more countries, resulting in numerous new promotional and market incentive programmes. The German Renewable Energies Act is already serving as a model for comparable promotional programmes in more than 20 countries including Spain, Italy, China, Thailand and South Korea. Existing promotional tools ensure start-up financing and create rapidly rising regional demand. A new market incentive programme was launched in California at the beginning of 2006 as well. The "California Solar Initiative" implements the largest solar promotion programme to date in the United States. Within the next ten years, USD 2.9 billion (about EUR 2.4 billion) will be available as investment subsidies to equip one million buildings with solar energy systems. This corresponds to a newly installed total peak output of approximately 3,000 megawatts (MWp) – about three times the solar power output newly installed in 2005 worldwide. Additional promotional initiatives are being prepared in the United States. For example, additional demand potential is growing regionally in the photovoltaics industry, which has seen strong excess global demand since early 2004. The expansion of production capacities along the entire value chain that began some time ago will dramatically accelerate global market growth in tandem with demand in the coming years.

Germany's job engine – renewable energy sources (jobs in thousands)



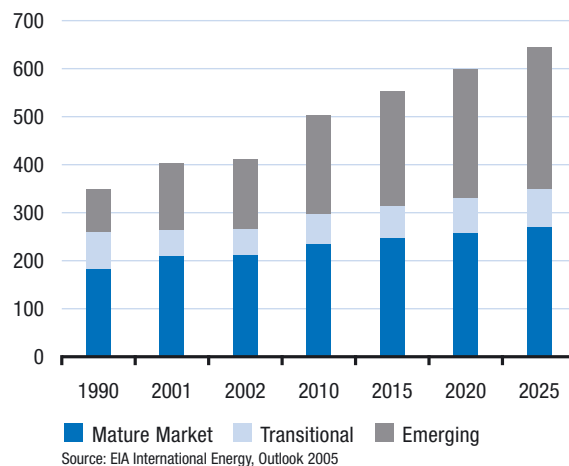
### 4. Multiplication in growth of the photovoltaic market in sight

According to a study by Sarasin, the Swiss bank, published in November 2005, new solar power systems with a total peak output of about 1,100 MWp were installed worldwide in 2005. This corresponds to growth of 30 % compared to the previous year's output which was estimated at 840 MWp. Numerous studies assume that worldwide market growth in the next two to three years will be comparable to that level but that annual growth in photovoltaic systems newly installed will further accelerate thereafter. This temporary bottleneck is caused by silicon supplies which, though they are increasing, are not yet sufficient to fully meet the demand of downstream parts of the value chain. And while silicon is the second most common element in the world, the process for producing high-purity silicon is costly, which is why expansion of demand is currently lagging. Silicon manufacturers will only be able to cover growing worldwide demand after further expanding their production. The simultaneous rapid expansion of thin film technologies will also contribute to an easing of supply and thus to rapid growth. However, there will once again be supply surpluses of solar modules in the near term, which will cause prices to decline across all stages of the value chain. In turn, this will make cutting-edge technologies increasingly attractive for additional target groups and applications. Business activities will once again focus on the customer, not on the supplier as is the case today. And that is precisely the development at which Conergy's expansion strategy is targeted.

### 5. The booming solar industry leads to fluctuating demand and supply surpluses

Rising production and dramatic technical innovations result in steadily increasing supplies with decreasing system costs. In contrast, the rising demand worldwide for energy and the growing number of national programmes designed to foster the use of renewables will cause demand to surge again and again. As in the past, this will lead to temporary surpluses in supply or demand in the global solar market. Thanks to our long-standing strategic partnerships with more than 20 of the world's leading module vendors and our distribution channels in the most lucrative solar markets on four continents, Conergy is capable of responding flexibly to changing market and price developments at all times. Conergy's business model has already proven itself in times of both demand and supply overhangs, as in 2002 and 2003, for instance, by generating above-average increases in sales and margins.

**World Marketed Energy Consumption by Region**  
(Quadrillion Btu)



Conergy has been expanding its global activities against this backdrop with the aim of offering every energy consumer worldwide customised systems for the use of renewable energy. By consistently focusing on customers' regionally divergent energy requirements, Conergy is utilising additional growth potential. At the same time, Conergy becomes increasingly independent of market cycles and local regulatory environments such as the promotion of photovoltaics in Germany.

## B. BUSINESS DEVELOPMENT

### 1. Conergy – No. 1 in Germany and already no. 2 worldwide based on solar sales

2005 was Conergy's most successful year to date since it was founded in 1998. Conergy once again exceeded its annual targets at the close of the fourth quarter, which is traditionally the strongest by far in terms of sales for the solar systems construction industry. The Conergy Group increased its revenue by 86.2 % to EUR 530.2 million (previous year: EUR 284.8 million), thus clearly exceeding its target of EUR 500 million. Profit after taxes rose disproportionately by 152.7 % to EUR 27.8 million (previous year: EUR 11.0 million.) Conergy thus considerably increased its lead as the strongest solar company in terms of revenue in both Germany and Europe. Worldwide, this puts us in second place behind Sharp, which has been Conergy's strategic partner for many years and is the global market leader in the production of photovoltaic modules. In addition, more than 20 other producers of modules provision Conergy with modules at levels that exceed market growth, even when global demand outstrips supply. We have been able to use this supply to substantially expand our share of the worldwide solar market. Components and systems solutions from Conergy are already used in about one out of every ten newly installed photovoltaic systems worldwide, which means that our global market share has grown by about 20 %.

The 86.2 % increase in revenue illustrates that Conergy is continuing to grow much faster than the booming global renewable markets. Profits rose exponentially by a staggering 152.7 %. This underscores the success of our strategy and shows that Conergy is well on its way to becoming the leading renewable systems provider worldwide. Our solutions for electricity, heating or cooling – which are tailored to meet customer needs – generate additional growth potential within our established distribution channels for photovoltaics. This is because end customers are asking for solar heating, bioenergy, wind power or, increasingly, combined renewable system technologies to meet the extremely divergent energy requirements of various regions.

Conergy reached additional milestones during the period under review besides strong sustained growth in our operating business. To accelerate its development into the leading renewable systems provider worldwide, Conergy acquired six renewable energy companies in the past year and successfully integrated them into our operating units:

Company	Segment	Location
Conergy Inc.	DMS & CS	Santa Fe, USA
SunTechnics Bioenergy GmbH	Engineering	Willich, Germany
Taurus Energy Pty Ltd	Projects	Sydney, Australia
LaCER <sup>1</sup>	Projects	Amiens, France
Quirks Victoria Light Co. Pty. Ltd.	DMS & CS	Sydney, Australia
Inventus GmbH	DMS & CS	Bergheim, Germany

<sup>1</sup> Compagnie des Énergies Renouvelables S.A.R.L.



Conergy attained a sustainable position in the US solar growth market through its majority takeover of Conergy Inc., which was already established in that market. Thanks to the acquisition of SunTechnics Bioenergy GmbH, the renowned systems integrator, Conergy also made a successful entry into the complementary market for bioenergy. Furthermore, Taurus Energy in Australia and the majority takeover of LaCER S.A.R.L. in France enabled Conergy to gain both additional project development expertise and fully developed wind projects with megawatt output in the multiple digits. The takeover of Quirks Victoria, the Australian solar wholesaler, provides customer access to more than 120 Australian solar installers and allows Conergy to further expand its presence on the continent down under. Quirks Victoria was integrated into Conergy Pty. Limited under an asset deal. By taking over the operations of Inventus, Conergy added production of small wind power units to its existing production of systems for the autonomous generation of renewable energy far from the public grid. This was also accomplished by means of an asset deal.

In 2005, we also established eight additional independent sales companies in countries with highly promising growth potential. This was done to further expand and fortify our proximity to customers early on in the most lucrative markets for renewable energy sources worldwide:

Brand	Segment	Location
Conergy	Sales (DMS & CS)	Sydney, Australia
SunTechnics	Engineering	Lisbon, Portugal
voltwerk	Projects	Madrid, Spain
Conergy	Sales (DMS & CS)	Mexico City, Mexico
SunTechnics	Engineering	Sacramento, USA
SunTechnics	Engineering	Bangalore, India
SunTechnics	Engineering	Sydney, Australia
AET	Wholesale	Vicenza, Italy

Both the companies acquired and the start-ups will already make substantial contributions to the expansion of Conergy's international renewables business in 2006.

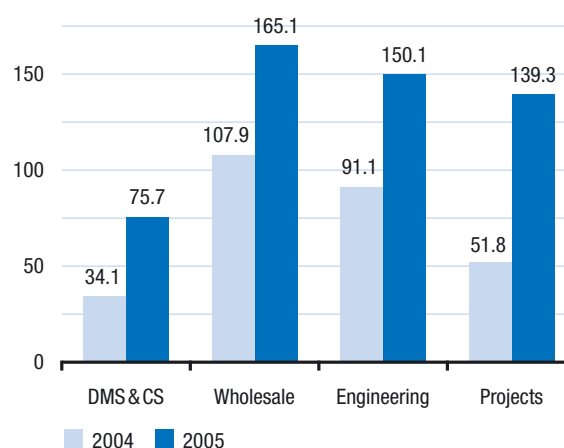
## C. PERFORMANCE AND FINANCIAL POSITION

Business developed as planned in 2005. The performance and the financial position for the financial year were influenced by the initial public offering (IPO) on 17 March 2005.

### 1. Development of revenue

In 2005, the consolidated revenue of the Conergy Group reached a record high of EUR 530.2 million, up 86.2 % compared to the previous year (EUR 284.8 million). All four segments made substantial contributions to this significant increase in revenue. voltwerk (Projects segment) contributed a much greater share than previously, more than doubling its revenue to EUR 139.3 million (previous year: EUR 51.8 million). Conergy's wholesale segment (DMS & CS) also posted strong growth. Revenue in this segment also more than doubled to EUR 75.7 million (previous year: EUR 34.1 million). AET (Wholesale segment) had the strongest revenue with EUR 165.1 million (previous year: EUR 107.9 million), followed closely by SunTechnics (Engineering segment) with revenue totalling EUR 150.1 million in 2005 (previous year: EUR 91.1 million).

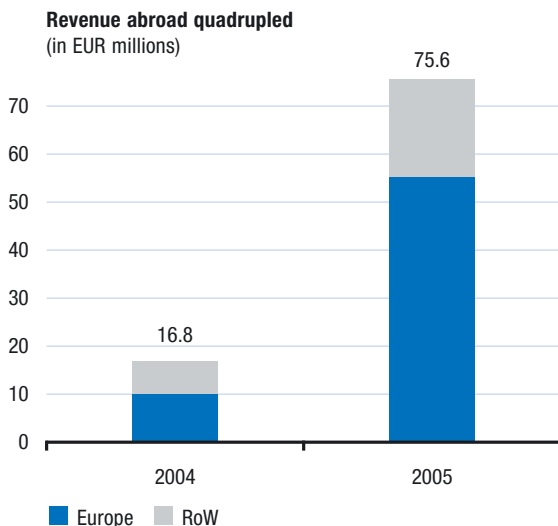
Development of revenue by segment  
(in EUR millions)



In line with our strategy, Conergy strengthened its business through complementary technologies and overseas growth:

While photovoltaics generated about 96.5 % of total revenue in 2004, revenue from renewable energy systems in the field of wind power, bioenergy and solar heating quadrupled to more than EUR 60 million (previous year: EUR 10 million), contributing more than 10.5 % to total revenue (previous year: 2.3 %).

Revenue abroad also more than quadrupled to EUR 75.6 million (previous year: EUR 16.8 million). This corresponds to more than a doubling of the share of foreign revenue to about 14.3 % (previous year: 5.9 %). Of this amount, approximately EUR 38 million was attained on the Spanish market and about EUR 20 million in the United States, which is also four times more than in the previous year.



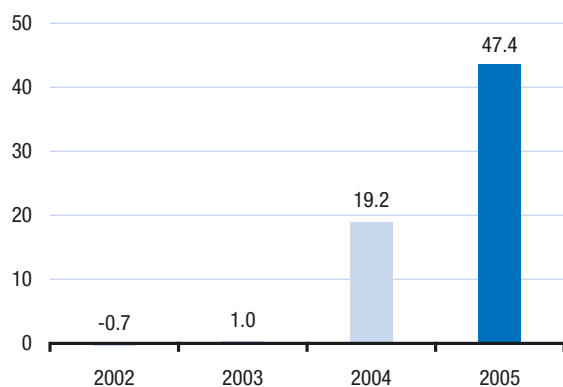
## 2. Development of earnings

The Conergy Group increased its consolidated gross profit (revenue, net change in inventories, costs of material) disproportionately to revenue from EUR 43.0 million in 2004 to EUR 85.6 million in 2005. The gross margin improved from 15.1 % in 2004 to 16.1 % in the year just ended. The higher gross profit was achieved through improvements in all sales and distribution channels. We were able to pass component price increases on to customers. At 19.3 %, the Engineering segment posted the highest gross margin.

Staff and material costs rose from EUR 23.6 million in 2004 to EUR 49.8 million in 2005. In relation to revenue, this corresponds to an increase of 9.4 % (previous year: 8.3 %), a moderate rise resulting primarily from advance outlays for expanding the international business, the depth of the value chain and the product range as a whole. With respect to EBITDA before IPO expenses, the higher gross margin more than compensated for this increase, rising to EUR 50.3 million (previous year: EUR 21.1 million).

At a share of revenue of 0.5 % (previous year: 0.7 %), depreciation/amortisation play a minor role in Conergy's 2005 income statement. EBIT climbed significantly during the year just ended to EUR 47.4 million (previous year: EUR 19.2 million). The EBIT margin rose from 6.7 % in 2004 to 8.9 % in 2005.

**Development of EBIT**  
(in EUR millions)



The Conergy Group realised clearly positive results in the year just ended, thus reporting income tax expenses totalling EUR 18.0 million (previous year: EUR 7.7 million). Consolidated net income after deducting income taxes is EUR 27.8 million (previous year: EUR 11.0 million), a clearly disproportionate improvement of 152.7 % in relation to the increase in revenue of 86.2 %.

To improve the clarity of the presentation and the comparability of earnings figures, IPO-related expenses of Conergy AG, which are not recognised directly in equity, were recognised in a separate item below earnings before taxes (EBT) in financial year 2005. Previous year's figures were adjusted accordingly.

### 3. Structure of the balance sheet

Total assets rose in 2005 from EUR 76.5 million to EUR 346.3 million. Among other things, this is due to the significant increase in equity of EUR 131.3 million compared to 2004, which was primarily a result of the successful IPO. In addition, compared to the previous year non-current assets rose significantly by EUR 12.7 million to more than EUR 22.6 million. This was caused, in particular, by an increase in investments of EUR 2.2 million in intangible assets related to new products, the acquisition of new companies (EUR 3.4 million) and the increase of EUR 5.7 million in property, plant and equipment. As of 31 December 2005, working capital totalled EUR 46.3 million, quadrupling over the previous year, because receivables and inventories showed stronger increases than liabilities. The working capital ratio was 8.7 %.

At 7.6 % of total assets (previous year: 15.4 %), non-current assets of EUR 22.6 million are of minor significance (previous year: EUR 9.9 million).

Non-current assets are fully covered by equity (EUR 131.8 million; previous year: EUR 16.2 million).

#### **4. Equity ratio**

The Conergy Group has a very solid equity ratio of 43.7 % (previous year: 26.2 %). The sharp increase in equity from EUR 20.0 million in 2004 to EUR 151.3 million in 2005 is primarily attributable to the proceeds from the IPO in March 2005 as well as to the profit generated during the financial year.

#### **5. Dividend**

The Management Board and Supervisory Board propose to the General Shareholders' Meeting that a dividend of EUR 0.30 per participating share (for a total of TEUR 2,976) be paid out of the accumulated profits of Conergy AG. They also propose that a significant portion of consolidated net income be utilised in the consistent pursuit of Conergy's global growth strategy.

#### **6. Cash flow from investing activities**

Capital expenditures at Conergy increased to EUR 15.7 million in 2005 (previous year: EUR 5.9 million), in line with the growth in business and further expansion of both product lines and capacities.

#### **7. Non-financial performance indicators**

Conergy has been hiring well-trained and qualified employees in order to expand its global market share. Our entire human resources strategy aims to meet employee needs that vary from country to country and make Conergy's entrepreneurial culture a common experience for our new colleagues. Our executives and teams are prepared for their responsibilities in cross-cultural training sessions. The transfer of knowledge between experienced and new employees is also fostered in intercultural workshops. Our organisation, processes and structures are continually expanded and thus prepared for additional strong growth early on.

The goal-setting and bonus system that we have established on the basis of balanced scorecards (BSC) gives each employee the opportunity to participate in the company's success through personal achievement.

## D. RISK REPORT

Like all companies, Conergy AG and its subsidiaries are exposed to various general and industry-specific risks that could constrain their business and have a detrimental effect on their performance and financial position. The primary risks are:

### 1. General economic risks

Conergy's strong growth could be impaired by general economic risks, such as IT risks. In addition, the loss of executives or employees in key positions could undermine activities if such personnel cannot be replaced in a timely manner.

Although the Conergy Group maintains long-term supplier relationships and supplier contracts, it cannot be ensured in every instance that all delivery obligations will be met. General economic risks and rewards related to both the growth and earnings of the Conergy Group also arise from the expansion of our international activities.

### 2. Industry-specific risks

Changes in general regulatory requirements could have a positive or negative effect on demand for Conergy's photovoltaics systems, for example, but also for its other products and services. This could impair the Group's growth in individual markets. Conergy is thus using its 50/50/08 strategy to make itself increasingly independent of regional initiatives that aim to promote specific renewable technologies. Furthermore, the company must also continually adjust its product and service portfolio to current trends, developments and customer needs in various markets in order to influence demand positively.

### 3. Risks from financing and operating activities

To finance major renewables projects, the Conergy Group sells limited partnership interests in operating companies (fund participations) directly to private and institutional investors as well as through established sales partners. In case of insufficient demand for equity shares in the operators, voltwerk AG itself might acquire equity shares, thus committing the liquidity of the Conergy Group.

The Conergy Group enters into appropriate currency hedging transactions to limit the risk from changes in exchange rates on commodities dealings. Nevertheless, any sustained unfavourable change in foreign exchange rates could have a detrimental effect on the company.



#### **4. Legal risks**

The protection of intellectual property is critical to the success of the Conergy Group. Despite the endeavours of the legal department, however, it cannot be precluded that unauthorised entities or individuals might use or copy the company's products or services. Furthermore, patents or copyrights belonging to the Conergy Group or other rights could be challenged, declared null and void, might be circumvented, or might breach the intellectual property rights of third parties. However, to date no such claims or proceedings are pending. Although no material liability claims have been filed against the Conergy Group to date, future guarantee claims and claims for damages cannot be excluded. Conergy limits this risk to a large extent by stipulating guarantees with its suppliers that essentially correspond to those provided to customers. The Conergy Group assumes the customary risks of a general contractor in connection with the implementation of major projects. For major renewables projects, the Group's companies stipulate far-reaching guarantee exclusions with customers and operators of solar energy installations and/or assign their claims under guarantees against manufacturers to the customers. Nevertheless, it never be fully excluded that there might arise gaps in the guarantees provided in individual cases. In addition, the Group would be dependent on the creditworthiness of its suppliers in the event of claims under guarantee.

#### **5. Overall risk**

No risks that could jeopardise the continued existence of the company are discernible.

#### **6. Insurance policies cover major risks worldwide since 2005**

The Conergy Group has taken out various insurance policies to minimise risk. These include, among others, commercial liability insurance, business interruption insurance, litigation insurance, commercial and property insurance, electronics insurance, trade credit insurance and vehicle insurance. In addition, the Group has purchased special property insurance against fires and storms for the logistics centre as well as D&O insurance for managing directors and the members of the Management and Supervisory Boards of the Group companies.

#### **7. Risk management**

The Conergy Group maintains effective management and control systems for early recognition and measurement of risks. These systems are continually enhanced and converge in a uniform corporate risk management system – also for purposes of fulfilling statutory requirements – which is an integral part of the Group's overall planning, controlling and reporting process. Existing risks are measured with respect to their likelihood of occurrence and the amount of possible damages. Potential new risks are analysed at the same time and included in Conergy's risk management system if relevant. Strategies and measures to avoid, reduce and hedge risks are developed and initiated if necessary in that connection. A staff office monitors compliance with uniform corporate guidelines as defined in the risk management manual. This risk management system allows the Management Board to identify material risks early on and initiate appropriate countermeasures.

## 8. Opportunities

Yet the well-established and strong market position of Conergy AG and its subsidiaries – as well as the very factors that fortify this position, in particular, above-average growth – also give rise to considerable opportunities. These opportunities are evaluated and utilised where they are not outweighed by any corresponding risks.

## 9. Risk reporting via financial instruments:

### Risk management goals and methods

The fundamental approach of Conergy AG's Management Board to the company's business activities and the use of financial instruments is to minimise risks. Therefore, significant corporate risks are fully recorded, assigned materiality limits, observed and reported as part of the aforementioned risk management system. The Group does not use extremely risky financial instruments. The extent of risks still remaining upon selection of financial instruments (as described in section 7) is acceptable and does not jeopardise the continued business of Conergy AG.

## 10. Financial instruments

Conergy AG makes use of financial investments in commercial paper of companies in regards to which a Standard & Poor's rating of "A" ensures a high degree of investment security. Inasmuch as securities are held and traded as financial instruments, Conergy AG chooses near-money market funds from "AAA" countries. Derivatives are employed in connection with forward exchange contracts and hedges are used to ensure that the risk remains limited. To a large degree, trade payables and receivables at Conergy AG are attributable to the Group's affiliated companies.

## 11. Price risks

Conergy AG hedges potential currency risks using the aforementioned instruments. The interest risk arising from possible market fluctuations in interest rates is limited by defining and maintaining upper limits for interest rates, particularly in connection with the projects business. The possibility of exiting from a project is reviewed if these limits are reached. Conergy AG counters the risk of fluctuations in market prices by carefully calculating the necessary quantity of goods (e. g. photovoltaic modules) early on and, based on this calculation, by concluding appropriate supplier contracts at fixed prices with the most important producers.

## 12. Default risk

Conergy AG concludes agreements related to the financial instruments it employs mainly with major German banks in order to minimise the risk that a loan granted previously is not available or not available on schedule.

## 13. Liquidity risk

In order to prevent difficulties from arising at all when procuring liquid resources to meet outstanding liabilities in connection with financial instruments, Conergy AG ensures early on that sufficient lines of credit are available from its primary banks. This also serves to limit the risk of liquidity bottlenecks that might arise from cash flow fluctuations, possibly jeopardising Conergy AG's business.

## E. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

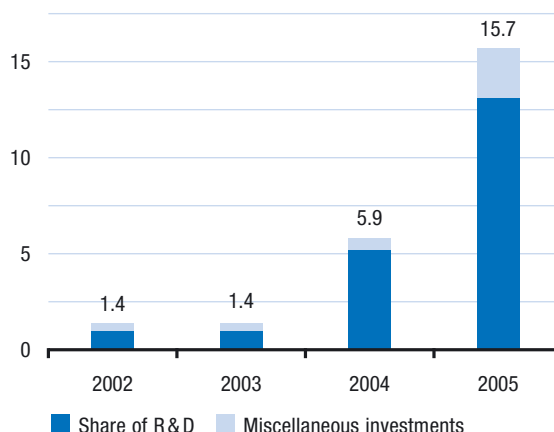
Business in 2006 is being conducted as planned and no special events have occurred.

## F. RESEARCH & DEVELOPMENT

Conergy bundles its knowledge from system optimisation, product development and R&D with the aim of consistently expanding its technological leadership in renewable systems engineering. The experience its approximately 300 engineers have gained from planning, installing and output monitoring of more than 30,000 solar power systems in a wide variety of performance classes on five continents give the company the leading edge it needs to continually improve the optimal fit and interplay of all electronic components. In fact, Conergy's renewables systems engineering has long been proving itself also in hybrid systems for autonomous energy generation far from the public grid, which employ intelligent combinations of solar and wind power – and even bioenergy – to cover the energy requirements of entire villages around the clock. The Group's Electronics & Applications staff develop new products and innovations to this end. Rapid and comprehensive flows of information to and from project engineers ensure that the company maintains its knowledge lead. This competitive edge is also used to influence the development of new standards and guidelines in close collaboration with numerous leading research institutions and renewable energy associations, both at home and abroad.

In this connection, Conergy concentrates on developing electronic hardware and software products if they represent a key technology and if the resulting technology and market leadership will provide the potential for higher margins via a greater economic value added.

**Development of capital expenditures**  
(in EUR millions)



That is why Conergy consciously continues to forgo producing its own commodity products, such as solar power modules. Instead, Conergy's engineers focus on the exchange of experience as partners with more than 20 of the world's leading module providers in a spirit of trust. Bundling this expertise and combining the most capable modules with Conergy's systems technology enables us to boost the efficiency of system output performance which, in turn, provides a maximum energy yield to our customers.

## G. OUTLOOK

2006 is shaping up to become another boom year for the solar industry. Conergy, for its part, is well on its way to achieving exponentially high gains in worldwide market share, revenue and profit. Investments in the expansion of its international sales and distribution network, as well as in complementary technologies such as bioenergy within its core focus on renewable energy sources, serve to achieve these objectives. Targeted offering of various renewable technologies to existing customer groups creates synergies in all distribution channels. Bundled offerings enhance efficiency. But they will also contribute to Conergy's development into the leading systems provider in increasingly lucrative markets over the medium term using forward-looking technologies capable of generating competitive energy in many applications, even in the absence of subsidies. Conergy intends to systematically utilise its growing market position to lift its future earnings even more clearly than its revenue.

Conergy's focus is on optimally fulfilling both environmental requirements and customer needs for electricity, heating or cooling that vary greatly from region to region. Increased investments in research and development will serve to expand our technological leadership in renewable systems engineering. We are also preparing further acquisitions of companies that offer leading technologies.

The Group's second strategic focus is on the consistent continuation of our international expansion. We expanded our internal structures in 2005 in order to meet our customers' specific energy requirements through an ever tighter network of branch offices in close proximity to the customer. This is already helping Conergy to profit now from higher retail prices and margins in tomorrow's renewables growth markets, which are still strongly fragmented compared to the better-developed German market. Here, too, numerous takeovers or start-ups are in preparation. The Group's early market entry in the United States shows that this strategy is proving itself. With revenue in excess of EUR 20 million and an EBIT margin of more than 10 %, Conergy is starting from an excellent position in this rapidly expanding market.

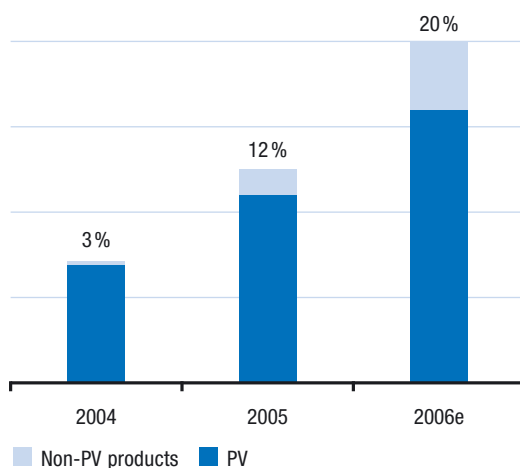
## H. CONERGY'S STRATEGIC GOAL: 50 / 50 / 08

The Conergy Group pursues a strategy that is unequivocally focused on the customer and aims to offer every energy consumer the most suitable technologies in those markets where renewable energy is an attractive option. Thanks to the target-specific marketing of four clearly distinct brands, solar wholesalers, installers, commercial or private end customers, and investors in solar funds are served in ways appropriate to their needs.

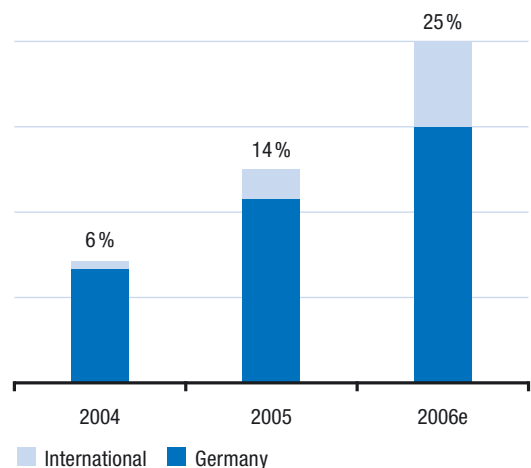
It is our goal to strengthen our position as the leading systems provider for renewable sources of energy on additional levels. To achieve this goal, Conergy plans to generate more than 50 % of its sales abroad from 2008 and more than 50 % through complementary regenerative products above and beyond photovoltaics such as solar cooling, solar heating, or even wind energy and bioenergy. This strategy will generate additional sales and earnings potentials in lucrative and complementary business segments. This strategy also boosts the flexibility of the Conergy Group, permitting it to compensate for temporary fluctuations in demand in regional markets through proactive measures in other segments and fields of business.

Besides expanding into the most promising markets for solar energy worldwide, the Conergy Group is also in the process of diversifying its product range with a core focus on renewable energies. This helps the Group to continuously open up new markets with suitable products and bring these products to the customer through established distribution systems.

Increasing share of revenue with non-PV products



Increasing share of foreign revenue





# Consolidated financial statements











# Consolidated financial statements

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**CONSOLIDATED INCOME STATEMENT  
FROM 1 JANUARY TO 31 DECEMBER 2005**

<b>TEUR</b>	<b>Notes</b>	<b>2005</b>	<b>2004</b>
Revenue	33	530,168	284,833
Changes in inventories of finished goods and work in progress		128	1,728
Cost of materials		-444,741	-243,564
<b>Gross profit</b>		<b>85,555</b>	<b>42,997</b>
Personnel costs	35	-27,027	-13,639
Other own work capitalised	20	2,589	606
Other operating income	34	12,076	1,185
Other operating expenses	36	-22,812	-10,000
Other taxes		-74	-21
<b>EBITDA (pre IPO expenses)</b>		<b>50,307</b>	<b>21,128</b>
Depreciation and amortisation	20	-2,872	-1,940
<b>EBIT (pre IPO expenses)</b>		<b>47,435</b>	<b>19,188</b>
Other interest and similar income		1,858	105
Interest and similar expenses		-222	-322
Profit transferred based on a profit and loss transfer agreement		-4	-4
<b>EBT (pre IPO expenses)</b>		<b>49,067</b>	<b>18,967</b>
IPO expenses	35, 36	-2,865	-188
Income taxes	37	-17,989	-7,738
<b>Consolidated net income</b>		<b>28,213</b>	<b>11,041</b>
Minority interest		-418	-24
<b>Consolidated net income attributable to shareholders of Conergy AG</b>		<b>27,795</b>	<b>11,017</b>
Earnings per share (basic) in EUR	38	2.92	1.39
Earnings per share (diluted) in EUR	38	2.92	1.39

**CONSOLIDATED BALANCE SHEET  
AS OF 31 DECEMBER 2005**

TEUR	Notes	31.12.2005	31.12.2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	17, 20	5,810	2,309
Goodwill	17, 20	6,777	3,356
Property, plant and equipment	18, 20	9,899	4,240
Financial assets	19, 20	144	18
Receivables and other assets	23, 24	147	41
Deferred tax assets	21	2,454	1,177
Prepaid expenses	26	1,095	669
<b>Non-current assets, total</b>		<b>26,326</b>	<b>11,810</b>
<b>Current assets</b>			
Inventories	22	54,922	16,371
Trade receivables	23	129,769	26,852
Other receivables and assets	24	8,206	2,121
Cash and cash equivalents	25	126,940	19,217
Prepaid expenses	26	126	139
<b>Current assets, total</b>		<b>319,963</b>	<b>64,700</b>
<b>Total assets</b>		<b>346,289</b>	<b>76,510</b>
<b>LIABILITIES</b>			
<b>Shareholders equity</b>			
Subscribed capital	27	10,000	8,700
Reserves	27	128,109	4,210
Adjustments for currency translation		75	35
Minority interest		852	142
Accumulated profits	27	12,294	6,956
<b>Total shareholders equity</b>		<b>151,330</b>	<b>20,043</b>
<b>Non-current liabilities</b>			
Financial liabilities	32	286	19
Provisions	29	1,015	340
Deferred tax liabilities	21, 28	4,662	555
Deferred income	32	1,370	1,506
<b>Non-current liabilities, total</b>		<b>7,333</b>	<b>2,420</b>
<b>Current liabilities</b>			
Financial liabilities	30	5,590	238
Trade payables	31	132,207	28,408
Advances received		6,176	3,723
Tax liabilities	28	18,596	4,921
Other liabilities	32	24,937	16,682
Deferred income	32	120	75
<b>Current liabilities, total</b>		<b>187,626</b>	<b>54,047</b>
<b>Total liabilities</b>		<b>346,289</b>	<b>76,510</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FROM 1 JANUARY TO 31 DECEMBER 2005**

TEUR	2005	2004
<b>Net profit or loss for the period</b> (including minority interest)	<b>28,213</b>	<b>11,041</b>
Amortisation / Depreciation	2,872	1,940
Other non-cash income (-) / expenses (+)	40	-17
Interest and similar income	-1,858	-105
Interest expense	222	322
Income tax expenses	17,989	7,738
Expenses for the sale of treasury shares	4,532	0
<b>Operating result before changes in net working capital</b>	<b>52,010</b>	<b>20,919</b>
Increase (-) / decrease (+) in inventories	-38,551	-5,457
Increase (-) / decrease (+) in other assets not part of investing or financing activities	-114,830	-23,187
Increase (+) / decrease (-) in other liabilities not part of investing or financing activities	120,755	27,092
<b>Cash generated from operating activities</b>	<b>19,384</b>	<b>19,367</b>
Interest paid	-222	-332
Interest received	1,810	105
Income taxes paid	-434	-251
<b>Cash flow from operating activities</b>	<b>20,538</b>	<b>18,899</b>
Cash receipts from the disposal of property, plant and equipment	167	53
Cash payments for investments in intangible assets	-4,883	-2,042
Cash payments for investments in property, plant and equipment	-6,209	-3,332
Cash payments for the acquisition of shares in subsidiaries	-4,769	-531
Other cash payments for investments in financial assets	0	-3
<b>Cash flow from investing activities</b>	<b>-15,694</b>	<b>-5,855</b>
Cash receipts from issuance of share capital	107,624	250
Cash payments in connection with the acquisition of equity	-4,532	-377
Cash payments in connection with the acquisition of treasury shares	0	-27
<b>Cash flow from financing activities</b>	<b>103,092</b>	<b>-154</b>
<b>Net change in funds</b>	<b>107,936</b>	<b>12,890</b>
Cash and cash equivalents <sup>1</sup>		
As of 1 January	19,004	6,114
As of 31 December	126,940	19,004
	<b>107,936</b>	<b>12,890</b>

<sup>1</sup> Cash and cash equivalents also include IPO proceeds which were invested at interest and can be liquidated quickly.

**STATEMENTS OF CHANGES IN EQUITY OF THE GROUP  
FROM 1 JANUARY TO 31 DECEMBER 2005**

TEUR	Sub- scribed capital	Capital reserves	Retained earnings	Re- valuation reserve IAS 39	Profit/ loss carried forward	Group profit/ loss of the year	Adjust- ments to currency translation	Minority interest	Total
<b>As of 1 January 2004</b>	<b>8,250</b>	<b>2,305</b>	<b>48</b>	<b>0</b>	<b>-1,467</b>	<b>0</b>	<b>52</b>	<b>548</b>	<b>9,736</b>
Adjustment to the share capital of Conergy AG	450	-450	0	0	0	0	0	0	0
Reclassifications of subsidiaries according to statutes	0	0	152	0	-152	0	0	0	0
Liquidation of a subsidiary	0	0	0	0	-4	0	0	0	-4
Sale of treasury shares	0	700	0	0	0	0	0	0	700
Purchase of treasury shares	0	-27	0	0	0	0	0	0	-27
Cash payments in connection with the acquisition of equity	0	-225	0	0	0	0	0	0	-225
Consolidated net income for the year	0	0	0	0	0	11,017	0	24	11,041
Currency translation differences	0	0	0	0	0	0	-17	0	-17
Other changes	0	0	0	-731	0	0	0	-430	-1,161
Transfer to retained earnings of Conergy AG	0	0	2,206	0	0	-2,206	0	0	0
Transfer to the statutory reserve of Conergy AG	0	0	232	0	0	-232	0	0	0
<b>As of 31 December 2004</b>	<b>8,700</b>	<b>2,303</b>	<b>2,638</b>	<b>-731</b>	<b>-1,623</b>	<b>8,579</b>	<b>35</b>	<b>142</b>	<b>20,043</b>
<b>As of 1 January 2005</b>	<b>8,700</b>	<b>2,303</b>	<b>2,638</b>	<b>-731</b>	<b>6,956</b>	<b>0</b>	<b>35</b>	<b>142</b>	<b>20,043</b>
Capital increase	1,300	68,903	0	0	0	0	0	0	70,203
Sale of treasury shares	0	37,017	760	0	0	0	0	0	37,777
Expenses in connection with the acquisition of equity	0	-4,532	0	0	0	0	0	0	-4,532
Reclassifications of subsidiaries according to statutes	0	0	485	0	-485	0	0	0	0
Use of revaluation surplus	0	0	0	731	0	0	0	0	731
Other changes	0	0	0	0	9	0	0	16	25
Changes in the scope of consolidation	0	0	0	0	0	0	0	276	276
Consolidated net income for the year	0	0	0	0	0	27,795	0	418	28,213
Currency translation differences	0	0	0	0	0	0	40	0	40
Additions to revaluation surplus	0	0	0	-1,446	0	0	0	0	-1,446
Transfer to retained earnings of Conergy AG	0	0	22,714	0	0	-22,714	0	0	0
Transfer to the statutory reserve of voltwerk AG	0	0	27	0	0	-27	0	0	0
Appropriation of retained earnings for treasury shares	0	0	-760	0	760	0	0	0	0
<b>As of 31 December 2005</b>	<b>10,000</b>	<b>103,691</b>	<b>25,864</b>	<b>-1,446</b>	<b>7,240</b>	<b>5,054</b>	<b>75</b>	<b>852</b>	<b>151,330</b>

# Notes

## A. ACCOUNTING PRINCIPLES AND METHODS

### 1. Accounting principles

The consolidated financial statements of Conergy AG, Hamburg, were prepared in accordance with the requirements of the International Accounting Standards Board (IASB), London. All provisions of the International Financial Reporting Standards (IFRS), which had been adopted and published as of 31 December 2005 and had to be applied as of the balance sheet date, and their interpretation by the International Financial Reporting Interpretation Committee (IFRIC) are taken into account. The annual financial statements of the companies that are integrated into the Group financial statements are in general based on consistent and uniform accounting principles and methods. The prerequisites of Section 315a HGB (German Commercial Code) for the preparation of consolidated financial statements according to IFRS, as applicable in the EU, have been fulfilled.

The euro is the Group currency. All amounts are stated in thousands of euros (TEUR), unless indicated otherwise and commercially rounded. Rounding may result in rounding differences of TEUR 1.

For the first time, the consolidated balance sheet is classified using the current/non-current presentation of the revised version of IAS 1 (Presentation of Financial Statements). In order to improve the clarity of the presentation, to the extent meaningful and possible, items in the consolidated balance sheet and consolidated income statement are combined. These items are explained in the notes to the balance sheet or income statement, respectively. The previous year's figures have been adjusted to the current presentation.

Approved accounting standard IFRS 3 (Business Combinations) and the revised versions of IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) are also being applied for the first time in the 2005 financial year. In part, these accounting standards revise the accounting presentation of business combinations and intangible assets (including goodwill). The first-time application of these accounting standards in these consolidated financial statements is noticeable mainly in the elimination of the regular amortisation of goodwill.

The income statement is structured according to the nature-of-expense-method. To improve the clarity of the presentation and the comparability of earnings figures, IPO-related expenses of Conergy AG, which are not recognised directly in equity, were recognised in a separate item below earnings before taxes (EBT) in financial year 2005. Previous year's figures were adjusted accordingly.



The consolidated financial statements are based on the historical cost system and are drawn up in accordance with the consolidation methods and accounting policies described below. Under German law, the consolidated financial statements according to IFRS may be changed only in exceptional cases and subject to the approval of the Supervisory Board.

The present consolidated financial statements use the following accounting policies and consolidation methods that deviate materially from German law:

**Development costs** paid by the company itself, which meet the asset criteria, are capitalised and amortised over their estimated useful life.

Pursuant to IAS 32, **treasury shares** are deducted directly from equity in the balance sheet. The acquisition of treasury shares thus leads to a change in equity. In a departure from an annual financial statement prepared pursuant to the German Commercial Code, sales of treasury shares are not recognised as income in the income statement.

Income in connection with **construction contracts** is recognised according to the stage of completion, provided all requirements under IAS 11 have been met, particularly when the revenue, total cost and stage of completion can be reliably measured. This results in different disclosures of trade receivables, inventories and sales revenue as well as different treatments of advances received.

Conergy AG concludes **forward exchange contracts** in foreign currencies to hedge the purchase of goods. Provided that the prerequisites of IAS 39 are fulfilled and the purchase of goods and the forward exchange contract form a hedging relationship, the difference resulting from a valuation of the forward exchange contracts at fair value is recognised directly in equity, if there is no impending loss from the transaction.

Other **provisions** are recognised only in case of obligations toward third parties and if the probability of their occurring is greater than 50%. Accruals that are characterised by a much higher degree of certainty in terms of the amount and time at which the obligation must be paid are disclosed in liabilities.

**Foreign currency receivables and payables** are converted at the exchange rate at the accrual date and the resulting increase or decrease in value is recognised in the income statement.

**Deferred taxes** are accounted for in accordance with the balance sheet liability method using tax rates that will be relevant in the future. Deferred taxes are calculated for usable income tax loss carryforwards but not on goodwill.

The company issued both new shares and treasury shares in connection with its IPO. If the **costs incurred in connection with the IPO** relate to shares from the capital increase in return for cash contributions, pursuant to IAS 32 such costs will be recognised directly in equity, net of all related income tax benefits.

## 2. Scope of consolidation and consolidation methods

Besides Conergy AG, the parent company, the consolidated financial statements as of 31 December 2005 include 14 domestic and 23 foreign subsidiaries. Companies are included in the consolidated financial statements as of the date on which Conergy AG acquires the majority of the voting rights in the respective company and thus the possibility of controlling it.

The following companies were not included in the scope of consolidation: VoltSol, SL Producción Energía Solar, Parque 1 und 2, VoltSol, SL Producción Energía Solar, Parque 4 bis 29, Stiftung Sonne für Kinder gemeinnützige GmbH and CAG Verwaltungsgesellschaft mbH, Hamburg. These 30 (previous year: 4) subsidiaries essentially are shelf companies of minor significance.

The following companies were included in the scope of consolidation for the first time: Conergy Pty Limited, Sydney, Australia; Conergy Holding Inc., Wilmington, USA; Conergy Inc., Santa Fe, USA; Conergy Mexico S. de R.L. de C.V., Mexico City, Mexico; AET ITALIA S.R.L., Vicenza, Italy; SunTechnics Energia Solar Unipessoal Lda., Lisbon, Portugal; SunTechnics Bioenergy GmbH, Willich; SunTechnics Solar Technology Pty Limited, Sydney, Australia; SunTechnics Energy Systems Private Limited, Bangalore, India; SunTechnics Energy Systems Holding Inc., Wilmington, USA; SunTechnics Energy Systems Inc., Sacramento, USA; voltwerk Zweite Management GmbH, Hamburg; voltwerk Dritte Management GmbH, Hamburg; Compagnie des Énergies Renouvelables S.A.R.L. (LaCER), Amiens, France; VOLTWERK Energias Nuevas SL, Madrid, Spain; VoltSol SL, Madrid, Spain; and TAURUS Energy Pty Limited, Sydney, Australia.

Number of fully consolidated companies	Germany 2005	Abroad 2005	Total 2005	Total 2004
As of 1 January	12	10	22	20
Addition	3	14	17	2
Disposal	0	1	1	0
<b>As of 31 December</b>	<b>15</b>	<b>23</b>	<b>38</b>	<b>22</b>

See Note 41 for additional acquisitions and establishment of companies.

The following table shows the companies that are included in the consolidated financial statements as of 31 December 2005. The calendar year is the financial year of Conergy AG and its consolidated subsidiaries.

Company	Domicile	Capital issued / Limited partnership capital	Percentage of shares owned 31.12.2005
1 AET Alternative-Energie-Technik GmbH	Sulzbach-Neuweiler	TEUR 1,000	100 %
2 AET ALBASOLAR SL	Madrid (Spain)	TEUR 178	100 % <sup>1</sup>
3 AET FRANCE Société par actions simplifiée	Brignoles (France)	TEUR 75	80 % <sup>1</sup>
4 AET Swiss AG	Küsnacht (Switzerland)	TCHF 400	100 % <sup>1</sup>
5 AET SOLION E.P.E.	Alimos (Greece)	TEUR 50	75.1 % <sup>1</sup>
6 AET ITALIA S.R.L.	Vicenza (Italy)	TEUR 50	100 % <sup>1</sup>
7 SunTechnics GmbH	Hamburg	TEUR 1,000	100 %
8 SunTechnics Solartechnik GmbH	Vienna (Austria)	TEUR 35	100 % <sup>2</sup>
9 SunTechnics Installations & Wartungs GmbH	Stuttgart	TEUR 100	100 % <sup>2</sup>
10 SUNTECHNICS TECNICAS SOLARES SL	Madrid (Spain)	TEUR 6	100 % <sup>2</sup>
11 SunTechnics AG	Luzern (Switzerland)	TCHF 100	100 % <sup>2</sup>
12 SunTechnics Fabrisolar AG	Küsnacht (Switzerland)	TCHF 200	100 % <sup>3</sup>
13 SunTechnics Energia Solar Unipessoal Lda.	Lisbon (Portugal)	TEUR 5	100 % <sup>2</sup>
14 SunTechnics Solar Technology Pty Limited	Sydney (Australia)	AUD 1	100 % <sup>2</sup>
15 SunTechnics Energy Systems Holding Inc.	Wilmington (USA)	TUSD 350	100 % <sup>2</sup>
16 SunTechnics Energy Systems Inc.	Sacramento (USA)	TUSD 201	100 % <sup>4</sup>
17 SunTechnics Bioenergy GmbH	Willich	TEUR 498	80 % <sup>2</sup>
18 SunTechnics Energy Systems Private Limited	Bangalore (India)	TINR 13,150	100 % <sup>2</sup>
19 Creaglas Creative Glasbauelemente GmbH	Löbichau	TEUR 143	82 % <sup>5</sup>
20 voltwerk AG	Hamburg	TEUR 2,800	100 %
21 voltwerk Management GmbH	Leipzig	TEUR 25	100 % <sup>6</sup>
22 voltwerk Zweite Management GmbH	Hamburg	TEUR 25	100 % <sup>6</sup>
23 voltwerk Dritte Management GmbH	Hamburg	TEUR 25	100 % <sup>6</sup>
24 voltwerk ökologische Beteiligungen GmbH	Hamburg	TEUR 25	100 % <sup>6</sup>
25 VOLTWERK Energias Nuevas SL	Madrid (Spain)	TEUR 3	100 % <sup>6</sup>
26 TAURUS Energy Pty Limited	Sydney (Australia)	TAUD 320	85 % <sup>6</sup>
27 HÉOLIS ÉNERGIES S.A.R.L.	Avignon (France)	TEUR 15	100 % <sup>6</sup>
28 Compagnie des Énergies Renouvelables S.A.R.L. (LaCER)	Amiens (France)	TEUR 40	75.25 % <sup>7</sup>
29 VoltSol SL	Madrid (Spain)	TEUR 3	100 % <sup>8</sup>
30 conernet.com GmbH	Hamburg	TEUR 25	100 %
31 Conergy Real Estate GmbH & Co. KG	Hamburg	TEUR 51	100 %
32 Conergy Customer Care GmbH	Hamburg	TEUR 26	100 %
33 Conergy Renewable Services GmbH	Hamburg	TEUR 25	100 %
34 Conergy Pty Limited	Sydney (Australia)	AUD 100	80 %
35 Conergy Holding Inc.	Wilmington (USA)	TUSD 1,405	100 %
36 Conergy Mexico S. de R.L. de C.V.	Mexico City (Mexico)	TMXN 888	85 % <sup>9</sup>
37 Conergy Inc.	Santa Fe (USA)	TUSD 16	80 % <sup>9</sup>

<sup>1</sup> through AET Alternative-Energie-Technik GmbH

<sup>2</sup> through SunTechnics GmbH

<sup>3</sup> through SunTechnics AG

<sup>4</sup> through SunTechnics Energy Systems Holding Inc.

<sup>5</sup> through SunTechnics Fabrisolar AG

<sup>6</sup> through voltwerk AG

<sup>7</sup> through HÉOLIS ÉNERGIES S.A.R.L.

<sup>8</sup> through VOLTWERK Energias Nuevas SL

<sup>9</sup> through Conergy Holding Inc.

Capital consolidation is based on the purchase method. Costs for the shareholdings are offset against the companies' pro-rata equity at the date of acquisition, if necessary following adjustment to the Group's accounting policies. To this end, the assets and liabilities are recognised at their fair value at the acquisition date. Undisclosed accruals and liabilities are disclosed only in the amount of the majority interests; minority interests are recognised at their book values prior to consolidation (book value method).

Intragroup profits and losses, sales, expenses, and income as well as receivables and payables between the consolidated companies are eliminated.

In accordance with IAS 1 revised, any amounts due to minority shareholders as of 31 December 2005 are shown under equity for the first time. Previous year's figures were adjusted accordingly.

### **3. Intangible assets**

Intangible assets acquired are valued at cost, less regular pro-rata straight-line depreciation based on their estimated useful life, which is between four and 15 years for commercial property rights and between three and five years for software. The decrease in value is recognised in the amortisation of intangible assets and depreciation of property, plant and equipment.

Development costs are capitalised if it is sufficiently probable that the development activity will lead to future inflows of funds that cover not only current costs but also the respective development costs. Directly attributable personnel costs and related expenses as well as the pro-rata cost of materials such as rent, electricity and insurance are only capitalised at the time the technical and economic feasibility of the project can be demonstrated. Borrowing costs are not a component of the costs of the asset. Development costs that have been capitalised are written down over their probable useful life, usually five years from the date of first use, using the straight-line depreciation method. An extraordinary write-down is taken on the intangible assets if there is any indication of impairment and if the recoverable amount is less than the adjusted cost. The decrease in value is recognised in the amortisation of intangible assets and depreciation of property, plant and equipment.

Goodwill resulting from capital consolidation, to the extent that no hidden reserves can be determined for the recognised assets and liabilities, is capitalised. In accordance with IFRS 3 (Business Combinations), goodwill from capital consolidation is capitalised and regularly subjected to an impairment test once a year – if indications of impairment exist also in the interim – and written down to the lesser recoverable amount if necessary.

Due to the first-time application of IFRS 3, an impairment test is conducted instead of regular amortisation. In that connection, the carrying value is compared to the recoverable amount, which is ascertained using the discounted cash flow method. The recoverable amount is determined based on planned future cash flows, which are discounted using a weighted average of the cost of capital.

#### **4. Property, plant and equipment**

Property, plant and equipment are capitalised at cost less pro-rata straight-line depreciation over their estimated useful life. Government grants received in connection with investments in property, plant and equipment are deducted from the cost and recognised against income over the normal expected useful life of the property, plant or equipment. For purposes of simplification, minor-value assets up to EUR 410 are fully depreciated in the year they are acquired and are reported as disposals in the statement of changes in non-current assets.

Depreciation on property, plant and equipment is essentially based on the following planned useful lives:

Machinery and tools:	3 to 20 years
Motor vehicles:	5 to 6 years
Furniture and fixtures, and office equipment:	4 to 10 years
IT equipment:	3 to 5 years

#### **5. Leases**

Pursuant to IAS 17 (Leases), leased objects that must be allocated to the company as the economic owner are capitalised at their fair value or, if lower, the present value of the minimum lease payments and are depreciated using the straight-line method over their normal useful life or the term of the lease, whichever is shorter. This applies if the material risks and rewards incident to ownership of the lease lie with the Conergy Group. Analogously, liabilities from the lease are recognised and reduced by the non-interest portion of the lease payments made. The depreciation methods correspond to those used for comparable assets acquired.

#### **6. Financial assets**

Financial assets are reported at cost or at their lower fair value in case of impairment.



## **7. Income taxes**

Income taxes are accounted for and measured pursuant to IAS 12 (Income Taxes). Accordingly, deferred tax assets and liabilities are formed for all temporary differences between the tax and IFRS value pursuant to the balance sheet liability method. Deferred taxes also include claims for tax reductions arising from the expected application of existing and sufficiently probable income tax loss carryforwards in subsequent years. Deferred taxes are determined on the basis of country-specific tax rates. Regarding German taxes, the individual tax rates applicable at the time the tax relief or burden occurred are applied, taking trade income tax, corporate income taxes and the solidarity surcharge into account.

Deferred tax liabilities and assets are offset if is possible pursuant to Section 226 para. 4 Tax Regulations in connection with Article 108 of the German Constitution.

## **8. Inventories**

Inventories are shown at cost or at their lower net realisable value (presumed realisable selling price less any costs incurred until such sale). The FIFO method is applied to all merchandise.

Planning and project-related services are measured on the basis of the materials, third-party services, salaries and travel expenses allocated to the respective project.

Contract work is reported according to the percentage-of-completion (PoC) method. The degree of completion to be assigned is determined in two ways depending on the different business models.

In case of major projects (sales volume greater than TEUR 1,000), the degree of completion is always determined on the basis of the completion of pre-defined project segments (milestone method). Revenue and partial profits are recognised, depending on the degree of completion. The orders are shown in trade receivables.

In case of small and medium orders (sales volume less than TEUR 1,000), the degree of completion is always determined by the ratio of the cost incurred to the projected total cost (cost-to-cost method).

The orders are shown in trade receivables or payables. Contract work is recognised as trade receivables to the extent that in individual cases the cumulative performance (order costs and income) is higher than the advances. Any negative balance remaining after deduction of the advances is recognised in trade payables as a liability from construction contracts.

A partial profit was recognised according to the percentage-of-completion (PoC) method for nine major projects and several sales projects. Anticipated losses from orders are covered by devaluations or provisions. All discernible risks are taken into account. Profits from PoC are recognised only if the income from the contract work can be reliably estimated.

### **9. Receivables and other assets**

Receivables and other assets are always recognised at their nominal value, taking appropriate allowances into account. Discernible individual risks are considered through appropriate write-downs. Pursuant to IAS 39, general allowances on receivables are considered to the extent permitted. Estimated amounts follow from the historical data of the company concerned.

### **10. Asset impairments**

An impairment loss (extraordinary write-down) on assets is always taken if the asset's carrying amount is higher than the estimated recoverable amount.

Specific default risks related to financial assets are taken into account through write-offs or individual write-downs. The carrying amount always corresponds to the fair value.

### **11. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank balances as well as securities which can be liquidated quickly and have a maturity of up to 90 days.

Cash on hand and bank balances are recognised at their nominal value. Securities are recognised at market value.

### **12. Provisions**

Provisions are formed for legal and constructive obligations resulting from past events if it is probable that settling the obligation will lead to an outflow of Group resources and that a reliable estimate of the obligation can be made on the basis of that amount most likely to occur.

### **13. Liabilities and deferrals**

Liabilities are shown at the repayment amount.

Deferred items are recorded for prepaid expenses and deferred income.

#### 14. Revenue

Revenue is recognised irrespective of the time it is received if definable services or deliveries were provided or made, if the amount of revenue can be reliably determined, and if the Group is likely to partake of the economic benefit. For the recognition of revenue under PoC, please see Note 8.

#### 15. Currency translation

All figures for subsidiaries domiciled in member states of the European Currency Union are stated in euros.

The annual financial statements of the subsidiaries domiciled outside of the euro zone (Switzerland, Poland, USA, Mexico, Australia and India) are translated in accordance with the functional currency concept. From the point of view of Conergy AG, given that these companies operate their businesses largely independently in financial, economic and organisational terms, the functional currency corresponds to the currency of the country in which the respective company is domiciled.

Accordingly, assets and debts are translated at the average exchange rates as of the balance sheet date. Items in the income statement are translated at annual average exchange rates. Currency differences are recognised in the income statement according to IAS 21.17. Equity-related currency differences are recognised directly in equity and transferred to a reconciling item from currency translation in the amount of TEUR 40 (previous year: TEUR 17 deducted from reconciling item).

Currency translation is based on the following foreign exchange rates:

Currency	Euro exchange rate on the balance sheet date		Average euro exchange rate for the year	
	31.12.2005	31.12.2004	2005	2004
1 CHF	0.64	0.65	0.65	0.65
1 PLN	0.26	0.24	0.25	0.24
1 USD	0.85	0.73	0.80	0.81
100 JPY	0.72	0.72	0.73	0.75
1 MXN	0.08	–	0.07	–
1 AUD	0.62	–	0.61	–
100 INR	1.88	–	1.83	–

Receivables and liabilities in the annual financial statements of the fully consolidated companies that are prepared in the local currency are translated at the exchange rate at the balance sheet date. Differences from currency translation are recognised under “Other operating expenses” and “Other operating income”. In the 2005 financial year, the loss from currency translation was TEUR 79 (previous year: income of TEUR 2).

Forward exchange contracts are measured at market value as of the balance sheet date. If the forward exchange contracts fulfil the requirements for hedge accounting, valuation changes are recognised directly in equity in a revaluation surplus in line with IAS 39.

#### **16. Changes in accounting policies, use of assumptions and estimates**

Assumptions and estimates – which had an effect on the recognition and amount of the assets, liabilities, income and expenses shown – were made in the preparation of the annual financial statements. These assumptions and estimates essentially relate to the determination of the useful life of consumable assets, the degree of completion of projects and the measurement of provisions. In individual cases, the actual values may deviate from the assumptions and estimates. Changes are recognised in the income statement at the time more detailed knowledge becomes available.

No changes regarding accounting policies were made, except for those reported under Notes 1 and 2.

## **B. COMMENTS ON THE BALANCE SHEET**

### **17. Intangible assets**

The development of intangible assets is shown in the statement of changes in non-current assets (see Note 20).

The net carrying amount resulting from finance leases is TEUR 3 (previous year: TEUR 20).

Intangible assets were written down by TEUR 168 (see Note 20). They essentially concern unrealised project costs of LaCER, France. The write-downs are recorded under the Projects segment in the segment reporting.

Goodwill increased by TEUR 3,213 due to the acquisition of Conergy Pty Limited, Australia, LaCER, France, SunTechnics Bioenergy GmbH, TAURUS Pty Limited, Australia and Conergy Inc., USA. Furthermore, the company acquired shares of SunTechnics Fabrisolar AG for TEUR 208, which also resulted in an increase in goodwill.

### **18. Property, plant and equipment**

The development of property, plant and equipment is shown in the statement of changes in non-current assets (see Note 20).

The additions essentially relate to land and buildings at the Rangsdorf production site, IT hardware, office equipment, and other furniture and fixtures.

There was no need for write-downs of property, plant and equipment.

### **19. Financial assets**

The structure and development of financial assets is shown in the statement of changes in non-current assets (see Note 20).

In the reporting year, write-downs in the amount of TEUR 245 were made at SunPower Solartechnik GmbH, Bad Vilbel, because of the planned liquidation of the company. They concern the DMS&CS segment.

### **20. Statement of changes in non-current assets**

The table on page 110 represents the statement of changes in non-current assets as of 31 December 2005.



## 21. Deferred tax assets and liabilities

The temporary deferred tax assets and liabilities, as well as deferred tax expenses and income, are attributable to the following items:

TEUR	01.01.2005	Expenses/ Income acc. to income statement	Recognised in equity	31.12.2005
<b>Deferred tax assets on:</b>				
Tax loss carryforwards	1,851	217	0	2,068
Revaluation surplus	0	0	964	964
Elimination of intercompany profits	0	102	0	102
	<b>1,851</b>	<b>319</b>	<b>964</b>	<b>3,134</b>
<b>Deferred tax liabilities on:</b>				
Capitalised development costs	-380	-846	0	-1,226
Market valuation of forward exchange contracts	0	-748	0	-748
Recognition of partial profits according to PoC	-488	-2,240	0	-2,728
Personnel provisions	-361	-279	0	-640
	<b>-1,229</b>	<b>-4,113</b>	<b>0</b>	<b>-5,342</b>
<b>Deferred taxes, balance</b>	<b>622</b>	<b>-3,794</b>	<b>964</b>	<b>-2,208</b>

Deferred tax assets and liabilities within individual companies are combined. For the Group, this results in deferred tax assets of TEUR 2,454 and deferred tax liabilities of TEUR 4,662.

The above amounts are assigned as follows:

TEUR	31.12.2005	31.12.2004
Deferred tax assets, falling due after more than 12 months	958	1,079
Deferred tax liabilities, falling due after more than 12 months	1,012	304

The recognition of tax assets from loss carryforwards is based on the offsetting of future expected profits which the Management Board budgets in the business plan for the subsequent financial year.

Pursuant to Section 8 para. 4 German Corporate Income Tax Act, the loss carryforwards of Conergy AG may not be upheld in the event of future transfers of shares and additions of largely new assets. This view is highly disputed in the literature. The Management Board of Conergy AG, together with its tax advisers, believes that the loss carryforwards included in the tax calculation remains recoverable. The tax provisions calculated as part of the tax audit that was carried out for the period from 1998 to 2003 are adequate and appropriate.

## 22. Inventories

TEUR	31.12.2005	31.12.2004
Work in progress	4,253	4,125
Finished goods	21,158	11,141
Advances made	29,511	1,105
	<b>54,922</b>	<b>16,371</b>

Work in progress in the amount of TEUR 4,253 essentially comprise the contract costs for projects undertaken by SunTechnics GmbH, SunTechnics Fabrisolar AG, and voltwerk AG at the balance sheet date. The advances made basically relate to the projects of SunTechnics GmbH and voltwerk AG. This is offset by advances received of TEUR 6,176 (previous year: TEUR 3,723), which are shown in liabilities.

The goods essentially comprise merchandise for solar energy installations.

## 23. Trade receivables

The trade receivables shown of TEUR 129,769 (previous year: TEUR 26,852) include receivables from PoC (construction contracts) of TEUR 34,838. No relevant advances were received. Note 8 contains further explanations on PoC.

Trade receivables of TEUR 11 (previous year: TEUR 15) have a remaining period of more than 12 months.

Impairment losses of TEUR 234 (previous year: TEUR 271) were incurred in connection with the trade receivables; they are included in other operating expenses.

## 24. Other receivables and assets

Other assets of TEUR 136 (previous year: TEUR 26) have a remaining period of more than 12 months.

Other assets include receivables from affiliated companies in the amount of TEUR 23, which concern Sonne für Kinder.

## 25. Cash and cash equivalents

Cash and cash equivalents of TEUR 126,940 (previous year: TEUR 19,217) include securities in the amount of TEUR 66,272, which are recognised as cash equivalents according to the provisions of IAS 7.

Securities in the amount of TEUR 43,955 have been deposited as security.

### **26. Prepaid expenses**

Prepaid expenses TEUR 1,095 (previous year: TEUR 669) have a remaining period of more than 12 months.

### **27. Equity, minority interest**

Compared to the previous year, the share capital of Conergy AG increased to TEUR 10,000 (previous year: TEUR 8,700); it is denominated into 10,000,000 non-par value shares with a pro-rata interest in capital of EUR 1.00 each. The capital reserves of TEUR 103,691 (previous year: TEUR 2,303) result essentially from a payment of TEUR 68,903 from shareholders pursuant to Section 272 para. 2 no. 1 German Commercial Code. The proceeds from selling treasury shares in connection with the IPO were TEUR 37,017. The capital increase and the additional proceeds from the sale of shares are reduced by IPO-related expenses of TEUR 4,532. These expenses include current taxes of TEUR 742 of 5 % non-deductible IPO-related expenses, which are charged directly to equity and are offset against capital reserves according to IAS 12.61.

The authorised capital of Conergy AG as of 31 December 2005 amounts to TEUR 4,350. The Management Board is authorised until 1 February 2010 to increase the company's share capital, subject to the approval of the Supervisory Board, by up to TEUR 4,350 through one or several issues of new non-par value shares with a pro-rata interest in capital of EUR 1.00 per share in return for contributions in cash or in kind and to decide, subject to the approval of the Supervisory Board, whether shareholders' subscription rights shall be excluded in certain cases.

The market valuation of forward exchange contracts (see Note 44) resulted in a loss of TEUR 2,410 which was charged directly to equity in the revaluation surplus pursuant to IAS 39 (IAS 39.158 [a]). Current tax assets of TEUR 963 related to this were also included in the revaluation surplus pursuant to IAS 12.61.

The reconciling item for minority interest in the amount of TEUR 852 (previous year: TEUR 142) as of 31 December 2005 comprises the shares of external shareholders of Conergy Inc., USA, SunTechnics Bioenergy GmbH, Creaglas Creative Glasbauelemente GmbH, TAURUS Energy Pty Limited, Australia, AET FRANCE S.A.S., France, Conergy Pty Limited, Australia, Conergy Mexico S. de R.L. de C.V., Mexico, LaCER, France, and AET SOLION E.P.E., Greece.

The accumulated profits are comprised of the following items:

TEUR	31.12.2005	31.12.2004
Consolidated net income of Conergy AG applicable to minority interest	27,795	11,017
Profit/ loss carryforward	6,956	-1,467
Transfer to reserves	-22,457	-2,594
<b>Consolidated accumulated profits</b>	<b>12,294</b>	<b>6,956</b>

The Management Board and Supervisory Board of Conergy AG propose to the General Shareholders' Meeting that a dividend of EUR 0.30 per participating share be paid out of the accumulated profits of TEUR 25,750 of Conergy AG.

As of 31 December 2005, the company held 80,250 treasury shares. The number of outstanding fully-paid shares developed as follows:

	Date of purchase	Number of bearer shares
<b>As of 31.12.2001</b>		<b>8,700,000</b>
Repurchase of treasury shares	25.10.2002	-870,000
<b>As of 31.12.2002</b>		<b>7,830,000</b>
Disposal of treasury shares (investment in AET ALBASOLAR)	11.03.2003	41,122
Disposal of treasury shares (purchase of shares in voltwerk AG)	03.06.2003	78,000
Repurchase of treasury shares	30.06.2003	-76,040
Disposal of treasury shares (sale)	19.12.2003	6,667
<b>As of 31.12.2003</b>		<b>7,879,749</b>
Disposal of treasury shares (sale)	16.02.2004	13,334
Disposal of treasury shares (sale)	17.09.2004	6,667
Disposal of treasury shares (purchase of shares in voltwerk AG)	08.10.2004	38,333
Repurchase of treasury shares	18.10.2004	-25,000
Disposal of treasury shares (sale)	08.12.2004	6,667
<b>As of 31.12.2004</b>		<b>7,919,750</b>
Addition of shares from capital increase	14.03.2005	1,300,000
Disposal of treasury shares (sale)	17.03.2005	672,974
Disposal of treasury shares (sale)	30.03.2005	25,424
Disposal of treasury shares (sale)	06.04.2005	1,602
<b>As of 31.12.2005</b>		<b>9,919,750</b>

## 28. Tax provisions

The tax provisions developed as follows during the financial year:

TEUR	As of 01.01.2005	Additions from company acquisition	Use	Dissolution	Addition	As of 31.12.2005
Tax provisions	5,304	121	434	8	18,275	23,258
	<b>5,304</b>	<b>121</b>	<b>434</b>	<b>8</b>	<b>18,275</b>	<b>23,258</b>

The tax provisions contain deferred tax liabilities of TEUR 4,662.

## 29. Provisions

The provisions developed as follows:

TEUR	As of 01.01.2005	Additions from company acquisition	Use	Dissolution	Addition	As of 31.12.2005
Warranties	501	140	39	53	466	1,015
Other provisions	11	0	0	11	0	0
	<b>512</b>	<b>140</b>	<b>39</b>	<b>64</b>	<b>466</b>	<b>1,015</b>

Provisions for warranties were formed for potential follow-up work in connection with major projects previously concluded and warranties under statutory product warranties for the company's own products. The warranty period is generally two years. Of the provisions, TEUR 1,015 (previous year: TEUR 340) must be settled after more than one year.

Additional liabilities (for follow-up costs related to projects, profit sharing, personnel, annual financial statements and other) are shown as accruals in "Trade payables" (Note 31) and in "Other liabilities and deferred income" (Note 32) pursuant to IAS 37.

## 30. Financial liabilities

The financial liabilities are comprised as follows:

TEUR	31.12.2005	31.12.2004
Bank overdrafts	5,590	238
Loans	8	0
	<b>5,598</b>	<b>238</b>



Of the above totals, TEUR 5,590 (previous year: TEUR 238) are due within one year and TEUR 8 (previous year: TEUR 0) between one and five years. There are no financial liabilities with a remaining period of more than five years.

The bank overdrafts of TEUR 5,590 result from borrowing Japanese yens, which had to be provided early due to a holiday in Japan.

The current financial liabilities with a maturity of less than one year are related to credit lines with house banks utilised by the Conergy Group. Interest is calculated at variable rates at the time the credit lines are used.

### 31. Trade payables

As in the previous year, all trade payables of TEUR 132,207 (previous year: TEUR 28,408) are due within one year.

### 32. Other liabilities and deferred income

Other liabilities and deferred income are comprised as follows:

TEUR	31.12.2005	31.12.2004
Tax liabilities	17,021	11,657
Liabilities for staff costs (provision under German Commercial Code)	3,142	2,298
Contingent losses of currency transactions	2,410	731
Deferred income	1,490	1,582
Liabilities related to social security	748	419
Loans received	278	277
Liabilities for the preparation of financial statements (provision under German Commercial Code)	261	207
Liabilities due to affiliated companies	255	0
Liabilities under finance lease contracts	1	15
Other liabilities	1,144	1,096
	<b>26,750</b>	<b>18,282</b>

Other liabilities and deferred income of TEUR 1,648 (previous year: TEUR 1,523) have a remaining period of more than 12 months. Tax liabilities of TEUR 17,021 (previous year: TEUR 11,657) are related primarily to sales taxes and are due within one year.

The finance lease contracts relate exclusively to software with terms of 48 months each. The leasing companies used market rates in their interest calculations.

The remaining other liabilities include other provisions according to the German Commercial Code in the amount of TEUR 699 (previous year: TEUR 1,018).

The minimum lease payments are due as follows:

<b>TEUR</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
Within one year	2	15
Between one and five years	0	2
Total future lease payments	2	17
Future interest share of finance lease payments	1	2
<b>Present value of finance lease payments</b>	<b>1</b>	<b>15</b>

The present value of the finance lease payments is due as follows:

<b>TEUR</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
Within one year	1	13
Between one and five years	0	2
<b>Present value of finance lease payments</b>	<b>1</b>	<b>15</b>

## C. COMMENTS ON THE INCOME STATEMENT

### 33. Revenue

64 % of revenue results from the sale of goods. Sales and their development by segments and geographical markets are shown in Segment Reporting (Note 40).

Revenue is comprised as follows:

TEUR	2005	2004
Revenue from the sale of goods	341,353	187,269
Revenue from services rendered	188,815	97,564
	<b>530,168</b>	<b>284,833</b>

Contract revenue recorded in the reporting period is determined on the basis of fixed price contracts.

In addition to completed orders, revenue contains services recognised from production contracts which were determined in accordance with the percentage-of-completion (PoC) method. Revenue recorded from PoC was TEUR 34,333 (previous year: TEUR 578). Note 8 contains further explanations on PoC.

### 34. Other operating income

The other operating income is comprised as follows:

TEUR	2005	2004
Compensation for damages, photovoltaics suppliers	3,400	0
Compensation for damages, wind suppliers	2,696	0
Valuation of forward exchange contracts	1,853	0
Write-offs of liabilities	1,726	55
Income from exchange rate differences	474	281
Refunds under SunTechnics guarantees	365	3
Remuneration in kind	256	162
Payments received on written down liabilities	90	29
Other income	1,216	655
	<b>12,076</b>	<b>1,185</b>

### 35. Staff costs

TEUR	2005	2004
Wages and salaries	22,796	11,635
Social security costs	4,231	2,004
	<b>27,027</b>	<b>13,639</b>

The Group had 724 employees (expressed in FTE = Full Time Equivalents), including managing directors and Management Board members, as of 31 December 2005 (previous year: 347). The average number of employees of the companies included in the consolidated financial statements was 579 (previous year: 293). Of these, 465 were employed in Germany, 78 in Europe, and 36 in the rest of the world.

Profit-sharing schemes for executives are stipulated in individual bonus agreements.

Staff costs in the amount of TEUR 971 (previous year: TEUR 0) are reported separately as IPO costs below EBT.

### 36. Other operating expenses

The other operating expenses are comprised as follows:

TEUR	2005	2004
Advertising expenses	3,507	1,311
Occupancy expenses	3,332	1,615
Human resources	2,878	716
Legal and consulting expenses	2,498	1,078
Travel expenses	2,167	659
Communications	1,452	717
Vehicle costs (incl. taxes)	1,192	680
Insurance, contributions, other taxes	834	331
Incidental banking expenses	760	327
Development costs	708	46
Warranties and complaints	698	765
Expenses under guarantees	362	3
IT	282	238
Other expenses	2,142	1,514
	<b>22,812</b>	<b>10,000</b>

Other operating expenses arising from legal and consultancy costs and banking commissions in the amount of TEUR 1,894 (previous year: TEUR 188) are reported separately as IPO costs below EBT.

### 37. Income taxes

Income taxes comprise taxes paid and owed on income and earnings, as well as the deferred tax assets and liabilities recognised by the Group. Income taxes are calculated on the basis of applicable laws and regulations.

Income taxes are comprised as follows:

TEUR	2005	2004
Actual tax expenses	14,195	4,924
Adjustment of deferred taxes (loss carryforward)	-217	2,814
Adjustment of deferred taxes (elimination of intercompany profits)	-102	0
Adjustment of deferred taxes (capitalised development services)	846	89
Adjustment of deferred taxes (recognition of partial profits, PoC)	2,240	-450
Adjustment of deferred taxes (market valuation of forward exchange contracts)	748	0
Adjustment of deferred taxes (difference in staff costs)	279	361
	<b>17,989</b>	<b>7,738</b>

Current income tax expenses exclusively comprise tax amounts from the income statements included in the consolidated financial statements and are related solely to profit (loss) from ordinary activities.

TEUR	2005	2004
<b>Earnings before income taxes</b> (incl. minority interest)	<b>46,202</b>	<b>18,779</b>
Expected income tax expense (40.4 %)	18,666	7,587
Adjustments to account for differences in foreign taxes	-237	23
Tax expenses not related to the accounting period	195	118
Tax income on costs for the acquisition of equity, offset against capital reserves	-743	-152
Other adjustments (different tax rates etc.)	108	162
<b>Income tax</b>	<b>17,989</b>	<b>7,738</b>

A corporate income tax rate of 25 % and a solidarity surcharge of 5.5 % on the corporate income tax rate, as well as trade tax rates between 12 % and 19 %, are applied to domestic tax calculations in accordance with applicable taxation rates. Foreign income taxes are calculated on the basis of the laws and regulations applicable in the respective countries.

The following income tax rates apply in the various countries: 35 % in Spain; 34 % in Austria; 34.33 % in France; 19 % in Poland; 32 % in Greece; 25 % in Portugal; 40 % in the USA; 30 % in Australia; 30 % in Mexico; 33 % in Italy; and 24.7 % in Switzerland.

The development of deferred tax assets and liabilities is shown in Note 21.

**38. Earnings per share**

The earnings per share are determined as follows:

	2005	2004
Consolidated net income applicable to shareholders of Conergy AG in TEUR	27,795	11,017
Average number of shares issued, in thousands	9,503	7,899
Basic earnings per share in EUR	2.92	1.39
Diluted earnings per share in EUR	2.92	1.39



## D. OTHER DISCLOSURES

### 39. Consolidated cash flow statement

The companies only maintain cash and cash equivalents that are short-term funds.

Interest income and expenses are assigned exclusively to operating activities.

Cash includes cash in hand, checks and bank balances.

Cash outflows due to the acquisition or establishment of companies were as follows:

TEUR	2005	2004
Cash payment obligations due to company acquisitions	4,793	238
plus payments due to company acquisitions, previous year	208	293
less acquired cash	232	0
<b>Cash outflow due to the acquisition of companies</b>	<b>4,769</b>	<b>531</b>

### 40. Segment reporting

Segment reporting was prepared in accordance with IAS 14 (Segment Reporting). Individual consolidated data are reported by business units in keeping with the Group's internal reporting and organisational structure. Segment reporting aims to lend greater transparency to both the performance and the assets of the Group's individual business units or regions.

Primary segment reporting is based on the organisational structure of the Conergy Group. The Group differentiates among the following segments:

#### a. Primary segments: Business units

1. voltwerk Group (Projects)  
The voltwerk Group is responsible for planning and executing major solar energy and wind power projects.
2. SunTechnics Group (Engineering)  
The SunTechnics Group is responsible for planning, implementing and installing solar units of any size.
3. AET Group (Wholesale)  
The AET Group sells solar modules and solar units.

4. DMS&CS (Development, Manufacturing, Sales and Central Services)

DMS&CS is responsible for the production of solar thermal components; mounting systems for solar modules; lamination of special modules and electronic products for measuring and processing data; production and ongoing development of power inverters; as well as for carrying out related research & development activities. All solar modules are procured centrally by DMS&CS. The distribution department of Conergy delivers complete systems and components to electrical and sanitary wholesalers.

5. Consolidation

The relationships between the business units within the entire Group are eliminated on this level.

**b. Secondary segmenting: Geographically**

This segmenting is by geographical categories. The following regions are formed to this end: Germany, Europe and rest of world (RoW).

The assignment of expenses between segments was based on the third-party comparative method in accordance with direct assignability (IAS 14.75).

Segment revenue, expenses and results comprise transfers primarily between the business segments as well as secondarily between the geographical segments. The transfers are accounted for at intersegment transfer prices and are eliminated during consolidation.

The intersegment transfer prices of merchandise follow from procurement prices plus an intragroup surcharge of 3 %.

**PRIMARY SEGMENT REPORTING****Consolidated income statement from 1 January to 31 December 2005**

TEUR	Projects		Engineering	
	2005	2004	2005	2004
Revenue, external	139,269	51,768	150,112	91,143
Intersegment revenues	6,372	1,918	89,466	41,309
<b>Segment revenue</b>	<b>145,641</b>	<b>53,686</b>	<b>239,578</b>	<b>132,452</b>
Share in percent	27.5	18.8	45.2	46.5
<b>EBITDA (pre IPO expenses)</b>	<b>12,423</b>	<b>2,837</b>	<b>16,150</b>	<b>6,489</b>
<b>EBIT (pre IPO expenses)</b>	<b>12,116</b>	<b>2,643</b>	<b>15,651</b>	<b>6,270</b>
Share in percent	25.5	13.9	33.0	33.0
<b>Consolidated annual result</b>				

**Consolidated balance sheet as of 31 December 2005**

TEUR	Projects		Engineering	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>ASSETS</b>				
Fixed assets and other non-current assets	4,373	2,489	5,406	2,797
Current assets	91,648	19,416	111,607	29,739
Prepaid expenses	689	647	165	43
<b>Segment assets (incl. income tax claims)</b>	<b>96,709</b>	<b>22,552</b>	<b>117,178</b>	<b>32,579</b>
Share in percent	27.9	29.5	33.8	42.6
Segment assets	96,504	22,375	116,398	31,797
<b>LIABILITIES</b>				
Provisions	7,014	2,171	1,511	374
Liabilities	77,552	15,321	97,523	29,561
Deferred income	1,451	1,531	30	50
<b>Segment liabilities (incl. income tax liabilities)</b>	<b>86,017</b>	<b>19,023</b>	<b>99,064</b>	<b>29,985</b>
Share in percent	44.1	33.7	50.8	53.1
Segment liabilities	80,931	16,868	98,663	29,949

**Key figures**

TEUR	Projects		Engineering	
	2005	2004	2005	2004
Segment investments	2,162	1,558	2,358	587
Depreciation and amortisation	139	194	499	219
Write-downs	168	0	0	0
Employees (FTE, as at 31.12.)	53	31	239	88

Wholesale		DMS&CS		Consolidation		Group	
2005	2004	2005	2004	2005	2004	2005	2004
165,085	107,870	75,702	34,052	0	0	530,168	284,833
10,557	1,703	306,898	197,634	-413,294	-242,564	0	0
<b>175,642</b>	<b>109,573</b>	<b>382,601</b>	<b>231,686</b>	<b>-413,294</b>	<b>-242,564</b>	<b>530,168</b>	<b>284,833</b>
33.1	38.5	72.2	81.3	-78.0	-85.2	100.0	100.0
<b>19,469</b>	<b>10,320</b>	<b>2,275</b>	<b>1,490</b>	<b>-10</b>	<b>-8</b>	<b>50,307</b>	<b>21,128</b>
<b>19,361</b>	<b>10,211</b>	<b>316</b>	<b>567</b>	<b>-10</b>	<b>-503</b>	<b>47,435</b>	<b>19,188</b>
40.8	53.7	0.7	2.0	0.0	-2.6	100.0	100.0
						<b>28,213</b>	<b>11,041</b>

Wholesale		DMS&CS		Consolidation		Group	
31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
2,702	2,192	21,579	8,430	-8,975	-4,806	25,085	11,102
65,829	24,804	267,192	67,550	-216,293	-76,909	319,984	64,600
49	25	318	93	0	0	1,221	808
<b>68,580</b>	<b>27,021</b>	<b>289,089<sup>1</sup></b>	<b>76,073</b>	<b>-225,267</b>	<b>-81,715</b>	<b>346,289</b>	<b>76,510</b>
19.8	35.3	83.5	99.4	-65.1	-106.8	100.0	100.0
68,343	26,818	287,959	76,058	-225,370	-81,716	343,835	75,333
447	170	15,301	3,100	0	0	24,273	5,816
46,635	24,381	132,209	56,472	-184,722	-76,665	169,196	49,070
0	0	9	0	0	0	1,490	1,581
<b>47,082</b>	<b>24,551</b>	<b>147,519</b>	<b>59,572</b>	<b>-184,722</b>	<b>-76,665</b>	<b>194,959</b>	<b>56,467</b>
24.1	43.5	75.7	104.2	-94.7	-135.8	100.0	100.0
46,671	24,381	134,821	56,630	-184,722	-76,665	176,363	51,163

<sup>1</sup> Impairment losses of TEUR 1,446 from the valuation of financial instruments held to hedge cash flows were recognised directly in equity.

Wholesale		DMS&CS		Consolidation		Group	
2005	2004	2005	2004	2005	2004	2005	2004
351	212	10,990	3,536	0	0	15,861	5,893
108	109	1,713	923	0	495	2,459	1,940
0	0	245	0	0	0	413	0
80	62	352	166	0	0	724	347

## SECONDARY SEGMENT REPORTING

### Consolidated income statement from 1 January to 31 December 2005

TEUR	Germany		Europe (without Germany)	
	2005	2004	2005	2004
Revenue, external	454,546	268,018	55,311	10,015
Intersegment revenues	408,132	242,100	5,162	405
<b>Segment revenue</b>	<b>862,678</b>	<b>510,118</b>	<b>60,473</b>	<b>10,420</b>
Share in percent	162.7	179.1	11.4	3.7
<b>EBITDA (pre IPO expenses)</b>	<b>45,802</b>	<b>20,342</b>	<b>3,691</b>	<b>835</b>
<b>EBIT (pre IPO expenses)</b>	<b>43,328</b>	<b>18,993</b>	<b>3,350</b>	<b>783</b>
Share in percent	91.3	99.0	7.1	4.1
<b>Consolidated annual result</b>				

### Consolidated balance sheet as of 31 December 2005

TEUR	Germany		Europe (without Germany)	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>ASSETS</b>				
Fixed assets and other non-current assets	27,680	14,096	3,114	76
Current assets	497,933	133,404	29,540	3,928
Prepaid expenses	1,059	767	84	5
<b>Segment assets (incl. income tax claims)</b>	<b>526,672<sup>1</sup></b>	<b>148,267</b>	<b>32,738</b>	<b>4,008</b>
Share in percent	152.1	193.8	9.5	5.2
Segment assets	525,339	147,446	32,151	3,990
<b>LIABILITIES</b>				
Provisions	23,367	5,599	788	174
Liabilities	317,200	116,554	29,019	3,286
Deferred income	1,490	1,581	0	0
<b>Segment liabilities (incl. income tax liabilities)</b>	<b>342,057</b>	<b>123,734</b>	<b>29,808</b>	<b>3,460</b>
Share in percent	175.5	219.1	15.3	6.1
Segment liabilities	324,280	118,635	29,106	3,286

<sup>1</sup> Impairment losses of TEUR 1,446 from the valuation of financial instruments held to hedge cash flows were recognised directly in equity.

### Key figures

TEUR	Germany		Europe (without Germany)	
	2005	2004	2005	2004
Segment investments	12,469	5,706	1,417	45
Depreciation and amortisation	2,061	1,349	342	52
Write-downs	245	0	168	0
Employees (FTE, as at 31.12.)	560	298	107	25

RoW		Consolidation		Group	
2005	2004	2005	2004	2005	2004
20,311	6,800	0	0	530,168	284,833
0	59	-413,294	-242,564	0	0
<b>20,311</b>	<b>6,859</b>	<b>-413,294</b>	<b>-242,564</b>	<b>530,168</b>	<b>284,833</b>
3.8	2.4	-78.0	-85.2	100.0	100.0
<b>823</b>	<b>-40</b>	<b>-10</b>	<b>-9</b>	<b>50,307</b>	<b>21,128</b>
<b>766</b>	<b>-84</b>	<b>-10</b>	<b>-504</b>	<b>47,435</b>	<b>19,188</b>
1.6	-0.4	0.0	-2.7	100.0	100.0
				<b>28,213</b>	<b>11,041</b>

RoW		Consolidation		Group	
31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
3,265	1,736	-8,975	-4,806	25,085	11,102
8,803	4,178	-216,293	-76,910	319,984	64,600
78	36	0	0	1,221	808
<b>12,146</b>	<b>5,951</b>	<b>-225,267</b>	<b>-81,716</b>	<b>346,289</b>	<b>76,510</b>
3.5	7.8	-65.1	-106.8	100.0	100.0
11,714	5,613	-225,370	-81,716	343,835	75,333
118	43	0	0	24,273	5,816
7,699	5,894	-184,722	-76,665	169,196	49,070
0	0	0	0	1,490	1,581
<b>7,817</b>	<b>5,937</b>	<b>-184,722</b>	<b>-76,665</b>	<b>194,959</b>	<b>56,467</b>
4.0	10.5	-94.7	-135.8	100.0	100.0
7,699	5,907	-184,722	-76,665	176,363	51,163

RoW		Consolidation		Group	
2005	2004	2005	2004	2005	2004
1,975	142	0	0	15,861	5,893
56	44	0	495	2,459	1,940
0	0	0	0	413	0
57	24	0	0	724	347



#### 41. Acquisitions

Shares in the following companies were acquired in the 2005 financial year:

Company	Business unit	Acquisition date	Percentage of shares acquired	Purchase price in TEUR	Total percentage of shares owned as of 31.12.2005	Revenue 2005 in TEUR	Earnings 2005 in TEUR
Conergy Inc.	DMS&CS	19.01.2005	80.00 %	2,209	80.00 %	19,485	1,360
AET Swiss AG	Wholesale	02.05.2005	20.00 %	155	100.00 %	2,377	128
VoltSol SL	Projects	26.05.2005	100.00 %	3	100.00 %	0	0
LaCER	Projects	20.09.2005	75.25 %	300	75.25 %	0	40
SunTechnics Bioenergy	Engineering	27.06.2005	80.00 %	745	80.00 %	3,327	550
TAURUS Energy Pty Limited	Projects	06.07.2005	85.00 %	1,122	85.00 %	0	-71
SunTechnics Fabrisolar	Engineering	30.04.2005	20.00 %	259	100.00 %	4,607	145

The payments for the goodwill of Conergy Inc., USA, VoltSol SL, Spain, LaCER, France, SunTechnics Bioenergy, Germany, and TAURUS Energy Pty Limited, Australia, are based on the takeover of customer relationships and future market developments.

The total price paid for these acquisitions is as follows:

TEUR	
Cash payments for the acquisition of companies	4,793
	<b>4,793</b>

The acquisitions and initial consolidation had the following effect on balance sheet items at the time of acquisition and initial consolidation:

TEUR	Conergy Inc.	Other acquisitions
Intangible assets/Property, plant and equipment	1,296	1,956
Financial assets	0	4
Other non-current assets	0	0
Deferred taxes	0	0
Current assets	51	181
Non-current liabilities	0	0
Current liabilities	1,924	142

The following table provides detailed information on the establishment of companies in 2005:

Company	Business unit	Date established	Percentage of shares	Capital issued	
AET ITALIA S.R.L.	Wholesale	29.07.2005	100 %	TEUR	50
SunTechnics Energia Unipessoal Solar Lda.	Engineering	24.02.2005	100 %	TEUR	5
SunTechnics Solar Technology Pty Limited	Engineering	19.04.2005	100 %	AUD	1
SunTechnics Energy Systems Holding Inc.	Engineering	20.04.2005	100 %	TUSD	350
SunTechnics Energy Systems Inc.	Engineering	20.04.2005	100 %	TUSD	201
SunTechnics Energy Systems Private Limited	Engineering	20.07.2005	100 %	TINR	13,150
voltwerk Zweite Management GmbH	Projects	08.07.2005	100 %	TEUR	25
voltwerk Dritte Management GmbH	Projects	15.07.2005	100 %	TEUR	25
Conergy Pty Limited	DMS&CS	06.01.2005	80 %	AUD	100
Conergy Holding Inc.	DMS&CS	14.01.2005	100 %	TUSD	1,405
Conergy Mexico S. de R.L. de C.V.	DMS&CS	15.04.2005	85 %	TMXN	888

#### 42. Contingent liabilities

Contingent liabilities as of the balance sheet date comprise two letters of comfort entailing a maximum obligation of TEUR 656 (previous year: TEUR 47) toward external third parties.

The Group also granted a placement guarantee for TEUR 850 in favour of the bank financing the "Wörbizig" project (previous year: TEUR 3,334).

#### 43. Other financial liabilities

The major operating lease contracts and leases relate to offices, vehicles, and other furniture, fixtures and office equipment. As of 31 December 2005, the Group had the following liabilities under operating lease contracts:

TEUR	2005	2004
Within one year	4,397	3,068
Between one and five years	8,780	7,932
	<b>13,177</b>	<b>11,000</b>

The total amount of other financial liabilities under obligations to repurchase installations is TEUR 7,013; these must be satisfied from 2023 at the earliest. Conergy AG has also undertaken to purchase solar modules for a fixed, foreign currency total of JPY 12.2 billion (TEUR 90,675). To this end, Conergy AG concluded forward exchange contracts at different JPY rates and corresponding maturity dates.

#### 44. Derivative financial instruments

A portion of solar modules are purchased in Japan. Forward exchange contracts were concluded to hedge the obligation to purchase solar modules in JPY described in Note 43. The value and maturity of this financial instrument match those of the underlying transaction, precluding risks from exchange rate fluctuations. The expenses or income from currency translation are recognised against income, to the extent that the requirements under IAS 39 for recognising this transaction as a hedged position have not been met.

The market valuation of the forward exchange contracts resulted in changes that were charged directly against equity in the revaluation surplus pursuant to IAS 39 (see Note 27).

#### 45. Relationships to related parties

The following persons served on the Management Board in the 2005 financial year:

- | Hans-Martin Rüter (Chairman of the Board)
- | Nikolaus Krane
- | Heiko Piossek (since February 2005)
- | Dr. Edmund Stassen
- | Albert Edelmann (since May 2005)
- | Angiolo Laviziano (until April 2005)

The members of the Management Board received total compensation of TEUR 1,889 (previous year: TEUR 1,591). The compensation breaks down as follows:

EUR	Fixed compensation	Variable compensation	IPO bonus	Total
Hans-Martin Rüter	252,685	239,058	90,000	581,743
Dr. Edmund Stassen	146,415	49,189	3,000	198,604
Nikolaus Krane	178,780	177,080	65,000	420,860
Albert Edelmann	100,000	132,810	–	232,810
Heiko Piossek	165,000	177,080	50,000	392,080
Angiolo Laviziano	60,000	–	2,500	62,500

The following persons served on the Supervisory Board in the 2005 financial year:

- | Dieter Ammer (Chairman)
- | Alexander Rauschenbusch (Deputy Chairman)
- | Dr. Dr. h. c. Andreas J. Büchting (since February 2005)
- | Oswald Metzger (since February 2005)
- | Andreas Rüter
- | Eckhard Spoerr (since February 2005)

In the 2005 financial year, total compensation paid to the members of the Supervisory Board was TEUR 232 (previous year: TEUR 40).

The subsidiaries described in Note 2 are considered companies related to Conergy AG in light of voting right relationships during the financial year. Transactions with these companies are eliminated during consolidation. No material transactions were carried out with non-consolidated subsidiaries in 2005.

#### **46. Exemption under Section 264 para. 3 German Commercial Code**

SunTechnics Solartechnik GmbH, Hamburg, and AET Alternative-Energie-Technik GmbH, Sulzbach, both Germany, utilise the exemption rule pursuant to Section 264 para. 3 German Commercial Code (exemption from the preparation, auditing and disclosure of annual financial statements).

#### **47. Disclosures regarding the Declaration of Compliance**

The Management Board and Supervisory Board issued the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act and made this declaration available to its shareholders on the company's website.

#### **48. Auditing fees**

The following fees for the auditor of the financial statements were recorded as expenses in accordance with Section 319 para. 1 sentence 1, 2 German Commercial Code in the 2005 financial year:

Audits of the financial statements	TEUR	129
Other auditing or valuation services	TEUR	13
Other services	TEUR	186

Other services essentially concern services rendered in connection with the IPO, especially increased insurance premiums that were passed on. The amount stated reflects only the amount recognised as an expense.

#### **49. Events after the balance sheet date**

Business in 2006 is being conducted as planned and no special events have occurred.

Hamburg, 24 February 2006

Conergy AG

The Management Board

Hans-Martin Rüter  
Chairman of the Board

Nikolaus Krane

Heiko Piossek

Dr. Edmund Stassen

Albert Edelmann

**CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS  
AS OF 31 DECEMBER 2005**

	Cost				31.12.2005
	01.01.2005	Additions from company acquisition	Additions	Disposals	
<b>TEUR</b>					
Intangible assets					
Licenses	2,002	62	1,987	169	3,882
Services	1,916	0	2,589	0	4,505
Goodwill	4,830	3,213	208	0	8,251
	<b>8,748</b>	<b>3,275</b>	<b>4,784</b>	<b>169</b>	<b>16,638</b>
Equipment					
Land and buildings	2,156	14	2,222	2	4,390
Furniture and office equipment	3,301	155	4,185	1,202	6,439
Advances made and assets under construction	0	0	855	0	855
	<b>5,457</b>	<b>169</b>	<b>7,262</b>	<b>1,204</b>	<b>11,684</b>
Financial assets					
Companies	17	0	294	0	311
Shareholdings	0	0	10	0	10
Investment securities	3	0	1	0	4
Other borrowings	0	0	66	0	66
	<b>20</b>	<b>0</b>	<b>371</b>	<b>0</b>	<b>391</b>
	<b>14,225</b>	<b>3,444</b>	<b>12,417</b>	<b>1,373</b>	<b>28,713</b>

Depreciation / amortisation					Carrying amounts		
01.01.2005	Additions from company acquisition	Additions	Disposals	Currency difference	31.12.2005	31.12.2005	31.12.2004
631	19	710	168	2	1,194	2,688	1,371
978	0	405	0	0	1,383	3,122	938
1,474	0	0	0	0	1,474	6,777	3,356
<b>3,083</b>	<b>19</b>	<b>1,115</b>	<b>168</b>	<b>2</b>	<b>4,051</b>	<b>12,587</b>	<b>5,665</b>
1	5	50	3	0	53	4,337	2,155
1,216	80	1,462	1,032	6	1,732	4,707	2,085
0	0	0	0	0	0	855	0
<b>1,217</b>	<b>85</b>	<b>1,512</b>	<b>1,035</b>	<b>6</b>	<b>1,785</b>	<b>9,899</b>	<b>4,240</b>
0	0	245	0	0	245	66	17
0	0	0	0	0	0	10	0
2	0	0	0	0	2	2	1
0	0	0	0	0	0	66	0
<b>2</b>	<b>0</b>	<b>245</b>	<b>0</b>	<b>0</b>	<b>247</b>	<b>144</b>	<b>18</b>
<b>4,302</b>	<b>104</b>	<b>2,872</b>	<b>1,203</b>	<b>8</b>	<b>6,083</b>	<b>22,630</b>	<b>9,923</b>



## AUDITORS' REPORT

We have audited the consolidated financial statements of Conergy AG, Hamburg, consisting of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from 1 January to 31 December 2005. The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para. 1 German Commercial Code (HGB) are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the Group management report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations with a material impact on the presentation of net assets, financial situation and results of operations conveyed by the consolidated financial statements with due regard to the applicable accounting principles and by the Group management report are identified. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible errors 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 annual 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 financial statements of the companies included in consolidation, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the consolidated financial statements are in compliance with IFRS as applicable in the EU and with the supplementary provisions applicable under Section 315a para. 1 HGB, and in accordance with these provisions give a true and fair view of the net assets, financial situation and results of the operations of the company. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group's situation and suitably presents the risks of future development.

Hamburg, 28 February 2006

FIDES Treuhandgesellschaft KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

(Noodt) (Mackedanz)  
Auditor Auditor

# Further information



## Reliable generation of energy around the clock

The 625-kilowatt biogas system in Gollensdorf (Saxony-Anhalt, Germany) produces roughly 4.7 million kilowatt hours of environmentally sound electricity per year – enough to meet the demand of more than 300 households.

The pairing of lucrative compensation with high performance make bioenergy installations an interesting investment. The Gollensdorf project is a part of the “Bio Generation Fund I”.











# Further information

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# Glossary



## **100,000 Roofs Programme**

The 100,000 Roofs Programme provided nationwide government incentives until 30 June 2003 for the construction of solar power systems.

## **CO<sub>2</sub>**

Carbon dioxide.



## **Control unit**

Microprocessor-controlled unit for controlling solar thermal system functions.

## **ECJ**

European Court of Justice.

## **EEG**

German Act on Granting Priority to Renewable Energies (Erneuerbare-Energien-Gesetz).

## **Efficiency**

In energy conversion processes, efficiency is defined as the ratio of useful energy produced to energy or power used.

## **Full Time Equivalent (FTE)**

The number of full-time employees calculated by converting parttime employees to full-time employees.



## **Grid-connected systems**

Photovoltaic systems connected to a public energy supply network.

## **Grid operator**

Electrical utility that operates power grids for the general supply of electricity.



### **Inverter**

Solar modules generate direct current (DC), and inverters are used to convert DC into AC (alternating current). This enables the electricity generated from solar energy to be utilised by end users at 230 volts AC or to be fed into the public grid. Central inverters are used in large systems, and string inverters in small systems.

### **Kilowatt (kW)**

1,000 Watt. Unit of power used to measure the capacity of solar energy systems.

### **Kilowatt hour (kWh)**

Unit of energy. Electricity consumption is stated in kilowatt hours. 1 kWh = 1,000 watts over a period of one hour.

### **kW**

Abbreviation of “kilowatt”.

### **kWh**

Abbreviation of “kilowatt hour”.

### **kWp**

Abbreviation of “peak kilowatt”.



### **Large-scale system**

Photovoltaic power plant with a rated output of over 100 kWp.

### **Liquidity risk**

Risk of being unable to meet current or future payment obligations in due time or in the full amount.

### **Megawatt (MW)**

Unit of energy: 1 MW = 1,000 kW.

### **Megawatt hour (MWh)**

Unit of energy. Electricity consumption is stated in megawatt hours. 1 MWh = 1,000 kilowatts or 1,000,000 watts over a period of one hour.



### **Module**

Connected cells. See also “Photovoltaic module”.

### **MW**

Abbreviation of “megawatt”.

### **MWh**

Abbreviation of “megawatt hour”.

### **MWp**

Abbreviation of “peak megawatt”.

### **Peak kilowatt (kp)**

Unit used to measure the standardised power output (rated output) of solar cells and photovoltaic modules. The rated output of the module reflects the output produced under special testing conditions that do not correspond to normal conditions. The testing conditions serve to standardise and compare solar cells and modules. The testing conditions are at 25 °C module temperature and 1,000 W/m<sup>2</sup> solar radiation (STC conditions; STC stands for standard test conditions).

### **Peak Megawatt (MWp)**

1,000 peak kilowatts = 1 peak megawatt.

### Peak watt (Wp)

Unit used to measure the standardised power output (nominal output) of solar cells and photovoltaic modules. 1,000 peak watts = 1 peak kilowatt.



### Photovoltaic module

A solar or photovoltaic module is made up of several connected solar cells that are sandwiched between two glass or plastic panes to make them weatherproof. In the most common cells (crystalline silicon cells) voltage lies at about 0.5 volts. To achieve voltages that can be better exploited, solar cells are connected to each other in a solar module. Solar modules are usually mounted in a frame on a roof or on a mounting system.



### Photovoltaic system

System (power plant) for generating electrical power from solar energy. Direct current generated by photovoltaic modules can be used to run motors or charge batteries, for example. If it is fed into the public supply grid or used for the operation of common electric loaders, an inverter is required to convert direct current to alternating current.

### Photovoltaics

Photovoltaics involves the conversion of radiation, primarily solar radiation, into electrical power, and has been used to supply energy since 1958 (initially to satellites). The name is a combination of the Greek word for light, or “photo”, and “Volta”, after Alessandro Volta, the pioneer of electricity.

### Primary energy consumption

Primary energy consumption, abbreviated PEC, indicates how much energy can be used in an economy to render all energyrelated services such as production, heating, moving, electronic data processing, telecommunication or lighting. It is also the total amount of energy supplied to an economy. Sources of energy in use to date mainly include oil, gas, coal, brown coal, nuclear power, hydropower and wind energy.

### Pump componentry

Components of a solar thermal system. Connection between flat collector and storage unit controlling the conducting of heat between these components.



### Renewable Energy

Renewable energy, or sometimes called regenerative energy, refers to the supply of energy from sustainable sources that are either regenerated or – based on human standards – are inexhaustible. Renewable energy is largely tapped in the form of biomass, solar energy, hydropower and wind energy.

**Stand-alone system**

Solar energy system that does not feed power into the grid, but instead provides electricity locally at a particular site.

**Storage unit**

Serves to store energy collected by a flat collector.

**Solar collector (flat collector)**

A solar collector is a device for collecting heat. It absorbs the warmth of the sun and utilises the absorbed heat relatively efficiently to heat a heat-conductor which is usually liquid.

**Solar cooling**

The use of the sun's energy to cool buildings or devices.

**SunCheck**

Measurement and documentation system developed by Conergy for the installation and maintenance of photovoltaic systems.

**SunReader**

Device developed by Conergy to monitor photovoltaic systems.

**W**

Abbreviation of "watt", a unit of power.

**Wafer**

Silicon disc used to manufacture solar cells.

**Watt (W)**

Unit of power with which the output of photovoltaic systems can be precisely measured.

**Wp**

Abbreviation of "watt peak".

**Solar cell**

Solar cells are a photovoltaic application that convert light (usually sunlight) into direct current by exploiting the photovoltaic effect. The photons being emitted generate an electric voltage which, by connecting an electric loader, allow electricity to flow to the solar cell.

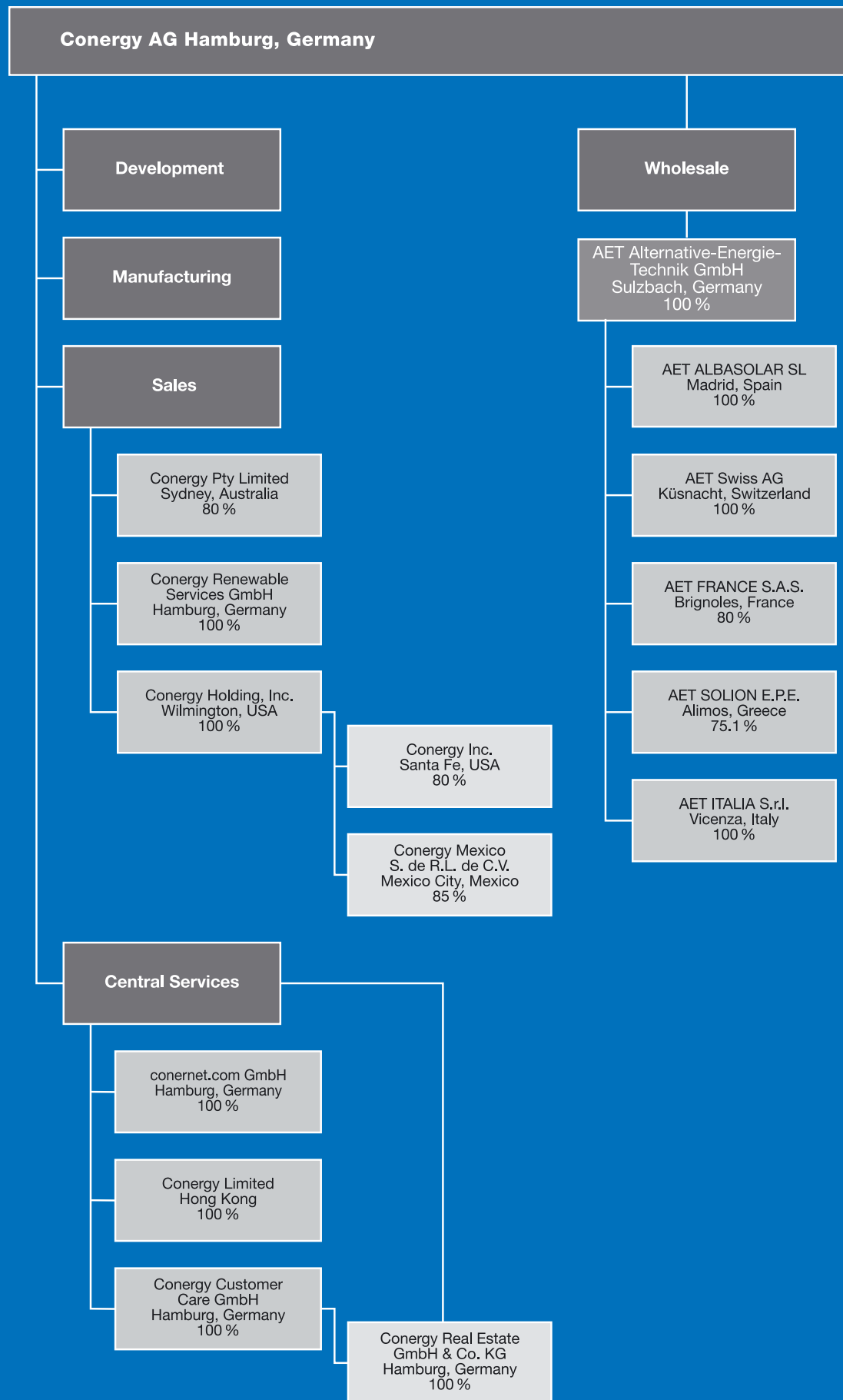
**Solar energy system**

Photovoltaic systems and solar thermal systems.

**Solar thermal**

Heat generation from sunlight, particularly for the purpose of heating water.

STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2005





## Engineering

## Projects

SunTechnics GmbH  
Hamburg, Germany  
100 %

voltwerk AG  
Hamburg, Germany  
100 %

SunTechnics  
Solartechnik GmbH  
Vienna, Austria  
100 %

SunTechnics  
Technicas Solares S.L.  
Madrid, Spain  
100 %

SunTechnics Installations  
& Wartungs GmbH  
Stuttgart, Germany  
100 %

SunTechnics Energia Solar  
Unipessoal Lda.  
Lisbon, Portugal  
100 %

SunTechnics AG  
Luzern, Switzerland  
100 %

SunTechnics  
Fabrisolar AG  
Küsnacht, Switzerland  
100 %

SunTechnics  
Bioenergy GmbH  
Willich, Germany  
80 %

Creaglas Creative  
Glasbauelemente GmbH  
Löbichau, Germany  
82 %

SunTechnics Solar  
Technology Pty Ltd  
Sydney, Australia  
100 %

SunTechnics Energy  
Systems Private Limited  
Bangalore, India  
100 %

SunTechnics Energy  
Systems Holding, Inc.  
Wilmington, USA  
100 %

SunTechnics Energy  
Systems Inc.  
Sacramento, USA  
100 %

voltwerk  
Management GmbH  
Leipzig, Germany  
100 %

voltwerk Zweite  
Management GmbH  
Hamburg, Germany  
100 %

voltwerk Dritte  
Management GmbH  
Hamburg, Germany  
100 %

voltwerk ökologische  
Beteiligungen GmbH  
Hamburg, Germany  
100 %

Stiftung Sonne für Kinder  
gemeinnützige GmbH  
Hamburg, Germany  
100 %

HÉOLIS ÉNERGIES  
S.A.R.L.  
Avignon, France  
100 %

Compagnie des Énergies  
Renouvelables S.A.R.L.  
(LaCER)  
Amiens, France  
75.25 %

VOLTWERK Energias  
Nuevas SL  
Madrid, Spain  
100 %

VoltSol, SL  
Madrid, Spain  
100 %

TAURUS Energy Pty Ltd  
Sydney, Australia  
85 %



## 2006 FINANCIAL CALENDAR

### **31 March 2006**

Publication of the 2005 financial statements  
Financial statements press conference, Frankfurt/Main  
Analyst conference, Frankfurt/Main

### **10 May 2006**

Publication of the interim report  
First quarter 2006 (January to March)  
Conference Call with analysts and investors

### **29 May 2006**

General Shareholders' Meeting, Hamburg

### **9 August 2006**

Publication of the interim report  
Second quarter 2006 (April to June)  
Conference Call with analysts and investors

### **13 November 2006**

Publication of the interim report  
Third quarter 2006 (July to September)  
Conference Call with analysts and investors

## FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties.

A variety of factors, many of which are beyond Conergy’s control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Conergy to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products or technologies by other companies, lack of acceptance of new products or services by customers targeted by Conergy, changes in business strategy and various other factors.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Conergy does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

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We will be pleased to send you additional information about the Conergy Group upon request.

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