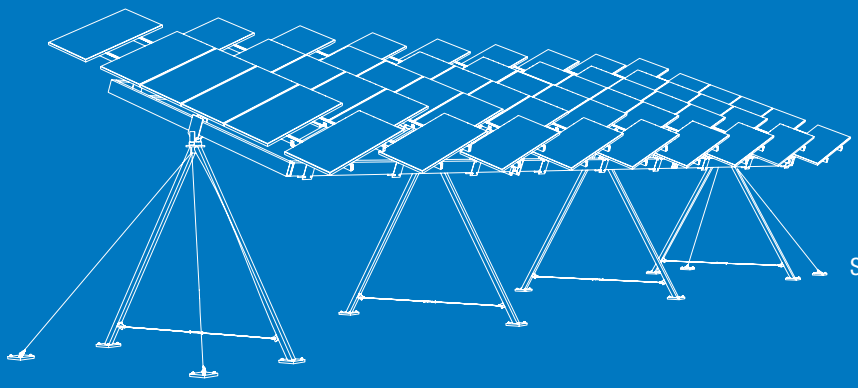
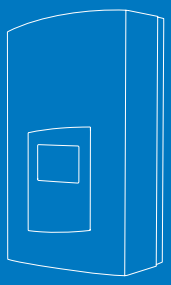

CONERGY
Solar cooling
Solar thermal
Wind
OUR
WORLD
Photovoltaics
Bioenergy
Geo thermal

IS FULL OF



SolarOptimus

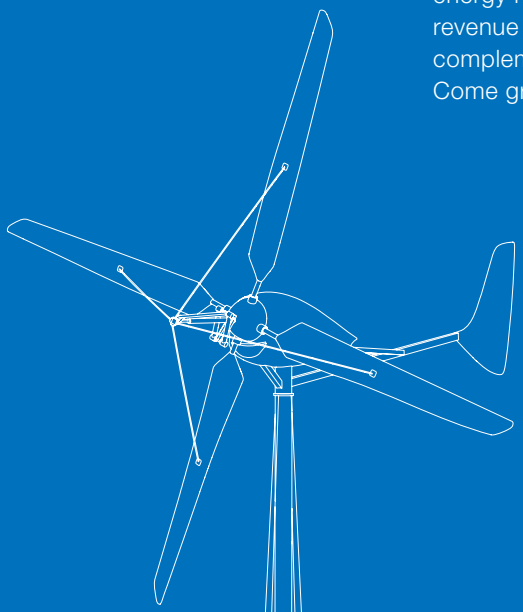


IPG String vision

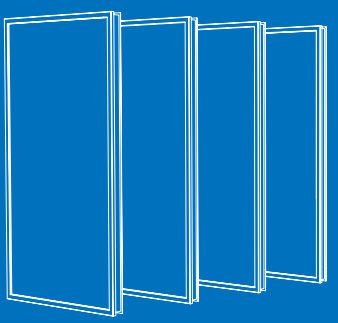
Key group data ▶

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!



Conergy HPS Series



Conergy F-Series

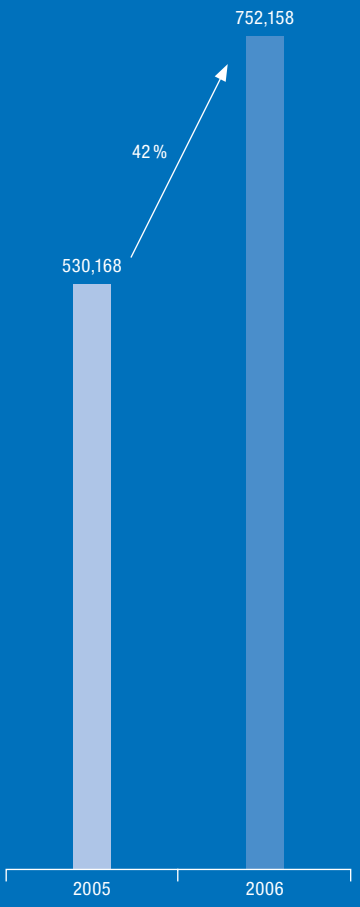
ENERGY.

Conergy SWT 7500 DC

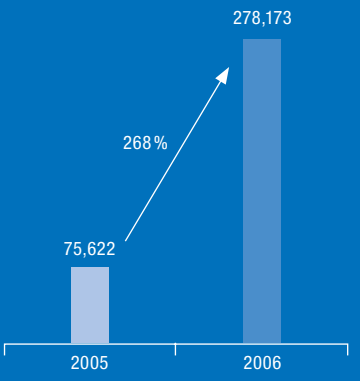
Key Group Data

		2006	2005
Revenue	TEUR	752,158	530,168
Germany	TEUR	473,985	454,546
International	TEUR	278,173	75,622
EBIT	TEUR	52,068	47,435
EBIT margin	in %	6.9	8.9
Consolidated net income	TEUR	30,204	27,795
Total assets	TEUR	698,397	346,289
Equity	TEUR	183,861	151,330
Equity ratio	in %	26.3	43.7
Cash flow from investing activities	TEUR	–122,757	–15,694
Cash flow from operating activities	TEUR	–203,854	15,178
Earnings per share	in EUR	1.01	0.98
Average number of shares issued (as of 31.12.)	in Thsd.	29,761	28,505
Number of employees FTE[1] (as of 31.12.)		1,480	724
Germany		965	560
International		515	164

[1] Full Time Equivalents



Revenue performance (in TEUR)



Foreign revenue (in TEUR)

Any long-lived solar energy system depends on solid mounting technology. Here at Rangsdorf near Berlin, more than 80 employees produce mounting systems and solar collectors for world-wide use day in and day out.

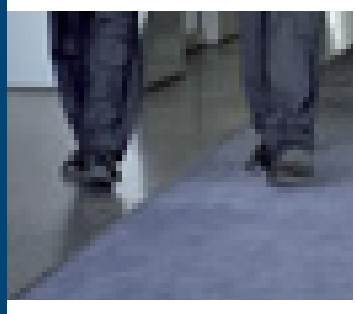
Renewable raw materials are one of the key pillars of future energy supply. This is why our experienced engineers are working on the successful expansion of this business within the Conergy Group. In Jüterbog, for instance, we will be constructing one of the largest biogas plants in Germany this year.

In Bad Vilbel, Germany, the Conergy team is doing research on the development of new and ever more efficient solutions for the conversion of solar direct current into alternating current. This work is paying dividends as Conergy's inverters today are among the most powerful on the market.

Contents

Management Board and Supervisory Board

Our world is full of energy



Group management report

Consolidated financial statements

Further information

Dear shareholders,

Since I focus largely on future-oriented issues day in and day out, an annual report provides a welcome opportunity to reflect back on the past twelve months. Conergy once again made major progress towards executing its strategy and substantially improved its global market position.

We now have more than 1,600 employees on five continents. As an organisation, we focus on an optimal orientation toward the needs of our diverse range of customers. We plan to use our competent sales staff and rapid service teams to achieve the objective of intensifying our local presence. We intend to make our products easier to install and operate, and we will ensure that they outperform competitors' products. We attain these objectives by integrating our sales force, our engineers and our customers in the product development process. And the results are impressive: our inverters outperform others in tests, and our small wind power units, solar thermal systems and mounting systems are technologically superior. Our customers benefit not just from our competent services but also from our product designs, which received no less than two prestigious awards in the financial year just ended.

This strategy of serving customers locally, understanding their needs, and using this knowledge as the starting point for ongoing product development guided us through the largest reorganisation in the history of the Conergy Group. We have bundled our competencies across the relevant product areas in "Global Technology Teams" (GTT), and we measure their performance based on both the degree of customer satisfaction and comparable competitor products. We aim to provide "best practice" in all product areas – meaning that we are the customer's first choice. We will do this by developing and manufacturing only those products that give us a sustainable technological edge in the long term and at the same time lower our entry costs. Any other requirements will be bought on the world market.

We offer each customer clearly differentiated brand worlds via our three distinct distribution brands: Conergy (for all resellers), SunTechnics (for all end customers and operators) and Epuron, previously known as voltwerk (for private and institutional investors in regenerative power plants). We have succeeded in positioning all three brands as market leaders, substantially improving both our profile and our local presence in the process. Merging the distribution departments of AET and Conergy into a single powerful Conergy brand allows us to offer our resellers a service that is even more focussed and of even higher quality.

The Conergy Group has been divided into three levels. Our GTTs provide technology support to the three brand distribution departments. The Shared Services department is committed to ensuring that all of the Group's activities integrate to produce dynamic growth. Innovative personnel development systems make the Conergy Group attractive to our employees and state-of-the-art information technology ensures professional data processing. In short, this new organisational structure has placed our focus on the future on such a solid footing that we will be able to continue to manage growth and profits at high levels for years to come.

Our ability to seamlessly integrate the twelve companies that we acquired this past year and the 26 new branches that we established abroad also documents our organisation's capabilities. These acquisitions and new branches have expanded not only the Group's access to customers via experienced distribution networks but also its product expertise.

Revenue growth of 42 percent to EUR 752 million means that we outperformed the market as well as the bulk of our competitors once again. However, we have not managed to reach our own internal target of EUR 800 million. We were on track for this, but delays in the delivery of special photovoltaic (PV) modules from Asia forced us to postpone bringing two major power plants online until 2007. Precisely this level of dependence on upstream suppliers validates our decision to launch a state-of-the-art production facility for solar modules in the summer of 2007, and hence take control of the essential supply of highest-quality modules ourselves. We clearly surpassed our target for sales abroad. Instead of 25 percent as planned, foreign revenue accounted for 37 percent in the financial year just ended. And the percentage of non-PV products also rose faster than planned to 26 percent, allowing us a better than expected strategic development.

The size, efficiency and integration of our new production facility are a milestone for the industry. What also makes the Conergy Group unique is its ability to bring its development departments for solar modules and those for inverters and mounting systems under one roof. This will generate product innovations that offer our customers new solutions both in services and across our product portfolio. Although we will continue to work with selected leading manufacturers in addition to producing modules ourselves, we will significantly reduce the number of our suppliers. This has the aim of offering our customers a complete range of solutions based on a sustainable mixture of modules.

As well as looking forward to our future product innovations, the tripling of orders on hand in early January to more than EUR 800 million gives us good reason to face the current financial year with a great deal of optimism. We expect these orders and the volume of the projects that were shifted from 2006 to 2007 to generate revenue of EUR 1.25 billion, entailing a growth rate of 66 percent. The substantial improvements in the market supply of solar modules, which is critical to our business model, as well as our improved profit margins in the area of thermal systems, offer healthy potential for above-average gains.

In summary, everything points to an exciting year of high growth for Conergy, and a positive, profitable one for you, as the company's shareholder.

Sincerely,

Hans-Martin Rüter
Hamburg, Germany, 12 March 2007

Report of the Supervisory Board

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 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. 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. We placed a particular focus on the operational planning for 2007 and both financial and balance sheet budgeting in the medium term, and we approved the annual budget for the 2007 financial year submitted by the Management Board. Members of the Management Board regularly participated in meetings of the Supervisory Board. We were included in all decisions critical to the company. The Supervisory Board met four times in 2006. 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 strategy discussions held in connection with the strategic development of the Group. In this context, the decision to build the solar factory in Frankfurt/Oder was discussed in particular detail. Furthermore, we repeatedly reviewed projects concerning start-ups and acquisitions in connection with realising 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

In 2006, the audit committee met five times while the chairman's committee met twice. The former paid particular attention to the Group's risk management and issues related to IFRS accounting and internal auditing and the chairman's committee discussed matters concerning the Management Board. It also established the focal points for the external audit of the company's financial statements for 2006. 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 2006 into account. On 5 December 2006, 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 management report for Conergy AG and the Group – in each case prepared by the Management Board as of 31 December 2006 – as well as the Auditor's reports prepared by Deloitte & Touche GmbH 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 22 March 2007, 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 22 March 2007. 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. The Supervisory Board agreed with the appropriation of the accumulated profits proposed by the Management Board.

Disclosures in accordance with Section 315 para. 4 German Commercial Code (HGB)
In the management report of Conergy AG, The Management Board made disclosures in accordance with Section 289 para. 4 and Section 315 para. 4 German Commercial Code (HGB) and explained these disclosures. The disclosures concern, in particular, regulations regarding the appointment and dismissal of members of the Management Board, amendments of the Articles of Association, the authorisation of the Management Board, especially with regard to the possibility of issuing or repurchasing shares, as well as the composition of subscribed capital. The Supervisory Board examined these disclosures and explanations. Based on our examination, the disclosures and explanations according to Section 289 para. 4 and Section 315 para. 4 HGB are correct.

To further support the corporate strategy, the variable component of the Management Board's compensation will be linked more closely to the company's long-term development. For this purpose, a Long Term Incentive Plan was introduced, which compliments the previous bonus regulations for the Management Board. For detailed information, please see the compensation report.

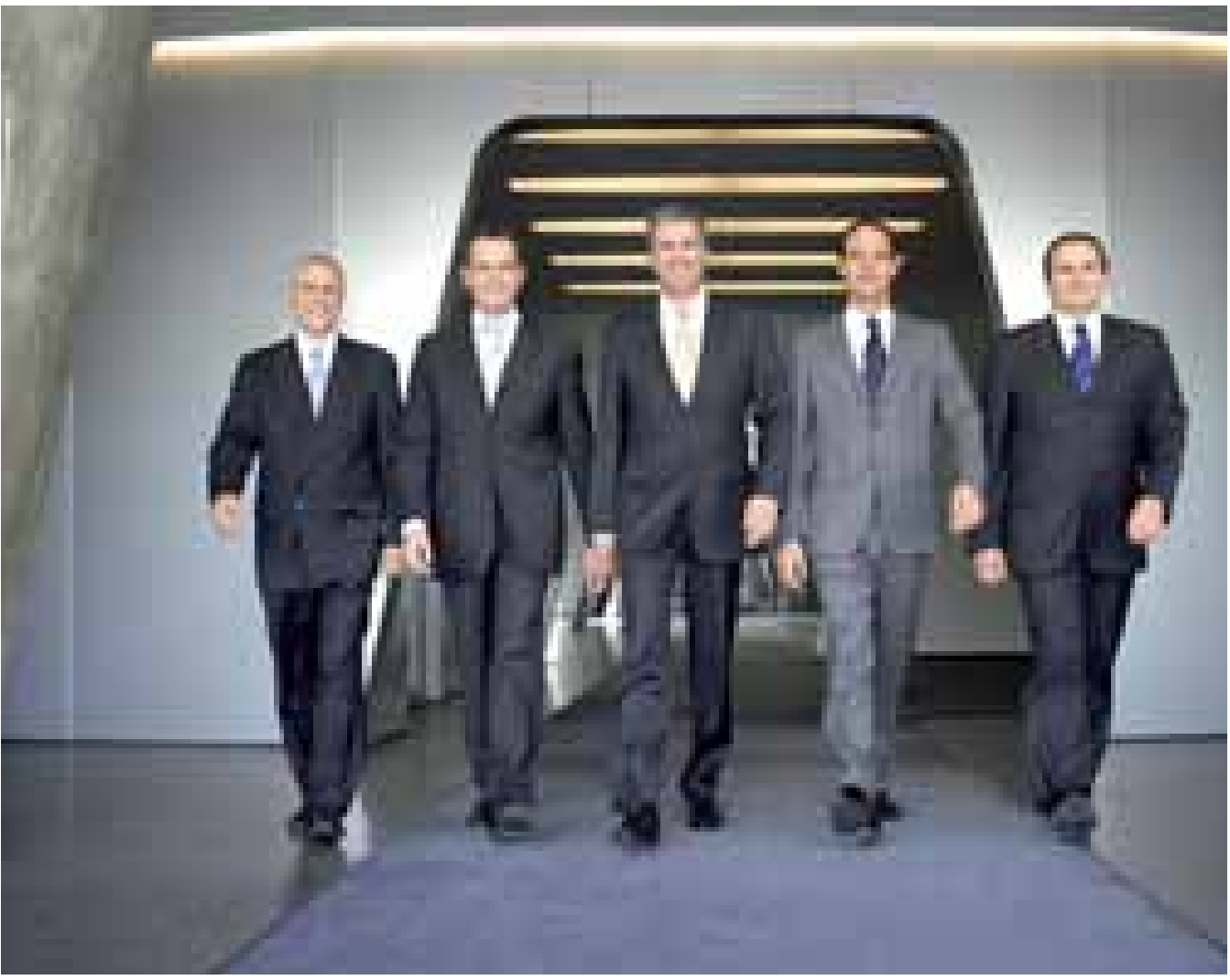
Effective 1 March 2007, the Supervisory Board appointed Mr. Christian Langen to the Management Board. He is responsible for sales and internationalisation and previously was in charge of setting up the operations of Conergy in Australia and New Zealand. The company's previous chief sales officer, Albert Edelmann, leaves the Management Board of Conergy AG for family reasons. We would like to thank him warmly for his dedication in the past years, in which he made a significant contribution to the successful development of the Conergy Group.

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.

Dieter Ammer
Hamburg, Germany, March 2007

The Supervisory Board members and memberships (as of 8 March 2007)

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 AG Member of the Supervisory Board of IKB Deutsche Industriebank AG Member of the Supervisory Board of Heraeus Holding GmbH Member of the Supervisory Board of tesa AG
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
Andreas Rüter	2000	Partner of Grazia Equity GmbH Member of the Supervisory Board of Reldata Inc. Chairman of the Supervisory Board of Völcker Informatik AG
Dr. Dr. h. c. Andreas J. Büchting	2005	Spokesman of the Management Board of KWS SAAT AG
Oswald Metzger	2005	Member of the state parliament of Baden-Württemberg
Eckhard Spoerr	2005	Chairman of the Management Board of freenet.de AG Chairman of the Management Board of mobilcom AG Member of the Supervisory Board of aktiencheck.de AG Member of the Supervisory Board of financial advertising AG Chairman of the Supervisory Board of Strato AG



The Management Board

Hans-Martin Rüter, Chairman of the Management Board

Hans-Martin Rüter (born 1965) is a graduate engineer. As the founder of SunTechnics GmbH, he designed and 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 strategy, system construction and marketing. Mr. Rüter is also the president of the Bundesverband Solarwirtschaft e. V. (BSW), the major German solar industry association. In early 2007, he was named Entrepreneur of the Year at the European Business Awards.

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, he served on the board of Berentzen-Gruppe AG as both chief financial officer and chief information officer for nine years. Mr. Piossek joined Conergy AG as CFO in 2005, and he is responsible for finance, IT and human resources.

Dr. Edmund Stassen

Dr.-Ing. Edmund Stassen (born 1968) is a graduate engineer and joined a leading recycling company in 1995. There, he was 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 and development.

Nikolaus Krane

Nikolaus Krane (born 1965) is a graduate engineer, who worked as a management consultant for Bossard Consultants GmbH for six years. As such, he provided consulting services to companies in Sweden, France, South Africa, the United States and Germany. In 1998, Mr. Krane joined Conergy as its managing director and he was appointed to its Management Board in 2000. He is responsible for project development in regards to wind parks and bioenergy installations as well as for contracting. Nikolaus Krane also serves as the managing director of both Epuron GmbH (a subsidiary of Conergy) and Conergy Services GmbH.

Christian Langen

Christian Langen (born 1972) has a degree in business administration and international experience in both commerce and consulting. For two years, he served as chief operating officer (COO) on the Management Board of a trading company of which he was one of the founders. Subsequently he worked on sales and organisational projects for a renowned management consulting firm. He has guided Conergy's successful establishment and expansion in Australia since 2004. Mr. Langen was appointed to the Management Board in March 2007 and is now responsible for internationalisation and sales.

Corporate governance

The Management of Conergy places great store in a management style that ensures both transparency and the creation of value. In keeping with this approach, Conergy AG fully complies with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 12 June 2006. This helps to make management transparent and in turn deepens the trust international and domestic investors, customers, employees and the public place in us. But Conergy also fulfils numerous non-binding recommendations of the Code voluntarily. The current Declaration of Compliance has been published on the website of Conergy AG (www.conergy.de) in the Investor Relations section.

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. Of course, this department also maintains insider lists in which all relevant persons are included.

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 Association. 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 17.

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 four times in the 2006 financial year. The Supervisory Board established two committees – a chairman's committee and an audit committee.

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 2006 financial year, the members of the Management Board of Conergy AG received total compensation of TEUR 1,795 (2005: TEUR 1,889). A detailed presentation of individual salaries is provided in the compensation report on page 20.

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

Declaration of Compliance as at 5 December 2006

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 5 December 2006.

Since the last Declaration of Compliance dated 2 December 2005, Conergy AG has fulfilled the recommendations of the Government Commission German Corporate Governance Code until 24 July 2006 (Code as amended on 2 June 2005) and from 25 July 2006 (Code as amended on 12 June 2006 and published on 24 July 2006).

Conergy AG will fulfil the recommendations of the Government Commission German Corporate Governance Code as stipulated in the Code as amended on 12 June 2006.

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

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 Manage-

ment 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 interim reports are prepared pursuant to the International Financial Reporting Standards (IFRS).

Compensation report

The compensation report was prepared in accordance with the recommendations of the German Corporate Governance Code and contains all disclosures which must be made an integral part of the notes and the management report pursuant to Section 314 and 315 German Commercial Code (Handelsgesetzbuch – HGB) and the Management Board Compensation Disclosure Act (Gesetz über die Offenlegung der Vorstandsvergütungen – VorstOG). The amount and the structure of the compensation paid to members of the Management Board and the Supervisory Board are explained in detail. Additionally the compensation report contains disclosures on the shareholdings of Management Board and Supervisory Board members.

1. Compensation of the Management Board

The appropriate amount of compensation paid to members of the Management Board is determined by the Supervisory Board based on performance appraisals, taking all payments from the Group into account. Though the responsibilities of each Management Board member as well as their personal contributions govern the suitability of the compensation paid to them, it is also oriented on the company's size, its economic and financial position as well as its success and prospects. One half of the total compensation paid to members of the Management Board is fixed while the other half provides variable compensation that is determined based on the achievement of key Group performance indicators for the relevant financial year. The amount of the variable component is contingent on the increase in revenue and the EBITDA pursuant to the business plan. These two criteria are weighted to determine the variable component. In addition all members of the Management Board are paid taxable compensation in kind comprising company cars and contributions to their retirement plans.

EUR	Fixed compensation	Variable compensation	Other[1]	Total
Hans-Martin Rüter	240,000	184,000	22,817	446,817
Nikolaus Krane	180,000	139,000	19,190	338,190
Heiko Piossek	180,000	139,000	23,690	342,690
Dr. Edmund Stassen	180,000	139,000	19,319	338,319
Albert Edelmann	180,000	139,000	10,228	329,228
Sum				**1,795,244**

[1] The other compensation components primarily comprise non-cash compensation (e. g. company car, insurance, removal cost) and allowances for pension insurance (relief fund).

The Supervisory Board has modified the compensation system that will apply to the Management Board in 2007, adding a new variable performance-based component to the existing variable compensation.

Hence the compensation of the Management Board now comprises the following performance-based and non-performance-based components:

- fixed base compensation as well as
- variable compensation linked to the achievement of particular targets which in turn consists of two elements:
  - a short term incentive (STI) component to be paid annually and
  - a long term incentive (LTI) component based on three years containing a risk element.

The variable compensation – i. e. both the short term incentive and the long term incentive – is more closely tied to the Management Board's performance, the company's development and its compound annual growth rate (CAGR) in the long term and depends on the degree to which both fixed corporate targets and particular personal targets applicable to each individual member of the Management Board are attained. The corporate targets are based on revenue growth (adjusted for currency translation) and EVA® (Economic Value Added).

A portion of the variable compensation may be paid out annually in cash as the STI. The balance flows into the LTI which is designed to cover a period of three years and starts up again each year. Development of the LTI is contingent on the company's compound annual growth rate which is calculated based on both revenue and EBIT multiples that are kept constant during the term of the LTI.

2. Compensation of the Supervisory Board

The compensation paid to the members of the Supervisory Board is determined by resolution of the General Shareholders' Meeting based on the joint proposals of the Management Board and the Supervisory Board. The amount of compensation is contingent on the responsibilities and activities of each Supervisory Board member as well as on the company's economic and financial performance. Besides the fixed component the compensation also contains a performance-based component. The current rules governing the compensation paid to the Supervisory Board were resolved at the General Shareholders' Meeting on 29 May 2006 and are set forth in Article 13 of Conergy AG's Articles of Association. Accordingly the members of the Supervisory Board are paid fixed compensation of EUR 15,000 per annum and performance-based compensation of EUR 500 per one-million euro increment of annual net income but no more than EUR 10,000. The Chairman of the Supervisory Board is paid two-and-a-half times and the Deputy Chairman one-and-a-half times the fixed and variable compensation paid to regular members of the Supervisory Board. Finally, committee members are paid EUR 500 for each day on which the relevant committee meets.

EUR	Fixed compensation	Variable compensation	Committee compensation	Total
Dieter Ammer (Chairman)	37,500	25,000	3,000	65,500
Alexander Rauschenbusch (Deputy Chairman)	22,500	15,000	3,500	41,000
Andreas Rüter	15,000	10,000	1,000	26,000
Dr. Dr. h. c. Andreas J. Büchting	15,000	10,000	0	25,000
Oswald Metzger	15,000	10,000	0	25,000
Eckhard Spoerr	15,000	10,000	2,000	27,000
Sum				**209,500**

Shareholdings of the Management Board and the Supervisory Board

As at 31 December 2006, members of the Management Board held a total of 5,738,668 shares, i. e. 19.13 percent of all shares issued by Conergy AG. The members of the Supervisory Board held a total of 7,585,416 shares as at 31 December 2006, corresponding to 25.29 percent of the shares issued by Conergy AG.

The share

The Conergy share has been among the top performers in Germany in 2006

The Conergy share maintained a clearly positive trajectory in the second year after the IPO. Since the beginning of the year and taking into account the stock split, the share price has risen by 77.2 percent to EUR 48.20 (closing price on 29 December 2006 compared to the opening price of EUR 27.20 on 2 January 2006). This makes it again one of this year's best-performing German securities and the best solar share, outperforming the TecDAX index of the 30 leading German technology shares, which managed an increase in value of approximately 25 percent over the same period. Since it was first listed in March 2005, the Conergy share has more than doubled in value, taking into account the stock split in June 2006, and has thus reflected the Group's successful development: With high rates of growth expected in 2007 and 2008, Conergy AG continues to significantly expand its share of the booming worldwide market for renewable energies. In view of this background of planned corporate expansion, we expect that the Conergy share price will continue to enjoy positive growth.

Renewable energy shares on the upswing

If the Renewable Energy Industrial Index (RENIXX) is used as the benchmark, as a rule investing in shares of renewable energy businesses more than paid off for investors in 2006. Closing at 925.61 points on the last trading day of the year (2 January 2006: 651.08 points), this barometer of renewable energy shares, which can be found on the Internet at www.renewable-energy-industry.com, ended the year with an enormous gain of 42.2 percent. Since 2 January 2007, the reweighted RENIXX World share index has also reflected the performance of the world's largest 20 (previously 15) companies and of course, Conergy's share is still included.

Share price performance increasingly depends on a company's technology and growth strategy

The capital markets developed unevenly over 2006 as a whole, due not least to the uncertain economic outlook in the United States, worries regarding increasing inflation accompanied by rising interest rates as well as fluctuating oil prices. This also had a significant impact on the price development of the renewable energy shares of solar, wind and bioenergy companies. If almost all solar shares were the market stars in 2005 – often posting gains in excess of 100 percent – in 2006 trends were increasingly oriented on the individual company's business development and its prospects for growth in both individual technologies and markets. As a result, in contrast to Conergy's share for instance, this qualitative distinction and assessment of companies' specific growth prospects caused only about one third of the solar shares listed in Germany to post gains in 2006. Because other renewable technologies regained

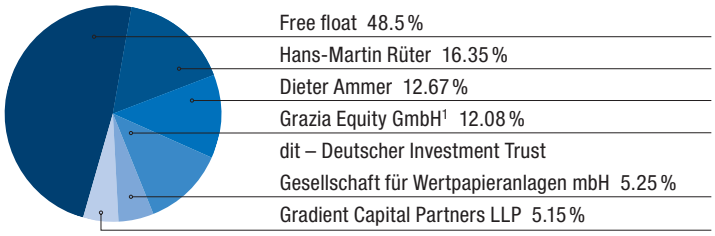
their attractiveness on the capital markets, bioenergy companies had successful IPOs and many wind shares are experiencing a true renaissance. Conergy is continually expanding its market shares in these fields as well.

Key figures for the Conergy share	2006
Share capital in EUR	30,000,000
Number of shares (as of 31.12.)	30,000,000
Market capitalisation (as of 31.12.) in EUR	1,446,000,000
Closing price in EUR (after stock split)	48.20
High in EUR (after stock split)	64.33
Low in EUR (after stock split)	27.20
Average traded volume per day	300,668

The capital markets are increasingly learning to differentiate among solar shares

The capital markets learned long ago to differentiate between various solar technologies such as solar heating, solar power using photovoltaics or solar thermal major power plant technology. Assessments regarding a company's strategy for positioning itself both along the value chain and at the customer differ of course. The extent of a company's internationalisation is becoming increasingly important in this connection. The worldwide growth prospects for renewable energies remain positive. Conergy has established a leadership position in the market and has already shown that it can grow faster than the market. We are confident therefore that the positive development of the Conergy Group will be reflected in our share price in the future. We are a global player and it is thanks to our competence in complementary renewable systems solutions that investors often trust us to generate larger profits from the opportunities that arise in the foreign markets developing around the world and at the same time to find appropriate ways to balance regional fluctuations in the demand for various technologies.

Shareholder structure as of 31 December 2006



[1] Grazia Equity GmbH is controlled by Alexander Rauschenbusch (Deputy Chairman of the Supervisory Board) via 5r Private Equity KG.

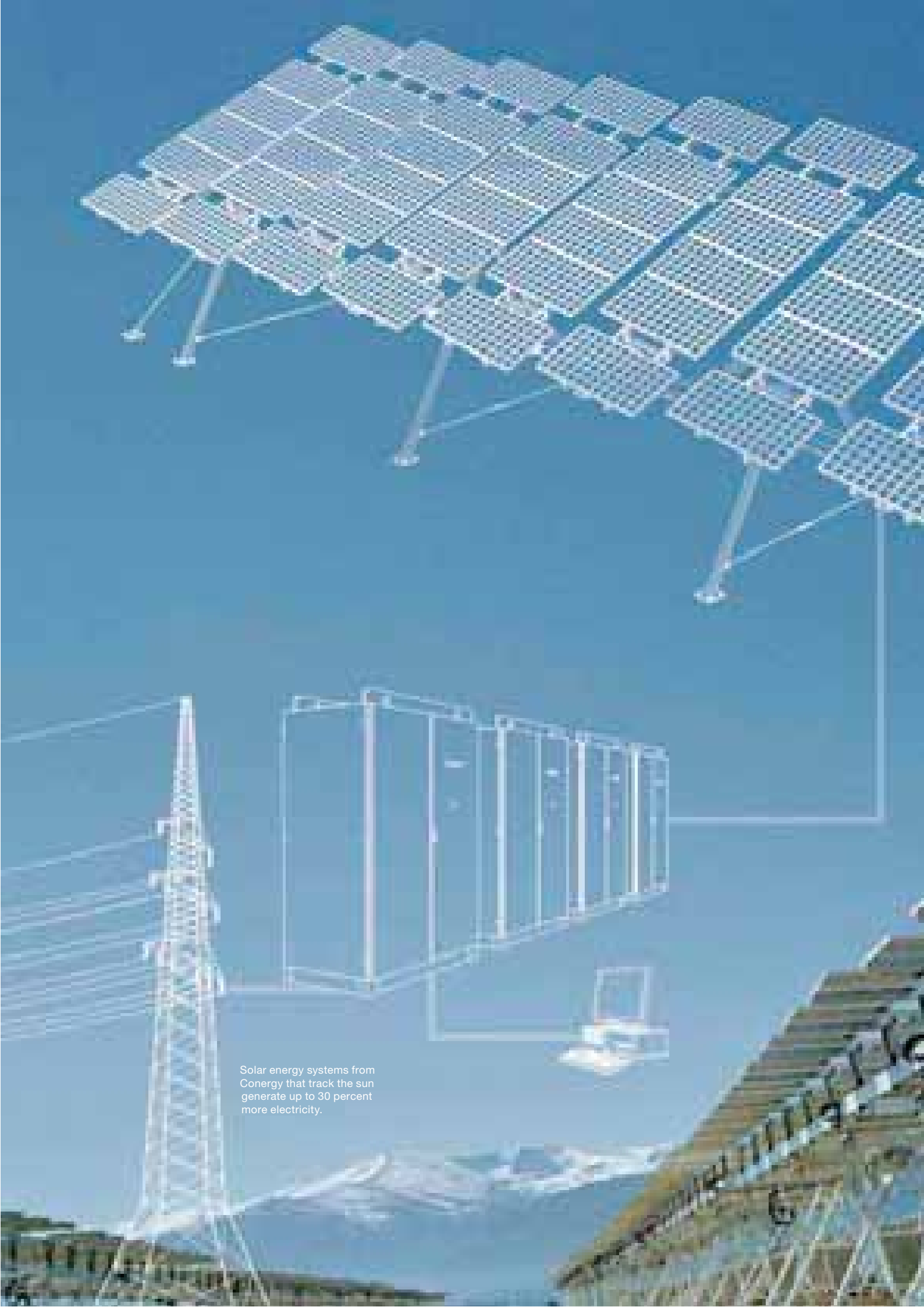
Conergy intensifies investor relations

We further strengthened our investor relations work in the year just ended to enhance investors' trust in Conergy's growth prospects. We give high priority to providing intensive services to investors and analysts alike. Hence the members of our Management Board regularly visit financial centres such as Frankfurt, London, Paris and Switzerland together with the IR team. We are particularly pleased that US investors are taking an increasing interest in our company. We are intensifying our dialogue with the financial community by taking part in conferences and roadshows in the USA in order to raise the profile of our shares in this, the world's most important capital market.

More than 50 news releases created positive news flow

We have also been providing a regular flow of news releases to create continued interest in our company's development on the part of the public and the capital market. In 2006 alone, over 50 press releases and ad-hoc releases contributed to the positive perception of Conergy and its brand worlds in the media. On average, we issued one communication to the media every week, focussing in particular on our fast-growing international business. Our corporate communications team has been working hard to enhance awareness of our brand at international press conferences, exhibitions and industry conferences all over the world. This benefits not only our products and services themselves; it also raises the profile of our share.

Development of the Conergy share in the 2006 financial year (indexed)



Solar energy systems from Conergy that track the sun generate up to 30 percent more electricity.

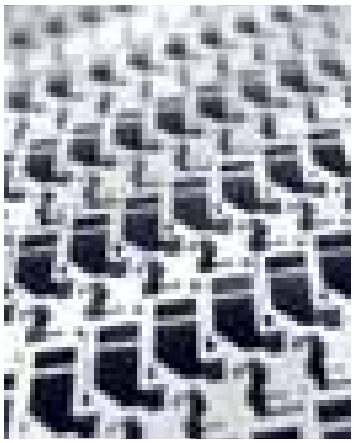
268 %

increase in sales abroad.

Contents

Conergy on the way from a solar power systems supplier to a fully-integrated renewables group

Conergy strengthens leadership position as a systems integrator
"Conergy – currently the world's leading supplier of photovoltaic systems – is poised to also become a world leader in other renewable energies. With this investment we are building the world's most modern solar production facility, which will allow us to achieve leadership in price and quality in the world's markets, and simultaneously provide a platform for the continued dynamic growth of our core business", said Hans-Martin Rüter, CEO and founder of Conergy, speaking at the Group's press conference on 13 November 2006 held at the construction site in Frankfurt/Oder. The construction of the world's most modern solar plant – with fully integrated solar module production – represents a new milestone for Conergy as an innovative systems integrator.



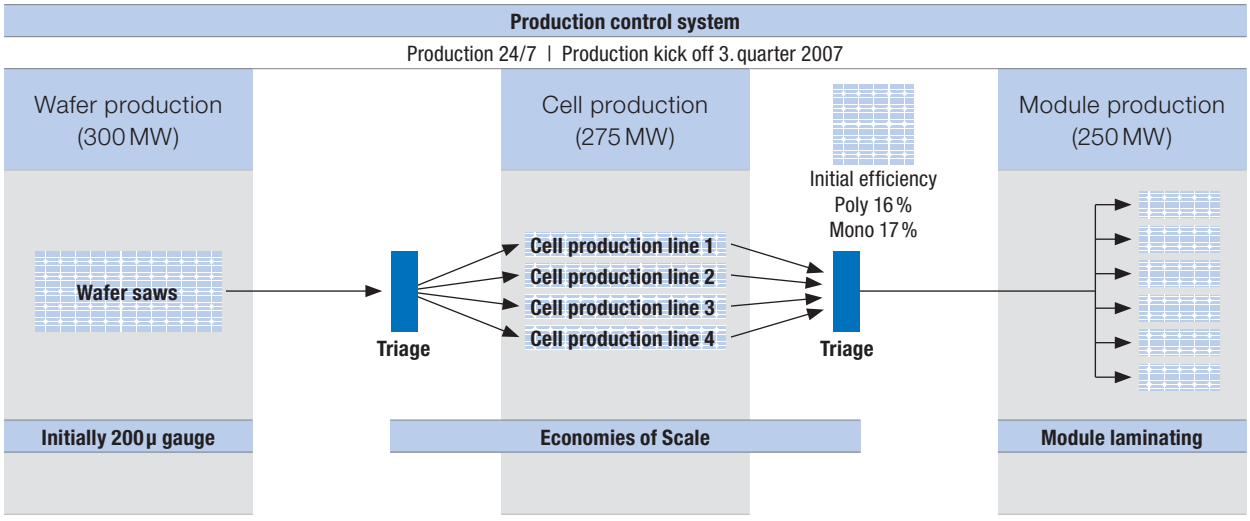
Our strategic focus from the beginning:
the whole is more than the sum of its parts.
That summed up the Conergy philosophy then – and it remains true today. With a comprehensive range of renewable energy solutions, we offer our customers the optimum system for their needs and so create important synergies for further growth. More and more activities along the value chain within the renewable energy markets are being integrated and successfully developed for the long term. After initially building a production plant for photovoltaic mounting systems, and integrating an ultramodern production facility for solar thermal collectors in 2003, we then developed inverters, small wind turbine generators and heat pumps – and are now producing solar modules in Frankfurt/Oder. Conergy is thus continuing its strategy of becoming a diversified systems supplier to the renewable energy mega-segments, with a product portfolio that is expanding as a result of carefully targeted innovation.

This creates enthusiasm among new target groups and lays the foundation for additional competitive advantages and hence for additional profit and growth potential. Here is a good example of this approach. In addition to products and systems for the electricity and heating sectors, Conergy provides specialised services on all aspects of renewable energy and energy distribution. Industrial management services typify this approach: here, Conergy offers technical and commercial services for renewable energy power plants. Where property owners or industrial companies have no wish to invest their valuable capital in energy provision, they have the opportunity to work with Conergy Contracting and so concentrate on their core business.

Supporting successful system integration: Conergy is on the way to becoming a world leader in wafer, cell and module manufacturing
Back to the solar factory in Frankfurt/Oder: In the future, Conergy will strengthen its systems expertise by controlling the most important stages of the photovoltaic value chain. Concentrating our research and development on modules, inverters and mounting systems at this location will allow us to offer our customers the best quality, price and electricity yields from a range of continuously optimised solar power systems.

The first solar modules will come off the production line in the second half of 2007. Production capacity will reach 300 megawatts for wafers, 275 megawatts for cells and 250 megawatts for solar modules. Thanks to the world's first fully integrated production capability, Conergy is opening up an efficiency lead over other manufacturers and will be among the world leaders in the production of wafers, cells and modules from the outset.

The innovative configuration of the production lines within a single hall keeps transport paths to a minimum, and, combined with the very high degree of automation, contributes significantly to a greatly reduced breakage rate of the sensitive cells. Our production facilities offer a great deal of scope for improving efficiency still further, particularly through steady increases in power efficiency levels and a reduction in the use of silicon.



Electricity from renewable energies

From the moment that Thomas Alva Edison invented the light bulb, electricity has been an integral part of the modern world. Today, it illuminates towns and cities all over the world, provides houses with heating, and – together with other sources of energy – forms the backbone and lifeblood of basic services and of progress. Conergy's approach to power generation is also to offer our customers worldwide the best renewable energy solution. For this reason, we once again offered a wide range of innovative products in 2006 that not only produced clean electricity from sun and wind power, but also offered customers worldwide an attractive earnings potential from supplying the public grid.

Photovoltaics

Every day, in less than four hours, the enormous power of the sun delivers enough energy to supply the world's energy needs for a whole year. Conergy photovoltaic systems make this energy available to people. PV modules such as the premium Conergy C 180 polycrystalline module capture the sun's energy, guaranteeing high power yields, consistent quality and long service life. Perfectly tailored to the needs of the market, they offer simple "plug and play" installation. To ensure a secure installation, Conergy offers accessories such as the high performance SunTop III rooftop solution and the Solardach III in-roof solution. Modules installed on flat roofs or on the ground can be securely anchored with the SolarSimplex or SolarFamulus mounting systems.

In 2006, Conergy set new standards with both simple mounting frames and complete tracking systems, whilst also developing the SolarOptimus solution, a solar product designed specifically to meet the needs of customers in hotter southern regions. For maximum safety, SolarOptimus features several individual anchors, which enable the system to withstand even the most severe conditions. By continuously aligning the photovoltaic modules with the rays of the sun, SolarOptimus achieves up to 30 percent more power yield.

The inverters convert the direct current produced by the Conergy modules into alternating current, which can be fed into the public grid for the financial benefit of our customers. The new Conergy IPG Series string inverters, which enable thin film solar modules to be used without transformers, were designed primarily for small to medium-sized systems. Innovative balance-mode technology, together with the proven, durable components in these award-winning units, guarantees peak efficiency, greater security and an easy connection to modules. This inverter makes sure our customers get maximum power from their solar installations, with the highest possible energy yield, year after year.

Conergy IPG Series central inverters deliver maximum energy yields from large-scale solar installations. These units achieve their superior efficiency from the application of the very latest IGBTs (Insulated Gate Bipolar Transistors) with trench gate structure, the inclusion of iron powder chokes, and the use of high quality transformers with internal losses of less than one percent. These products, which have won numerous independent product tests, are especially suited to flexible system dimensioning.

Milestones in photovoltaics: the new Conergy plant in Frankfurt/Oder
When Conergy decided to build the world's most modern production facility for solar modules in Frankfurt/Oder in 2006, it laid the foundation for the continued dynamic growth of its core business. The company plans to invest around EUR 250 million in the construction of a fully integrated facility for the mass production of wafers, cells and modules. It will be the first of its kind in the world. In the medium term, the project will create over 1,000 jobs on the site of the former chip production plant. State-of-the-art modules will begin leaving the production line by mid-2007. Production capacity will be 300 megawatts for wafers, 275 megawatts for cells, and 250 megawatts for solar modules. This will make Conergy the first solar company capable of offering all of the components for a solar installation from a single source, which will greatly benefit component compatibility, communication, and ease of installation.

Safe in the strongest storm: small wind turbines from Conergy
Wind turbines provide a cost-effective solution for producing electricity efficiently whilst allowing the owner to break free from rising electricity and fuel prices. Conergy has more than 15 years of experience of designing and implementing wind energy solutions. The Conergy SWT (small wind turbine) series, developed in 2006, produce between 6 and 7.5 kilowatts, and is especially reliable and efficient. The patented passive pitch regulation system ensures a steady energy yield during strong winds and is guaranteed storm-resistant – even without a concrete foundation – thanks to the turbine's ability to feather its blades. The units are easily assembled and installed by hand, and require a minimum of maintenance once in service.

Sustainable heat and cooling for every need

Heating consumes the most power in any household. An average of 89 percent of the energy consumed in German homes goes into room heating and hot water – even though the sun provides us with heat for free.

This provided Conergy with a good reason for continuing to drive forward its growth as a supplier of solar heat generation systems in 2006. The heating of domestic tap water remains the most popular application for solar thermal systems. However, demand for heat production for use by technical processes, and the installation of combination systems to support heating, continued undiminished in the past financial year. So far, almost one million solar heating systems – capable of producing a total of over 5.6 gigawatts – have been installed in Germany.

The higher investment compared with fossil fuel powered heating systems pays off after only a few years, since solar thermal systems can supply a good 60 percent of a home's heating and hot water energy requirements, depending on setup and local conditions.

Including drain-back technology in solar thermal systems opens up market opportunities in the northern European countries, with their changeable weather conditions. The danger of frost damage to the collector has so far prevented this technology from establishing itself in these markets. Drain-back is a fail-safe method of ensuring that the heat exchanger fluid is automatically drained into a reservoir tank when temperatures drop to critical levels. When the temperature rises, the fluid is automatically returned to the collector.

The same technology is also used in extremely hot climates. This coming year, we expect a strong increase in demand for solar thermal solutions for the Spanish market, where Conergy is already the market leader in solar power systems. Here, drain-back technology drains the system to prevent the collectors being damaged by overheating.

When we moved into the production of heat pumps at the end of last financial year, we intensified our commitment to another forward-looking technology – harnessing heat from the environment.

Heat pumps utilise the energy present in the outside air, water or soil to generate warmth for heating. In the wake of the increased cost of oil and gas, worldwide demand for this renewable technology will multiply over the next few years. The market for heat pumps in Germany is presently growing at over 100 percent per annum.

By taking advantage of a systems technology that uses both ground and solar heat, home owners can achieve significantly lower annual heating costs than is possible with gas and oil – and even become completely independent from fossil fuels. The Conergy heat pumps produced in Güstrow offer an even greater variety of potential uses. Besides providing hot water, they can also provide heat in the winter and cooling in the summer by means of reverse operation. All types of heat pumps may optionally be equipped with a module for ventilation and heat reclamation. The heat pump programme manufactured by Conergy ranges from small heat pumps of 1.5 kilowatts for private houses, up to large heat pumps with a capacity of 1.1 megawatts.

With its innovative solar assisted cooling solution, Conergy made a successful entry into yet another lucrative field of business. Solar cooling systems convert sunlight and heat directly into cold water for supplying air conditioning systems. They do this without first creating solar electricity, which would reduce system efficiency.

The system developed by Conergy comprises a 20-foot container with all the necessary components, including the collectors. The container is placed outside the building that is to be air-conditioned, and then connected to it. Thanks to Conergy's plug-and-play technology, the system is then ready for immediate use. This approach significantly reduces transportation and installation costs. This compact system from Conergy is unique worldwide.

There are enormous opportunities for the practical application of solar cooling in selected target markets, since the need for cooling falls and rises at the same time as the availability of solar energy. Not only can solar cooling relieve the pressure on the public grid – it can also help the customer become less dependent on rising electricity prices.

Research and development

Interview with Dr. Tim Meyer, head of PV system technology

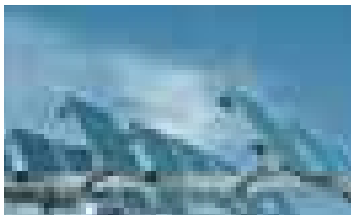
What will the future of photovoltaics look like?
Photovoltaics will continue to evolve into an international success story. New markets are emerging all over the world and these will further stimulate growth, which is currently running at over 25 percent per annum. Not only does photovoltaics currently enjoy an important position in the industrial policy of modern Germany – its place in tomorrow's energy mix is even more assured. It already plays an important role in remote areas without access to a power grid.

The technological development of products and system solutions also enjoys the same momentum. PV systems of tomorrow will not only cost less – they will be even easier to install and run, will deliver even greater yields, and will provide entirely new services for our customers and for the electricity generation industry.

What technological trends do you see in solar power systems?
First, of course, a continued increase in efficiency, and a reduction in the cost of the solar cells and modules. New, more efficient production methods with lower materials usage and new cell technologies are gaining market share.

The developments in systems technology are particularly exciting, and there will be three key trends. Firstly, the technological limits of the products will be reached. For example, inverters with over 98 percent efficiency and a service life that is close to the 20-year life of the PV modules. Secondly, the system integration and operation of PV systems will be considerably simplified. Universally deployable products, even greater compatibility between components and plug-and-play solutions will enable broader deployment of the latest technologies – yet require less specialist knowledge on the part of planners, installers and operators than is currently the case. Thirdly, supplying large amounts of solar power to the electricity generation industry will create more added value – as will its combination with wind power, biomass plants, conventional power stations, load management and storage. Solar systems will produce high quality, peak power electricity. PV inverters will also support the grid during the night – by supplying reactive power, for example.

How is Conergy positioned in this context?
As a supplier of technology and services for all types of renewable energy, we are well placed to maximise the potential of the systems integration described above. And as a supplier covering all links in the value chain and with close customer contact, we have an intimate knowledge of current and future product and system needs. This is why our development work always focuses on innovations that will deliver fundamentally new and improved solutions. This applies to both the European and global markets.



What examples can you give from 2006?
Last year, for example, we introduced the Conergy SolarOptimus tracking system. In sunny regions, tracking systems can increase electricity output by up to 35 percent. However, traditional product designs lack robustness in strong winds. With SolarOptimus, the use of a novel geometry that distributes these forces over several bearings has drastically reduced these wind forces. This increases service life and also helps to save materials.

Other examples are the new Conergy SmartControl monitoring system and the Conergy SmartConnect connection box for large-scale PV systems. Communications in the SmartControl are based on the robust CAN bus technology. CAN was developed by the automotive industry and is making its debut in the solar industry with Conergy. We are setting standards here. With SmartConnect, we substituted actively switchable long-life relays for passive fuses for the first time – another breakthrough. As well as comprehensive monitoring of the power output of individual module strings, active switching enables actual remote diagnostics and maintenance. This type of string monitoring can achieve an additional energy yield of marginally over one percent – a serious figure in the financial sector.

How do you achieve and secure your technological lead?
We have development teams for inverters and for systems integration products. These teams collaborate with many companies and institutes who have specialised expertise. By doing so, we not only accelerate development, but we also benefit from the technologies and insights of industries quite different to that of photovoltaics. Here too, solar energy is stepping outside of its niche.

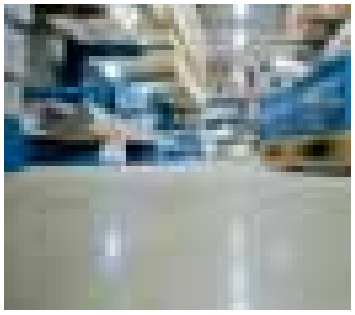
Conergy – our brand world for retail and installers

New target groups, new challenges: brand name energy for all partners
Conergy is a reliable partner for wholesalers and trade with a continually expanding distribution network. Whether small and medium-sized trade and repair businesses, or key accounts: in future, we will serve these customers even more successfully.

This is because trade partners and installers have been served directly via the corporate brand from the beginning of 2007. This enables them to profit from the bundled customer service and marketing of the AET and Conergy distribution teams, who had previously acted separately.

Christian Langen, Conergy's chief sales officer: "The bundling of our distribution channels has the objective of supporting our customers with even greater know-how and efficiency, in order to find the best renewable energy solution for any energy requirement worldwide. Beyond this, focussing on the well known, globally successful Conergy brand will make it easier to create additional potential demand as a global market leader, even in the regenerative B2B sector."

AET's Europe-wide solar trade distribution fuses with Conergy's global distribution
The experience gained from more than 50,000 renewable energy projects on five continents gives the Conergy Group a decisive advantage in know-how, enabling it to offer any customer in the world a solar technology solution that is optimal for the region. The even tighter integration of product development and distribution will release synergies that will be immediately noticeable in the expanded service and product range for all Conergy customers. Conergy's globally positioned distribution rests on ten years of contact with end customers in 22 countries, and has a service spectrum that is unique worldwide: highest quality products, consulting, just-in-time delivery to construction sites and after-sales service – all directly from one source.



As a competent partner for installers, Conergy distinguishes itself not only by the first-class quality of its products and its employees' high level of technical expertise: Conergy also uses practical services such as Conergy Services, as well as professional support for logistics and marketing problems to create what must be its most important product: customer satisfaction. As the requirements for a renewable energy solution can differ greatly from region to region, installers benefit from the lead in experience and expertise that Conergy's experts have gained across Europe and from the optimum support they provide during the execution of high-performance individual solar power systems.

Furthermore, by offering in-house training and professional seminars Conergy also offers a broad range of support for continued education. 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.

All contacts located near customers will stay in place
AET's distribution locations in close customer proximity in Germany, France, Spain, Greece, Italy and Switzerland will remain. Thanks to bundled distribution, they will continue to offer expanded services as local agents of Conergy.

Conergy employees have an in-depth understanding of the needs of their specific target groups all over the world. They continually monitor the regional developments in the renewable energy market and create customised products developed with practical concerns in mind that meet with customers' full approval and generate growing demand.

SunTechnics – our brand world for turnkey installation

SunTechnics

SunTechnics – *be a part of it*
SunTechnics specialises in sales to end customers. Founded in 1996 by Hans-Martin Rüter in his living room in Hamburg, as a one-man operation for photovoltaic systems, the company has since developed into an international leader for all-in-one renewable energy systems. In the meantime, the managing director duo of Martina Petersen and Christoph Koeppen is successfully driving the global growth of the planning and installation company.

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 customised, complete turnkey systems for generating electricity and heat from the sun and bioenergy for customers around the world. Excellent engineering know-how, innovative solutions, highest quality and comprehensive services permit SunTechnics to maintain its lead as a specialty provider ahead of the competition in the field of renewable energies.

Individual energy solutions from a single source
Whether a home-owner in California or a farmer in Germany, an architect in Spain or a hotel-owner in Greece, a Korean industrialist or an Indian government official: SunTechnics directs its range of products and services at any end customer or operator who wants to use renewable energies, and prefers a professional all-in-one service from one source. The company offers ideally suited technology solutions in different areas of regenerative energies. Customers receive their individually planned, optimal energy system in photovoltaics, solar thermal energy, building engineering and bioenergy. In locations where a regular supply of electricity is too expensive, technically difficult or even impossible, self-sufficient solar electricity systems from SunTechnics often represent the best alternative. Supported by bioenergy, wind energy or other generators, these hybrid systems can provide reliable electrification.

All SunTechnics customers worldwide receive optimal consulting and support for their energy system: A broad services and distribution network with a regional focus enables the company to provide comprehensive support – from initial consulting, to financing and technology, to planning and installation, all the way to ongoing support of installed systems. No matter which technology the customer chooses: the system's operators will profit from quality, service and customer focus.

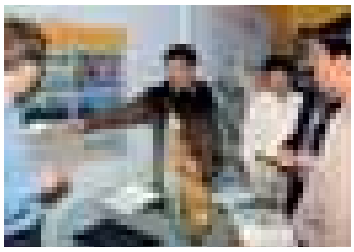
Beyond just supplying an optimal turnkey energy system, SunTechnics provides its customers with individual economic viability calculations and matching financing models such as credit financing or leasing – suited, of course, to the type of energy chosen. This is necessary because photovoltaic, thermal or biogas installations entail different economic incentives. A variety of subsidies are available to systems operators depending on the country and type of energy generated. Whether for in-house consumption or power fed to the grid: SunTechnics helps all customers to attain the maximum benefit from their newly acquired renewable energies system. And in many countries it has been shown that an investment in a solar power or biogas system will not only pay for itself, but can even be profitable.

Electricity and heat from renewables systems for every need

The renewable energies markets continue to grow – and SunTechnics along with them. Complementary business segments are being identified and integrated, innovative energy supply concepts are being developed. The focus is increasingly on the intelligent combination of different renewable energy technologies for an optimal overall solution. 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. This diversification was decisively continued a year later with the company's expansion into the bioenergy field. In 2006, the company entered the HVAC engineering field with a product offering of heat pumps, followed by the incorporation of pellet technology into the product portfolio in 2007. Since 2007, solar cooling systems have been offered by SunTechnics as turnkey installations in hot climate regions to meet the demand for air conditioning.

SunTechnics now even closer to the end customer
In the past, SunTechnics worked closely and successfully with regional trade and installation companies in Germany. The market growth in new technology fields such as bioenergy and HVAC engineering, as well as the development towards integrated overall energy solutions based on the combination of several technologies, required an adaptation of the distribution structure. Since April 2007, the company has placed emphasis on a combined distribution model, which consists of expanded direct sales with a strong regional presence and a central key account management for the different customer segments. As a result of the restructuring of the distribution area, a large number of the SunTechnics network partners have been supported by Conergy since early on in the year. Conergy is concentrating on the installer and reseller business within the Group. With this step, SunTechnics ensures a comprehensive and structured market development in all segments across all relevant technologies, as well as a more intensive customer focus and continued development as a premium brand.

Engineering know-how at the highest level for all countries worldwide
The company's success in international markets with divergent needs and requirements is rooted in the bundling of its engineers' know-how. More than 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.



On five continents, people already profit from the extensive experiences of SunTechnics in the renewable energy sector: in 2006 alone, the systems integrator expanded its global activities into Italy, Belgium, South Korea, France and Singapore. SunTechnics Spain has massively expanded its business activities in 2006, and has now established itself as the second most important market within the SunTechnics Group after Germany. In Belgium, SunTechnics has taken over the experienced, profitable company IZEN, which specialises in the distribution and installation of renewable energy systems. Business activities in the USA were significantly expanded due to the takeover of two solar system integrators in California and in Pennsylvania. The founding of additional subsidiaries as well as the setting up of local agents and sales offices in other countries is being continuously planned and assessed.

SunTechnics responds to different customer needs and requirements with intelligent system technology and specific services: in the spacious country of India, the ‘shop-in-shop’ model has proven successful. In cities as well as in rural areas, SunTechnics shops sell self-sufficient renewable energy solutions, as well as other products. City dwellers can use these technologies as a standby during frequent power cuts, while villages far from the electric power grid can be supplied not only with electricity for lighting, but also for refrigerators, radios and television sets. Shops are to be opened in several Indian states by the end of 2007.

Beyond this, SunTechnics has excellent knowledge at its disposal regarding the worldwide installation of solar power plants. Projects with an output of the order of magnitude of several megawatts represent especially complex organisational and logistical challenges. From feasibility study to planning, construction management and construction site coordination, from a detailed technical solution to the implementation according to schedule, and then the maintenance and monitoring of the systems after they are placed in operation: SunTechnics engineers have the necessary expertise and experience to turn major projects into successes – regardless of the location. SunTechnics teams set new standards in the completion of turnkey photovoltaic plants – in South Korea, for example: after a mere six weeks of installation time, a major project with a total capacity of one megawatt was successfully connected to the grid in the southwest of the country. In the south of the Iberian peninsula, on the other hand, SunTechnics was commissioned by Epuron to install solar power plants in the megawatt range with special, biaxial tracking systems that now provide maximum yields. SunTechnics has also proven itself to be a reliable contractor of Epuron projects in Germany: two thin film megawatt projects were successfully brought into operation simultaneously in Bavaria. In Italy, major solar projects of several megawatts were realised in 2007 for the first time by experienced SunTechnics engineers.

Epuron – our brand world for investors in major regenerative projects

Epuron GmbH (formerly voltwerk AG) is one of the leading companies for project development and structured financing in the area of renewable energies. The company develops, finances, realises and operates photovoltaic and wind parks. Beyond this, Epuron GmbH uses its profound knowledge and many years of experience to realise projects in the areas of major solar thermal power plants and bioenergy.

The business model of Epuron GmbH is based on the implementation of projects plus their sale to private and institutional investors who wish to link ecological capital investments with attractive returns. Legally guaranteed compensation for feeding electricity generated from renewables into the grid offer investors high levels of security in both outlook and revenue. In this way, both investors and the environment profit.

International project successes

Since its formation in 1998, Epuron GmbH has financed or realised over 60 major projects. Photovoltaics drove business growth for Epuron GmbH in the early years, and it continues to be a key segment today. Currently, major photovoltaic projects with a total capacity of 17 megawatts are in the process of realisation. These include two major thin film projects that count among the largest in Germany. On the whole, the company has realised systems in the photovoltaics area across Europe with a combined capacity of around 60 megawatts. This makes Epuron the global leader for project development and structured financing in the photovoltaics area. Activities have been expanding to other technologies such as wind and bioenergy for some time. The total investment volume of all major projects realised to date amounts to more than half a billion euros. With eleven branch offices on four continents, the company is optimally positioned across the globe for continued expansion in the most lucrative markets for renewable energies.

As part of this global growth strategy, Epuron is consistently expanding its international activities. In Madrid, a framework financing agreement was signed with a major bank for photovoltaic projects to the sum of EUR 394 million, securing the financing of around 45 megawatts for 2007. In 2006, the construction of several projects commenced in the south of Spain. These include a sun-tracking photovoltaic plant that is among the five largest in the world. It also makes Epuron GmbH the leading project development and financing company in the area of photovoltaics on the Iberian peninsula. Additional photovoltaic projects are in the planning stages in Italy and Greece. The strong growth in this market will continue in the coming year.

Epuron GmbH continued its growth trend just as successfully in the wind energy business segment. As just one example, the company handed over wind parks with a total capacity of around 70 megawatts to an institutional investor.

With initial projects in Italy, France and Turkey, the signal has been given for the internationalisation of the wind business. Projects with a total capacity of around 600 megawatts are in the pipeline. The bioenergy segment is also becoming increasingly interesting for institutional investors. The biogas plants segment still plays the largest role and is ideally suited to complement an existing portfolio or as a stand-alone investment. Epuron GmbH has expanded its activities over the past year and has successfully brought the first biogas plants into operation. To further expand this product range in the future, biodiesel and bioethanol projects have already been developed, which will be used for further diversification.

Structured financing, innovative investment products and investor support

Epuron GmbH responded to the changes in the market environment for closed funds at an early stage, and was already implementing initial measures by 2005. The focus on institutional investors led to clear successes in the sale of larger photovoltaic and wind parks in 2006. Around half of the total revenue in 2006 was achieved by project sales to institutional investors. The reasons for the rising interest of institutional investors in the projects are varied: on the one hand, investors are attracted to investments that often go into double and triple digits of millions of euros, while on the other hand, investments need to be structured as internationally as possible. Epuron GmbH consistently follows the needs of the customers and the requirements of the market. In this way, Epuron offers institutional investors participation in either individual projects or entire project portfolios. By being active in international projects, investors can diversify their portfolio according to countries and/or technologies.

Good banking contacts both domestically and abroad provide Epuron with favourable conditions for raising capital for the financing of the projects. The company uses different methods to structure the outside capital – such as participating in bond emissions, for example. Epuron also actively seeks project pre-financing – as was agreed for the photovoltaics projects in Spain, for example. This creates additional space for negotiation, enabling major projects in the area of renewable energies to be implemented even more efficiently.

A one-stop shop for all project services
The strength of Epuron GmbH lies in its professional management of all project phases: from the qualification of the site, to the supervision of construction and the technical monitoring of the wind and solar parks – the company delivers all of these as a one-stop shop.

Project phases at a glance:

Site development	Financing	Engineering	Procurement	Construction	Commercial and technical management
l Site inspection and development l Lease agreements l Building permits l Power Purchase Agreements (PPAs) l Due Diligence	l Profit evaluation l Pre-financing l Structuring of debt equity l Tax and insurance planning l Prepare, audit and negotiate contracts l Project placement as a single project or portfolio to financial or strategic investors	l Layout of the plant l Cost calculation l Yield analysis l Technical planning: conceptual, basic and detailed engineering	l Purchasing agreements l Logistic services	l Coordination l Site supervision l Quality inspection l Commissioning	l Technical monitoring and default analysis l Maintenance and service l Accounting l Shareholders' meetings l Contract controlling

The company has experienced project managers at its disposal in newly available markets, who have profound knowledge of local conditions such as approval procedures or legal aspects. This ensures that both Epuron's German and international projects meet the highest quality standards.

Technical and commercial project management
Customers of Epuron GmbH profit from the many years of experience in the operation of solar and wind parks. Operational models are successfully applied to international projects as well, in order to guarantee trouble-free operation in these locations. These include monitoring via a modern remote monitoring system as well as the reliable upkeep and maintenance of the systems. In this way, Epuron attains both maximum performance and also ensures that systems yield optimal profits over the course of their entire service life.

EPURON
POWER FOR PORTFOLIOS

voltwerk becomes Epuron
In 2007, Epuron will continue to build on its position as industry leader. With this goal in mind, the company's name was changed from voltwerk AG to Epuron GmbH as at 1 January 2007. The company thus clearly expresses its internationalisation strategy and reacts to the common parlance of an increasingly global clientele. The new "Power for Portfolios" slogan also emphasises the profit-oriented thinking favoured by investors.

A contribution to climate protection that makes investment sense
The European Union has determined that the share of renewable energies in the energy mix is to be increased to 20 percent in member countries by 2020. Epuron GmbH will make its own contribution to this goal. Epuron's projects enable a turnaround in energy, and at the same time create attractive investment opportunities for private and institutional investors – and the company is well on its way to making this vision a reality: Epuron will become the global leader for project development and structured financing in the renewable energies segment.

Growth management

Conergy is growing into a leading system provider worldwide for regenerative energies. Today, the Group already employs more than 1,600 staff across the globe. To manage this growth, all processes and systems are made part of a lean pyramid structure, which enables new business units to be continually and seamlessly integrated into the organisation. Our management and IT structures are already positioned to continue to expand our distribution in the most lucrative growth markets in more than 100 countries, to optimally exploit existing market potentials, and to make additional synergies available. In order to enable our distribution channels to concentrate fully on customer demands, our Global Technology Teams (GTT) and Shared Services provide them with efficient support services.

Bundled distribution creates additional demand potential
The bundling of our distribution channels is intended to provide our customers in retail and trade with even greater know-how and efficiency in order to find the best renewable energy solution worldwide for any energy requirement. Beyond this, focussing on the well known brand of the globally successful, listed company Conergy will make it easier to create additional demand potential as a global market leader, even in the solar power B2B sector. Conergy already has the highest revenue of any European solar power company, with B2B distribution accounting for around 40 percent of revenue. Conergy is an international leader in other fast growing renewable energy fields, such as bioenergy.

The Conergy Group is also represented with its brand worlds of SunTechnics and Epuron, which cover all the central stages of the regenerative value chain for the respective target groups: SunTechnics addresses all end customers and operators as a premium supplier in the B2C area, while Epuron develops and finances solar and wind parks, as well as solar thermal power plants and bioenergy systems.

GTTs support regional distribution teams with demand-oriented technology transfers
As well as strong distribution across the three brand worlds, the Global Technology Teams are the other important mainstay of the Conergy Group. They bring together the specific know-how in the different technologies and product fields of the Conergy Group. The GTTs are responsible in their respective areas for portfolio management, product development, product-specific purchasing and production, as well as distribution setup and product training. This is where the market-oriented development and integration of new products and technologies is matured into saleable products with clear USPs. At the same time, the efficiency of existing systems continues to be improved.

The rapid approval processes within the individual GTTs make faster decisions possible and promote market-oriented planning, innovation and growth. Their strong flexibility and customer focus make the GTTs an essential driver of growth in Conergy. In coordination with the Management Board, they decide whether system components are purchased, or whether they will be developed and produced within the company to create more value for both Conergy and its customers.

Shared Services support operations and create efficiency advantages
The Conergy Group's Shared Services support the globally active units, enabling them to concentrate on their business, which is the marketing and distribution of our products. Together we can reach the goals of the Conergy Group more successfully. By bundling and using specific know-how in the Shared Services areas, we can use synergies and economies of scale, resulting in clear cost advantages for the entire group.

Proven, uniform standards also provide support, and simultaneously ensure the highest quality of all processes in the subsidiaries. The services provided by Shared Services encompass all services that are made available across the entire Group and are defined in the various service offerings. Shared Services ensure the smooth flow of operations for the distribution channels. The best example for this is our globally active IT department, which received the "Microsoft Special Award for the Most Innovative Use of IT" from Europe's 500 and Business Week for its integrated IT process support architecture.

Customer		
Reseller	End user	Investor
CONERGY	SunTechnics	EPURON POWER FOR PORTFOLIOS
B2B	B2C	Finance

Product Portfolio

GTT PV Modules	GTT Solarthermal	GTT Electronics	GTT Wind	GTT Biogas/ -mass	GTT Mounting-system	GTT Geo Thermal	Conergy Services

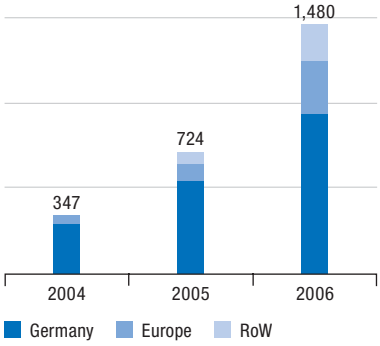
Shared Services & Central Functions

HR	Marketing	M&A	Legal	Finance	PR/IR	Logistic	IT

Human resources

Our employees' commitment, expertise and willingness to excel make up the basis for the global success of the entire Conergy Group. This passionate commitment has now made us one of the leading suppliers of renewable energies in 23 countries. To ensure that it stays this way, we promote the international exchange of experiences and invest comprehensively and continuously in the training and further education of our employees. Beyond this, we provide attractive professional career perspectives in a corporation that is growing globally.

Number of employees as of 31 December 2006 (FTE)



In the past financial year, our number of employees has more than doubled. On 31 December 2006, the Conergy Group had 1,480 employees worldwide (724 in the previous year). The number of employees abroad has risen dramatically: more than 35 percent (23 percent in the previous year) work in branch offices and subsidiaries around the globe. An increasing number of employees thus work close to customers in the most lucrative regenerative markets, in line with the international growth strategy. Staff costs rose in the financial year just ended by 116 percent, to EUR 58 million. This is in line with the build-up of new business fields in the most lucrative markets for regenerative energy systems.

The entire human resources strategy of Conergy AG 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 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.

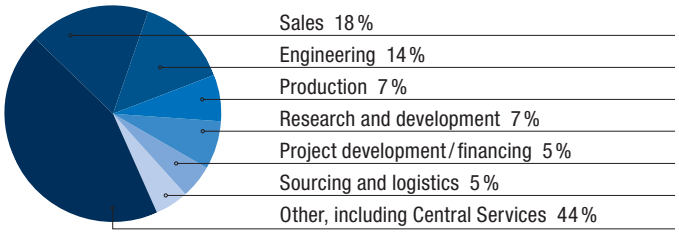
Training and further education

The market for renewable energies is undergoing dramatic developments. To prepare our employees for steadily growing challenges, we offer a comprehensive training programme in the form of our own Conergy Academy. We have launched numerous continuing education programmes to prepare salaried and hourly-paid personnel alike for the requirements of our globally growing technology Group. Successful work essentially requires commitment, experience and knowledge. Learning in the workplace and exchanging experiences with colleagues and managers is both an effective and obvious way to expand knowledge. The Conergy Academy thus places its emphasis on product training, integration events, training and coaching, recognition and evaluation of potential, as well as on the development centre. 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. Training youths is yet another important approach.

Compensation system

To successfully manage Conergy's strong growth, the objectives of the organisation and their attainment have been communicated and tracked in real-time by means of a Balanced Scorecard (BSC) for the last two years. The company's strategic goals were presented transparently to all employees and applied to the respective areas. 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. Moreover, a portion of the bonus is linked to the company's result, giving all employees an additional opportunity to profit from the Group's success.

Personnel structure as of 31 December 2006



Retirement benefit plans
As a company with strong growth, we are particularly dependent on well-trained, experienced employees. This is why motivation and identification with the company is an important criterion for success, in order to promote employee loyalty and make the company attractive for new employees. Conergy offers several possibilities in this area, including pension schemes, occupational disability and health insurance, as well as schemes for integrating the protection of surviving dependents. We take care to ensure that we provide the most flexible solutions. We offer the complete spectrum of tax-supported deferred compensation schemes, and we subsidise the amount chosen by each employee in connection with the company's retirement benefit plans.

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.

Many thanks to all!
2006 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!

Because of its ability to provide base load electricity, Bioenergy will become ever more important as part of an intelligent energy mix that includes a growing share of renewable energies.

26 %

revenue share in solar thermal, wind and bioenergy.

Contents

Group management report of Conergy AG for the 2006 financial year

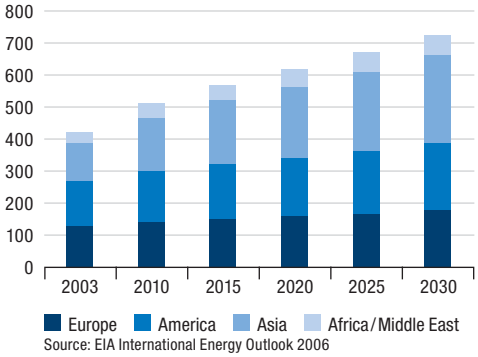
A. General

1. Development of the market for regenerative energy systems

According to the International Energy Agency (IEA), satisfying the world's growing hunger for energy will require investments totalling USD 20.2 trillion by 2030. Of this amount, 21 % will be invested in the oil industry, 19 % in natural gas and about 3 % in coal while the lion's share – about 56 % – will flow into the expansion of the electricity industry. Conergy expects the annual market volume for renewables technology to reach about USD 300 billion by 2015. Major grid-connected solar thermal and photovoltaic plants or even major wind parks will become increasingly significant, as will intelligent decentralised hybrid systems that combine solar, wind and bioenergy and are capable of providing entire buildings or villages with electricity, heating or cooling around the clock. By the same token, the significance of smaller system solutions which today still account for about 60 % to 70 % of demand will follow a downward trend.

The realisation among the public and thus also among politicians that there is an urgent need to accelerate the expansion of locally-based, climate-friendly technologies to ensure an intelligent energy mix in future will grow not least against the backdrop of increasingly visible climate change. This fundamental and global trend already has an ever-growing number of countries pursuing more and more consistent policies to promote renewables.

World marketed energy consumption by region
(in quadrillion Btu)



Source: EIA International Energy Outlook 2006

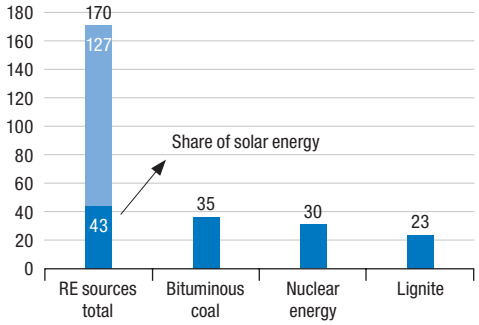
2. Germany provides the best example of an increasingly independent energy supply

Germany is becoming less and less dependent of ever more expensive imports of fossil fuels that also harm the environment. The share of regenerative energy systems in the country's energy supply grew stronger than ever in 2006. According to the German Renewable Energy Federation (German acronym: BEE), in 2006 7.7 % (previous year: 6.8 %) of the country's total need for electricity, heating and fuel were already obtained from wind, water, the sun, bioenergy and thermal energy. This corresponds to the total energy consumption of more than ten million households. The share of renewables in the production of electricity has already risen to 11.6 % (previous year: 10.5 %) while the share of bioenergy, solar energy and thermal energy in the generation of heat rose to 6.2 % (previous year: 5.9 %). In 2006, Germany's use of renewables helped to avoid imports of crude oil, natural gas, coal and uranium valued at EUR 4.2 billion. A joint study by the German Aerospace Centre (German acronym: DLR) and the Fraunhofer Institute (ISI) documents at the same time that simply generating electricity from renewables entails saving external costs of EUR 3.2 billion related to environmental damage.

3. The economy also profits from the expansion of renewables

Furthermore, this trend has already created more than 170,000 jobs in Germany alone in these future technologies, also giving rise to a worldwide potential for exports. And the country's role as a forerunner in this industry has also helped to turn German companies such as Conergy into market and technology leaders in the renewables industry. Provided policies promoting regenerative energy are pursued further, the domestic market will continue to provide a strongly growing base for German companies seeking to expand their world market shares by consistently expanding mass production of increasingly low-cost technologies. At the same time, according to a study by the DLR this will definitely help to attain the target of a 12.5 % share by 2010 and make it highly likely that the minimum target of 20 % will be surpassed by 2020. The amount of CO_2 emissions avoided just by virtue of consistently expanding renewables will reach a level that is of considerable significance not just in Germany but in all of Europe in regards to attaining targets that surpass the Kyoto Protocol.

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

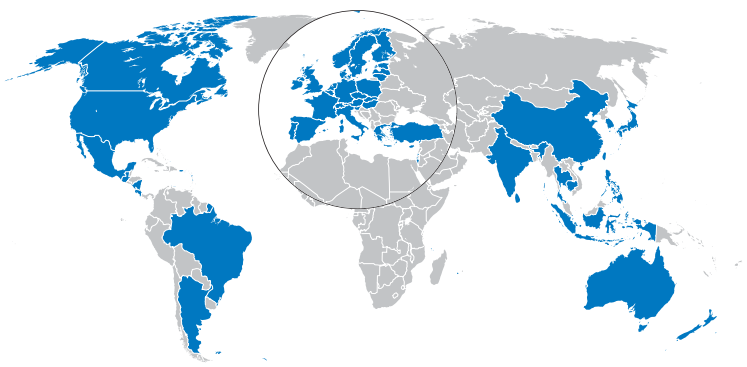


Source: BSW, BMU, Informationskreis Kernenergie; 2005

4. The expansion of renewables is already being promoted in 48 countries worldwide

Regenerative technologies are being promoted and utilised at an ever increasing pace worldwide. And the German Renewable Energies Act (German acronym: EEG) – which has become extremely attractive from a political standpoint, as even the EU Commission recently confirmed — has become something of an export hit itself. Legislation promoting renewables that is modelled on the EEG is already on the books in just under 30 countries (including 16 EU countries and a growing number of US states) and numerous other countries are discussing introducing such legislation. Some governments have also initiated other types of market incentive programmes. At present a total of 48 countries, among them 14 emerging markets, are promoting the generation of electricity from renewable energy and 18 US states and three Canadian provinces have established ambitious targets for the use of renewables. China plans to cover 17 % of its total energy needs from renewable sources of energy by 2020 in spite of the ongoing strong growth in its energy consumption; to date, renewables account for a mere 3 %. California aims to cover one third of its demand for electricity by 2020 through regenerative energies, a percentage that even rises to 48 % if large scale hydropower is included; the current figure is about 11 %. In Europe an EU Directive establishes fixed targets for the share of renewables in the total consumption of electricity that each member state must meet. To date only Germany, Spain, Denmark and Finland are well on the way to achieving the targets they have set for 2010 but all other EU governments are expected to follow suit. These factors are the force that is driving Conergy's booming foreign business. The world market share of German solar companies in the financial year just ended was 25 %, compared to 7 % in 2000. In regards to wind power units German companies even attain a world market share of 40 % based on an export ratio of 71 % – a goal that the German solar industry plans to meet for itself as well.

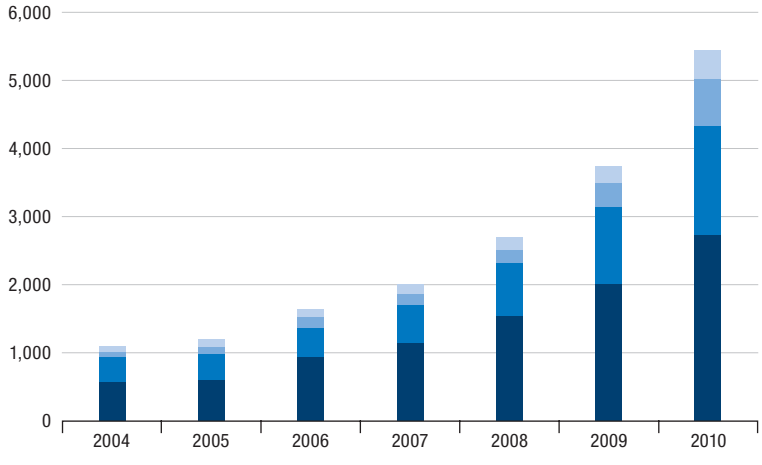
Renewable energies are promoted on a worldwide scale



Countries with incentive programmes for renewables

5. Solar industry uses cost-cutting potential to drive demand
Prices for solar systems and their components have climbed about 7 % each year since 2004 given the enormous surplus in demand. At this price level, however, demand experienced a sharp downturn, especially in the agricultural sector. Supplies rose at the same time, leading to an excess of demand. By the end of 2006 this had caused the wholesale price of solar modules to fall by about 20 %. Conergy expects prices to decline even further by about 7 % to 10 % in 2007. In turn this will once again make investing in one's own solar roof an attractive proposition in Germany. Conergy expects this to trigger strong growth in demand. The fees for feeding solar electricity into the grid that have been introduced in Spain, France, Italy or even Greece also lead us to expect substantial growth in the demand for solar systems.

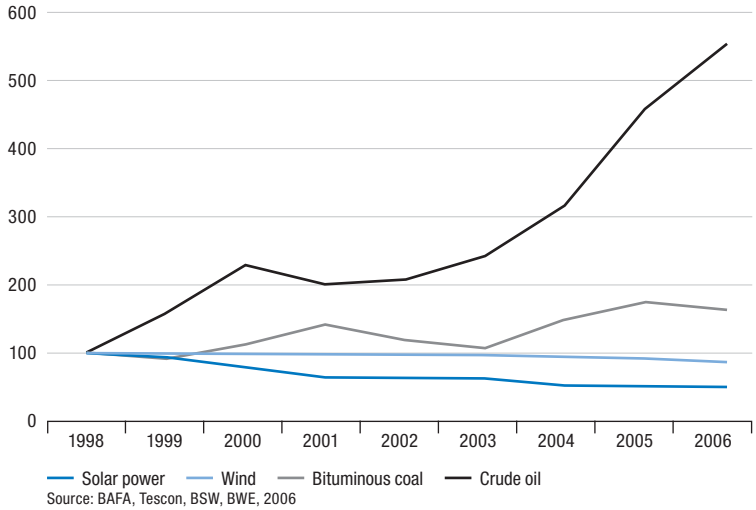
Forecast by country for the PV market
(annual installations of new output in MW)



Source: EPIA market study, December 2005 – Accelerated Scenario

6. Renewable energies are becoming increasingly competitive
The cost for crude oil skyrocketed from just under USD 17 per barrel (159 litres) in 1995 to about USD 60 per barrel in 2006. The price for coal also rose during this period, from just under EUR 41 per tonne to more than EUR 57 per tonne, and prices for uranium even increased sevenfold. This trend will accelerate given the growth in worldwide demand for energy and the simultaneous shortfall in finite resources. According to studies by the US investment bank Goldman Sachs and the Hamburg-based World Economic Institute, the price for crude oil could even climb to more than USD 100 per barrel due to strong demand in future. This is because 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. Whereas conventional energy carriers are becoming ever more expensive, in the past 15 years the costs for renewables have declined by about 50 %. The industry aims to reduce costs by another 40 % by 2020, making regenerative energy fully competitive in about 10 to 15 years.

Renewable energies are becoming increasingly affordable (in %)



Source: BAFA, Tescon, BSW, BWE, 2006

7. Increasing mass production causes efficiency to jump and costs to decline

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 continually rising prices for fossil fuels, systems for utilising regenerative energies are becoming more and more affordable because their components are being mass produced. 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. Increasingly, future growth will become the norm and hence less dependent on state-sponsored market incentive programmes.

8. Numerous studies show that growth in the solar market will multiply

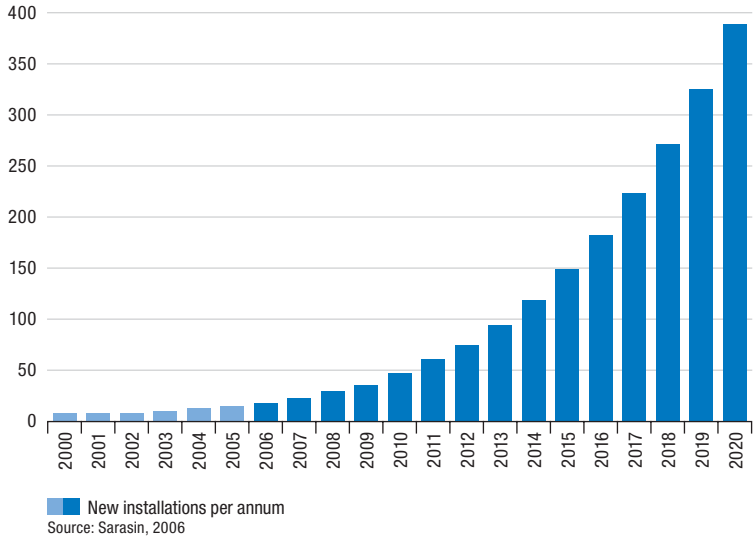
Many studies document the enormous growth potential of various technologies for generating heat and electricity from sunlight. The most optimistic of these studies – for instance the study by the European Photovoltaic Industry Association (EPIA) – forecast annual growth rates in excess of 30 %. Yet even Bank Sarasin, a Swiss bank usually considered conservative, forecasts that growth in the three solar applications – photovoltaics, solar thermal systems and solar thermal power plants – will be assured in the long term as a result of strong surges in demand. In their most recent solar study dated November 2006, these Swiss experts on sustainable investments expect worldwide growth rates of 20 % for solar cells during the next 15 years. This has caused us to increase our estimates of an expected output of more than three gigawatts installed worldwide by 2010.

Germany's relative share in this growth will decline from 43 % today to less than 20 % in 2020 despite the growing market, in tandem with growth in several developing and emerging markets that are increasingly turning to photovoltaics for rural electrification. These markets are critical to generating energy from the sun in future because at present about two billion people in these predominantly sunny countries do not have access to reliable electricity supplies. Conergy's own branches already place it in proximity to its customers in quite a few of these growth markets – such as India, Mexico, Brazil, China and even Singapore. Business is profitable due to Conergy's ability to offer a variety of products making it possible to combine energy from the sun, wind parks or even bioenergy installations into autonomous hybrid systems.

9. Solar thermal systems are growing even faster than photovoltaics

Bank Sarasin expects even higher growth of 25 % to 30 % annually by 2010 in the worldwide solar thermal systems market. High prices for oil and natural gas are fuelling this growth because hardly any another technology saves as much fossil fuels and CO_2 as solar thermal systems. Continually rising prices for oil and natural gas – a probable scenario – will likely trigger additional government programmes in support of solar thermal systems, setting the stage for even higher growth rates in this market. This development is further accelerated by the growth of the market for regenerative cooling systems where Conergy's solar thermal collectors as well as heat pumps provide heating in winter and cooling in summer by means of reverse operation. Utilising systems technology for combining geothermal and solar heat allows homeowners to lower annual heating expenses compared to the costs they incur for using heat from conventional sources such as natural gas or oil and even to become wholly independent of fossil fuels. These cutting-edge technologies produce heating or cooling directly. This is much more efficient than having to generate electricity first before being able to heat or cool a house and also lowers demand especially at peak times. A study estimated that the European market for air conditioning was worth EUR 4.3 billion in 2005, of which Spain and Italy alone account for 49 %.

Sarasin forecast for the global solar collector market
(newly installed collector capacity in GW_{th} per year)



Source: Sarasin, 2006

10. Solar thermal power plants can deliver electricity at competitive prices

A current study jointly authored by Greenpeace and the European Solar Thermal Industry Association (ESTIA) estimates that an output of 6.5 gigawatts from solar thermal power plants will be in place by 2015. Solar thermal power plants already offer competitive alternatives for satisfying demand for electricity when demand is at its highest, especially in southern regions. Not only does it cost up to 50 % less to generate electricity by means of solar thermal energy compared to photovoltaics in particularly sunny regions, it also is more efficient to use major solar thermal plants than to maintain sufficient conventional output at a very high cost for a few hours when it is hottest. If necessary, these large solar power plants can also provide electricity 24/7 as needed.

11. Sustained boom in solar energy triggers fluctuations in supply and demand 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. Conergy plans to use its fully integrated wafer, cell and module production facility in Frankfurt/Oder – which will be launched in the summer of 2007 – to supply most of the high-tech components for its worldwide sales channels itself. The company will continue to purchase other technologies that are in demand, such as for example thin film, as well as additional quantities as needed from renowned suppliers on the world market to cover spikes in demand.

12. Production of silicon will exceed growing demand no later than 2008

In regards to the sourcing of silicon for its own production needs, Conergy will also benefit from substantial growth in the production of silicon and hence a decline in world market prices in the medium term. The expansion of production capacities for solar silicon now far exceeds the quantities that are in demand at current price levels. Many analysts believe that more than enough silicon should be available for the photovoltaics industry from 2008 onward even if worldwide demand were to grow annually by a minimum of 30 %, triggering even faster growth in the face of continually declining prices.

It is against this backdrop that Conergy is expanding its global activities for producing solar modules itself. By consistently orienting its approach to its customers' regionally divergent energy requirements, Conergy is ensuring additional growth potential for itself. 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

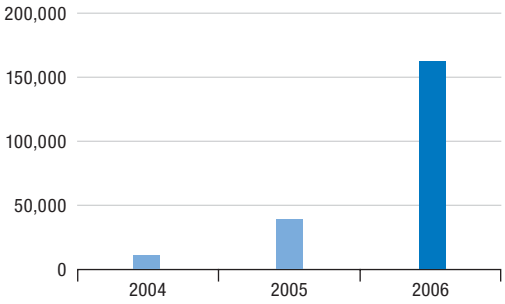
1. Conergy remains no. 1 in Europe and already is no. 2 worldwide based on solar sales

At revenue growth of 42 % to EUR 752.2 million (previous year: EUR 530.2 million), Conergy is consistently expanding its worldwide market shares in the markets for regenerative energy systems, which are growing by about 25 % on average. All sales channels contributed revenue growth to what was the company's most successful financial year since its foundation in 1998. Revenue from foreign sales has already risen to 37 % (previous year: 14 %, planned target for 2006: 25 %) and revenue from solar thermal, wind and bioenergy installations has climbed to 26 % (previous year: 12 %, planned target for 2006: 20 %). Hence Conergy is well on the way to achieving its 50/50/08 growth strategy. This will enable the company to generate additional revenue and profit potentials in the world's most lucrative markets, in turn making it more independent of supply and demand surpluses in the cyclically growing markets for regenerative systems technology.

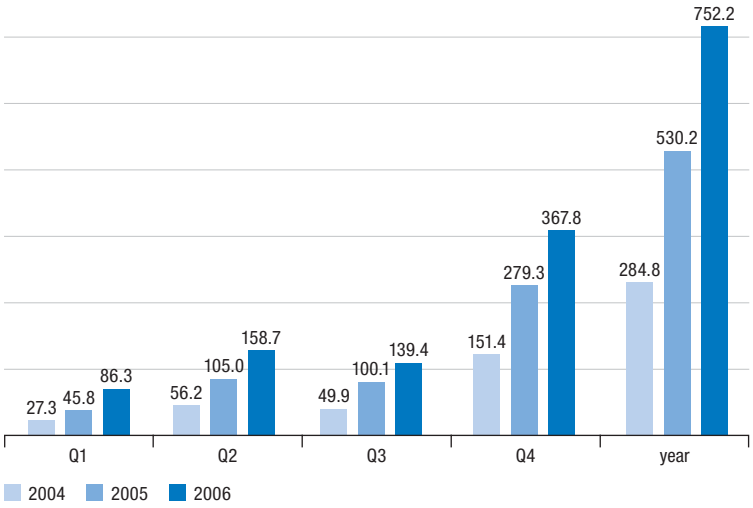
The development of prices for solar systems in Germany in the financial year just ended shows just how flexible Conergy has become in compensating for temporary demand fluctuations in regional markets. Because solar systems are turning out to be attractive investments in an ever-increasing number of countries, excess demand for solar systems on the world markets has caused prices for solar modules to surge. These price increases in turn raised prices to end customers by about 10 % in the first six months of 2006 but prices peaked in the summer of 2006, as expected by Conergy. Wholesale prices for solar modules fell by about 20 % toward year's end because all manufacturers in Germany had boosted module production by about 25 %. Even though the German market still accounts for about 40 % to 50 % of the world market, highly disproportionate growth in demand in some relatively small-volume foreign markets – such as Italy, France, Greece, Korea or even California – make internationalisation strategies both necessary and attractive.

Orders on hand in January 2007, which is the basis for attaining our revenue targets for 2007, more than tripled over the order level during the same period the previous year. This means that Conergy started the current year with an order volume that constitutes about 65 % of its entire planned revenue for the year. This is in marked contrast to 2006 when projects merely accounted for about 30 % of the targeted revenue for the year. We are particularly pleased with the development of our solar business in Spain, currently the fastest growing market in the world. Three years have passed since Spanish legislation promoting the use of renewables by end customers was introduced and Conergy's early entry into this market has turned out to have been beneficial indeed. The acquisition in 2000 of Albasolar (the Spanish solar wholesaler), SunTechnics' establishment in 2001 of a distribution network aimed at end customers and voltwerk's (now called Epuron) entry in 2005 into planning and structured financing for major local regenerative projects enabled us to realise solar projects in 2006 with a total peak output of about 27 megawatts on the Iberian peninsula. A market share of more than 30 % now makes the Conergy Group the clear market leader in the Spanish solar business as well. Even if the fees paid for feeding electricity generated from photovoltaics into the grid were to change, not least the statutory requirements for utilising solar heating in all new construction will ensure that this solar market will remain one of the most lucrative and fastest growing regions in the world.

Revenue in Spain (in TEUR)

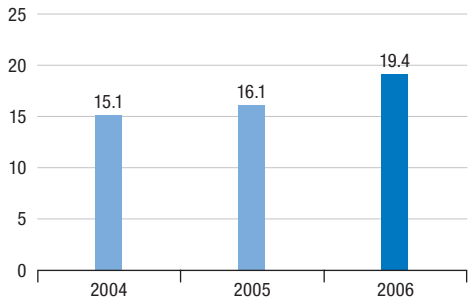


Revenue per quarter (in EUR million)



C. Performance and financial position

Development of gross profit margin (in %)



1. Development of gross profit

In 2006, gross profit rose to EUR 146 million (2005: EUR 86 million). The gross margin climbed from 16.1 % in the previous year to 19.4 % in the financial year just ended. This was due, in particular, to the growing foreign business in photovoltaics, which produces higher margins abroad than at home, as well as to the enhanced vertical integration in various production areas. Additionally, earnings from the major project segment more than compensated for declining sales prices in the trading business. Overall this led to an increase in the gross margin.

2. Projects

Revenue from structured financing and realisation of major solar, wind and bioenergy power plants skyrocketed by 91.5 % to EUR 266.8 million (previous year: EUR 139.3 million) in the Projects segment of the Epuron (previously voltwerk) brand world. Thanks to a project pipeline that was filled to the brim and oriented more toward international business, the gross margin improved to 23 % (previous year: 9 %), which is higher than the Group's average gross margin of 19.4 % (previous year: 16.1 %).

3. Engineering

Gross profit improved, thus boosting the gross margin to 23.3 % (previous year: 19.3 %) in SunTechnics' worldwide end customer business involving turnkey systems using renewable sources of energy. Revenue increased in 2006 by 32.7 % to EUR 199.2 million (previous year: EUR 150.1 million). Staffing levels rose substantially in 2006 to prepare for the strong increase in business in 2007 and the establishment of new branches in France, Italy, Belgium, South Korea and Singapore as well as for the expansion of distribution networks in close proximity to the customers in Germany, Spain, India and the United States. This triggered a highly disproportionate increase in staff and material costs in 2006 by 205 % to EUR 44.2 million (previous year: EUR 14.5 million) compared to revenue growth. However, the additional sales and engineering staff ensure that SunTechnics is very well prepared for revenue jumps which are likely to increase EBIT margins in 2007.

4. B2B Sales (DMS&CS and Wholesale)
The decrease by about 20 % in prices to end customers for PV systems in the company's core market, Germany, in the second half of 2006 greatly influenced AET's solar business from installers and sales of the Conergy brand. It was not immediately possible to compensate for the price declines in 2006 by means of lower procurement prices from suppliers. The slide in prices at year's end caused the gross margin in sales to installers within the Wholesale segment to fall to 9.9 % (2005: 15 %). Yet sales of the Conergy brand generated a gross margin of 17.1 % (previous year: 25.5 %) due to the increased creation of value in both mounting frames and inverters.

5. Staff and material costs
Total staff and material costs rose disproportionately from EUR 49.8 million in 2005 by 143.6 % to EUR 121.3 million in 2006. Note in terms of the year-on-year figures that substantial upfront costs aimed at boosting the creation of value and preparing for the jump in revenue to EUR 1.25 billion in 2007 were incurred in 2006. Besides maintaining strong and sustained growth in its operating business, in the financial year just ended Conergy also reached other important milestones that will open up additional revenue potential in proximity to its customers in the most lucrative markets for regenerative energy systems. The company established 20 independent distribution companies in countries with highly promising growth potential and staffing levels in existing operating units were already increased in 2006. As at 31 December 2006 Conergy had 1,480 employees worldwide (previous year: 724).

6. Development of earnings
At EUR 30.2 million, consolidated net income for the year was 8.7 % higher than in the previous year (EUR 27.8 million.). Extraordinary expenses of EUR 8.7 million for developing additional international markets and EUR 12.2 million related to the company's entry into new complementary technologies for expanding its renewables product range dampened earnings. This includes the costs already incurred in 2006 for building the fully integrated solar wafer, cell and module factory in Frankfurt/Oder which will enhance vertical integration of the company's core PV business. These costs are offset by extraordinary income of EUR 15.0 million stemming mainly from the sale of two plots of land.

Conergy expects additional margin potential in the current financial year from these investments in international markets and complementary technologies outside of photovoltaics. We also expect higher profit margins from our growing foreign business and higher earnings from both solar energy and bioenergy.

7. Overview of the companies the Conergy Group established and acquired in 2006

Name	Brand	Location
Conergy Pte. Ltd.	Conergy	Singapore
Conergy España SL	Conergy	Spain
Conergy Central Services LLC	Conergy	USA
Conergy Energia Solar Ltda.	Conergy	Brazil
Conergy Contracting GmbH	Conergy	Germany
Conergy Estonia OÜ	Conergy	Estonia
Conergy Limited	Conergy	Korea
Conergy Alternatif Enerji Sistemleri Sanayi ve Ticaret Limited Şirketi	Conergy	Turkey
SunTechnics Energy Systems Pte. Ltd.	SunTechnics	Singapore
SUNTECHNICS IMPIANTI ENERGETICI SRL	SunTechnics	Italy
SunTechnics – Systèmes d'énergies SARL	SunTechnics	France
SunTechnics Sistemas de Energia Ltda.	SunTechnics	Brazil
SunTechnics Energy Systems EPE	SunTechnics	Greece
SunTechnics Limited	SunTechnics	Korea
SunTechnics Installation & Services Inc.	SunTechnics	USA
SunTechnics Instalaciones & Mantenimiento SL	SunTechnics	Spain
EPURON LLC	EPURON	USA
VOLTWERK ITALIA S.R.L.	EPURON	Italy
EPURON Pte. Ltd.	EPURON	Singapore
EPURON Vierte Management GmbH	EPURON	Germany
EPURON Fünfte Management GmbH	EPURON	Germany
Énergie Éolienne Lusanger S.A.R.L.	EPURON	France
Parc Éolien de la Chaude Vallée S.A.R.L.	EPURON	France
Parc Éolien du Mélier S.A.R.L.	EPURON	France
Parc Éolien de Morvillers S.A.R.L.	EPURON	France
Parc Éolien de Bonneuil S.A.R.L.	EPURON	France

The Conergy Group acquired an additional twelve companies in the financial year just ended and integrated them into its brand worlds. They bring additional customer potential and complementary technologies into the Group, enhancing its prospects for future growth.

Name	Brand	Location	Technology
Conergy Services Ost GmbH	Conergy	Germany	Wind / Service
Cap-Aus Pty Limited	Conergy	Australia	Solar thermal
Conergy Limited	Conergy	Cyprus	Photovoltaics
Riposol Handels GmbH	Conergy	Austria	Solar thermal
Conergy GmbH	Conergy	Austria	Solar thermal
Conergy GmbH	Conergy	Switzerland	Solar thermal
Conergy BVBA	Conergy	Benelux	Solar thermal
Güstrower Maschinen Bau GmbH	Conergy	Germany	Heat pumps
Conergy SolarModule GmbH	Conergy	Germany	Photovoltaics
Sun Technics Energy Systems NV	SunTechnics	Benelux	Photovoltaics
D&J Electric Inc.	SunTechnics	USA	Photovoltaics
SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI	EPURON	Turkey	Wind

Given that Conergy's established operating units accounted for more than 93 % of revenue in 2006 and given the tripling of orders on hand in January 2007, these takeovers and new companies will make substantial contributions to the expansion of the company's international business from renewable sources of energy already in 2007. Thanks to its acquisitions of companies that harness energy from ambient heat, Conergy can now offer customised systems technology for combined usage of geothermal and solar energy in all distribution channels. Homeowners can significantly lower annual heating expenses compared to the costs they incur for using heat from conventional sources such as natural gas or oil and even become wholly independent of fossil fuels thanks to the company's comprehensive product range. And the options for using regenerative heating systems from Conergy are even more diverse. Besides providing hot water, they can also provide heat in the winter and cooling in the summer by means of reverse operation.

8. Other operating income/Other own work capitalised

Though the increase in other operating income results mainly from the sale of two plots of land in the amount of EUR 15.0 million, this item also includes income from the initial consolidation of a wind park joint venture in Turkey (EUR 3.3 million) as well as capitalised development costs. The other operating income is offset by costs arising from the acceleration of the company's internationalisation (EUR 8.7 million) and investments in the expansion of its product lines for regenerative energy systems (EUR 12.2 million).

9. Structure of the balance sheet and financial performance

Total assets rose in 2006 from EUR 346.3 million to EUR 698.4 million. This was mainly due to the increase in fixed assets by EUR 96.8 million in 2006 resulting, among other things, from advances on machinery intended for HighSi GmbH at the company's Frankfurt/Oder site (EUR 48.7 million), the goodwill from acquisitions (EUR 22.6 million) and capitalised development costs (EUR 8.6 million). The increase in current assets also caused total assets to grow. This development was driven primarily by strong year-end business as well as by the company's skyrocketing major project business worldwide, which led to correspondingly substantial increases in trade receivables. We expect the changes in procurement terms to suppliers and the introduction in the second half of 2006 of financing concepts for major projects that conserve liquidity to lower working capital in relation to revenue in 2007.

Non-current assets are fully covered by equity. They account for 19.9 % (previous year: 7.6 %) of total assets. Of the non-current assets, EUR 119.5 million (previous year: EUR 22.6 million) are attributable to fixed assets.

The significant increase in short-term financial liabilities resulted mainly from the need to finance working capital for the significant increase in the project volume as well as from the advances on machinery needed for building the company's fully integrated solar wafer, cell and module production facility in Frankfurt/Oder. This financing is based on the utilisation of existing credit lines; the expansion of current credit lines generated a cash flow from financing activities of TEUR 224,310. We concluded agreements for credit lines totalling EUR 512.0 million with banks in the financial year just ended. Expanding our credit lines served principally to finance both working capital and investments. Proceeds of EUR 11.2 million from the sale of repurchased treasury shares flowed to the company in cash. The Conergy Group also uses intracompany financing effects from cash pooling structures as well as an in-house banking approach to both finance its operating units centrally via Conergy AG and optimise the distribution of liquidity throughout the Group. The average borrowing costs in 2006 totalled 3.6 % of the average gross financial liabilities of the Conergy Group.

10. Equity ratio
The Conergy Group has a very solid equity ratio of 26.3 % (previous year: 43.7 %). The increase in equity in 2005 from EUR 151.3 million to EUR 183.9 million is primarily attributable to the profit generated in the financial year just ended.

11. 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. The shares of Conergy AG

The shares of Conergy AG have been listed on the Frankfurt Prime Standard since the company's successful IPO on 17 March 2005 under the stock exchange symbol CGY and the German securities number 604002 and ISIN DE0006040025.

The approval needed for admission of the company's entire share capital to the Official Market and for concurrent admission to the Prime Standard segment of the Frankfurt/Main Stock Exchange, which entails additional follow-up obligations, was granted. Currently, a total of 30 million no-par value bearer shares are being traded. The rights and duties under these shares are governed by the German Stock Corporation Act. Taking all shareholders holding less than 3 % of the shares into account, the free float is 48.5 %. As at 31 December 2006, the following persons held more than 10 % of the shares with voting rights: Hans-Martin Rüter (16.35 %), Dieter Ammer (12.67 %) and Grazia Equity GmbH (12.08 %).

The Prime Standard is a segment of the Frankfurt Stock Exchange in which certain shares are listed. In addition to the Prime Standard, there is also the General Standard segment. The same legal requirements apply to the General Standard as to the Official and the Regulated market. The Prime Standard, however, requires corporations to meet international requirements above and beyond those of the General Standard with respect to transparency. These requirements are as follows:

- Quarterly reports in German and English
- Application of international accounting standards (IFRS/IAS or US GAAP)
- Publication of a corporate calendar
- At least one analyst conference in addition to the annual financial statements press conference
- Ad-hoc news releases in German and English.

1. Dividend

The company intends to continue retaining parts or all of its net income in the short term for securing and expanding its market position and for implementing strategic goals. The company will assess its financial position, its need for cash and the prevailing legal, fiscal and other circumstances in order to determine in what amount dividends will be offered, if any. For this purpose, the Management Board will submit a proposal for the appropriation of profit for review to the Supervisory Board, including a proposal to use some of the profits accumulated in 2006 for paying a dividend.

2. Further disclosures in accordance with Section 315 para. 4 German Commercial Code:

The Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital until 28 May 2011, once or repeatedly, by a total of up to TEUR 15,000 by issuing new no-par value shares in return for contributions in cash and / or in kind ("2006 Authorised Capital").

Members of the Management Board are appointed and dismissed in accordance with the provisions of Sections 84 f. German Stock Corporation Act. Amendments to the Articles of Associations are governed by Sections 179 ff. German Stock Corporation Act.

E. Compensation report for the Management Board and the Supervisory Board of Conergy AG

For information regarding the compensation of the Management Board and the Supervisory Board, please see the corporate governance report on page 20.

F. 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

The strong growth of the Conergy Group could be impaired by general economic risks. In addition, the loss of executives or employees in key positions could undermine activities if such a loss cannot be compensated for in a timely manner. In order to achieve even better control in this regard, the Group's IT systems are being enhanced to meet the requirements of a global company.

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. Conergy can turn to other suppliers if a supplier fails altogether or does not fulfil its delivery obligations as agreed but this might lead to disruptions or delays in the company's operating business.

Establishing Conergy's own fully integrated solar wafer, cell and module factory serves to substantially enhance planning security for direct just-in-time deliveries to PV producers, the company's core business. The Conergy Group expects the photovoltaics market in Germany to undergo a major consolidation followed by an intensification of competition and a possible trend toward declining system costs. The increased vertical integration achieved by the company's own production of wafers, cells and modules as well as inverters and mounting systems will create greater profit potential for Conergy and at a minimum enhance its ability to stabilise its own profit margins for PV systems even in the domestic market.

2. Industry-specific risks
We believe that expanding international activities, completing the value chain and diversifying into other segments of the renewables market will generate additional revenue and earnings potentials, in turn boosting the Conergy Group's growth and profits. But this strategy also entails risks. Changes in regulatory requirements – for instance in regards to market incentive programmes that provide start-up financing for regenerative energy systems – could have a highly positive or negative effect on demand for PV units but also on other products and services of the Conergy Group. This could impair the Group's growth in individual markets. There is a fundamental trend in ever more regions the world over toward expanding programmes designed to promote renewable energy projects using different technologies. Market incentive programmes are being used to create additional demand for regenerative energy systems. Leveraging its position as one of the world's leading providers of regenerative energy systems with a current total of 23 international sales offices, Conergy plans to profit disproportionately from this. 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
The Epuron Group assumes the customary risks of a general contractor in connection with the implementation of major renewables projects. It also provides advance services in connection with project development that would not be remunerated in the event the respective project is not implemented. As a contracting partner of Epuron, the SunTechnics Group is also subject to customary guarantee risks. This could lead to individual projects not being implemented at a profit or at cost. The management of foreign currency and interest rates is centralised within the Conergy Group and documented in corresponding guidelines. The Group's treasury department determines its net exposure in each foreign currency, in particular the yen and the US dollar. The Conergy Group enters into currency transactions to limit the risk from changes in exchange rates on commodities dealings. Hedging foreign exchange and interest rate risks is an integral part of the Conergy Group's risk management. Foreign currency hedges are concluded for current supplier obligations in foreign currencies related to procurement in yen and US dollars. Nevertheless, any sustained unfavourable change in foreign exchange rates has a detrimental effect. Interest rate hedges are concluded mainly for the project business.

Many opportunities will arise from the construction of our own fully automated and integrated production plant for wafers, cells and modules in Frankfurt/Oder. Among other things Conergy plans to lower its process costs compared to previous production approaches. But establishing and then operating this globally unique production facility also entails risks, among them the risk that production start-up will be delayed or incomplete and the risk of delayed or insufficient deliveries of solar silicon, a preproduct.

Conergy has initiated a host of measures including for instance highly detailed planning and monitoring of the project's progress, excellent communications with all government agencies and suppliers as well as ongoing equipment tests and staff training at the companies manufacturing the equipment in order to ensure smooth procurement. The redundancy of critical production systems has been assured, as has the ability to operate individual production processes independently of each other. The company is currently negotiating short- and long-term delivery contracts related to the sourcing of silicon. Conergy basically expects the market to relax because leading silicon manufacturers' production capacities are outpacing demand. Although we expect this development to take hold by year's end, its effects will not be felt until 2008. These assessments underpin Conergy's project planning in regards to full capacity utilisation of its own production facility.

4. Legal risks
The protection of intellectual property is critical to the success of the Conergy Group. Despite legal protection, 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. Furthermore, the company further enhanced its quality management and its "Conergy Customer Agent" complaint system. 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 can 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
The Conergy Group engages in active insurance management and has taken out various insurance policies to minimise significant risks. In particular, these include international commercial liability, business interruption, property and transport insurance policies. The company has also purchased D&O insurance for the members of the Management and Supervisory Boards of the Group companies as well as for the latter's managing directors subject to appropriate deductibles.

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. This risk management system allows the Management Board to identify material risks early on and initiate appropriate countermeasures.

8. 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.

9. 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.

10. Liquidity risk

Conergy works with several banks and engages in ongoing negotiations to ensure that sufficient lines of credit are available in order to prevent difficulties from arising at all when procuring liquid resources to meet outstanding liabilities. The aim is to limit the risk of liquidity bottlenecks that might result from cash flow fluctuations.

G. Research and development

Conergy already is the leading PV systems provider worldwide and well on the way to attaining market leadership in other renewables markets as well. The experience more than 500 engineers have gained from system optimisation, product development as well as R&D ensures that the company will also maintain its leading position on the world market in regards to the costs and quality of its own production. This provides the basis for additional dynamic growth in the solar segment, Conergy's core business. Bundling research and development for modules, inverters and mounting systems aims to offer continually optimised solar energy systems to our customers in terms of quality, price and electricity yield. And quality assurance at these important stages in the PV value chain serves to both protect the company's technology leadership in the construction of solar systems and continually expand it with respect to production as well.

1. Increased vertical integration enhances reliability in terms of both quality and module sourcing

Conergy believes that its own fully integrated production facility will give it an efficiency edge over other manufacturers of wafers, cells and modules. Using system components produced in house will help the company to substantially lower the cost of goods sold and increase the reliability of both quality and procurement for its own distribution units in 22 countries. This is particularly critical in a market characterised again and again by delivery bottlenecks resulting from strong growth in worldwide demand. But market experts also believe that the expansion of leading manufacturers' silicon production capacities will provide strong momentum for growth and enormous cost-cutting potential in the photovoltaics segment.

2. Renowned partners help Conergy gain an efficiency edge in the establishment of its own factory

Technologically, Conergy's construction of its own wafer, cell and module plant benefits from the advantages experienced suppliers of solar production lines bring into the project, which will translate into highly efficient solar modules among other things. We are aiming for an efficiency rating of more than 17 % in monocrystal cells. The unique arrangement of the assembly lines in a single production hall will shorten transport routes and its extremely high level of automation will make a decisive contribution to reducing the sensitive cells' breakage rate. The machinery will offer much leeway for raising efficiency even further, among other things by decreasing the amount of silicon employed. Production will start at a cell thickness of 200 µm but it is ultimately designed for a thickness of

160 µm. Compared to most other production approaches, Conergy will need less silicon for its own modules.

3. Conergy continues to develop its entire solar systems technology

Conergy also expects ongoing development of its solar inverters to further improve peak efficiencies by means of new topologies. Its SolarOptimus mounting system has propelled Conergy into the ranks of the world's leading providers of solar mounting systems that follow the sun's trajectory. State-of-the-art control technology will usher in a new era in solar park output in 2007. It will no longer be necessary to check hundreds and hundreds of module sets locally by hand because Conergy now offers its customers real remote maintenance that automates everything from monitoring and control processes to timely reporting.

4. Ongoing developments in solar thermal and geothermal systems, bioenergy and wind power

Conergy is also generating cost benefits thanks to increasing mass production in solar thermal systems as well. Our new drain-back technology will introduce a new quality standard to the market and the thermosyphon systems are helping us to expand our market shares in countries where the climate is hotter. Conergy is developing and producing solar thermal collectors and geothermal heat pumps to provide a comprehensive product range for tapping into energy from ambient heat. This systems technology for combining geothermal and solar heat allows homeowners to lower annual heating expenses compared to the costs they incur for using heat from conventional sources such as natural gas or oil and even to become wholly independent of fossil fuels. And the options for using heat pumps from Conergy are even more diverse. Besides providing hot water, they can also provide heat in the winter and cooling in the summer by means of reverse operation. Two easy-to-install models of Conergy heat pumps are available. Generators operating at different voltage levels will significantly improve energy yields at mostly weak or medium wind velocities. This will boost the performance of electrification projects pending worldwide for which Conergy is increasingly offering hybrid solutions that include photovoltaics. Conergy is using its development edge in the field of bioenergy to continue generating disproportionately high growth in the biogas segment.

H. Outlook

The current year is already shaping up as another record year for providers of regenerative energy systems. Conergy plans to increase revenue by more than 60 % over the previous year to about EUR 1.25 billion, which will substantially expand our market share in the world's markets that are growing by about 25 % annually. The projects with a revenue of EUR 53 million that were postponed to the first quarter of 2007 due to delays in the delivery of solar modules and wind turbines will contribute to a significant increase in consolidated net income for 2007. Orders on hand in January 2007, which tripled over the previous year, will provide a solid basis for attaining our financial targets for 2007. This means that Conergy started the current year with an order volume that constitutes about 65 % of its entire planned revenue for the whole year (previous year: 30 %). To meet these targets, among other things Conergy has concluded a comprehensive delivery contract with China's leading manufacturer of modules and cells, Suntech Power, that provides for the delivery of solar modules valued at more than USD 270 million to the Conergy Group's distribution units in 2007.

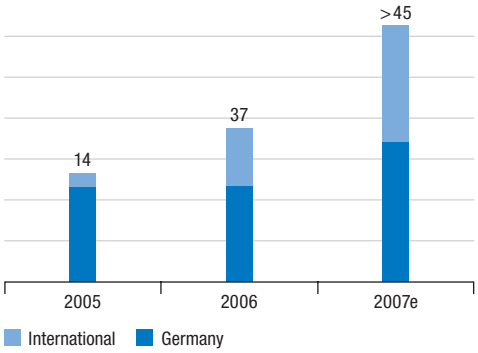
Conergy expects above-average profit gains due also to higher margins in its continually growing foreign business and higher earnings in both solar energy and bioenergy in 2007. Successful execution of its 50/50/08 growth strategy will enable the company to open up additional revenue and profit potentials. The increased vertical integration in the PV segment, Conergy's core business, resulting from the fully integrated solar wafer, cell and module plant in Frankfurt/Oder will also substantially improve income from the summer of 2007 onward and an increasingly greater contribution following the launch of full production in 2008.

The range of systems being offered to customers for a variety of regenerative technologies based on their needs gives rise to synergies in all distribution channels. Bundling sales to that end boosts efficiency and will help to make Conergy the leading systems provider in an ever-increasing number of lucrative markets in the medium term, thanks to cutting-edge technologies that generate energy at competitive prices even in the absence of incentive programmes. Conergy intends to systematically utilise its growing market position to lift its future earnings even more clearly than its revenue.

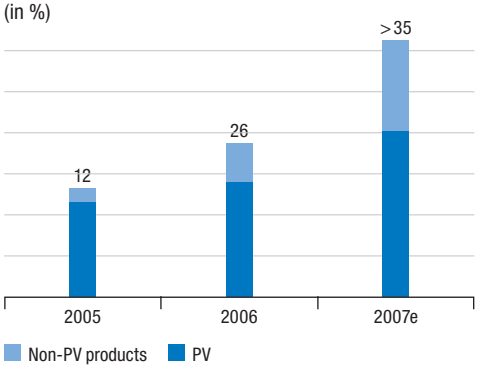
Conergy's focus is on optimally orienting its regenerative systems to environmental requirements and customer needs for electricity, heating or cooling that vary greatly from region to region. Increased investments in research and development will serve to expand our technological leadership in renewable systems engineering. We are

also preparing further acquisitions of companies that offer leading technologies.

Increasing share of foreign revenue (in %)



Increasing share of revenue with non-PV products (in %)



1. Conergy exceeds targets in the successful execution of its 50/50/08 growth strategy

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 three 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 revenue outside Germany 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 revenue and earnings potentials in lucrative and complementary business segments. It 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.

Conergy's plan for 2006 was to boost revenue abroad to 25 % and revenue outside of its core photovoltaics business to 20 %. The increases in 2006 in foreign revenue to 37.0 % (previous year: 14.3 %) and in the relative share of solar energy, bioenergy and wind power to 26 % (previous year: 12.0 %) mean that Conergy even surpassed its targets in the implementation of its 50/50/08 growth strategy and in the generation of additional revenue and profit potentials in these complementary segments. In 2007, the company aims to expand the share of foreign revenue to more than 45 % one year ahead of plan and to further improve the share of technologies that complement PV to more than 35 %.

I. Supplementary report

Events of special importance after the end of the financial year
Business is being conducted in 2007 as planned. The following milestones were reached as at 23 February 2007 since the beginning of the year:

1. The Wholesale segment AET and DMS&CS merged into B2B Sales within Conergy's brand world
Europe's leading solar wholesaler AET has been doing business under the Conergy name since 1 January 2007. Bundling sales activities helps wholesalers and installers alike to profit from both the Conergy brand's prominence and direct contacts to the manufacturer. This step generates synergies in indirect sales and lowers costs by streamlining marketing efforts.

2. Conergy acquires Canada's second-largest solar company
Acquiring a majority stake in ETI SOLAR Energy Technologies Inc. has made Conergy one of the leading providers of solar energy systems in Canada too. Conergy is enhancing its position in North America's high-growth regions thanks to a solar distribution network in proximity to its customers that comprises more than 100 trading partners. Steve Wiebe, founder and current president of ETI SOLAR, turned his company into Canada's second-largest solar company with revenue of about EUR 5.4 million and a market share of more than 10 %.

3. The remodelling work for Conergy's state-of-the-art solar factory was concluded on time
All structural work in the former chip factory in Frankfurt/Oder was completed at the end of January 2007. Work related to the installation of the production lines has continued in the plant's interior since then. Major components are scheduled to arrive on time. Conergy thus is slightly ahead of its plans which means that it will be able to launch module production in the summer of 2007, as planned.

4. Conergy and Suntech Power conclude USD 270 million solar module delivery contract for 2007

Conergy has concluded a comprehensive delivery contract with Suntech Power, China's leading manufacturer of modules and cells, to obtain deliveries of solar modules in quantities that far exceed 2006 levels. The contract calls for delivery in 2007 of solar modules valued at more than USD 270 million to the distribution units of the Conergy Group. Suntech Power's high-quality and efficient modules are currently being utilised at Conergy's construction sites in 23 countries. Hence Conergy has assured for itself the quantities it needs for expanding its worldwide solar business in the current year as planned. The partnership with Suntech Power also extends to joint realisation of certain product features aimed at providing optimal customer satisfaction worldwide.

Hamburg, Germany, 23 February 2007
Conergy AG
The Management Board

Hans-Martin Rüter
Chairman of the Board

Nikolaus Krane

Heiko Piossek

Dr. Edmund Stassen

Albert Edelmann

By taking advantage of Conergy's systems technology for combining geothermal and solar heat, home owners can lower annual heating expenses compared to using heat from conventional sources such as natural gas or oil and even become completely independent of fossil fuels.

1.25

billion euros revenue planned for 2007.

Contents

Consolidated income statement from 1 January to 31 December 2006

TEUR	Notes	2006	2005
Revenue	33	752,158	530,168
Changes in inventories of finished goods and work in progress		3,448	128
Cost of materials		–610,019	–444,741
Gross profit		**145,587**	**85,555**
Personnel costs	35	–58,393	–27,027
Other own work capitalised		9,543	2,589
Other operating income	34	23,163	12,076
Other operating expenses	36	–62,871	–22,812
Other taxes		–100	–74
EBITDA		**56,929**	**50,307**
Depreciation and amortisation	20	–4,861	–2,872
EBIT		**52,068**	**47,435**
Other interest and similar income		1,104	1,858
Interest and similar expenses	44	–7,201	–222
Profit transferred based on a profit and loss transfer agreement		–6	–4
EBT		**45,965**	**49,067**
IPO expenses	35, 36	0	–2,865
Income taxes	37	–15,380	–17,989
Consolidated net income		**30,585**	**28,213**
Minority interest		–381	–418
Consolidated net income attributable to shareholders of Conergy AG		**30,204**	**27,795**
Earnings per share (basic) in EUR	38	1.01[1]	0.98[1]
Earnings per share (diluted) in EUR	38	1.01[1]	0.98[1]

[1] As of June, the company's share capital increased from previously EUR 10 million to EUR 30 million. A total of 20,000,000 bonus shares were issued. This also tripled the number of Conergy shares, with the attendant decrease of the share price and of earnings per share to one third their previous level. The previous year's figures were adjusted accordingly.

Consolidated balance sheet as of 31 December 2006

TEUR	Notes	31.12.2006	31.12.2005
ASSETS			
Non-current assets			
Intangible assets	17, 20	25,982	5,810
Goodwill	17, 20	29,394	6,777
Property, plant and equipment	18, 20	63,227	9,899
Financial assets	19, 20	849	144
Receivables and other assets	23, 24	1,592	147
Deferred tax assets	21	17,639	2,454
Prepaid expenses	26	553	1,095
Non-current assets, total		**139,236**	**26,326**
Current assets			
Inventories	22	106,502	54,922
Trade receivables	23	373,248	129,769
Other receivables and assets	24	53,675	8,206
Cash and cash equivalents	25	24,639	126,940
Prepaid expenses	26	1,097	126
Current assets, total		**559,161**	**319,963**
Total assets		**698,397**	**346,289**
LIABILITIES			
Shareholders equity			
Subscribed capital	27	30,000	10,000
Reserves	27	130,401	128,109
Adjustments for currency translation	27	219	75
Accumulated profits	27	21,814	12,294
Minority interest		1,427	852
Total shareholders equity		**183,861**	**151,330**
Non-current liabilities			
Financial liabilities	32	1,792	286
Provisions	29	2,152	1,015
Deferred tax liabilities	21	24,232	4,662
Deferred income	32	5,435	1,370
Non-current liabilities, total		**33,611**	**7,333**
Current liabilities			
Financial liabilities	30	221,909	5,590
Trade payables	31	166,963	132,207
Advances received	22, 23	15,152	6,176
Tax liabilities	28	7,059	18,596
Other liabilities	32	69,665	24,937
Deferred income	32	177	120
Current liabilities, total		**480,925**	**187,626**
Total liabilities		**698,397**	**346,289**

Consolidated cash flow statement from 1 January to 31 December 2006

TEUR	2006	2005
Net profit or loss for the period (including minority interest)	**30,585**	**28,213**
Amortisation / Depreciation	4,861	2,872
Other non-cash income (–) / expenses (+)	144	40
Interest and similar income	–1,104	–1,858
Interest expense	7,201	222
Income taxes	15,380	17,989
Expenses for the sale of treasury shares	0	4,532
Operating result before changes in net working capital	**57,067**	**52,010**
Increase (–) / decrease (+) in inventories	–38,902	–38,551
Increase (–) / decrease (+) in trade receivables	–238,661	–102,917
Increase (+) / decrease (–) in trade payables	31,667	103,799
Increase (+) / decrease (–) in advances received	7,784	2,454
Increase (–) / decrease (+) in other assets not part of investing or financing activities	–40,457	–11,913
Increase (+) / decrease (–) in other liabilities not part of investing or financing activities	37,493	9,142
Cash generated from operating activities	**–184,009**	**14,024**
Interest paid	–5,191	–222
Interest received	1,104	1,810
Income taxes paid	–15,758	–434
Cash flow from operating activities	**–203,854**	**15,178**
Cash receipts from disposal of property, plant and equipment	1,939	167
Cash payments for investments in intangible assets	–22,577	–4,883
Cash payments for investments in property, plant and equipment	–60,038	–6,209
Cash payments for the acquisition of shares in subsidiaries	–41,446	–4,769
Other cash payments for investments in financial assets	–635	0
Cash flow from investing activities	**–122,757**	**–15,694**
Net cash flow	**–326,611**	**–516**
Cash receipts from issuance of share capital	11,199	107,624
Cash payments in connection with the acquisition of equity	0	–4,532
Cash receipts from taking up loans	216,123	5,360
Cash payments for dividends	–3,012	0
Cash flow from financing activities	**224,310**	**108,452**
Net change in funds	**–102,301**	**107,936**
Cash and cash equivalents[1]		
As of 1 January	126,940	19,004
As of 31 December	24,639	126,940
	–102,301	**107,936**

[1] Cash and cash equivalents also include IPO proceeds which were invested at interst and can be liquidated quickly.

Statement of changes in equity of the Group from 1 January to 31 December 2006

TEUR	Subscribed capital	Capital reserves	Retained earnings	Revaluation surplus IAS 39	Profit/loss carried forward	Profit/loss for the year	Adjustments to currency translation	Equity of Conergy shareholders	Minority interest	Total equity
As of 01.01.2005	**8,700**	**2,303**	**2,638**	**–731**	**6,956**		**35**	**19,901**	**142**	**20,043**
Capital increase	1,300	68,903						70,203		70,203
Sale of treasury shares		37,017	760					37,777		37,777
Cash payments in connection with the acquisition of equity		–4,532						–4,532		–4,532
Reclassification of subsidiaries according to Articles of Association			485		–485					
Use of revaluation surplus				731				731		731
Other changes					9			9	16	25
Changes in the scope of consolidation									276	276
Currency translation differences							40	40		40
Transfer to revaluation surplus				–1,446				–1,446		–1,446
Transfer to other retained earnings of Conergy AG			22,714			–22,714				
Transfer to statutory reserve of EPURON GmbH			27			–27				
Withdrawal from retained earnings for treasury shares			–760		760					
Consolidated net income for the year						27,795		27,795	418	28,213
As of 31.12.2005	**10,000**	**103,691**	**25,864**	**–1,446**	**7,240**	**5,054**	**75**	**150,478**	**852**	**151,330**
As of 01.01.2006	**10,000**	**103,691**	**25,864**	**–1,446**	**12,294**		**75**	**150,478**	**852**	**151,330**
Capital increase	20,000	–20,000								
Sale of treasury shares		11,198						11,198		11,198
Transfer to retained earnings			23,570		–23,570					
Reclassification of subsidiaries according to Articles of Association			6,121		–6,121					
Use of revaluation surplus				1,446				1,446		1,446
Other changes					21			21	194	215
Currency translation differences							144	144		144
Transfer to revaluation surplus				–8,045				–8,045		–8,045
Dividend payments					–3,012			–3,012		–3,012
Transfer to statutory reserve			2		–2					
Withdrawal from retained earnings			–12,000		12,000					
Consolidated net income for the year						30,204		30,204	381	30,585
As of 31.12.2006	**30,000**	**94,889**	**43,557**	**–8,045**	**–8,390**	**30,204**	**219**	**182,434**	**1,427**	**183,861**

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 2006 and had to be applied in the EU 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 consolidated companies are 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 International Accounting Standards Board (IASB) has passed several new IFRS as well as a number of amendments to existing IFRS, all of which must be applied as of 1 January 2006. This did not have any effect on the consolidated financial statements of Conergy AG because the company had applied the new and amended IFRS already in the previous year, or because they concern facts that are not relevant for Conergy AG. Conergy does not apply IFRS 7 and IFRS 8 early. The initial application of these two standards is not expected to have a significant effect on the consolidated financial statements of Conergy.

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.

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 income statement is structured according to the nature of expense format.

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 significant accounting policies and consolidation methods:

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. In a departure from the provisions under the German Commercial Code, sales of treasury shares are therefore 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 pre-requisites of IAS 39 are fulfilled and the purchase of goods and the forward exchange contract form a hedging relationship, the market value of the forward exchange contracts is recognised directly in equity.

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 in 2005. 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 were recognised directly in equity.

2. Scope of consolidation and methods

Besides Conergy AG, the parent company, the consolidated financial statements as of 31 December 2006 include 21 domestic and 55 foreign subsidiaries. Companies are included in the consolidated financial statements as of the date on which Conergy AG gains the possibility of controlling the respective company.

Number of fully consolidated companies	Germany 2006	Abroad 2006	Total 2006	Total 2005
As of 1 January	15	23	38	22
Addition	7	32	39	17
Disposal	0	0	0	1
As of 31 December	**22**	**55**	**77**	**38**

See Note 41 for disclosures regarding acquisitions and the establishment of new companies in the financial year just ended.

The following table shows the companies that are included in the consolidated financial statements as of 31 December 2006. The calendar year is the financial year of Conergy AG and its consolidated subsidiaries.

The following companies were not included in the consolidated financial statements for reasons of materiality: Conergy Central Services LLC (USA), Conergy Limited (Korea), Conergy Alternatif Enerji Sistemleri Sanayi ve Ticaret Limited Şirketi (Turkey), SunPower Solartechnik GmbH (Germany), and operating companies including shelf companies in Germany and abroad.

	Company	Domicile	Capital issued / Limited partnership capital		Percentage of shares owned 31.12.2006
1	Conergy Vertriebs GmbH & Co. KG (previously: AET Alternative-Energie-Technik GmbH)	Sulzbach-Neuweiler (Germany)	TEUR	1,000	100 %
2	Conergy España SL (previously: AET ALBASOLAR SL)	Madrid (Spain)	TEUR	178	100 % [1]
3	AET Swiss AG	Küsnacht (Switzerland)	TCHF	400	100 % [1]
4	Conergy S.A.S. (previously: AET FRANCE Société par actions simplifiée)	Brignoles (France)	TEUR	75	100 % [1]
5	Conergy E.P.E. (previously: AET SOLION E.P.E.)	Athens (Greece)	TEUR	50	100 % [1]
6	Conergy S.R.L. (previously: AET ITALIA S.R.L.)	Vicenza (Italy)	TEUR	50	100 % [1]
7	Conergy Limited (previously: AET SOLAR LIMITED)	Limassol (Cyprus)	TCYP	10	100 % [1] *
8	Riposol Handels GmbH	Althofen (Austria)	TEUR	35	99.01 % [1] *
9	SunTechnics GmbH	Hamburg (Germany)	TEUR	1,000	100 %
10	SunTechnics Solartechnik GmbH	Vienna (Austria)	TEUR	35	100 % [2]
11	SUNTECHNICS SISTEMAS DE ENERGIA, SLU	Madrid (Spain)	TEUR	6	100 % [2]
12	SunTechnics Instalaciones & Mantenimiento SL	Madrid (Spain)	TEUR	3	100 % [3] *
13	SunTechnics Installations & Wartungs GmbH	Stuttgart (Germany)	TEUR	100	100 % [2]
14	SunTechnics – Energia Solar Unipessoal, Lda.	Lisbon (Portugal)	TEUR	5	100 % [2]
15	SunTechnics AG	Luzern (Switzerland)	TCHF	100	100 % [2]
16	SunTechnics Fabrisolar AG	Küsnacht (Switzerland)	TCHF	200	100 % [4]
17	SunTechnics Energy Systems EPE	Athens (Greece)	TEUR	18	99.83 % [2] *
18	SunTechnics – Systèmes d'énergies SARL	Paris (France)	TEUR	5	100 % [2] *
19	SunTechnics Bioenergy GmbH	Willich (Germany)	TEUR	498	100 % [2]
20	SunTechnics Energy Systems Pty Limited	Sydney (Australia)	AUD	1	100 % [2]
21	SunTechnics Energy Systems Private Limited	Bangalore (India)	TINR	13,150	99 % [2]
22	SUNTECHNICS IMPIANTI ENERGETICI SRL	Vicenza (Italy)	TEUR	10	100 % [2] *
23	SunTechnics Energy Systems Pte. Ltd.	Singapore (Singapore)	SGD	1	100 % [2] *
24	SunTechnics Limited	Seoul (Korea)	TKRW	200,000	100 % [2] *
25	Sun Technics Energy Systems NV (previously: IZEN NV)	Lille (Belgium)	TEUR	125	100 % [2] *
26	SunTechnics Sistemas de Energia Ltda.	São Paulo (Brazil)	TBRL	50	100 % [2] *
27	SunTechnics Energy Systems Holding Inc.	Wilmington (USA)	TUSD	350	100 % [2]
28	SunTechnics Energy Systems Inc.	Sacramento (USA)	TUSD	250	100 % [5]
29	SunTechnics Installation & Services Inc.	Sacramento (USA)	TUSD	10	100 % [6] *
30	D&J Electric Inc.	Cottonwood (USA)	TUSD	19	100 % [6] *
31	EPURON GmbH (previously: voltwerk AG)	Hamburg (Germany)	TEUR	2,800	100 %
32	EPURON Management GmbH (previously: voltwerk Management GmbH)	Leipzig (Germany)	TEUR	25	100 % [7]
33	EPURON Zweite Management GmbH (previously: voltwerk Zweite Management GmbH)	Hamburg (Germany)	TEUR	25	100 % [7]
34	EPURON Dritte Management GmbH (previously: voltwerk Dritte Management GmbH)	Hamburg (Germany)	TEUR	25	100 % [7]
35	EPURON Vierte Management GmbH (previously: voltwerk Vierte Management GmbH)	Hamburg (Germany)	TEUR	25	100 % [7] *
36	EPURON Fünfte Management GmbH (previously: voltwerk Fünfte Management GmbH)	Hamburg (Germany)	TEUR	25	100 % [7] *
37	voltwerk Energy Park 51 GmbH & Co. KG	Hamburg (Germany)	EUR	500	100 % [8] *

* New addition in the 2006 financial year
[1] through Conergy Vertriebs GmbH & Co. KG
[2] through SunTechnics GmbH
[3] through SUNTECHNICS SISTEMAS DE ENERGIA, SLU
[4] through SunTechnics AG
[5] through SunTechnics Energy Systems Holding Inc.
[6] through SunTechnics Energy Systems Inc.
[7] through EPURON GmbH
[8] through EPURON Dritte Management GmbH
[9] through EPURON S.A.R.L.
[10] through Compagnie des Énergies Renouvelables S.A.R.L. (LaCER)
[11] through EPURON Spain SLU
[12] through Conergy Holding Inc.
[13] through Conergy España SL
[14] through Conergy Pty Limited
[15] through Conergy Services GmbH

	Company	Domicile	Capital issued / Limited partnership capital		Percentage of shares owned 31.12.2006	
38	EPURON Invest GmbH (previously: voltwerk – ökologische Beteiligungen GmbH)	Hamburg (Germany)	TEUR	25	100 % [7]	
39	Parc Éolien des Hauts Moulins S.A.R.L.	La Chapelle Lasson (France)	TEUR	1	100 % [7]	*
40	Parc Éolien Moulins des Champs S.A.R.L.	La Chapelle Lasson (France)	TEUR	1	100 % [7]	*
41	Énergie Éolienne Lusanger S.A.R.L.	Paris (France)	TEUR	2	100 % [7]	*
42	EPURON S.A.R.L. (previously: HÉOLIS ÉNERGIES S.A.R.L.)	Paris (France)	TEUR	15	100 % [7]	
43	Compagnie des Énergies Renouvelables S.A.R.L. (LaCER)	Paris (France)	TEUR	40	75.25 % [9]	
44	Parc Éolien de la Chaude Vallée S.A.R.L.	Paris (France)	TEUR	8	100 % [10]	*
45	Parc Éolien du Mélier S.A.R.L.	Paris (France)	TEUR	8	100 % [10]	*
46	Parc Éolien de Morvillers S.A.R.L.	Paris (France)	TEUR	8	100 % [10]	*
47	Parc Éolien de Bonneuil S.A.R.L.	Paris (France)	TEUR	8	100 % [10]	*
48	EPURON Spain SLU (previously: VOLTWERK Energias Nuevas S.L.U.)	Madrid (Spain)	TEUR	3	100 % [7]	
49	VoltSol S.L.	Madrid (Spain)	TEUR	3	100 % [11]	
50	SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI	Ankara (Turkey)	TTRY	26,400	95 % [7]	*
51	EPURON Pty Ltd. (previously: TAURUS Energy Pty Limited)	Sydney (Australia)	TAUD	320	85 % [7]	
52	VOLTWERK ITALIA S.R.L.	San Giorgio Del Sannio (Italy)	TEUR	10	51 % [7]	*
53	EPURON Pte. Ltd. (previously: voltwerk Singapore Pte. Ltd.)	Singapore (Singapore)	SGD	1	100 % [7]	*
54	EPURON LLC (previously: voltwerk LLC)	Wilmington (USA)	TUSD	1	100 % [12]	*
55	Conergy España S.A.	Madrid (Spain)	TEUR	65	100 % [13]	*
56	Conergy Estonia OÜ	Tallin (Estonia)	TEEK	400	51 %	*
57	Conergy Energia Solar Ltda.	São Paulo (Brazil)	TBRL	1,043	100 %	*
58	Conergy Holding Inc.	Wilmington (USA)	TUSD	5,000	100 %	
59	Conergy Inc.	Santa Fe (USA)	TUSD	16	100 % [11]	
60	Conergy Mexico S. de R.L. de C.V.	Mexico City (Mexico)	TMXN	888	85 % [11]	
61	Conergy Pty Limited	Sydney (Australia)	AUD	200	90 %	
62	Cap-Aus Pty Limited	Perth (Australia)	TAUD	5,335	100 % [14]	*
63	Conergy Services GmbH	Hamburg (Germany)	TEUR	25	100 %	
64	Conergy Services Ost GmbH	Bockelwitz (Germany)	TEUR	200	80 % [15]	*
65	Creaglas Creative Glasbauelemente GmbH	Löbichau (Germany)	TEUR	143	100 %	
66	Conergy Contracting GmbH	Hamburg (Germany)	TEUR	50	80 %	*
67	Conergy GmbH (previously: Vögelin GmbH)	Flurlingen (Switzerland)	TCHF	50	100 %	*
68	Conergy Limited	Hong Kong (Hong Kong)	THKD	100	100 %	
69	conernet.com GmbH	Hamburg (Germany)	TEUR	25	100 %	
70	Conergy Pte. Ltd.	Singapore (Singapore)	SGD	1	100 %	*
71	Conergy Customer Care GmbH	Hamburg (Germany)	TEUR	26	100 %	
72	Conergy Real Estate GmbH & Co. KG	Hamburg (Germany)	TEUR	51	100 %	
73	Güstrower Maschinen Bau GmbH	Güstrow (Germany)	TEUR	25	100 %	*
74	Conergy BVBA (previously: Zen International Production & Trade BVBA)	Lille (Belgium)	TEUR	125	100 %	*
75	Conergy SolarModule GmbH (previously: HighSi GmbH, Hamburg, Germany)	Frankfurt/Oder (Germany)	TEUR	25	100 %	*
76	Conergy GmbH (previously: Suntec Produktions GmbH)	Althofen (Austria)	TEUR	36	98.02 %	*

* New addition in the 2006 financial year
[1] through Conergy Vertriebs GmbH & Co. KG
[2] through SunTechnics GmbH
[3] through SUNTECHNICS SISTEMAS DE ENERGIA, SLU
[4] through SunTechnics AG
[5] through SunTechnics Energy Systems Holding Inc.
[6] through SunTechnics Energy Systems Inc.
[7] through EPURON GmbH
[8] through EPURON Dritte Management GmbH
[9] through EPURON S.A.R.L.
[10] through Compagnie des Énergies Renouvelables S.A.R.L. (LaCER)
[11] through EPURON Spain SLU
[12] through Conergy Holding Inc.
[13] through Conergy España SL
[14] through Conergy Pty Limited
[15] through Conergy Services GmbH

All other business combinations are recognised by applying the purchase method. The assets and liabilities of initially consolidated subsidiaries are recognised at fair value. Goodwill is subjected to an annual impairment test. Any negative goodwill is recognised in profit and loss in the year of acquisition.

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

3. Intangible assets

Intangible assets acquired are valued at cost, less regular pro-rata straight-line amortisation based on their estimated useful life, which is between four and 20 years for commercial property rights and between three and five years for software. The decrease in value is recognised in the amortisation and depreciation of intangible assets, property, plant and equipment, and financial assets.

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 amortisation method. An impairment loss on the intangible assets is recognised 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 and depreciation of intangible assets, property, plant and equipment, and financial assets.

Goodwill from capital consolidation remaining after the revaluation of all recognised assets and liabilities in the course of allocating the purchase price is capitalised. Pursuant to IFRS 3 (Business Combinations) any negative goodwill remaining after disclosing all previously undisclosed accruals and provisions is immediately recognised in profit and loss as of the date of acquisition.

In accordance with IFRS 3 (Business Combinations) and IAS 36 (Impairment of Assets), 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. In that connection, the carrying amount 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. Inheritable leasehold

Inheritable leasehold rights acquired are valued at cost, less regular pro-rata straight-line amortisation based on the term of the contract, which is 99 years. The decrease in value is recognised in the amortisation and depreciation of intangible assets, property, plant and equipment, and financial assets. The obligations arising from leaseholds are explained under other financial liabilities (Note 43).

5. 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 recognised as deferred income in accordance with the option under IAS 20.24 (Government Grants Related to Assets) and recognised in profit or loss in line with the useful life of each asset. 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.

Borrowing costs are generally recognised as expenses in the period in which they have incurred. Using the allowed alternative treatment under IAS 23.11 (Borrowing Costs), directly attributable borrowing costs are shown as part of the costs if the relevant asset is considered a qualifying asset. Financing costs not directly attributable to the assets are included in the costs of the manufactured or acquired asset on a pro-rated basis.

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, fixtures, and office equipment	4 to 10 years
IT equipment	3 to 5 years

6. Financial assets
Financial assets are recognised 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 recognised pursuant to the balance sheet liability method for all temporary differences between measurement for tax purposes and measurement according to IFRS. 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 measured in accordance with tax rates applicable to the relevant country using the individual income tax rates applicable during the period in which the tax income or expense arose. Domestic tax calculations take municipal trade taxes, corporate income taxes and the solidarity surcharge into account.

Deferred tax liabilities and assets are offset if this is possible pursuant to Section 226 para. 4 Tax Regulations.

8. Inventories
Inventories are recognised 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 merchandise, and raw materials and consumables.

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

Contract work is recognised in accordance with IAS 11 (Construction Contracts). The percentage of completion (PoC) to be recognised is determined in two ways depending on the different business models.

In case of major projects (sales volume at least TEUR 1,000), the percentage of completion is always determined on the basis of the completion of pre-defined project segments (milestone method).

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

The construction contracts 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 payments received on invoices for partial deliveries. 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 PoC method for 43 major projects and several sales projects. Anticipated losses from orders are covered by write-downs 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 valuation allowances.

10. Asset impairments

An impairment loss on assets is always recognised 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 derecognition or individual valuation allowances. 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 recognised 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
Financial liabilities are initially measured at fair value. In subsequent periods, liabilities are measured at amortised cost.

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
The annual financial statements of the subsidiaries domiciled outside of the euro zone 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 liabilities are translated at the exchange rates prevailing on the balance sheet date. Items in the income statement are translated at annual average exchange rates. Currency differences are recognised in profit or loss according to IAS 21.17 (Changes in Foreign Exchange Rates). Equity-related currency differences are recognised directly in equity and transferred to a reconciling item from currency translation.

Currency translation is based on the following significant foreign exchange rates:

		Euro exchange rates on the balance sheet day		Average euro exchange rate for the year	
Currency		31.12.2006	31.12.2005	2006	2005
100	JPY	0.67	0.72	0.69	0.73
1	USD	0.79	0.85	0.80	0.80

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 prevailing on the balance sheet date. Differences from currency translation are recognised under "Other operating expenses" and "Other operating income".

Forward exchange contracts are measured at market value as of the balance sheet date. If these forward exchange contracts fulfil the requirements for hedge accounting, measurement changes are recognised directly in equity as cash flow hedges in a revaluation surplus in line with IAS 39 (Financial Instruments).

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 and 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.

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 additions essentially concern capitalised goodwill from the acquisition of companies in the amount of TEUR 22,617 and development carried out in-house in the amount of TEUR 8,590.

The following companies were acquired: AET SOLAR Limited (Cyprus), Riposol Handels GmbH (Austria), D&J Electric Inc. (USA), IZEN NV (Belgium), SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI (Turkey), Cap-Aus Pty Limited (Australia), Conergy Services Ost GmbH (Germany), HighSi GmbH (Germany), Suntec Produktions GmbH (Austria), Vögelin GmbH (Switzerland), Zen International Production & Trade BVBA (Belgium), and Güstrower Maschinen Bau GmbH (Germany).

Furthermore, the remaining shares in the following companies were acquired, resulting in an increase in goodwill: AET France S.A.S. (France), AET Solion E.P.E. (Greece), SunTechnics Bioenergy GmbH (Germany), Conergy Inc. (USA), Conergy Pty Limited (Australia), Creaglas Creative Glasbauelemente GmbH (Germany).

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).

Additions to property, plant and equipment substantially concern advances and assets under construction in the amount of TEUR 45,099 related to the production plant in Frankfurt/Oder.

Interest incurred on borrowings due to the outflow of funds at the production plant in Frankfurt/Oder were allocated to machinery.

An amount of TEUR 4,611 of the disposals of property, plant and equipment concern land belonging to the company at its production sites in Rangsdorf and Frankfurt/Oder that was sold under leaseholds. The proceeds of TEUR 15,009 from the disposals are recognised in "Other operating income".

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).

There was no need for write-downs of financial assets.

20. Statement of changes in non-current assets

Consolidated statement of changes in non-current assets as of 31 December 2005

	Cost						
	01.01.2005	Currency difference	Additions from company acquisitions	Additions in the period	Disposals in the period	Reclassifications	31.12.2005
TEUR							
Intangible assets							
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	2,002	0	62	1,987	169	0	3,882
Development services	1,916	0	0	2,589	0	0	4,505
Goodwill	4,830	0	3,213	208	0	0	8,251
	8,748	**0**	**3,275**	**4,784**	**169**	**0**	**16,638**
Property, plant and equipment							
Land and buildings	2,156	0	14	2,222	2	0	4,390
Other plant and equipment	3,301	0	155	4,185	1,202	0	6,439
Advances made and assets under construction	0	0	0	855	0	0	855
	5,457	**0**	**169**	**7,262**	**1,204**	**0**	**11,684**
Financial assets							
Shares in affiliates	17	0	0	294	0	0	311
Investment securities	3	0	0	1	0	0	4
Shareholdings	0	0	0	10	0	0	10
Other borrowings	0	0	0	66	0	0	66
	20	**0**	**0**	**371**	**0**	**0**	**391**
	14,225	**0**	**3,444**	**12,417**	**1,373**	**0**	**28,713**

	Depreciation / amortisation						Carrying amounts	
	01.01.2005	Additions from company acquisitions	Additions in the period	Disposals in the period	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
	3,083	**19**	**1,115**	**168**	**2**	**4,051**	**12,587**	**5,665**
	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
	1,217	**85**	**1,512**	**1,035**	**6**	**1,785**	**9,899**	**4,240**
	0	0	245	0	0	245	66	17
	2	0	0	0	0	2	2	1
	0	0	0	0	0	0	10	0
	0	0	0	0	0	0	66	0
	2	**0**	**245**	**0**	**0**	**247**	**144**	**18**
	4,302	**104**	**2,872**	**1,203**	**8**	**6,083**	**22,630**	**9,923**

Consolidated statement of changes in non-current assets as of 31 December 2006

	Cost						
TEUR	01.01.2006	Currency difference	Additions from company acquisitions	Additions in the period	Disposals in the period	Reclassifications	31.12.2006
Intangible assets							
Concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	3,882	–8	8,739	4,720	170	0	17,163
Development services	4,505	0	6	8,584	142	0	12,953
Goodwill	8,251	0	13,344	9,273	0	0	30,868
	16,638	**–8**	**22,089**	**22,577**	**312**	**0**	**60,984**
Property, plant and equipment							
Land and buildings	4,390	–2	2,205	3,152	4,622	120	5,243
Other plant and equipment	6,439	–39	1,511	8,491	2,466	1,732	15,668
Advances made and assets under construction	855	–8	7	48,395	87	–1,852	47,310
	11,684	**–49**	**3,723**	**60,038**	**7,175**	**0**	**68,221**
Financial assets							
Shares in affiliates	311	0	26	64	0	0	401
Investment securities	4	0	44	0	0	0	48
Shareholdings	10	0	0	100	0	0	110
Other borrowings	66	0	0	471	0	0	537
	391	**0**	**70**	**635**	**0**	**0**	**1,096**
	28,713	**–57**	**25,882**	**83,250**	**7,487**	**0**	**130,301**

	Depreciation / amortisation						Carrying amounts	
	01.01.2006	Additions from company acquisitions	Additions in the period	Disposals in the period	Currency difference	31.12.2006	31.12.2006	31.12.2005
	1,194	82	1,211	169	–5	2,313	14,850	2,688
	1,383	6	575	142	0	1,822	11,132	3,122
	1,474	0	0	0	0	1,474	29,394	6,777
	4,051	**88**	**1,786**	**311**	**–5**	**5,609**	**55,376**	**12,587**
	53	446	89	20	–1	567	4,676	4,337
	1,732	1,110	2,986	1,386	–15	4,427	11,241	4,707
	0	0	0	0	0	0	47,310	855
	1,785	**1,556**	**3,075**	**1,406**	**–16**	**4,994**	**63,227**	**9,899**
	245	0	0	0	0	245	156	66
	2	0	0	0	0	2	46	2
	0	0	0	0	0	0	110	10
	0	0	0	0	0	0	537	66
	247	**0**	**0**	**0**	**0**	**247**	**849**	**144**
	6,083	**1,644**	**4,861**	**1,717**	**–21**	**10,850**	**119,452**	**22,630**

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	01.01.2006	Additions from company acquisitions	Expense / Income acc. to income statement	Currency differences	Recognised in equity	31.12.2006
Deferred assets on:						
Tax loss carryforwards	2,068	1,112	12,011	0	0	15,191
Market valuation of forward exchange contracts	964	0	330	0	5,450	6,744
Other deferred tax assets	102	0	–102	397	0	397
	3,134	**1,112**	**12,239**	**397**	**5,450**	**22,332**
Deferred liabilities on:						
Capitalised development costs	–1,226	0	–3,225	0	0	–4,451
Recognition of partial profits according to PoC	–2,728	0	–17,763	0	0	–20,491
Reversal of personnel provisions	–640	0	–848	0	0	–1,488
Other deferred tax liabilities	–748	–2,253	–49	555	0	–2,495
	–5,342	**–2,253**	**–21,885**	**555**	**0**	**–28,925**
Deferred taxes, balance	**–2,208**	**–1,141**	**–9,646**	**952**	**5,450**	**–6,593**

Deferred tax assets and liabilities within individual companies are offset. For the Group's balance sheet, this results in deferred tax assets of TEUR 17,639 and deferred tax liabilities of TEUR 24,232.

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	31.12.2006	31.12.2005
Raw materials and consumables	4,109	1,906
Work in progress	12,722	4,458
Finished goods	61,449	19,047
Advances made	28,222	29,511
	106,502	**54,922**

The raw materials and consumables totalling TEUR 4,109 essentially concern mounting systems for modules at the Rangsdorf production site.

Work in progress includes contract costs of TEUR 3,855 incurred as of the closing date for projects undertaken by SunTechnics Bioenergy GmbH, SUNTECHNICS SISTEMAS DE ENERGIA, SLU, and EPURON Pty Ltd. Work in progress further includes wind turbines in the amount of TEUR 6,453 for the Lusanger project in France.

The advances paid essentially relate to the projects of EPURON GmbH and SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI. This is offset by advances received of TEUR 15,152 (previous year: TEUR 6,176), which are shown in liabilities.

The goods essentially comprise merchandise for solar energy installations.

23. Trade receivables

The trade receivables shown of TEUR 373,248 (previous year: TEUR 129,769) include receivables from PoC (construction contracts) of TEUR 130,089 (previous year: TEUR 34,838). Allocable advances for major projects received in the amount of TEUR 38,809 (previous year: TEUR 0) were offset against receivables. Note 8 contains further explanations on PoC.

Trade receivables due in more than twelve months were not recognised (previous year: TEUR 11).

Impairment losses of TEUR 1,051 (previous year: TEUR 234) in connection with trade receivables were recognised in the form of individual and lump-sum valuation allowances; they are included in other operating expenses.

24. Other receivables and assets
Other assets of TEUR 1,592 (previous year: TEUR 136) have a remaining period of more than twelve months.

25. Cash and cash equivalents
Cash and cash equivalents in the 2006 financial year totalled TEUR 24,639 (previous year: TEUR 126,940). Changes in cash and cash equivalents compared to the previous year are explained in the consolidated cash flow statement (Note 39).

Cash and cash equivalents include securities in the amount of TEUR 868 (previous year: TEUR 66,272) recognised in accordance with IAS 7.

A total of TEUR 19,620 has been recognised as cash receipts from the sale of land in Frankfurt/Oder and Rangsdorf until the time the balance sheet was prepared. They are shown as of the balance sheet date under other current assets.

26. Prepaid expenses
Prepaid expenses of TEUR 553 (previous year: TEUR 1,095) have a remaining period of more than twelve months.

27. Equity, minority interest

Subscribed capital
Due to the stock split (resolution of the General Shareholders' Meeting of 29 May 2006), the share capital of Conergy AG has tripled to TEUR 30,000 (previous year: TEUR 10,000). It is denominated into 30,000,000 non-par value shares with a pro-rata interest in capital of EUR 1.00 per share.

Authorised Capital
The Management Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 28 May 2011, once or repeatedly, by a total of up to TEUR 15,000 by issuing new no-par value shares in return for contributions in cash and/or in kind ("2006 Authorised Capital").

Capital reserves
Conergy AG executed a stock split in the reporting year in accordance with the resolution of the General Shareholders' Meeting on 29 May 2006. Capital reserves of TEUR 20,000 were used to carry out the capital increase.

TEUR 11,198 resulting from the sale of all treasury shares were transferred to capital reserves.

Retained earnings
A total of TEUR 22,000 of the net income for the 2005 of Conergy AG were appropriated to retained earnings in accordance with the resolution of the General Shareholders' Meeting on 29 May 2006.

TEUR 4,531 of the net income for 2005 of EPURON GmbH (previously voltwerk AG) were appropriated to retained earnings in accordance with the resolution of the General Shareholders' Meeting on 24 August 2006.

For the financial year just ended, Conergy AG transferred TEUR 12,000 from retained earnings to accumulated profits.

All other appropriations to retained earnings concern the subsidiaries' net result for the 2005 financial year.

Revaluation surplus
The measurement of derivative financial instruments at market value (see Note 44) led to a loss of TEUR 16,700. Pursuant to IAS 39 (Financial Instruments), forward exchange contracts of TEUR 8,045 contained therein were recognised directly in equity in the revaluation surplus to the extent in which they are effective and, pursuant to IAS 12.61 (Income Taxes) after deducting any deferred tax income attributable thereto.

Reconciling item from currency translation
Differences of TEUR 219 (previous year: TEUR 75) from currency translation to be recognised directly in equity in the reporting year are shown in the reconciling item.

Reconciling item for minority interest
The reconciling item for minority interest totalling TEUR 1,427 (previous year: TEUR 852) as of 31 December 2006 contains minority interest of the following companies: Suntec Produktions GmbH (Austria), Conergy Pty Limited (Australia), Conergy Estonia OÜ (Estonia), Conergy Mexico S. de R.L. de C.V. (Mexico), Cap-Aus Pty Limited (Australia), Conergy Services Ost GmbH (Germany), Conergy Contracting GmbH (Germany), SunTechnics Energy Systems EPE (Greece), TAURUS Energy Pty Limited (Australia), VOLTWERK ITALIA S.R.L. (Italy), SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI (Turkey), Compagnie des Énergies Renouvelables S.A.R.L. (LaCER) (France), and Riposol Handels GmbH (Austria).

As of 31 December 2006, the company did not hold treasury shares. The number of outstanding fully-paid shares developed as follows:

	Date of purchase	Number of bearer shares
As of 31.12.2001		**8,700,000**
Repurchase of treasury shares	25.10.2002	–870,000
As of 31.12.2002		**7,830,000**
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
As of 31.12.2003		**7,879,749**
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
As of 31.12.2004		**7,919,750**
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
As of 31.12.2005		**9,919,750**
Additions through stock split	29.05.2006	19,839,500
Disposal of treasury shares (sale)	29.12.2006	240,750
As of 31.12.2006		**30,000,000**

28. Current tax liabilities

Current tax liabilities developed as follows during the financial year:

TEUR	As of 01.01.2006	Additions from company acquisitions	Use	Reversal	Addition	As of 31.12.2006
Current tax liabilities	18,596	162	17,168	1,590	7,059	7,059

29. Provisions

The provisions developed as follows:

TEUR	As of 01.01.2006	Additions from company acquisitions	Use	Reversal	Addition	As of 31.12.2006
Warranties	1,015	131	238	178	1,422	2,152

Provisions for warranties were recognised for potential follow-up work in connection with major projects previously concluded and warranties under statutory product warranties for the company's own products.

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	31.12.2006	31.12.2005
Bank overdrafts	221,909	5,590
Loans	0	8
	221,909	**5,598**

Current financial liabilities of TEUR 221,909 (previous year: TEUR 5,590) comprise drawdowns from bilateral credit lines with the company's house banks.

Interest on these drawdowns is calculated based on variable interest rates.

31. Trade payables

As in the previous year, all trade payables of TEUR 166,963 (previous year: TEUR 132,207) are due within one year.

32. Other liabilities and deferred income

Other liabilities and deferred income are comprised as follows:

TEUR	31.12.2006	31.12.2005
Tax liabilities	23,711	17,021
Contingent losses of currency transactions	16,700	2,410
Purchase price liabilities from company acquisitions	14,935	0
Personnel costs	6,144	3,890
Deferred income	5,611	1,490
Liabilities for outstanding invoices	4,964	632
Liabilities for the preparation of financial statements (provision under German Commercial Code)	555	261
Loans received	596	278
Other liabilities	3,853	731
	77,069	**26,713**

Liabilities of TEUR 11,901 from the acquisition of companies have a remaining period of less than one year.

Liabilities from personnel costs primarily comprise obligations under outstanding vacations, bonus and royalty payments as well as liabilities from social security.

Tax liabilities of TEUR 23,711 (previous year: TEUR 17,021) are related primarily to sales taxes and are due within one year.

Other liabilities of TEUR 3,853 (previous year: TEUR 731) include other provisions required under the German Commercial Code essentially in connection with litigation and the compensation of Supervisory Board members.

Other liabilities and deferred income of TEUR 7,227 (previous year: TEUR 1,648) have a remaining period of more than twelve months.

The other liabilities and deferred income are allocated as follows in the balance sheet: non-current financial liabilities (TEUR 1,792), non-current deferred income (TEUR 5,435), other current liabilities (TEUR 69,665), and current deferred income (TEUR 177).

C. Comments on the income statement

33. Revenue

A share of 47 % 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	2006	2005
Revenue from the sale of goods	351,615	341,353
Revenue from services rendered	400,543	188,815
	752,158	**530,168**

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 under PoC was TEUR 136,515 (previous year: TEUR 34,333). Note 8 contains further explanations on PoC.

34. Other operating income

The other operating income is comprised as follows:

TEUR	2006	2005
Sale of land (leasehold)	15,009	0
Initial consolidation Turkey wind project	3,279	0
Income from exchange rate differences	3,138	474
Refunds under SunTechnics guarantees	525	365
Remuneration in kind	463	256
Compensation of damages photovoltaics / wind supplier	0	6,096
Measurement of current liabilities	0	3,579
Payments received on written down liabilities	0	90
Other income	749	1,216
	23,163	**12,076**

Recognised income from land sales concerns the production sites Frankfurt/Oder (TEUR 14,782) and Rangsdorf (TEUR 227).

Income from initial consolidation concerns the acquisition of SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI in Turkey. The negative goodwill recognised in profit or loss in accordance with IFRS 3.56 (Business Combinations) results in particular from undisclosed accruals and provisions in intangible assets under project rights related to the construction of a wind park.

35. Personnel costs

The Group had 1,480 employees (expressed in FTE = Full Time Equivalents), including managing directors and Management Board members, as of 31 December 2006 (previous year: 724). The average number of employees of the companies included in the consolidated financial statements was 1,125 (previous year: 579). Of these, 795 were employed in Germany, 203 in Europe, and 127 in the rest of the world.

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

In the previous year, personnel costs of TEUR 971 were recognised as IPO costs below EBT.

TEUR	2006	2005
Wages and salaries	49,560	22,796
Social security costs	8,833	4,231
	58,393	**27,027**

36. Other operating expenses

The other operating expenses are comprised as follows:

TEUR	2006	2005
Legal and consulting expenses	8,966	2,498
Advertising expenses	8,017	3,507
Occupancy expenses	6,617	3,332
Travel and entertainment expenses	6,240	2,306
Human resources	5,741	2,878
Incidential banking expenses	3,629	760
Communications	3,219	1,452
Measurement of forward exchange contracts	1,196	0
Vehicle costs (incl. taxes)	2,817	1,192
Expenses under guarantees, warranties and complaints	2,590	1,060
Insurance and contributions	2,434	834
Development costs	2,021	708
Costs of machinery, equipment and IT	1,656	466
Other expenses	7,728	1,819
	62,871	**22,812**

In the previous year, other operating expenses for legal and consultancy costs and banking commissions in the amount of TEUR 1,894 were 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	2006	2005
Actual tax expenses	7,366	14,195
Tax credit for previous years	–1,590	0
Deferred tax income from tax loss carryforwards	–12,011	–217
Deferred tax expense from recognition of partial profits (PoC)	17,763	2,240
Deferred tax expense from capitalised development services	3,225	846
Other adjustments, deferred taxes	669	1,027
Tax income from debt consolidation	–231	0
Tax expense from elimination of intercompany profits	189	–102
	15,380	**17,989**

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

TEUR	2006	2005
Earnings before income taxes (incl. minority interest)	**45,972**	**46,202**
Expected income tax expenses (40.4 %)	18,567	18,666
Tax expenses not related to the accounting period	–1,590	195
Taxes on permanent differences	297	0
Valuation allowance on deferred tax assets	883	0
Tax expense from negative goodwill	–1,340	0
Adjustments to account for differences in foreign taxes	–610	–237
Taxes on costs for the acquisition of equity, offset against capital	0	–743
Other adjustments (different tax rates etc.)	–827	108
Income taxes	**15,380**	**17,989**

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: 32.5 % in Spain; 34 % in Austria; 33.33 % in France; 40 % in the USA; 30 % in Australia; 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:

	2006	2005
Consolidated net income applicable to shareholders of Conergy AG in TEUR	30,204	27,795
Average number of shares issued, in thousands	29,761[1]	28,505[1]
Basic earnings per share in EUR	1.01	0.98
Diluted earnings per share in EUR	1.01	0.98

[1] As a result of the stock split of 29 May 2006, the number of shares issued tripled from 9,919,750 to 29,759,250. The previous year's figures were adjusted accordingly.

D. Other disclosures

39. Consolidated cash flow statement

The company only maintains such cash and cash equivalents as can be quickly accessed and used.

Interest income and expenses are assigned exclusively to operating activities.

Cash includes cash in hand, checks and bank balances.

In contrast to the previous year, deposits from borrowings were classified as financing activity. The previous year's figures were adjusted accordingly.

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

TEUR	2006	2005
Cash payment obligations due to company acquisitions	43,459	4,793
plus payments due to company acquisitions, previous year	3,109	208
less acquired cash	2,209	232
Cash outflow due to the acquisition of companies	**44,359**	**4,769**

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. Projects: Epuron Group (until 31.12.2006: voltwerk)
   The Epuron Group is responsible for planning, financing and executing major solar energy, bioenergy and wind power projects.

2. Engineering: SunTechnics Group
   The SunTechnics Group is responsible for planning, implementing and installing solar and bioenergy units of any size.

3. Wholesale: Conergy Distribution Group (until 31.12.2006: AET)
   The Conergy Distribution 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 inverters; as well as for carrying out related research and 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 that correspond to the purchase prices. The transfers are eliminated during consolidation.

Primary Segment Reporting
Income statement from 1 January to 31 December 2006

TEUR	Projects		Engineering	
	2006	2005	2006	2005
Revenue external	266,799	139,269	199,183	150,112
Intersegment revenue	1,224	6,372	144,027	89,466
Segment revenue	**268,023**	**145,641**	**343,210**	**239,578**
Share in percent	35.6	27.5	45.6	45.2
EBITDA	**45,588**	**12,423**	**6,349**	**16,150**
EBIT = Segment result for the year	**45,262**	**12,116**	**5,385**	**15,651**
Share in percent	86.9	25.5	10.3	33.0
Income taxes	–17,158	–4,866	–1,989	–684
Consolidated annual result				

Balance sheet as of 31 December 2006

TEUR	Projects		Engineering	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
ASSETS				
Non-current assets	35,102	6,218	15,188	6,457
Current assets	271,053	90,286	219,445	109,941
Income tax assets	203	205	3,670	780
Segment assets (excl. income tax assets)	**306,155**	**96,504**	**234,633**	**116,398**
Share in percent	45.0	28.1	34.5	33.8
LIABILITIES				
Non-current liabilities	4,491	3,088	7,146	4,056
Current liabilities	227,099	75,915	219,190	94,210
Income tax liabilities	18,695	7,014	5,186	798
Segment liabilities (excl. income tax liabilities)	**231,590**	**79,003**	**226,336**	**98,266**
Share in percent	47.9	46.0	46.8	57.2

Key figures

TEUR	Projects		Engineering	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Segment investments	26,705	2,162	9,675	2,358
Depreciation and amortisation	326	307	963	499
Employees (FTE, as of 31.12.)	85	53	508	239

Wholesale		DMS&CS		Consolidation		Group	
2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
173,412	165,085	112,764	75,702	0	0	752,158	530,168
38,804	10,557	369,745	306,898	–553,800	–413,294	0	0
212,216	**175,642**	**482,509**	**382,601**	**–553,800**	**–413,294**	**752,158**	**530,168**
28.2	33.1	64.1	72.2	–73.6	–78.0	100.0	100.0
1,451	**19,469**	**–182**	**2,275**	**3,724**	**–10**	**56,929**	**50,307**
1,224	**19,361**	**–3,507**	**316**	**3,705**	**–10**	**52,068**	**47,435**
2.4	40.8	–6.7	0.7	7.1	0.0	100.0	100.0
–846	–806	4,570	–11,736	42	102	–15,380	–17,989
						30,585	**28,213**

Wholesale		DMS&CS		Consolidation		Group	
31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**
6,045	2,515	168,817	23,772	–103,556	–15,091	121,597	23,872
97,461	65,828	485,609	264,187	–514,407	–210,278	559,161	319,963
112	237	12,311	1,130	1,343	102	17,639	2,454
103,506	**68,343**	**654,426**	**287,959**	**–617,963**	**–225,369**	**680,758**	**343,835**
15.2	19.9	96.1	83.7	–90.8	–65.5	100.0	100.0
725	123	64,003	1,618	–66,986	–6,212	9,379	2,672
96,956	46,532	440,819	130,881	–510,199	–178,510	473,866	169,029
650	427	6,232	15,020	528	0	31,291	23,258
97,681	**46,655**	**504,822**	**132,499**	**–577,185**	**–184,722**	**483,245**	**171,701**
20.2	27.2	104.5	77.2	–119.4	–107.6	100.0	100.0

Wholesale		DMS&CS		Consolidation		Group	
31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**
3,823	351	96,589	10,990	–27,661	0	109,131	15,861
227	108	3,325	1,958	19	0	4,861	2,872
128	80	759	352	0	0	1,480	724

Secondary Segment Reporting
Income statement from 1 January to 31 December 2006

TEUR	Germany		Europe (without Germany)	
	2006	2005	2006	2005
Revenue external	473,985	454,546	230,442	55,311
Intersegment revenue	506,401	408,132	47,187	5,162
Segment revenue	**980,386**	**862,678**	**277,629**	**60,473**
Share in percent	130.3	162.7	36.9	11.4
EBITDA	**27,351**	**45,802**	**31,491**	**3,691**
EBIT = Segment result for the year	**23,333**	**43,328**	**31,021**	**3,350**
Share in percent	44.8	91.3	59.6	7.1
Income taxes	–6,846	–16,805	–10,751	–848
Consolidated annual result				

Balance sheet as of 31 December 2006

TEUR	Germany		Europe (without Germany)	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
ASSETS				
Non-current assets	193,960	33,058	8,477	2,943
Current assets	757,304	492,281	263,028	29,208
Income tax assets	12,931	1,333	782	587
Segment assets (excl. income tax assets)	**951,265**	**525,339**	**271,505**	**32,151**
Share in percent	139.7	152.8	39.8	9.4
LIABILITIES				
Non-current liabilities	60,082	3,719	7,053	4,834
Current liabilities	712,821	315,914	225,387	24,257
Income tax liabilities	18,528	22,424	10,083	717
Segment liabilities (excl. income tax liabilities)	**772,903**	**319,633**	**232,440**	**29,091**
Share in percent	159.9	186.2	48.1	16.9

Key figures

TEUR	Germany		Europe (without Germany)	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Segment investments	110,219	12,469	7,170	1,417
Depreciation and amortisation	4,087	2,306	489	510
Employees (FTE, as of 31.12.)	965	560	312	107

RoW		Consolidation		Group	
2006	2005	2006	2005	2006	2005
47,731	20,311	0	0	752,158	530,168
212	0	–553,800	–413,294	0	0
47,943	**20,311**	**–553,800**	**–413,294**	**752,158**	**530,168**
6.4	3.8	–73.6	–78.0	100.0	100.0
–5,636	**823**	**3,724**	**–10**	**56,929**	**50,307**
–5,991	**766**	**3,705**	**–10**	**52,068**	**47,435**
–11.5	1.6	7.1	0.0	100.0	100.0
2,175	–438	42	102	–15,380	–17,989
				30,585	**28,213**

RoW		Consolidation		Group	
31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
22,715	2,962	–103,556	–15,091	121,597	23,872
53,236	8,752	–514,407	–210,278	559,161	319,963
2,583	432	1,343	102	17,639	2,454
75,951	**11,714**	**–617,963**	**–225,369**	**680,758**	**343,835**
11.2	3.4	–90.8	–65.5	100.0	100.0
9,230	331	–66,986	–6,212	9,379	2,672
45,858	7,368	–510,199	–178,510	473,866	169,029
2,152	118	528	0	31,291	23,258
55,088	**7,699**	**–577,185**	**–184,722**	**483,245**	**171,701**
11.4	4.5	–119.4	–107.6	100.0	100.0

RoW		Consolidation		Group	
31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
19,403	1,975	–27,661	0	109,131	15,861
266	56	19	0	4,861	2,872
203	57	0	0	1,480	724

41. Acquisitions

Shares in the following companies were acquired in the 2006 financial year. The information regarding revenue and earnings relates to the period since the respective company's acquisition:

Company	Business unit	Acquisition date	Percentage of shares acquired	Purchase price in TEUR	Total percentage of shares owned as of 31.12.2006	Revenue 2006 in TEUR	Earnings 2006 in TEUR
Conergy S.A.S. (previously: AET FRANCE Société par actions simplifiée)	Wholesale	19.01.2006	20.00 %	350	100.00 %	6,005	–199
Conergy Limited (previously: AET SOLAR LIMITED)	Wholesale	23.05.2006	100.00 %	550	100.00 %	790	–114
Conergy E.P.E. (previously: AET SOLION E.P.E.)	Wholesale	11.04.2006	24.90 %	357	100.00 %	3,567	–170
Riposol Handels GmbH	Wholesale	20.07.2006	99.01 %[1]	1,184	99.01 %	3,517	313
D&J Electric Inc.	Engineering	18.10.2006	100.00 %	1,654	100.00 %	1,078	503
Sun Technics Energy Systems NV (previously: IZEN NV)	Engineering	19.06.2006	100.00 %	1,456	100.00 %	3,650	–56
SunTechnics Bioenergy GmbH	Engineering	30.08.2006	20.00 %	2,200	100.00 %	100	–1,062
SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI	Projects	31.12.2006	95.00 %	14,306	95.00 %	0	0
Cap-Aus Pty Limited	DMS&CS	06.04.2006	100.00 %	1,333	100.00 %	1,773	–146
Conergy Inc.	DMS&CS	30.03.2006	20.00 %	5,034	100.00 %	23,216	342
Conergy Pty Limited	DMS&CS	09.06.2006	10.00 %	0	90.00 %	2,001	–681
Conergy Services Ost GmbH	DMS&CS	01.01.2006	80.00 %	1,256	80.00 %	1,101	121
Creaglas Creative Glasbauelemente GmbH	DMS&CS	03.05.2006	18.00 %	20	100.00 %	0	0
Conergy SolarModule GmbH (previously: HighSi GmbH)	DMS&CS	31.05.2006	100.00 %	25	100.00 %	0	8,365
Conergy GmbH (previously: Suntec Produktions GmbH)	DMS&CS	20.07.2006	98.02 %	4,398	98.02 %	0	54
Conergy GmbH (previously: Vögelin GmbH)	DMS&CS	18.10.2006	100.00 %	4,537	100.00 %	1,849	48
Conergy BVBA (previously: Zen International Production & Trade BVBA)	DMS&CS	19.06.2006	100.00 %	300	100.00 %	713	–56
Güstrower Maschinen Bau GmbH	DMS&CS	31.12.2006	100.00 %	4,500	100.00 %	0	–3

[1] through a 50 % stake of Conergy Vertriebs GmbH & Co. KG

If the companies had been acquired as of 1 January 2006, revenue would have been EUR 22.2 million higher and consolidated net income would have been EUR 1.8 million higher.

The payments for the goodwill of Conergy Limited Ltd. (Cyprus), Riposol Handels GmbH (Austria), D&J Electric Inc. (USA), Sun Technics Energy Systems NV (Belgium), SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI (Turkey), Cap-Aus Pty Limited (Australia), Conergy Services Ost (Germany), Conergy SolarModule GmbH (Germany), Conergy GmbH (Austria), Conergy GmbH (Switzerland),

Conergy BVBA (Belgium) and Güstrower Maschinen Bau GmbH (Germany) are based on future market developments.

The total price paid for these acquisitions is as follows:

TEUR	
Cash payments for the acquisitions of companies	40,485
Future earn-out-payments from the acquisition of companies	2,974
	43,459

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

Carrying amounts in TEUR	SunTec / Riposol	ZEN / IZEN	Vögelin	CAP AUS	Service Ost	GMB	SAGAP	Other acquisi-tions	Total
Non-current assets									
Intangible assets	10	1			80	4	125	87	307
Goodwill									
Property, plant and equipment	977	378	41	225	57	311	89	89	2,167
Financial assets	61	9							70
Receivables and other assets	128	10	2			2			142
Deferred tax assets									
Deferred income									
Non-current assets, total	**1,177**	**397**	**44**	**225**	**137**	**317**	**214**	**176**	**2,687**
Current assets									
Inventories	1,756	863	215	708		275	8,862		12,678
Trade receivables	2,153	799	640	488	289	437		13	4,818
Other receivables and assets	199	135	25	8	1	556	5,654	42	6,620
Cash and cash equivalents	43	9	861	30	320	688	1	257	2,209
Prepaid expenses	29	3		46	13	33			124
Current assets, total	**4,179**	**1,809**	**1,741**	**1,280**	**623**	**1,989**	**14,517**	**311**	**26,449**
Non-current liabilities									
Financial liabilities	2,099	464		726		340			3,628
Reserves				67	160			7	234
Deferred tax liabilities									
Deferred income									
Non-current liabilities, total	**2,099**	**464**		**793**	**160**	**340**		**7**	**3,862**
Current liabilities									
Financial liabilities		151					45		196
Trade liabilities	1,133	580		349	54	354		620	3,089
Advances received			3				1,189		1,192
Tax liabilities	228	21	123			56			428
Other liabilities	420	290	47	217	57	663	347	23	2,064
Deferred income	9								9
Current liabilities, total	**1,790**	**1,042**	**174**	**565**	**111**	**1,073**	**1,581**	**643**	**6,979**

Purchase price allocation
IFRS 3 and IAS 38 requires the acquired assets and liabilities to be measured based on purchase price allocation during initial consolidation of business combinations.

Vögelin GmbH
On 18 October 2006, Conergy AG acquired all shares of Vögelin GmbH, domiciled in Flurlingen (Switzerland), which has been consolidated as a subsidiary of the company since October 2006. The acquisition cost was TEUR 4,537.

Based on the final purchase price allocation, TEUR 637 were capitalised as customer relationships under intangible assets which are subject to amortisation, and TEUR 2,590 were allocated to goodwill. The amortisation of customer relationships is oriented on the product life cycle of a PV system, which is 20 years.

SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI
On 31 December 2006, EPURON GmbH acquired a 95 % stake in SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI, domiciled in Ankara (Turkey), which has been consolidated as a subsidiary of the company since December 2006. The acquisition cost was TEUR 14,306. Based on the purchase price allocation, TEUR 6,898 were capitalised as an intangible asset (licence). Under this licence, SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI is authorised to construct and operate a wind park in Bilecik (Turkey). The licence includes all government approvals and permission for the construction and operation of the wind park. The disclosure of previously undisclosed accruals and provisions during consolidation resulted in negative goodwill of TEUR 3,279, which was recognised in the income statement in the 2006 financial year.

Suntec Produktions GmbH
On 20 July 2006, Conergy AG acquired a 98.02 % stake in Suntec Produktions GmbH, domiciled in Althofen (Austria), which has been consolidated as a subsidiary of the company since July 2006. The acquisition of Suntec Produktions GmbH was driven by the Group's entry into the Austrian market. The company has been integrated into the DMS&CS segment.

The acquisition cost was TEUR 4,397 (including earn-out payments of approximately TEUR 1,096). Based on the final purchase price allocation, TEUR 1,063 were allocated to property, plant and equipment, TEUR 374 to a 50 % stake in Riposol Handels GmbH, and TEUR 2,549 to goodwill.

Of the TEUR 1,063 allocated to property, plant and equipment, TEUR 282 were capitalised as land and TEUR 781 were capitalised as buildings. The building is depreciated over a useful life of 30 years using the straight-line method.

D&J Electric Inc.
On 18 October 2006, SunTechnics Inc. (USA) acquired all shares of D&J Electric Inc., domiciled in Cottonwood (USA), which has been consolidated as a subsidiary of the company since October 2006. The acquisition cost was TEUR 1,654. By payment the purchase price, SunTechnics Inc. (USA) acquired orders on hand worth TEUR 128, which were capitalised as intangible assets. After purchase price allocation, a goodwill of TEUR 2,100 remained.

Güstrower Maschinen Bau GmbH
On 31 December 2006, Conergy AG acquired all shares in Güstrower Maschinen Bau GmbH, domiciled in Güstrow (Germany), which has been consolidated as a subsidiary of the company since December 2006. The acquisition cost was TEUR 4,500. Based on the final purchase price allocation, TEUR 1,100 were capitalised as customer relationships under intangible assets which are subject to amortisation, and TEUR 2,943 were allocated to goodwill. The customer relationships are amortised over 20 years, a period which is oriented on the product life cycle.

Significant acquisitions after the balance sheet date
As of 1 January 2007, Conergy AG acquired an 80 % stake in ETI SOLAR Energy Technologies Inc., Canada's second largest solar company, for a purchase price of TEUR 2,635.

ETI SOLAR, domiciled in Edmonton, Alberta, specialises on the design, marketing and distribution of photovoltaic systems. Furthermore, the company supports its customer base of more than 100 retailers in leveraging the local sales potential in connection with systems for private and commercial customers and systems that can be fitted in motorhomes.

The following table provides detailed information on the establishment of companies in 2006:

Company	Business unit	Date established	Percentage of shares owned		Subscribed capital
SunTechnics Installation & Services Inc. (USA)	Engineering	20.01.2006	100.00 %	TUSD	10
SUNTECHNICS IMPIANTI ENERGETICI SRL (Italy)	Engineering	30.01.2006	100.00 %	TEUR	10
SunTechnics Energy Systems Pte. Ltd. (Singapore)	Engineering	20.02.2006	100.00 %	SGD	1
SunTechnics Limited (Korea)	Engineering	24.01.2006	100.00 %	TKRW	200,000
SunTechnics – Systèmes d'énergies SARL (France)	Engineering	07.11.2006	100.00 %	TEUR	5
SunTechnics Energy Systems EPE (Greece)	Engineering	18.10.2006	99.83 %	TEUR	18
SunTechnics Instalaciones & Mantenimiento SL (Spain)	Engineering	08.03.2006	100.00 %	TEUR	3
SunTechnics Sistemas de Energia Ltda. (Brazil)	Engineering	22.11.2006	100.00 %	TBRL	50
EPURON LLC (previously: Voltwerk LLC) (USA)	Projects	14.02.2006	100.00 %	TUSD	1
VOLTWERK ITALIA S.R.L. (Italy)	Projects	01.09.2006	51.00 %	TEUR	10
EPURON Pte. Ltd. (previously: voltwerk Singapore Pte. Ltd.) (Singapore)	Projects	06.10.2006	100.00 %	SGD	1
EPURON Vierte Management GmbH (previously: voltwerk Vierte Management GmbH) (Germany)	Projects	25.10.2006	100.00 %	TEUR	25
EPURON Fünfte Management GmbH (previously: voltwerk Fünfte Management GmbH) (Germany)	Projects	25.10.2006	100.00 %	TEUR	25
Énergie Éolienne Lusanger S.A.R.L. (France)	Projects	01.08.2006	100.00 %	TEUR	2
Parc Éolien de la Chaude Vallée S.A.R.L. (France)	Projects	05.07.2006	100.00 %	TEUR	8
Parc Éolien du Mélier S.A.R.L. (France)	Projects	06.07.2006	100.00 %	TEUR	8
Parc Éolien de Morvillers S.A.R.L. (France)	Projects	05.07.2006	100.00 %	TEUR	8
Parc Éolien de Bonneuil S.A.R.L. (France)	Projects	01.02.2006	100.00 %	TEUR	8
Conergy Estonia OÜ (Estonia)	DMS&CS	12.01.2006	51.00 %	TEEK	400
Conergy España S.A. (Spain)	DMS&CS	09.02.2006	100.00 %	TEUR	65
Conergy Energia Solar Ltda. (Brazil)	DMS&CS	24.01.2006	100.00 %	TBRL	1,043
Conergy Pte. Ltd. (Singapore)	DMS&CS	23.02.2006	100.00 %	SGD	1
Conergy Contracting GmbH (Germany)	DMS&CS	17.07.2006	80.00 %	TEUR	50
Conergy Central Services LLC (USA)[1]	DMS&CS	17.05.2006	100.00 %	USD	0
Conergy Limited (Korea)[1]	DMS&CS	12.12.2006	100.00 %	TKRW	50,000
Conergy Alternatif Enerji Sistemleri Sanayi ve Ticaret Limited Şirketi (Turkey)[1]	DMS&CS	30.11.2006	100.00 %	TTRY	5

[1] not consolidated in the 2006 financial year

42. Contingent liabilities

Contingent liabilities as of the balance sheet date comprise one letter of comfort entailing a maximum obligation of TEUR 19,407 (previous year: TEUR 656) toward external third parties. Furthermore, Conergy provided five bank guarantees and guarantees to secure advance payments in the amount of TEUR 4,767.

43. Other financial liabilities

As of 31 December 2006, the liabilities essentially exist as follows: rent payments for a wind power unit, payment obligations under cooperation agreements for the production of wind turbines and plants for the production of biogenous fuels, and rental and lease payments for offices and cars.

TEUR	2006	2005
Within one year	8,534	4,397
Between one and five years	25,085	8,780
More than five years	1,301	0
	34,920	**13,177**

There are also annual financial obligations of TEUR 1,308 for 99 years in connection with land at the production sites in Rangsdorf and Frankfurt/Oder. Conergy AG has issued two letters of comfort with regard to these obligations.

The total amount of other financial liabilities under obligations to repurchase installations is TEUR 7,451, which 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 17.9 billion and USD 30 million. To this end, Conergy AG concluded forward exchange contracts at JPY rates and corresponding maturity dates.

44. Derivative financial instruments

The Group's activities, especially in connection with international sourcing, expose it to exchange rate risks that are hedged using derivative financial instruments.

Derivative financial instruments are not used for speculative purposes and banks with excellent credit ratings are the Group's sole contracting parties.

As of the balance sheet date, the Group held forward exchange contracts to hedge merchandise purchases in foreign currency and the contracts will be executed in 2007.

A hedging relationship was established in relation to the original transaction in accordance with IAS 39 and the corresponding fluctuations in the fair value were treated as a cash flow hedge in the revaluation surplus (see Note 27). Adjustments that were recognised in equity are reclassified into profit or loss when the financial instruments are executed. Retrospective and prospective tests are conducted regularly in accordance with hedge accounting requirements to measure the effectiveness of the hedges.

Interest rate risks that affect operating activities are hedged by means of interest rate swaps. Fluctuations in the fair value of interest rate swaps are shown at their fair value as of the balance sheet date in the income statement under Interest and other expenses.

45. Relationships to related parties

The following persons served on the Management Board in the 2006 financial year:

- Hans-Martin Rüter (Chief Executive Officer)
- Nikolaus Krane
- Heiko Piossek
- Dr. Edmund Stassen
- Albert Edelmann

The members of the Management Board received total compensation of TEUR 1,795 (previous year: TEUR 1,889). Of this amount, TEUR 95 concerned compensation in kind for company cars and social security. For basic information about the compensation report and the disclosures under Section 314 no. 6a sentence 5 to 9 German Commercial Code, see the compensation report included in the management report.

The compensation of the Management Board breaks down as follows:

EUR	Fixed compensation	Variable compensation	Other[1]	Total
Hans-Martin Rüter	240,000	184,000	22,817	446,817
Nikolaus Krane	180,000	139,000	19,190	338,190
Heiko Piossek	180,000	139,000	23,690	342,690
Dr. Edmund Stassen	180,000	139,000	19,319	338,319
Albert Edelmann	180,000	139,000	10,228	329,228
Sum				**1,795,244**

[1] The other compensation components primarily comprise non-cash compensation (e. g. company car, insurance, removal cost) and allowances for pension insurance (relief fund).

The following persons served on the Supervisory Board in the 2006 financial year:

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

EUR	Fixed compensation	Variable compensation	Committee compensation	Total
Dieter Ammer (Chairman)	37,500	25,000	3,000	65,500
Alexander Rauschenbusch (Deputy Chairman)	22,500	15,000	3,500	41,000
Andreas Rüter	15,000	10,000	1,000	26,000
Dr. Dr. h. c. Andreas J. Büchting	15,000	10,000	0	25,000
Oswald Metzger	15,000	10,000	0	25,000
Eckhard Spoerr	15,000	10,000	2,000	27,000
Sum				**209,500**

In the 2006 financial year, total compensation paid to the members of the Supervisory Board was TEUR 210 (previous year: TEUR 232).

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 2006.

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

SunTechnics GmbH, Hamburg, and AET Alternative-Energie-Technik GmbH, Sulzbach-Neuweiler, 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 2006 financial year:

	TEUR
Audits of the financial statements	181
Tax consultancy services	133
Other services	84

49. Events after the balance sheet date
Business in 2007 is being conducted as planned and no special events have occurred.

Hamburg, Germany, 23 February 2007
Conergy AG
The Management Board

Hans-Martin Rüter
Chairman of the Board

Nikolaus Krane

Heiko Piossek

Dr. Edmund Stassen

Albert Edelmann

Auditor's report

We have audited the consolidated financial statements of Conergy AG, Hamburg – consisting of the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated notes – as well as the Group management report for the financial year from 1 January to 31 December 2006. The preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards (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. 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 position 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 Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the findings of the audit, the consolidated financial statements of Conergy AG, Hamburg, 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 position 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, 23 February 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Ohlsen)	(ppa. Krantz)
Auditor	Auditor

In areas far from the public grid, combined solar, wind and bioenergy systems from Conergy reliably supply energy around the clock.

1,480

people are employed by Conergy worldwide.

Contents

Glossary

Ambient heat
By using a heat pump, energy is drained from the soil or from the outside air.

CO_2
Carbon dioxide.


Control unit
Microprocessor-controlled unit for controlling solar thermal system functions.

Drain-Back
A technology that drains the collector to prevent it from damage when the temperature is too hot or too cold.

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 Equivalents (FTE)
The number of full-time employees calculated by converting part-time 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.

Heat pumps
Heat pumps utilise the energy present in the outside air, water or soil to generate warmth for heating.


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/m² 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.

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.

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.

Primary energy consumption
Primary energy consumption, abbreviated PEC, indicates how much energy can be used in an economy to render all energy related 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.

Silicon
Raw material for the production of solar cells. Silicon accounts for about 25.8 percent of the weight of the earth's crust, which makes it the second most common chemical element after oxygen.

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 collector
In solar collectors, heat conducting materials are heated by the sun, providing energy for the production of warm water, for instance for heating systems.

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.

Solar energy systems
Photovoltaic systems and solar thermal systems.

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

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.

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.

Tracker
Mounting system enabling solar modules to track the sun, which increases the amount of solar electricity gained.

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".

◄ Contents

Conergy

DMS&CS

Sales		
Conergy Vertriebs GmbH & Co. KG	Sulzbach-Neuweiler (Germany)	100 %
└ Conergy S.A.S.	Brignoles (France)	100 %
└ Conergy E.P.E.	Athens (Greece)	100 %
└ Conergy S.R.L.	Vicenza (Italy)	100 %
└ Conergy Limited	Limassol (Cyprus)	100 %
└ AET Swiss AG	Küsnacht (Switzerland)	100 %
└ Riposol Handels GmbH	Althofen (Austria)	99.01 %
└ Conergy España SL	Madrid (Spain)	100 %
Conergy Holding Inc.	Wilmington (USA)	100 %
└ Conergy Inc.	Santa Fe (USA)	100 %
└ Conergy Mexico S. de R.L. de C.V.	Mexico City (Mexico)	85 %
Conergy Pty Limited	Sydney (Australia)	90 %
└ Cap-Aus Pty Limited	Perth (Australia)	100 %
Conergy Pte. Ltd.	Singapore (Singapore)	100 %
Conergy Limited	Seoul (Korea)	100 %
Conergy Alternatif Enerji Sistemleri Sanayi ve Ticaret Limited Şirketi	Istanbul (Turkey)	100 %
Conergy Energia Solar Ltda.	São Paulo (Brazil)	100 %
Conergy Limited	Hong Kong (Hongkong)	100 %
Conergy Estonia OÜ	Tallinn (Estonia)	51 %
Conergy Services GmbH	Hamburg (Germany)	100 %
└ Conergy Services Ost GmbH	Bockelwitz (Germany)	80 %
Conergy Contracting GmbH	Hamburg (Germany)	80 %
Conergy Inc.	Alberta (Canada)	80 %

Manufacturing		
Conergy GmbH	Flurlingen (Switzerland)	100 %
Creaglas Creative Glasbauelemente GmbH	Löbichau (Germany)	100 %
Conergy BVBA	Lille (Belgium)	100 %
Conergy GmbH	Althofen (Austria)	98.02 %
Conergy SolarModule GmbH	Frankfurt/Oder (Germany)	100 %
Güstrower Maschinen Bau GmbH	Güstrow (Germany)	100 %

Shared Services		
conernet.com GmbH	Hamburg (Germany)	100 %
Conergy Central Services LLC	Wilmington (USA)	100 %[1]
Conergy Customer Care GmbH	Hamburg (Germany)	100 %
└ Conergy Real Estate GmbH & Co. KG	Hamburg (Germany)	100 %
Conergy España S.A.	Madrid (Spain)	100 %

SunTechnics

Engineering

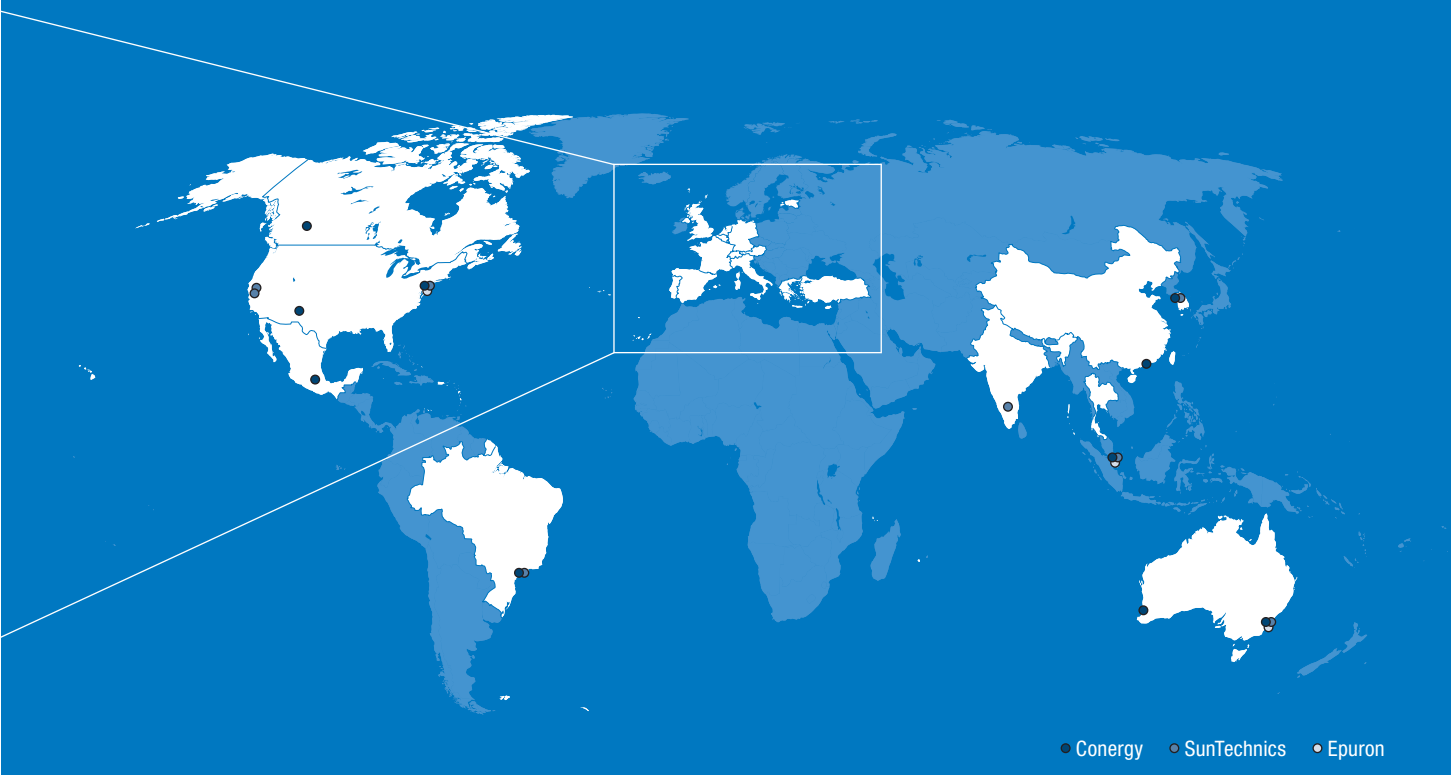
SunTechnics GmbH		
SUNTECHNICS SISTEMAS DE ENERGIA, SLU	Madrid (Spain)	100 %
└ Suntechnics Instalaciones & Mantenimiento SL	Madrid (Spain)	100 %
SunTechnics Installations- und Wartungs GmbH	Stuttgart (Germany)	100 %
SunTechnics – Energia Solar Unipessoal, Lda.	Lisbon (Portugal)	100 %
SunTechnics Systèmes d'énergies SARL	Paris (France)	100 %
SunTechnics AG	Luzern (Switzerland)	100 %
└ SunTechnics Fabrisolar AG	Küsnacht (Switzerland)	100 %
SunTechnics Solartechnik GmbH	Vienna (Austria)	100 %
SunTechnics Solar Technology Energy Pty Ltd.	Sydney (Australia)	100 %
SunTechnics Energy Systems Private Limited	Bangalore (India)	99 %
SUNTECHNICS IMPIANTI ENERGETICI S.R.L.	Vicenza (Italy)	100 %
SunTechnics Energy Systems Pte Ltd.	Singapore (Singapore)	100 %
SunTechnics Limited	Seoul (Korea)	100 %
Sun Technics Energy Systems NV	Lille (Belgium)	100 %
SunTechnics Energy Systems Holding Inc.	Wilmington (USA)	100 %
└ SunTechnics Energy Systems Inc.	Sacramento (USA)	100 %
└ D&J Electric Inc.	Cottonwood (USA)	100 %
└ SunTechnics Installation & Services Inc.	Sacramento (USA)	100 %
SunTechnics Sistemas de Energia Ltda.	São Paulo (Brazil)	100 %
SunTechnics Bioenergy GmbH	Willich (Germany)	100 %
SunTechnics Energy Systems EPE	Athens (Greece)	99.83 %

EPURON

Projects

EPURON GmbH		
EPURON S.A.R.L.	Paris (France)	100 %
└ Compagnie des Énergies Renouvelables S.A.R.L. (LaCER)	Paris (France)	75.25 %
└ Parc Éolien de la Chaude Vallée S.A.R.L.	Paris (France)	100 %
└ Parc Éolien du Mélier S.A.R.L.	Paris (France)	100 %
└ Parc Éolien de Morvillers S.A.R.L.	Paris (France)	100 %
└ Parc Éolien de Bonneuil S.A.R.L.	Paris (France)	100 %
Parc Éolien des Hauts Moulins S.A.R.L.	La Chapelle Lasson (France)	100 %
Parc Éolien Moulins des Champs S.A.R.L.	La Chapelle Lasson (France)	100 %
Énergie Éolienne Lusanger S.A.R.L.	Paris (France)	100 %
EPURON Spain SLU	Madrid (Spain)	100 %
└ VoltSol S.L.	Madrid (Spain)	100 %
EPURON Pty Ltd	Sydney (Australia)	85 %
VOLTWERK ITALIA S.R.L.	San Giorgio del Sannio (Italy)	51 %
EPURON Pte. Ltd.	Singapore (Singapore)	100 %
EPURON Management GmbH	Leipzig (Germany)	100 %
EPURON Zweite Management GmbH	Hamburg (Germany)	100 %
EPURON Dritte Management GmbH	Hamburg (Germany)	100 %
└ voltwerk Energy 51 GmbH & Co. KG	Hamburg (Germany)	100 %
EPURON Vierte Management GmbH	Hamburg (Germany)	100 %
EPURON Fünfte Management GmbH	Hamburg (Germany)	100 %
SAGAP ELEKTRIK ÜRETIM ANONIM ŞIRKETI	Ankara (Turkey)	95 %
EPURON LLC	Wilmington (USA)	100 %[1]
EPURON Invest GmbH	Hamburg (Germany)	100 %

[1] held by Conergy Holding Inc. Wilmington (USA)



2007 Financial calendar

31 March 2007

Publication of the 2006 financial statements
Financial statements press conference, Frankfurt/Main
Analyst conference, Frankfurt/Main

16 May 2007

Publication of the interim report
First quarter 2007 (January to March)
Conference Call with analysts and investors

11 June 2007

General Shareholders' Meeting, Hamburg

9 August 2007

Publication of the interim report
Second quarter 2007 (April to June)
Conference Call with analysts and investors

12 November 2007

Publication of the interim report
Third quarter 2007 (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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This report is also available in German. Both versions are available for download on the Internet.

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

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