Top quality – from a single source.
Conergy AG

Annual Report 2010

Key figures

		2010	2009*
Sales	EUR million	913.5	600.9
Germany	EUR million	416.6	280.8
International	EUR million	496.9	320.1
Gross profit	EUR million	216.9	117.6
Gross profit margin	in percent	23.7	19.6
EBITDA	EUR million	30.1	−10.7
EBITDA margin	in percent	3.3	−1.8
EBIT	EUR million	−13.8	−36.8
EBIT margin	in percent	−1.5	−6.1
Income after taxes from continuing operations	EUR million	−42.0	−81.1
Income after taxes	EUR million	−44.9	−79.3
		31.12.2010	**31.12.2009**
Total assets	EUR million	613.4	649.1
Total equity	EUR million	71.4	116.0
Equity ratio	in percent	11.6	17.9
		2010	**2009**
Cash flow from operating activities	EUR million	7.9	68.5
Cash flow from investing activities	EUR million	−9.1	−14.9
Cash flow from financing activities	EUR million	−15.2	−27.2
Earnings per share from continuing operations	EUR	−0.11	−0.20
Average number of no-par shares issued (as at 31.12.)		398,088,928	398,088,928
Number of employees FTE** (as at 31.12.)		1,569	1,429
Germany		1,095	937
International		474	492

* Previous year's figures adjusted; see notes
** Full Time Equivalent

Everything from a single source.

Conergy banks on solar energy alone. A total of about 1,600 people work to bring about a solar world in 40 countries on five continents, thus laying the foundation for harnessing the sun's power to the benefit of humankind. Conergy is a one-stop shop for both large-scale projects and small solar solutions: products, sales & distribution, services. It is what enables us to offer synchronised solar electricity systems to our customers.

System Technology. A single producer.

Conergy has several manufacturing facilities: a solar module plant in Frankfurt (Oder), an inverter plant in Bad Vilbel and two mounting systems plants, one in Rangsdorf, Germany, the other in Sacramento, USA. A total of around 800 employees work to produce the components of Conergy's highly efficient and reliable solar energy systems.

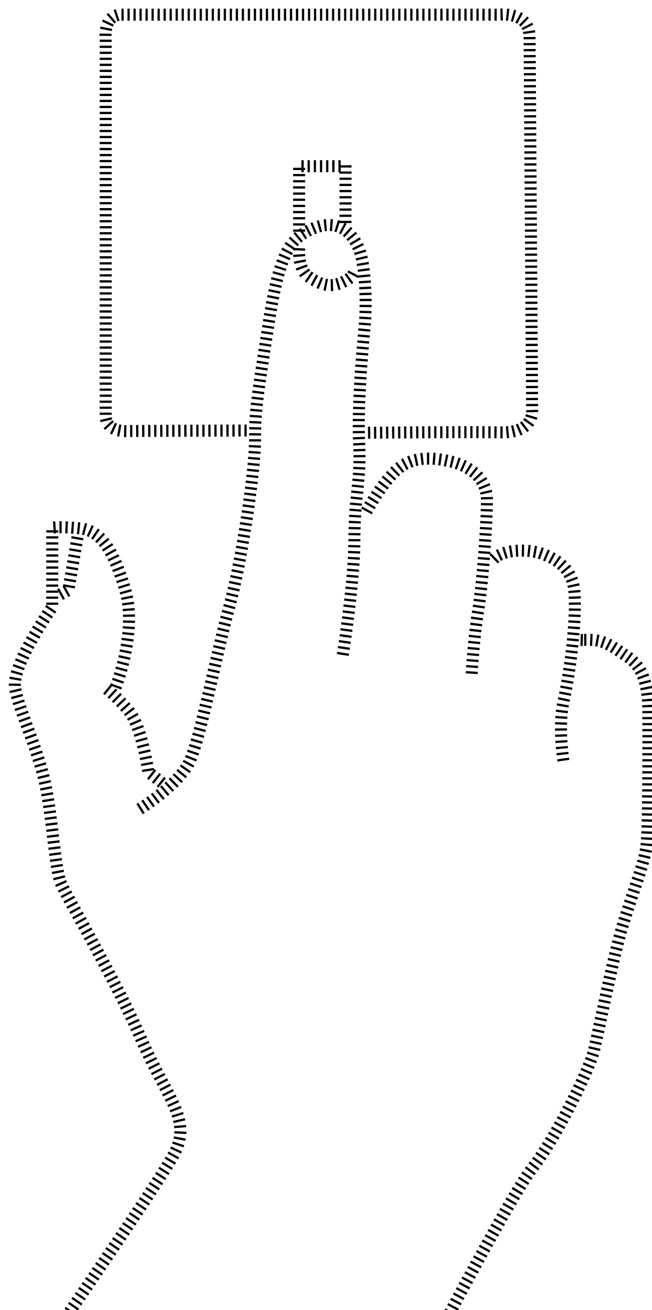
They are attractive too

It is not just the technology of Conergy's electronic components that is state of the art; they have also won the Red Dot, the world's most coveted design award.

System Services.

A single service provider.

For private and commercial roofs or solar farms. With 12 years of experience and seven service departments we deliver all-around carefree system technology packages to our customers. Our services comprise planning, financing, installation, monitoring, maintenance, operations as well as insurance.



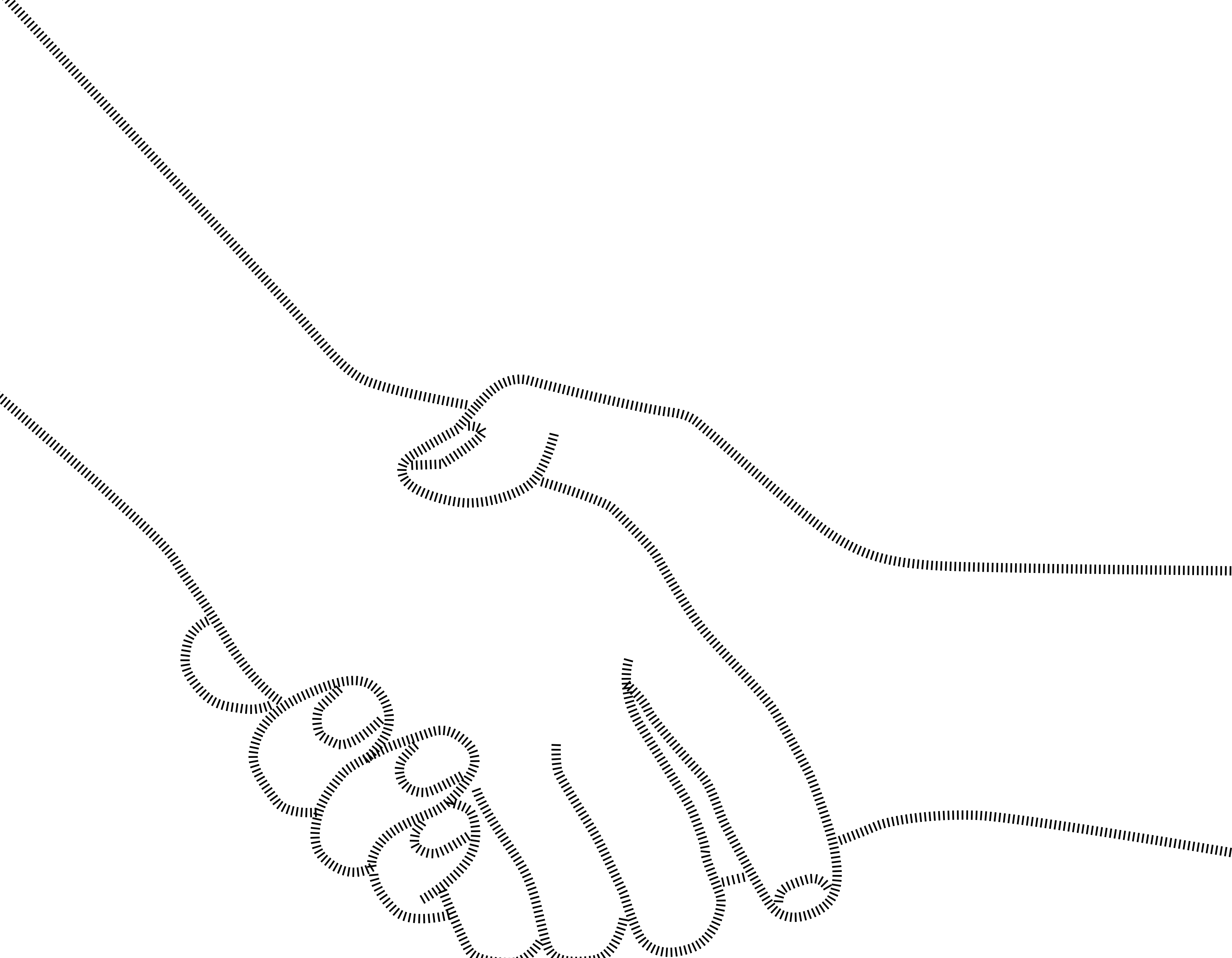
International installations

Conergy System Services has already implemented 120 projects in Europe, America and Asia Pacific.

System Sales.

A single point of contact.

A total of 24 branches worldwide deliver comprehensive services to our customers in 40 countries - pure sales being only one of them. Our services range from partner programmes to installation and sales training all the way to marketing support.



Connecting with customers

We connect with our customers through Conergy installer networks, wholesale installers and solar specialists, OEM networks as well as turnkey contractors.

Contents

MANAGEMENT BOARD AND SUPERVISORY BOARD

10 Letter to Shareholders
12 The Management Board
14 The Supervisory Board
15 Report of the Supervisory Board
22 Statement and report on Corporate Governance (Part of Group management report)
31 The Conergy share

GROUP MANAGEMENT REPORT

34 The Conergy Group
35 Internal control system and key performance indicators
37 Material components of the internal control and risk management system relevant to the Group's financial reporting process
38 Global economic conditions
38 Development of the industry
39 Assets, liabilities, cash flows and profit or loss
49 Other information
54 Compensation report for the Management Board and the Supervisory Board of Conergy AG
60 Events after the reporting period
60 Risk and opportunity report
74 Report of anticipated developments

CONSOLIDATED FINANCIAL STATEMENTS

78 Consolidated income statement of the Conergy Group
79 Consolidated balance sheet of the Conergy Group
80 Consolidated statement of cash flows of the Conergy Group
81 Consolidated statement of changes in equity of the Conergy Group
132 Independent Aditors' Report

FURTHER INFORMATION

134 Disclaimer
134 Contact and imprint

Dear Shareholders,

once again, an eventful year is behind us. After the world economic crisis and the slump in the solar sector, the market was able to recover worldwide and, in large parts, showed strong growth again – not only in the, as usual, strong Germany but also in almost all foreign markets.

Conergy could benefit from this market growth, both nationally and internationally. One of our biggest growth areas in 2010 was the Asia-Pacific region, whose governments now increasingly recognise the benefits of solar energy. At the beginning of 2010 we installed the largest privately owned solar farm of Southeast Asia in Ayutthaya, Thailand. A little later, in Itnal, India, we built one of the largest solar power plants of the emerging subcontinent. In addition, we signed a contract to build the first solar plant with complete in-house system technology in Asia towards the end of the year – a success which shows that even the very price-sensitive Asian market has now developed an awareness of quality.

The demand for Conergy quality also paid off in Europe: So, not only did we build Greece's largest solar power plant in 2010, we also signed the greatest framework agreement of Greek solar history. In our home market of Germany, we also benefited significantly from the market rebound. For example, we were able to build a solar park in Thüngen, Bavaria, which, with 19 megawatts is the largest German park ever built all with Conergy's own system technology.

These operational achievements were reflected in our figures for 2010. They show: The chosen path is correct; Conergy is on the right course. Due to our strong market position, we not only increased our consolidated sales by more than 50.0 percent to EUR 914 million in the last financial year, but also, through EBITDA of EUR 30 million, were operationally in the black for the first time since 2006. Thus, in spite of negative one-time items, we even met our self-imposed guidelines. This improvement also contributed to the increase of our gross profit margin, which, through a plus of four percentage points, is now at almost 24.0 percent. This was due mainly to the increased use of self-manufactured products, which enjoyed higher demand in 2010.

We could also improve our EBIT and reduce our losses from last year of almost EUR –37 million by around EUR 23 million to approximately EUR –14 million – even if there are two special circumstances putting a strain of the result, especially in the 4th quarter of 2010: On one hand, towards the end of the year, we as the board decided to free individual domestic and foreign subsidiaries from a substantial part of their debt to the parent company, Conergy AG as part of a "debt relief" scheme. This "debt relief" was implemented in the respective companies in large parts through the contribution of intercompany receivables. Through this debt reduction, we made an important contribution to enhancing the operational functionality and competitiveness of our subsidiaries. However, a need for value adjustment not affecting liquidity on goodwill and other assets arose of around EUR 17 million.

On the other hand, now that the operational reorganisation of the company is mostly completed, it was and is our goal to get to work on the company's financial restructuring. Because, three years of restructuring came with a price for Conergy. Although we have improved our operating results a lot during this phase, the company still had large debts. Since late 2009 Conergy was in continuous negotiations with its creditors, do reduce the debt and interest burden significantly. Due to these negotiations as well as the accompanying measures, high consultancy and expert assessment cost accrued in 2010, especially in the 4th quarter, which continue to strain our EBIT.

The good news coming out of all this: The efforts of recent months have led to a good result. After long and intense months, we were able to come to an agreement with our creditors on a solution of how to bring about the much-needed debt reduction for our company as well as the strengthening of our equity, based on a report prepared by PriceWaterhouseCooper.

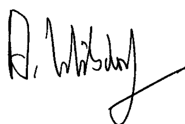
This solution will reduce Conergy's debt burden by about EUR 190 million and decreases the interest burden substantially. For this purpose, a part of our creditors have agreed to get involved in the equity capital of the company. The remaining credit line amounting to EUR 135 million is agreed for a further four years at market rates. Not until in three years time will the so-called "financial covenants" be scheduled again.

The refinancing concept is initially based on the reduction of the nominal capital from just under EUR 400 million to around EUR 50 million. Conergy then performs a capital increase of up to EUR 188 million. When this capital increase takes place, you, as Conergy shareholders shall be granted a subscription right. Should these subscription rights be exercised, Conergy will take a corresponding part of the proceeds and service the currently existing debts. In the event that the subscription rights are not exercised, a part of the creditors has committed to bring in their credit claims, of up to nominally EUR 188 million, as investment in kind which for this purpose is recognised as 60 percent of its nominal value, and in return shall receive shares. In both cases, the debt is returned to Conergy. Therefore, we want to adjust our credit facilities of EUR 323 million today to EUR 125 million in accordance with the performance capacity.

All these measures, ladies and gentlemen, have been given the green light at the extraordinary general meeting on February 25th 2011. Their implementation will pave the way for a new start and secure Conergy's financial future. The implementation of the refinancing concept is still subject to the terms of the partial return of the existing guarantee lines of December 31st 2010. At the end of this demanding balance sheet restructuring there will be a new Conergy.

A new Conergy, which can move more flexibly in the markets of the future. Conergy is already in almost 40 countries worldwide – and thus shows an almost unique international "footprint". In the coming years we intend to intensify our efforts around the world. Despite a currently competitive market environment, we are convinced that the trend to safe energy from the sun will continue to increase. A trend that should intensify due to the increased awareness of the risks of fossil and nuclear energy. We want to and will be a continued part of this trend.

Yours Sincerely,



Dr. Sebastian Biedenkopf Andreas Wilsdorf

The Management Board

Dr. Sebastian Biedenkopf (CFO)

Appointed from 1 September 2010 to 31 August 2013

Dr. Sebastian Biedenkopf studied law in Freiburg im Breisgau as well as Berlin. After completing his doctorate he began his judicial career as a layer. In 1998 he started working for the legal department of Bertelsmann AG, Gütersloh. Initially, he was responsible for anti trust and media law until he was appointed General Counsel for Bertelsmann Inc. in New York in 2001 for three years. After that, he worked in a similar position for Maxingvest AG for three years.

Since 2008 Dr. Biedenkopf was Head of the Legal Department at Conergy AG. Effective as of 1 September 2010 Sebastian Biedenkopf was appointed to the company's Management Board.

Andreas Wilsdorf (CSO)

Appointed from 15 March 2010 until 14 March 2013

Andreas Wilsdorf holds a degree in Business Administration and last worked as deputy managing director of sales at SCHÜCO International KG, Bielefeld. In this position, he was responsible, among other things, for all sales activities in the area of solar, aluminium and PVC in Southern and Western Europe as well as in South America. From 2005 on, he has worked for SCHÜCO in Spain over the period of three years.

Andreas Wilsdorf was appointed to the company's Management Board effective as of 15 March 2010.

Philip von Schmeling resigned from the Management Board effective at the end of 23 April 2010, Dr. Andreas von Zitzewitz resigned from the Management Board on 19 August 2010.

Dr. Jörg Spiekerkötter left the Company's Management Board effective 31 October 2010. Dieter Ammer resigned from his position as Chairman and member of the Company's Management Board on 5 October 2010 because he was elected to the Supervisory Board of Conergy AG.

The members of the Management Board and their memberships

(as at 31 December 2010)

The members of the Management Board hold the following positions on statutory Supervisory Boards and comparable corporate control committees:

Name	Member since	Positions on statutory Supervisory Boards and comparable control committees
Dr. Sebastian Biedenkopf	2010	Chairman of the Board of iploit AG, Zurich (until 10 January 2011)
Andreas Wilsdorf	2010	–

Philip von Schmeling resigned from the Management Board effective at the end of 23 April 2010, Dr. Andreas von Zitzewitz resigned from the Management Board on 19 August 2010. Dr. Jörg Spiekerkötter left the Company's Management Board effective 31 October 2010. Dieter Ammer resigned from his position as Chairman and member of the Company's Management Board on 5 October 2010 because he was elected to the Supervisory Board of Conergy AG.

The Supervisory Board

The members of the Supervisory Board and their memberships

(as at 31 December 2010)

The members of the Supervisory Board held the following positions on statutory Supervisory Boards and comparable corporate control committees as at 31 December 2010:

Name	Member since	Positions on statutory Supervisory Boards and comparable control committees
Norbert Schmelzle (Chairman) Self-employed management consultant	2009	Statutory Supervisory Boards: Member of the Supervisory Board of J. Müller AG, Brake Deputy Chairman of the Supervisory Board of GBK Beteiligungen AG, Hamburg Member of the Supervisory Board of Detlef Hegemann AG, Bremen Member of the Supervisory Board of Gesundheit Nord gGmbH, Bremen Comparable control committees: Chairman of the Advisory Board of KAEFER Isoliertechnik GmbH & Co. KG, Bremen Chairman of the Advisory Board of Bühnen GmbH & Co. KG, Bremen Deputy Chairman of the Board of Directors of Stulz Holding GmbH, Hamburg
Klaus-Joachim Wolfgang Krauth Chief Financial Officer (CFO), Santo Holding (Deutschland) GmbH	2009	Statutory Supervisory Boards: Chairman of the Supervisory Board of Hobnox AG, Munich Deputy Chairman of the Supervisory Board of InterComponentWare AG (ICW AG), Walldorf Member of the Supervisory Board of SÜDWESTBANK AG, Stuttgart
Carl Ulrich Andreas de Maizière Self-employed Supervisory Board member and partner Doertenbach & Co GmbH, Frankfurt am Main	2009	Statutory Supervisory Boards: Chairman of the Supervisory Board of Rheinische Bodenverwaltung AG, Düsseldorf Chairman of the Supervisory Board of Fürstlich Castell'sche Bank, Credit-Casse AG, Würzburg Member of the Supervisory Board der Eisen- und Hüttenwerke AG, Köln (since March 2010) Chairman of the Supervisory Board of Jerini AG, Berlin (until March 2010) Comparable control committees: Chairman of the Supervisory Board of Arenberg-Schleiden GmbH, Düsseldorf Chairman of the Supervisory Board of Arenberg-Recklinghausen GmbH, Düsseldorf Deputy Chairman of the Supervisory Board of Commerzbank (Budapest) Zrt, Budapest (until the end of 2010) Second Deputy Chairman of the Supervisory Board of Commerz Real Spezialfonds-gesellschaft mbH (CRS), Wiesbaden Member of the Advisory Board of Dr. Vogler GmbH & Co. KG, Bad Homburg (since the end of 2010)
Oswald Metzger Independent publicist and political consultant	2005	–
Bernhard Milow Programme Director for Energy, Deutsches Zentrum für Luft- und Raumfahrt e.V. (DLR)	2009	–
Dieter Ammer Self-employed entrepreneur	2010	Statutory Supervisory Boards: Member of the Supervisory Board of GEA Group Aktiengesellschaft, Bochum Member of the Supervisory Board of Heraeus Holding AG, Hanau

Eckhard Spoerr resigned from the Supervisory Board both as a regular member and as its Chairman on 19 July 2010 effective immediately. The term of office of the Supervisory Board members Carl Ulrich Andreas de Maizière, Oswald Metzger, Bernhard Milow, Klaus-Joachim Krauth und Norbert Schmelzle ended at the end of 31 August 2010. By court order of the Hamburg District Court dated 31 August 2010, the five Supervisory Board members listed above were appointed to the Supervisory Board effective 3 September 2010 until the end of the Annual General Meeting on 5 October 2010.

On 5 October 2010, Dieter Ammer, Carl Ulrich Andreas de Maizière, Oswald Metzger, Bernhard Milow, Klaus-Joachim Krauth and Norbert Schmelzle were elected to the Company's Supervisory Board by the Annual General Meeting. At its inaugural meeting, the Supervisory Board elected Norbert Schmelzle as its Chairman and Klaus-Joachim Krauth as its Deputy Chairman.

Report of the Supervisory Board

Ladies and Gentlemen,

Monitoring activities of the Supervisory Board
The Supervisory Board advised the Management Board on the Company's management in the financial year just ended, duly and regularly monitoring the Management Board's conduct of business based on written and oral Management Board reports and joint meetings. In addition, both the Chairman of the Supervisory Board and the Chairman of the Audit Committee maintained regular contact with the Management Board outside the meetings. The Management Board provided regular and timely information to the Supervisory Board about the Company's business policies; the relevant aspects of its planning, including its financial, investment and personnel planning; the development of business; current revenue, earnings and liquidity developments; the economic situation of both the Company and the Group, including their exposure to risk and their risk management; intra-group compliance; the Group's strategic realignment in connection with the restructuring process that the Management Board designed and updates; as well as the decisions and business transactions pivotal to the Company and the Group. The Management Board reported to the Supervisory Board both on specific occasions at the request or explicit demand of the Supervisory Board and in regular intervals in accordance with the rules of procedure drawn up by the Supervisory Board for the Management Board. The Supervisory Board included external consultants as well as staff from various areas such as Legal, Accounting, Controlling and Internal Auditing in its deliberations to the extent necessary in the 2010 financial year as well. The Supervisory Board was involved in a timely manner in all decisions that were of material significance for the Company. Furthermore, the Supervisory Board was presented with transactions requiring its approval, all of which it approved following detailed examinations and discussion with the Management Board.

Composition of the Supervisory Board
In the 2010 financial year, Eckhard Spoerr (Chairman of the Supervisory Board), Norbert Schmelzle (Deputy Chairman of the Supervisory Board), Klaus-Joachim Wolfgang Krauth, Andreas de Maizière, Oswald Metzger and Bernhard Milow initially belonged to the Company's Supervisory Board, which comprises six shareholder representatives pursuant to Section 96 para. 1 and Section 101 para. 1 sentence 1 German Stock Corporation Act (AktG) in conjunction with Article 10 para. 1 of the Company's Articles of Association. Eckhard Spoerr resigned from the Supervisory Board both as a regular member and as its Chairman on 19 July 2010 for cause effective immediately. On the same day, the Supervisory Board elected Norbert Schmelzle as its Chairman and Klaus-Joachim Krauth as its Deputy Chairman.

The regular term of office of the remaining five Supervisory Board members ended at the end of 31 August 2010. Upon application of the Company, by order dated 1 September 2010, the District Court reappointed all of them to the Supervisory Board of Conergy AG until the end of the next Annual General Meeting.

By resolution of the Annual General Meeting on 5 October 2010, the five court-appointed members of the Supervisory Board as well as Dieter Ammer (who had resigned from his appointments as both a regular member of the Management Board and its chairman) were elected to the Supervisory Board until the end of the Annual General Meeting tasked with formally approving the actions of all Supervisory Board members during the Company's 2014 financial year. At the subsequent inaugural meeting of the Supervisory Board, Norbert Schmelzle was elected Chairman of the Supervisory Board and Klaus-Joachim Krauth its Deputy Chairman.

Supervisory Board meetings
In the 2010 financial year, the Supervisory Board held a total of 14 meetings to carry out its duties, specifically, on 24 March, 8 April, 29 April, 1 July, 19 July, 5 August, 19 August, 30 August, 4 October, 5 October (two meetings), 10 November, 18 November and 9 December 2010. With the exception of the meetings on 29 April, 19 July, 19 August and 18 November 2010, all meetings required members' personal attendance; in a few cases, Supervisory Board members participated in the deliberations and resolutions by telephone. In urgent cases, resolutions were also adopted by telephone and in writing outside of meetings. In addition the Supervisory Board asked the Management Board to keep it informed of current events by telephone. With the exception of both Eckhard Spoerr (who resigned from the Supervisory Board on 19 July 2010) and Dieter Ammer (who was not elected to the Supervisory Board until 5 October 2010), all members of the Supervisory Board attended more than one half of its

meetings. Once elected, Dieter Ammer attended all meetings of the Supervisory Board. The Supervisory Board members Norbert Schmelzle and Oswald Metzger each excused themselves from one meeting.

Focal points of the deliberations of and reviews by the full Supervisory Board

At all meetings, the Management Board briefed the Supervisory Board in detail on current revenue, earnings and liquidity developments as well as on the Company's short and medium term cash flow projections and participated in the Supervisory Board's subsequent discussions. Keeping a critical eye on the Company's ongoing restructuring and refinancing process was one of the priorities of the Supervisory Board's advisory and supervisory activities during the 2010 reporting year. This work focused first and foremost on individual issues such as (i) the refinancing concept; (ii) the internal restructuring (iii) matters related to the Management Board, (iv) the Company's strategic alignment as well as (v) the question whether to bring claims for damages against former members of the Company's Management Board in connection with its earnings and liquidity crisis in 2007. None of this gave rise to any doubts with respect to the current Management Board's due and proper conduct of business.

The preliminary status of the annual financial statements of Conergy AG and the consolidated financial statements, including the respective management reports, as at 31 December 2009, in the presence of the representatives of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft (Deloitte & Touche) were the main topics at the Supervisory Board meeting on 24 March 2010. The Company's refinancing talks with the banks were the object of intense discussion on the full Supervisory Board in this connection. The Supervisory Board also asked Deloitte & Touche to report on the focal points of its audit and the audit's preliminary findings. It also discussed the resolutions to be proposed to the 2010 Annual General Meeting. In addition, the Management Board reported to the Supervisory Board on the Company's performance in 2010 and on strategic issues. The Supervisory Board also dealt with matters relating to itself and the Management Board. Discussion also concerned the Management Board's variable compensation, as well as the review of whether to bring claims for damages against former members of the Company's Management Board in connection with the Company's earnings and liquidity crisis, which became visible in 2007.

The Supervisory Board meeting on 8 April 2010 was held at the offices of Conergy SolarModule GmbH & Co. KG in Frankfurt (Oder). The Company's strategy, the market environment as well as the technological and operational development (including capacity utilisation and production-cost improvement) of its solar module factory in Frankfurt (Oder) were the main issues. Additionally, the Supervisory Board addressed personnel matters, particularly issues related to the Management Board's compensation.

At its meeting on 29 April 2010, the Supervisory Board focused in particular on issues such as the Company's refinancing and the latter's ramifications for the publication of its annual and consolidated financial statements. The full Supervisory Board also discussed various personnel matters.

At the Supervisory Board meeting on 1 July 2010, the Supervisory Board focused principally on refinancing issues yet again. In this connection, the Chief Financial Officer reported on the status of the refinancing talks with the banks and answered Supervisory Board members' questions. The Supervisory Board also had the Management Board report to it on the Company's performance and matters of strategic importance. Additionally, the full Supervisory Board addressed its internal matters as well as personnel issues, including the renewal of Dieter Ammer's director's contract as both a regular member of the Management Board and its chairman.

The Supervisory Board meeting on 19 July 2010 concentrated on the resignation of Eckhard Spoerr and the subsequent election of its new chairman and its new deputy chairman.

The annual financial statements of Conergy AG, which were audited and confirmed by Deloitte & Touche, as well as the audited and confirmed consolidated financial statements along with the respective management reports as at 31 December 2009 were the main topics at the Supervisory Board meeting on 5 August 2010. The Supervisory Board once again discussed the essential aspects of the annual and consolidated financial statements with both the Management Board and representatives of Deloitte & Touche based on the Audit Committee's preliminary reviews and deliberations and the Supervisory Board meeting on 24 March 2010. Both the Management Board and Deloitte & Touche answered all of the Supervisory Board's relevant ques-

tions. As an addendum to its meeting on 24 March 2010, the Supervisory Board further adopted the additional resolutions to be proposed to the 2010 Annual General Meeting concerning the election of Supervisory Board members and various capital measures. In addition, the Management Board reported on the Company's performance in 2010 and on the current status of the Company's refinancing. Moreover, the Supervisory Board dealt with Management Board matters and the status of the reviews of whether to bring claims for damages against former members of the Management Board of Conergy AG on account of the Company's earnings and liquidity crisis in 2007.

Terminating the appointment of Dr. Andreas von Zitzewitz to the Management Board was the main topic at the Supervisory Board meeting on 19 August 2010.

The Supervisory Board's meeting on 30 August 2010 focused on the status of the Company's refinancing, in particular questions related to the independent business review that Conergy had agreed to commission in its refinancing talks with the banks.

At the Supervisory Board meeting on 4 October 2010, the Management Board reported on the development of the refinancing talks. The Supervisory Board also addressed the Company's current performance as well as matters related to the Management Board.

At its meeting on 5 October 2010, the Supervisory Board returned to the previous day's discussion of the status of the Company's refinancing concept and dealt with the issue of appointing a Management Board chairman. It also discussed the status of the preparations for the imminent Annual General Meeting as well as various questions related to claims for damages against former members of Conergy AG's Management Board in connection with the Company's earnings and liquidity crisis in 2007.

The Supervisory Board meeting on 5 October 2010, which followed the Annual General Meeting, focused on the election of the Deputy Chairman of the Supervisory Board as well as on the composition of the committees and the appointment of each committee's chairperson. In addition the Supervisory Board dealt yet again with individual aspects of the Company's refinancing.

The Supervisory Board meeting on 10 November 2010 focused on various aspects of the Company's refinancing and the current development of its business. The Supervisory Board further addressed matters related to the Management Board and resolved amendments of the internal rules of procedure applicable to the Management Board and the Supervisory Board. The Company's current performance was also discussed.

At its meeting on 18 November 2010, the Supervisory Board discussed various aspects of the Company's restructuring in the Management Board's presence. The full Supervisory Board asked a host of questions in this regard, which it discussed in detail with the Management Board.

The Supervisory Board meeting on 9 December 2010 focused mainly on the status of the Company's refinancing and its three-year planning. The Management Board reported to the Supervisory Board on the Company's performance, focusing on each segment, reported on its equity interests and subsidiaries and discussed market shares. The resolution on carrying out an efficiency review and initiating it was an additional topic of importance. The Supervisory Board also resolved to issue the Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act. Finally the Supervisory Board addressed the disposal of EPURON GmbH's wind subdivision and the Company's equity interest in Conergy GmbH, Switzerland.

Report from the committees

The Supervisory Board has established two standing committees in accordance with the recommendations of the German Corporate Governance Code with the aim of ensuring efficient fulfilment of its responsibilities: a task force charged with preparing the Supervisory Board's meetings (Chairman's Committee) and an Audit Committee, both of which are staffed by Supervisory Board members. The Chairman's Committee also serves as a Nomination Committee. The Supervisory Board has delegated decision-making authority to these committees in individual cases, to the extent permissible in law. At Supervisory Board meetings, the committee chairmen reported in detail on the committees' meetings and work, thus facilitating a comprehensive exchange of information and close cooperation between the committees and the full Supervisory Board.

Eckhard Spoerr (Chairman), Norbert Schmelzle and Andreas de Maizière comprised the Chairman's Committee at the beginning of the 2010 reporting year. Klaus-Joachim Krauth was elected to the Chairman's Committee following Eckhard Spoerr's resignation from the Supervisory Board on 19 July 2010. The members of the Chairman's Committee were confirmed in their offices at its constitutive meeting on 5 October 2010.

In the 2010 financial year, the Chairman's Committee held a total of five meetings, specifically, on 8 February, 23 March, 5 August, 13 August and 23 September 2010. These meetings focused on the termination of Philip von Schmeling's appointment to the Management Board, issues related to the composition of the Management Board and the Management Board's internal organisational structure as well as compensation issues. Recommendations for Supervisory Board resolutions were also prepared. On 8 February 2010, 23 March 2010 and 5 August 2010, the Chairman's Committee also met in its function as the Nomination Committee. Issues related to the composition of the Supervisory Board in future were discussed. All committee members attended all meetings of the Chairman's Committee. In the 2010 financial year, the members of the Chairman's Committee stayed in touch outside of meetings too, especially regarding matters related to the Management Board.

In the 2010 financial year, the Audit Committee consisted of Klaus-Joachim Krauth (Chairman), Norbert Schmelzle as well as Eckhard Spoerr (until he resigned from the Supervisory Board). Following his resignation, Andreas de Maizière was elected to the Audit Committee.

The tasks of the Audit Committee, which during the 2010 reporting year met five times for meetings requiring personal attendance – specifically on 8 February, 23 March, 10 May, 5 August, 10 September and 10 November 2010 – and held one telephone conference on 11 August 2010, included the preparation of the audit of the annual and consolidated financial statements and the associated management reports, the engagement of the auditor including deciding on the focal points of the audit, the accounting, issues of risk management, compliance and internal auditing and establishment of the principles of the short-, medium-, and long-term financial strategy. At the request of the full Supervisory Board, the committee also addressed matters pertaining to the Management Board, particularly compensation issues. With the exception of Eckhard Spoerr, who excused himself for the meeting on 10 May 2010, all members of the Supervisory Board were present at all of the Audit Committee's meetings. The Chairman of the Management Board, the Chief Financial Officer and representatives from specialist departments also participated in these meetings as necessary.

On 8 February 2010, the Audit Committee addressed the Company's preliminary earnings for the 2009 financial year, its financial strategy and the Supervisory Board's suggestions to the Annual General Meeting regarding the appointment of the auditor for the 2010 financial year. It also discussed performing regular reviews of the Company's quarterly financial statements as well as issues related to internal audits and compliance.

At its meeting on 23 March 2010, the Audit Committee engaged in a detailed discussion – in the presence of the auditors, Deloitte & Touche, and both the Chief Executive Officer and the Chief Financial Officer – of the preliminary annual and consolidated financial statements for 2009 as well as the preliminary management and Group management report as at 31 December 2009; the Audit Committee asked the auditors to report on their audits and the relevant findings as well as on the status of the groupwide implementation of risk management policies In this context, the current status of the refinancing talks with the banking syndicate was also discussed. Preparations for the Annual General Meeting, the Company's risk management and internal control systems as well as issues of intra-group compliance were some of the main topics. The committee also dealt with various matters related to the Management Board, especially compensation issues.

Aside from the refinancing talks with the banks, the status of the audit of the 2009 financial year also had high priority at the Audit Committee's meeting on 10 May 2010. The quarterly report as at 31 March 2010 was also discussed. The Chief Executive Officer and the Chief Financial Officer provided exhaustive answers to the questions that the Audit Committee raised in this connection. Internal auditing issues were also addressed by the Audit Committee.

At its meeting on 5 August 2010, the Audit Committee engaged in a final discussion – in the presence of the auditors, Deloitte & Touche, and both the Chief Executive Officer and the Chief Financial Officer – of the annual and consolidated financial statements for 2009 as

well as the preliminary management and Group management report as at 31 December 2009; the Audit Committee asked the auditors to report on the finding of their audits and on the status of risk management. The committee prepared a recommendation for a Supervisory Board resolution based on this.

The half-yearly financial report as at 30 June 2010 was the main topic of discussion at the Audit Committee's meeting on 11 August 2010. It also dealt with the Company's risk management, its compliance system and internal auditing. The Management Board answered all questions put to it in this connection.

At its meeting on 10 November 2010, the Audit Committee discussed the quarterly report as at 30 September 2010 in the presence of the auditor, Deloitte & Touche and the Chief Financial Officer and asked them to report on the development of business both in the third quarter and the financial year. The questions raised by the Audit Committee in this connection were answered exhaustively. The deliberations also focused on the appointment of the auditor for the 2011 audit, the status of the Company's internal control and risk management system as well as aspects of its compliance system. The committee also dealt with the status report of the internal auditing department and the focal points of the audit for the 2010 financial year that had been suggested by the auditors, Deloitte & Touche.

Discussion and audit of the annual and consolidated financial statements for 2010

The Company's Annual General Meeting appointed Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft Munich, Hamburg branch, to audit the annual and consolidated financial statements and the associated management reports as at 31 December 2010 of Conergy AG for the 2010 financial year. The Audit Committee then negotiated the audit engagement and stipulated the focal points of the audit. Subsequently, the Supervisory Board awarded the audit engagement contract. The following items were stipulated as particular focal points of the audit of the financial statements for the 2010 financial year: (i) Internal control system, specifically, the unwinding of our agreements with an importend supplier and the attendant accounting treatment; (ii) accounting treatment of the restructuring of the liabilities of Conergy AG and its subsidiaries pursuant to the agreement with the banking syndicate; as well as (iii) review of the internal control system relevant to the financial reporting process and accounting in the Group of its project business.

Deloitte & Touche audited the annual financial statements of Conergy AG for 2010, which were prepared in accordance with the requirements of the German Commercial Code, as well as the management report and issued an unqualified auditor's report for each of them. The same applies to the IFRS consolidated financial statements that were prepared in accordance with Section 315a German Commercial Code (HGB) and supplemented by a Group management report. The auditor also audited the risk early warning system in place at Conergy AG in accordance with Section 317 para. 4 German Commercial Code (HGB) and found that the obligations of management in the areas of operations and strategy as set out in the German Control and Transparency in Business Act are addressed.

Both the financial statement documentation and the auditors' reports had been made available to the Audit Committee and the full Supervisory Board in due time. They were reviewed by the Audit Committee on 23 March 2011 and discussed in the presence of the auditors. Subsequently, they were examined in detail by the full Supervisory Board at the financials meeting on 24 March 2011 based on the latter's knowledge of the Audit Committee's report and duly considering the auditors' report and they were exhaustively discussed in the auditors' presence. The auditors reported on the conduct and material findings of their audit of the financial statements pursuant to the focal points stipulated with the Audit Committee and the Supervisory Board for 2010 and were available for questions, discussions of the documentation and supplementary information. Notes by the auditor from the audit reports were recorded by the Supervisory Board, discussed with the Management Board and arrangements made for their consideration.

After its own examination of the annual financial statements of Conergy AG together with the management report and the consolidated financial statements together with the Group management report, the Supervisory Board determined that following the conclusive findings of its examination, no objections needed to be raised. The Supervisory Board therefore concurred with the recommendation of the Audit Committee, agreed with the result of the auditors' audit and approved the annual financial statements, the consolidated financial statements as well as the management

report and the Group management for the 2010 financial year at its financials meeting on 24 March 2011. The annual financial statements of Conergy AG are hence adopted (Section 172 sentence 1 German Stock Corporation Act).

Declaration of Compliance and Corporate Governance

The Supervisory Board attaches high priority to issues of corporate governance. It reports thereon jointly with the Management Board in connection with the corporate governance report, which is a part of this annual report. Aforesaid report also contains information on aspects of the Company's corporate governance as they relate to the Supervisory Board.

On 9 December 2010, the Supervisory Board issued the annual Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act jointly with the Company's Management Board; it was made available to the public on the Company's website.

The compensation of the Supervisory Board members is itemised and broken down into the various components in the compensation report reproduced in this annual report. In the 2010 financial year, the Supervisory Board also addressed potential conflicts of interest of its members, especially in conntection with the refinancing. The Supervisory Board did not find that there was a conflict of interest because the refinancing is equally important to the Company and its shareholders and because the shareholders' interest is vital to the Company's interests as well.

At its meeting on 9 December 2010, the Supervisory Board resolved to conduct the efficiency review of its work as recommended by the German Corporate Governance Code and subsequently started performing the review. The self-assessment was essentially based on a questionnaire developed by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft. The findings of the analysis of this questionnaire will be integrated into the work of both the Supervisory Board and its committees.

Changes on the Management Board and the Supervisory Board

Andreas Wilsdorf was appointed to the Management Board effective 15 March 2010 and assumed his responsibilities the same day. He took over the sales and marketing activities of Philip von Schmeling, who took on new challenges elsewhere after his contract expired. Philip von Schmeling resigned from the Management Board effective 23 April 2010.

Dr. Andreas von Zitzewitz, member of the Management Board, resigned his seat on the Management Board on 19 August 2010 to immediate effect.

The Management Board member, Dr. Jörg Spiekerkötter, resigned from the Management Board at his own request effective 31 October 2010, the expiry date of his contract. Dr. Sebastian Biedenkopf, who had already been appointed to the Management Board effective 1 September 2010, took over his responsibilities effective 1 November 2010 to ensure an orderly transition.

Given his election to the Supervisory Board by the Annual General Meeting, on 5 October 2010 the Company's former Chief Executive Officer, Dieter Ammer, resigned to immediate effect from its Management Board, both as a regular member and as its chairman. His appointment to the Management Board, which was to expire on 31 July 2010, had earlier been extended by three months.

On 19 July 2010, Eckhard Spoerr resigned his seat on the Supervisory Board for cause to immediate effect.

The regular term of office of the remaining five Supervisory Board members, Norbert Schmelzle, Klaus-Joachim Krauth, Andreas de Maizière, Oswald Metzger and Bernhard Milow duly ended at the end of 31 August 2010.

Upon application of the Company's Management Board, by ruling dated 1 September 2010 the Registry Court of the Hamburg District Court reappointed them to the Supervisory Board of Conergy AG until the end of its next Annual General Meeting.

By resolution of the Annual General Meeting on 5 October 2010, the court-appointed members of the Supervisory Board as well as Dieter Ammer were elected to the Supervisory Board until the end of the Annual General Meeting tasked with formally approving the actions of all Supervisory Board members during the Company's 2014 financial year.

Effective 7 March 2011, Klaus-Joachim Krauth, a member of the Supervisory Board, resigned from his position as Deputy Chairman of the Supervisory Board, his position as both a member and the Chairman of the Audit Committee as well as his appointment to the Chairman's Committee. On 10 March 2011, the Supervisory Board elected Andreas de Maizière its new Deputy Chairman. Oswald Metzger was appointed to the Audit Committee to fill the vacancy. Bernhard Milow was appointed to the Chairman's Committee, taking the place of Klaus-Joachim Krauth. The Audit Committee also elected Andreas de Maizière its new Chairman.

The 2010 financial year was a very difficult one for Conergy, also on account of challenges related to its restructuring. Yet the Company succeeded in working out a restructuring concept in coordination with the creditors that substantially lowers its liabilities, thus laying the ground for its continued existence as a going concern. The Supervisory Board wishes to thank and express its appreciation to Conergy's management, Mr Eckhard Spoerr, formerly a member of its Supervisory Board, as well as all employees for their extensive commitment.

Hamburg, 24 March 2011
The Supervisory Board

Norbert Schmelzle
Chairman of the Supervisory Board

Statement and report on corporate governance

Statement on corporate governance
The term “corporate governance” refers to a system of company management that focuses on responsibility, transparency and sustainable value creation. It encompasses the entire management and monitoring system of the Company, including its organisation, business principles and guidelines, as well as internal and external control and monitoring mechanisms. For domestic and international shareholders, business partners, financial markets, employees and the general public, good corporate governance inspires trust in the management of the company and the efficient corporation between the Management Board and the Supervisory Board, the observance of shareholder interests as well as open and up-to-date corporate communications. The Management and Supervisory Boards of Conergy AG are committed to the principles of good corporate governance and they are convinced that it is an essential requirement for the success of the Company. Conergy AG reviews and develops its corporate governance policies on a regular basis.

The Management Board of Conergy AG reports on issues of corporate governance in this statement – also on behalf of the Supervisory Board – pursuant to both Item 3.10 of the German Corporate Governance Code and Section 289a para. 1 of the German Commercial Code (HGB).

Declaration of Compliance and report on corporate governance
Section 161 German Stock Corporation Act requires the Management Board and the Supervisory Board of a company listed in Germany to declare once a year whether they are in compliance with the recommendations of the German Corporate Governance Code (GCGC) and, if this is not the case, which recommendations they did not or do not follow. The Company also has to provide reasons for any non-compliances. This declaration shall be kept permanently available through publication on the Company’s website.

Both the Supervisory Board and the Management Board of Conergy AG are committed to corporate governance practices that are aimed at creating value in a responsible, transparent and sustainable manner.

Declaration of the Management Board and the Supervisory Board of Conergy AG regarding the recommendations of the Government Commission German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act
The Management Board and Supervisory Board issued the following Declaration of Compliance on 9 December 2010:

“In the 2010 financial year, Conergy AG has been in compliance with all recommendations of the German Corporate Governance Code as amended on 18 June 2009 and 26 May 2010, as applicable, with the following exceptions:

Up to now, Conergy AG has not made use of the option created by the German Act Implementing the Shareholder Rights Directive (ARUG) to allow postal votes (Section 118 para. 2 German Stock Corporation Act (deviation from Item 2.3.3 sentence 2 of the German Corporate Governance Code)). The Management Board and Supervisory Board are initially planning to wait and see what other quoted issuers do and what their experience is like before submitting a motion to the General Shareholders’ Meeting for resolution on an amendment of the Articles of Association to allow such postal votes.

Ever since the departure of the former Chairman of the Management Board Dieter Ammer and his move to the Supervisory Board of Conergy AG, the Management Board of Conergy AG has not had a chairman or a spokesman (deviation from Item 4.2.1 sentence 1, clause 2 of the German Corporate Governance Code). As the Management Board currently comprises only two members, the Supervisory Board does not consider it necessary to appoint a chairman or spokesman in the current constellation. The Supervisory Board is looking for a suitable candidate to succeed the chairman of the Management Board, who stepped down in October.

The Supervisory Board of Conergy AG has not specified any concrete objectives regarding its composition (deviation from Item 5.4.1 sentences 2 to 5 of the German Corporate Governance Code). In nominating suitable candidates to the General Shareholders’ Meeting, the Supervisory Board will continue to comply with the legal requirements and emphasise the candidates’ expertise and personal skills irrespective of their gender. The Company’s international activities as well as

potential conflicts of interest and diversity will naturally also be taken into account. This does not require the specification of concrete objectives, however.

Conergy AG's consolidated financial statements for the 2009 financial year were not made publicly available within 90 days of the end of the financial year (31 December) (deviation from Article 7.1.2 sentence 4, clause 1 of the German Corporate Governance Code)). Until summer 2010, Conergy AG was in talks with the financing banks concerning the refinancing or restructuring of the loan liabilities falling due in the 2010 and 2011 financial years. The outcome of these talks was of fundamental importance for the issue of an auditors' report by the Company's auditors. It was only after the financing banks had issued a letter of respite on 29 July 2010 that the auditors' report could be issued and the consolidated financial statements could be published on 12 August 2010."

Hamburg, 9 December 2010

| For the Supervisory Board:
  Norbert Schmelzle

| For the Management Board:
  Dr. Sebastian Biedenkopf, Andreas Wilsdorf

Procedures of the Management Board and the Supervisory Board

Conergy AG is a stock corporation that was founded under German law. The dual management system comprising the Management Board and the Supervisory Board as corporate bodies, both of which have distinct responsibilities, is a fundamental element of German corporate law. The Management Board and Supervisory Board of Conergy AG work in partnership for the benefit of the Company. They pursue the same goal, namely to contribute to the sustainable increase in value of the Company.

Management Board

The Management Board of Conergy AG comprised two members as at 31 December 2010: Dr. Sebastian Biedenkopf (CFO, responsible for Corporate Controlling & Risk Management, Corporate Treasury, Corporate Tax, Corporate Accounting, Investor Relations, Corporate Legal, Governance & Compliance, IT & Processes, Corporate Communications (Public Relations), Corporate Audit, Corporate Projects as well – until its disposal in December 2010 – EPURON) and Andreas Wilsdorf (CSO, responsible for Global Product Marketing, Global Project Finance, Sales Operations, Corporate HR & Administration, Global Supply Chain, Global Purchasing, Global Large Projects, Components Technology, Conergy PV Regions).

On 1 March 2010 Andreas Wilsdorf was appointed to the Management Board effective 15 March 2010 and started working on that day. He takes the place of Philip von Schmeling, previously the Chief Sales Officer responsible for sales and marketing, who took on new challenges after his contract had ended. Philip von Schmeling resigned from the Management Board effective at the end of 23 April 2010.

Given his election to the Supervisory Board by the Annual General Meeting, on 5 October 2010 the Company's former Chief Executive Officer, Dieter Ammer, resigned to immediate effect from its Management Board, both as a regular member and as its chairman. His appointment to the Management Board, which was to expire on 31 July 2010, had earlier been extended by three months.

The Management Board member, Dr. Andreas von Zitzewitz, left the Company's Management Board on 19 August 2010 with immediate effect. His responsibilities were taken over by the Management Board's other members.

The Management Board member, Dr. Jörg Spiekerkötter, resigned from the Management Board at his own request effective 31 October 2010, the expiry date of his contract. Dr. Sebastian Biedenkopf, who had already been appointed to the Management Board effective 1 September 2010, took over his responsibilities effective 1 November 2010 to ensure an orderly transition.

The Management Board manages the Company autonomously and free of third-party instructions. Its duties include first and foremost defining Conergy's strategic direction and managing the Group, planning, as well as implementing and monitoring a risk management system. All members of the Management Board are tied into the Company's day-to-day business and shoulder operational responsibility. The Supervisory Board decided that the age limit for the members of Conergy AG's Management Board should be 65 years.

The Supervisory Board has issued rules of procedure (as amended 10 November 2010) for the Management Board of Conergy AG that set out the responsibilities and work of the members of the Management Board as well as the Management Board's cooperation with the Supervisory Board in greater detail. Thereunder, the members of the Management Board jointly manage the Company's affairs (principle of collective responsibility). The principle of collective responsibility for the Company's entire management notwithstanding, each individual member of the Management Board is independently and autonomously responsible for managing the business area assigned to them under both the rules of procedure and the schedule of responsibilities unless the matter at hand is assigned to the full Management Board, given its special significance and scope, or by virtue of the law, the Company's Articles of Association or its rules of procedure. The respective Management Board member must coordinate with the relevant other members of the Management Board ahead of time if the activities and transactions of his business area also materially concern one or more other business areas. If an agreement cannot be reached, the Chairman of the Management Board shall arrange for the full Management Board to adopt the resolution. The members of the Management Board must inform each other on an ongoing basis of all material transactions that concern another Management Board member's business areas or could otherwise be significant to other members of the Management Board. The Chairman of the Management Board shall be kept informed on an ongoing basis of all material transactions related to the business areas for which the other members of the Management Board are responsible. He coordinates all business areas, represents the Management Board and the Company – both internally and externally – as well as vis-à-vis the Supervisory Board, in particular, and keeps the Supervisory Board informed of the Company's performance and position as part of his statutory reporting duties; he immediately notifies the Chairman of the Supervisory Board of any matters that are particularly significant to the Company. The Chairman of the Management Board may object to any management actions taken by members of the Management Board. The respective action may not be taken if he avails himself of this option. Irrespective thereof, any member of the Management Board may turn directly to the Chairman of the Supervisory Board if they believe that the outcome of particular deliberations or a resolution of the full Management Board is unlawful or highly improper.

Matters of a particular scope and significance to the Company and/or the Group companies or that fall within the purview of the full Management Board by virtue of the law, the Company's Articles of Association or the rules of procedure encompass, for example, fundamental issues of organisation, corporate policy, corporate planning and the implementation thereof; measures designed to establish and control a monitoring system as defined in Section 91 para. 2 AktG; establishing and determining the aims and design of the internal audit department; issues related to the rules of procedure and the schedule of responsibilities; preparing the Company's annual and consolidated financial statements as well as both the management report and the group management report; convening the Annual General Meeting, and preparing the resolutions proposed by both the Management Board and the Supervisory Board; and all reporting to the Supervisory Board.

The full Management Board makes its decisions by resolution. The Management Board generally adopts its resolutions at Management Board meetings that ought to take place every two weeks. The Chairman of the Management Board or the Deputy Chairman shall prepare, convene and chair these meetings. The Management Board constitutes a quorum if all of its members have been invited to the meeting and more than one half of its members participate in the resolution. If so ordered by the Chairman of the Management Board, resolutions may also be adopted outside of meetings through votes cast in writing, by fax, telex, email or telephone, or by votes cast during video conferences unless a member of the Management Board objects. The Management Board shall adopt its resolutions unanimously, if possible. The resolutions of the Management Board shall be adopted by the simple majority of all votes cast unless provided otherwise by law or the rules of procedure; outside of its meetings, its resolutions shall be adopted by the simple majority of all its members. The Chairman of the Management Board shall cast the tie-breaking vote in the event of a tie. If the Chairman of the Management Board is absent or prevented from attending, in case of a tie the proposed resolution shall be deemed to have been rejected.

The Management Board must obtain the approval of the Supervisory Board for all transactions and/or measures that could have a material impact on the assets, liabilities, cash flows and profit or loss of the Company and/or the Group and/or individual Group companies or are otherwise of an extraordinary nature. In keeping with the statutory requirements of Section 111 para. 4 sentence 2 AktG, the Management Board's rules of procedure contain an enumeration of the transactions that may only be executed with the approval of the Supervisory Board.

The Management Board must also inform the Supervisory Board – in a regular, timely and comprehensive manner – of all issues relevant to the Company in terms of the intended business policies, planning, performance, exposure to risk and risk management as well as compliance. These reports are made periodically in accordance with the detailed requirements of reporting rules as well as in connection with specific occasions. In its reports, the Management Board shall address any deviations in the Company's development from plans and targets, stating the reasons for such differences. Management Board reports and all documents material to decision making, specifically the annual financial statements, the consolidated financial statements and the audit report shall generally be made available to the members of the Supervisory Board 14 days ahead of the given meeting in text form. In addition, the Chairman of the Management Board shall brief the Chairman of the Supervisory Board at regular intervals on the performance and position of both the Company and its associates, verbally and in writing, as necessary.

The members of the Management Board are subject to a comprehensive non-compete clause while they are in the Company's employ. They shall commit themselves to the interests of both the Company and the Group companies. In making their decisions, they may not pursue personal interests, nor may they use business opportunities inuring to the benefit of the Company or Group companies for their own good. The members of the Management Board must immediately disclose any conflicts of interest to both the Supervisory Board and the other members of the Management Board. There were no conflicts of interest in the financial year just ended that would have had to be disclosed to the Supervisory Board without delay. All transactions between members of the Management Board as well as parties related to them, on the one hand, and the Company or a Group company, on the other hand, must comply with industry standards. Material transactions require the approval of the Supervisory Board, and the application for approval shall set out that the transaction complies with industry standards. Company loans may only be granted to members of the Management Board as well as parties or companies related to them with the approval of the Chairman of the Management Board as well as the Supervisory Board. The members of the Management Board may not demand nor accept payments or other benefits for themselves or for third parties in connection with their activities above and beyond their compensation, to the extent that this could jeopardise the interests of the Company or Group companies. Nor may members of the Management Board grant unlawful advantages to third parties. Members of the Management Board shall obtain the approval of the Chairman's Committee of the Supervisory Board if they wish to accept board appointments to or consulting assignments from companies that are not Conergy AG Group companies as well as appointments to offices in any company that entail power of attorney and any other secondary employment of a significant nature. During the reporting year, no member of the Management Board held more than three appointments to the supervisory boards of listed stock corporations not belonging to the Conergy Group.

Conergy AG has purchased D&O insurance subject to a reasonable deductible for all members of its Management Board and its Supervisory Board.

The full Management Board may establish committees tasked with technical, commercial or financial issues at the suggestion of the Chairman of the Management Board for the purpose of conducting reviews and preparing Management Board resolutions. No committees were established during the reporting year.

Board appointments of Management Board members

The appointments of the members of the Company's Management Board to other companies' statutory supervisory boards and comparable domestic and foreign corporate control committees are enumerated in the notes to the annual financial statements as well as in the section entitled "The Management Board".

Supervisory Board

Pursuant to Article 8 para. 1 of the Company's Articles of Association in conjunction with Section 95 and 96 para. 1 AktG as well as Section 101 para. 1 AktG, the Supervisory Board is composed of six shareholder representatives who are elected by the Annual General Meeting, which is not bound by election proposals. At the end of 2010, the Supervisory Board of Conergy AG consisted of Norbert Schmelzle (Chairman of the Supervisory Board), Klaus-Joachim Krauth (Deputy Chairman of the Supervisory Board), Dieter Ammer, Andreas de Maizière, Oswald Metzger and Bernhard Milow.

Eckhard Spoerr resigned from the Supervisory Board both as a regular member and as its Chairman on 19 July 2010 for cause effective immediately. The regular term of office of the remaining five Supervisory Board members, Norbert Schmelzle, Klaus-Joachim Krauth, Andreas de Maizière, Oswald Metzger and Bernhard Milow ended at midnight on 31 August 2010. Upon application of the Company, by order dated 1 September 2010, the District Court reappointed all of them to the Supervisory Board of Conergy AG until the end of the next Annual General Meeting.

By resolution of the Annual General Meeting on 5 October 2010, Norbert Schmelzle, Klaus-Joachim Krauth, Andreas de Maizière, Oswald Metzger and Bernhard Milow as well as Dieter Ammer (who had resigned from his appointments as both a regular member of the Management Board and its Chairman) were elected the new members of the Supervisory Board on an individual basis in accordance with the recommendations of the German Corporate Governance Code. They have the same term of office, which expires at the end of the Annual General Meeting that formally approves the actions of the Supervisory Board during the 2014 financial year.

All election proposals concerning potential Supervisory Board members shall consider the expertise, abilities and professional experience that are required for carrying out the respective tasks as well as issues of diversity. With the exception of the Supervisory Board member, Dieter Ammer, no former members of the Management Board of Conergy AG serve on the Supervisory Board. The election of Dieter Ammer to the Supervisory Board was carried out in accordance with Section 100 para. 2 no. 4 German Stock Corporation Act at the suggestion of Commerzbank AG, which owns more than 25.0 percent of the Company's voting shares. The Supervisory Board includes an adequate number of independent individuals, who do not maintain any professional or personal ties to the Company or its Management Board. The rules of procedure also stipulate that Supervisory Board members should resign their seat on the Supervisory Board effective at the end of the Annual General Meeting that follows their 72nd birthday.

The tasks of the Supervisory Board include regularly supporting the Management Board in managing Conergy AG and the Group's companies through advice and discussion, the execution of its duties in accordance with the law and the Articles of Association, and the monitoring of the Company's management. Among other things, the Supervisory Board is also responsible for appointing the members of the Management Board; for establishing the compensation system and determining the compensation of individual Management Board members; and for reviewing the Company's annual and consolidated financial statements, including the management and Group management reports. In terms of strategy and planning, the Supervisory Board is integrated into all issues of fundamental significance to the Company. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board and its committees, chairs its meetings and represents its interests vis-à-vis external parties. The Chairman of the Supervisory Board or his deputy, if the former is unavailable, also issue the declarations of intent of the Supervisory Board and its committees. The Chairman of the Supervisory Board shall be in regular contact with the Chairman of the Management Board and discuss the Company's strategy and performance with the latter. He informs all other Supervisory Board members of the reports by the Chairman of the Management Board inasmuch as they concern important events that are material to the assessment of the Company's position. The rules of procedure (as amended 10 November 2010) contain detailed descriptions of the work of the Supervisory Board and its committees.

The Supervisory Board shall convene once every calendar quarter but must convene twice every six calendar months. It shall convene additional meetings as necessary or if a member of the Supervisory Board or the Management Board request that a Supervisory Board meeting be convened, stating both the purpose of and reason for such a meeting. As a rule, all Super-

visory Board meetings are convened by the Chairman of the Supervisory Board or two of its members. They shall be convened in writing subject to a notice period of two weeks, specifying the agenda items and any proposed resolutions, and all required documents shall be appended to the notice. In urgent cases, the Chairman of the Supervisory Board may reasonably shorten the notice period and convene a meeting verbally or by telephone, fax or email. The members of the Management Board participate in the meetings of the Supervisory Board unless the Chairman of the Supervisory Board provides otherwise. Employees of the Conergy Group and/or experts may also be invited in connection with individual agenda items or to serve as keepers of the minutes.

The Supervisory Board constitutes a quorum if all of its members have been duly invited to a meeting and one half of the members that must comprise the Supervisory Board by statute but at least three members participate in the resolution. Absent Supervisory Board members may participate in the resolution by means of telephone and video conferencing or by asking other Supervisory Board members to submit their written votes on their behalf. The Supervisory Board shall adopt its resolutions by the simple majority of all votes cast unless required otherwise by statute or the Company's Articles of Association. In the event of a tie, the vote on the respective agenda item shall be repeated upon application of the Chairman or another Supervisory Board member. The Chairman of the Supervisory Board shall have two votes in the second round if the repeat vote also ends in a tie. Resolutions on items or applications that are not contained in the agenda and that were not communicated to the members of the Supervisory Board at least three days ahead of the meeting may only be adopted if no Supervisory Board member present at the meeting objects, the absent Supervisory Board members are given the opportunity to cast their vote retroactively within a reasonable period to be fixed by the Supervisory Board Chairman and these Supervisory Board members do not object to the resolution within the given period either. Resolutions may also be adopted outside of Supervisory Board meetings – in particular, if the votes are cast in writing or by fax, telephone or email – if the Chairman of the Supervisory Board so orders and no member objects thereto within the period set for the voting. Minutes of the meetings of the Supervisory Board shall be prepared.

The Supervisory Board's rules of procedure also contain detailed provisions regarding the treatment of potential conflicts of interest. Every member of the Supervisory Board has the obligation – both while they serve on the Supervisory Board and thereafter – to maintain secrecy in regards to confidential matters as well as the Company's business and trade secrets to which they become privy in connection with their activities on the Supervisory Board. In making their decisions, the members of the Supervisory Board shall be committed to the interests of the Conergy Group. They may not pursue personal interests, nor may they use business opportunities that properly inure to the benefit of the Conergy Group for their own purposes. All conflicts of interest arising from their position on the Supervisory Board shall be disclosed to the latter immediately. In the event of unavoidable conflicts of interest, the affected Supervisory Board member shall refrain from participating in deliberations and resolutions on matters that affect their impartiality or resign from the Supervisory Board in order to safeguard Conergy's interests. Supervisory Board members must resign their seats in case of material conflicts of interest that are not of a merely passing nature. All transactions between members of the Supervisory Board as well as parties related to them, on the one hand, and the Conergy Group, on the other hand, must comply with industry standards. The members of the Supervisory Board may not demand nor accept any payments or other benefits for themselves or for third parties in connection with their activities on the Supervisory Board above and beyond their compensation, to the extent that doing so jeopardises the interests of the Conergy Group.

Composition and procedures of the Supervisory Board's Committees

The Supervisory Board created two committees – the Audit Committee and the Chairman's Committee – from among its midst that prepare and supplement its work. The Chairman's Committee also serves as a nomination committee. There are no plans at present to establish additional committees.

The Audit Committee supports the Supervisory Board in carrying out its monitoring duties. The Chairman of the Audit Committee has particular expertise and experience in the application of accounting principles and internal control procedures based on his professional practice. Among other things, the Audit Committee is tasked with preparing the audit of the annual

and consolidated financial statements, including the management and the Group management report, as well as the Management Board's proposal for the appropriation of earnings; commissioning the auditor, which includes determining the audit's focal points; issues related to and reviews of the Company's accounting on the whole; monitoring the accounting process; issues related to the structure, task and efficacy of the internal control system; issues related to the management and monitoring of the risk management system on the whole as well as its effectiveness; issues of internal auditing and compliance; general management and review issues as well as reviewing the independence of the auditor of the financial statements and the additional services provided by the auditor; and both reviewing and determining the principles that govern the Company's financial strategy in the short, medium and long term.

The Audit Committee convenes at least twice per calendar year and includes the auditor and/or the Company's tax adviser in its deliberations as necessary. It only constitutes a quorum if at least three of its members participate in its resolutions. For the rest, the provisions of both the Company's Articles of Association and the Supervisory Board's rules of procedure apply analogously to the work of the committee.

In the 2010 financial year the Audit Committee consisted of Klaus-Joachim Krauth (Chairman), Norbert Schmelzle as well as Eckhard Spoerr (until he resigned from the Supervisory Board). Following his resignation, Andreas de Maizière was elected to the Audit Committee.

The Chairman's Committee is in constant touch with the Management Board, coordinates the work of the Supervisory Board and prepares the latter's meetings. In addition, the Chairman's Committee is responsible, among other things, for granting the Supervisory Board's approvals to the Management Board as required by law, the Company's Articles of Association or the rules of procedure, as amended (unless excluded pursuant to Section 107 para. 3 sentence 2 and 3 German Stock Corporation Act); approving Management Board members' requests to accept board appointments to or consulting assignments from companies in which the Company has no stake as well as appointments to offices in any company that entail power of attorney and other secondary employment of any significance; granting loans to members of the Management Board and members of their families; determining and monitoring personnel matters related to the Management Board; preparing the appointment and dismissal of Management Board members; preparing proposals related to the compensation of Management Board members and reviews thereof; representing the Company vis-à-vis members of the Management Board in court and out of court; regular monitoring of the efficiency of the Supervisory Board's work; approving contracts made between the Company and members of the Supervisory Board in accordance with § 114 German Stock Corporation Act; as well as for special tasks that the full Supervisory Board assigns to the Chairman's Committee on a case-by-case basis. In its capacity as a nomination committee the Chairman's Committee makes recommendations to the Supervisory Board for the election of Supervisory Board members at the Annual General Meeting. The Chairman's Committee constitutes a quorum if all its members participate in its resolutions. For the rest, the provisions of both the Company's Articles of Association and the Supervisory Board's rules of procedure apply analogously to the work of the committee.

In the 2010 financial year, the Chairman's Committee comprised Norbert Schmelzle (Chairman), Andreas de Maizière as well as Eckhard Spoerr (until he resigned from the Supervisory Board on 19 July 2010). Klaus-Joachim Krauth was elected to the Chairman's Committee in his stead.

Board appointments of the Supervisory Board members
The appointments of the members of the Company's Supervisory Board to other companies' statutory supervisory boards and comparable domestic and foreign corporate control committees are enumerated in the notes to the annual financial statements as well as in the section entitled "The Supervisory Board".

Relevant practices of corporate governance
The Management Board has enacted a Code of Business Conduct and Ethics for employees of the Conergy Group that goes above and beyond legal requirements. This Code provides guidelines for dealing with business partners and government institutions, for assuring confidentiality, independence and objectivity, and for handling conflicts of interest. Compliance with these standards is monitored by a Compliance Committee organised by the Governance & Compliance department. Detailed information on the Code of Business

Conduct and Ethics is available on the Company's website (www.conergy-group.com) in the Investor Relations section under the heading Corporate Governance.

Compensation for the Management Board and the Supervisory Board

The compensation report shows the compensation of the Management and Supervisory Boards in compliance with the recommendations of the German Corporate Governance Code and is an integral part of the management report. The compensation report also includes information on the shareholdings of the Management Board and Supervisory Board members.

Shareholders and General Shareholders' Meeting

The shareholders of Conergy AG exercise their codetermination and control rights at the Company's Annual General Meeting, which takes place at least once a year. It resolves all matters that are within its purview by statute with binding effect on all shareholders and the Company. One share grants one vote in all resolutions.

The Annual General Meeting elects the members of the Supervisory Board and formally approves the actions of the members of the Management Board and the Supervisory Board. It also decides on the allocation of the accumulated profits and capital measures, and approves corporate contracts; it also fixes the compensation of the Supervisory Board and resolves amendments of the Company's Articles of Association. The Management Board and the Supervisory Board account for their actions and the Company's performance in the prior financial year at the Annual General Meeting. The German Stock Corporation Act provides for the convening of an extraordinary Shareholders' Meeting in special cases.

Every shareholder who registers in due time and evidences their right to attend the Annual General Meeting and exercise their voting right may participate in the Annual General Meeting. Specific evidence of shareholdings in text form, which has been prepared by the respective shareholder's depository bank as at the beginning of the 21st day prior to the Annual General Meeting and is made available to the Company no later than six days before the Annual General Meeting – not counting the day of the Meeting and the day of receipt – suffices to establish a shareholder's rights. Shareholders who cannot or do not want to attend in person have the option of appointing a bank, a shareholders' association or any other agent as their proxy to exercise their voting right. In order to make it easier for shareholders to exercise their rights in accordance with the German Corporate Governance Code, the Company also offers those shareholders not interested in exercising their voting right themselves the option of voting at the Annual General Meeting through proxies who are appointed by Conergy and are bound by instructions. Conergy AG provides further details thereon in the notice convening the Annual General Meeting.

The notice of the Annual General Meeting as well as the reports and information required for the resolutions are published in accordance with the requirements of German corporate law and are also made available on Conergy AG's website.

Risk management

The responsible handling of business risks is an integral part of all good corporate governance. Comprehensive, cross-divisional and company-specific reporting and control systems that make it possible to record, assess and control these risks are available to both the Management Board of Conergy AG and the management of the Conergy Group. These systems are continuously refined and adjusted to the constantly changing environment. The Management Board informs the Supervisory Board on a regular basis of existing risks and their development. The Audit Committee in particular monitors the accounting process, including the reporting system, as well as the efficacy of the internal control system, the risk management system, the internal audit system, compliance and the audits of the annual accounts.

Please see the risk and opportunity report for details on risk management within the Conergy Group. It contains the report on the internal control and risk management system relevant to the financial reporting process as required under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

Accounting and audit of financial statements

Conergy AG prepares its consolidated financial statements and its interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of Conergy AG are prepared in accordance with the provisions of the German Commercial Code. The annual financial statements and the consolidated financial statements are prepared by the Management Board and examined by the auditor and Supervisory Board. The audit committee discusses the quarterly financial statements with the Management Board prior to publication.

The Company's auditors were elected by the General Shareholders' Meeting in accordance with the regulations of the German Stock Corporation Act. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, Hamburg branch office, were appointed as auditors for the 2009 consolidated financial statements and the 2009 annual financial statements of Conergy AG according to the German Commercial Code. The Supervisory Board obtained the statement by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft regarding its independence, as required under the German Corporate Governance Code, before it submitted its election proposal. The audits were conducted in accordance with German auditing standards and taking the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors (IDW) into account. The International Standards on Auditing were also taken into account. They also included the risk management and compliance with the reporting duties related to corporate governance under Section 161 AktG.

We also entered into a contract with the auditor pursuant to which they must notify the Supervisory Board immediately, while the audit is in progress, of any grounds for excluding them, any partiality on their part as well as any material findings and events.

Transparency

The Conergy Group complies with the principle of non-discrimination under capital market legislation. In order to implement this policy, the same information must be available at the same time. Both institutional investors and private investors can use the Conergy website (www.conergy-group.com) to obtain information on significant dates and current corporate developments (including ad-hoc releases) in a timely manner. Relevant corporate news items are also announced by means of press releases in German and English, which are also published on the website.

The fact that individual shareholdings attain, exceed or fall below 3, 5, 10, 15, 20, 25, 30, 50 or 75.0 percent of the Company's voting shares is published in a pan-European information system immediately after the Company receives the respective notification pursuant to Section 21 German Securities Trading Act (WpHG).

In accordance with Section 15a WpHG, certain individuals must disclose the acquisition and disposal of Company shares and of any associated financial instruments. Such individuals include members of the Management and Supervisory Board for Conergy AG, as well as certain members of managerial staff and persons with whom they have close relationships. Conergy AG was not informed of any reportable securities transactions under Section 15a German Securities Trading Act in the reporting period (1 January to 31 December 2010).

Service and information for shareholders of Conergy AG

Conergy AG uses a financial calendar to inform its shareholders as well as analysts, shareholders' associations, the media and the interested public on a regular basis. This calendar is published in the annual report and in interim reports, and is also available on the Company website. In preparation for the General Shareholders' Meeting, and to make it easier for them to exercise their rights, shareholders are informed comprehensively on the past financial year as well as the upcoming agenda prior to the meeting by way of the annual report and the invitation to the General Shareholders' Meeting itself. All documents and information referring to the General Shareholders' Meeting are also published on the Company website, including the annual report.

The Conergy share

The global economy clearly recovered in 2010, one year after the serious economic crisis. Particularly the German economy developed significant momentum in the financial year just ended. These positive developments were also reflected in the stock markets throughout the year even though the upturn slowed down intermittently due to the euro debt crisis or the ongoing recession in the United States.

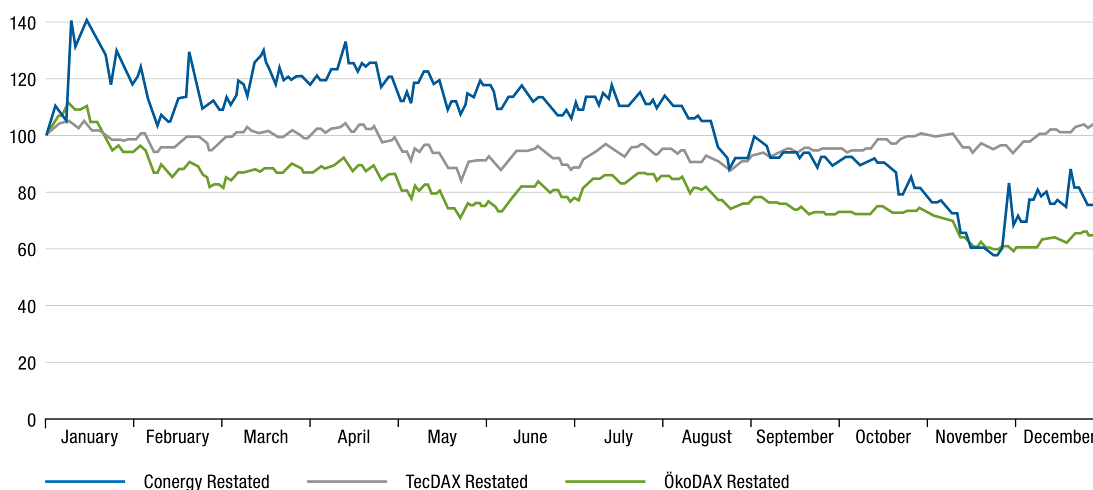
The DAX (Deutsche Börse AG's leading stock index) succeeded in closing the financial year just ended with substantial gains on the strength of positive economic data – especially from Germany – as well as good corporate news. Having opened the year at 5,976 points, the DAX passed the threshold of 6,000 points as early as in March. It closed the year at 6,914 points (after breaching the 7,000 point threshold in December) for a gain of 16.0 percent.

The TecDAX, an index of technology stocks, closed at 851 points on 30 December 2010, a gain of only 4.0 percent on the year's opening of 818 points. The year 2010 was a very difficult one for the solar companies listed on the TecDAX owing to the debate on Chinese competition, reduced or adjusted feed-in tariffs in numerous countries as well as market observers' constrained outlook for the industry in the coming years. Conergy AG's stock closed the 2010 financial year at EUR 0.50 per share, a loss of 24.24 percent from the year's opening price of EUR 0.66. The Company's market capitalisation was EUR 199.04 million.

As part of its routine review of the composition of its stock indexes, Deutsche Börse AG notified Conergy AG on 3 March 2011 that the Company's share would no longer be listed in the TecDAX. The delisting occurred on 21 March 2011.

Price chart

Share price performance 2010 (indexed; 100 = XETRA opening price on 4 January 2010)



Key figures of the Conergy share

	2010	2009
Nominal capital in EUR	398,088,928	398,088,928
Number of shares (as at 31.12.)	398,088,928	398,088,928
Market capitalisation (as at 31.12.) in EUR million*	199,04	262,27
Closing share price (as at 31.12.) in EUR*	0.50	0.66
High in EUR*	0.93	1.65
Low in EUR*	0.38	0.34
Daily average trading volume (shares)*	3,656,993	4,763,017

*Xetra

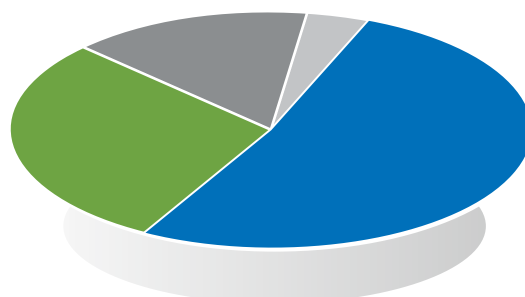
Share: no-par value share	
Securities identification number	604002
International Securities Identification Number (ISIN)	DE 00060 40025
Reuters symbol	CGYG.DE
Bloomberg symbol	CGY GR
Stock exchanges	Xetra
	Frankfurt (Main)
	Stuttgart
	Düsseldorf
	Hamburg
	Munich
	Hanover
	Berlin-Bremen

Shareholder structure

The total number of Conergy AG shares was 398,088,928 at year's end. Of these, Commerzbank AG owned 29.08 percent at the reporting date, Athos Service GmbH 14.95 percent and Dieter Ammer 3.79 percent. The free float at the close of the year thus was 52.18 percent.

Shareholder structure (as at 31.12.2010)

Free float 52.18 %
Commerzbank AG 29.08 %
Athos Service GmbH 14.95 %
Dieter Ammer 3.79 %



Investor relations activities

Open, transparent and timely communications with institutional and private investors as well as analysts are highly significant to the work of our investor relations team. All capital market participants need a lot of information to make their investment decisions. Conergy's investor relations department and Management Board always endeavour to engage in this open dialogue with all market players in order to fulfil these requirements. As usual we made ourselves available at national and international trade fairs for discussions with investors, participated in road shows as well as conferences and had numerous meetings with shareholders at our Hamburg headquarters in 2010. All presentations, ad hoc and press releases as well as other information on the Company's shares are available to our shareholders on the Conergy Group's website.

Annual General Meeting

Conergy held its Annual General Meeting on 5 October 2010 at the Congress Centrum Hamburg. Approximately 350 shareholders were in attendance, as in the previous year. At the Annual General Meeting, they were informed of the 2009 financial year, the Company's strategy as well as the actions it plans to take. The shareholders used the general discussion to ask both the Management Board and the Supervisory Board specific questions. Subsequently, the shareholders of Conergy AG adopted all of the management's proposed resolutions by large majorities.

Conergy AG invited its shareholders to an Extraordinary General Meeting in the Hamburg Congress Centre on 25 February 2011. For further details on this General Meeting please see the chapter "Events after the reporting period."

Annual Document pursuant to Section 10 of the German Securities Prospectus Act

Section 10 of the German Securities Prospectus Act requires Conergy AG to publish an annual document that contains all of Conergy AG's publications in the previous 12 months. We make this document available to our shareholders on our website, www.conergy-group.com, in the Investor Relations section. We will be happy to send you a hard copy of the document if you are unable to access or download it.

Group management report

34 The Conergy Group
35 Internal control system and key performance indicators
37 Material components of the internal control and risk management system relevant to the Group's financial reporting process
38 Global economic conditions
38 Development of the industry in 2010
39 Assets, liabilities, cash flows and profit or loss
49 Other information
54 Compensation report for the Management Board and the Supervisory Board of Conergy AG
60 Events after the reporting period
60 Risk and opportunity report
74 Report of anticipated developments

Group management report 2010

The Conergy Group

Organisational and legal parameters

As a systems manufacturer, Conergy produces all components required for a solar energy system and delivers all attendant solar services from a single source. Since its founding in 1998, the Company (which is listed on the Frankfurt/Main Stock Exchange) and its currently 1,700 employees have produced plants with an output of 1.5 gigawatts of clean solar energy – surpassing the energy that Germany's largest nuclear power plant or two large coal power plants together can generate.

Conergy's comprehensive competence in all matters pertaining to solar energy is its unique selling proposition. Conergy's modules, inverters and mounting systems are the building blocks of its Conergy systems technology – synchronised solar energy systems for private and commercial on-roof systems as well as megawatt solar electricity farms. The Company manufactures the premium components required to this end at five plants. Conergy's solar modules are made in Frankfurt (Oder). The Company's matching inverters and electronic monitoring systems are manufactured in Hamburg and Bad Vilbel, and its mounting systems are produced in Rangsdorf (near Berlin) and Sacramento (California). This comprehensive portfolio of systems and products is complemented by a large number of solar energy services, the so-called Conergy System Services. From system design and funding, to installations, all the way to monitoring, maintenance, plant management and insurance: Conergy's service packages offer all services imaginable for one's own solar energy system. Conergy arguably offers its customers not just the industry's broadest services portfolio but also a team of service experts with a wealth of experience spanning more than 12 years. The Company is an expert in the field of solar electricity, and its Conergy System Sales have already satisfied more than 10,000 customers worldwide since it was founded. Conergy markets its products in 40 countries on five continents and maintains discrete sales & distribution teams in 14 markets. This is where Conergy's sales & distribution personnel ensure real customer proximity – on site, day in and day out. Conergy's tight sales & distribution network supports installers, wholesalers, commercial customers, companies and investors en route to harnessing the sun's power. This ensures that its customers can enjoy their sustainable solar energy systems in the long term.

As one of Europe's highest-grossing solar companies, Conergy is well positioned in all its divisions. Conergy already possesses state-of-the-art production facilities, innovative products, good business relationships with the most important suppliers of crystalline and thin film solar modules, an established network of industry partners as well as a broad, international customer base and a strong premium brand.

Conergy will continue to expand its expertise as a fully-integrated systems manufacturer in future. It will further strengthen the positioning of its brand, further optimise its systems, expand its production and partner network in the marketplace and most importantly continue to strengthen its customer relationships with installers, wholesalers, strategic marketing partners and financial investors.

Conergy AG is domiciled in Hamburg. This is where the corporate departments of both Conergy AG and its subsidiaries are located. In addition to its production sites, the Group also maintains other business premises in Germany, among them its Central European Warehouse in Zweibrücken (Rhineland-Palatinate). A total of 1,091 employees (full time equivalents) were employed by the German subsidiaries at these sites and the Group's head office in Hamburg as at 31 December 2010. In addition to Conergy AG, the parent company, the Conergy Group comprises 32 fully consolidated subsidiaries worldwide.

As at the end of 2010, Conergy AG was managed by a two-member Management Board comprising Dr. Sebastian Biedenkopf and Andreas Wilsdorf.

Conergy possesses highly developed know-how in photovoltaics (PV), established sales structures and customer relationships as well as independent brand worlds staffed with people who know precisely what the relevant target groups want. Our staff continuously monitor the development of demand and develop offers that are tailored to the relevant customers' needs. The Company leverages its growing, bundled knowledge of regionally diverse customer needs with the aim of enhancing its photovoltaics products. This sales- and customer-focused strategy puts Conergy in a good position to develop new markets with matching products.

Conergy's areas of operation are divided into the following segments: Germany, Europe without Germany, Americas, Asia-Pacific, Components and Holding.

Segment classification for the 2010 financial year was changed compared to the consolidated financial statements as at 31 December 2009. The previous year's figures were adjusted accordingly. Since the Management Board in December 2009 resolved to sell the non-PV business of its EPURON segment, the EPURON segment, which mainly focuses on wind and bioenergy projects, has been shown as a discontinued operation.

The Components segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. Whilst Conergy produces solar cells and solar modules in its Frankfurt (Oder) solar factory, the Company develops electronic components such as inverters, connection boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order by various companies, most of them European. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed and produced by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH and are also sold separately under their respective brand names.

The segments Germany, Europe without Germany, Americas and Asia-Pacific sell the products manufactured by the Components segment and the complete systems and components purchased by Conergy, to wholesalers, installers and end customers (primarily farmers, private households, and investors). The Company's distribution activities also include the planning, construction as well as operations management and maintenance of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). Conergy offers several different types of service: the sale of individual components or the sale of complete systems with coordinated components and/or planning and engineering services, as well as turnkey plant construction with or without operations management and maintenance. The services that Conergy offers range from construction planning to component procurement, all the way to the construction of photovoltaic plants.

Conergy also develops, finances, implements and operates large-scale PV projects in these segments. Conergy's range of products and services includes site inspection and development; contracting for, coordinating, and monitoring plant construction; negotiation of project agreements; the creation of project-based operating companies; and commercial and technical management of plants. Conergy also arranges debt and equity financing for these operating companies and the marketing of equity interests to investors.

Companies included in the consolidated financial statements

Aside from Conergy AG, a total of 10 domestic and 22 foreign subsidiaries – the majority of whose voting shares are held by Conergy – were included in the Company's consolidated financial statements at the end of the reporting period (31 December 2010). Fourteen subsidiaries were no longer included in consolidation in the 2010 financial year either as a result of mergers or sales in connection with the Conergy Group's reorganisation or because they were insignificant.

Internal control system and key performance indicators

The Management Board of Conergy AG has implemented an internal management control system that provides for groupwide planning, managing and reporting processes with the aim of enabling value-orientated control and ensuring the development of both the Group and its individual companies. Achieving profitable growth, increasing operational efficiency, optimising tied-up capital, ensuring liquidity and reaching a healthy capital structure are the elements of this management control system. This system also helps to coordinate the activities of the Group's subsidiaries and thus strengthen operations.

Budgets and forecasts are an integral part of the relevant information systems. The forecasts cover a period of three years and are revised annually as part of a comprehensive planning process. The groupwide reporting system requires all subsidiaries to prepare monthly IFRS financial statements that are consolidated for the purposes of both management reporting and the Company's published quarterly and annual financial statements. Likewise, the subsidiaries provide their own assessments of current business trends and the expected profit for the year at regular intervals. Key Performance Indicator (KPI) reports assist management in controlling segments and regions, individual

subsidiaries as well as operating processes. Sales and gross profit serve as the key performance indicators for determining corporate success. Conergy also uses the gross profit margin, which shows gross profit relative to sales. The Company's performance is measured based on earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). Conergy uses earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA) to measure the success of individual business units. In addition to these two parameters, the Group also utilises both the EBIT and the EBITDA margin that present these earnings measures as a ratio of sales. These relative performance indicators make it possible to compare the profitability of profit-oriented divisions of various sizes.

The table below shows the KPI that are monitored on a continuous basis and constitute the core of the Group's optimisation efforts:

Key performance indicators		2010	2009
Sales	EUR million	**913.5**	**600.9**
Germany	EUR million	416.6	280.8
Abroad	EUR million	496.9	320.1
Gross profit	EUR million	**216.9**	**117.6**
Gross profit margin	in percent	**23.7**	**19.6**
EBITDA	EUR million	**30.1**	**−10.7**
EBITDA margin	in percent	**3.3**	**−1.8**
EBIT	EUR million	**−13.8**	**−36.8**
EBIT margin	in percent	**−1.5**	**−6.1**

The Conergy Group's controlling system has a particularly important role to play in that the annual variable compensation paid to top management for the 2010 financial year was linked to the aforementioned earnings-based performance indicators, notably EBITDA.

Conergy was able to lower the amount of tied-up capital through efficient working capital management in connection with its restructuring programme. Streamlining receivables management by shortening accounts receivable aging cycles and reducing receivables outstanding were substantial factors in this success. Hence the amount of capital tied up in receivables, liabilities and inventories was further optimised. Working capital is defined as the total of inventories and trade accounts receivable less trade accounts payable and presented as a ratio relative to the sales of the comparative period.

Working capital development		31.12.2010	31.12.2009
Sales	EUR million	**913.5**	**600.9**
Inventories	EUR million	169.5	107.5
Trade receivables	EUR million	103.2	113.4
Trade payables	EUR million	161.7	116.5
Working Capital	EUR million	**111.0**	**104.4**
Working Capital/ Sales	in percent	**12.2**	**17.4**

In addition to bringing about a sustained increase in the enterprise value, managing the finances of the Conergy Group is also aimed at maintaining an adequate capital structure. Gearing thus serves as an additional financial ratio in Conergy's management control system. It is defined as the ratio of net liabilities (borrowings less liquid funds) to equity. Repaying borrowings as well as boosting the equity base through retained earnings and/or capital increases serve as controlling instruments. Conergy aims to achieve a gearing of at least 100.0 percent in the medium term, i.e. at least a 1:1 ratio of equity to net financial liabilities. Gearing developed as follows in the reporting period:

Net liabilities to equity		31.12.2010	31.12.2009
Borrowings	EUR million	291.6	293.6
Liquid funds	EUR million	36.7	52.1
Net liabilities	EUR million	**254.9**	**241.5**
Equity	EUR million	71.4	116.0
Gearing	in percent	**357.0**	**208.2**

As before, it is our foremost economic goal in the 2011 financial year to improve the key performance indicators EBITDA, EBIT, working capital and gearing.

In this context, Conergy AG agreed to a refinancing concept with its creditors on 17 December 2010. The agreement provides for a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases. These measures were adopted by an Extraordinary General Meeting on 25 February 2011. The implementation of the refinancing concept is still subject to the condition requiring

the extinguishment of a portion of the credit lines existing as at 31 December 2010. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is another requirement.

Material components of the internal control and risk management system relevant to the Group's financial reporting process

The Management Board of Conergy AG is responsible for drawing up the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), the group management report as well as the quarterly and half-yearly reports. An adequate internal control and risk management system was established by the Management Board in order to ensure the accuracy and completeness of the figures and disclosures in the external reporting system as well as the propriety of the accounting on the whole.

The internal control and risk management system guarantee timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with legal standards, accounting principles and the Group's internal accounting guidelines that are binding on all subsidiaries that are included in the consolidated financial statements. Amendments of laws and revisions of accounting standards as well as other types of announcements are immediately analysed in terms of their relevance to and impact on our consolidated financial statements, and the guidelines are adjusted to reflect the resulting changes. Unequivocal specifications are intended to limit the discretion available to employees in connection with the recognition, measurement and presentation of assets and liabilities and thus the risk of inconsistent bookkeeping and accounting practices within the Group. These guidelines are available to all employees involved in bookkeeping and accounting via the groupwide intranet.

The internal control system is also rooted in a number of process-integrated monitoring activities. These process-integrated monitoring activities comprise organisational safeguards, ongoing automated procedures (separation of functions, restrictions on access, organisational instructions such as for instance powers of representation) and controls that are integrated into the workflows. In addition, monitoring activities that are uninvolved in business processes such as for instance the Internal Audit and monthly reporting ensure that the internal control system is effective. The external auditor audits specific internal controls and judges their efficacy as part of the audit of the annual financial statements. Certain elements of the IT systems used are also audited. Any weaknesses in the internal control system are communicated to the appropriate supervisory and management bodies in that connection. However, not even appropriate and functional systems can provide absolute security.

The centralised departments, Corporate Accounting and Corporate Controlling, are tasked with managing the Group's bookkeeping and accounting process. Besides these two, the Tax, Treasury and Legal departments are also fully integrated into a variety of separate processes serving to identify, measure, manage, monitor and communicate risks related to financial reporting.

All subsidiaries prepare their financial statements locally. In Germany, the Group's own Shared Service Center within Corporate Accounting provides these services to both Conergy AG and most of its German subsidiaries. The IT systems utilised for all significant companies in Germany are based on SAP while ERP software based on Navision is utilised for most of the other subsidiaries. All financial systems used are protected from abuse by means of appropriate authorisation processes and limitations on access. The Group IT department uses centralised management and monitoring of almost all IT systems, centralised management of change processes as well as regular system back-up processes to minimise both the risk of data loss and the failure of IT systems relevant to bookkeeping and accounting.

All companies included in the consolidated financial statements of Conergy AG transmit their financial statements to the Company on a monthly basis using a uniform groupwide data model that is subject to the Group's IFRS accounting guidelines. All Group companies are responsible for complying with the guidelines and procedures that apply groupwide as well as for ensuring that their bookkeeping and accounting processes are orderly and timely. All employees involved in the Group's bookkeeping and accounting process are trained to that end on a regular basis. Contact persons at Conergy AG's headquarters, who can answer and resolve special questions and complex issues, are available to support our local subsidiaries throughout the bookkeeping and accounting process.

The consolidated figures are drawn up centrally using the financial statements provided by the companies included in the consolidated financial statements. A separate consolidation department within centralised Corporate Accounting is tasked with carrying out the consolidation process and certain aspects of reconciliation, monitoring all requirements related to deadlines and processes and ensuring compliance with reporting duties and deadlines. The employees also monitor technical aspects of the controls and supplement them through manual reviews, correcting any defects and reporting them back to the subsidiaries. In addition, Conergy also possesses a groupwide reporting and controlling system, which makes it possible to detect deviations from targets and accounting inconsistencies regularly and early on.

The Audit Committee of Conergy's Supervisory Board is responsible for regularly monitoring the effectiveness of the Company's control and monitoring systems. It requires both the Management Board and the auditors to report to it on a regular basis.

For details on the features of the risk management system, please see the disclosures in the "Risk and opportunity report" on page 60 ff.

Global economic conditions

The global economy further recover in the course of 2010, continuing the development that had started in the second half of 2009. But the momentum of the global economic recovery began to falter over time, following its strong start into the reporting year due to the crisis of the euro as well as the continued weak economic data coming out of the United States. In global terms however, the upswing remained strong in many countries, especially compared to the previous years. Emerging countries did best.

The debt crisis in Europe, along with the intense level of speculative activity aimed at the future of countries such as Greece, Ireland, Portugal and Spain, dampened the economic momentum. The news of the EUR 750 billion rescue package for EU states that had run into difficulties as well as individual rescue packages also heightened the uncertainty. At 109.9 points however, the Ifo Index rose to its 20-year high despite the crisis of the euro. The German economy on the whole surprised the experts by recording growth of more than 3.0 percent. It is clear by now that exports alone cannot explain Germany's economic recovery. Indeed, the marked increase is also rooted in both private consumption and corporate investments.

The economic recovery has already progressed to such an extent in key emerging countries that the given governments must now take measures to prevent their economies from overheating. China recorded economic growth of more than 10.0 percent. The Chinese Central Bank raised the prime rate in the autumn for the first time in three years.

Stock markets continued to recover in 2010. Some of the main drivers in this regard were the strong economic data coming out of China, the mild outcome of the banks' stress tests as well as the Federal Reserve's purchase of treasury bonds. What is clear worldwide is that the structural problems that came to light in the financial crisis have not yet been solved.

The euro fell substantially relative to the US dollar in the course of 2010. On an annualised basis, the common currency declined from USD 1.43 against the euro at the start of the year to USD 1.34 against the euro at the end of the year.

Commodities markets' bull run, which had started the previous year, continued unabated. The price of crude oil for example rose from USD 79.3 per barrel to USD 91.3 per barrel at the close of the year whilst the price of gold climbed to a new high of USD 1,418 per fine ounce, up from USD 1,096 at the start of the year.

Development of the industry in 2010

The positive regulatory environment was undiminished and continued to stimulate demand in the financial year just ended. According to initial estimates, unit sales doubled worldwide, with all markets basically being driven by the same sustained momentum. Once again Europe acted as the growth engine, with Germany heading the list of the world's largest markets. A previously unplanned reduction in the feed-in tariffs for solar electricity by up to 13.0 percent effective 1 July triggered pull-forward effects in the year's first half. This caused demand in Germany to decline correspondingly at the start of the year's second half but it accelerated again in September owing to yet another previously unplanned reduction in the feed-in tariffs by an additional 3.0 effective 1 October. After a short cooling-off period in October, at year's end demand began to rise yet again, this time due to yet another planned reduction in the feed-in tariffs effective 1 January 2011. It is estimated that the volume of the German solar market in 2010 soared by up to 100.0 percent to between 7 and 8 gigawatts – a new high. At the same time the remaining European markets climbed from

1.9 gigawatts to just under 4 gigawatts – a doubling of the market. The Italian and the Czech markets in particular generated above-average growth owing to attractive conditions.

The North American market also managed to stay on a positive trajectory in 2010, as in recent years. Both the United States and Canada demonstrated their health in this area by doubling the volume of newly installed PV systems.

The forward momentum in Asia's markets has continued undiminished for a number of years, almost reaching the 2 gigawatt level in 2010. Japan and China are the two dominant markets here, together accounting for about 75.0 percent of the newly installed volume in Asia in 2010.

Prices for photovoltaic products stabilised in 2010, after having crumbled dramatically in 2009.

Assets, liabilities, cash flows and profit or loss

Income statement of the Conergy Group 1. - 4. quarter in overview (short version)

EUR million	4. quarter 2010	3. quarter 2010	2. quarter 2010	1. quarter 2010
Sales	248.5	275.3	239.4	150.3
Gross profit	**46.8**	**64.1**	**58.9**	**47.1**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−3.4**	**7.7**	**18.5**	**7.3**
Earnings before interest and taxes (EBIT)	**−26.8**	**1.0**	**11.7**	**0.3**
Financial result	**−3.9**	**−3.0**	**−3.7**	**−4.1**
Earnings before taxes (EBT)	**−30.7**	**−2.0**	**8.0**	**−3.8**
Income taxes	−12.0	−2.3	−0.1	0.9
Income from continuing operations after taxes	**−42.7**	**−4.3**	**7.9**	**−2.9**
Income from discontinued operations after taxes	2.9	−2.3	−1.3	−2.2
Result after taxes	**−39.8**	**−6.6**	**6.6**	**−5.1**
Thereof				
to the sharesholders of Conergy AG	−39.8	−6.6	6.6	−4.9
to minority shareholders	0.0	0.0	0.0	−0.2

Basis of presentation

Segment reporting for the 2010 financial year is based on the organisational structure of the Conergy Group. The individual organisational units are allocated to the operating segments solely according to economic criteria, irrespective of their ownership structure under German corporate law.

Segment classification for the 2010 financial year was changed compared to the consolidated financial statements as at 31 December 2009. The previous year's figures were adjusted accordingly.

Since the Management Board in December 2009 resolved to sell the non-PV business of its EPURON segment, the EPURON segment, which mainly focuses on wind and bioenergy projects, has been shown as a discontinued operation. In December 2010 Conergy sold EPURON's German and French wind project business (including the respective operating assets) to an investment fund of Impax Asset Management Ltd., one of the leading specialists for listed and private equity funds in the European renewable energies market. The following major projects based on concentrated solar power (CSP) technology were sold in Spain in the first quarter of 2011. Aside from the remaining wind energy project business in Australia, as well as the biogas project business that was sold to RES Projects GmbH (a leading, Munich-based specialist for the development and implementation of biomethane plants) in early February 2011, all other activities were discontinued in 2010. The plan is to dispose of the wind energy project business in Australia by the end of June 2011 at the latest.

The disclosures in this Group management report solely concern continuing operations unless they expressly refer to discontinued operations. Discontinued operations are combined in the income statement, the balance sheet and the statement of cash flows as separate line items.

Continuing operations are divided into the operating segments Germany, Europe without Germany, Americas, Asia-Pacific and Components.

The Components segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. Whilst Conergy produces solar cells and solar modules in its Frankfurt (Oder) solar factory, the Company develops electronic components such as inverters, connection boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order by various companies, most of them European. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed and produced by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH and are also sold separately under their respective brand names.

The segments Germany, Europe without Germany, Americas and Asia-Pacific sell the products manufactured by the Components segment and the complete systems and components purchased by Conergy, to wholesalers, installers and end customers (primarily farmers, private households, and investors). The Company's distribution activities also include the planning, construction as well as operations management and maintenance of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). Conergy offers several different types of service: the sale of individual components or the sale of complete systems with coordinated components and/or planning and engineering services, as well as turnkey plant construction with or without operations management and maintenance. The services that Conergy offers range from construction planning to component procurement, all the way to the construction of photovoltaic plants.

Conergy also develops, finances, implements and operates large-scale PV projects in these segments. Conergy's range of products and services includes site inspection and development; contracting for, coordinating, and monitoring plant construction; negotiation of project agreements; the creation of project-based operating companies; and commercial and technical management of plants. Conergy also arranges debt and equity financing for these operating companies and the marketing of equity interests to investors.

The "Reconciliation" and "Holding" columns are shown separately. During reconciliation, intra-Group business transactions are eliminated and income and expenses not directly attributable to the segments are disclosed. The Holding segment essentially comprises the activities of the Conergy Holding company's Shared Services as well as purchasing and logistics.

In the 2010 financial year, the assets and liabilities of Güstrower Wärmepumpen GmbH, which belonged to the Components segment, were classified as "held for sale". In the first quarter of 2011, Conergy sold this subsidiary, which is specialised in the production and

sale of heat pumps, to SmartHeat Inc. This NASDAQ-listed company is a leading provider of heat transfer and energy conservation solutions in the Chinese market. Conergy's entire equity interest in Güstrower Wärmepumpen was transferred to SmartHeat Inc. under the sale. In addition, Güstrower Wärmepumpen GmbH also takes over Conergy's land, which also was classified as "held for sale".

The assets and liabilities of Conergy's Swiss subsidiary, Conergy (Schweiz) GmbH, were also classified as "held for sale" in the 2010 financial year. In the first quarter of 2011, Conergy sold its Swiss solar thermal products business to Capital Stage AG, a private equity company specialising in companies and projects in the clean-tech sector. Conergy's entire equity interest in its Swiss subsidiary was transferred to Capital Stage. The assets and liabilities of the Company's Cypriot subsidiaries in the European segment were also classified as "held for sale". This change in presentation is rooted in the Company's plan to discontinue its activities in Cyprus.

Profit or loss

Income statement of the Conergy Group (short version)

EUR million	2010	2009	4. quarter 2010	4. quarter 2009
Sales	913.5	600.9	248.5	244.5
Gross profit	**216.9**	**117.6**	**46.8**	**51.8**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**30.1**	**−10.7**	**−3.4**	**37.1**
Earnings before interest and taxes (EBIT)	**−13.8**	**−36.8**	**−26.8**	**28.2**
Financial result	**−14.7**	**−21.8**	**−3.9**	**−5.1**
Earnings before taxes (EBT)	**−28.5**	**−58.6**	**−30.7**	**23.1**
Income taxes	−13.5	−22.5	−12.0	−22.7
Income from continuing operations after taxes	**−42.0**	**−81.1**	**−42.7**	**0.4**
Income from discontinued operations after taxes	−2.9	1.8	2.9	−0.7
Result after taxes	**−44.9**	**−79.3**	**−39.8**	**−0.3**
Thereof				
to the sharesholders of Conergy AG	−44.7	−79.9	−39.8	−1.2
to minority shareholders	−0.2	0.6	0.0	0.9

Key figures by region				
	Quarterly sales		EBIT	
EUR million	Q4 2010	Q4 2009	Q4 2010	Q4 2009
Germany	49.3	97.0	−2.8	4.9
Europe*	113.4	87.3	−7.3	−9.8
Americas	26.6	23.1	−9.1	−0.1
Asia-Pacific	31.7	23.0	0.3	2.0
Components	27.5	14.1	5.6	4.7
Holding	–	–	−14.4	27.6
Reconciliation	–	–	0.8	−1.1
Continuing operations	248.5	244.5	−26.9	28.2

*Excluding Germany

Key figures by region						
	Annual sales		EBIT		FTE	
EUR million	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Germany	328.2	255.4	−2.8	−9.8	94	138
Europe*	323.7	191.0	−5.0	−18.0	253	261
Americas	63.0	52.4	−10.3	−6.0	77	72
Asia-Pacific	110.2	76.7	7.4	7.5	144	159
Components	88.4	25.4	27.9	−10.3	762	580
Holding	–	–	−27.4	0.4	239	219
Reconciliation	–	–	−3.6	−0.6	–	–
Continuing operations	913.5	600.9	−13.8	−36.8	1.569	1.429

*Excluding Germany

Sales

The Conergy Group is pleased that sales in the 2010 financial year were EUR 913.5 million (2009: EUR 600.9 million) – a year-on-year increase of 52.0 percent or EUR 312.6 million. On the whole, business has developed positively in all segments. Cross-segment sales in Germany were EUR 416.6 million compared to EUR 280.8 million the previous year, an increase of just under 50.0 percent. Germany thus accounted for 45.6 percent of overall sales (2009: 46.7 percent). Sales abroad rose by 54.4 percent to EUR 496.9 million (2009: EUR 320.1 million).

Conergy recorded strong sales growth to EUR 328.2 million in the Germany segment (2009: EUR 255.4 million). This is especially due to the positive development of the wholesale business. Moreover, the announcement of or rather the debate on the reduction in the feed-in tariff, which was enacted as part of the amendment of the German Renewable Energy Sources Act (EEG), boosted demand in Germany, especially in the first half of 2010. Among other things, the construction of a 19 megawatt solar farm in the Bavarian town of Thüngen and a six megawatt solar farm in Tarp (in the state of Schleswig-Holstein) contributed to the positive development of sales.

Sales in Europe – excluding Germany – increased to EUR 323.7 million (2009: EUR 191.0 million). Sales developed positively especially in the Czech Republic, Italy, France and Greece. In the Czech Republic sales rose from EUR 1.8 million in financial year 2009 to EUR 18.9 million in financial year 2010. The Company succeeded in further expanding its position in the wholesale market in Greece and France. As a result, sales in Greece increased to EUR 17.6 million (2009: EUR 9.5 million). Among others, this was due to one of the largest open-field projects in Greece near the city of Thessaloniki, where an area of 19 hectares has been equipped with Conergy's proprietary system technology. The project was completed in the 2010 financial year Sales in France rose to EUR 49.2 million (2009: EUR 33.1 million). Given the improvement in statutory programmes aimed at end consumers in Italy, sales in that country rose to EUR 151.0 million (2009: EUR 74.3 million), especially due to the solid performance of the wholesale business. The construction of solar power systems with a total output of 3.6 megawatts for the Italian hotel chain BluSerena also contributed to this positive development in the 2010 financial year. Conergy also succeeded in lifting sales in Spain to EUR 49.5 million (2009: EUR 43.4 million) in the 2010 financial year, indicating that the market is

gradually recovering at a low level after poor sales in 2009.

In the Americas, sales rose to EUR 63.0 million (2009: EUR 52.4 million). Whilst sales in the United States were EUR 39.4 million (2009: EUR 45.8 million) and thus below the previous year's level, sales in Canada increased to EUR 23.6 million (2009: EUR 6.7 million). The Company assumes that the Canadian solar industry is still in its infancy. The Canadian solar industry association has said that the installed output could rise from about 80 MWp in 2009 to about 300 to 400 MWp.

At EUR 110.2 million, sales in the Asia-Pacific region rose by 43.7 percent (2009: EUR 76.7 million). In Australia, the wholesale business was instrumental in lifting sales to EUR 86.3 million (2009: EUR 52.5 million). The intensified promotion of solar thermal energy is generating new growth momentum in that country. Conergy also established one of the largest PV farms in India. The three megawatt solar farm in South India contributes to the rural population's power supply. Conergy also completed the construction of the largest commercial PV farm in Thailand, which had begun in March 2010. This three megawatt solar farm, which was constructed outside of the country's capital, Bangkok, helped Conergy strengthen its position in the emerging Asian solar market.

At EUR 88.4 million, the external sales of the Components segment were much higher year-on-year (2009: EUR 25.4 million), driven especially by the rise in contract production for third parties at Conergy's solar module factory in Frankfurt (Oder) as well as the strong expansion of mounting system sales.

Gross profit

The Conergy Group posted a gross profit of EUR 216.9 million in the 2010 financial year, up 84.4 percent from the EUR 117.6 million recorded in the previous year. The gross profit margin rose significantly by 4.1 percentage points to 23.7 percent (2009: 19.6 percent). The gross profit margin was driven by the Components segment The start-up of additional solar cell and module lines at the solar module factory in Frankfurt (Oder) has almost doubled the production volume of Conergy PowerPlus premium modules. The resulting change in the module mix, unit cost degression that is linked to the ramp-up of production and additional cost-cutting measures are allowing the Conergy Group to benefit from an integrated value chain which, in turn, has a positive effect on the Group's gross profit margin. Limited volumes were manufactured in contract production for third parties in order to increase capacity utilisation. For the rest, almost all module sales are conducted solely through Conergy's sales channels.

Personnel expenses

As at 31 December 2010, the Conergy Group had 1,569 employees in its continuing operations (all figures FTE), 140 employees more than as at 31 December 2009. Of these, 852 employees worked for our German subsidiaries, 478 employees worked for the Group's foreign subsidiaries, and 239 employees worked for the holding company. The average number of employees in the 2010 financial year was 1,496 (2009: 1,561 employees). Of the 1,569 employees in the Conergy Group, 67.0 percent were salaried employees and 33.0 percent were hourly-paid workers as at 31 December 2010. Including discontinued operations, a total of 1,600 staff were employed worldwide by the Conergy Group as at 31 December 2010 (31 December 2009: 1,553 employees).

At EUR 85.3 million, personnel expenses rose slightly year-on-year (2009: EUR 82.1 million). This figure comprised wages and salaries of EUR 67.6 million (2009: EUR 65.6 million) as well as social security contributions and other pension costs of EUR 17.7 million (2009: EUR 16.5 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Earnings before interest, taxes, depreciation and amortisation (EBITDA) – a measure of operating income – were EUR 30.1 million (2009: EUR –10.7 million) and thus substantially higher year-on-year. The EBITDA margin was 3.3 percent. At –1.8 percent, it had been negative in the previous year.

Other income was EUR 33.7 million (2009: EUR 65.1 million). Other income included net currency gains of EUR 13.9 million (2009: EUR 3.8 million) and income from write-ups of receivables previously written down amounting to EUR 6.8 million (2009: EUR 1.8 million). The previous year's figure also included an additional one-off income of EUR 34.2 million in connection with the out-of-court settlement of the dispute with the US-based wafer manufacturer, MEMC Electronics Materials, Inc. Additional income of EUR 5.2 million (2009: EUR 11.8 million) was generated from the reversal of provisions initially recognised in connection with warranty and contract risks related to the project business.

Other operating expenses amounted to EUR 135.2 million (2009: EUR 111.3 million). They included, in particular, rental and lease expenses of EUR 27.5 million (2009: EUR 26.9 million). At EUR 21.0 million (2009: EUR 12.1 million), selling expenses were substantially higher than the previous year owing to strong sales growth. Likewise, warranty costs rose by EUR 8.3 million to EUR 15.7 million (2009: EUR 7.4 million). At EUR 21.5 million (2009: EUR 18.0 million), legal and consulting expenses were EUR 3.5 million higher year-on-year. This increase is due in particular to consulting services provided in connection with the syndicated loan and the refinancing concept. Other expenses for third-party services rose to EUR 18.8 million (2009: EUR 12.9 million). The other expenses for third-party services primarily concern expenses for contract and temporary workers that the Components segment incurred in connection with the increased capacity utilisation at the Frankfurt (Oder) solar module factory.

Earnings before interest and taxes (EBIT)

Taking EUR 43.9 million (2009: EUR 26.1 million) in depreciation, amortisation and impairment losses into account, earnings before interest and taxes (EBIT) in the 2010 financial year were EUR –13.8 million (2009: EUR –36.8 million) and thus EUR 23.0 million higher despite the increase in depreciation, amortisation and impairment losses. This increase is essentially due to impairment losses recognised on goodwill and property, plant and equipment, which amounted to EUR 17.0 million (2009: EUR 2.3 million).

Earnings before taxes (EBT)

The non-operating result of the Conergy Group in 2010 improved to EUR –14.7 million compared to EUR –21.8 million in the previous year. This is due primarily to the lower expenses from the measurement of interest rate swaps. Non-operating expenses of EUR 15.9 million (compared to EUR 22.5 million in the prior-year period) arose mainly from interest expenses related to borrowings that comprise both interest payments and accrued interest. Contrast the non-operating expenses with EUR 1.2 million in non-operating income (2009: EUR 0.7 million). Taking into account the non-operating result, at EUR –28.5 million, earnings before taxes (EBT) improved substantially (2009: EUR –58.6 million).

Income after taxes

After accounting for income tax expense of EUR 13.5 million (2009: EUR 22.5 million), the income from continuing operations after taxes in 2010 was EUR –42.0 million (2009: EUR –81.1 million), an improvement of EUR 39.1 million. The tax expense arose from the writedown of deferred tax assets for loss carryforwards, among other things.

At EUR –2.9 million, the discontinued operations of the EPURON segment depressed income after taxes; in the previous year, this segment had still posted a positive result of EUR 1.8 million. This means that income after taxes in the 2010 financial year was EUR –44.9 million (2009: EUR –79.3 million). Earnings per share from continuing operations were EUR –0.11 (2009: EUR –0.20).

Assets and liabilities

Consolidated balance sheet of the Conergy Group (short version)

EUR million	31.12.2010	31.12.2009
Non-current assets	**213.2**	**266.1**
Current assets	**377.9**	**344.6**
Assets held for sale	22.3	38.4
Total current assets	**400.2**	**383.0**
Total assets	**613.4**	**649.1**
Total equity	**71.4**	**116.0**
Non-current borrowings	**55.1**	**127.0**
Current borrowings	**484.0**	**378.6**
Liabilities from assets held for sale	2.9	27.5
Total current borrowings	**486.9**	**406.1**
Total equity and liabilities	**613.4**	**649.1**

Structure of the balance sheet

Total assets of the Conergy Group as at 31 December 2010 amounted to EUR 613.4 million, down EUR 35.7 million from the end of the 2009 financial year (31 December 2009: EUR 649.1 million).

Non-current assets

EUR million	31.12.2010	31.12.2009
Goodwill	1.0	14.9
Intangible assets	10.2	12.6
Property, plant and equipment	164.4	183.9
Financial assets	1.6	8.2
Other assets	0.9	0.9
Deferred tax assets	35.1	45.6
Non-current assets	**213.2**	**266.1**

Non-current assets from continuing operations declined by EUR 52.9 million to EUR 213.2 million compared to the end of the previous year (31 December 2009: EUR 266.1 million). This was partially due to the decrease of EUR 35.8 million in property, plant and equipment, intangible assets and goodwill, essentially as a result of depreciation and amortisation of EUR 26.9 million and impairment losses of EUR 17.0 million. Non-current financial assets decreased by EUR 6.6 million. At the same time, deferred tax assets declined. At 35.1 million, deferred tax assets were down EUR 10.5 million compared to the end of the 2009 financial year (31 December 2009: EUR 45.6 million).

Current assets		
EUR million	**31.12.2010**	**31.12.2009**
Inventories	169.5	107.5
Trade accounts receivable	103.2	113.4
Financial assets	4.6	3.1
Other assets	63.9	68.5
Cash and cash equivalents	36.7	52.1
Current assets	**377.9**	**344.6**

Current assets from continuing operations as at 31 December 2010 increased by EUR 33.3 million to EUR 377.9 million (31 December 2009: EUR 344.6 million), caused mainly by the increase in inventories to EUR 169.5 million (31 December 2009: EUR 107.5 million). Cash and cash equivalents fell at the same time to EUR 36.7 million (31 December 2009: EUR 52.1 million). At EUR 103.2 million (31 December 2009: EUR 113.4 million), trade accounts receivable decreased slightly, as did other current assets at EUR 68.5 million (31 December 2009: EUR 71.6 million). The other current assets mainly included VAT receivables, receivables from MEMC Electronic Materials, Inc. in connection with a wafer delivery contract as well as purchase price receivables related to the disposal of our German and French wind energy project business.

Assets and liabilities from discontinued operations are not shown in individual balance sheet items but rather as a combined item under "non-current assets held for sale and discontinued operations" and recognised in the corresponding liabilities and equity item of the balance sheet. This concerns the activities of the EPURON segment that had been classified as "held for sale" the previous year. In December 2010 Conergy sold EPURON's German and French wind project business (including the respective operating assets) to an investment fund of Impax Asset Management Ltd., one of the leading specialists for listed and private equity funds in the European renewable energies market. The following major projects based on concentrated solar power (CSP) technology were sold in Spain in the first quarter of 2011. Aside from the remaining wind energy project business in Australia, as well as the biogas project business that was sold to RES Projects GmbH (a leading, Munich-based specialist for the development and implementation of biomethane plants) in early February 2011, all other activities were discontinued in 2010. The plan is to dispose of the wind energy project business in Australia by the end of June 2011 at the latest.

In the 2010 financial year, the assets and liabilities of Güstrower Wärmepumpen GmbH, which belonged to the Components segment, were classified as "held for sale". In the first quarter of 2011, Conergy sold this subsidiary, which is specialised in the production and sale of heat pumps, to SmartHeat Inc. This NASDAQ-listed company is a leading provider of heat transfer and energy conservation solutions in the Chinese market. Conergy's entire equity interest in Güstrower Wärmepumpen was transferred to SmartHeat Inc. under the sale. In addition, Güstrower Wärmepumpen GmbH will also take over Conergy's land.

The assets and liabilities of Conergy's Swiss subsidiary, Conergy (Schweiz) GmbH, were also classified as "held for sale" in the 2010 financial year. In the first quarter of 2011, Conergy sold its Swiss solar thermal products business to Capital Stage AG, a private equity company specialising in companies and projects in the clean-tech sector. Conergy's entire equity interest in its Swiss subsidiary was transferred to Capital Stage. The assets and liabilities of the Company's Cypriot subsidiaries in the European segment were also classified as "held for sale". This change in presentation is rooted in the Company's plan to discontinue its activities in Cyprus.

In addition to the loss after taxes of EUR 44.9 million as at 31 December 2010, equity fell by another EUR 1.8 million to EUR 71.4 million compared to the 2009 reporting date (31 December 2009: EUR 116,0 million). This was due to negative currency effects that were recognised directly in equity. The equity ratio thus fell to 11.6 percent compared to 17.9 percent on 31 December 2009.

Liabilities from continuing operations increased by EUR 33.5 million to EUR 539.1 million compared to the close of the 2009 financial year (31 December 2009: EUR 505.6 million).

Non-current liabilities		
EUR million	31.12.2010	31.12.2009
Provisions	41.5	35.7
Borrowings	11.1	88.8
Other liabilities	2.0	2.5
Deferred tax liabilities	0.5	0.0
Non-current liabilities	**55.1**	**127.0**

Non-current liabilities as at 31 December 2010 fell to EUR 55.1 million compared to the end of the 2009 reporting period (31 December 2009: EUR 127.0 million). This is essentially due to the reclassification of non-current borrowings to current borrowings. The reclassification is related to the refinancing concept that was agreed upon on 17 December 2010. In this context, Conergy AG agreed to a refinancing concept with its creditors on 17 December 2010. The agreement provides for a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60 percent of their nominal value. Conergy's debt will be reduced in both cases. These measures were adopted by an Extraordinary General Meeting on 25 February 2011. The implementation of the refinancing package is still subject to the condition requiring the extinguishment of a portion of the credit line existing as at 31 December 2010. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is another requirement. As at 31 December 2010, non-current borrowings were EUR 11.1 million (31 December 2009: EUR 88.8 million). Non-current provisions as at 31 Dezember 2010 increased by EUR 5.8 million to EUR 41.5 million (31 December 2009: EUR 35.7 million). At EUR 2.0 million (31 December 2009: EUR 2.5 million), the other non-current liabilities fell slightly.

Current liabilities		
EUR million	31.12.2010	31.12.2009
Provisions	10.8	13.2
Current portion of non-current borrowings	–	18.8
Borrowings	280.5	186.0
Trade accounts payable	161.7	116.5
Other liabilities	28.1	43.5
Current income tax liabilities	2.9	0.6
Current liabilities	**484.0**	**378.6**

Current liabilities from continuing operations as at 31 December 2010 were EUR 484.0 million (31 December 2009: EUR 378.6 million). This was caused in particular by the increase in borrowings to EUR 280.5 million (31 December 2009: EUR 186.0 million) as well as the increase in trade accounts receivable to EUR 161.7 million (31 December 2009: EUR 116.5 million). The change in borrowings is due to the refinancing package which was already explained in the disclosures on the change in non-current borrowings. At the same time, other current liabilities fell to EUR 28.1 million (31 December 2009: EUR 43.5 million), mainly due to a reduction in VAT liabilities. At EUR 10.8 million (31 December 2009: EUR 13.2 million), current provisions were down EUR 2.4 million year-on-year.

Cash flows

Consolidated statement of cash flows of the Conergy Group (short version)		
EUR million	2010	2009
Result from operating activities before changes in net working capital	**34.5**	**−37.5**
Cash generated from operating activities		
continuing operations	17.1	53.1
discontinued operations	−9.2	15.4
Net cash generated from operating activities (total)	**7.9**	**68.5**
Net cash generated from investing activities	**−9.1**	**−14.9**
Net cash generated from financing activities	**−15.2**	**−27.2**
Change in cash from operating activities (total)	**−16.4**	**26.4**
Cash and cash equivalents at beginning of period	54.4	28.0
Exchange rate changes	0.0	0.0
Cash and cash equivalents at end of period	**38.0**	**54.4**
from continuing operations	36.7	52.1
from discontinued operations	**1.3**	**2.3**

The statement of cash flows describes the source and utilisation of the cash flows in the reporting period. Hence it is central to the assessment of the changes in the Company's financial position.

Based on operating income (EBIT) of EUR –13.8 million in the 2010 financial year (2009: EUR –36.8 million), adjusted for non-cash items such as depreciation, amortisation and impairment losses, changes in non-current provisions as well as other non-cash income and expenses such as, for instance, portions of the net gain/loss from currency translation, and writedowns of inventories and receivables, the cash flow from operating activities before changes in net working capital (gross cash flow) increased considerably to EUR 34.5 million year on year (2009: EUR –37.5 million).

At EUR 17.1 million, the cash flow generated in the 2010 financial year from operating activities related to continuing operations was EUR 36.0 million lower year-on-year (2009: EUR 53.1 million), especially due to the outflow of EUR 22.8 million in funds from the increase in working capital despite the major improvement in gross cash flow. In contrast, there had been an inflow of EUR 97.9 million in related funds the previous year. The increase in the working capital stems in particular from the relatively large increase in inventories of EUR 73.3 million (2009: decrease in inventories of EUR 89.6 million). At the same time, trade accounts payable rose by EUR 41.8 million (2009: EUR 17.6 million). Trade accounts receivable rose by EUR 9.3 million in the same period the previous year but fell by EUR 8.7 million in the 2010 financial year. The other net assets changed by EUR 4.9 million (2009: EUR –9.9 million). Tax refunds in the 2010 financial year were EUR 0.5 million (2009: EUR 2.6 million).

The cash flow from operating activities related to the discontinued operations of the EPURON segment – biomass, biogas, wind energy projects and CSP – in the 2010 financial year was EUR –9.2 million (2009: EUR 15.4 million). This figure is shown in a separate item in the statement of cash flows. Overall, the cash inflow from operating activities amounted to EUR 7.9 million (2009: EUR 68.5 million).

In the first 2010 financial year, EUR 9.1 million in net cash were used for investing activities (2009: EUR 14.9 million). The Group invested a net total of EUR 14.6 million (prior-year period: EUR 12.3 million) in property, plant and equipment as well as intangible assets. The inflow of funds from financial assets was EUR 4.2 million (2009: outflow of EUR 3.4 million). The Conergy Group received interest payments of EUR 0.9 million (2009: EUR 0.8 million).

The Conergy Group's net cash flow from financing activities in the 2010 financial was EUR –15.2 million (2009: EUR –27.2 million). This net cash outflow is the result of new borrowings of EUR 22.4 million (2009: EUR 48.7 million) under the syndicated loan and the repayment of borrowings in the amount of EUR 20.7 million (2009: EUR 55.5 million). This concerned a partial payment in the first quarter under the syndicated loan that was used to finance the solar factory in Frankfurt (Oder). We also made a separate payment of EUR 1.9 million in August 2010. Add to that interest payments of EUR 16.9 million, which were down year-on-year (2009: EUR 20.4 million).

The net change in cash and cash equivalents in the first 2010 financial year was therefore EUR –16.4 million (2009: EUR 26.4 million).

Cash and cash equivalents and net liabilities

The Conergy Group had cash and cash equivalents of EUR 36.7 million as at 31 December 2010 (31 December 2009: EUR 52.1 million).

As at 31 December 2010, borrowings amounted to EUR 291.6 million, compared to EUR 293.6 million at the close of the 2009 financial year. The Group's net liabilities as at the end of the 2010 financial year thus were EUR 254.9 million (31 December 2009: EUR 241.5 million).

Net liabilities and gearing		31.12.2010	31.12.2009
Non-current borrowings	EUR million	**11.1**	**88.8**
Current borrowings	EUR million	**280.5**	**204.8**
Borrowings	EUR million	**291.6**	**293.6**
Cash and cash equivalents	EUR million	36.7	52.1
Net liabilities related to continuing operations	EUR million	**254.9**	**241.5**
Equity	EUR million	71.4	116.0
Gearing	in percent	**357.0**	**208.2**

As a result, the gearing ratio, i.e. the ratio of net borrowings (borrowings less liquid funds) to equity as at 31 December 2010 increased to 357.0 percent (31 December 2009: 208.2 percent). The development of gearing against a backdrop of slightly higher net liabilities is essentially due to the reduction in equity as a result of the loss incurred in the 2010 financial year.

In a deviation from the presentation in the consolidated balance sheet, the cash holdings shown in the statement of cash flows as at 31 December 2010 contain EUR 1.3 million in cash and cash equivalents attribut-

able to assets held for sale. A total of EUR 2.3 million was recognised under discontinued operations as at 31 December 2009.

To ensure sufficient operating liquidity, on 31 July 2007 Conergy AG, the Momentum Renewables GmbH (former EPURON GmbH), Conergy SolarModule GmbH & Co. KG and Conergy Deutschland GmbH closed a syndicated loan for a total of EUR 600 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG (EUR 400 million cash loan and EUR 200 million guarantee and documentary credit facility). The cash loan is divided into two tranches and is intended for financing the construction of the production facility in Frankfurt (Oder) (Tranche A) and for financing Conergy Group's working capital requirements (Tranche B with a revolving facility of EUR 250 million). In addition, the syndicated loan provides a guarantee and documentary credit facility of EUR 200 million. Originally, Tranche A for EUR 150 million had to be paid back in half-yearly instalments until 31 December 2011, starting in 30 June 2008. A total of 37.5 million were repaid in 2008 and a total of EUR 18.8 million were repaid in 2009 as agreed with the banks. An additional loan payment of EUR 18.8 million was made once the out-of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in mid-February 2010. A special payment of EUR 1.9 million was made in August 2010. Tranche B in the amount of EUR 250 million was originally scheduled for repayment by 31 July 2010. On 29 July 2010, Conergy originally had reached an agreement with its financing banks to extend all loans until the end of 2011. The parties had also agreed that the three instalments outstanding on the term loan (Tranche A) would also be suspended until the end of 2011. These agreements were subject to certain terms. Conergy and the banking syndicate had agreed in this connection to commission an independent auditing firm to prepare an independent business review. This independent business review came to the conclusion that follow-up financing for the current credit facility beyond 31 December 2011 would be rather unlikely unless the Company's capital base was strengthened. This conclusion triggered a suspensive condition, and as a result the maturity date of all loans was accelerated to 21 December 2010.

On 17 December 2010, the creditors reached an agreement with Conergy AG to reduce the Company's debt substantially, with some creditors providing equity capital. The refinancing concept as a prerequisite for the granting of a new loan agreement that was signed in December 2010 will reduce Conergy's debt by EUR 188 million, markedly lowering the Company's future interest burden. It also provided for extending the remaining loans until the refinancing concept has been implemented but at most until 31 July 2011.

The parties also agreed on 17 December 2010 that some of the members of the existing banking syndicate will make available a new cash loan of up to approximately EUR 135 million to discharge the current credit facility as part of the restructuring as well as a credit line of up to approximately EUR 141 million for four years at market terms. The new syndicated loan agreement will provide for financial covenants after three years.

For the rest, among other things the refinancing concept provides for a reduction of the Company's capital stock of roughly EUR 398 million by approximately EUR 348 million to approximately EUR 50 million, as well as a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases. In the meantime these measures were resolved accordingly by the Extraordinary General Meeting on 25 February 2011 and are being implemented. Final implementation of the refinancing concept is still subject to the condition that the credit lines existing as at 31 December 2010 is reduced to roughly EUR 141 million. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60 percent of their nominal value is another requirement; all other terms of the new loan agreement have been fulfiled.

The existing applicable loan agreement imposes operating limitations on both Conergy and its subsidiaries as well as extensive disclosure requirements and the obligation to comply with specific financial indicators. Conergy has undertaken thereunder to ensure that certain balance sheet and earnings ratios, such as the ratio of consolidated net borrowings to consolidated EBITDA (in each case with and without contingent liabilities), a specific ratio of consolidated EBITDA to consolidated net interest expense and a specific eq-

uity ratio do not exceed or fall below a specific figure. The agreed upon value for the equity-ratio could not be met since 31 December 2010. But this corresponds with the restructuring concept that was agreed upon on 17 December 2010.

Certain other requirements do apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional debt, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations – or if the financial figures agreed upon are not reached – may trigger an extraordinary right of termination on the lenders' part, which would give them the right to call the loan immediately. The lenders also have other customary rights to terminate, for example, if a German or other significant subsidiary files for insolvency.

Other information

Non-financial performance indicators

A company's non-financial performance indicators make a major contribution to its success in the long term. We treat the non-financial performance indicators that we established and expanded as part of the Company's realignment in the past few years as leverage that makes Conergy not just more efficient but also more attractive.

Employees as agents of success
Conergy AG's employees are its bedrock and key to its success. Many a success in recent years would have been inconceivable absent their identification with the Company and their commitment to its aims. Enhancing the skills and qualifications of our employees and executives alike through purposeful on- and off-the-job training thus is key. At the same time, this serves to foster our employees' potential by giving them a lot of individual responsibility among other things. Internal personnel programmes as well as the annual employee development review and dialogue support this process. We are also recruiting highly qualified and experienced professionals as necessary. Remuneration models that reward individual performance through variable, performance-based compensation enhance employee motivation.

Code of Conduct
This Code, which is binding for all Conergy employees, is the ethical foundation of all business activities and describes the values, principles and practices of the Conergy Group. In addition, it describes the fundamental ethical and legal duties of the Conergy Group's employees and corporate bodies as they conduct their business. Compliance with these standards is monitored by a Compliance Committee organised by the central Governance & Compliance department, which was established in 2010. The Compliance Committee works to ensure that absolutely everybody in the Company abides by the same high ethical and legal standards. It is responsible for publicising the Code of Conduct and its aims among the Company's employees, training them and ensuring compliance with the guidelines. It also serves as a point of contact for the employees. All compliance officers can also be contacted individually.

Extensive experience in project management and project financing
Conergy is one of the most experienced project developers and engineers in the field of regenerative energies. The Company offers its customers the complete value chain from planning to construction to plant start-up, and it consider its comprehensive expertise to be a key competitive strength. Conergy also possesses many years of experience in project financing.

Product and technology strength, flexibility and quality
Conergy has access to different state-of-the-art technologies in photovoltaics that it manufactures on its own or purchases from third parties. Whilst thick-film technology accounts for the largest share of business in both the residential and the commercial market segment, Conergy can also equip power plants with economical thin film technology in the power plant market segment. It is not just the availability of diverse PV technologies that attract customers to Conergy in its capacity as a systems manufacturer but also the excellent quality of the products it manufactures as such.

Extensive references and engineering expertise
A provider's experience and references are highly significant to customers and investors alike. The Company's excellent reputation thus is pivotal to its success. The construction of a multitude of PV units both at home and abroad has given Conergy's engineers a vast well of experience to draw from. They ensure the installations' optimal operation over their entire useful

life with the help of a far-flung installation and services network. Conergy's many years of experience as a system manufacturer allows it to develop and implement optimally coordinated components and systems. Even the tiniest efficiency gains per system can generate noticeable benefits for customers.

Broad and internationally diversified customer base, customer access and customer proximity

Conergy has consistently worked to internationalise its customer base in order to reduce any dependence on individual local markets, legislative models promoting renewables or individual customer groups and thus has established a presence in all core photovoltaics markets. In future too Conergy will carefully analyse new markets as it pursues its internationalisation to decide whether or not to enter the given market. The Company's insight into central customer groups in the B2B business as well as into financial investors and their respective expectations and needs are a central component in building economic success in the PV market. Many years of working with a multitude of customers in these segments have led to broad knowledge of these customer groups, greatly facilitating services to these target groups while at the same time enhancing customer loyalty.

Corporate communications

Open and transparent communications, both internal and external, aim to help our employees, customers, business partners and investors place their trust in us. We initiated an internal suggestion system as a complement to our internal communications in order to tap into employees' ideas and experience and promote a dialogue between staff and top management on issues related to the Company's operating business. Credible external communications serve to create trust among our customers, suppliers and business partners. Openness and transparency inform Conergy's ongoing dialogue with its customers, for an open information policy coupled with a strong brand have a positive impact on customer loyalty.

Research and development

Conergy has one of the world's most modern production facilities for solar modules in Frankfurt (Oder), a city in the German state of Brandenburg. From the production lines occupying a total manufacturing space of 35,000 m^2 more than 900,000 high-performance modules rolled off in 2010 and were delivered to 9 countries. The value chain runs through three fully automated production areas that are fully integrated under a single roof – from silicon (the raw material), to the wafer, to the cell, all the way to the finished module.

Its factory is a state-of-the-art production facility yet Conergy is already looking ahead to the technologies of tomorrow. New selective emitter technology was integrated into one of four existing solar cell production lines during the 2010 financial year. We are aiming for solar cell efficiency gains of at least 0.3 percent as per binding manufacturer warranties.

Conergy and the renowned Leibniz Institute for Innovative Microelectronics have been jointly researching since 2010 how to use novel silicon derived from a variety of manufacturing processes in production. The raw material for crystalline solar modules that we are researching is much more inexpensive compared to the silicon that is known and used today. In so doing Conergy aims to continue reducing the raw material and manufacturing costs of its premium modules.

The Conergy PowerPlus modules that are manufactured in Frankfurt (Oder) repeatedly demonstrated their quality in 2010. For one, these modules did best in the ammonia test of the German Agricultural Society (Deutsche Landwirtschafts-Gesellschaft). Moreover, measurements conducted by the TÜV (German Certification Organisation) confirmed the modules' excellent weak light behaviour – instead of decreasing, their efficiency actually increases as solar irradiation weakens. The Conergy PowerPlus module also received top marks performed best in the first major hail test worldwide conducted by Cetecom ICT Services. The modules withstood large, 55 millimetre-wide hailstones – equivalent to the diameter of a billiard ball – that hit them with a velocity of 122 km/h.

In February 2010 TÜV Rheinland certified our solar factory pursuant to ISO 9001:2008 and 14001:2004. The Frankfurt (Oder) production site thus possesses a documented quality assurance and environmental management system across all departments that ensures consistent quality at the highest level.

Mounting Systems GmbH, a wholly-owned subsidiary of Conergy AG, is one of the largest manufacturers of mounting systems and module frames for both photovoltaics and solar thermal systems. In Rangsdorf (near Berlin), construction and mechanical engineers work continuously to optimise these mounting systems in accordance with applicable standards and tailor them to customers' needs. Their top priority is never to compromise the products' quality.

The engineers of Mounting Systems thus designed a novel mounting system for solar modules in 2010. The base rail for the SIGMA ground-mount system adheres to the principles of conventional constructive engineering as it applies to large roofs. The advantages: it reduces the need for materials and lowers costs while at the same time enhancing both its stability and its span.

This also applies to the ZETA in-roof mounting system, an equally new design from Mounting Systems. This visually attractive mounting system was designed specifically with the French market in mind. ZETA is mounted directly on the roof battens, thus replacing the conventional roof cladding. The module diverts rain water and is as waterproof as a traditional tiled roof. No additional supportive structure is required.

Novel installation options are being developed in close coordination with the Company's other segments – a clear advantage of Conergy's position as a systems manufacturer. For instance, our specialists for mounting systems and modules jointly developed QuickFix, a mounting system for the Conergy PowerPlus Solar module that does not require any screws at all.

All mounting systems manufactured in Rangsdorf provide maximum safety because the ISO-9001-certified factory only uses high-quality materials. In terms of stability and statics, these mounting systems comply with the state of the art and thus come with ten-year warranties.

The mounting systems of Conergy's subsidiary are sent out into the world from the German state of Brandenburg. This is why Mounting Systems opened its own sales office in France and launched the process of establishing its own production facility in Sacramento, CA, USA, in 2010.

In October 2010, Mounting Systems was awarded the CAI Prize of the Chamber of Commerce and Industry in Potsdam, Germany, in the growth category.

The product portfolio of our wholly-owned subsidiary, voltwerk electronics GmbH, continued to expand in 2010. It now ranges from 3 KW inverters all the way to 1.2 MW stations including high-performance monitoring systems for all user groups as well as the related services. Voltwerk thus offers essential electronic solar components from a single source.

Its new three-phase 8 kW, 11 kW and 15 kW string inverters were successfully brought to market and are considered among the most efficient devices around. Photon, a leading trade magazine, gave the product a "very good +" ranking as well as its "red dot design" and "iF product design" awards – prestigious prizes both.

Voltwerk's new central inverter series and new central inverter station are adding even more powerful products to its line-up of products for major PV power plants. The central inverter series concerns devices in the 200 kW and 300 kW performance class that are equipped with an integrated touch display which is used for all settings as well as to carry out yield analyses, both on site and remotely. The new central inverter stations have a peak efficiency factor of 97.7 percent, making them the most efficient on the market. They constitute complete solutions for major PV farms in the megawatt class that significantly reduce both planning and installation costs. Thanks to their modular design, these stations can be offered in nine performance classes from 400 kW up to 1.2 megawatts in 100 kW increments. The stations comprise central inverters, the monitoring system, a special highly efficient medium voltage transformer as well as the necessary medium voltage switching station.

Development work on the Sol-ion project, a combination of solar inverter, energy management system and lithium-ion battery, continued. The first devices are being tested in a comprehensive field test.

Voltwerk electronics GmbH was certified under ISO 9001 in June 2010. Under this standard, management systems must satisfy internationally accepted requirements regarding the quality of production, services and development. The auditors were particularly taken by the Company's customer focus, process optimisation and cost reduction. More than one million certified companies – including all suppliers that work with voltwerk – use the globally accepted ISO 9001 standard as a tool for managing their companies and continuously improving their performance.

Disclosures related to acquisitions

The following disclosures contain the disclosures related to acquisitions in accordance with Section 315 para. 4 German Commercial Code:

Summary of subscribed capital
The Company's subscribed capital (capital stock) as at 31 December 2010 balance sheet date was EUR 398,088,928. It is denominated in 398,088,928 no-par bearer shares with a pro rata interest in capital

of EUR 1.00 per no-par share. Each share grants identical rights and one vote at the Annual General Meeting. New shares are issued as bearer shares unless the Annual General Meeting resolves otherwise.

Equity interests in excess of 10.0 percent of the voting shares

The following direct and indirect equity interests in Conergy AG surpassed the 10.0 percent threshold of voting shares:

Athos Service GmbH, Munich, notified Conergy AG on 16 December 2008 pursuant to Section 21 para. 1 German Securities Trading Act that its interest in the voting shares of Conergy on 11 December 2008 fell below the threshold of 15.0 percent and subsequently was 14.95 percent (corresponding to 59,514,296 shares out of a total of 398,088,928 voting shares).

Athos Service GmbH, Munich, notified Conergy AG on 22 March 2011 that its interest in the shares of Conergy on 15 March 2011 fell below the threshold of 10.0 percent and subsequently was 9.42 percent on that day (corresponding to 37,514,296 shares). Furthermore Athos Service GmbH, Munich, notified Conergy AG on 22 March 2011 that its interest in the shares of Conergy on 18 March 2011 fell below the threshold of 5.0 and 3.0 percent and subsequently was 2.91 percent on that day (corresponding to 11,588,096 shares).

Commerzbank AG, Frankfurt (Main), notified Conergy AG on 4 August 2010 pursuant to Section 21 para. 1 German Securities Trading Act that its interest in the voting shares of Conergy AG on 3 August 2010 fell below the reporting threshold of 30.0 percent and at that date was 29.08 percent (corresponding to 115,762,187 out of a total of 398,088,928 voting shares).

Appointment and dismissal of Management Board members; amendment of the Company's Articles of Association

Under Article 6 para. 1 of Conergy's Articles of Association, its Management Board must comprise at least two members. Exercising its authority under Article 6 para. 1 sentence 2 of the Company's Articles of Association, the Supervisory Board determined by means of the rules of procedure amended on 10 November 2010 that the Management Board must have a minimum of two members at this time. Management Board members are always appointed and dismissed by the Supervisory Board pursuant to Section 84 and 85 German Stock Corporation Act in conjunction with Article 6 para. 1 Articles of Association. For the rest, the Articles of Association do not contain any deviations from statutory requirements.

Pursuant to Section 119 para. 1 no. 5 and section 179 ff. German Stock Corporation Act, the Annual General Meeting is charged with resolving amendments of the Articles of Association. Unless required otherwise by mandatory law or the Articles of Association, the resolutions of the Annual General Meeting are adopted by the simple majority of all votes cast and, to the extent that the law requires a majority of the capital, by the simple majority of the capital stock represented; Sections 179 ff. German Stock Corporation Act are applicable. The law prescribes absolute majorities of three-fourths of the capital stock present at the time the relevant resolutions are adopted in connection with certain amendments of the Company's Articles of Association (e.g. amendment of its business purpose), capital measures subject to the exclusion of shareholders' subscription right as well as certain other particularly significant items subject to formal resolution.

The Supervisory Board is authorised under Article 22 of the Articles of Association to amend them to the extent that such modification affects solely the wording. It is also authorised under Article 5 para. 3 Articles of Association to amend the relevant wording insofar as authorised capital in accordance with Article 5 para. 3 and para. 9 of the Articles of Association (Authorised Capital 2009 and 2010) has been utilised at the given time or upon expiry of the authorisation deadline. If new shares are issued in accordance with Article 5 para. 8 of the Articles of Association using contingent capital, the Supervisory Board is authorised thereunder to amend the wording of the Articles of Association such that it reflects the number of the new no-par bearer shares issued in each case, as well as to adopt any other related amendments of the Articles of Association that affect solely the wording. The same shall apply analogously if the authorisation to issue bonds with warrants or convertible bonds is not exercised upon expiration of the authorisation period as well as if the contingent capital is not used upon expiration of the deadlines for exercising options and conversion rights or for fulfiling conversion obligations or options.

Authority of the Management Board to issue shares and to buy-back shares

Pursuant to Article 5 para. 3 of the Articles of Association, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's capital stock until 9 June 2014 by a total of

up to EUR 100,000,000 by once or repeatedly issuing up to 100,000,000 new no-par bearer shares in return for contributions in cash and/or in kind ("Authorised Capital 2009"). In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription.

The Management Board is authorised hereby to exclude shareholders' subscription right with the approval of the Supervisory Board, once or repeatedly: (a) to the extent necessary in order to exclude fractional shares, if any, from shareholders' subscription right; (b) to the extent necessary in order to grant to the holders of options or conversion rights or obligations arising from bonds with conversion rights and/or options or a conversion obligation a subscription right to new shares in the scope to which they would be entitled as shareholders once they exercised the option or conversion right or fulfiled the conversion obligation; (c) to the extent that the new shares are issued in return for cash contributions and the pro rata amount of the capital stock attributable to all of the newly issued shares does not exceed the total of EUR 39,808,892 or, if lower, 10.0 percent of the capital stock extant both at the time this authorisation takes effect and at the time it is exercised for the first time ("maximum amount") and the issue price of the shares to be newly issued is not substantially lower than the market price of the Company's listed shares of the same class at the time the issue price is finally fixed; [and] (d) to the extent that the new shares are issued in return for in-kind contributions (especially in the form of companies, business units, equity stakes in companies or receivables).

The pro rata amount of the capital stock attributable to new or previously acquired treasury shares that are issued or sold in accordance with or under Section 186 para. 3 sentence 4 German Stock Corporation Act while this authorisation is in effect, subject to the exclusion of shareholders' subscription right, shall be offset against the maximum amount set forth in item (c) of the forgoing paragraph, as well as the pro rata amount of the capital stock attributable to shares that are or must be issued to satisfy bonds with conversion rights and/or options or a conversion obligation, to the extent that these bonds are issued while this authorisation is in effect subject to the exclusion of shareholders' subscription right in analogous application of Section 186 para. 3 sentence 4 German Stock Corporation Act.

The Management Board is further authorised, subject to the approval of the Supervisory Board, to determine additional details of the capital increase and the conditions of the share issuance.

The Management Board is also authorised pursuant to Article 5 para. 9 of the Company's Articles of Association, as amended by the resolutions of the Annual General Meeting on 5 October 2010, which were recorded in the Commercial Registry on 23 February 2011, to increase the Company's capital stock until 4 October 2015, with the approval of the Supervisory Board, by a total of EUR 99,044,464.00 by issuing a total of up to 99,044,464.00 new no-par bearer shares (no-par shares), once or repeatedly, in return for contributions in cash and/or in kind (Authorised Capital 2010). In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription.

The Management Board is authorised in this connection to exclude shareholders' subscription right with the approval of the Supervisory Board, once or repeatedly: (a) to the extent necessary in order to exclude fractional shares, if any, from shareholders' subscription right; (b) to the extent necessary in order to grant to the holders of options or conversion rights or obligations arising from bonds with conversion rights and/or options or a conversion obligation a subscription right to new shares in the scope to which they would be entitled as shareholders once they exercised the option or conversion right or fulfiled the conversion obligation; (c) to the extent that the new shares are issued in return for in-kind contributions (especially in the form of companies, business units, equity stakes in companies, receivables or for the purpose of satisfying conversion or option rights or obligations). The Management Board is authorised, subject to the approval of the Supervisory Board, to determine additional details of the capital increase and the conditions of the share issuance.

Pursuant to Article 5 para. 8 of the Company's Articles of Association, as amended by the resolutions of the Annual General Meeting on 5 October 2010, which were recorded in the Commercial Registry on 23 February 2011, the Company's capital stock was increased by up to EUR 199,044,464.00 by issuing 199,044,464.00 new no-par bearer shares (no-par shares) with a pro rata interest in the capital stock of EUR 1.00 per share (contingent capital). This contingent capital increase serves to grant no-par bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or income bonds (or combinations of these instruments) that are issued by the Company or its direct or indirect associates un-

der the authorisation granted by the Annual General Meeting on 5 October 2010 pursuant to Agenda item 7 in return for cash contributions and establish a conversion right or option to the Company's new no-par bearer shares or a conversion obligation. This contingent capital increase shall be executed only insofar as the options or conversion rights are exercised or insofar as the holders or creditors obligated to convert actually fulfil their conversion obligation and provided that no treasury shares or new shares issued under authorised capital are used to satisfy same.

The new no-par bearer shares shall participate in the Company's profit from the start of the financial year in which they are created through the exercise of options and/or conversion rights or through the fulfilment of conversion obligations. The Management Board is authorized to determine other details relating to the execution of the Contingent Capital Increase.

The Management Board has the right under Section 71 para. 1 German Stock Corporation Act to purchase the Company's treasury shares in the following cases: (a) if such purchase is necessary in order to avert severe, imminent harm to the Company; (b) if the shares are to be offered for purchase to persons who were or are employed with the Company or one of its associates; (c) if the purchase is made in order to compensate shareholders using shares in specific situations prescribed by law; (d) if the purchase does not entail any consideration; (e) by virtue of universal succession; and (f) pursuant to a resolution of the Company's Annual General Meeting to retire stock in accordance with the requirements regarding a reduction in the capital stock. The shares bought back under items (a) through (c) above, along with the Company's other treasury shares, which it already purchased or still retains, may not account for more than 10.0 percent of the capital stock.

At this time, Conergy AG is not authorised to purchase treasury shares under any resolution of its Annual General Meeting pursuant to Section 71 para. 1 no. 8 German Stock Corporation Act.

Key agreements of the Company

The key agreements that will be affected by a change of control at Conergy AG concern the existing syndicated loan agreement that gives the financing banks the right to terminate the agreement in the event of a change of control in accordance with its relevant provisions if an individual or a group of people acting in concert with each other (under an agreement or by any other means) gain control over the Company. All investors not known as existent major shareholders under the syndicated loan agreement are regarded as third-party investors.

The employment contract of one member of the Management Board gives him the right to terminate his contract for cause in the event of a defined change of control of Conergy AG.

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

The compensation report below is part of the Group management report. The report explains the structure and the level of compensation applicable to the Management Board and the Supervisory Board. The compensation report was prepared in accordance with the recommendations of the German Corporate Governance Code and contains all disclosures that must be made an integral part of the notes pursuant to Sections 285 no. 9, 314 para. 1 no. 6 German Commercial Code and the (Group) management report pursuant to Sections 289 para. 2 no. 5 and 315 para. 2 no. 4 German Commercial Code and the Management Board Compensation Disclosure Act (Gesetz über die Offenlegung der Vorstandsvergütung – VorstOG). Information about the shareholdings of the Management Board and the Supervisory Board will also be presented in this compensation report.

The following sets out the principles governing the Management Board's compensation and, in accordance with the recommendations of the German Corporate Governance Code, discloses the compensation paid to the Management Board on the whole and on an individualised basis.

Compensation of the Management Board

In keeping with the recommendations of the German Corporate Governance Code, the total compensation paid to the members of the Company's Management Board comprises both fixed and variable components, with the variable compensation differing among individual members of the Management Board. In particular, this distinction stems from the introduction in early 2010 of a compensation system applicable to new director's contracts with members of the Company's Management Board. Not only does this satisfy the requirement that the compensation be based on several years of performance, it also takes into account

the recommendation of the German Corporate Governance Code that negative developments ought to affect the variable compensation as well.

1. Responsibility for fixing the Management Board's compensation

The Supervisory Board is tasked with fixing the compensation of each individual member of the Management Board. Its determination of adequate compensation is based on a performance appraisal, taking all payments from the Group into account. Criteria for determining the appropriateness of compensation are, in particular, the tasks of the respective member of the Management Board, his personal performance, the overall performance of the Management Board as well as the economic situation, the performance and outlook of the enterprise taking into account its peer companies.

2. Elements of the compensation of Management Board members

The compensation of the Management Board comprises both fixed and variable elements.

All members of the Management Board receive basic compensation not contingent on performance that is paid monthly as a salary. In addition, all members of the Management Board receive benefits in the form of non-cash compensation such as the option to use company cars for private purposes as well as contributions to their retirement plans as well as to insurance expenses; In general these benefits are paid to all members of the Management Board equally but the actual amounts vary according to their personal needs. Individual members of the Management Board are also reimbursed for outlays such as flights home or relocation expenses. All non-cash benefits are part of their compensation and thus taxable. No Management Board member was granted loans or advances in the reporting year, nor did the Company incur any contingent liabilities on their behalf.

In 2010, Conergy AG put in place a new compensation structure that applies to Management Board members' new director's contracts. Thereunder the members of the Management Board are paid variable compensation equivalent to 100.0 percent of their annual fixed compensation if they achieve absolutely all performance targets that the Supervisory Board fixes in advance at its discretion. If goal achievement exceeds the target, the variable compensation is raised to a maximum of 150.0 percent of the fixed compensation; if goal achievement falls short of the target, it is lowered. The variable compensation comprises a component that is disbursed and a component that is converted into phantom stock options. No more than 45.0 percent of the variable compensation are paid in cash at the end of the Annual General Meeting tasked with formally approving the actions of the Management Board during the given financial year for which the variable compensation is owed. The remaining and thus larger portion of the variable compensation is converted into phantom stock options on an annual basis. The number of phantom stock options is determined at the time the variable compensation is fixed based on the weighted average share price on the last 30 trading days of the financial year for which the compensation is owed. The phantom stock options are paid out at the end of a holding period of up to four years from the date on which the number of shares is determined at the time the variable compensation is converted. The value of the phantom stock options to be paid out upon expiry of the holding period is limited to 200.0 of the variable compensation that was converted into phantom stock options but may not fall below 50.0 percent thereof. The phantom stock options are measured on the basis of the weighted average share price during the 30 trading days preceding the payment date.

Aside from setting the contractually owed compensation, the Supervisory Board also has the option at its discretion to grant individual Management Board members a special bonus or a retroactive bonus in recognition of outstanding performance based on a previously stipulated performance target.

Under the new compensation system, Andreas Wilsdorf is entitled to variable compensation of TEUR 350 if all performance targets are met in full. It shall be increased to a maximum of TEUR 525 if his goal achievement surpasses the baseline and decreased if he falls short of the targets. 45.0 percent of the variable compensation is paid in cash, and the balance is converted into phantom stock options subject to a four-year holding period. These phantom stocks constitute cash-settled share based payments as defined by IFRS 2. The Black Scholes Option Pricing Model was used to measure the phantom stocks. The historical volatility of Conergy's share was used to determine volatility because the implicit volatility shown by Bloomberg is calculated using short-term options. The measurement of the phantom stocks was based on 216 weeks of historical volatility in order to take into account that the phantom stocks still had a remaining term of approximately 1,080 days as at 31 December 2010 (assuming that the Supervisory Board determines the variable compensation by 31 March 2011). As at 31 December 2010, the value of the phantom stocks was EUR 0.32 and the number of phantom

stocks outstanding was 308,798. Provisions of TEUR 100 were recognised for this reason at the reporting date. As at the 15 March 2010 grant date, the fair value of the share-based payments was TEUR 152 and the number of the phantom stocks granted on a pro rata basis was 182,923. Andreas Wilsdorf was also paid a one-off signing bonus of TEUR 100 in the 2010 financial year. In return, he agreed to being appointed to the Management Board effective 15 March 2010 already (instead of 1 July 2010 as originally planned and stipulated by contract).

Dr. Sebastian Biedenkopf was only paid basic compensation not contingent on performance due to the brevity of his term of office during the reporting year. In addition to his monthly fixed compensation, starting in the 2011 financial year Dr. Sebastian Biedenkopf will be paid variable compensation contingent on both his personal performance and the degree to which financial targets are met. If he meets the performance targets in full, Dr. Sebastian Biedenkopf shall be entitled to gross variable compensation of up to TEUR 205, and TEUR 410 in each of 2012 and 2013. It shall be increased to a maximum of TEUR 307.5 for the 2011 financial year if goal achievement surpasses the baseline and TEUR 615 for each of the 2012 and 2013 financial years, and shall decrease if goal achievement falls short of the baseline. Forty percent of the variable component of his compensation shall be paid in cash and 60.0 percent shall be converted into phantom stock options subject to a three-year holding period. Dr. Sebastian Biedenkopf shall also be paid a one-off bonus in the amount of gross TEUR 205 related to the Company's restructuring. The Supervisory Board decides at its discretion if the requirements for receiving this one-off bonus have been met.

The director's contracts of Dr. Sebastian Biedenkopf and Andreas Wilsdorf provide for severance pay if their respective activities on the Management Board are terminated early; such severance pay shall correspond at most to two years' worth of annual compensation subject to full target achievement (severance cap) as well as the compensation for the remaining term of their individual director's contracts. In a departure from the foregoing, maximum severance pay equivalent to 150.0 percent of the severance pay cap has been stipulated with Dr. Sebastian Biedenkopf if he terminates his contract due to a change of control.

In return for a one-year post-signing noncompete clause, both Dr. Sebastian Biedenkopf and Andreas Wilsdorf shall be paid separate compensation amounting to 50.0 of their most recent fixed compensation as well as 50.0 percent of their most recent variable compensation not including the portion that is converted into phantom stock options. The Company may waive compliance with the post-signing noncompete clause.

Given the introduction in 2010 of the variable compensation system for new Management Board members, deviations to the foregoing explanations arise for the Management Board members who resigned during the reporting year: Dieter Ammer, Dr. Andreas von Zitzewitz, Dr. Jörg Spiekerkötter and Philip von Schmeling.

The former members of the Management Board were also paid an annual performance bonus, the amount of which is contingent on the achievement of goals that the Supervisory Board fixes in advance at its discretion. If 100.0 percent of these targets were met, the respective member of the Management Board was entitled to an annual performance bonus equivalent to his fixed annual compensation. The annual performance bonus was raised in increments relative to the fixed annual compensation for each 10.0 percentage points by which goal achievement surpassed the baseline, up to a maximum of 50.0 percent; it was reduced in increments relative to the fixed annual compensation for each 10.0 percentage points by which goal achievement fell short of the baseline. The variable component also contained share-based compensation elements in the form of stock appreciation rights (phantom stock options).

Mr Dieter Ammer was entitled to an annual performance bonus of TEUR 500 if the goals were met in full. His annual performance bonus was raised in increments of TEUR 50 for each additional 10.0 percentage points by which goal achievement surpassed the baseline, up to a maximum of TEUR 750; it was reduced in increments of TEUR 50 for each 10.0 percentage points by which goal achievement fell short of the baseline.

In addition, Dieter Ammer also participated in a share-based compensation programme in the form of stock appreciation rights with a three-year term starting 1 September 2008. These stock appreciation rights were divided into two tranches of 50.0 percent each. The first tranche could be exercised at the earliest upon expiration of a waiting period of six months, and the second tranche at the earliest upon expiration of a waiting period of one year and six months from 1 September 2008. Furthermore, the exercisability of stock appreciation rights was also tied to the positive development of Conergy AG's share price. The first tranche could be exercised only if and as soon as the Company's share exceeded a price of EUR 1.27 (which was

fixed as the base price) by at least 10.0 percent, on the thirtieth trading day, at the earliest, at the Frankfurt (Main) Stock Exchange prior to expiration of the waiting period of the stock appreciation rights and no later than prior to the expiration of the overall maturity. The second tranche could only be exercised if the share price exceeded the base price by at least 20.0 percent under the same conditions. Any exercise of the stock appreciation rights was ineffective absent the fulfilment of these performance targets. Stock appreciation rights had to be exercised no later than by the stock's final maturity; if not, they were forfeited outright without compensation. For every stock appreciation right exercised to legal effect, Mr Dieter Ammer had a claim against the Company for payment in cash of an amount corresponding to the difference between the unweighted closing price of Conergy AG's share in Deutsche Börse AG's Frankfurt (Main) XETRA trading on the last 30 consecutive trading days preceding the exercise date of the stock appreciation right (limited to a specific maximum price) and the base price. The SARs were forfeited outright without compensation once his employment ended because the exercise conditions had not been met.

In connection with the renewal of Dieter Ammer's director's contract effective 1 August 2010, the Supervisory Board agreed to variable compensation that diverges from the new compensation system owing to his short, three-month term of office. His compensation also comprised a fixed and a variable component. The fixed compensation was not contingent on performance and was raised from monthly TEUR 41.6 to TEUR 42. The variable component was based on both personal performance and achievement of qualitative goals that the Supervisory Board had fixed in advance. Dieter Ammer was entitled to a performance bonus of no more than TEUR 99 if the targets were met in full.

Dr. Jörg Spiekerkötter was entitled to an annual performance bonus of TEUR 500 if all performance targets were met. His annual performance bonus was raised in increments of TEUR 50 for each additional 10.0 percentage points by which goal achievement surpassed the baseline, up to a maximum of TEUR 750; it was reduced in increments of TEUR 50 for each 10.0 percentage points by which goal achievement fell short of the baseline.

Dr. Jörg Spiekerkötter also participated in a share-based compensation programme entailing stock appreciation rights embodied in phantom stock options with a term of three years overall. These phantom options were divided into three tranches with terms of one, two and three years. Three exercise dates have been set; on each date, a third of the Phantom Stock Options granted could be exercised. After three years, all of the Phantom Stock Options are exercisable. Unexercised options could be carried over to the next two tranches. At the time the Phantom Stock Options were exercised, Conergy AG was obligated to pay the difference between the base price that was fixed at the inception of the stock option programme and the volume-weighted average share price during the last 85 trading days prior to the end of the relevant service period. The difference was increased or decreased by 10.0 to 20.0 percent depending on the development of Conergy's share relative to the Öko-Dax reference index. The gross amount paid out was restricted to a maximum total amount even if the calculation principles used would technically have resulted in a higher amount. The share-based payment programme expired on 31 October 2010.

Dr. Andreas von Zitzewitz was entitled to an annual performance bonus of TEUR 400 if all performance targets were met. His annual performance bonus was raised in increments of TEUR 40 for each additional 10.0 percentage points by which goal achievement surpassed the baseline, up to a maximum of TEUR 600; it was reduced in increments of TEUR 40 for each 10.0 percentage points by which goal achievement fell short of the baseline. Dr. Andreas von Zitzewitz was also be included in any stock option plan or share-based payment plan that the Company might establish in future. Effective 1 January 2011, Dr. Andreas von Zitzewitz shall also be paid noncompete compensation of TEUR 300 for a period of nine months, to be disbursed in nine equal instalments.

Philip von Schmeling was entitled to an annual performance bonus of TEUR 180 if all performance targets were met. His annual performance bonus was raised in increments of TEUR 18 for each additional 10.0 percentage points by which goal achievement surpassed the baseline, up to a maximum of TEUR 270; it was reduced in increments of TEUR 18 for each 10.0 percentage points by which goal achievement fell short of the baseline. The extent to which targets were met was determined to be 110.0 percent at the time he resigned from the Management Board.

The contracts with Philip von Schmeling and Dr. Jörg Spiekerkötter as Management Board members provided for compensation corresponding to no more than the severance pay cap specified in item 4.2.3 of the German Corporate Governance Code in case of early termination of their respective activities as such. In a deviation from the foregoing sentence however, maximum sev-

erance pay corresponding to the higher level under item 4.2.3 of the German Corporate Governance Code was stipulated with Dr. Jörg Spiekerkötter if he terminated his contract in the event of a change of control.

If Dr. Andreas von Zitzewitz terminated his activities for the Management Board early, his contractually stipulated severance pay was limited to an amount that was equivalent to two full years of compensation, provided 100.0 percent of the performance targets have been met, up to a maximum of the compensation payable for the remainder of his director's contract.

With the exception of the aforementioned cases, no member of the Management Board was promised additional payments in the event of termination. Nor did any member of the Management Board receive bonus payments or corresponding commitments from a third party in the reporting year with respect to their activity as Management Board members.

The Company has not made any additional promises above and beyond the aforementioned payments with respect to corporate contributions toward retirement plans.

General contractual provisions (term, termination)
The director's contracts of two Management Board members, Dr. Sebastian Biedenkopf and Andreas Wilsdorf, both have a term of three years. The decision as to whether they shall be reappointed shall be made nine months but no later than six months prior to the expiry of their terms of office subject to a review of the fixed and variable components of their compensation. Their director's contracts shall expire no later than at midnight on the last day of the month in which they turn 65. Given this limitation, the contracts do not provide for a regular right to termination. However, either party may terminate the respective director's contract to immediate effect for cause.

	Former Members of the Management Board					Current Members of the Management Board		
TEUR	**Dieter Ammer [3]**	**Dr. Andreas von Zitzewitz [4]**	**Dr. Jörg Spiekerkötter [5]**	**Philip von Schmeling [6]**	**Sub-total**	**Andreas Wilsdorf [7]**	**Dr. Sebastian Biedenkopf [8]**	**Total**
Fixed annual compensation	382	400	417	200	1,399	379	272	2,050
Compensation in kind/other benefits [1]	20	316	9	16	361	32	6	399
Non-performance-based compensation	**402**	**716**	**426**	**216**	**1,760**	**411**	**278**	**2,449**
Short-term variable compensation [2]	391	400	417	165	1,373	125	–	1,498
Directly paid compensation	**793**	**1,116**	**843**	**381**	**3,133**	**536**	**278**	**3,947**
Fair value of newly granted share-based payment (SAR)	–	–	–	–	–	152	–	152
Total compensation according to HGB [9]	**793**	**1,116**	**843**	**381**	**3,133**	**688**	**278**	**4,099**
Long-term variable compensation (benefits vested in the current year)	–	–	–	–	–	100	–	100
Change in value of existing benefits	−73	–	–	–	−73	–	–	−73
Share-based payment	**−73**	**–**	**–**	**–**	**−73**	**100**	**–**	**27**
Total directly paid compensation	793	1,116	843	381	3,133	536	278	3,947
Long-term variable compensation (benefits vested in the current year)	–	–	–	–	–	100	–	100
Change in value of existing benefits	−73	–	–	–	−73	–	–	−73
Total compensation according to IFRS	**720**	**1,116**	**843**	**381**	**3,060**	**636**	**278**	**3,974**

[1] The other compensation components especially comprise non-cash compensation (e.g. company car, insurance) and allowances for pension insurance (relief fund) as well as reimbursement of homeward flights and relocations expenses; in the case of Dr. von Zitzewitz also the waiting allowance.
[2] These figures are principally based on provisions, assuming full target achievement. Mr. von Schmeling's variable compensation was paid upon termination of his director's contract, and TEUR 99 were paid to Mr. Ammer in connection with the renewal of his director's contract.
[3] Member of the Management Board until the conclusion of the Annual General Meeting on 5 October 2010.
[4] Member of the Management Board until 19 August 2010
[5] Member of the Management Board until the conclusion of 31 October 2010
[6] Member of the Management Board until the conclusion of 23 April 2010
[7] Member of the Management Board since 15 March 2010
[8] Member of the Management Board since 1 September 2010
[9] This includes compensation of TEUR 553 for former members of the Management Board for the period after their resignation.

Compensation of the Supervisory Board

The policy for the compensation of the Supervisory Board was established by the Annual General Meeting in 2009 based on the joint proposals of the Management Board and the Supervisory Board. The compensation of the Supervisory Board takes into consideration the responsibilities and duties of each of the Supervisory Board members as well as the Company's economic performance. Accordingly, Supervisory Board members have been paid a fixed compensation of TEUR 25 per annum since the 2010 financial year. They also receive performance-based components in addition to this fixed compensation. Members of the Supervisory Board are thus paid an additional EUR 500 per one-million euro increment of annual net income up to a maximum of TEUR 11 in performance-based compensation. 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. Each member of the Supervisory Board also receive an attendance fee of EUR 1,000 for each meeting in which the member participates. Each member of the Supervisory Board is also paid fixed compensation of TEUR 10. The chairman of a committee is paid two and one half times the compensation paid to regular committee members unless the position was assigned to him by virtue of the Company's Articles of Association or the rules of procedure for the Supervisory Board. In addition, committee members are paid EUR 1,000 for every committee meeting they attend.

TEUR	Fixed Compensation Supervisory Board	Attendance Compensation Supervisory Board	Fixed Compensation Audit Committee	Attendance Compensation Audit Committee	Fixed Compensation Chairman's Committee	Attendance Compensation Chairman's Committee	Variable Compensation	Total
Eckhard Spoerr (Chairman until 19 July 2010)	34	4	5	2	5	2	–	52
Norbert Schmelzle (Deputy Chairman until 19 July 2010, Chairman since 19 July 2010)	48	13	10	6	10	5	–	92
Klaus-Joachim Krauth (Deputy Chairman from 19 July 2010 until 7 March 2011)	30	14	24	6	4	3	–	81
Andreas de Maizière (Deputy Chairman since 10 March 2011)	25	14	4	3	10	5	–	61
Oswald Metzger	25	13	–	–	–	–	–	38
Bernhard Milow	25	14	–	–	–	–	–	39
Dieter Ammer (since 5 October 2010)	6	4	–	–	–	–	–	10
	193	**76**	**43**	**17**	**29**	**15**	**–**	**373**

In addition to their compensation, the Supervisory Board members also received TEUR 21 in reimbursements for outlays (especially travel expenses) during the reporting period.

Shareholdings of the Management Board and the Supervisory Board members

No shares were held by members of the Management Board as at the 31 December 2010 closing date. The members of the Supervisory Board held a total of 15,074,082 shares as at 31 December 2010.

Number of shares held	
Management Board	**22,871**
Dr. Sebastian Biedenkopf	–
Andreas Wilsdorf	–
Dr. Jörg Spiekerkötter (until 31 October 2010)	–
Dr. Andreas von Zitzewitz (until 19 August 2010)	7,840
Philip von Schmeling (until 23 April 2010)	15,031
Supervisory Board	**15,074,082**
Norbert Schmelzle	–
Klaus-Joachim Krauth	–
Andreas de Maizière	–
Oswald Metzger	–
Bernhard Milow	–
Dieter Ammer (since 5 October 2010)	15,074,082
Eckhard Spoerr (until 19 July 2010)	–

Events after the reporting period

On 23 February 2011 Conergy AG sold its Swiss solar thermal products business to Capital Stage AG, a private equity company specialising in companies and projects in the clean-tech sector. Conergy's entire equity interest in its subsidiary, Conergy (Schweiz) GmbH, was transferred to Capital Stage in connection with the disposal. Conergy (Schweiz) GmbH is a local market leader in the solar thermal systems sector; it is also engaged locally in other areas of regenerative energies. The company will be renamed Helvetic Solar GmbH in future.

On 2 March 2011 Conergy sold its subsidiary, Güstrower Wärmepumpen GmbH, which is specialised in the production and sale of heat pumps, to SmartHeat Inc. as planned. This NASDAQ-listed company is a leading provider of heat transfer and energy conservation solutions in the Chinese market. Conergy's entire equity interest in Güstrower Wärmepumpen was transferred to SmartHeat under the sale. In addition, Güstrower Wärmepumpen GmbH will also take over Conergy's land.

At the Extraordinary General Meeting on 25 February 2011, the Company's shareholders voted to reduce the capital stock of Conergy AG by about EUR 400 million to about EUR 50 million and thus for an 8:1 reverse stock split. The General Meeting also resolved simultaneously to increase the capital stock by means of a capital increase by up to EUR 188 million. Both agenda items were adopted by majorities of 99.5 percent in each case.

Effective 7 March 2011, Klaus-Joachim Krauth, a member of the Supervisory Board, resigned from all of his offices at his own request: that of Deputy Chairman of the Supervisory Board, his position as both a member and the Chairman of the Audit Committee as well as his appointment to the Chairman's Committee. On 10 March 2011, the Supervisory Board elected Andreas de Maizière its new Deputy Chairman. Oswald Metzger was appointed to the Audit Committee to fill the vacancy. Bernhard Milow was appointed to the Chairman's Committee, taking the place of Klaus-Joachim Krauth. The Audit Committee also elected Andreas de Maizière its new Chairman.

Risk and opportunity report

Risk management

All entrepreneurial activity is inextricably bound to risks and rewards. This is why effective management of risks and opportunities is critical to success.

Risk management is an integral part of the Company's internal control system (ICS). For one, the ICS comprises process-integrated controls such as for instance separation of functions or IT process controls and, for another, controls that are uninvolved in business processes such as for example regular audit procedures aimed at ensuring compliance with internal guidelines and accounting principles; the reliability of the data used in the preparation of the consolidated financial statements and for the internal reporting system; as well as compliance with material legal requirements.

The Management Board of Conergy AG has established a management control system within groupwide risk management for purposes of early detection, assessment and management of relevant risks and for purposes of fulfiling statutory requirements. Risk management thus is an integral part of the groupwide planning, managing and reporting processes and serves to systematically identify, assess, control and document risks. The audit of the annual financial statements also entails reviewing the general suitability of Conergy AG's early warning system for identifying substantial risks that have a direct impact on the Company's financial reporting.

A groupwide risk management manual, centralised Corporate Risk Management, the Risk Committee as well as regular and uniform risk reporting at the level of the operating units are material elements of our risk management system. The risk management manual describes the groupwide approach to risk management and fixes functions, processes and responsibilities that are binding on both the employees and the operating units of Conergy. This approach is aligned with Conergy's corporate structure and is designed to ensure that all risks are detected in due time such that they can be counteracted, immediately and adequately.

The respective organisational units are responsible for identifying risks and reporting them to Corporate Risk Management. Corporate Risk Management for its part coordinates the groupwide recording of risks and their systematic assessment based on uniform standards. Risks are identified and quantified as part of internal risk reporting. The initial risk assessment is made for a one-year planning period. Taking defined risk categories into account, the risks are assessed based on the probability of their occurring and the loss amount, in particular their possible impact on EBIT. New risks are analysed and included in risk management if they are relevant. Corporate Controlling of Conergy AG also analyses the difference between the Company's actual and targeted performance in order to identify any risks

that could jeopardise its performance. Individually adjusted strategies and measures designed to avoid, mitigate or hedge risks are initiated in cooperation with the responsible departments. Risks that exceed a specific maximum value are communicated to the Risk Committee, which is tasked with monitoring the Group's material risks and initiating appropriate countermeasures as necessary.

Besides the obligation to report new, relevant risks immediately, both Corporate Risk Management and the Risk Committee regularly assess and adjust the Company's exposure to risk in cooperation with the responsible departments in the Group. Corporate Risk Management and the Risk Committee report existing material risks to the Management Board. In addition, the Management Board regularly informs the Supervisory Board of material risks and their development. We define material risks as those whose impact is serious enough to jeopardise the existence of the Conergy Group as a going concern.

In Conergy's view, the risk management system is a process that is adjusted on an ongoing basis to the Company's structural and process organisation, markets and current developments, with the result that it is continuously improved. Hence Corporate Risk Management will continually refine the Company's risk management system. The effectiveness of the risk management system is also monitored by the Supervisory Board's Audit Committee.

Whilst Conergy AG's risk management system provides for the complete recording and processing of matters relevant to the Company, personal judgments, defective controls, criminal acts and other circumstances cannot be fully precluded. As a result, the Company's risk management system cannot offer absolute certainty as to whether or not the disclosures in the Group's accounting are accurate, complete and timely.

What follows is a description of the risks that could have considerable negative effects on the assets, liabilities, cash flows and profit or loss of the Conergy Group, its share price and our reputation. These are not necessarily the only risks to which Conergy is exposed. Risks that are presently unknown to Conergy or that it deems insignificant at this time might also undermine its business activities.

Material risks

Conergy's business model presupposes functioning market mechanisms in its capital and sales markets. In the long term, systematic and/or structural disruptions could substantially hamper the development of the Company's business and lead to unforeseeable business developments.

For more information, please see the section on anticipated developments.

| Project financing

Given the current situation in the markets for capital and sales, there is the risk that neither borrowings nor equity from Conergy's customers for specific projects might be available as planned, This could be rooted in unrealistic expectations of achievable yields as well as in non-fulfilment of contractual obligations regarding the provision of equity or debt capital. We cannot assure that the contractually stipulated financing will actually materialise even though the contracts are in place. In turn, this could change, delay or completely cancel contractually stipulated projects, with the attendant effects on Conergy's assets, liabilities, cash flows and profit or loss.

| Working capital management, default risks

Conergy is creating inventories of PV modules, raw materials and consumables as well as of mounting systems and inverters under long-term delivery contracts – and pursuant to conservative planning rooted in functional market mechanisms – in order to achieve planned and projected sales. Conergy would be unable to use these asset inventories, or they might be subject to writedowns, if orders and projects are cancelled because of regulatory cuts – as described in the section development of the industry in the report on anticipated developments. Besides increasing the quantity of inventories, such a development might require valuation adjustments to inventories as part of working capital management or selling prices that are below cost. There is also a greater risk that customers might no longer be able to fulfil their contractual payment obligations, given their own financial situation. In turn, this could lead to unplanned allowances for doubtful accounts. Furthermore, we cannot always guarantee that Conergy would be able to retrieve the goods it delivered subject to reservation of title by enforcing its security interest because it is an international business and because goods are resold.

- **Property, plant and equipment and intangible assets**
  Impairment losses might have to be recognised on intangible assets – but also on significant items of property, plant and equipment such as – for example – the production plant in Frankfurt (Oder) – pursuant to statutory accounting standards if fair values fall below carrying amounts. Such a situation may arise if income is lower than planned due to regulatory cuts or the fact that the Company's production costs exceed those of its competitors, causing the loss of a broad cross-section of consumers. Regulatory interventions but also exceedingly high production costs intensify the risk that Conergy's assets, liabilities and profit or loss might be substantially affected by accounting losses on property, plant and equipment as well as intangible assets.

Terms and conditions of the syndicated loan agreement

To ensure sufficient operating liquidity, on 31 July 2007 Conergy AG, the Momentum Renewables GmbH (former EPURON GmbH), Conergy SolarModule GmbH & Co. KG and Conergy Deutschland GmbH closed a syndicated loan for a total of EUR 600 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG (EUR 400 million cash loan and EUR 200 million guarantee and documentary credit facility). The cash loan is divided into two tranches and is intended for financing the construction of the production facility in Frankfurt (Oder) (Tranche A) and for financing Conergy Group's working capital requirements (Tranche B with a revolving facility of EUR 250 million). In addition, the syndicated loan provides a guarantee and documentary credit facility of EUR 200 million. Originally, Tranche A for EUR 150 million had to be paid back in half-yearly instalments until 31 December 2011, starting in 30 June 2008. Tranche B in the amount of EUR 250 million was originally scheduled for repayment by 31 July 2010. On 29 July 2010, Conergy originally had reached an agreement with its financing banks to extend all loans until the end of 2011. The parties had also agreed that the three instalments outstanding on the term loan (Tranche A) would also be suspended until the end of 2011. These agreements were subject to certain terms. Conergy and the banking syndicate had agreed in this connection to commission an independent auditing firm to prepare an independent business review. This independent business review came to the conclusion that follow-up financing for the current credit facility beyond 31 December 2011 would be rather unlikely unless the Company's capital base was strengthened. This conclusion triggered a suspensive condition, and as a result the maturity date of all loans was accelerated to 21 December 2010.

On 17 December 2010 the creditors reached an agreement with Conergy AG to substantially ease the Company's liabilities. The willingness of some of the creditors to contribute their loan receivables as in-kind contributions is a cornerstone of this accord. The refinancing package that was signed in December 2010 as a prerequisite for the new loan agreement is designed to lower Conergy's financial liabilities by a total of EUR 188 million, thus substantially lowering the Company's future interest burden. It also provided for extending the remaining loans until the refinancing measures have been implemented but at most until 31 July 2011.

The parties also agreed on 17 December 2010 that some of the members of the existing banking syndicate will make available a new cash loan of up to approximately EUR 135 million to discharge the current credit facility as part of the restructuring as well as a credit line of up to approximately EUR 141 million for four years at market terms. The new syndicated loan agreement will provide for financial covenants after three years.

For the rest, among other things the refinancing concept provides for a reduction of the Company's capital stock of roughly EUR 398 million by approximately EUR 348 million to approximately EUR 50 million, as well as a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases.

In the meantime these measures were resolved accordingly by the Extraordinary General Meeting on 25 February 2011 and are being implemented. Final implementation of the refinancing concept is still subject to the condition that the credit lines existing as at 31 December 2010 is reduced to roughly EUR 141 million. Despite the constraints related and the initial delays the management board expects to implement the concept according to the agreement. Certification by a court-appointed auditor for the in-kind contribution

that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is a further requirement – next to the reduction of the credit lines; all other terms of the new loan agreement have been fulfiled.

The existing loan agreement imposes operating limitations on both Conergy and its subsidiaries as well as extensive disclosure requirements and the obligation to comply with specific financial indicators. Conergy has undertaken thereunder to ensure that certain balance sheet and earnings ratios, such as the ratio of consolidated net borrowings to consolidated EBITDA (in each case with and without contingent liabilities), a specific ratio of consolidated EBITDA to consolidated net interest expense and a specific equity ratio do not exceed or fall below a specific figure. The agreed upon value for the equity-ratio could not be met since 31 December 2010. But this corresponds with the restructuring concept that was agreed upon on 17 December 2010.

Certain other requirements do apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional debt, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any non-compliance with these stipulations – or if the financial figures agreed upon are not reached – may trigger an extraordinary right of termination on the lenders' part, which would give them the right to call the loan immediately. The lenders also have other customary rights to terminate, for example, if a German or other significant subsidiary files for insolvency.

Availability and procurement prices of preproducts
Silicon blocks or silicon wafers, which Conergy AG turns into PV modules at its Frankfurt (Oder) factory, are a preproduct that is key to the Company's business. Insufficient deliveries of silicon blocks and silicon wafers would prevent Conergy from fully or adequately utilising the production capacities in Frankfurt (Oder) and thus from attaining the targeted and required economies of scale, with the result that production costs would exceed those of competitors with better capacity utilisation. Moreover, this could also undermine Conergy's ability to make deliveries to the buyers of its products. Conergy will be unable – absent sufficient supplies of silicon blocks and silicon wafers from existing and/or future suppliers – to manufacture, process and sell photovoltaic modules in the necessary quantities. Conergy addresses this risk by further reducing its high dependence on suppliers of PV modules by focusing on reliable strategic suppliers. Any failure on the part of Conergy to satisfy its delivery obligations vis-à-vis buyers would trigger fines and claims for damages. While the current market situation allows Conergy to secure procurement of silicon for its Frankfurt (Oder) plant, it cannot be precluded that this market situation could change in the short term.

The risk described above also exists for all other procurement contracts, for instance those for preproducts for the manufacture of PV components or components, or for purchased finished products.

Raw material and component supplies
Conergy depends on its suppliers for different raw materials and high-quality components such as solar modules, inverters, silicon wafers, silane gas, aluminium, glass and foil in the required quantities and at fixed times. For the most part, all components and raw materials are covered by general agreements, with several providers in some cases. Nonetheless, even when Conergy's suppliers have undertaken to make the requisite deliveries to Conergy in the long term, this does not guarantee that these deliveries will be made in full, on time as well as at the stipulated quality and at the market prices prevailing at that time. There is no guarantee – if suppliers do not fulfil their delivery contracts at all or only in part or not in time, or if the components and raw materials delivered do not possess the quality owing under the contract – that Conergy would be able on short notice to procure the required components and raw materials from other suppliers in sufficient quantities and at the required quality as well as at a reasonable price and in due time. Insufficient deliveries of the materials required for the production process would make it impossible for Conergy to utilise its production capacities, thus undermining its own ability to make deliveries. The availability of these materials at adequate prices thus is pivotal to Conergy's assets, liabilities, cash flows and profit or loss.

Production plant in Frankfurt (Oder)
Conergy established one of the world's most state-of-the-art production plants for PV modules in Frankfurt (Oder). The value chain in Frankfurt (Oder) entails the cutting of silicon blocks into silicon wafers, turning silicon wafers into solar cells and processing the latter into PV modules. Operating the production plant gives rise to risks especially in the following areas:

Conergy is faced with the risk that the degree to which existing capacities are under-utilised could shrink due to market conditions and that the unit cost of manufacturing will not fall as planned or might even rise.

Aside from issues of capacity utilisation, the cost structure or profitability of the production plant is also substantially contingent on the achievement of production yields and efficiencies. The possibility remains that technical problems might depress yields and/or efficiencies in future and, in the final analysis, lead to higher costs than planned.

At present, the Frankfurt (Oder) plant is procuring silicon from various providers. Procurement terms have substantially improved due to capacities in the market, as have procurement terms related to many other necessary materials and services. However, it is possible that the supply of silicon and other commodities will shrink once again in future due to tightening demand and, in turn, spark delivery bottlenecks and/or cost increases in regards to materials and services.

Long-term procurement contracts for the Frankfurt (Oder) plant account for a fairly large portion of transactions in US dollars (USD). The Conergy Group has undertaken to purchase goods in exchange for USD. Changes in the respective currency relations can intensify or counteract fluctuations in commodities prices. A decline in the value of the euro vis-à-vis the US dollar can have a negative impact on the gross profit margin. Unfavourable conditions (notably rising commodities prices due to the rising US dollar) can trigger additional expenses in the procurement of raw materials in the short term, in turn substantially affecting earnings and liquidity.

Subsidies for photovoltaics

Conergy's business activities depend to a large degree on government grants for photovoltaics – especially in the core markets. Absent these grants, photovoltaics would generally not be profitable for customers at this time because the cost of generating electricity using PV still exceeds both attainable market prices and the cost of generating electricity from conventional sources such as nuclear power, coal or gas. Any deterioration or even elimination of statutory subsidies for electricity from renewable energies could have significantly adverse effects on the Company's assets, liabilities, cash flows and profit or loss. This also applies against the backdrop of possible EU initiatives aimed at changing EU-wide subsidies for renewables. Such a reduction was enacted for the German market effective 1 July 2011. The construction of PV units on agricultural land is no longer being subsidised whilst the installation of units on roofs as well as open air projects and those using converted land will be subsidised at lower rates. In contrast, solar electricity used for own consumption will be subsidised at a higher rate than solar electricity fed into the grid. Also in other European markets subsidy reductions have been implemented or announced.

Additional fields of risk

Industry-specific risks

Photovoltaics competes with other processes for generating power from conventional and renewable sources of energy such as wind power, bioenergy and geothermal energy as well as CSP ("Concentrated Solar Power"). These sources of energy might develop better than photovoltaics for a variety of reasons and thus hamper its continued development. This could then cause investments in photovoltaics to dry up in whole or in part or, at a minimum, to decline by a substantial margin, in turn triggering a strong downturn in the demand for Conergy's products and services.

Conergy expects energy from conventional sources to continue to become more scarce and more expensive; in future the prices for conventional energy might fall again, however, causing the demand for regenerative energy to decline.

Conergy expects to face increasing competition in future as a result of the growing professionalisation of the PV industry. This trend and the increasing number of suppliers in technologies that are relevant for Conergy could further intensify price pressures, lowering the growth rate of Conergy's sales.

Furthermore, changing demand for products and services – for example, if the reputation of silicon-based or thin film products were to suffer – could cause margins to tighten or earnings to fall.

Conergy's ability to install and maintain solar energy systems also depends on the given climate and weather. Inclement weather could delay assembly work, cause transportation to be stopped or prevent units from being installed on schedule, in turn increasing costs due to the resulting delays.

Nevertheless, Conergy expects laws promoting renewables projects to be expanded to an ever-increasing number of regions and range of technologies.

Research and development
There is the risk that competitors might launch alternative products or technologies that are more economical, of a higher quality or more attractive for other reasons than Conergy's products, improve their current products and technologies, or obtain exclusive rights to new technologies, effectively blocking Conergy's access to them. There is also the risk that Conergy's products might be unable to comply with existing or future certification requirements both nationally and internationally.

The ability to adjust the product and services portfolio to current trends, developments and customer needs in individual markets is an important component in the Group's future success. Our research and development projects serve to continuously improve our product portfolio, thus responding to the market's steadily rising requirements. Development projects might not be completed at all, might be delayed or might incur cost overruns — all of which could undermine the Company's competitive position. The market launch of new developments might also be delayed. Hence there is no certainty that all products currently in the development pipeline will reach market maturity as planned and will be able to successfully gain a foothold in the market.

Conergy performs regular analyses of markets, customers and competitors in order to make certain that it does not miss trends and developments in individual markets and applies the findings to the development and sale of its products and projects.

Legal risks
Conergy might be exposed to factors when working outside Germany that could pose increased risk. In particular, this includes foreign exchange controls, limits on trade, insufficiently developed and/or defined legal and administrative systems, war or terrorism.

Furthermore, the business of Conergy AG generally entails the risk that customers might sue due to defects in our products, plants, or services, be it in connection with entire installations or individual components.

Conergy AG and some of its subsidiaries are party to a number of proceedings under civil and public law of which the following are expressly disclosed here:

Conergy SolarModule GmbH & Co. KG and Roth & Rau AG entered into an agreement in June 2006 regarding the delivery and installation of four solar cell production lines for the Frankfurt (Oder) factory. Conergy SolarModule GmbH & Co. KG believed that Roth & Rau AG was late in delivering the cell production lines and that they did not fulfil the specifications under the contract. Under the delivery contract, Conergy SolarModule GmbH & Co. KG must still pay the remaining purchase price, a seven-figure sum, to Roth & Rau AG under certain conditions. As Conergy SolarModule GmbH & Co. KG sees it however, these conditions have not been met. Following the failure of the settlement talks that we conducted with Roth & Rau AG from mid-2008 until June 2010, Conergy SolarModule GmbH & Co. KG gave Roth & Rau AG a deadline to fulfil its contract based on a comprehensive expert opinion of a prestigious institute – to no avail. Conergy SolarModule GmbH & Co. KG and its attorneys undertook a detailed review of the damage caused by Roth & Rau AG and in February 2011 filed claims for damages in the Hamburg Regional Court (Landgericht Hamburg) regarding the damage due to the delay, the defective performance or the defects, the resulting loss of income as well as a few breaches of ancillary duties. Pursuant to the examination of all loss items, the amount in controversy is in the lower three digit millions. Any counterclaims that Roth & Rau might bring will be negligible in numerical terms. Given the extent of the claims and general litigation risks, Conergy SolarModule GmbH & Co. KG does not expect to recoup its claims for damages from Roth & Rau AG in full. By the same token, Conergy SolarModule GmbH & Co. KG does not expect to incur any financial losses in future on account of this matter because just the collectible amount of the claims far exceeds any counterclaims Roth & Rau AG may have. Not to mention that Conergy could offset the counterclaims of Roth & Rau AG in any litigation. The parties' settlement talks that were broken off at the time have resumed by now. Given general litigation risks, we cannot fully preclude that Conergy Solar Module GmbH & Co. KG faces a residual risk in this matter.

In November 2006, Conergy SolarModule GmbH & Co. KG and M+W Zander FE GmbH entered into an agreement regarding the construction of a production plant for the Frankfurt (Oder) factory. On 4 May 2009, M+W Zander FE GmbH filed suit for payment of approximately EUR 3.0 million in outstanding compensation plus interest. Conergy SolarModule GmbH & CO. KG filed countersuit, bringing claims for damages substantially in excess of the petitioner's claims. By court ruling dated 17 August 2010, M+W Zander FE GmbH was ordered to pay EUR 730,233.92 plus interest to Conergy SolarModule GmbH & Co. KG and to pay most of the court costs related to the dispute. M+W Zander FE GmbH has appealed the ruling. Conergy SolarModule GmbH & Co. KG for its part will file a

cross appeal. Particularly given the successful outcome of the litigation in the court of first instance, Conergy SolarModule GmbH & Co. KG is not expected to incur any financial loss in this matter in future. This cannot be precluded with absolute certainty given general litigation risks.

In a total of currently 20 claims, several claimants are seeking damages totalling EUR 3.5 million from the Company for their own rights or for rights assigned based essentially on incorrect capital market information in connection with the Company's revision of sales and profit forecasts for 2007 on 25 October 2007. The Company is essentially contesting the claimants' claims. Eighteen of these lawsuits that were filed between October and December 2008 are pending before the Hamburg Regional Court. The court issued an order for reference under the German Capital Markets Model Case Act (KapMuG) in one of these proceedings with the aim of having the Hamburg Upper Regional Court (Hanseatisches Oberlandesgericht) bring about a test-case ruling with respect to certain questions regarding the claims for damages. The other proceedings were suspended until a ruling is issued in the test case because they are contingent on that outcome; portions of this decision are still outstanding. Aside from these 18 proceedings pending before the Hamburg Regional Court, yet another matter is pending before the Hamburg Upper Regional Court. The respective investor suit with an amount in dispute of EUR 61,912.73 was dismissed at first instance. The petitioner in that matter has appealed. At the turn of 2010/2011, yet another suit was filed with a Hamburg District Court in connection with the aforementioned matters. The court has not yet issued any procedural rules.

The district attorney's office searched the offices of Conergy in June 2009. Its investigations are aimed at several individuals who were members of the Company's bodies at the time and who are accused of violating the German Commercial Code and the German Securities Trading Act between November 2006 and April 2007. Third-party claims against the Company cannot be precluded if the accusations turn out to be true.

In July 2009, three shareholders jointly filed an action with the Commercial Division of the Hamburg Landgericht (Regional Court) to vacate shareholder resolutions that were adopted at the Annual General Meeting of Conergy AG on 10 June 2009 or, in the alternative, to have them declared null and void, specifically, agenda item 3 (Resolution regarding formal approval of the actions of the members of the Management Board in the 2008 financial year); agenda item 4 (Resolution regarding formal approval of the actions of the members of the Supervisory Board in the 2008 financial year); agenda item 5 (Resolution regarding formal approval of the actions of individual members of the Management Board in the 2007 financial year); agenda item 8 (Resolution regarding the creation of new authorised capital, an amendment of § 5.3 of the Articles of Association and the exclusion of shareholders' subscription right); and agenda item 10 (Resolution regarding approval of a profit and loss transfer agreement with Mounting Systems GmbH, Rangsdorf). In its decision dated 18 January 2010, the court dismissed the complaints in their entirety and ordered the petitioners to pay all costs of the dispute. The petitioners appealed the ruling that dismissed their complaint. The court has yet to set the dates for trying the case or for handing down its ruling.

Concurrently to the matter pending at first instance, the Company also initiated proceedings to obtain a release under the German Stock Corporation Act regarding the resolutions under agenda item 8 and 10. In these proceedings the Hamburg Upper Regional Court handed down a ruling on 11 December 2010 which granted the Company's applications for release in full and found that the filing of the lawsuit did not pre-empt the recording of the resolutions in the Commercial Registry. The resolutions in question have been recorded in the Commercial Registry in the meantime.

In November 2010, a total of eight shareholders jointly filed an action in the Commercial Division of the Hamburg Landgericht to challenge and alternatively vacate resolutions adopted at the Annual General Meeting of Conergy AG on 5 October 2010, specifically, agenda item 2 (Resolution regarding formal approval of the actions of the members of the Management Board for the 2009 financial year); agenda item 3 (Resolution regarding formal approval of the actions of the members of the Supervisory Board for the 2009 financial year); agenda item 7 (Resolution regarding the authorisation to issue convertible bonds and/or bonds with warrants as well as profit participation rights and/or income bonds (or combinations of these instruments)); and agenda item 8 (Resolution regarding the creation of new authorised capital). The court has scheduled a conciliation hearing and oral arguments for 14 March 2010. Three additional shareholders have joined the matter as intervenors, two of them on the part of Conergy AG; the third intervenor has not yet filed an application. Concurrently to the matter pending at first instance, the Company also initiated proceedings to obtain a release under the German Stock Corporation Act re-

garding the resolutions under agenda item 7 and 8. In these proceedings the Hamburg Upper Regional Court handed down a ruling on 4 February 2011 which granted the Company's applications for release in full and found that the filing of the lawsuit did not pre-empt the recording of the resolutions in the Commercial Registry. The resolutions in question have been recorded in the Commercial Registry in the meantime.

Product and production risks

While the services that Conergy offers and the products that it manufactures must satisfy highest quality requirements, quality defects can never be ruled out, no matter what precautions are taken. Any failure on the part of Conergy's products to satisfy the requirements stipulated with the customer can result in the loss of such customer and thus in the loss of sales as well as give rise to supplementary claims (particularly under warranties). Given Conergy's long-term production and service contracts, such quality-related risks could also jeopardise the profitability of its production and services.

As far as self-produced products are concerned, these potential risks are lowered through quality management that is integrated into production. In the 2007 financial year, quality standards in the plants were improved such that production facilities of the Conergy Group – for example, its plant for producing aluminium frames for solar modules and the quality standards of voltwerk electronics GmbH – were certified under ISO 9001. Additional certifications of other production facilities, such as the solar factory in Frankfurt (Oder), were completed in March 2010.

The quality of the units that Conergy sells is largely contingent on the quality of the (pre)products used. Defective performance or sales counterfeit goods by suppliers could make it impossible for Conergy to provide its own contractual services, in turn triggering claims under warranties or product liability. Conergy is thus dependent on the quality of the products that are delivered to it. This also applies to components that the suppliers develop in cooperation with Conergy and/or that are produced for Conergy under construction contracts.

Although Conergy generally has a right of recourse against its suppliers if its customers bring claims under warranty and for damages due to defective (pre) products, its claims may not be enforceable in every case nor can all related contracts be reversed.

Conergy counters these risks with a standardised purchasing and product control process that serves to verify both performance and quality. The Company limits guarantee risks by stipulating guarantees with its suppliers essentially in accordance with the agreements it makes with its customers. However, these measures only apply to future contracts but not to plants already built. Customary provisions have been recognised to meet future and known claims under warranties. Any claims under warranty by Conergy's customers in excess of customary provisions could negatively affect Conergy's assets, liabilities, cash flows and profit or loss.

Business interruptions can not be precluded despite the fact that we use high standards of technology and security in the construction, operation and maintenance of Conergy's production facilities. Furthermore, Conergy production facilities have been subject to acts of sabotage and damage in the past. These risks are compounded by the fact that in all these cases people, third-party property and/or the environment might be harmed, in turn triggering considerable financial costs, even criminal liability.

Conergy is subject to a large number of constantly changing and increasingly challenging regulations regarding environment and health protections. These requirements have already sparked a need for capital investments in the past and the Company anticipates expending substantial funds in future as well in order to fulfil all applicable statutory requirements. This applies, in particular, in connection with the expansion of Conergy's production facilities or whenever applicable requirements are substantially tightened. Nor can we preclude that producing and/or transporting liquid substances that are hazardous to water might be limited in future by means of statutory or regulatory requirements in light of the risk they pose to the environment.

In building, modifying and operating its plants, Conergy is dependent on public permits, particularly permissions granted by the authorities under the German Federal Immissions Control Act (Bundes-Immissionsschutzgesetz), relevant state building codes and laws concerning water and waterways (Wasserrecht).

The Conergy Group engages in proactive insurance management in order to cover all significant risks. This comprises property, business interruption, liability and transport insurance policies as well as insurance policies that cover losses of goods and buildings. However, certain risks are excluded under these insurance policies. In particular, possible warranty obligations (e.g., for series defects) are not completely covered by insurance.

Protecting its industrial property rights, especially its know-how, is of major significance to Conergy. Any loss of know-how can limit Conergy's ability to profit from innovative technological developments. Moreover, insufficient protection of its know-how could also lead to a reduction in future income if other players were to succeed in marketing or manufacturing products using processes similar to those that Conergy developed. This could adversely affect Conergy's competitive position.

Project risks

Risks specific to the project business arise from the need for prefinancing as well as the projects' very large order volume. Difficulties and delays in carrying out these projects could harm Conergy's reputation and give rise to substantial damages payable to the projects' principals under the Company's liability as well as to loss of sales and liquidity shortfalls. Implementing its project business also exposes the Conergy Group companies to the customary risks of a general contractor. Conergy regularly stipulates fixed prices for fixed performance in its project business. Any planning or budgeting mistakes in connection with a project as well as any defective or delayed execution could preclude carrying out the project in question such that it is profitable or at least covers our cost. Finally, Conergy also provides advance services as part of its project development work that are not remunerated if the given project fails.

Every project undergoes a fixed planning and decision-making process in order to ensure that all parameters critical to its success have been considered in the project selection process.

In addition, we already issued a directive for Conergy's project management in the 2007 financial year, which establishes binding guidelines with respect to processes, decision making and controlling during individual project phases. These are reviewed and enhanced regularly. The most recent updating of approval and workflow processes was completed in February 2011.

Personnel risks

Given that Conergy's success is largely dependent on its management and employees, it is crucial that Conergy provides incentives to ensure executive and employee loyalty and recruits additional highly qualified personnel. Conergy might fall behind its competitors if it is unable to recruit experienced professionals as needed in future and to find adequate replacements for experienced staff who currently leave the Company.

Works Councils at both Conergy AG and Conergy Deutschland GmbH were established in 2008. Furthermore, Works Councils were established at voltwerk electronics GmbH in January 2009 and at Conergy SolarModule GmbH & Co. KG in March 2009. Therefore, Conergy AG, Conergy Deutschland GmbH, voltwerk electronics GmbH and Conergy SolarModule GmbH & Co. KG have to observe the statutory rights of the respective Works Councils to participate in future decision-making. This could delay the execution of necessary operational changes and thus cause the affected company to incur greater costs.

The members of the Supervisory Board of Conergy AG are elected by the shareholders. An expert opinion has come to the conclusion that Conergy AG normally has fewer than 500 employees and thus that these employees do not have a co-determination right on the Supervisory Board pursuant to Section 1 para. 1 no. 1 of the German One-Third Co-Participation Act (Drittelbeteiligungsgesetz). The Company assumes therefore that its Supervisory Board need not have employee representatives comprising one-third of its members.

Information technology risks

Ensuring smooth business processes requires efficient and continuous operation of data processing systems given that Conergy's operations (e. g. production, sales, logistics, controlling and accounting) are largely computerised. Failures of existing systems can have as much of an adverse effect as introducing new systems.

Conergy outsourced its computer centre operations to an external service provider back in 2007 in order to minimise relevant risks of loss. This ensures that the IT infrastructure is maintained at a high standard at all times and that all requirements regarding both the security and the availability of data are satisfied. Conergy AG and Conergy Deutschland GmbH introduced SAP as their ERP system in early 2009 in order to improve transparency within the companies. Furthermore, the Company initiated projects that involved the migration in 2010 and 2011 to the latest version of the Microsoft Dynamics NAV (Navision) ERP software, which is being used in addition to SAP. It cannot be precluded that these release changes cannot be implemented as planned or later than planned or not at all. Furthermore, errors in using the systems might increase in the start-up phase in spite of intensive training and the co-ordination of work processes due to the introduction of new IT systems; additional quality assurance and error correction could lead to delays and shifts in schedules. Conergy's IT security was defective in the

past and its emergency planning was insufficient. The Company has taken measures aimed at largely eliminating the shortcomings regarding access rights, authentication and master data management. Backup systems were updated at the time the Company's computer centres were outsourced and the emergency protocols have been revised as well.

Financial risks

Liquidity risks
Please see the section entitled "Terms and conditions of the syndicated loan agreement" on page 62 f. in regards to the material earnings and liquidity risks arising from the syndicated loan agreement.

The loan agreement contains a change of control provision. Any change of control – i. e. a situation where an individual or a group of people acting in concert with each other (pursuant to an agreement or by other means) gain control over the Company – would give the lenders the individually exercisable right to terminate the loan for cause. The Company's ability to manoeuvre would be eliminated if the loan was called immediately and would probably lead to its insolvency.

Based on the insights gained with respect to the liquidity situation from groupwide financial planning tools, Conergy now utilises liquidity planning that covers a period of 13 weeks and is rolled over on a weekly basis as well as an ongoing planning update that covers the period until year's end. Advanced controlling tools and IT systems will be introduced to support the planning process.

According to the Company's planning and based on the existing credit lines and guarantees, the liquidity of Conergy AG and the Group is basically ensured in both the short and medium term through cash inflows from operating activities. This is contingent on the implementation of the refinancing concept. Among other things, this concept provides for a reduction of the Company's capital stock of roughly EUR 398 million by approximately EUR 348 million to approximately EUR 50 million, as well as a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some creditors committed theirselves to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases.

In the meantime these measures were resolved accordingly by the Extraordinary General Meeting on 25 February 2011 and are being implemented. Final implementation of the refinancing concept is still subject to the condition that the guarantee facilities existing as at 31 December 2010 are reduced to roughly EUR 141 million. Despite the operational constraints related and the initial delays the management board expects the implementation of the concept according to the agreement. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is a further requirement – next to the reduction of the credit lines; all other terms of the new loan agreement have been fulfiled.

Please see the section entitled "Terms and conditions of the syndicated loan agreement" on page 62 f. in regards to details of the syndicated loan agreement.

If, in addition to that, there are substantial shortfalls in sales and income as well as in the expected cash inflows from operating activities compared to target figures, both the Company's and the Group's existence as a going concern might be jeopardised if they are unable to offset the relevant effects through other actions.

Interest rate and currency risks
A large part of the Conergy Group's purchasing and sales volume in the 2010 financial year was effected in various currencies – in particular, euros and US dollar. The Company is thus exposed to substantial currency risks.

A currency management process was implemented in the 2009 financial year because exchange rate fluctuations can materially affect the net earnings of the Conergy Group. It systematically records as well as regularly analyses, measures and controls the Group's currency risks. Appropriate strategies are designed and executed based on the Group's exposure to currency risks and its expectations. The Management Board has established clear guidelines for continuous monitoring of currency risks, compliance with which is regularly verified by a committee. The corresponding short-term and long-term interest rate positions have

also been centrally recorded, analysed and measured since the start of the second half of 2009. The committee monitors the fixed hedging strategies.

On principle, the Corporate Treasury department hedges both interest rate and currency risks in close collaboration with the operating units using hedges that involve derivative financial instruments, such as currency options, as set out in the Company's "Treasury Guideline". Treasury also hedges currency and interest rate risks related to the project business, as necessary. Furthermore, the Conergy Group optimises its currency risks by pushing natural hedging measures – i. e. by matching cash outflows under delivery contracts with cash inflows from external revenue in the same currency. Interest rate swaps and options currently are the primary means of hedging interest rate risks.

Sales of Conergy's products and services are contingent on the willingness of its current and potential customers to make investments. This willingness to invest depends on the growth of demand for photovoltaic units. Grid-connected PV units are often financed through extensive borrowings. This applies to both small and medium-sized units that are installed by individuals, SMEs or government authorities as well as to major PV plants that are acquired by investors. Low interest rates in recent years and hence low borrowing costs have had a positive effect on the profitability of photovoltaic units, stimulating the demand for solar power systems that is already being fed by statutory subsidies. Given otherwise unchanged general conditions, any increase in interest rates would raise borrowing costs and thus reduce the profitability of photovoltaic units, undermining demand for them. Restrictions on the availability of credit particularly in consequence of the crisis on the financial and sales markets and higher expectations of investors as regards their return on investment could also depress the number of PV units that are installed.

But the Company's project business is also closely linked to developments in the capital markets and thus depends on current interest rates. Rising interest rates or the banks' growing unwillingness to provide loans would make project financing more expensive or even cause it to fail because Conergy's customers tend to finance through borrowing, in particular for major PV plants; the resulting effects on demand for projects or its attainable margins would be highly detrimental. It is for this reason that Conergy is increasingly looking for alternative means of funding.

Default risks
Default risks from trade or financial receivables entail the risk that the receivables are paid late, not in full or not at all.

Customers wanting to do business with the Conergy Group are subject to various credit checks. In addition, the Company's central working capital management continuously monitors all receivables outstanding worldwide in terms of their aging structure. Measures aimed at collecting receivables are determined in cooperation with the decentralised units. Business with major customers is subject to separate credit monitoring in connection with the Group's central working capital management as part of receivables management.

There is no guarantee nonetheless – especially against the backdrop of the situation on the capital and sales markets as well as the process of consolidation among suppliers – that the Company will actually be able to collect receivables. It is also becoming increasingly difficult to obtain receivables coverage from credit insurers.

Risks related to the utilisation of government subsidies
Conergy Group companies have received public subsidies in the past. These subsidies are subject to specific requirements and strict controls aimed at verifying whether or not the standards for public subsidies have been met. Any noncompliance with the requirements carries the risk that the subsidies might have to be repaid. We can not preclude that the modified plans or political changes in connection with Conergy's factory in Frankfurt (Oder) or parts of this factory or other Group companies will entail a greater cut than expected in the subsidies made available to Conergy and that the Company might face repayment demands by the authorities, especially on grounds that it did not comply with the requirements.

Conergy plans to continue applying for government subsidies in future. Whether or not subsidies are granted is usually at the discretion of the public sector entity or authority making the grant subject to the availability of budgeted funds. Grants are frequently made available, provided the relevant budget has earmarked funds for a specific programme and provided all relevant requirements are met. But there are no options for obtaining and claiming subsidies by recourse to the courts.

Tax risks

Conergy and its domestic subsidiaries are subject to routine government tax audits. The Group's foreign businesses are also subject to similar tax audits. The most recently completed tax audit of the companies in Germany concerned corporate income, municipal trade and value-added taxes in the 2000 to 2003 assessment periods. Tax assessments for the following years are subject to subsequent audits and thus can be changed, particularly in the wake of a comprehensive tax audit.

The tax authorities have decided to eliminate a total of about EUR 7.8 million in loss carryforwards for Conergy AG, the Momentum Renewables GmbH (former EPURON GmbH) and SunTechnics GmbH (today: Conergy Deutschland GmbH) as a result of the comprehensive tax audit of the 2000 to 2003 assessment periods. The companies have already received revised tax assessments, which they have appealed. Conergy has not yet recognised any provisions for the taxes expected to be owed pursuant to the comprehensive tax audit because internal and external experts alike believe that Conergy stands a good chance of winning its appeals and applicable loss carryforwards exist.

Conergy and the tax authorities are disputing additional albeit monetarily less significant issues in connection with the comprehensive tax audit, namely the treatment of the costs related to the IPO, which was initially planned for 2001, as well as issues in connection with a wage tax audit.

A comprehensive tax audit of both Conergy AG and the Conergy Group's German subsidiaries started in November 2009; it concerns the years 2004 through 2008. The underlying tax assessments are subject to subsequent audits and thus can be changed. Significant findings of the comprehensive tax audit of the years 2004 through 2008 which result in a tax burden for the companies have not yet been made available.

Given the complexity of tax laws – e. g. with respect to intragroup pricing or VAT – current or future comprehensive tax audits can always trigger demands for additional payments, both at home and abroad.

As at 31 December 2010, the Company has deferred tax assets of EUR 35.1 million primarily from tax loss carryforwards. Conergy assumes that these tax loss carryforwards will be available for offsetting against future income before they expire. These deferred tax assets will have to be written down if the underlying loss carryforwards can not be used in the foreseeable future. The changed shareholder structure following the completion of the December 2008 capital increase as well as the takeover of Dresdner Bank AG (in January 2009) and the merger of Dresdner Bank AG with Commerzbank AG (in May 2009) eliminated additional tax loss carryforwards on a pro rata basis under Section 8c para. 1 German Corporate Income Tax Act. Conergy continues to review whether the restructuring provision in Section 8c para. 1a German Corporate Income Tax Act – which was introduced as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums on 16 July 2009 – affects the December 2008 capital increase and applies to the indirect changes in the shareholder structure in 2009 and the extent to which the remaining existing losses can be carried forward.

By its ruling dated 26 January 2011, the European Commission decided in a formal investigation (C 7/10) that the restructuring provision under Section 8c para. 1a German Corporate Income Tax Act constitutes an unlawful government grant. The letter of the German Ministry of Finance dated 30 April 2010 already made it unlawful to apply the restructuring provision. In the German government's view, this is not a harmful grant. A press release dated 9 March 2011 of the German Ministry of Finance announced that the German government would file suit to vacate the ruling of the EU Commission. The outcome of this procedure is uncertain. Along with internal and external experts, Conergy is currently reviewing its legal options.

The tax loss carryforwards of both the Company and domestic subsidiaries could no longer be utilised if the ruling on the restructuring provision is final. If the tax loss carryforwards can no longer be utilised, this would have a substantially negative impact on Conergy's assets, liabilities, cash flows and profit or loss. The ruling of the EU Commission will not give rise to any claims for refunds. This possible elimination of loss carryforwards was already taken into account in the determination of the deferred tax assets on loss carryforwards such that it will not affect the extent of the deferred tax assets recognised in 2010.

Indirect or direct acquisitions of equity interests in the capital stock of Conergy AG may result in the application of Section 8c German Corporate Income Tax Act and hence the elimination of tax loss carryforwards after the reporting date.

Supplemental tax claims for past periods or the elimination of the loss carryforwards could considerably increase Conergy's future tax burden. In addition, changes in the tax law, such as the interest deduction ceiling introduced in 2008, which severely limits the tax deductibility of interest payments, could also raise the Company's taxes.

Conergy works closely with internal and external experts in order to arrive at reliable and predictable assessments of its tax risks and reduce possible tax burdens by taking appropriate action and decisions.

Management risks
Conergy operates in the world's most important solar markets. The Company generally pursues its business through subsidiaries whose managing directors are given extensive decision-making authority in order to be able to act and react autonomously in proximity to the relevant market.

These executives are committed to responsible management. Nevertheless, given the responsibility and latitude that is granted to these executives, the risk of abuse can not be fully precluded despite fully developed and multi-stage review and controlling mechanisms.

Directors & Officers insurance policies (D&O insurance) that provide for suitable deductibles as defined in the German Corporate Governance Code have been purchased on behalf of all Group companies' Management and Supervisory Board members as well as executives for the purpose of hedging the risk of liability claims against the Group's management.

Other risks

Conergy is exposed to risks arising from potential radical changes in the political, legal and social environment. Likewise, possible terror attacks or natural disasters theoretically pose a risk to the Company's net assets, financial position and profit or loss.

Conergy is exposed to the risk of competitors or others engaging in industrial espionage given its highly visible activities in an attractive market with a promising future and its own high-tech production facility in Frankfurt (Oder). This concerns process and production know-how as well as any other proprietary know-how.

The Conergy Group might become the target of a takeover by a competitor or vulture company and, as a result, be taken over and/or broken up.

Opportunities

Aside from resulting in the risks described above, the relevant scenarios can also give rise to opportunities. In the past, the Conergy Group positioned itself primarily as a downstream provider in the PV market while maintaining its access to upstream know-how through its Frankfurt (Oder) solar factory, voltwerk electronics GmbH in Hamburg, which manufactures electronic components such as tracking systems, intelligent connection boxes and string and central inverters, and Mounting Systems GmbH, which develops and manufactures mounting systems and module frames. In 2010 Conergy successfully positioned itself as a fully-integrated systems manufacturer with a leading quality brand, superior system performance, top-notch services and a well-organised production and partner network. Hence Conergy has occupied almost all stages of the solar value chain, further strengthening the positioning of its brand. This enables us to broaden our customer relationships to installers, wholesalers of electrical equipment and strategic marketing partners as well as further expand the development, financing and execution of major photovoltaics projects.

This could result in at least the following opportunities that might have a positive effect on the Company's sales, earnings or liquidity. Note that the opportunities described below may not bear fruit at all or in full and that the occurrence of one or more of the aforementioned risks might make it partly or wholly impossible to tap into the positive effects of these opportunities.

Increased profitability of PV units
Falling prices for solar modules and other system components can lead to a noticeable reduction in the cost of investments in PV units per kWp of installed output. If the reduction in systems prices were to noticeably outpace any renewed amendment of laws promoting renewables – existing promotions being the same – the profitability of PV units in certain markets might noticeably improve, provided current interest rates are cut and reasonable refinancing options are available. If this development were to occur simultaneously with the availability of sufficient funds, PV units could be turned into attractive and secure investment options for end customers and investors alike.

Rising demand momentum

The demand for systems in the end customer market is also subject to the elasticity of demand, a factor that has not been adequately analysed to date in regards to PV systems. However, any decline in systems prices is expected to have a substantial impact on the demand for photovoltaic units. High price elasticity could substantially stimulate demand, in turn tightening supplies. There is no doubt that lower investment costs per kWp and alternative investment options would attract many more customer groups and turn PV systems into a reality for everybody not just in the core photovoltaics markets but also in emerging markets such as China or India. Given this backdrop, there is the chance that yet another sharp drop in systems prices could cause demand to soar, provided price elasticity remains high. This also depends on customers' confidence in the future, the stability of their own financial situation as well as their access to adequate own funds and/or funding options.

Renewables as an increasingly attractive separate asset class

The uncertainty in the capital markets has unsettled many investors. By definition, alternative energy projects offer considerable advantages in these times. In stable countries, photovoltaics projects for instance are largely embedded in a statutory framework and protected from external effects such as commodities prices, interest rate trends etc.

Depending on a project's financing structure, photovoltaics systems can offer a return on equity of between 8.0 percent and 14.0 percent over a useful life of 20 years.

Thanks to the uninterrupted cash streams they generate, statutory schemes aimed at promoting PV systems – whether by means of statutory feed-in tariff systems or tax incentives – create a framework for investment and financing that is stable and above all does not rely on the capital market. This means that we may expect continued strong demand from institutional and financial investors as well as banks for such investment opportunities. This could have a positive effect on the Company's assets, liabilities, cash flows and profit or loss.

The photovoltaics market developed into a mass market in recent years largely thanks to the expansion of governmental market incentive programmes. Key factors that have contributed to the large reduction in PV system costs comprise the expansion of production capacities and the related realisation of economies of scale as well as improvements in plant performance through gains in peak efficiency factors. BSW Solar proves that the price of PV units has declined by 45.0 percent since 2006. The market thus continued to grow in 2010 as well despite the reduction in the feed-in tariffs by double-digit percentages. In its market assessment, Bank Sarasin expects newly installed PV output to grow by 87.0 percent between 2009 and 2010. According to the preliminary figures of the German Federal Network Agency on the installation volume, Germany is the most important of the largest markets, achieving an installed output of more than 6.2 GWp in the first eleven months of 2010. Sarasin forecasts growth of 86.0 percent for Europe in 2010. Yet the number of installed units outside of Europe – in the Americas and APAC for instance – has also grown exponentially. In 2010, numerous markets already attained a level where growth in newly installed PV systems exceeds 500 MWp per annum. This helps to mitigate the risk from changed parameters in individual key markets such that it has less of an impact on internationally aligned players in the PV market. Sarasin expects the growth of such a globally positioned photovoltaics industry to stabilise for that reason and forecasts an annual average growth rate of 28.0 percent between 2009 and 2020.

But the solar industry faces major challenges in 2011. All players must prepare for further reductions in solar energy grants, especially in Europe. In Germany, yet another reduction in the feed-in tariff by approximately 12.0 to 15.0 percent is slated to take effect by mid-2011. The final amount of the reduction will be contingent on the volume newly installed between March and May 2011. Italy, Spain, the Czech Republic and France will also reduce subsidies for solar energy in 2011. Discussions in France regarding the introduction of a cap, retroactive restrictions in Spain on the number of hours during which solar electricity from previously installed units will be compensated as well as the introduction in the Czech Republic of a tax of 26.0 percent on all photovoltaic units installed since 2009 are also unsettling investors.

Conergy's international positioning helps to cushion the impact of the markets' economic fluctuations. The positive and stable development of the market in the United States is being reinforced by the “renewable energy grant program”, which was extended for another year. Up to 30.0 percent of the costs of solar projects will be directly reimbursed thereunder in 2011 too. Conergy will thus be able to benefit from the U.S. market's expected positive development thanks to both its presence in that market and its experience. Installed PV output is expected to more than double between 2010 and 2012 in the United States. This could have a positive effect on Conergy's assets, liabilities, cash flows and profit or loss.

Conergy's presence in the APAC region, which continues to grow at stable rates, as well as the development of new markets such as the United Kingdom, could also have a positive effect on the assets, liabilities, cash flows and profit or loss of Conergy.

Yet photovoltaics are at a crossroads as far as the development of the market in future is concerned. Owing to the reduction in system costs, in the next few years the cost of generating electricity from photovoltaics will reach the level of the rates charged to end consumers for energy from conventional sources and thus become competitive. Different market surveys forecast that grid parity will be achieved at the household level within the next two to three years in sunny countries such as Italy, Spain or California. Starting in 2013, solar electricity should match the cost of electricity from conventional sources in other Central European countries too. The current increase in electricity prices resulting from the sharp increase in coal prices may bring about grid parity at an earlier date. Early grid parity would have a positive effect on consumer demand for photovoltaic systems and installations, which could benefit Conergy. Consumers would be presented with a choice as to the provenance of their grid power. This would increase the number of projects and individual demand as well as sustainably boost demand for photovoltaic system components in general, which in turn would also have a positive effect on Conergy's earnings as a supplier of photovoltaic systems.

Report of anticipated developments

Global economic developments

There are increasing signs of impediments that will weaken the strong momentum of the global economy's powerful recovery that started a year ago due, among other things, to individual countries' significantly tightened fiscal policies. Economic research institutes expect global production to expand by 3.6 percent in 2011 and by 4.0 percent in 2012. The forecasts of the International Monetary Fund are even higher: 4.4 percent for 2011 and 4.5 percent for 2012.

The growth of manufacturing activities in emerging economies, which was very strong this past year, will continue at a high level for the foreseeable future albeit at a slower pace because exports to industrialised countries will weaken owing to the latter's lower growth. Experts predict that China's economy will grow by 9.6 percent in 2011 and India's by 8.4 percent. In contrast to several economic boom years, Brazil is expected to grow by only 4.5 percent in 2011.

Unlike the trend in emerging economies, in industrialised countries manufacturing is still below pre-crisis levels. The experts of the Kiel Institute for the World Economy expect GDP in the industrialised countries to grow by 1.9 percent in 2011, specifically, by 2.5 percent in the United States, 1.5 percent in Japan and 1.3 percent in the United Kingdom. Growth in the industrialised countries will remain modest in 2012 as well.

The leading economic research institutes expect Germany's upward momentum to continue in the next few years even though its expansion will lose much of its momentum. Exports are expected to weaken, in turn dampening growth in the domestic manufacturing sector. Domestic demand is expected to continue unabated however.

The German government has raised its growth outlook for 2011 to 2.3 percent in the light of Germany's robust economic growth. This corresponds to the expectations of the economic research institutes even though they already expect growth to decline to 1.3 percent in 2012. The German government expects the economic momentum to weaken worldwide next year, causing imports and exports to expand by only 6.5 percent.

The leading economic research institutes also point out that their economic forecasts are fraught with certain risks. This includes the potential slowdown in the pace of the U.S. economy's recovery as well as the European debt crisis which has not subsided by any means. Recourse to the European financial stabilisation mechanism by a European country could also have a negative impact on Germany's strong economy. Dampening effects might also arise from banks' ongoing need to write off bad debts as well as the development of commodities prices.

Development of the industry

In terms of newly installed volume worldwide, 2010 was a record year for the solar industry. The prevailing climate for solar energy is expected to remain favourable given the global economy's continued upturn. The demand for solar electricity systems, which remains as strong as ever, is being propelled particularly by statutory incentive programmes worldwide that aim to raise the share of solar energy in the electricity mix on a continuous basis.

Yet growth is expected to slow down dramatically nonetheless, owing in particular to the planned regulatory cuts in Germany by mid-year and in the Czech Republic for the year on the whole. Nor can we preclude that the volume of newly installed PV systems will fall for the first time ever in 2012 mainly due to the downturn in the German market. Europe, which still accounted for roughly 80.0 percent of the world market in 2010, is likely to experience a slight decline to about 70.0 percent in 2011 whilst North America and Asia will continue to grow. In all likelihood this trend will continue in 2012 also.

As a result the installed volume will shift to the markets outside of Europe in the medium term because their growth rates are expected to be higher – above all the United States, China, India and Japan.

Outlook

Conergy's planning is based on the assumption that most of the markets for PV systems will develop along a positive trajectory. It also anticipates the usual amount of reductions in the volume of grants in its established foreign markets. Moreover a trend toward setting caps is beginning to take hold in some European markets. After two years of record growth, in Germany the market volume is expected to decline in 2011 due to the cuts in feed-in tariffs. Conergy plans to enter into new markets as local schemes aimed at promoting regenerative energies are put in place.

It does not expect any bottlenecks in silicon supplies; on the contrary, excess supplies will force down prices. The prices of other commodities and raw materials are likely to remain stable or rise slightly. In the solar module market, supplies are expected to satisfy demand, possibly triggering a general pressure on prices. Conergy believes that it will be able to weather such price pressures thanks to its premium products.

Whilst Conergy expects sales to continue climbing to more than EUR one billion in 2011 on the heels of strong growth in the year just ended because general conditions (except in Germany) will remain largely unchanged, it is clear that last year's growth momentum cannot be repeated. This forecast is rooted in the continuous decline of module prices.

Additional cost-cutting measures are planned for 2011, and they will contribute to the ongoing improvement in the operating result provided the gross profit margin remains stable. This year too both earnings and cash flow will be weighed down by restructuring expenses though to a lesser extent than in 2010. Conergy expects to post EBITDA in the mid-double-digit millions in 2011.

Assuming that general conditions for solar energy will remain positive on the whole, as long as cash flow is stable sales will continue to rise in 2012 and earnings will improve.

Hamburg, 22 March 2011
Conergy Aktiengesellschaft
The Management Board

Consolidated financial statements as at 31 December 2010

CONSOLIDATED FINANCIAL STATEMENTS

78 Consolidated income statement of the Conergy Group
79 Consolidated balance sheet of the Conergy Group
80 Consolidated statement of cash flows of the Conergy Group
81 Consolidated statement of changes in equity of the Conergy Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CONERGY GROUP

82 1. Reportable segments
82 2. General comments
82 3. Key accounting policies
99 4. Assumptions and exercise in judgment
101 5. Management of financial risks
104 6. Changes in the consolidated group
106 7. Segment disclosures

Disclosures and comments on the income statement

107 8. Sales
107 9. Personnel costs
108 10. Other operating income
108 11. Other operating expenses
109 12. Amortisation, depreciation and impairment of intangible assets and property, plant and equipment
109 13. Non-operating result
109 14. Income taxes
112 15. Earnings per share

Disclosures and comments on the consolidated balance sheet

113 16. Intangible assets and goodwill
114 17. Property, plant and equipment
115 18. Financial assets
115 19. Other assets
115 20. Inventories
115 21. Trade accounts receivable
116 22. Grants received
117 23. Cash and cash equivalents
117 24. Equity
119 25. Provisions
120 26. Stock options programme
120 27. Borrowings
122 28. Trade accounts payable
122 29. Other liabilities
122 30. Reporting on financial instruments

Other disclosures

126 31. In- and outflow of cash and cash equivalents
127 32. Contingent liabilities and other financial obligations
128 33. Related parties
130 34. Number of employees
130 35. Auditing fees
130 36. Declaration of compliance
130 37. Events after the reporting period

132 Independent Auditor’s Report

Consolidated income statement of the Conergy Group*

EUR million	Note	2010	2009
Sales	8	913.5	600.9
Changes in inventories of finished goods and work in progress		19.1	−38.8
Cost of materials		−715.7	−444.5
Gross profit		**216.9**	**117.6**
Personnel expenses	9	−85.3	−82.1
Other own work capitalised		0.1	0.3
Other operating income	10	33.6	64.8
Other operating expenses	11	−135.2	−111.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**30.1**	**−10.7**
Depreciation and amortisation	12	−43.9	−26.1
Earnings before interest and taxes (EBIT)		**−13.8**	**−36.8**
Non-operating income		1.2	0.7
Non-operating expenses		−15.9	−22.5
Non-operating result	13	**−14.7**	**−21.8**
Earnings before taxes (EBT)**		**−28.5**	**−58.6**
Income taxes	14	−13.5	−22.5
Income from continuing operations after taxes		**−42.0**	**−81.1**
Income from discontinued operations after taxes	6	−2.9	1.8
Income after taxes		**−44.9**	**−79.3**
Changes in value recognised in equity			
Exchange differences from the translation of foreign subsidiaries		−1.8	−1.5
Comprehensive loss***		**−46.7**	**−80.8**
Income after taxes		**−44.9**	**−79.3**
Thereof attributable to:			
Shareholders of Conergy AG (Group profit or loss)		−44.7	−79.9
Minority shareholders		−0.2	0.6
Comprehensive loss***		**−46.7**	**−80.8**
Thereof attributable to:			
Shareholders of Conergy AG		−46.5	−81.4
Minority shareholders		−0.2	0.6
Earnings per share (in EUR)	15		
Basic		−0.11	−0.20
Diluted		−0.11	−0.20
Earnings per share (in EUR) from continuing operations	15		
Basic		−0.11	−0.20
Diluted		−0.11	−0.20

* Consolidated statement of comprehensive income
** Corresponds to earnings from ordinary activities
*** Corresponds to the sum of income after taxes and changes in value recognised in equity

Consolidated balance sheet of the Conergy Group

EUR million	Note	31.12.2010	31.12.2009
Non-current assets			
Goodwill	16	1.0	14.9
Intangible assets	16	10.2	12.6
Property, plant and equipment	17	164.4	183.9
Financial assets	18	1.6	8.2
Other assets	19	0.9	0.9
Deferred tax assets	14	35.1	45.6
		213.2	**266.1**
Current assets			
Inventories	20	169.5	107.5
Trade receivables	21	103.2	113.4
Financial assets	18	4.6	3.1
Other assets	19	63.9	68.5
Cash and cash equivalents	23	36.7	52.1
		377.9	**344.6**
Assets held for sale and discontinued operations	6	22.3	38.4
		400.2	**383.0**
Total assets		**613.4**	**649.1**
Equity attributable to the shareholders of Conergy AG			
Share capital		398.1	398.1
Capital reserve		323.9	321.8
Other reserves		−650.4	−603.9
		71.6	**116.0**
Non-controlling interests		**−0.2**	**0.0**
Total equity	24	**71.4**	**116.0**
Non-current liabilities			
Provisions	25	41.5	35.7
Borrowings	27	11.1	88.8
Other liabilities	29	2.0	2.5
Deferred tax liabilities	14	0.5	0.0
		55.1	**127.0**
Current liabilities			
Provisions	25	10.8	13.2
Current portion of non-current borrowings	27	–	18.8
Borrowings	27	280.5	186.0
Trade payables	28	161.7	116.5
Other liabilities	29	28.1	43.5
Current income tax liabilities	14	2.9	0.6
		484.0	**378.6**
Liabilities from assets held for sale and discontinued operations	6	2.9	27.5
		486.9	**406.1**
Total equity and liabilities		**613.4**	**649.1**

Consolidated statement of cash flows of the Conergy Group

EUR million	Note	2010	2009
Operating result from continuing operations		**−13.8**	**−36.8**
Depreciation and amortisation		43.9	25.5
Change in non-current provisions		5.0	2.6
Other non-cash income (–)/expenses (+)		−1.1	−29.0
Gains (–)/losses (+) from disposal of fixed assets		0.5	0.2
Result from operating activities before changes in net working capital		**34.5**	**−37.5**
Increase (–)/decrease (+) in inventories		−73.3	89.6
Increase (–)/decrease (+) in trade receivables		8.7	−9.3
Increase (+)/decrease (–) in trade payables		41.8	17.6
Change in other net assets/Other non-cash items		4.9	−9.9
Income taxes paid (–)/received (+)		0.5	2.6
Cash generated from operating activities, continuing operations		**17.1**	**53.1**
Cash generated from operating activities, discontinued operations	6	−9.2	15.4
Cash generated from operating activities (total)	31	**7.9**	**68.5**
Cash receipts from disposal of property, plant and equipment and other assets		–	–
Cash payments for investments in property, plant and equipment and intangible assets		−14.6	−12.3
Acquisition of subsidiaries less cash acquired		–	–
Cash receipts from the sale of subsidiaries		0.4	–
Change in financial assets		4.2	−3.4
Interest received		0.9	0.8
Net cash generated from investing activities (total)	31	**−9.1**	**−14.9**
Cash receipts from issuance of share capital		–	–
Cash payments in connection with the acquisition of equity		–	–
Cash receipts from borrowings		22.4	48.7
Cash payments for repayment of borrowings		−20.7	−55.5
Interest paid		−16.9	−20.4
Cash payments for dividends		–	–
Net cash generated from financing activities (total)	31	**−15.2**	**−27.2**
Change in cash from operating activities (total)		**−16.4**	**26.4**
Cash and cash equivalents as at 01.01.		**54.4**	**28.0**
Change from exchange rate changes		0.0	0.0
Cash and cash equivalents as at 31.12.	23	**38.0**	**54.4**
Thereof cash and cash equivalents from discontinued operations/assets held for sale		1.3	2.3

Consolidated statement of changes in equity of the Conergy Group

	Equity attributable to the shareholders of Conergy AG							
			Other reserves					
				Valuation adjustments recognized directly in shareholders' equity				
EUR million	**Share capital**	**Capital reserve**	**Retained earnings***	**Currency changes**	**Cashflow hedges**	**Total**	**Non-controlling interests**	**Total equity**
As at 01.01.2009	**398.1**	**321.8**	**−524.9**	**2.4**	**–**	**197.4**	**−0.6**	**196.8**
Owner-based change in capital								
Capital contributions	–	–				–	–	–
Dividend payments			–			–	–	–
Taxes on items recognized directly in equity		–				–	–	–
Other changes								
Non-owner changes in equity								
Comprehensive income / loss			−79.9	−1.5	–	−81.4	0.6	−80.8
As at 31.12.2009	**398.1**	**321.8**	**−604.8**	**0.9**	**–**	**116.0**	**0.0**	**116.0**
As at 01.01.2010	**398.1**	**321.8**	**−604.8**	**0.9**	**–**	**116.0**	**0.0**	**116.0**
Owner-based change in capital								
Capital contributions	–	–				–	–	–
Dividend payments			–			–	–	–
Taxes on items recognized directly in equity		−1.0				−1.0	–	−1.0
Other changes		3.1				3.1		3.1
Non-owner changes in equity								
Comprehensive income / loss			−44.7	−1.8	–	−46.5	−0.2	−46.7
As at 31.12.2010	**398.1**	**323.9**	**−649.5**	**−0.9**	**–**	**71.6**	**−0.2**	**71.4**

* Including Group profit or loss

Notes to the consolidated financial statements of the Conergy Group

1. Reportable segments

Segments	Germany		Europe*		Americas	
EUR million	2010	2009	2010	2009	2010	2009
External sales	328.2	255.4	323.7	191.0	63.0	52.4
Intersegment sales	0.5	0.5	1.4	1.4	0.0	2.0
Segment sales (total)	**328.7**	**255.9**	**325.1**	**192.4**	**63.0**	**54.4**
Other operating income	3.4	6.2	7.6	5.5	1.5	2.7
Segment result (EBIT)	−2.8	−9.8	−5.0	−18.0	−10.3	−6.0
Segment investments	0.2	0.1	0.5	0.6	0.1	1.5
Depreciation/amortisation	−1.8	−0.5	−3.1	−2.1	−9.1	−0.2
Thereof impairment losses	−1.4	−0.1	−2.4	−0.8	−8.9	–
Employees FTE** (as at 31.12.)	94	138	253	261	77	72

* Excluding Germany
** Full time equivalents

2. General comments

Conergy AG (hereinafter also referred to as “Conergy” or the “Company”) along with its subsidiaries (the “Conergy Group”) is an integrated systems manufacturer and supplier in the field of renewable energies. The Conergy Group develops, produces and sells plants and plant components for renewables. In addition, Conergy is also a market leader in the field of project development and structured finance for major renewable energies projects.

Conergy is a listed German stock corporation. Its shares are traded on the Frankfurt (Main) Stock Exchange in Deutsche Börse’s Prime Standard, which is subject to additional listing requirements. The Company, which is registered with the Commercial Registry of the Hamburg Local Court under the number HRB 77717, has its headquarters at Anckelmannsplatz 1, 20537 Hamburg, Germany. Its consolidated financial statements are available at the Company’s seat and/or are published in the electronic Federal Gazette.

On 22 March 2011, the Management Board of Conergy released the Company’s consolidated financial statements for purposes of submitting them to its Supervisory Board (release for publication). The consolidated financial statements were submitted to the Supervisory Board’s Audit Committee on 23 March 2011; they were approved by the Supervisory Board at its meeting on 24 March 2011. 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.

Conergy is obligated under Section 315 a German Commercial Code (Handelsgesetzbuch) to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as applicable within the European Union, as well as a management report.

3. Key accounting policies

Accounting principles
Conergy prepared its consolidated financial statements in accordance with the IFRS and the related Interpretations of the International Accounting Standards Board (IASB), London, as applicable within the EU, and the additionally applicable provisions of Section 315 a para. 1 German Commercial Code.

All requirements under the standards and interpretations adopted by the EU that had to be applied at 31 December 2010 were satisfied in full. There were principally no changes in the periods presented to the consolidated accounting principles underlying recognition and measurement as well as the explanations and disclosures related to the IFRS consolidated financial statements. Recognition and measurement methods correspond to the methods applied a year ago unless indicated otherwise. The annual financial statements of the consolidated companies are based on consistent and uniform accounting principles and methods.

In order to make the presentation more precise, items in the consolidated balance sheet and in the con-

	Asia-Pacific		Components		Holding		Reconciliation		Continuing operations	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	110.2	76.7	88.4	25.4	–	–	–	–	913.5	600.9
	0.4	1.2	401.3	168.3	588.8	316.0	−992.4	−489.4	–	–
	110.6	**77.9**	**489.7**	**193.7**	**588.8**	**316.0**	**−992.4**	**−489.4**	**913.5**	**600.9**
	6.3	9.4	5.1	8.1	38.7	67.6	−29.0	−34.7	33.6	64.8
	7.4	7.5	27.9	−10.3	−27.4	0.4	−3.6	−0.6	−13.8	−36.8
	0.7	1.1	12.2	10.6	0.8	1.8	–	–	14.5	15.7
	−0.6	−0.6	−22.1	−18.8	−7.2	−3.9	–	–	−43.9	−26.1
	–	–	−0.2	−0.7	−4.1	−0.7	–	–	−17.0	−2.3
	144	159	762	580	239	219	–	–	1,569	1,429

solidated statement of comprehensive income were combined and explained as necessary in these notes. The statement of comprehensive income has been prepared using the nature of expense method. Assets and liabilities are classified as non-current (for maturities of more than one year) and current (for maturities of less than one year). Deferred taxes are generally treated as non-current.

We distinguish between continuing and discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Discontinued operations are combined in the balance sheet, the income statement and the statement of cash flows as separate line items in regard to cashflows from operating activities. Assets and liabilities held for sale are summarised in an aggregate balance sheet item. Unless stated otherwise, the disclosures in the notes concern the Company's continuing operations. Discontinued operations are described in note 6.

Conergy's financial year corresponds to the calendar year. Its consolidated financial statements are generally prepared using the historical and production cost system. This does not apply, however, to derivative financial instruments, which are measured at fair value.

All amounts, including those related to the previous year, are stated in millions of euros (EUR million) unless indicated otherwise. All figures were commercially rounded to one decimal place. The percentage changes given in both the text and the tables were also commercially rounded to one decimal place.

The following new and amended standards and interpretations had to be applied for the first time by Conergy in the 2010 financial year:

| IFRS 1 (Amendment), Additional Exemptions for First-time Adopters (1 January 2010)

These amendments concern the retrospective application of IFRS upon initial preparation of annual financial statements in conformance with IFRS and exempt companies in the oil and gas industry from complete application of IFRS in regards to the respective oil and gas assets as well as companies with existing leases from reassessment of these contracts in terms of their classification under IFRIC 4 if at an earlier reporting date an assessment was already made in accordance with national accounting standards that are comparable to the requirements of IFRIC 4. Given that Conergy already publishes IFRS financial statements, these amendments do not have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

| IFRS 2 (Amendment), Group Cash-settled Share-based Payment Transactions (1 January 2010)

These amendments clarify how to account for cash-settled share-based payments in the consolidated financial statements. A company that receives goods or services under a share-based payment arrangement must account for these goods or services irrespective of which Group company fulfils the related obligation or whether or not the obligation is settled based on shares or cash. Since share-based payments exist only in connection with the compensation of

the Management Board at the level of Conergy AG (see note 26), these amendments do not have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

| IFRS 3 rev. 2008, Business Combination and IAS 27 (Amendment), Consolidated and Separate Financial Statements (1 July 2009)

Revised IFRS 3 now governs accounting for business combinations. Material changes under the revised standard concern the option to measure non-controlling interests at fair value in future. In addition, acquisition-related costs may no longer be included in the acquisition cost but must be expensed instead. Qualified components of the acquisition cost must be recognised at the acquisition-date fair value while subsequent changes in estimates must be recognised in income. Acquisitions of non-controlling interests and disposals of ownership interests that do not result in a loss of control must be accounted for as equity transactions pursuant to IAS 27 rev. 2008. Compared to previous transactions, the revised standard will affect the future presentation of business combinations in Conergy's consolidated financial statements in ways that cannot be estimated at this time.

| IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (1 July 2009)

The amendments of IFRS 5 in connection with the improvements to IFRSs 2008 clarify that subsidiaries' assets and liabilities must be classified as available for sale if the Group is not selling all shares in the given subsidiary but if the sale leads to a loss of control and the remaining classification requirements of IFRS 5 have been met. The amendment of the standard will not have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group because it does not have any such plans as at the reporting date to sell equity interests in subsidiaries that would result in a loss of control.

| IAS 39 (Amendment), Eligible Hedged Items (1 July 2009)

In July 2008, the IASB published an amendment to IAS 39 that clarifies under which conditions or for which risks hedge accounting may be applied to specific components of a change in fair value or a change in cash flow hedges. The amendments did not have a material effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

| Various Standards, Improvements to IFRSs 2009 (1 July 2009 or 1 January 2010)

In April 2009, the IASB published the document entitled "Improvements to IFRSs" containing a total of 15 amendments to 12 standards. The most important of these concern

– the clarification that the disclosures required in respect of non-current assets (or disposal groups) held for sale and discontinued operations arise solely from the requirements of IFRS 5 (IFRS 5);

– the clarification that the potential settlement of a liability by issuing equity instruments does not affect the classification of the liability as current or non-current;

– the clarification that the assets of the segment as a whole must only be disclosed in numerical terms only if this disclosure is an integral part of the regular reporting to an entity's chief operating decision maker (IFRS 8);

– the requirement that leases of land and/or the land component of leases that combine buildings and land are measured in accordance with the general criteria governing the classification of leases (IAS 17);

– additional guidelines on the determination whether or not an entity acted as the principal or the agent in a transaction (IAS 18); and

– the clarification that a cash generating unit may not be larger than the operating segment pursuant to IFRS 8.5, i. e. prior to the aggregation of operating segments into reportable segments (IAS 36).

The first-time application of the amendment did not have a significant effect on the Group's assets, liabilities, cash flows and profit or loss or its presentation and disclosures.

In addition, the following interpretations also had to be applied in the 2010 financial year for the first time but they did not give rise to any changes in the Conergy Group's accounting policies:

| IFRIC 15, Agreements for the Construction of Real Estate (1 January 2009)

| IFRIC 16, Hedges of a Net Investment in a Foreign Entity (1 October 2008)

- **IFRIC 17, Distributions of Non-Cash Assets to Owners (1 July 2009)**

- **IFRIC 18, Transfers of Assets from Customers (transactions that took place on or after 1 July 2009)**

All IFRS/IAS and interpretations to be applied for the first time in the 2010 financial year had already been adopted by the EU at the time Conergy AG's consolidated financial statements were released.

The following revised and new standards and interpretations, which had been adopted by the IASB by the time the annual financial statements were prepared, must be applied for the first time in subsequent financial years:

- **IFRS 1 (Amendment), Limited exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (1 July 2010) and Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (1 July 2011)**

  These two amendments contain exemptions for first-time adopters of the IFRSs. Given that Conergy already publishes IFRS financial statements, these amendments do not have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

- **IFRS 7 (Amendment), Disclosures – Transfer of Financial Assets (1 July 2011)**

  On 7 October 2010, the IASB published an amendment of IFRS 7 regarding the required disclosures on financial instruments. This amendment requires additional disclosures on the transfer of financial assets, e.g. in securitisation transactions. These disclosures basically concern the type of transfer, the risks that might remain with the transferring company as well as additional disclosures if a disproportionately large number of transfers were effected at the end of the reporting period. This amendment is not expected to have significant effects on the assets, liabilities, cash flows and profit or loss of the Conergy Group because this is purely a disclosure standard. Conergy is examining at this time whether the amendment will give rise to additional disclosure obligations in future.

- **IFRS 9 Financial Instruments (1 January 2013)**

  This standard is an aspect of the project that will replace IAS 39 with the aim of simplifying the accounting for financial instruments. The project has been divided into three stages and is scheduled to be completed by mid-2011. Upon completion of the project's first phase, IFRS 9 will provide for amended requirements regarding the classification of financial assets. Instead of the four different measurement categories used to date, the amendment will only contain the measurement categories, "amortised cost" and "fair value". This classification is based on both the characteristics of the instrument and an entity's business model relative to the corresponding instruments. Financial instruments that do not meet the definitions of the "amortised cost" category must be measured at fair value through profit or loss. Selected equity instruments may be recognised at fair value directly in equity. As designed, this new category does not correspond to the previous category, "available-for-sale financial assets". We do not expect the new standard to apply until 2013. The Conergy Group is reviewing at present how application of the new standard will affect the Group's assets, liabilities, cash flows and profit or loss.

- **IAS 12 (Amendment), Deferred Tax – Recovery of Underlying Assets (1 January 2012)**

  Under IAS 12, the measurement of deferred tax assets or liabilities recognised on temporary differences related to assets is contingent on whether or not the Company expects to realise the carrying amount by a disposal of the asset or its ongoing use. Such an assessment can be difficult, especially in regards to property that is held as a financial investment and measured at fair value. The amendment of IAS 12 thus leads to the assumption that the carrying amount is realised by means of a disposal. The Conergy Group is reviewing at present how application of the new standard will affect the Group's assets, liabilities, cash flows and profit or loss.

- **IAS 24 rev. 2009 (amendment), Related Party Disclosures (1 January 2011)**

  The amendment of IAS 24 simplifies the reporting duties of government-related entities. Certain related party transactions that arise from a government's equity interests in private companies are exempt from some of the disclosure obligations contained in the revised standard. In addition, the definition of related parties was fundamentally revised and inconsistencies were removed. These amendments will not affect the assets, liabilities, cash flows and profit or loss of the Conergy Group because this is purely a disclosure standard. The effects on the delineation of related parties and/or the reportable relationships and transactions are currently reviewed.

IAS 32 (Amendment), Classification of Rights Issues (1 February 2010)

This amendment concerns the accounting for subscription rights as well as options and warrants denominated in a foreign currency at the issuer. Such rights must now be recognised as equity and no longer as liabilities if both the number of the instruments to be obtained and the foreign currency amount were fixed in advance and all previous owners of equity securities of the same class are granted this right on a pro rata basis. The Conergy Group currently does not expect these amendments to have an effect on its consolidated financial statements.

Various Standards, Improvements to IFRSs 2010 (1 July 2010 and 1 January 2011)

In May 2010, the IASB published the document related to the third cycle of the improvements to IFRSs that contains a total of 11 amendments to seven standards. The most important of these concern:

- the clarification that the option to measure non-controlling interests either at the acquisition-date fair value or at the proportionate share of the acquiree's identifiable assets relates only to non-controlling interests that are present ownership instruments (generally shares). Derivatives classified as equity are not affected by this option. They must always be measured at the acquisition-date fair value subject to different requirements in other IFRSs (IFRS 3);

- the clarification that share-based transactions of an acquiree that are not replaced by the share-based payment transactions of the acquirer shall also be measured in accordance with the market-based value at the acquisition date as defined in IFRS 2. The fair value is allocated to the consideration for the acquisition of control and future services irrespective of whether or not the acquirer is obligated to replace the share-based payment award or replaces it voluntarily (IFRS 3);

- the clarification that the rules for financial instruments do not apply to contingent consideration related to transactions that occurred before the application date of IFRS 3 (as revised in 2008). This amendment is not expected to have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group because Conergy does not recognise contingent consideration in accordance with the rules applicable to financial instruments;

- the option of presenting the other comprehensive income as required under IAS 1 either in the statement of changes in equity or in the notes.

The majority of the amendments must be applied for the first time to financial years beginning on or after 1 January 2011. The Conergy Group is currently reviewing what effects individual amendments could have on its assets, liabilities, cash flows and profit or loss and on their presentation.

IFRIC 14 (Amendment), IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (1 January 2011)

This amendment of IFRIC 14 is relevant in those cases where an entity is subject to minimum funding requirements and makes prepayments in order to fulfil these minimum funding requirements. It allows entities in such cases to recognise the benefit from such an advance payment as an asset. The Conergy Group currently does not expect these amendments to have an effect on its consolidated financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)

According to the interpretation, equity instruments issued by a debtor to a creditor to extinguish all or part of the financial liability shall be treated as consideration paid in accordance with IAS 39.41. The debtor thus shall remove the financial liability (or part of the financial liability) from its statement of financial position. Subsequently, the equity instruments shall be measured at the fair value of the extinguished liability. If only part of the financial liability is extinguished, the entity shall assess whether some of the consideration paid relates to a modification of the terms of the liability that remains outstanding. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued shall be recognised in profit or loss. The Conergy Group is currently reviewing what effects individual amendments could have on its assets, liabilities, cash flows and profit or loss and on their presentation.

With the exception of IFRS 7, IFRS 9, IAS 12 and IFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, these revised and new standards and interpretations had been adopted by the EU by the time the Company's consolidated financial statements were completed. No voluntary early application of the standards and interpretations already adopted was made.

Consolidation principles

All significant subsidiaries are included in the consolidated financial statements. The Conergy Group does not have any significant joint ventures or associated companies.

Subsidiaries
All companies (including special purpose entities), whose financial and business policies are controlled by the Conergy Group, are considered subsidiaries. As a rule, an ownership interest of more than 50.0 percent of the voting shares entails control. Currently exercisable or convertible potential voting shares are considered in any assessment of whether or not an enterprise holds a controlling interest. Subsidiaries are fully consolidated from the date on which control is transferred to the controlling group entity and deconsolidated at the time the control ends.

The Conergy Group focuses on long-term project development work, among other things. Project development encompasses both the planning and construction of energy farms, as well as marketing them to investors that invest in project companies established specifically for project development from a certain point in time. The first two stages of the project business entail project development and financing. The construction of the unit – which comprises engineering, procurement and construction ("EPC") – is carried out with the help of subcontractors which, in the case of photovoltaics units, are usually Conergy Group companies. Several IFRS standards apply to the accounting treatment of major projects. For example, IAS 27 concerns the presentation of a parent/subsidiary relationship subject to the special rules in SIC 12 for special purpose entities. According to these rules, a partial profit from services rendered to the project companies shall be eliminated in the consolidated financial statements if the relationship between Conergy and the project company is one of parent to subsidiary.

It is Conergy's view that the measurement of project companies must be based – in terms of IAS 27 as well as in terms of their economic risks and rewards (SIC 12) – on whether or not they are controlled by the Company as at the balance sheet date and thus must be included in its consolidated financial statements. This requires weighing all aspects of the relationship in connection with the question which party enjoys the majority of the benefits or the question how the majority of opportunities and risks are distributed under SIC 12. Hence the opportunities arising from the realisation of a project are considered in relation to the risks; in turn, this requires weighing the question which party benefits from or incurs the majority of the opportunities and risks arising from the project's realisation and at what point in time it does so. Risks from legislative changes and performance that falls short of targets shall also be considered. It is Conergy's view that the project company's banks and other creditors shall also be included in the analysis of opportunities and risks. In particular, the criterion of equity distribution among the project companies may be decisive to the transfer of opportunities and risks. In this regard, placement of the entire targeted partnership share volume by the project companies, which are generally constituted as limited partnerships, is a material indicator that such a transfer of opportunities and risks has occurred.

When weighing opportunities and risks, measuring them based on monetary performance criteria and weighting each criterion with a probability of occurrence, it is necessary therefore to examine in each individual case who benefits from and incurs the majority of the opportunities and risks, and when. The Company believes that this assessment shall be effected in accordance with individual contractual requirements, taking historical data into account. If Conergy no longer controls the project company, contracts providing for the development, planning and construction of solar power installations in accordance with customer specifications are accounted for as construction contracts pursuant to IAS 11 Construction Contracts.

The goods and services that the Conergy Group delivers and renders to the relevant project company during the period the latter is controlled by the former do not lead to the recognition of sales revenue but instead are treated merely as work in progress that increases inventories. Upon deconsolidation, i. e. at the time at which the project company is no longer controlled by Conergy, a reduction in inventories is matched by the corresponding increase in receivables and the recognition of revenue. In contrast, the treatment follows the percentage-of-completion method, i. e. IAS 11, if goods and services are delivered and rendered to an already deconsolidated project company.

An acquired subsidiary has been accounted for using the purchase method under IFRS 3 by offsetting the cost of the ownership interest against the pro rata remeasured equity of the subsidiary. Accordingly, the cost of the ownership interest corresponds to the fair value of the assets acquired, the equity instruments issued

and the liabilities created or assumed at the transaction date. Since the 2010 financial year, acquisition-related additional costs are expensed irrespective of whether they are directly attributable to the acquisitions or not. Contingent acquisition costs are recognised at the acquisition-date fair value. On initial consolidation, identifiable assets, liabilities and contingent liabilities that were acquired in connection with a business combination are measured at their acquisition-date fair value. Non-controlling interests may be accounted for either at the fair value (i.e. including goodwill) or at the pro rata identifiable net assets. Goodwill is recognised if the acquisition cost of the ownership interest exceeds the pro rata net assets measured at fair value. It is not amortised but subject to an annual impairment test instead. Any excess of the acquired subsidiary's pro rata net assets that have been measured at fair value over the acquisition cost is recognised directly in income. Intra-Group profits and losses, sales, expenses, and income as well as receivables and payables between the consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the assets transferred. Deferred tax assets or liabilities are recognised pursuant to IAS 12 in the event of consolidation measures that are recognised to profit or loss. The accounting policies used by subsidiaries were adjusted as necessary to the Conergy Group's uniform accounting methods.

Acquisition and sale of non-controlling interests

Changes in the proportion of the ownership interest in subsidiaries are treated as equity transactions and thus taken directly to equity as long as the parent company controls the subsidiary. As a result, increases and decreases in an existing majority interest are treated as transactions between equity investors. Disposals of an ownership interest in a subsidiary that do not result in a loss of control thus do not generate a gain or loss on disposal that is recognised in the Group's net profit or loss for the period. Acquisitions of NCIs in subsidiaries therefore also do not lead to the recognition of goodwill corresponding to the difference between the cost of the ownership interest and the corresponding carrying amount of the acquired pro rata net assets of the subsidiary.

Associated companies

Companies over which the Group generally exercises a significant influence based on its ownership interest of between 20.0 percent and 50.0 percent are accounted for using the equity method. Just as in the previous year, Conergy AG did not have such shareholdings as at 31 December 2010.

Companies included in the consolidated financial statements

Besides Conergy AG as the parent company, the consolidated financial statements also comprise 10 domestic and 22 foreign subsidiaries. Additional required information regarding ownership interests pursuant to Section 313 para. 2 German Commercial Code is included in the list of shareholdings, which is part of the notes and which is published together with the consolidated financial statements and the Group management report in the electronic Federal Gazette.

In the 2010 financial year, the following changes occurred with respect to the companies included in Conergy's consolidated financial statements:

	2010			2009
Number of fully consolidated subsidiaries	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**12**	**32**	**44**	**67**
Additions	–	2	2	3
Disposals	1	6	7	10
Additions / Disposals through changes in consolidated Group	–1	–6	–7	–16
As at 31.12.	**10**	**22**	**32**	**44**

Fourteen companies were no longer included in consolidation in the 2010 financial year either as a result of mergers or sales in connection with the Conergy Group's reorganisation or because they were insignificant.

The 32 fully consolidated subsidiaries of Conergy AG contain one company attributable to the discontinued operations. A further three entities are classified as a disposal group held for sale in accordance with IFRS 5.

The following table lists the significant subsidiaries included in consolidation:

	Domicile	Percentage of shares owned
Germany		
Conergy Deutschland GmbH	Hamburg	100.0
Rest of Europe		
Conergy Italia S. p. A.	Vicenza (Italy)	100.0
Conergy M. E. P. E.	Athens (Greece)	100.0
Conergy S. A. S.	Brignoles (France)	100.0
EPURON Spain S L U	Madrid (Spain)	100.0
Americas		
Conergy Inc.	Santa Fe (USA)	100.0
Conergy Inc.	Alberta (Canada)	100.0
Asia-Pacific		
Conergy Pty. Limited	Sydney (Australia)	100.0
Conergy Renewable Energy Singapore Pte. Ltd.	Singapore (Singapore)	100.0
Sun Technics Energy Systems Private Limited	Bangalore (India)	100.0
Components		
Conergy SolarModule GmbH & Co. KG	Frankfurt (Oder)	100.0
Mounting Systems GmbH	Rangsdorf	100.0
voltwerk electronics GmbH	Hamburg	100.0

The following subsidiaries were not included in the consolidated financial statements for reasons of materiality:

Company	Domicile	Shareholding in percent
Cap-Aus Pty. Limited	Australia	100.0
Conergy Austria GmbH	Austria	100.0
Conergy Energia Solar Ltda.	Brazil	100.0
Conergy (Shanghai) Trading Co., Ltd.	China	100.0
Conergy Real Estate Verw. GmbH	Germany	100.0
Conergy SolarModule Verw. GmbH	Germany	100.0
Conergy (Thailand) Ltd.	Thailand	99.9
EPURON Pte. Ltd.	Singapore	100.0
EPURON Renewable Energy Private Limited	India	99.9
EPURON Yenilenebilir Enerji Projeleri Limited Sirketi	Turkey	100.0
SunTechnics (China) Limited	China	100.0
VoltSol SL	Spain	100.0

These companies essentially discontinued their operations. Conergy plans to either liquidate them or merge them into existing subsidiaries. Their total sales, profit or loss and equity is less than one percent of the Group's consolidated sales, profit or loss and equity.

As already disclosed in the note on the Company's accounting policies, the Conergy Group focuses on long-term project development work, among other things. Project development encompasses both the planning and construction of energy farms, as well as marketing them to investors that invest in project companies established specifically for project development from a certain point in time. In this context, there are basically two types of project companies. For one, project companies that were founded in order to carry out the construction of energy farms and, for another, so-called intermediate holding companies that have a stake in the operating project companies. Project companies that serve as intermediate holding companies were not consolidated in the 2010 financial year given their insignificance to the Conergy Group's assets, liabilities, cash flows and profit or loss. Operating project companies are generally consolidated as soon as construction begins. Please see the disclosures on the principles governing the consolidation of subsidiaries for additional details on the general approach to the deconsolidation or consolidation of project companies.

The number of intermediate holding companies existent as at 31 December 2010 developed as follows during the financial year:

	2010			2009
Number of intermediate holding companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**14**	**12**	**26**	**43**
Additions	–	–	–	12
Disposals	4	8	12	29
As at 31.12.	**10**	**4**	**14**	**26**

The number of project companies existent as at 31 December 2010 developed as follows during the financial year:

	2010			2009
Number of project companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**89**	**178**	**267**	**325**
Additions	–	4	4	84
Disposals	45	39	84	142
As at 31.12.	**44**	**143**	**187**	**267**
Thereof fully consolidated	**1**	**13**	**14**	**17**

A total of 14 (previous year: 17) out of the 187 (previous year: 267) project companies were consolidated as at 31 December 2010.

See note 6 with respect to the changes arising from acquisitions and disposals by sales.

Conergy Deutschland GmbH, Hamburg, Conergy SolarModule GmbH & Co. KG, Frankfurt (Oder), Conergy Services GmbH, Hamburg, and Mounting Systems GmbH, Rangsdorf, utilise the exemption rules pursuant to Section 264 para. 3 and Section 264b of the German Commercial Code (exemption from the preparation, auditing and disclosure of annual financial statements).

Currency translation
All receivables and liabilities in a currency other than the functional currency are recognised in the single-entity financial statements of the Group companies at the reporting-date exchange rate regardless of whether or not they are hedged through foreign exchange contracts. Foreign currency translation differences arising from the measurement of foreign currency positions are recognised in income. Derivatives are recognised at fair value. The functional currency of the Conergy Group companies corresponds to the relevant local currency because they run their businesses independently in financial, economic and organisational terms.

Assets and liabilities of the foreign subsidiaries are translated into euros both at the start and end of the year using the relevant end of period exchange rate while all changes during the year as well as expenses and income are translated into euros at average annual exchange rates. Equity components are translated at historical rates at the time they are deemed to have been acquired from the Group's viewpoint.

The differences relative to the translation at end of period exchange rates are recognised under equity in comprehensive income and separately as "currency changes" in the tables in the notes. Differences from currency translation previously recognised in equity while a Group company was consolidated are reversed to income at the time the relevant entity is deconsolidated.

The following significant exchange rates were material to currency translation:

	31.12.2010	31.12.2009
1 EUR	Closing rate/Average exchange rate	
USD (USA)	1.34/1.33	1.44/1.39
AUD (Australia)	1.31/1.44	1.60/1.77
SGD (Singapore)	1.71/1.81	2.02/2.02

Accounting policies

Intangible assets
Purchased intangible assets with a determinable useful life are recognised at cost, less pro rata straight-line amortisation based on their estimated useful life. The loss of value or wear and tear is recognised in the income statement under amortisation and depreciation of intangible assets and property, plant and equipment. Impairment losses are recognised as necessary.

The following useful lives were applied to the amortisation of intangible assets:

	Useful life
Industrial property rights	4 – 20 years
Capitalised development costs	5 years
Software	3 – 5 years

Intangible assets whose estimated useful life can not be determined are not subject to amortisation; an annual impairment test is conducted instead. The Conergy Group does not possess such 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 expenses and received services are only recognised at the time the technical and economic feasibility of the project can be demonstrated and the costs can be reliably assessed.

All capitalised development costs are subjected to an impairment test at least once a year and more often if certain indications of impairment are present until the relevant development project has been completed. Following the project's completion, they are subject to straight-line depreciation based on their estimated useful life from the completion date. 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 amortised cost. The loss of value or wear and tear is recognised in the income statement under amortisation and depreciation of intangible assets and property, plant and equipment.

Pursuant to IAS 38.54, research costs are expensed in the period in which they are incurred. An insignificant amount of research costs was expensed in the 2010 financial year.

Goodwill

The excess of the cost of an acquisition over the value of the Group's pro rata share in the acquired net assets – which arises from the remeasurement of the assets acquired and the liabilities assumed in connection with the business combination – is recognised as goodwill. In subsequent periods, goodwill is recognised at cost less cumulative impairment losses. Reversals of impairment losses in periods after the balance sheet date are not recognised.

Goodwill is not subject to amortisation; instead, it is tested for impairment at least once a year and more often if certain indications of impairment are present. To this end, the goodwill is allocated to those cash generating units at the acquisition date that are expected to benefit from the business combination. The Conergy Group's strategic units (subsidiaries and country entities) that are classified as reporting units under the operating segments are always defined as the cash generating unit for purposes of testing goodwill for impairment.

Upon disposal of a business unit or a cash generating unit to which goodwill was allocated, the goodwill attributable to such departing business unit is treated as a disposal and thus recognised in income from disposals. The disposal value is always determined at the ratio of the value of the business unit being sold to the value of the entire cash generating unit.

If the impairment of the cash generating unit exceeds the carrying amount of the goodwill allocated to it, then the excess impairment loss must be recognised by writing down the carrying amounts of the assets allocated to the cash generating unit on a pro rata basis.

The recoverable amount of a cash generating unit is defined as the value in use or the net realisable value, whichever is greater. The recoverable amount determined for the cash generating unit in connection with an impairment test corresponds to its value in use. It is determined using the discounted cash flow method based on planned future cash flows that are discounted using a weighted average of the cost of capital. These calculations are based on detailed plans for the next three annual periods of the type that are also used for internal purposes. Please see the section on expected developments (outlook) in the Group management report for information on the underlying planning assumptions. Thereafter, the net present value (NPV) is determined based on sustained income achievable on average in the form of a perpetual yield, with no growth rate being assumed.

The discount rate reflects the capital costs. Capital costs are calculated as the weighted average of the equity and borrowing costs, their share in total capital being the decisive factor.

The base rate represents an alternative risk-free investment with a matching maturity. The interest rate curve for government bonds was used as a basis for determining the base rate because the factors related to zero coupon bonds with matching maturities derived from the interest rate curve to ensure compliance with the matching maturity requirement. The base rate is always determined based on the circumstances of the currency area where the cash generating unit generates its cash flows.

The capital-market driven market risk premium is determined by establishing the differential return on investments in a representative market portfolio comprising equity stakes (shares) and risk-free investments. Application of a uniform market risk premium for all countries with developed capital markets is done with the assumption that the market risk premiums in these countries generally are comparable. This market risk premium is supplemented by an adequate country risk premium as necessary in the case of less developed countries. The country risk premium considers risks such as political, legal or regulatory risks, default risks and risks under tax law.

The beta factor is determined based on historical beta factors (e.g. Bloomberg data) of relevant peer group companies. Listed companies with comparable product and service offerings as well as markets were deemed to be peer group companies.

The peer group companies' credit spreads were determined to ascertain the borrowing costs using the rating of bonds the peer group companies had issued, if applicable. In cases where no rating was available, the credit spread was approximated based on a typified peer group rating. This credit spread is added to the respective risk-free base rate to determine the borrowing costs.

The country-specific interest rate after taxes that was used to discount the estimated series of payments was between 8.8 and 12.5 percent (previous year: between 9.8 and 11.2 percent). The determination of the rate of return on capitalisation after taxes as part of the goodwill impairment test was based on the assumption that discounting pre-tax cash flows using a pre-tax discount rate leads to the same result as discounting after-tax cash flows using an after-tax discount rate. The after-tax interest rates listed above correspond to pre-tax interest rates of 8.8 to 15.8 percent.

Goodwill capitalised on acquisition is allocated among the Conergy Group's cash generating units under the operating segments.

The following schedule provides a summary of the goodwill per cash generating unit classified according to reportable segments:

	2010						
EUR million	**Germany**	**Europe**	**Americas**	**Asia-Pacific**	**Components**	**Holding**	**Total**
Germany	–	–	–	–	–	–	–
USA	–	–	–	–	–	–	–
Switzerland	–	2.6	–	–	–	–	2.6
Canada	–	–	–	–	–	–	–
Rest of World	–	1.3	–	0.8	–	–	2.1
Reclassification to current assets	–	−2.9	–	−0.8	–	–	−3.7
	–	**1.0**	**–**	**–**	**–**	**–**	**1.0**

	2009						
Mio. EUR	**Germany**	**Europe**	**Americas**	**Asia-Pacific**	**Components**	**Holding**	**Total**
Germany	0.8	–	–	–	–	–	0.8
USA	–	–	7.1	–	–	–	7.1
Switzerland	–	3.7	–	–	–	–	3.7
Canada	–	–	1.7	–	–	–	1.7
Rest of World	–	1.9	–	0.8	–	–	2.7
Reclassification to current assets	−0.3	–	–	−0.8	–	–	−1.1
	0.5	**5.6**	**8.8**	**–**	**–**	**–**	**14.9**

All goodwill was tested for impairment in the fourth quarter of 2010, as usual, in the light of our financial planning for 2011 through 2013. The forecast resulted in a material adjustment of the expected future cash inflows of individual cash generating units due to both the decline in selling prices and lower volumes in the major project business. The value in use serves to determine whether there is any need to recognise an impairment loss on a cash generating unit. The expected net realisable value was used for a company in Switzerland.

An impairment loss of EUR 10.9 million was recognised on existing goodwill as a result of the impairment test that was conducted during the financial year.

This impairment loss essentially concerns the United States (EUR 7.1 million), Canada (EUR 1.7 million), Switzerland (EUR 1.1 million) and Germany (EUR 0.5 million).

Property, plant and equipment
Property, plant and equipment are recognised at cost less pro-rata straight-line depreciation over their estimated useful life. The cost of an item of property, plant and equipment comprises its purchase price, including all directly attributable costs of bringing the asset to a location and working condition for purposes of its intended use.

Subsequent purchase or production costs are recognised as part of the cost of the respective asset or as a separate asset if it is probable that the Company will derive economic benefits from such subsequent costs and if they can be reliably estimated. Ongoing maintenance costs are recognised as an expense when they arise.

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

	Useful life
Machinery and tools	3–20 years
Motor vehicles	5–6 years
Furniture, fixtures and office equipment	4–10 years
IT equipment	3–5 years

The carrying amounts and the useful lives of items of property, plant and equipment are reviewed at the given balance sheet date and adjusted as necessary. An impairment loss on the items of property, plant and equipment is recognised if there is any indication of impairment and if the recoverable amount is less than the amortised cost. Corresponding write-ups are made if the reasons for the impairment no longer exist. The loss of value or wear and tear is recognised in the income statement under amortisation and depreciation of intangible assets and property, plant and equipment.

If the property, plant or equipment is disposed of or scrapped, then any gain or loss arising on its disposal is recognised in the income statement.

Borrowing costs
Borrowing costs are generally recognised as expenses in the period in which they have incurred. 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. In the financial year just ended, EUR 14.6 million in borrowing costs (previous year: EUR 21.1 million) were recognised as an expense.

Leases
Pursuant to IAS 17, leases must be classified as finance leases or operating leases. This classification is essentially contingent on who has the significant risks and rewards of the leased property. Conergy AG is the lessee in basically all leases maintained by the Conergy Group.

Assets utilised under operating leases are not capitalised. The material portion of the benefit and risk from the leased property remains with the lessor. Payments made under an operating lease are recognised in the income statement for the relevant period as they are incurred.

A finance lease is a lease where essentially all risks and rewards arising from ownership of an asset are transferred to the lessee. Assets subject to finance leases are recognised at the lower of the fair value or the present value of the minimum lease payments. Lease payments to be made must be divided into principal and interest. The resulting leasing liability is shown under the borrowings and is subject to a fixed interest rate. The interest element of the lease payment is recognised in the non-operating result. Depreciation is recognised based on the useful life of the leased assets or the lease term, whichever is shorter. Payments received from possible operating leases, with Conergy being the lessor, are recognised in profit or loss pro rata temporis over the lease period.

Financial instruments
A financial instrument is an agreement simultaneously giving rise to a financial asset in one company and a financial liability or an equity instrument in another company. In particular, financial assets include cash and cash equivalents, trade accounts receivable, loans and receivables, investments held to maturity as well as primary and derivative financial assets held for trading. Financial liabilities always give rise to a claim for repayment in cash or by means of another financial asset. In particular, this includes bonds and other securitised liabilities, liabilities to banks, liabilities under finance leases, borrower's note loans and derivative financial liabilities. Financial instruments are always recognised as soon as Conergy becomes a party to the terms governing the financial instrument. The settlement date, i. e. the date on which the asset is delivered

to or by Conergy, is relevant to the initial recognition of purchases or sales of non-derivative financial instruments made at market rates. Whether it is derecognised depends on whether or not all risks and opportunities were transferred. As a rule, financial assets and financial liabilities are not offset; they are offset only if there is a right to set off the amounts at the present time and if there is a plan to settle on a net basis.

Financial instruments measured at fair value can be classified and allocated to measurement levels according to the materiality of the factors and information underlying the respective measurement. A financial instrument is allocated to a level in accordance with the materiality of the input factors to their overall measurement, specifically, according to the lowest level material to their measurement on the whole. The measurement levels are broken down according to a hierarchy of input factors:

Level 1 – the prices in active markets for identical assets or receivables that are applied unchanged;

Level 2 – input factors that do not concern the listed prices considered in Level 1 but instead are observable for the asset or the receivable, either directly (i. e. in the form of a price) or indirectly (i.e. derived from prices); and

Level 3 – factors used in the measurement of the asset or receivable that are not based on observable market data (input factors that cannot be observed).

With the exception of money market funds and other listed securities that are measured at Level 1, the financial instruments recognised at fair value in the consolidated balance sheet (as well as the disclosures regarding the fair values of financial instruments) are based on the Level 2 information and input factors described above. No reclassifications from or into another measurement level were made.

Financial assets

Financial assets are divided into the following measurement categories:

- Financial assets measured at fair value through profit or loss,
- Held-to-maturity investments,
- Loans and receivables,
- Available-for-sale financial assets.

The classification depends on the reason for purchasing a given financial asset.

Financial assets measured at fair value through profit or loss

For one, this comprises financial assets held for trading and, for another, financial assets designated on initial recognition as financial assets measured at fair value through profit or loss. Derivative financial assets must be allocated to this category unless hedge accounting is applied.

Money market funds and other listed securities are categorised as held for trading, recognised as at the contract date and measured at their fair value on both initial recognition and subsequent measurements. Transaction and other additional costs as well as gains and losses on subsequent measurements at fair value are posted to other operating income or other operating expenses. The fair value of shares in funds corresponds to the market price that is determined on each market trading day and to the offering price of other securities.

Held-to-maturity investments

This concerns non-derivative financial assets with fixed or determinable payments and fixed maturities, which the enterprise wants and can hold to maturity. They are recognised at amortised cost. Conergy's portfolios currently do not contain financial assets of this nature.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on any active market. On initial recognition, they are recognised at their fair value as at the contract date plus transaction costs directly attributable to the purchase of the financial asset. Subsequent measurements are made at amortised cost using the effective interest method. This includes, in particular, trade accounts receivable as well as other financial assets.

If there is objective evidence that an impairment loss on the asset has occurred as a result of one or more events after its initial measurement, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate. A flat rate method is used in connection with insignificant receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are classified as such or not allocated to any of the foregoing categories. On initial recognition, they are recognised at their fair value plus transaction costs directly attributable to the purchase of the financial asset. Subsequent measurements are executed at fair value and unrealised gains and losses are recognised directly in other provisions under equity. The Conergy Group did not have any material inventories of such financial assets at the balance sheet date.

Derecognition of financial assets
The Group derecognises a financial asset if contractual rights to cash flows from the financial asset expire or if all significant risks and rewards arising from ownership of the financial asset were transferred to a third party.

If the Conergy Group does not transfer essentially all risks and rewards arising from ownership, nor retains and continues to control the right to dispose of the transferred asset, then both its remaining share in the asset and a corresponding liability equivalent to the amounts that might have to be paid are recognised. In cases where the Group essentially retains all risks and rewards arising from ownership of a transferred financial asset, it must continue to recognise the financial asset as well as a secured loan for the consideration received.

Derivative financial instruments and hedge accounting
Derivative financial instruments are recognised as at the contract date and measured at fair value, both at the time they are posted and thereafter. Any resulting transaction costs are expensed as at time they arise. Recognition of any changes in value of derivative financial instruments is contingent on whether or not there is a hedging relationship and which hedging relationship is concerned.

The Conergy Group utilises hedging relationships solely to hedge foreign exchange and interest rate risks from firm commitments or highly probable transactions. If the requirements of IAS 39 are fulfiled, exchange rate risks related to firm commitments are treated as cash flow hedges or fair value hedges, depending on the hedging relationship.

Both the hedging relationship and the Company's risk management objectives and strategies are formally designated and documented with respect to the hedge at its inception. The documentation contains the determination of the hedging instrument, the underlying transaction or the transaction being hedged as well as the type of risk hedged and a description of how Conergy determines the effectiveness of the hedging instrument when offsetting risks from changes in the fair values of or cash flows from the hedged underlying transaction. Such hedging relationships are considered highly effective in offsetting risks from fair value or cash flow changes. The effectiveness of a hedge is measured through a prospective test conducted at the time the hedging transaction is executed as well as through both prospective and retrospective tests at each reporting date.

In fair value hedges, the underlying transaction is recognised in profit or loss at fair value and the profit or loss from the measurement of the hedge is recognised in profit or loss.

In a cash flow hedge, the portion of the changes in the value of the hedging instrument that is determined as effective is recognised directly in equity; the ineffective portion of the changes in the value of the hedging instrument must be recognised in profit or loss. All changes in the value of the hedging instrument recognised in equity are transferred to the income statement in the period during which the hedged transaction has an impact on the profit or loss for the period, e. g. at the time hedged finance income or expenses are recognised or an expected sale is executed. If a hedge results in the recognition of a non-financial asset or a non-financial liability, then the amounts recognised in equity are allocated to the cost of the non-financial asset or non-financial liability as at the acquisition date.

These cash flow hedges are derecognised upon expiration, disposal, termination, or exercise of the hedging instrument. This also applies if the conditions requiring hedge accounting no longer exist or if the (intended) transaction underlying the requirement is no longer expected to occur. All gains or losses from subsequent fair value measurements of derivatives not designated as hedges are recognised in profit or loss.

The fair value of interest rate swaps is derived from customary measurement models that take indicative market interest rates and volatilities into account.

The fair values of derivative financial instruments with residual maturities of less than 12 months are recognised in current financial assets or financial liabilities whereas those with residual maturities of more than 12 months are recognised in non-current financial assets or financial liabilities.

As in the previous year, the special rules applicable to hedge accounting were not applied during the reporting year; as a result, all changes in the value of derivative hedging instruments were recognised in profit or loss.

Inventories

Inventories are recognised at the lower of cost or net realisable value. The first-in, first-out (FIFO) method is used to determine the cost of raw materials, consumables and merchandise. The cost of completed work and work in progress comprises expenses directly attributable to the manufacturing process (direct production costs) as well as appropriate portions of general overheads related to manufacturing. The presumably realisable proceeds from a sale less any costs incurred until such sale is the realisable selling price.

Construction contracts

Contracts providing for the planning, design, production and assembly of complex solar or wind energy installations in accordance with customer specifications are accounted for as construction contracts pursuant to IAS 11 Construction Contracts.

The percentage of completion (PoC) to be recognised is determined as follows: In case of major projects, the percentage of completion is always determined on the basis of the completion of pre-defined project segments (milestone method). The milestones are defined in coordination with the responsible engineers based on construction and production processes. Sales and partial profits are recognised depending on the degree of completion. Profits are recognised only if the result of the contract work can be reliably estimated. If not, sales in the amount of the contract costs are recognised.

In case of small and medium orders, the percentage of completion is always determined by the ratio of the cost incurred to the projected total cost (cost-to-cost method). The contract costs incurred – which encompass the directly attributable costs of labour and materials as well as both production-related overhead costs and estimated costs for follow-up work and warranties – are recognised as sales revenue based on the pro rata share of the revenue corresponding to the estimated stage of completion. Losses from construction contracts are immediately recognised in full in the financial year during which the losses become apparent, irrespective of the stage of completion achieved.

The construction contracts are shown in trade accounts receivable or payable. Contract work is recognised as trade accounts receivable 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 accounts payable as a liability from construction contracts.

The goods and services that the Conergy Group delivers and renders to the relevant project company during the period the latter is controlled by the former do not lead to the recognition of sales revenue but instead are treated merely as work in progress that increases inventories. Upon deconsolidation, i. e. at the time at which the project company is no longer controlled by Conergy, a reduction in inventories is matched by the corresponding increase in receivables and the recognition of revenue. In contrast, the treatment follows the PoC method, i. e. IAS 11, if goods and services are delivered and rendered to an already deconsolidated project company.

Cash and cash equivalents

Cash and cash equivalents include cash, sight deposits and financial assets that can be converted into cash and cash equivalents at any time and are subject to only minor fluctuations in value; they are measured at amortised cost.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and recognised at the lower of the carrying amount or fair value less costs to sell if the respective carrying amount will be realised largely from a disposal transaction and not from ongoing use. Such assets are no longer amortised. If the carrying amount of the non-current assets and asset groups held for sale exceeds their fair value less costs to sell, then an impairment loss corresponding to the difference must be recognised. The previously recognised impairment loss must be reversed if the fair value less costs to sell increases at a later date. The write-up must be limited to the impairment loss previously recognised for the relevant assets or their amortised cost.

Discontinued operations
Discontinued operations (see note 6) concern business units that were disposed of or are being classified as held-for-sale and (a) represent a separate, material division or geographic segment; (b) are an integral part of an individual, coordinated plan to dispose of a separate, material division or geographic segment; or (c) constitute a subsidiary acquired solely for resale purposes.

Equity
The Company's no-par bearer shares must be classified as equity. Costs incurred in connection with the issuing of new shares are recognised directly in equity once related taxes have been offset, reducing the issuing proceeds.

Treasury shares purchased by Conergy AG itself or by one of its subsidiaries are deducted directly from equity. Costs arising from the acquisition of treasury shares are added to the consideration paid once related taxes have been offset. The consideration received in connection with the issuing of new shares less related after-tax costs is recognised in equity. No gain or loss is generated by the purchase or issuance of treasury shares.

Borrowings
On initial recognition, borrowings are measured at their fair value, which normally corresponds to the amount of funds received. In subsequent periods, borrowings are measured at amortised cost using the effective interest method. Subsequently, every difference between the issue amount less transaction costs and the repayment amount is recognised in the income statement under net finance income over the relevant term of the loan using the effective interest method. The effective interest rate is the interest rate where estimated future in- and outflows related to the borrowings are discounted exactly to the issue amount over the expected term of the loan.

A financial liability is derecognised upon satisfaction, termination, or expiration of the underlying obligation.

Provisions
Provisions are liabilities of uncertain timing or amount. They are recognised if the Group currently has a legal or constructive obligation toward third parties and if it is probable that settling the obligation will lead to an outflow of resources and if the amount of the provision can be reliably determined.

Other provisions are measured in accordance with IAS 37 using the best estimate of the scope of the obligation. In each case, this amount is the most likely for individual risks. Provisions with a residual maturity of more than one year are discounted at an interest rate appropriate to both the risk and the maturity.

Provisions for other risks from sales and procurement basically relate to imminent losses from executory contracts. Conergy measures provisions for expected losses at the lower of the expected cost upon fulfilment of the contract and the cost upon termination of the contract.

Provisions for expected expenses under warranty obligations are recognised at the time the respective products are sold using the management's best estimate of the expenses required for settling the obligation.

A provision for restructuring expenses is recognised if the Group has prepared a detailed formal restructuring plan which, in turn, has raised a valid expectation in the minds of the affected individuals that the restructuring measures will be executed, and starts to implement the plan or announces its material components. Solely the direct expenditures arising from the restructuring are considered in the measurement of a restructuring provision. Hence this only concerns amounts arising from the restructuring that are not associated with the Company's continuing operations.

Deferred taxes
Using the liabilities method, deferred tax assets and liabilities are recognised for all temporary differences between the tax basis of the assets/liabilities and their carrying amounts in the IFRS financial statements. Deferred tax assets for temporary differences as well as for tax loss carryforwards are recognised at the amount at which it is probable that the temporary difference or the tax losses not yet used can be offset against future taxable income.

Deferred tax assets and liabilities are measured in accordance with both the tax rates and tax regulations that were applicable at the balance sheet date or have essentially been adopted into law in the respective countries and that are expected to apply at the time the deferred tax asset is realised or the deferred tax liability is settled. A tax rate of 31.3 percent applies to

the German Group companies; aside from the uniform corporate income tax rate and the solidarity surtax, this rate also includes the average trade tax rate. The tax rate of Conergy SolarModule GmbH & Co. KG is 28.1 percent.

Contingent liabilities and receivables
Contingent liabilities are possible obligations arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events, or current obligations arising from past events that are unlikely to result in an outflow of resources or the amount of which can not be measured with sufficient reliability. Pursuant to IAS 37, contingent liabilities are generally not recognised. Accordingly contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Pursuant to IAS 37, contingent assets are not recognised as long as the economic benefit and thus the realisation of income is virtually certain.

Recognition of revenue
Revenue is measured at the fair value of the consideration received or receivable. Bonuses, cash discounts, or rebates reduce revenue.

Conergy recognises revenue from the sale of goods at the time the significant risks and rewards of ownership to the goods have been transferred to the buyer, the amount of the revenue can be reliably determined and if it is probable that economic benefits associated with the transaction will flow to the Company as well as if the costs incurred or to be incurred in connection with the sale can be reliably determined. No revenue is recognised if there are significant risks in connection with receipt of the consideration or a possible return of the goods.

Revenue from service contracts is recognised in accordance with the stage of completion. Consideration for services that is included in the price of the product sold is recognised at the ratio of its share in the total consideration attributable to the product sold, based on past trends regarding the services provided in connection with products sold. Revenue from contracts settled on the basis of time or materials are recognised at the contractually stipulated rates for hours worked and costs directly incurred. 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. For further details, please see the disclosures in the section discussing construction contracts.

Employee benefits

Postemployment benefits
The Group's pension plan largely is a defined contribution plan. This means that Conergy makes statutory, contractual, or voluntary contributions to statutory and private pension insurance entities. Conergy AG does not have any other material payment obligations above and beyond these contributions. The contributions are recognised as at the due date in the income statement under the item, personnel expenses. Prepayments of contributions are recognised as assets to the extent that there is a right to repayment or reduction of future payments.

Share-based payments
All obligations under share-based payment transactions are recognised – as required for cash-settled share-based payments under IFRS 2. All work obtained in return for the options is recognised in staff costs. The expense to be recognised is calculated based on the fair value of the options at the balance sheet date, multiplied by the best estimate of the number of options exercisable at the end of the service period. The fair value of the options is determined at every balance sheet date on the basis of option pricing and binominal models. All market conditions that are tied to the exercise flow into the calculation of the fair value. However, exercise conditions are not considered at the time the fair value of the options is determined but instead at the time the number of exercisable options is estimated. The amount to be expensed thus determined is distributed over the service period. A liability corresponding to the expense incurred is recognised because the options entail a cash settlement. Adjustments resulting from changes in the estimates of the number of exercisable options or changes in their fair values are recognised in income in the period during which the estimate was changed by adjusting the liability item accordingly.

Government grants
Government grants received in connection with investments in property, plant and equipment are de-

ducted from the cost of the asset in accordance with IAS 20.24 Government Grants Related to Assets and result in a commensurate reduction in depreciation in subsequent periods.

4. Assumptions and exercise in judgment

Management's material margin in judgment
Application of the aforementioned accounting principles requires the Management Board to assess facts, perform estimates and make assumptions with respect to the carrying amounts of assets and liabilities that cannot be readily determined from other sources. Both the estimates and their underlying assumptions are based on past experience as well as on other factors deemed to be relevant. Actual results may vary from these estimates, however. This also applies to contracts that raise the question whether they should be treated as derivatives or as pending transactions. The assumptions underlying the estimates are regularly reviewed. Changes in the estimates that occur in a specific period are considered solely in that period; if the change concerns both the current and subsequent reporting periods, then it is considered in all relevant periods.

Management wishes to point out that future events frequently deviate from forecasts and that estimates frequently require routine adjustments. In this connection, please also see the disclosures in the risk report of Conergy's Group management report.

Estimates and assumptions
Below is a description of the judgment the Management Board exercised in decisions concerning the application of the Company's accounting policies which had an effect on the amount of the assets and liabilities recognised in the balance sheet. The following provides a summary of key forward-looking assumptions as well as the other main causes for uncertainties in estimates at the balance sheet date which can trigger a considerable risk that the assets and liabilities recognised might have to be adjusted during the subsequent financial year.

| Construction contracts
The Conergy Group's business is based in part on customer-specific construction contracts. In these cases, revenue is recognised pursuant to the percentage of completion method (PoC). Under this method, the assessment of the stage of completion, total contract costs, total revenues and contract risks substantially affect both the amount of revenue that is recognised and pro rata earnings. Changes in planned costs and the profitability of the individual construction contracts lead to modifications of the estimates that are recognised in the period during which they occur. As at 31 December 2010, EUR 12.3 million (previous year: EUR 24.6 million) in receivables from construction contracts were recognised in trade accounts receivable.

| Trade accounts receivable
Allowances for doubtful receivables require substantial assessments of individual receivables based on the creditworthiness of the respective customer, current economic developments and an analysis of historical loan charge-offs. As at 31 December 2010, bad debt allowances were EUR 14.6 million (previous year: EUR 14.7 million).

| Impairment of goodwill
The Group tests goodwill for impairment at least once a year (see note 12). This requires estimating the recoverable amount of those cash generating units to which the goodwill has been allocated. The recoverable amount is the higher of fair value less costs to sell and the cash generating unit's value in use. The Group must estimate the expected future cash flows from the cash generating unit in order to estimate the value in use and, furthermore, select a reasonable discount rate in order to determine the present value of these cash flows. As at 31 December 2010, the carrying amount of the goodwill was EUR 1.0 million (previous year: EUR 14.9 million).

| Impairment of assets
The Group must assess at every reporting date whether there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset might be impaired. If so, the recoverable amount of the relevant asset is estimated. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. The value in use is determined based on the discounted future cash flows of the relevant asset. Estimating the discounted future cash flows entails making material assumptions, especially with respect to future selling prices and volumes as well as to the discounting rates. As at 31 December 2010, the carrying amount of the Company's property, plant and equipment – which essentially concerns the Frankfurt (Oder) production site – was EUR 164.4 million (previous year: EUR 183.9 million).

Assets held for sale

Assets slated for disposal require determinations as to whether they can be sold in their current condition and whether their sale is highly probable. If this is the case, then the assets and the related liabilities must be measured and recognised at the lower of carrying amount and realisable value less costs to sell as assets held for sale or as liabilities related to assets held for sale.

Income taxes

Corporate income taxes must be estimated for every tax jurisdiction where the Group engages in business activities. This entails calculating the expected actual income tax for each taxpayer and the temporary differences from the divergent treatment of specific balance sheet items in the IFRS consolidated financial statements and the tax accounts. Temporary differences, if any, generally lead to the recognition of tax assets and tax liabilities in the consolidated financial statements. Management must make assessments in calculating current and deferred taxes. Deferred tax assets are recognised to the extent that it is probable that they can be used. Whether deferred tax assets are used depends on the Group's ability to earn sufficient taxable income under the relevant tax type and jurisdiction, if necessary, taking into account statutory limits on the maximum periods allowed for tax loss carryforwards. Various factors must be considered to assess the likelihood that deferred tax assets will be used in future, such as, for instance, past earnings, operational plans, tax loss carryforward periods and tax planning strategies. Any difference between actual results and these estimates or any need to adjust these estimates in future periods could have negative effects on the Company's assets, liabilities, cash flows and profit or loss. The deferred tax assets previously recognised must be written down to profit and loss if they are impaired. As at 31 December 2010, recognised tax loss carryforwards for corporate income and municipal trade tax purposes, respectively, were EUR 63.7 million and EUR 66.5 million (previous year: EUR 100.2 million and EUR 78.3 million, respectively). No deferred tax assets were recognised for tax loss carryforwards of EUR 156.7 million (previous year: EUR 350.1 million) in corporate income taxes and EUR 78.5 million (previous year: EUR 241.9 million) in municipal trade tax because it is currently unlikely that the tax loss carryforwards can be utilised within the framework of the Company's medium-term, tax-related earnings planning. These loss carryforwards can essentially be utilised for an unlimited period of time.

The changed shareholder structure following the completion of the December 2008 capital increase as well as the takeover of Dresdner Bank AG (in January 2009) and the merger of Dresdner Bank AG with Commerzbank AG (in May 2009) eliminated tax loss carryforwards on a pro rata basis under Section 8c para. 1 German Corporate Income Tax Act. Conergy continues to review whether the restructuring provision in Section 8c para. 1a German Corporate Income Tax Act – which was introduced as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums on 16 July 2009 – affects the December 2008 capital increase and applies to the indirect changes in the shareholder structure in 2009 and the extent to which the remaining existing losses can be carried forward.

By its ruling dated 26 January 2011, the European Commission decided in a formal investigation (C 7/10) that the restructuring provision under Section 8c para. 1a German Corporate Income Tax Act constitutes an unlawful government grant. The letter of the German Ministry of Finance dated 30 April 2010 already made it unlawful to apply the restructuring provision. In the German government's view, this is not a harmful grant. A press release dated 9 March 2011 of the German Ministry of Finance announced that the German government would file suit to vacate the ruling of the EU Commission. The outcome of this procedure is uncertain. Along with internal and external experts, Conergy is currently reviewing its legal options.

The tax loss carryforwards of both the Company and domestic subsidiaries could no longer be utilised if the ruling on the restructuring provision is final. If the tax loss carryforwards can no longer be utilised, this would have a substantially negative impact on Conergy's assets, liabilities, cash flows and profit or loss. The ruling of the EU Commission will not give rise to any claims for refunds. This possible elimination of loss carryforwards was already taken into account in the determination of the deferred tax assets on loss carryforwards such that it will not affect the extent of the deferred tax assets recognised in 2010.

Indirect or direct acquisitions of equity interests in the capital stock of Conergy AG may result in the application of Section 8c German Corporate Income Tax Act and hence the elimination of recognised and unrecognised tax loss carryforwards after the reporting date.

For further details, please see the information provided in note 14.

Provisions
The determination of provisions for warranties and litigation substantially depends on assessments. Recognition and measurement of provisions and the amount of contingent liabilities related to pending litigation or other outstanding claims under settlement, mediation, arbitral, or statutory proceedings and other contingent liabilities are substantially tied to assessments. Hence any assessment of the likelihood that pending litigation will be successful or give rise to a liability, or any quantification of the possible amount of the payment obligation, depends on the evaluation of the given situation. The amount of the provisions for warranties is also based on estimates rooted largely in historical data. Provisions are recognised if losses are anticipated from pending transactions, a loss is probable and such loss can be reliably determined. Owing to the uncertainties arising from such assessments, actual losses might deviate from the initial estimates and thus from the amount of the provision. Moreover, determining provisions for taxes, environmental liabilities and legal risks requires substantial estimates that can change over time as a result of new information. These estimates may change as a result of new information becoming available. The Company avails itself of internal experts and of the services of external advisors to obtain new information. Changes in estimates can have a substantial impact on future profits or losses.

Estimate of the fair value of financial assets and liabilities
The fair value of financial assets and liabilities is calculated as follows:

The fair value of financial assets and liabilities with standard maturities and conditions that are traded in active liquid markets is determined by reference to the listed market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted measurement methods based on discounted cash flow analyses using prices achieved in observable current market transactions.

5. Management of financial risks

Financial risk factors
The international nature of the Conergy Group's activities and its financing exposes it to a variety of financial risks, in particular, market, credit and liquidity risks. Its groupwide risk management focuses on the unforeseeability of developments in the financial markets and aims to minimise their potentially negative impact on the Group's cash flows.

Financial risks are managed by the Corporate Treasury department in accordance with the Management Board's groupwide guidelines. Corporate Treasury identifies, measures and hedges financial risks in close collaboration with the Conergy Group's operating units. A front office system that enables daily analyses of all open interest and currency risks and that can perform simulations of worst case scenarios is available to our employees in this connection. Maximum amounts that greatly limit the risk from hedging transactions are defined as part of interest and currency risk management. The Management Board provides risk management guidelines and precepts for specific divisions in connection with, for example, currency risks, interest rate risks and credit risks as well as the utilisation of derivative and non-derivative financial instruments. In addition, solely derivative financial instruments that can be mapped and measured in the risk management system are used for hedging purposes. Both the Management Board and the Supervisory Board are regularly apprised of the financial risk factors to which the Group is exposed.

Market risks

Currency risks
The Group is exposed to foreign currency risks due to the international nature of its business.

Currency risks on the one hand arise from the fact that a number of the Group's consolidated companies report their figures in currencies other than the euro, which means that Conergy has to convert the relevant items into euro when preparing its consolidated financial statements ("translation risk"). On the other hand, currency risks can also arise if sales of a certain member of the Conergy Group are recognised in currencies different from those of the associated costs ("transaction risk"). A significant portion of transactions is carried out in US dollars (USD). The risks from US dollars stem mainly from long-term procurement contracts in the relevant currency, pursuant to which the Conergy

Group has undertaken to accept goods against payment in US dollars. Changes in the respective currency relations can intensify or counteract fluctuations in commodities prices. A decline in the value of the euro vis-à-vis the US dollar can have a negative impact on Conergy's gross profit margin. Unfavourable conditions (notably rising commodities prices due to the rising US dollar) can trigger additional expenses in the procurement of raw materials in the short term, in turn substantially affecting Conergy's earnings and liquidity.

Usually, the Corporate Treasury department hedges both interest rate and currency risks in close collaboration with the operating units using hedges that involve derivative financial instruments as set out in the Company's "Treasury Guideline". Treasury also hedges currency and interest rate risks related to the project business, as necessary. Furthermore, the Conergy Group optimises its currency risks by pushing natural hedging measures – i. e. by matching cash outflows under delivery contracts with cash inflows from external revenue in the same currency.

Interest rate risks

Risks from changes in interest rates arise from interest rate fluctuations due to market conditions. Such fluctuations give rise to changes in the interest expense related to liabilities subject to variable interest rates and to changes in the fair value related to liabilities subject to fixed interest rates. The aim is to minimise the future risk of fluctuating interest expenses.

Currently, all borrowings under the syndicated loan dated 31 July 2007 are subject to variable interest rates. Borrowings in the 2010 financial year generally were structured in euros. The Conergy Group is exposed to additional interest rate risks in connection with the project business. Here, Corporate Treasury's responsibility is to monitor current interest rate trends and adjust the interest portfolio as necessary. This entails monitoring all critical interest rate curves in order to be able to react to short-term changes or shifts in the relevant interest rate curve as well, focusing mainly on the United States and Europe. Corporate Treasury develops additional short, medium and long-term interest rate forecasts to this end and subsequently aligns the relevant hedging strategies to these forecasts. Primarily interest rate derivatives – in particular, interest rate swaps – are used to implement these hedges.

Six fixed-rate swaps were originally entered into for variable interest rate loans to hedge rising interest rates. Five fixed-rate swaps (of EUR 15.0 million each), including redemption for securing the term loan, and one fixed-rate swap for EUR 100 million were entered into to hedge the interest rate risk from the Company's revolving facility. The latter expired on 31 July 2010 and was not renewed. No interest rate risk arises because changes in the value of both the loans and the hedging transaction due to interest rates offset each other almost entirely during the period presented in the income statement.

Liquidity risks

The Conergy Group centrally manages its liquidity risk – i. e. the risk of being unable to fulfil current or future payment obligations for lack of adequate cash and cash equivalents. Based on the insights gained with respect to the liquidity situation from groupwide financial planning tools, Conergy now utilises liquidity planning that covers a period of 13 weeks and is rolled over from week to week as well as an ongoing planning update that covers the period until year's end. Cash and cash equivalents are available to ensure the Group's solvency and ability to fulfil payment obligations when due. They consist of operating payment streams as well as of changes in current financial liabilities. Furthermore provisions are recognised for unplanned cash inflows or outflows that fall short of or exceed targets. Liquidity is mainly assured by means of overnight money and term deposits. A syndicated credit line is also available.

To ensure sufficient operating liquidity, on 31 July 2007 Conergy AG, the Momentum Renewables GmbH (formerly EPURON GmbH), Conergy SolarModule GmbH & Co. KG and Conergy Deutschland GmbH closed a syndicated loan for a total of EUR 600 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG (EUR 400 million cash loan and EUR 200 million guarantee and documentary credit facility). The cash loan is divided into two tranches and is intended for financing the construction of the production facility in Frankfurt (Oder) (Tranche A) and for financing Conergy Group's working capital requirements (Tranche B with a revolving facility of EUR 250 million). In addition, the syndicated loan provides a guarantee and documentary credit facility of EUR 200 million. Originally, Tranche A for EUR 150 million had to be paid back in half-yearly instalments until 31 December 2011, starting in 30 June 2008. A total of 37.5 million were repaid in 2008 and a total of EUR 18.8 million were repaid in 2009 as agreed with the banks. An additional loan payment of EUR 18.8 million was made once the out-

of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in mid-February 2010. Furthermore, a special loan payment of EUR 1.9 million was made in August 2010. Tranche B in the amount of EUR 250 million was originally scheduled for repayment by 31 July 2010. On 29 July 2010, Conergy originally had reached an agreement with its financing banks to extend all loans until the end of 2011. The parties had also agreed that the three instalments outstanding on the term loan (Tranche A) would also be suspended until the end of 2011. These agreements were subject to certain terms. Conergy and the banking syndicate had agreed in this connection to commission an auditing firm to prepare an independent business review. This independent business review came to the conclusion that follow-up financing for the current credit facility beyond 31 December 2011 would be rather unlikely unless the Company's capital base was strengthened. This conclusion triggered a suspensive condition, and as a result the maturity date of all loans was accelerated to 21 December 2010. On 17 December 2010, the creditors reached an agreement with Conergy AG to reduce the Company's debt substantially, with some creditors providing equity capital. The refinancing concept as a prerequisite for the granting of a new loan agreement that was signed in December 2010 will reduce Conergy's debt by EUR 188 million, markedly lowering the Company's future interest burden. It also provided for extending the remaining loans until the refinancing measures have been implemented but at most until 31 July 2011.

The parties also agreed on 17 December 2010 that some of the members of the existing banking syndicate will make available a new cash loan of up to approximately EUR 135 million to discharge the current credit facility as part of the restructuring as well as a guarantee facility of up to approximately EUR 141 million for four years at market terms. The new syndicated loan agreement will provide for financial covenants after three years.

For the rest, among other things, the refinancing concept provides for a reduction of the Company's capital stock of roughly EUR 398 million by approximately EUR 348 million to approximately EUR 50 million, as well as a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases. In the meantime these measures were resolved accordingly by the Extraordinary General Meeting on 25 February 2011 and are being implemented. Final implementation of the refinancing concept is still subject to the condition that the guarantee facility existing as at 31 December 2010 is reduced to roughly EUR 141 million. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is another requirement; All other terms of the new loan agreement have been fulfiled.

The existing applicable loan agreement imposes operating limitations on both Conergy and its subsidiaries as well as extensive disclosure requirements and the obligation to comply with specific financial indicators. Conergy has undertaken thereunder to ensure that certain balance sheet and earnings ratios, such as the ratio of consolidated net borrowings to consolidated EBITDA (in each case with and without contingent liabilities), a specific ratio of consolidated EBITDA to consolidated net interest expense and a specific equity ratio do not exceed or fall below a specific figure. The agreed upon value for the equity-ratio could not be met since 31 December 2010. But this corresponds with the restructuring concept that was agreed upon on 17 December 2010.

Certain other requirements do apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional debt, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations – or if the financial figures agreed upon are not reached – may trigger an extraordinary right of termination on the lenders' part, which would give them the right to call the loan immediately. The lenders also have other customary rights to terminate, for example, if a German or other significant subsidiary files for insolvency.

Credit risks

Credit risks from trade accounts receivable or financial assets arise when one party fails to honour its obligations, in whole or in part, and can result in the loss of

cash or income. Such risks generally arise up to the carrying amounts of the financial assets recognised in the balance sheet (see note 30).

As a rule, all customers wanting to do business with the Conergy Group are subject to credit checks. The Group's central department responsible for the management of working capital will monitor receivables balances on an ongoing basis with the aim of ensuring that the Group is not exposed to significant credit risks. These measures notwithstanding, non-payment risks can never be fully precluded. Business with major customers is subject to separate credit monitoring in connection with the Group's central working capital management as part of receivables management. However, relative to the Group's entire risk exposure from default risks, the receivables from these counterparties are not so large as to create extraordinary concentrations of risk. In addition to this customary terms apply.

Risks arising from the capital structure
In addition to bringing about a sustained increase in the enterprise value, managing the finances of the Conergy Group is also aimed at maintaining an adequate capital structure. Gearing thus serves as an additional financial ratio in our management control system. It is defined as the ratio of net liabilities (borrowings less liquid funds) to equity. Repaying borrowings as well as boosting the equity base through retained earnings and/or capital increases serve as controlling instruments. We aim to achieve a gearing of 100.0 percent in the medium term, i. e. a 1:1 ratio of net financial liabilities to equity. In this context we refer to the remarks regarding the refinancing concept given in the previous section on liquidity risks.

Gearing in the period under review developed as follows:

Net liabilities		**31.12.2010**	**31.12.2009**
Borrowings	EUR million	291.6	293.6
Liquid funds	EUR million	36.7	52.1
Net liabilities	EUR million	**254.9**	**241.5**
Equity	EUR million	71.4	116.0
Gearing	in percent	**357.0**	**208.2**

As before, it is our foremost economic goal in the 2010 financial year to improve the key performance indicators EBITDA, EBIT, working capital and gearing.

6. Changes in the consolidated group

Acquisitions
No acquisitions were made in the financial year just ended.

Discontinued operations
The Management Board decided in December 2009 to sell the EPURON division, which focused mainly on wind energy and bioenergy projects, and report it under discontinued operations.

As part of this disposal, in December 2010 Conergy sold EPURON's German and French wind project business (including the respective operating assets) to an investment fund of Impax Asset Management Ltd., one of the leading specialists for listed and private equity funds in the European renewable energies market. The combined asset/share deal between Conergy's subsidiary Momentum Renewables GmbH (formerly EPURON GmbH), and Impax New Energy Investors II L.P. comprises the former's German wind energy development activities in Hamburg, all its equity interests in three operational wind farms in East Germany, the plant management business of CSO Energy GmbH as well as 100.0 percent of EPURON's wind energy business in France.

In addition major projects based on concentrated solar power (CSP) technology were sold in Spain in the first quarter of 2011. Aside from the remaining wind energy project business in Australia, as well as the biogas project business that was sold to RES Projects GmbH (a leading, Munich-based specialist for the development and implementation of biomethane plants) in early February 2011, all other activities were discontinued in 2010. The plan is to dispose of the wind energy project business in Australia by the end of June 2011 at the latest. Assets and liabilities resulting chiefly from the former project business that will not be or were not transferred in connection with the disposal were allocated to continuing operations.

The assets scheduled for disposal and the related liabilities of the discontinued operations are categorised as follows:

EUR million	31.12.2010	31.12.2009
Assets		
Goodwill	0.8	1.1
Intangible assets	0.0	0.1
Property, plant and equipment	0.7	2.6
Inventories	7.8	28.8
Other assets	2.1	3.5
Cash and cash equivalents	0.3	2.3
	11.7	**38.4**
Liabilities		
Borrowings	0.0	16.7
Trade payables	1.0	5.7
Other liabilities	0.1	5.1
	1.1	**27.5**

The net income from discontinued operations is as follows:

EUR million	2010	2009
Sales	4.0	16.5
Other expenses and income	–6.4	–14.8
Result before taxes from discontinued operations	**–2.4**	**1.7**
Income taxes	–0.5	0.1
Result after taxes from discontinued operations	**–2.9**	**1.8**
Thereof		
valuation gains/losses from value adjustments of assets and liabilities	–	–
Current profits/losses	3.7	–
comprised taxes	–	–

Discontinued operations account for the following net cash flows:

EUR million	2010	2009
Cash flow from operating activities	–9.2	15.4
Cash flow from investing activities	0.8	–0.9
Cash flow from financing activities	–0.2	–0.3
Cash flow from discontinued operations	**–8.6**	**14.2**

Available-for-sale assets and liabilities
In the 2010 financial year, the assets and liabilities of Güstrower Wärmepumpen GmbH, which belonged to the Components segment, were classified as “available for sale”. In the first quarter of 2011, Conergy sold this subsidiary, which is specialised in the production and sale of heat pumps, to SmartHeat Inc. This NASDAQ-listed company is a leading provider of heat transfer and energy conservation solutions in the Chinese market. Conergy’s entire equity interest in Güstrower Wärmepumpen was transferred to SmartHeat under the sale. In addition, Güstrower Wärmepumpen GmbH also takes over Conergy’s land, which originally was allocated to the Holding segment.

The assets and liabilities of Conergy’s Swiss subsidiary in the Europe segment, Conergy (Schweiz) GmbH, were also classified as “held for sale” in the 2010 financial year. In the first quarter of 2011, Conergy sold its Swiss solar thermal products business to Capital Stage AG, a private equity company specialising in companies and projects in the clean-tech sector. Conergy’s entire equity interest in its Swiss subsidiary was transferred to Capital Stage. The assets and liabilities of the Company’s Cypriot subsidiaries in the European segment were also classified as “available for sale”. This change in presentation is rooted in the Company’s plan to discontinue its activities in Cyprus.

Assets and related liabilities slated for disposal are categorised as follows:

EUR million	31.12.2010	31.12.2009
Assets		
Goodwill	2.9	–
Intangible assets	0.7	–
Property, plant and equipment	1.3	–
Inventories	4.0	–
Other assets	0.7	–
Cash and cash equivalents	1.0	–
	10.6	**–**
Liabilities		
Borrowings	–	–
Trade payables	0.2	–
Other liabilities	1.6	–
	1.8	**–**

7. Segment disclosures

The segment table solely shows the Company's continuing operations. Comments on its discontinued operations are contained in note 6.

Segment reporting is based on the organisational structure of the Conergy Group in the 2010 financial year. The individual organisational units are allocated to the operating segments solely according to economic criteria, irrespective of their ownership structure under German corporate law. In its function as the Company's chief operating decision maker, the Management Board is not given any information on segment assets and liabilities. Given the absence of internal reporting, there are no disclosures on segment assets and liabilities in respect of reportable segments.

Reportable segments

Segment classification for the 2010 financial year was changed compared to the consolidated financial statements as at 31 December 2009. The previous year's figures were adjusted accordingly. The segment table solely shows the Company's continuing operations.

Conergy is divided into the segments Germany, Europe without Germany, Americas, Asia-Pacific, Components and Holding.

The Components segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. Whilst Conergy produces solar cells and solar modules in its Frankfurt (Oder) solar factory, the Company develops electronic components such as inverters, connection boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order by various companies, most of them European. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed and produced by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH and are also sold under their respective brand names.

The segments Germany, Europe without Germany, Americas and Asia-Pacific sell the products manufactured by the Components segment and the complete systems and components purchased by Conergy, to wholesalers, installers and end customers (primarily farmers, private households, and investors). The Company's distribution activities also include the planning, construction as well as operations management and maintenance of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). Conergy offers several different types of service: the sale of individual components or the sale of complete systems with coordinated components and/or planning and engineering services, as well as turnkey plant construction with or without operations management and maintenance. The services that Conergy offers range from construction planning to the delivery of components, all the way to the construction of photovoltaic plants.

Conergy also develops, finances, implements and operates large-scale PV projects in these segments. Conergy's range of products and services includes site inspection and development; contracting for, coordinating, and monitoring plant construction; negotiation of project agreements; the creation of project-based operating companies; and commercial and technical management of plants. Conergy also arranges debt and equity financing for these operating companies and the marketing of equity interests to investors.

The "Reconciliation" and "Holding" columns are shown separately. During reconciliation, intra-Group business transactions are eliminated and income and expenses not directly attributable to the segments are disclosed. The Holding segment essentially comprises the activities of the Conergy holding company's Shared Services as well as purchasing and logistics.

The accounting standards applied to segment reporting correspond to those applied for Conergy as a whole. The number of employees corresponds to the number of full-time employees. Part-time employees are taken into account on a pro rata basis in accordance with their contractual working hours.

The following table contains the reconciliation of the reporting segments' earnings before interest and taxes (EBIT) to the Group's earnings before taxes:

Reconciliation of the segment result

EUR million	2010	2009
Operating result of the reported segments	−10.2	−36.2
Operating result reconciliation	−3.6	−0.6
Operating result (EBIT)	**−13.8**	**−36.8**
Non-operating result	−14.7	−21.8
Earnings before taxes (EBT)	**−28.5**	**−58.6**

Cross-segment disclosures
Cross-segment sales in Germany were EUR 416.6 million, compared to EUR 280.8 million the previous year. Germany thus accounted for 45.6 percent of overall sales (previous year: 46.7 percent). Sales abroad rose by 54.4 percent to EUR 496.9 million (previous year: EUR 320.1 million). Conergy recorded strong sales growth to EUR 328.2 million in the Germany segment (previous year: EUR 255.4 million). This is especially due to the positive development of the wholesale business. Moreover, the announcement of or rather the debate on the reduction in the feed-in tariff, which was enacted as part of the amendment of the German Renewable Energy Sources Act (EEG), boosted demand in Germany, especially in the first half of 2010. Sales in Europe – excluding Germany – increased to EUR 323.7 million (previous year: EUR 191.0 million). Sales developed positively, especially in the Czech Republic, Italy, France and Greece. In the Czech Republic sales rose from EUR 1.8 million in financial year 2009 to EUR 18.9 million in financial year 2010. The Company succeeded in further expanding its position in the wholesale market in Greece and France. As a result, sales in Greece increased to EUR 17.6 million (previous year: EUR 9.5 million). Sales in France rose to EUR 49.2 million (previous year: EUR 33.1 million). Given the improvement in statutory programmes aimed at end consumers in Italy, sales in that country rose to EUR 151.0 million (previous year: EUR 74.3 million), especially due to the solid performance of the wholesale business. Conergy also succeeded in lifting sales in Spain to EUR 49.5 million (previous year: EUR 43.4 million) in the 2010 financial year. In the Americas, sales rose to EUR 63.0 million (previous year: EUR 52.4 million). Whilst sales in the United States were EUR 39.4 million (previous year: EUR 45.8 million) and thus below the previous year's level, sales in Canada increased to EUR 23.6 million (previous year: EUR 6.7 million). At EUR 110.2 million, sales in the Asia-Pacific region rose by 43.7 percent (previous year: EUR 76.7 million). In Australia, the wholesale business was instrumental in lifting sales to EUR 86.3 million (previous year: EUR 52.5 million).

As in the previous year, no single customer accounted for more than 10.0 percent of the Conergy Group's sales in the 2010 financial year. All disclosures regarding sales are classified by the location of the respective Conergy company's office.

For more details, please see the section on the Group's profit or loss in the management report.

A total of EUR 171.6 million (previous year: EUR 192.2 million) of the Group's non-current assets amounting to EUR 175.6 million (previous year: EUR 211.4 million) are attributable to Germany.

Disclosures and comments on the income statement

8. Sales

Sales are comprised of the following:

EUR million	2010	2009
Sales from the sale of goods	633.8	374.1
Sales from services rendered (incl. projects)	246.0	208.4
Services realised under construction contracts (PoC)	33.7	18.4
	913.5	**600.9**

9. Personnel costs

EUR million	2010	2009
Wages and salaries	−67.6	−65.6
Social security costs	−17.7	−16.5
	−85.3	**−82.1**

The social insurance costs also contain the contributions to private and public institutions for the period after retirement. These payments relate exclusively to defined-contribution pension plans such as Germany's statutory pension scheme.

10. Other operating income

The other operating income is comprised of the following:

EUR million	2010	2009
Currency changes	13.9	3.8
Deconsolidation income	5.2	11.8
Write-up from receivables	6.8	36.0
Other operating income	7.7	13.2
	33.6	**64.8**

The income from changes in foreign exchange rates largely comprises gains from foreign exchange differences arising between the dates on which foreign currency receivables and payables are generated and paid, as well as foreign currency gains arising on the measurement at the reporting date exchange rate. Any resulting foreign exchange losses are recognised in "Other operating expenses".

The income from the reversal of provisions mainly concerns the reversal of unused provisions that had been recognised in connection with restructuring measures and guarantee risks related to the project business.

The write-up from receivables in the 2009 financial year essentially comprises the restatement of a receivable from MEMC Electronic Materials, Inc. amounting to EUR 34.2 million.

The other operating income also comprises a multitude of minor individual items related to the Group's 32 consolidated companies shown under continuing operations.

11. Other operating expenses

The other operating expenses are comprised of the following:

EUR million	2010	2009
Rental, lease and maintenance expenses	−27.5	−26.9
Legal and consulting expenses	−21.5	−18.0
Distribution costs	−21.0	−12.1
Third-party services (including temporary staff)	−18.8	−12.9
Warranty costs	−15.7	−7.4
Bad debt allowance	−5.7	−9.2
Currency changes	−0.6	−1.1
Other operating expenses	−24.4	−23.7
	−135.2	**−111.3**

Consulting expenses were largely incurred for consulting and support services related to the Company's restructuring, specifically, finance (banks), legal affairs, restructuring and auditing. This also contains external IT and project development services.

The expenses for third-party services essentially concern contract and temporary workers that the Components segment incurred in connection with production at the Frankfurt (Oder) solar module factory.

The allowances on receivables were due to a lack of creditworthiness on the part of customers. This was due to financing problems in connection with individual projects, among others.

The cost of sales contain transport and advertising costs.

In 2010 the other operating expenses also contained EUR 2.5 million in expenses for communications and office equipment (previous year: EUR 2.8 million); EUR 2.0 million in insurance, contributions, fees and other charges (previous year: EUR 2.6 million); as well as EUR 3.9 million in expenses for travel, meals and entertainment (previous year: EUR 3.3 million).

The miscellaneous other operating expenses comprise a multitude of minor individual items related to the Group's 32 consolidated companies shown under continuing operations.

12. Amortisation, depreciation and impairment of intangible assets and property, plant and equipment

Amortisation, depreciation and impairment of intangible assets and property, plant and equipment is comprised of the following:

EUR million	2010	2009
Impairment of goodwill	–10.9	–1.5
Impairment of own development services	–0.1	0.0
Impairment of other intangible assets and of property, plant and equipment	–6.1	–0.8
Depreciation and amortisation	–26.8	–23.8
	–43.9	**–26.1**

The useful lives that apply groupwide to depreciation and amortisation as well as the principles governing impairment losses are provided in the disclosures on the Company's key accounting policies.

All goodwill was tested for impairment in the fourth quarter of 2010, as usual, in the light of our financial planning for 2011 through 2013. The Company had to substantially adjust its forecast of the expected future cash inflows in individual countries such as the United States due to the decline in selling prices and the smaller volume in the major project business. This resulted in an impairment loss of EUR 10.9 million on goodwill. The impairment losses on property, plant and equipment basically concern write-downs of land and buildings belonging to Conergy Real Estate GmbH & Co. KG (segment Holding), which were measured at the fair value in connection with an intra-Group disposal.

13. Non-operating result

Conergy's non-operating result in the 2010 financial year was EUR –14.7 million (previous year: EUR –21.8 million). It comprises EUR 15.9 million in non-operating expenses (previous year: EUR 22.5 million) and EUR 1.2 million in non-operating income (previous year: EUR 0.7 million). See below for details on the individual categories of the non-operating result.

Interest result

The interest result is made up as follows:

Interest result		
EUR million	2010	2009
Expenses		
Interest and similar expenses*	–14.0	–16.8
Interest expense from derivatives (held for trading)	–0.6	–4.3
Income		
Other interest and similar income*	1.2	0.3
Interest income from derivatives (held for trading)	–	0.4
Total	**–13.4**	**–20.4**

* For financial assets and liabilities not recognised at fair value.

Other non-operating expenses and income

The other non-operating expenses and income are comprised of the following:

Other non-operating expenses and income		
EUR million	2010	2009
Expenses		
Interest expense added back to interest-bearing provisions	–1.2	–1.0
Other non-operating expenses	–0.1	–0.4
Income		
Other non-operating income	–	–
Total	**–1.3**	**–1.4**

Interest expense from interest added back to non-current provisions largely concerns provisions for warranties.

14. 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. The income taxes shown include:

EUR million	2010	2009
Current income taxes	–2.5	–0.7
Deferred income taxes	–11.0	–21.8
	–13.5	**–22.5**

The following table shows the reconciliation of tax expense expected on the basis of the IFRS earnings before taxes (EBT) with actual tax expense:

EUR million	2010	2009
Result before taxes from continuing operations	**−28.5**	**−58.6**
Result before taxes from discontinued operations	−2.4	1.7
Earnings before taxes (total)	**−30.9**	**−56.9**
Theoretical income tax rate for the Company in percent	31.5	31.5
Expected tax income (+) /expense (–)	**9.7**	**17.9**
Effects of tax rate changes in future years	−0.1	0.6
Municipal trade tax additions / deductions	−2.2	−2.2
Effects of previous years' taxes recognised in the financial year	−11.1	20.9
Effects due to tax rates deviating from the theoretical income tax rate	2.0	−0.5
Effects of non-taxable income	1.4	−2.5
Permanent effects	−0.9	−0.8
Effects of non-deductible expenses	−2.9	−2.1
Effects of the non-recognition and retrospective application of deferred tax assets on temporary differences and loss carryforwards	−12.0	−47.9
Other differences	2.1	−5.8
Current income taxes (total)	**−14.0**	**−22.4**
Effective income tax rate in percent	−45.2	−39.3
Thereof current income taxes from discontinued operations	−0.5	0.1
Effective income tax from continuing operations	**−13.5**	**−22.5**
Effective income tax rate in percent	−47.3	−38.4

A corporate income tax rate of 15.0 percent and a solidarity surcharge of 5.5 percent on the corporate income tax rate, as well as trade tax rates between 12.0 percent and 16.5 percent, are applied to domestic tax calculations unchanged to the previous year 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: 30.0 percent in Spain; 33.3 percent in France; between 38.1 and 44.0 percent in the USA; 30.0 percent in Australia; 31.4 percent in Italy; and 23.2 percent in Switzerland.

Deferred taxes recognised in the balance sheet stem from the following temporary circumstances:

	Deferred tax assets		Deferred tax liabilities	
EUR million	**2010**	**2009**	**2010**	**2009**
Intangible assets	13.0	14.4	0.2	0.1
Property, plant and equipment	0.0	0.0	0.1	0.0
Receivables and other financial assets	1.2	5.8	0.8	9.8
Inventories	0.3	11.6	0.2	2.5
Provisions	1.1	3.3	0.2	8.9
Other liabilities	0.5	1.8	0.6	7.3
Trade payables	0.1	5.0	0.0	0.0
Tax loss carryforwards	20.5	32.4	–	–
	36.7	**74.3**	**2.1**	**28.7**
Thereof non-current	34.7	48.7	0.3	5.1
Netting	1.6	28.7	1.6	28.7
Deferred taxes recognised	**35.1**	**45.6**	**0.5**	**0.0**

No deferred tax assets were recognised on deductible temporary differences in the amount of EUR 80.2 million (previous year: EUR 74.5 million), most of which are non-current.

Deferred tax assets and liabilities are offset at the level of individual Group companies and within tax units if there is a right to offset actual tax assets against

current tax liabilities and if the deferred tax assets and liabilities are due from or to the same tax authority.

As at the balance sheet date, the Company recognised deferred tax assets on corporate income and municipal trade tax loss carryforwards amounting to EUR 63.7 million and EUR 66.5 million, respectively (previous year: EUR 100.2 million and EUR 78.3 million, respectively). Deferred tax assets were recognised for these carryforwards insofar as it is probable that the Group will have sufficient taxable temporary differences; in turn, these will give rise to taxable income to which these loss carryforwards can be applied before they expire. Possible tax measures related to the restructuring and/or refinancing of our business activities that might allow us to use loss carryforwards in future have been taken into account.

The recognised tax loss carryforwards can be used as follows:

EUR million	2010		2009	
	CIT/SS*	MTT*	CIT/SS*	MTT*
Up to 1 year	–	–	–	–
1 to 5 years	1.8	0.0	12.1	7.2
More than 5 years	61.9	66.5	88.1	71.1
	63.7	**66.5**	**100.2**	**78.3**

* CIT= Corporate income tax, SS = Solidarity surcharge, MTT = Municipal trade tax

No deferred tax assets were recognised for corporate income tax and municipal trade tax loss carryforwards of EUR 156.7 million and EUR 78.5 million (previous year: EUR 350.1 million and EUR 241.9 million). The unrecognised tax loss carryforwards can be used as follows:

EUR million	2010		2009	
	CIT/SS*	MTT*	CIT/SS*	MTT*
Up to 1 year	–	–	–	–
1 to 5 years	48.0	13.4	51.0	7.8
More than 5 years	108.7	65.1	299.1	234.1
	156.7	**78.5**	**350.1**	**241.9**

* CIT= Corporate income tax, SS = Solidarity surcharge, MTT = Municipal trade tax

Given the direct change in shareholders arising from the 2008 capital increase and the bank's subsequent restructuring in both January and May 2009, we expect application of Section 8c German Corporate Income Tax Act – which was enacted as part of the reforms of the German corporate tax code – to result in the pro rata elimination of the existing tax loss carryforwards as at 31 December 2007 and 31 December 2008 as well as of the remaining pro rata losses for 2008 and 2009 at the level of Conergy AG and various domestic subsidiaries. The consolidated financial statements as at 31 December 2009 still presented the tax loss carryforwards under the item, unrecognised loss carryforwards, because the Company expected the restructuring provision of Section 8c para. 1a German Corporate Income Tax Act to apply. By resolution dated 26 January 2011 (C7/10) however, the EU Commission decided that the restructuring provision constitutes an unlawful government grant. The German government disagrees (press release 4/2011 of the German Ministry of Finance dated 9 March 2011) and has announced that it will file suit to vacate the EU Commission's ruling. The outcome of this procedure is uncertain. As these tax loss carryforwards will likely no longer be available for offsetting the Company's profits, the tax loss carryforwards thus eliminated are no longer presented. In this context please see the disclosures in the risk and opportunity report.

Deferred tax liabilities of EUR 28.6 million (previous year: EUR 36.7 million) for taxes on subsidiaries' retained earnings, which would trigger actual tax payments if they were distributed, were not recognised. If deferred tax assets or liabilities were recognised for these timing differences, only the withholding tax rate applicable in the given case would apply, if necessary taking the German tax rate of five percent for dividends paid into account. There is no plan to pay out the retained profits.

15. Earnings per share

		2010	2009
Result from continuing operations applicable to shareholders of Conergy AG	EUR million	−41.8	−80.5
Result applicable to shareholders of Conergy AG in	EUR million	−44.7	−79.9
Adjustment of results for finance costs for diluting instruments	EUR million	–	–
Adjusted result from continuing operations	EUR million	−41.8	−80.5
Adjusted result applicable to shareholders of Conergy AG	EUR million	−44.7	−79.9
Weighted average number of shares issued	Shares	398,088,928	398,088,928
Potential effect of diluting instruments (number)	Shares	–	–
Adjusted average number of no-par shares issued	Shares	398,088,928	398,088,928
Basic earnings per share			
from continuing operations	EUR	−0.11	−0.20
from discontinued operations	EUR	0.00	0.00
Earnings per share applicable to the shareholders of Conergy AG	**EUR**	**−0.11**	**−0.20**
Diluted earnings per share			
from continuing operations	EUR	−0.11	−0.20
from discontinued operations	EUR	0.00	0.00
Earnings per share applicable to the shareholders of Conergy AG	**EUR**	**−0.11**	**−0.20**

Under the German Stock Corporation Act (Aktiengesetz), dividends eligible for distribution are calculated based on the unappropriated surplus pursuant to the annual financial statements of Conergy AG that were prepared in accordance with the German Commercial Code.

Given Conergy AG's net loss of EUR 493.5 million as at 31 December 2009, the Annual General Meeting resolved on 5 October 2010 not to distribute any dividend for the 2009 financial year. The net loss pursuant to the annual financial statements of Conergy AG according to the German Commercial Code as at 31 December 2010 was EUR 195.7 million.

Conergy's Management Board and Supervisory Board propose to the Annual General Meeting not to pay any dividend for the 2010 financial year.

At the Extraordinary General Meeting on 25 February 2011, the Company's shareholders voted to reduce the capital stock of Conergy AG from EUR 398,088,928.00, denominated in 398,088,928 no-par bearer shares (no-par shares) having a pro rata interest in the capital stock of EUR 1.00 per share, to EUR 49,761,116, denominated in 49,761,116 no-par bearer shares, and thus for an 8:1 reverse stock split. Several shareholders placed their objections to the resolutions of the General Meeting on the Notary Public's record. Whether or not and to what extent these shareholders will file actions to set aside shareholder resolutions pursuant to Section 246 para. 1 German Stock Corporation Act was not yet known at the time this report was published.

Basic and diluted earnings per share were EUR −0.90 (2009: EUR −1.61), given the consolidated loss of EUR 44.7 million (previous year: loss of 79.9 million) and a total of 49,761,116 shares in future.

Disclosures and comments on the consolidated balance sheet

16. Intangible assets and goodwill

EUR million	Goodwill	Industrial property rights	Development services	Other intangible assets and advance payments made	Total
As at 01.01.2009					
Cost of acquisition or generation	47.8	10.9	23.6	7.1	89.4
Cumulative amortisation and impairment losses	−30.3	−7.3	−20.5	−1.2	−59.3
Net carrying amount	**17.5**	**3.6**	**3.1**	**5.9**	**30.1**
Development in 2009					
Net carrying amount as at 01.01.2009	17.5	3.6	3.1	5.9	30.1
Currency changes	0.0	0.0	0.0	0.0	0.0
Acquisitions	–	–	–	–	–
Investments	0.1	0.1	1.7	2.3	4.2
Disposals	0.0	0.0	0.0	−0.6	−0.6
Reclassification to current assets	− 1.0	0.0	0.0	−0.1	−1.1
Amortisation	−0.2	−0.7	0.0	−2.7	−3.6
Impairment losses	−1.5	–	–	−0.2	−1.7
Reclassifications	0.0	−2.2	0.0	2.4	0.2
Net carrying amount as at 31.12.2009	**14.9**	**0.8**	**4.8**	**7.0**	**27.5**
As at 31.12.2009					
Cost of acquisition or generation	41.4	8.7	25.4	10.8	86.3
Cumulative amortisation and impairment losses	−26.5	−7.9	−20.6	−3.8	−58.8
Net carrying amount	**14.9**	**0.8**	**4.8**	**7.0**	**27.5**
Development in 2010					
Net carrying amount as at 01.01.2010	14.9	0.8	4.8	7.0	27.5
Currency changes	0.0	0.1	0.1	0.1	0.3
Acquisitions	–	–	–	–	0.0
Investments	0.0	0.3	1.5	1.6	3.4
Disposals	−0.1	0.0	0.0	−0.4	−0.5
Reclassification to current assets	−2.9	−0.7	–	0.0	−3.6
Amortisation	–	−0.1	−1.2	−2.8	−4.1
Impairment losses	−10.9	–	−0.1	−0.9	−11.9
Reclassifications	–	0.1	–	–	0.1
Net carrying amount as at 31.12.2010	**1.0**	**0.5**	**5.1**	**4.6**	**11.2**
As at 31.12.2010					
Cost of acquisition or generation	30.2	8.5	27.0	11.8	77.5
Cumulative amortisation and impairment losses	−29.2	−8.0	−21.9	−7.2	−66.3
Net carrying amount	**1.0**	**0.5**	**5.1**	**4.6**	**11.2**

The line item “reclassification to current assets” shows the relevant disposals of the assets attributable to discontinued operations and disposal groups pursuant to IFRS 5.

Research and development costs of EUR 0.7 million (previous year: EUR 0.7 million) were expensed.

17. Property, plant and equipment

EUR million	Land and buildings	Technical equipment and machines	Other plant and equipment	Advance payments made and assets under construction	Total
As at 01.01.2009					
Cost of acquisition or construction	73.4	104.3	21.0	43.0	241.7
Cumulative depreciation and impairment losses	−3.5	−16.3	−8.6	−9.3	−37.7
Net carrying amount	**69.9**	**88.0**	**12.4**	**33.7**	**204.0**
Development in 2009					
Net carrying amount as at 01.01.2009	69.9	88.0	12.4	33.7	204.0
Currency changes	0.0	0.0	0.2	0.0	0.2
Investments	2.5	3.7	5.5	1.0	12.7
Disposals	0.0	−7.7	0.0	−1.7	−9.4
Reclassification to current assets	−1.0	−0.6	−1.0	–	−2.6
Depreciation	−2.3	−13.5	−4.2	−0.2	−20.2
Impairment losses	0.0	−0.3	−0.3	0.0	−0.6
Reclassifications	–	20.3	1.0	−21.5	−0.2
Net carrying amount as at 31.12.2009	**69.1**	**89.9**	**13.6**	**11.3**	**183.9**
As at 31.12.2009					
Cost of acquisition or construction	74.7	119.3	24.4	20.8	239.2
Cumulative depreciation and impairment losses	−5.6	−29.4	−10.8	−9.5	−55.3
Net carrying amount	**69.1**	**89.9**	**13.6**	**11.3**	**183.9**
Development in 2010					
Net carrying amount as at 01.01.2010	69.1	89.9	13.6	11.3	183.9
Currency changes	0.0	0.1	0.7	0.0	0.8
Investments	0.9	2.5	2.0	5.8	11.2
Disposals	−0.8	−0.2	−0.9	−0.4	−2.3
Reclassification to current assets	−0.7	0.0	−0.5	–	−1.2
Depreciation	−2.6	−17.1	−3.0	0.0	−22.7
Impairment losses	−4.9	0.0	−0.3	–	−5.2
Reclassifications	0.0	6.3	0.1	−6.5	−0.1
Net carrying amount as at 31.12.2010	**61.0**	**81.5**	**11.7**	**10.2**	**164.4**
As at 31.12.2010					
Cost of acquisition or construction	73.4	130.5	24.3	16.9	245.1
Cumulative depreciation and impairment losses	−12.4	−49.0	−12.6	−6.7	−80.7
Net carrying amount	**61.0**	**81.5**	**11.7**	**10.2**	**164.4**

The line item “reclassification to current assets” shows the relevant disposals of the assets attributable to discontinued operations and disposal groups pursuant to IFRS 5.

18. Financial assets

Financial assets comprise the following items:

Financial assets				
EUR million	31.12.2010		31.12.2009	
	Total	Of which current	Total	Of which current
Loans and receivables	6.2	4.6	11.3	3.1
Available-for-sale financial assets	–	–	–	–
Held-to-maturity financial assets	–	–	–	–
Financial instruments held-for-trading	–	–	0.0	0.0
Derivatives in hedge accounting	–	–	–	–
Total	**6.2**	**4.6**	**11.3**	**3.1**

19. Other assets

EUR million	31.12.2010	31.12.2009
Other assets	64.8	69.4
Thereof		
Receivables from the tax office	17.6	27.8
Prepaid expenses	2.0	1.0
Other current assets	45.2	40.6
Thereof non-current	0.9	0.9

EUR 17.6 million (previous year: EUR 27.8 million) in receivables from the tax authority primarily concern VAT receivables and are due within one year.

In the 2010 financial year, the other assets of EUR 45.1 million (previous year: EUR 40.1 million) include a purchase price receivable related to the disposal of the German and French wind energy project business (including all related operating assets) to an investment fund belonging to Impax Asset Management Ltd. They also contain receivables of EUR 21.8 million (previous year: EUR 34.2 million) from MEMC Electronic Materials, Inc. The other current assets also comprise a multitude of minor individual items related to the Group's 32 consolidated companies shown under continuing operations.

20. Inventories

EUR million	31.12.2010	31.12.2009
Raw materials and consumables	28.3	27.3
Work in progress	33.4	12.8
Finished goods	104.5	64.1
Advance payments made	3.3	3.3
	169.5	**107.5**

In 2010, the following inventories were recognised at their lower fair values net of distribution expenses:

EUR million	31.12.2010	31.12.2009
Raw materials and consumables		
Carrying amount before impairment	28.7	27.3
Less impairment	–0.4	0.0
Carrying amount	**28.3**	**27.3**
Work in progress		
Carrying amount before impairment	34.6	13.0
Less impairment	–1.2	–0.2
Carrying amount	**33.4**	**12.8**
Finished goods		
Carrying amount before impairment	110.8	66.4
Less impairment	–6.3	–2.3
Carrying amount	**104.5**	**64.1**

Cost of materials increased in the 2010 financial year due to impairment losses on inventories amounting to EUR 7.9 million (previous year: EUR 2.5 million).

21. Trade accounts receivable

EUR million	31.12.2010	31.12.2009
Trade receivables before impairment losses	117.8	128.1
Less impairment losses	–14.6	–14.7
Trade receivables	103.2	113.4
Thereof		
Receivables from production contracts	18.8	47.5
Advance payments received	–6.5	–22.9
	12.3	**24.6**

Most trade accounts receivable have short residual lives. Hence their carrying amounts correspond to the fair value at the balance sheet date.

The item, trade accounts receivable, also contains the contracts recognised pursuant to the percentage of completion method under IAS 11. This item comprises the contract costs accrued at the reporting date and the profits from the relevant order, pro-rated according to the stage of completion. Advances received on the contracts recognised were deducted. Orders resulting in a net loss were considered in connection with a loss-free measurement.

Receivables from construction contracts developed as follows year-on-year:

EUR million	31.12.2010	31.12.2009
Accrued contract costs	17.5	39.3
Contract gains realised pro rata incl. carryforward effect	1.3	8.2
Less recognised contract losses	–	–
Less advance payments received	−6.5	−22.9
	12.3	**24.6**

The aging structure of the trade accounts receivable that are not impaired was recognised is as follows:

EUR million	31.12.2010	31.12.2009
Trade receivables	103.2	113.4
Thereof		
Neither impaired nor past due as of the balance sheet date	54.1	51.7
Not impaired as of the balance sheet date and past due within the following periods:		
Less than 1 month	25.1	27.2
Between 1 and 2 months	12.1	11.6
Between 2 and 3 months	4.3	3.9
Between 3 and 6 months	1.2	6.7
Between 6 and 12 months	2.0	1.9
More than 12 months	1.6	4.1
	46.3	**55.4**

As at 31 December 2010, trade accounts receivable that were due but not impaired amounted to EUR 46.3 million (previous year: EUR 55.4 million). Given specific credit management processes and separate assessments of individual credit risks, receivables that have not been written down are considered recoverable. Any future non-payment risk related to existing receivables has been adequately considered in the valuation allowances. Furthermore, receivables of a certain scope have been hedged through bank guarantees and reservations of title have been agreed.

The following impairment losses were recognised in the reporting year:

EUR million	2010	2009
As at 01.01.	**14.7**	**10.9**
Currency changes	–	0.0
Additions	4.6	8.2
Use	−1.6	−1.0
Reversals	−3.1	−1.8
Disposal	–	−0.4
Reclassification to current assets	0.0	−1.2
As at 31.12.	**14.6**	**14.7**

Specific and global valuation allowances are recognised in the income statement under other operating expenses while reversals are recognised under other operating income. Reversals in the 2009 financial year do not include the write-up of the other receivable from MEMC Electronic Materials, Inc. in the amount of EUR 34.2 million.

The fair value of the trade accounts receivable at the balance sheet date constitutes the maximum exposure to lending risks at such date.

22. Grants received

During the 2010 reporting period, Conergy Group companies received a total of EUR 0.9 million in non-reimbursable government grants and supplements (actual inflow of funds). In addition, Conergy also obtained binding promises of grants for a total of EUR 2.0 million (subsidy notifications) in 2010. Government grants are tied to specific projects subject to certain requirements and conditions. For instance, Conergy is obligated to leave subsidised assets in the subsidised plant for a period of five years (from the project's completion date) and/or to guarantee jobs for specific plants during the same period. During the period presented and until the time the consolidated financial statements were prepared, these requirements had been met; Conergy expects these requirements to be met in future as well.

The following subsidies were disbursed in the reporting period:

EUR million	31.12.2010	31.12.2009
Investment subsidy	–	0.2
Investment grants	0.9	–
	0.9	**0.2**

The subsidies and supplements in the 2009 and 2010 financial years were granted in connection with the construction of an operation in Zweibrücken and the expansion of the existing production facility in Rangsdorf.

23. Cash and cash equivalents

EUR million	31.12.2010	31.12.2009
Cash on hand/checks	0.3	1.0
Bank balances	36.4	51.1
	36.7	**52.1**

Cash and cash equivalents include checks, cash on hand and bank credit balances. As a rule, this item also contains financial instruments with initial maturities of up to three months. In a deviation from the presentation in the consolidated balance sheet, the cash holdings shown in the statement of cash flows as at 31 December 2010 contain EUR 1.3 million in cash and cash equivalents attributable to discontinued operations.

24. Equity

The individual components of equity as well as their development in 2009 and 2010 follow from the statement of changes in equity of the Conergy Group.

Capital stock

The subscribed capital (capital stock) of Conergy AG in the 2008 financial year was increased by resolution of the Annual General Meeting on 28 August 2008 from EUR 35,088,928.00 by EUR 363,000,000.00 to currently EUR 398,088,928.00. It is denominated in 398,088,928.00 no-par bearer shares with a pro rata interest in the capital stock of EUR 1.00 per no-par share. Each share grants identical rights and one vote at the Annual General Meeting. New shares are issued as bearer shares unless the Annual General Meeting resolves otherwise.

As at 31 December 2010, Conergy AG posted a loss corresponding to one half of its capital stock. This is why the Management Board convened an Extraordinary General Meeting on 18 January 2011. The Company's Extraordinary General Meeting on 25 February 2011 resolved to reduce the Company's capital stock by means of a simplified capital reduction pursuant to Section 229 German Stock Corporation Act from EUR 398,088,928.00 to EUR 49,761,116.00 and, to increase the capital stock thus reduced in a second step by up to EUR 237,551,399.00 by means of a capital increase subject to shareholders' subscription right that grants certain of the Company's creditors the right to subscribe to shares unsubscribed by the Company's shareholders in return for contributing their loan receivables as in-kind contributions. Several shareholders placed their objections to the resolutions of the General Meeting on the Notary Public's record. Whether or not and to what extent these shareholders will file actions to set aside shareholder resolutions pursuant to Section 246 para. 1 German Stock Corporation Act was not yet known at the time this report was published.

Pursuant to Article 5 para. 3 of the Articles of Association, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's capital stock until 9 June 2014 by a total of up to EUR 100,000,000 by once or repeatedly issuing up to 100,000,000 new no-par bearer shares in return for contributions in cash and/or in kind ("Authorised Capital 2009"). In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription.

The Management Board is authorised hereby to exclude shareholders' subscription right with the approval of the Supervisory Board, once or repeatedly: (a) to the extent necessary in order to exclude fractional shares, if any, from shareholders' subscription right; (b) to the extent necessary in order to grant to the holders of options or conversion rights or obligations arising from bonds with conversion rights and/or options or a conversion obligation a subscription right to new shares in the scope to which they would be entitled as shareholders once they exercised the option or conversion right or fulfilled the conversion obligation; (c) to the extent that the new shares are issued in return for cash contributions and the pro rata amount of the capital stock attributable to all of the newly issued shares does not exceed the total of EUR 39,808,892.00 or, if lower, 10.0 percent of the capital stock extant

both at the time this authorisation takes effect and at the time it is exercised for the first time ("maximum amount") and the issue price of the shares to be newly issued is not substantially lower than the market price of the Company's listed shares of the same class at the time the issue price is finally fixed; [and] (d) to the extent that the new shares are issued in return for in-kind contributions (especially in the form of companies, business units, equity stakes in companies or receivables).

The pro rata amount of the capital stock attributable to new or previously acquired treasury shares that are issued or sold in accordance with or under Section 186 para. 3 sentence 4 German Stock Corporation Act while this authorisation is in effect, subject to the exclusion of shareholders' subscription right, shall be offset against the maximum amount set forth in item (c) of the forgoing paragraph, as well as the pro rata amount of the capital stock attributable to shares that are or must be issued to satisfy bonds with conversion rights and/or options or a conversion obligation, to the extent that these bonds are issued while this authorisation is in effect subject to the exclusion of shareholders' subscription right in analogous application of Section 186 para. 3 sentence 4 German Stock Corporation Act.

The Management Board is further authorised, subject to the approval of the Supervisory Board, to determine additional details of the capital increase and the conditions of the share issuance.

The Management Board is also authorised pursuant to Article 5 para. 9 of the Company's Articles of Association, as amended by the resolutions of the Annual General Meeting on 5 October 2010, which were recorded in the Commercial Registry on 23 February 2011, to increase the Company's capital stock until 4 October 2015, with the approval of the Supervisory Board, by a total of EUR 99,044,464.00 by issuing a total of up to 99,044,464 new no-par bearer shares (no-par shares), once or repeatedly, in return for contributions in cash and/or in kind (Authorised Capital 2010). In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription.

The Management Board is authorised in this connection to exclude shareholders' subscription right with the approval of the Supervisory Board, once or repeatedly: (a) to the extent necessary in order to exclude fractional shares, if any, from shareholders' subscription right; (b) to the extent necessary in order to grant to the holders of options or conversion rights or obligations arising from bonds with conversion rights and/or options or a conversion obligation a subscription right to new shares in the scope to which they would be entitled as shareholders once they exercised the option or conversion right or fulfilled the conversion obligation; (c) to the extent that the new shares are issued in return for in-kind contributions (especially in the form of companies, business units, equity stakes in companies, receivables or for the purpose of satisfying conversion or option rights or obligations). The Management Board is authorised, subject to the approval of the Supervisory Board, to determine additional details of the capital increase and the conditions of the share issuance.

Pursuant to Article 5 para. 8 of the Company's Articles of Association, as amended by the resolutions of the Annual General Meeting on 5 October 2010, which were recorded in the Commercial Registry on 23 February 2011, the Company's capital stock was increased by up to EUR 199,044,464.00 by issuing 199,044,464 new no-par bearer shares (no-par shares) with a pro rata interest in the capital stock of EUR 1.00 per share (contingent capital). This contingent capital increase serves to grant no-par bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or income bonds (or combinations of these instruments) that are issued by the Company or its direct or indirect associates under the authorisation granted by the Annual General Meeting on 5 October 2010 pursuant to Agenda item 7 in return for cash contributions and establish a conversion right or option to the Company's new no-par bearer shares or a conversion obligation. This contingent capital increase shall be executed only insofar as the options or conversion rights are exercised or insofar as the holders or creditors obligated to convert actually fulfil their conversion obligation and provided that no treasury shares or new shares issued under authorised capital are used to satisfy same.

The new no-par bearer shares shall participate in the Company's profit from the start of the financial year in which they are created through the exercise of options and/or conversion rights or through the fulfilment of conversion obligations. The Management Board is authorized to determine other details relating to the execution of the Contingent Capital Increase.

The Management Board has the right under Section 71 para. 1 German Stock Corporation Act to purchase the Company's treasury shares in the following cases: (a) if such purchase is necessary in order to avert se-

vere, imminent harm to the Company; (b) if the shares are to be offered for purchase to persons who were or are employed with the Company or one of its associates; (c) if the purchase is made in order to compensate shareholders using shares in specific situations prescribed by law; (d) if the purchase does not entail any consideration; (e) by virtue of universal succession; and (f) pursuant to a resolution of the Company's Annual General Meeting to retire stock in accordance with the requirements regarding a reduction in the capital stock. The shares bought back under items (a) through (c) above, along with the Company's other treasury shares, which it already purchased or still retains, may not account for more than 10.0 percent of the capital stock.

At this time, Conergy AG is not authorised to purchase treasury shares under any resolution of its Annual General Meeting pursuant to Section 71 para. 1 no. 8 German Stock Corporation Act.

Capital reserves

The capital reserves comprise the excess of the issue price over the par value of the Conergy shares issued. They are not normally available to the shareholders for distribution. In addition, the excess of the amounts paid or received in connection with the buyback or sale of treasury shares over their par value is also recognised in this item.

The Company's capital reserves rose by EUR 2.1 million to EUR 323.9 million in the 2010 financial year on account of Commerzbank AG's reimbursement of excess fees related to the 2008 capital increase less the respective deferred taxes.

Other reserves

Aside from appropriations from cumulative prior-period net income/losses, the expense and income items to be recognised directly in equity from the fair value measurement of the available-for-sale financial instruments, the effective portion of changes in the value of hedging instruments in a cash flow hedge and the reconciling items from currency translation are also recognised in other reserves. The cumulative prior-period net income/losses contain the undistributed net income generated by both Conergy and the consolidated companies.

Non-controlling interests

Conergy holds non-controlling interests in Conergy Ceská Republika s.r.o. (Czech Republic) and SunTechnics Energy Systems Private Limited (India).

25. Provisions

The provisions developed as follows in the financial year:

EUR million	Warranties	Restructuring	Legal disputes	Other	Total
As at 01.01.2010	**22.1**	**2.5**	**1.6**	**22.7**	**48.9**
Thereof non-current	20.1	–	–	15.6	35.7
Change in the basis of consolidation	–	–	–	–	–
Addition	12.6	0.6	0.6	5.9	19.7
Use	−3.6	−0.9	−0.3	−3.6	−8.4
Reversal	−2.9	−0.7	−0.6	−4.8	−9.0
Interest cost	0.6	–	–	0.4	1.0
Reclassification to current liabilities	−0.3	–	–	0.0	−0.3
Currency changes	0.3	–	0.0	0.1	0.4
As at 31.12.2010	**28.8**	**1.5**	**1.3**	**20.7**	**52.3**
Thereof non-current	27.4	–	–	14.1	41.5

Provisions for warranties were recognised for expected follow-up work in connection with major projects previously concluded and warranties under product and performance guarantees for the Company's own products and for merchandise. The other provisions basically contain expected losses from service contracts.

The restructuring provisions only contain the expenses that are directly allocable to and necessary for the restructuring and that are unrelated to the Company's operating business in future. For instance, this includes termination benefits to employees as well as payments for rented property no longer being used.

The line item, reclassification to current liabilities, shows the relevant disposals of the liabilities attributable to discontinued operations and disposal groups pursuant to IFRS 5.

Obligations to personnel, such as, for example, charges for variable and individual one-off payments, vacation claims as well as other personnel expenses are recognised under other liabilities.

26. Stock options programme

Individual commitments under share-based payments enable the Company to link certain components of compensation to its share price or the latter's change over time. Conergy therefore maintains a share-based payment system for members of its Management Board and selected employees based on stock appreciation rights (SARs) on shares of Conergy AG. The share-based payment programme based on stock appreciation rights constitutes a cash-settled share-based payment transaction as defined in IFRS 2.

Certain employees were given the right in the 2010 financial year to participate in the long-term incentive programme (LTIP 2010). Stock appreciation rights are options that entitle the owner to a claim for payment in cash of an amount corresponding to the difference between Conergy AG's share price and the exercise price. These options have a maturity of four years and a holding period of one and one half years from the date the SARs are issued. The stock appreciation rights may be exercised at any time during this exercise period, at the earliest however after at least one performance target has been met at least once. This performance target is tied to a specific price of Conergy AG's share on 30 consecutive trading days. The stock appreciation rights lapse in toto at the end of the holding period if the performance target is not met within the first 18 months.

Members of the Management Board participate in a share-based payment programme based on stock appreciation rights that is integral to each Management Board member's variable compensation. An individual percentage of the annual variable compensation (target amount) provides the basis for measuring the stock appreciation rights. The number of phantom stock options is determined based on the weighted average price of the Company's share on the last 30 days of the financial year for which the compensation is owed. Depending on the performance of Conergy's share price relative to a three- or four-year performance period that starts on the issue date, an amount corresponding to no more than 200.0 percent but no less than 50.0 percent of the target amount is paid to the participants upon the programme's expiry; the measurement is based on the weighted average share price during the 30 trading days preceding the payment date.

The stock option programmes that had been put in place for individual members of the Management Board in 2007 and 2008 lapsed because the exercise conditions were not fulfilled at the time the respective director's contracts expired.

Expenses of TEUR 27 (previous year: income of TEUR 32) were recognised under personnel expenses in connection with this stock option programme for the financial year just ended. For the share-based compensation a total of TEUR 100 in liabilities (previous year: TEUR 73) were recognized as of 31 December 2010.

27. Borrowings

Borrowing are comprised as follows:

EUR million	Total	up to 1 year	1 to 5 years	more than 5 years
As at 31.12.2010				
Liabilities to banks	277.7	277.7	–	–
Derivative financial instruments	1.0	1.0	–	–
Other borrowings	12.9	1.8	–	11.1
Total	**291.6**	**280.5**	**–**	**11.1**
As at 31.12.2009				
Liabilities to banks	275.7	200.7	75.0	–
Derivative financial instruments	6.2	3.3	2.9	–
Other borrowings	11.7	0.8	0.0	10.9
Total	**293.6**	**204.8**	**77.9**	**10.9**

To ensure sufficient operating liquidity, on 31 July 2007 Conergy AG, the Momentum Renewables GmbH (formerly EPURON GmbH), Conergy SolarModule GmbH & Co. KG and Conergy Deutschland GmbH closed a syndicated loan for a total of EUR 600 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG (EUR 400 million cash loan and EUR 200 million guarantee and documentary credit facility). The cash loan is divided into two tranches and is intended for financing the construction of the production facility in Frankfurt (Oder) (Tranche A) and for financing Conergy Group's working capital requirements (Tranche B with a revolving facility of EUR 250 million). In addition, the syndicated loan provides a guarantee and documentary credit facility of EUR 200 million. Originally, Tranche A for EUR 150 million had to be paid back in half-yearly instalments until 31 December 2011, starting in 30 June 2008. A total of 37.5 million were repaid in 2008 and a total of EUR 18.8 million were repaid in 2009 as agreed with the banks. An additional loan payment of EUR 18.8 million was made once the out-of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in mid-February 2010. Furthermore, a special loan payment of EUR 1.9 million was made in August 2010. Tranche B in the amount of EUR 250 million was originally scheduled for repayment by 31 July 2010. On 29 July 2010, Conergy originally had reached an agreement with its financing banks to extend all loans until the end of 2011. The parties had also agreed that the three instalments outstanding on the term loan (Tranche A) would also be suspended until the end of 2011. These agreements were subject to certain terms. Conergy and the banking syndicate had agreed in this connection to commission an auditing firm to prepare an independent business review. This independent business review came to the conclusion that follow-up financing for the current credit facility beyond 31 December 2011 would be rather unlikely unless the Company's capital base was strengthened. This conclusion triggered a suspensive condition, and as a result the maturity date of all loans was accelerated to 21 December 2010. On 17 December 2010, the creditors reached an agreement with Conergy AG to reduce the Company's debt substantially, with some creditors providing equity capital. The refinancing concept as a prerequisite for the granting of a new loan agreement that was signed in December 2010 will reduce Conergy's debt by EUR 188 million, markedly lowering the Company's future interest burden. It also provided for extending the remaining loans until the refinancing measures have been implemented but at most until 31 July 2011.

The parties also agreed on 17 December 2010 that some of the members of the existing banking syndicate will make available a new cash loan of up to approximately EUR 135 million to discharge the current credit facility as part of the restructuring as well as a guarantee facility of up to approximately EUR 141 million for four years at market terms. The new syndicated loan agreement will provide for financial covenants after three years.

For the rest, among other things, the refinancing concept provides for a reduction of the Company's capital stock of roughly EUR 398 million by approximately EUR 348 million to approximately EUR 50 million, as well as a capital increase of up to EUR 188 million. Conergy's shareholders will have a subscription right in connection with this capital increase. If these subscription rights are exercised, Conergy will use the proceeds to discharge the corresponding amount of the loans outstanding. If the subscription rights are not exercised, some of the creditors have undertaken to contribute their loan receivables from Conergy as an in-kind contribution up to nominally EUR 188 million in exchange for shares; to this end, the loan receivables shall be measured at 60.0 percent of their nominal value. Conergy's debt will be reduced in both cases. In the meantime these measures were resolved accordingly by the Extraordinary General Meeting on 25 February 2011 and are being implemented. Final implementation of the refinancing concept is still subject to the condition that the guarantee facility existing as at 31 December 2010 is reduced to roughly EUR 141 million. Certification by a court-appointed auditor for the in-kind contribution that the value of the loan liabilities to be contributed in a non-cash capital increase corresponds to at least 60.0 percent of their nominal value is another requirement; all other terms of the new loan agreement have been fulfiled.

The existing applicable loan agreement imposes operating limitations on both Conergy and its subsidiaries as well as extensive disclosure requirements and the obligation to comply with specific financial indicators. Conergy has undertaken thereunder to ensure that certain balance sheet and earnings ratios, such as the ratio of consolidated net borrowings to consolidated EBITDA (in each case with and without contingent liabilities), a specific ratio of consolidated EBITDA to consolidated net interest expense and a specific equity ratio do not exceed or fall below a specific figure. The agreed upon value for the equity-ratio could not be met since 31 December 2010. But this corresponds with the restructuring concept that was agreed upon on 17 December 2010.

Certain other requirements do apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional debt, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations – or if the financial figures agreed upon are not reached – may trigger an extraordinary right of termination on the lenders' part, which would give them the right to call the loan immediately The lenders also have other customary rights to terminate, for example, if a German or other significant subsidiary files for insolvency.

28. Trade accounts payable

Trade accounts payable generally have short residual lives. The carrying amounts essentially correspond to the fair values of these liabilities.

EUR million	31.12.2010	31.12.2009
Trade payables	161.7	116.5
Thereof		
Advance payments received	12.2	6.7
	12.2	**6.7**

29. Other liabilities

EUR million	31.12.2010	31.12.2009
Other liabilities	30.1	46.0
Thereof		
Liabilities arising from salary for employees	12.3	8.9
Liabilities to the tax office	9.2	22.7
Accrued expense	3.3	9.1
Deferred income	2.8	2.6
Liabilities related to social security	0.6	0.5
Purchase price liabilities in connection with the acquisition of companies	–	0.3
Miscellaneous other liabilities	1.9	1.9
Non-current	2.0	2.5

Liabilities arising from salary or wage settlement for employees include, among others, obligations to personnel, such as, for example, charges for variable and individual one-off payments, vacation claims as well as other personnel costs.

An amount of EUR 9.2 million (previous year: EUR 22.7 million) in liabilities to the tax authority primarily concerns import VAT liabilities due within one year.

The miscellaneous other liabilities in the amount of EUR 2.0 million (previous year: EUR 1.9 million) cover a multitude of elements in subsidiaries, each of which by itself is immaterial.

30. Reporting on financial instruments

The Conergy Group's risk management system for credit risks, liquidity risks and individual market risks (i.e. interest rate risks, currency risks and other price risks) is described in note 5 as well as in the risk report of the management report.

Disclosures on financial instruments by category
The following table shows both the carrying amounts and the fair values of the individual financial assets and liabilities for each individual category of financial instruments and reconciles them with the corresponding balance sheet item. In contrast to the previous year, this additionally entails allocating financial assets and liabilities to two classes to improve the representations, specifically, "measured at amortised cost" and "measured at fair value". As the balance sheet item "other assets" contains both financial instruments and non-financial assets (e.g. receivables from the tax office or prepaid expenses and accrued income), the column entitled "non-financial assets" serves to provide the necessary reconciliation.

Carrying amounts and fair values of financial instruments

	31.12.2010				
	Measured at amortised cost		Measured at fair value	Non-financial assets	
EUR million	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount shown in the balance sheet
Trade accounts receivable	103.2	–	–	–	103.2
Loans and receivables	103.2	103.2	–	–	103.2
Financial assets	6.2	–	–	–	6.2
Loans and receivables	6.2	6.2	–	–	6.2
Available-for-sale financial assets	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–
Derivatives with a hedging relationship	–	–	–	–	–
Financial instruments held for trading	–	–	–	–	–
Other assets	37.5	–	–	27.3	64.8
Loans and receivables	37.5	37.5	–	–	37.5
Non-financial assets	–	–	–	27.3	27.3
Cash and cash equivalents	36.7	–	–	–	36.7
Loans and receivables	36.7	36.7	–	–	36.7
Financial assets, total	**183.6**	**–**	**–**	**–**	**183.6**
Thereof: Loans and receivables	183.6	–	–	–	183.6
Borrowings	290.6	–	1.0	–	291.6
Measured at amortised cost	290.6	290.6	–	–	290.6
Derivatives with a hedging relationship	–	–	–	–	–
Liabilities held for trading	–	–	1.0	–	1.0
Trade accounts payable	161.7	–	–	–	161.7
Measured at amortised cost	161.7	161.7	–	–	161.7
Financial liabilities, total	**452.3**	**–**	**1.0**	**–**	**453.3**

Carrying amounts and fair values of financial instruments					
	31.12.2009				
	Measured at amortised cost		Measured at fair value	Non-financial assets	
EUR million	Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount shown in the balance sheet
Trade accounts receivable	113.4	–	–	–	113.4
Loans and receivables	113.4	113.4	–	–	113.4
Financial assets	11.3	–	0.0	–	11.3
Loans and receivables	11.3	12.7	–	–	11.3
Available-for-sale financial assets	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–
Derivatives with a hedging relationship	–	–	–	–	–
Financial instruments held for trading	–	–	0.0	–	0.0
Other assets	40.1	–	–	29.3	69.4
Loans and receivables	40.1	40.1	–	–	40.1
Non-financial assets	–	–	–	29.3	29.3
Cash and cash equivalents	52.1	–	–	–	52.1
Loans and receivables	52.1	52.1	–	–	52.1
Financial assets. total	**216.9**	**–**	**0.0**	**–**	**216.9**
Thereof: Loans and receivables	216.9	–	–	–	216.9
Borrowings	293.6	–	–	–	293.6
Measured at amortised cost	287.4	287.4	–	–	287.4
Derivatives with a hedging relationship	–	–	–	–	–
Liabilities held for trading	–	–	6.2	–	6.2
Trade accounts payable	116.5	–	–	–	116.5
Measured at amortised cost	116.5	116.5	–	–	116.5
Financial liabilities. total	**403.9**	**–**	**6.2**	**–**	**410.1**

Cash and cash equivalents, trade accounts receivable, other assets and current financial assets largely have short residual lives. Hence the carrying amounts correspond to the fair values at the balance sheet date.

The fair value of non-current financial assets with residual lives of more than one year corresponds to the present value of the payments related to these assets, taking current interest rate parameters into account.

Trade accounts payable as well as borrowings generally have short residual lives or respectively variable interest rates. Their carrying amounts thus correspond to their fair values.

Net gains and losses from financial instruments
Net gains and losses are influenced by fair value changes recognised to profit or loss, impairment losses, adjusting events recognised to profit or loss, changes in foreign exchange rates, as well as derecognitions, and are recognised in other operating income/expenses and the non-operating result.

Net profit or loss by measurement category		
EUR million	2010	2009
Loans and receivables	13.8	28.1
Held-to-maturity investments	–	–
Available-for-sale financial assets	–	–
Financial instruments held for trading	0.8	–3.9
Financial liabilities measured at amortised cost	–0.5	–1.2
	14.1	**23.0**

Net gains from loans and receivables amounted to EUR 13.8 million. Of this amount, EUR 12.7 million (previous year: 1.0 million) result from currency translation and EUR 1.1 million (previous year: EUR 27.1 million) result from the reversal of writedowns on receivables.

Net gains of EUR 0.8 million (previous year: EUR –3.9 million) from financial instruments held for trading concern derivative financial instruments.

The net loss of EUR 0.5 million (previous year: EUR 1.2 million) from financial liabilities measured at amortised cost essentially resulted from currency translation.

Maturity analysis
The following table shows the sum total of the contractually stipulated undiscounted payments on interest and principal in connection with the financial liabilities, derivative financial instruments and other obligations under rental and lease contracts, broken down by maturities:

EUR million	Carrying amount	Cash flows up to 1 year	Cash flows 1 to 5 years	Cash flows more than 5 years
As at 31.12.2010				
Liabilities to banks	277.7	277.7	–	–
Derivative financial instruments	1.0	1.0	–	–
Other borrowings	12.9	1.8	–	11.1
Trade accounts payable	161.7	161.7	–	–
Obligations under rental and lease contracts	36.4	11.6	20.3	4.5
As at 31.12.2009				
Liabilities to banks	275.7	200.7	75.0	–
Derivative financial instruments	6.2	3.3	2.9	–
Other borrowings	11.7	0.8	0.0	10.9
Trade accounts payable	116.5	116.5	–	–
Obligations under rental and lease contracts	36.0	13.2	22.8	–

Cash outflows for interest payments related to financial liabilities with a maturity of up to one year are estimated at EUR 8.0 million (previous year: EUR 16.9 million). Particularly the 2011 refinancing package must be considered in this connection. There are also annual payment obligations of EUR 1.4 million for the land at the Company's production sites in Rangsdorf and Frankfurt (Oder) that have a negative impact mainly on net interest income and are attributable to the Other financial liabilities.

The carrying amounts essentially correspond to the fair values of these liabilities. Foreign currency holdings were converted at the reporting date exchange rate. Changes in cash flows can arise, in particular, from changes in interest rates and foreign exchange rates, prepayments, extensions as well as new financing obtained in future.

Disclosures on derivatives

The following transactions with derivative financial instruments existed at year's end:

EUR million	31.12.2010			31.12.2009		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate swaps Cashflow hedges	37.5	–	0.9	175.0	–	6.1
Forward exchange and currency option transactions Fair value hedges	31.7	–	0.1	25.8	0.0	0.1
	69.2	**0.0**	**1.0**	**200.8**	**0.0**	**6.2**

The negative market value of the interest rate swaps has been recognised as a liability.

The fair value of the derivative financial instruments at the balance sheet date constitutes the Company's maximum exposure to lending risks at such date.

IFRS 7 requires a sensitivity analysis, which examines the effects of hypothetical changes in foreign exchange rates at the balance sheet date on the Group's assets, liabilities, cash flows and profit or loss. The effects of hypothetical changes in foreign exchange rates on the translation risk are not subject to IFRS 7. A hypothetical negative five percent change in foreign exchange rates was used to determine the sensitivities, positing a simultaneous gain in all currencies against the euro based on each currency's year-end exchange rate. The hypothetical loss from derivative and primary financial instruments as at 31 December 2010 would have been EUR 9.6 million; it would have been attributable to the currency risk arising from liabilities in US dollars.

An increase of one percentage point of all relevant interest rates as at 31 December 2010 would have resulted in a financial result that would have been EUR 3 million less. A decrease of all relevant interest rates would have improved the financial result by EUR 3 million.

Other disclosures

31. In- and outflow of cash and cash equivalents

The consolidated statement of cash flows shows the changes in the Group's cash and cash equivalents resulting from the in- and outflow of funds during the financial year. The consolidated statement of cash flows was prepared in accordance with the requirements of IAS 7. Cash flows are allocated to three areas: operating activities, investing activities and financing activities.

The indirect method is used to show cash flows related to operating activities such that the surplus cash flows from operating activities are determined by adding all non-cash expenses and subtracting all non-cash income from operating income related to continuing operations (EBIT). The cash flow related to investing and financing activities is determined directly on the basis of in- and outflows.

Under IFRS 5, cash flows from operating, investing and financing activities must be disclosed separately according to continuing and discontinued operations. Cash flows related to investing and financing activities in connection with discontinued operations are separately disclosed in note 6.

Operating activities

Based on operating income (EBIT) of EUR –13.8 million in the 2010 financial year (previous year: EUR –36.8 million), adjusted for non-cash items such as depreciation, amortisation and impairment losses, changes in non-current provisions as well as other non-cash income and expenses such as, for instance, portions of the net gain/loss from currency translation, and writedowns of inventories and receivables, the cash flow from operating activities before changes in net working capital (gross cash flow) increased considerably to EUR 34.5 million year-on-year (previous year: EUR –37.5 million).

At EUR 17.1 million, the cash flow generated in the 2010 financial year from operating activities related to continuing operations was EUR 36.0 million lower year-on year (previous year: EUR 53.1 million), especially due to the outflow of EUR 22.8 million in funds from

the increase in working capital despite the major improvement in gross cash flow. In contrast, there had been an inflow of EUR 97.9 million in related funds the previous year. The increase in the working capital stems in particular from the relatively large increase in inventories of EUR 73.3 million (previous year: decrease in inventories of EUR 89.6 million). At the same time, trade accounts payable rose by EUR 41.8 million (previous year: EUR 17.6 million). Trade accounts receivable rose by EUR 9.3 million in the same period the previous year but fell by EUR 8.7 million in the 2010 financial year. The other net assets changed by EUR 4.9 million (previous year: EUR –9.9 million). Tax refunds in the 2010 financial year were EUR 0.5 million (previous year: EUR 2.6 million).

The cash flow from operating activities related to the discontinued operations of the EPURON segment – biomass, biogas, wind energy projects and CSP – in the 2010 financial year was EUR 9.2 million (previous year: EUR 15.4 million). This figure is shown in a separate item in the statement of cash flows. Overall, the cash inflow from operating activities amounted to EUR 7.9 million (previous year: EUR 68.5 million).

Investing activities
In the first 2010 financial year, EUR 9.1 million in net cash were used for investing activities (previous year: EUR 14.9 million). The Group invested a net total of EUR 14.6 million (prior-year period: EUR 12.3 million) in property, plant and equipment as well as intangible assets. The inflow of funds from financial assets was EUR 4.2 million (previous year: outflow of EUR 3.4 million). The Conergy Group received interest payments of EUR 0.9 million (previous year: EUR 0.8 million).

Financing activities
The Conergy Group's net cash flow from financing activities in the 2010 financial was EUR –15.2 million (previous year: EUR –27.2 million). This net cash outflow is the result of new borrowings of EUR 22.4 million (previous year: EUR 48.7 million) under the syndicated loan and the repayment of borrowings in the amount of EUR 20.7 million (previous year: EUR 55.5 million). This concerned a partial payment in the first quarter and a special payment of EUR 1.9 million under the syndicated loan that was used to finance the solar factory in Frankfurt (Oder). Add to that interest payments of EUR 16.9 million, which were down year-on-year (previous year: EUR 20.4 million).

The net change in cash and cash equivalents in the first 2010 financial year was therefore EUR –16.4 million (previous year: EUR 26.4 million).

32. Contingent liabilities, receivables and other financial obligations

Contingent liabilities and receivables
Conergy has assumed a total of EUR 165.5 million in bank guarantees and documentary credits as part of the syndicated credit facility. The Company also had liabilities to other banks from EUR 28.1 million in drawdowns from bilateral guarantee facilities.

Conergy also provides warranties for its products and is exposed to guarantee risks. Appropriate provisions were recognised (see note 25) to the extent that payment obligations are expected to arise from the guarantees issued.

Additional purchase price receivables – which are tied to the achievement in future of certain performance targets by the project business sold – were stipulated in connection with the disposal of the German and French wind energy project business (including all related operating assets) to an investment fund belonging to Impax Asset Management Ltd. Whilst management expects to realise a substantial portion of these future purchase price payments, they constitute uncertain and future events that have yet to be confirmed and are not fully under Conergy's control. Hence Conergy did not recognise the potential additional purchase price receivables pursuant to IAS 37.

Rental and lease contracts
The Group essentially maintains operating leases for offices and passenger cars. These leases have terms of one month to nine years and do not contain specific extension or purchase options. The monthly lease payments are recognised on a straight-line basis in the income statement under other operating expenses (see note 11).

Conergy has the following obligations under existent long-term rentals and lease contracts:

EUR million	31.12.2010	31.12.2009
Up to 1 year	11.6	13.2
1 to 5 years	20.3	22.8
More than 5 years	4.5	0.0
	36.4	**36.0**

Purchase commitment and obligations to accept goods

Conergy has undertaken to purchase solar wafers and solar modules from suppliers. These contracts have original terms of between one and ten years. The Company's obligations to accept goods essentially arise from a delivery contract between MEMC Electronic Material, Inc. and Conergy AG. In this connection, Conergy entered into a ten-year delivery contract with MEMC in October 2007 for the purpose of securing the quantities of silicon it needs in the long term. The amount to be purchased from MEMC in future is in line with the needs of the Conergy solar factory in Frankfurt (Oder); it includes a total sales volume of approximately USD 840 million. The wafer prices are based on the prevailing market price. The amount payable will be determined annually based on defined criteria. The prepayments in the amount of USD 26.6 million required thereunder from 2010 have already been made. MEMC is supposed to repay to Conergy the payments into the Refundable Capacity Reservation Deposit, which are to be fixed annually, over the term of the agreement. But the amount may be offset against MEMC's receivables if Conergy defaults or fails to perform.

The Company had liabilities (commitments for capital expenditures) of EUR 5.1 million related to orders for investment projects in our solar module factory that had already started or were planned.

Conergy has the following obligations under existent long-term purchasing agreements:

EUR million	31.12.2010	31.12.2009
Up to 1 year	145.7	170.6
1 to 5 years	455.3	565.7
More than 5 years	348.9	397.4
	949.9	**1,133.7**

Repurchase obligations

Conergy Services GmbH has undertaken vis-à-vis operators to repurchase installations under the relevant sale and assignment agreements. This will give rise to total financial obligations of EUR 5.9 million (previous year: EUR 5.9 million). However, these repurchase obligations must be fulfilled from 2023 at the earliest.

Other

There are also annual financial obligations of EUR 1.4 million for a term of 99 years in connection with the land at the production sites in Rangsdorf and Frankfurt (Oder). These properties carry hereditary building rights.

Insurance policies with a term of one year give rise to financial obligations in the amount of EUR 1.4 million.

Conergy has the following obligations under existent lease, insurance and hereditary building right contracts:

EUR million	31.12.2010	31.12.2009
Up to 1 year	2.8	4.6
1 to 5 years	6.5	5.5
More than 5 years	127.3	126.2
	136.6	**136.3**

33. Related parties

The related parties of the Conergy Group include the members of its Management Board and Supervisory Board as well as members of subsidiaries' bodies to the extent that they occupy key positions, in each case including their close relatives. Related parties also include those companies upon which members of the Company's Management Board or Supervisory Board or their close relatives can exercise a significant influence or in which they hold a significant voting share. Furthermore, related parties include non-consolidated companies with which the Company forms a Group or in which it holds a share that enables it to significantly influence the business policies of the investee, as well as major shareholders of the Company and its Group companies.

The Conergy Group maintains several business relationships with related parties, which, in the Company's opinion, were handled at normal market terms.

On 5 September 2008, Conergy AG as lessor entered into a sublease with AMMER!PARTNERS GmbH, Hamburg, a company controlled by its managing partner, Mr Dieter Ammer, as lessee for various offices with a total area of 205.95 m^2 as well as for two parking spaces in the Berliner Bogen office building at Anckelmannsplatz 1, 20537 Hamburg. The total cost to be borne by AMMER!PARTNERS GmbH until 30 September 2010 was EUR 4,740.08 gross per month. The monthly rent has been EUR 4,992.52 since 1 October 2010.

Commerzbank AG had taken over shares in Conergy AG in connection with its takeover of Dresdner Bank AG. In its capacity as one of the syndicate's lead managing banks, Dresdner Bank, which at the time was legally

independent, subscribed and took over the new shares from the cash capital increase in December 2008 with the proviso that it would offer them to the Company's shareholders in accordance with Section 186 para. 5 German Stock Corporation Act for purchase by means of an indirect subscription right and offer any unsubscribed new shares under the subscription offer to institutional investors in a private placement subject to specified conditions. Commerzbank AG now holds the shares in Conergy AG directly since Dresdner Bank AG was merged into Commerzbank AG on 11 May 2010. Commerzbank AG most recently notified Conergy AG on 4 August 2010 that its interest in the voting shares of Conergy AG on 3 August 2010 had fallen below the 30.0 percent voting share threshold and was 29.08 percent on that date.

On 31 July 2007 Conergy AG, the Momentum Renewables GmbH (formerly EPURON GmbH), Conergy SolarModule GmbH & Co. KG and what is today Conergy Deutschland GmbH closed a syndicated loan for a total of EUR 600.0 million from 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG, which at the time was legally independent, and WestLB AG.

Commerzbank Bank AG provides banking services to Conergy and its German subsidiaries in connection with their ordinary activities.

In addition, the Company and its French subsidiaries, Conergy S.A.S. and Epuron S.A.R.L., have entered into a general Automated Common Concentration International Service agreement with Commerzbank AG (previously: Dresdner Bank AG) and BNP Paribas Bank SA. Under this agreement, all balances in the respective subaccounts are transferred to the main account of Conergy AG in order to even out its cash flow.

Furthermore, Conergy AG and its Spanish subsidiaries – Conergy España S.L.U. and Sun Technics Instalaciones y Mantenimiento S.L. – entered into a general Dresdner Cash Concentrating agreement with Commerzbank AG (previously: Dresdner Bank AG). Under this cash concentrating procedure, all balances in the respective subaccounts are transferred to the main account of Conergy AG in order to even out its cash flow.

These transactions are executed in connection with the companies' ordinary activities at prevailing market terms.

The compensation report in the Group management report summarises the standards applicable to the determination of the compensation paid to Conergy's Management Board. It also describes the standards applicable to the compensation paid to its Supervisory Board pursuant to the disclosures under Section 314 para. 1 no. 6a sentence 5 through 8 and no. 6b German Commercial Code.

The total compensation paid to the members of the Management Board was TEUR 3,974 (previous year: TEUR 2,833).

The compensation of the Management Board under IFRS does not include the fair value of the newly granted share-based payments; it only includes the share-based payments earned in the current year plus the changes in the value of claims under share-based payments not yet made. Share-based payments were made to one member of the Management Board in the 2010 financial year.

TEUR	2010	2009
Fixed annual compensation	2,050	1,709
Compensation in kind / other benefits*	399	381
Non-performance-based compensation	**2,449**	**2,090**
Short-term variable compensation**	1,498	711
Directly paid compensation	**3,947**	**2,801**
Fair value of newly granted share-based payment (SAR)	152	–
Total compensation according to HGB	**4,099**	**2,801**
Long-term variable compensation (benefits vested in the current year)	100	–
Change in value of existing benefits	–73	32
Share-based payment	**27**	**32**
Total directly paid compensation	3,947	2,801
Long-term variable compensation (benefits vested in the current year)	100	–
Change in value of existing benefits	–73	32
Total compensation according to IFRS	**3,974**	**2,833**

* The other compensation components comprise non-cash compensation (e. g. company car, insurance) and allowances for pension insurance (relief fund); they also include noncompete compensations for former members of the Management Board.
** These figures are principally based on provisions, assuming full target achievement.

Please see the compensation report contained in the Group management report for more details.

The Supervisory Board members received compensation totalling TEUR 373 (previous year: TEUR 208).

No loans were outstanding to members of the Management Board or Supervisory Board as at 31 December 2010.

Business transactions with non-consolidated subsidiaries were conducted at arm's length.

The following table shows the scope of deliveries and services to related companies that were recognised in Conergy's consolidated financial statements at amortised cost.

EUR million	2010	2009
Income	0.3	0.2
Expenses	0.0	0.2
Receivables	1.0	1.6
Liabilities	0.7	1.1

34. Number of employees

The Group had 1,600 employees (expressed in full time equivalents), including managing directors and Management Board members, as of 31 December 2010 (previous year: 1,553). Of these, 1,569 (previous year: 1,429) were employed in the Company's continued operations as of 31 December 2010.

The average number of employees (expressed in full time equivalents) of the companies included in the consolidated financial statements was:

	2010	2009
Germany	1,071	1,040
Europe	250	318
Rest of world	231	311
	1,552	**1,669**
Thereof		
Production	459	372
Administrative/technical area	1,093	1,297
	1,552	**1,669**

Adjusted for the average number of employees in the discontinued operations, in the 2010 financial year 1,496 employees were employed with the Group on average (previous year: 1,561 employees).

35. Auditing fees

The total fees for the auditor of the consolidated financial statements in the financial year just ended amounted to:

EUR million	2010	2009
Audits of financial statements	0.2	0.4
Other confirmation services	0.2	0.2
Tax consultancy services	0.2	0.2
Other services	0.0	0.1
	0.6	**0.9**

These fees primarily include the fees for the audit of the consolidated financial statements as well as for the audit of the annual financial statements of Conergy and its significant domestic subsidiaries. Other expenses for confirmations are related to the review of Conergy AG's interim financial statements. The expenses enumerated above do not contain TEUR 82 in expenses related to the audit of the 2009 annual financial statements that were invoiced in 2010.

36. Declaration of compliance

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

37. Events after the reporting date

On 23 February 2011 Conergy AG sold its Swiss solar thermal products business to Capital Stage AG, a private equity company specialising in companies and projects in the clean-tech sector. Conergy's entire equity interest in its subsidiary, Conergy (Schweiz) GmbH, was transferred to Capital Stage in connection with the disposal. Conergy (Schweiz) GmbH is a local market leader in the solar thermal systems sector; it is also engaged locally in other areas of regenerative energies. The company will be renamed Helvetic Solar GmbH in future.

On 2 March 2011 Conergy sold its subsidiary, Güstrower Wärmepumpen GmbH, which is specialised in the production and sale of heat pumps, to SmartHeat Inc. This NASDAQ-listed company is a leading provider of heat transfer and energy conservation solutions in the Chinese market. Conergy's entire equity interest in Güstrower Wärmepumpen was transferred to Smart-

Heat under the sale. In addition, Güstrower Wärmepumpen GmbH will also take over Conergy's land.

At the General Meeting on 25 February 2011, the Company's shareholders voted to reduce the capital stock of Conergy AG by about EUR 400 million to about EUR 50 million and thus for an 8:1 reverse stock split. The General Meeting also resolved simultaneously to increase the capital stock by means of a capital increase by up to EUR 188 million. Both agenda items were adopted by majorities of 99.5 percent in each case.

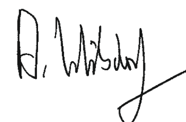
Effective 7 March 2011, Klaus-Joachim Krauth, a member of the Supervisory Board, resigned from all of his offices at his own request: that of Deputy Chairman of the Supervisory Board, his position as both a member and the Chairman of the Audit Committee as well as his appointment to the Chairman's Committee. On 10 March 2011, the Supervisory Board elected Andreas de Maizière its new Deputy Chairman. Oswald Metzger was appointed to the Audit Committee to fill the vacancy. Bernhard Milow was appointed to the Chairman's Committee, taking the place of Klaus-Joachim Krauth. The Audit Committee also elected Andreas de Maizière its new Chairman.

Hamburg, Germany, 22 March 2011
Conergy Aktiengesellschaft
The Management Board

Responsibility statement

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

Hamburg, Germany, 22 March 2011
Conergy Aktiengesellschaft
The Management Board



Dr. Sebastian Biedenkopf   Andreas Wilsdorf

Independent Auditors’ Report

We have audited the consolidated financial statements prepared by the Conergy AG, Hamburg, – comprising the income statement, statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code“) are the responsibility of the parent Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Without qualifying this opinion, we draw attention to the fact that the existence of Conergy AG and the Group as a going concern might be jeopardised by risks as stated in the section “Financial risks” of the Group management report.

In this section it is stated that the Company is obliged to implement a refinancing concept as a precondition for granting a new cash loan and therefore to ensure the liquidity. The final implementation of the refinancing concept is still subject to the condition that the guarantees existing as at 31 December 2010 are reduced to roughly EUR 141 million. If the preconditions cannot be fulfiled until end of July 2011 the existence of Conergy AG and the Group as a going concern would be endangered.

Additionally, the existence of Conergy AG and the Group as a going concern might be jeopardised if sales, income and cash flows from operating activities fall significantly below the projected figures as far as the consequences cannot be offset by other measures.

Hamburg, 23 March 2011
Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(signed Dinter)	(signed ppa. Arlitt)
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Disclaimer

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.

Contact

Investor Relations
Christoph Marx
Tel.: +49/40/271-42-1634
Fax: +49/40/271-42-1639
Email: investor@conergy.de

Corporate Communications
Alexander Leinhos
Tel.: +49/40/271-42-1631
Fax: +49/40/271-42-1639
Email: presse@conergy.de

Imprint

Published by
Conergy AG
Anckelmannsplatz 1
20537 Hamburg

Editor
Christoph Marx and Bettina von Franqué

Concept, layout and production
Agentur Punktlandung, Hamburg

Annual Reports, Interim Reports and further information on Conergy AG are available on the internet. We are pleased to send you printed versions of the Annual Report as well as additional information upon request.

2011 Financial calendar

Tuesday, 29 March 2011

Publication of the 2010 financial statements

Thursday, 12 May 2011

Publication of the interim report first quarter 2011

Thursday, 30 June 2011

General Shareholders' Meeting, CCH in Hamburg

Thursday, 11 August 2011

Publication of the interim report first half-year 2011

Thursday, 10 November 2011

Publication of the interim report third quarter 2011

Conergy AG
Anckelmannsplatz 1
20537 Hamburg
Germany
www.conergy-group.com