Conergy AG

Annual Report 2012

Key figures

		2012	2011
Sales	EUR million	473.5	754.1
Germany	EUR million	130.2	199.0
International	EUR million	343.3	555.1
Gross profit	EUR million	68.6	127.3
Gross profit margin	in percent	14.5	16.9
EBITDA	EUR million	–69.0	–80.3
EBITDA margin	in percent	–14.6	–10.6
EBIT	EUR million	–83.8	–179.0
EBIT margin	in percent	–17.7	–23.7
Income after taxes from continuing operations	EUR million	–99.0	–164.5
Income after taxes	EUR million	–99.0	–162.1
		31.12.2012	**31.12.2011**
Total assets	EUR million	241.6	342.4
Total equity	EUR million	–76.6	20.9
Equity ratio	in percent	–31.7	6.1
		2012	**2011**
Cash flow from operating activities (total)	EUR million	8.2	–41.4
Cash flow from investing activities (total)	EUR million	1.9	15.6
Cash flow from financing activities (total)	EUR million	–15.0	11.6
Earnings per share from continuing operations*	EUR	–0.62	–1.67
Average number of no-par shares issued*		159,795,307	98,359,550
		2012	**2011**
Number of employees FTE** (as at 31.12.)		1,144	1,461
Germany		781	1,033
International		363	428

* Previous year's figures adjusted due to the ordinary capital reduction
** Full Time Equivalents

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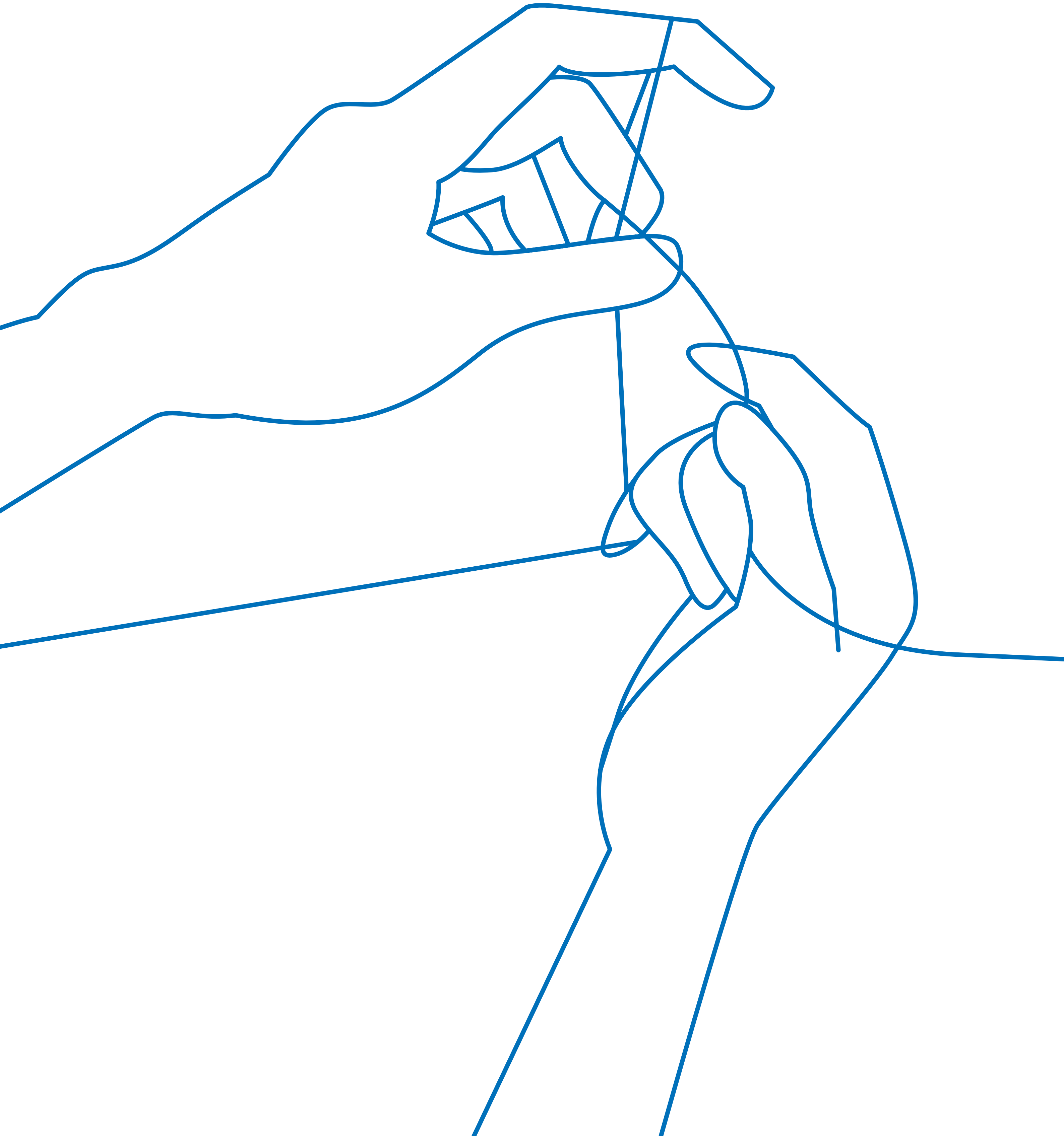
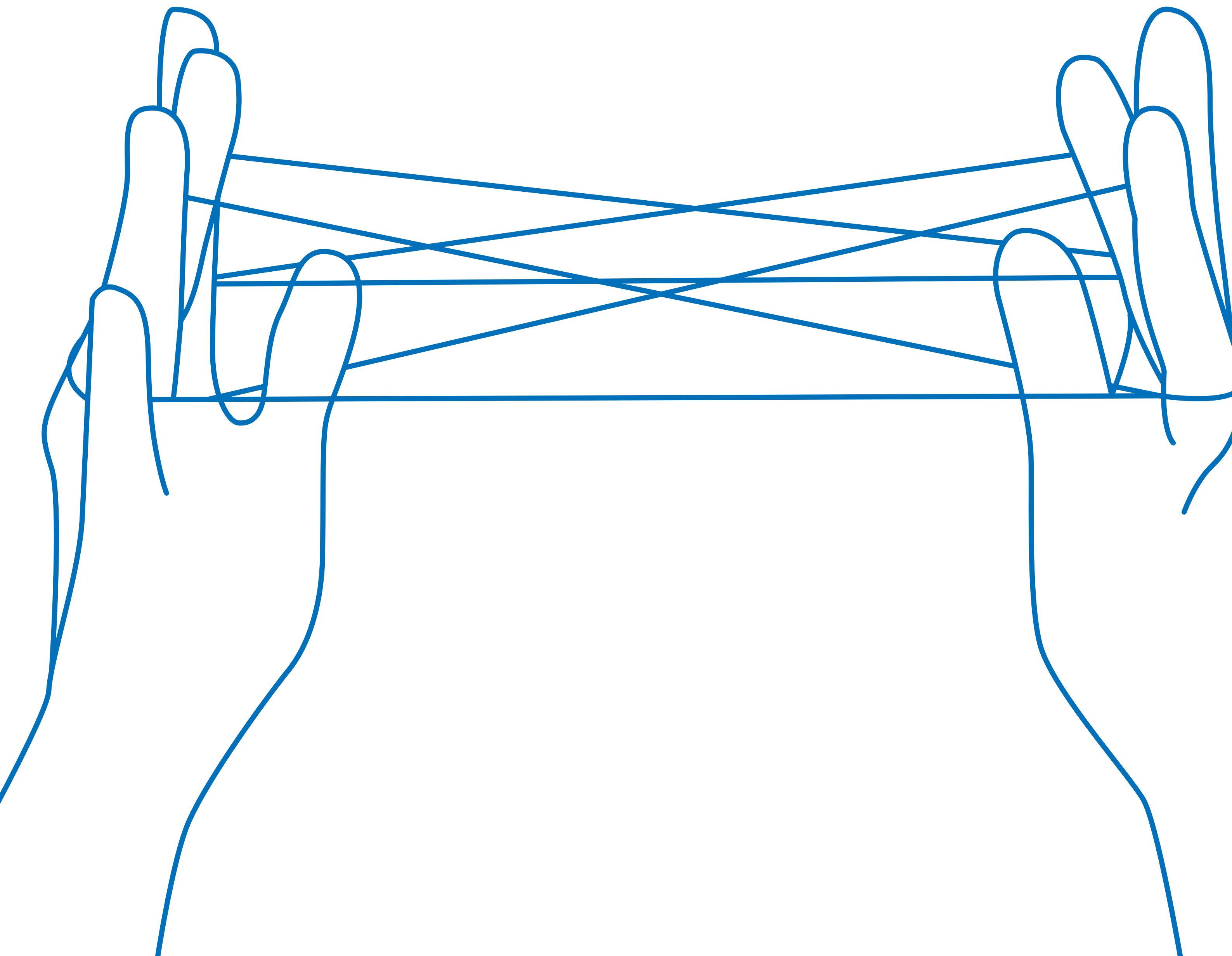


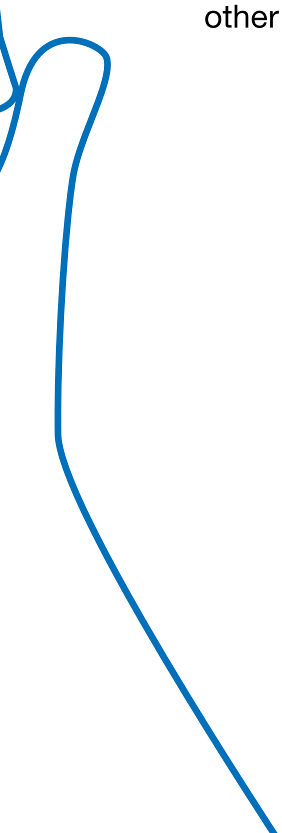
WE KNOW HOW TO GET STARTED …

How to gain an overview and – above all – keep track. How to develop the right structure from an idea. This requires knowledge and experience. Conergy has acquired both of these things in numerous projects around the world. What is important? What is the sequence of events? Where are the critical interfaces? These questions must be answered correctly from the very start.



... IN ORDER TO GET SUCCESSFUL RESULTS.

By preparing projects very carefully Conergy ensures smooth execution – thereby achieving the desired result. And because we think and act holistically, our customers do not need other partners. Thus, even ambitious projects become very straightforward.



Dear Shareholders,

A violent storm swept through the solar energy sector in 2012. It was an exceedingly eventful and at times turbulent year for our branch of industry, a year dominated by consolidation and – once more – plummeting prices. Yet 2012 was also a pivotal year because in spite of this difficult situation we forged ahead with Conergy's realignment with undiminished vigour, instigating structural changes that are indispensable for the future of the Company and allow us to look forward with optimism.

Last year's storm also left its mark on Conergy as in 2011, the solar energy market was characterised by a major imbalance between supply and demand. High excess production capacities and the financing conditions that are not available to all companies equally had generated unrelentingly strong price erosion. Prices fell by over 40 percent again in 2012.

The downward price spiral that has continued since the beginning of 2011 frequently prompted buyers to adopt a wait-and-see approach. At many companies – Conergy unfortunately being no exception – this exerted persistent pressure on margins. It was a situation that we were unable to compensate for in full despite radically cutting costs at our production facility in Frankfurt (Oder) and by making adjustments in our supply chain as well as further savings. Other unfavourable developments were the cuts in feed-in tariffs in important core markets, the ongoing euro crisis and the related reluctance on the part of the banks to extend loans to potential investors. As a consequence, some of the photovoltaic markets around the world suffered weak demand in 2012.

The arduous conditions resulted in a situation where, owing to considerable squeezing of margins, the volumes sold were not sufficient to cover the existing structural costs – in spite of the significant improvements we made. Last year, all solar energy companies were impacted by this economic trend.

In order to survive in this environment, last September we cancelled with immediate effect the agreement with MEMC that was originally due to run until at least 2018. This has taken a huge burden off our shoulders because it means that as of now Conergy no longer has to honour the stipulated purchase commitments for wafers of around USD 600 million over the remaining term of the agreement. Since we terminated the agreement, we have been able to procure our production materials on the free market flexibly and at more favourable prices and conditions, which has made us progressively more competitive.

Cancelling this agreement was painful because together with the above-mentioned price erosion it reduced our earnings and our equity and forced us to convene an Extraordinary General Meeting in December. These factors in the reporting period prevented us from reaching our goal of generating an operating profit once again in 2012. Yet all is not lost that is delayed. The strategy we are pursuing is to position Conergy so firmly in the long term that we can continue to exist in the market and will weather the storm. This we can only achieve if we design our ship to sail in high seas and adapt to the sailing conditions – an area in which we have constantly worked very hard. Cancelling the supply agreement is a further significant and logical step in our structural reorganisation as part of our realignment as a systems provider.

In addition to these structural changes, we have continued to push our strategy as a systems provider – as a "leading PV solution & service provider". Now that we have reduced our vertical integration, the spotlight is on developing new business models, markets and sales channels as well as expanding our international sales activities.

In the growth markets, there are numerous opportunities for us to build large-scale projects in the double-digit megawatt range. Only at the beginning of this year, we secured another major order in Thailand for solar energy plants of over 31 MW in total, which has led to the installation of over 50 MW of solar power output with this investor in Thailand alone since autumn 2012.

The large-scale power plant expansion allows us to increase our volumes, which enables us to offset the price and revenue erosion much better. However, this necessitates a high level of pre-financing and/or interim financing – something that we as a company have been unable to afford to this extent in the past. To improve our access to this interesting, high-volume business and to be able to implement our sizeable project pipeline more effectively, we negotiated financing and interim financing options with various partners in the recent months and expect to be able to substantially grow our business in Asia as well as in the US market with this in 2013.

We are making progress – not only in developing new financing solutions for projects but also with our sales strategy. Focusing on new business models and sales solutions in mature solar energy markets is just as important for us as focusing on opportunities and models for the future, when the solar energy market will evolve from an investment-driven market into an actual energy market. The road to grid parity is no longer dominated by feed-in tariffs and yields but by costs per kilowatt hour and the electricity price savings generated in the process.

Although the severe price erosion is creating extremely harsh market conditions, it is also presenting new opportunities and models for the future. Compared with conventionally generated power, solar power is already competitive for certain target groups and regions. We demonstrated this with as many as three pilot projects in Spain in which, by using virtually 100 percent of the power on their own premises, the operators not only managed entirely without subsidies but also cut their electricity costs by around 30 percent.

As a systems provider we believe that Conergy is strategically well positioned to cope with this dynamic change in the market because, once grid parity has been achieved, what mainly counts is that the installation produces a constant, reliable supply of energy. Maintenance and operations management are playing an increasingly important role in achieving this goal. It is precisely here that the need for services is growing to guarantee a system's availability and uptime. This is potential that we are striving to leverage to an even greater extent with our already very extensive portfolio of services.

The development of new markets is also starting to bear fruit. In Africa and South America, but also in Eastern Europe, Japan, Malaysia and the Philippines, we cultivated interesting contacts to suitable business partners and are now successively developing project pipelines. In Romania, for instance, we announced our market entry in January 2013 with our first project. Developing new markets takes time, but we are confident that we will attract new business and increase our volumes in these in the course of 2013.

The year 2013 will undoubtedly not be an easy one for us. However, in spite of the rough seas, we believe that our ship is on course and with our seasoned sailors we are continuing to pursue our goal of guiding Conergy through the current storm on the solar energy market. We, the Management Board, will therefore continue to work hard on increasing Conergy's profitability and future viability. On account of the tough market conditions, we will almost certainly suffer the odd minor setback in the future as well. Still, we believe in this company and are confident of achieving this goal.

Yours sincerely,

Philip Comberg

Dr. Philip Comberg

The Management Board

From left: Jan Vannerum, Dr. Philip Comberg, Marc Lohoff, Alexander Gorski

Dr. Philip Comberg (CEO)

Appointed from 1 January 2013 until 31 December 2015

Responsible for Corporate Business Development, Corporate Legal, Corporate Human Resources & Compliance and Corporate Communications.

Marc Lohoff (CSO)

Appointed from 12 January 2012 until 31 December 2014

Responsible for Asia Pacific and United States and Canada.

Alexander Gorski (COO)

Appointed from 04 May 2011 until 31 December 2014

Responsible for Europe as well as Global Purchasing & Supply Chain (including Supply Chain Planning, Global Logistics, Corporate Aftersales Operations), Quality Management, Sales Excellence, Global Engineering & Services, Mounting Systems and Conergy SolarModule.

Jan Vannerum (CFO)

Appointed from 12 January 2012 until 31 December 2014

Responsible for Corporate Accounting & Controlling, Investor Relations, Corporate Treasury & Project Finance, Corporate IT & Processes, Internal Audit and Corporate Tax.

At the beginning of the financial year, Dr. Sebastian Biedenkopf retired from office as a member of the Management Board with effect from the end of February 2012.

The members of the Management Board and their memberships

(as at 31 December 2012)

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. Philip Comberg	**2012**	**–**
Alexander Gorski	**2011**	**–**
Marc Lohoff	**2012**	**–**
Jan Vannerum	**2012**	**–**

At the beginning of the financial year, Dr. Sebastian Biedenkopf retired from office as a member of the Management Board with effect from the end of February 2012.

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 I in my capacity as the Deputy Chairman of the Supervisory Board and Mr. Werner P. Paschke in his capacity as 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; intragroup 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 on specific occasions at the request or explicit demand of the Supervisory Board as well as 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 2012 financial year as well. The Supervisory Board was involved in accordance with the law and the Internal Rules of Procedure for the Supervisory Board. 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 2012 financial year, Dr. Philip Comberg (Chairman of the Supervisory Board), Dr. Andreas Pleßke (Deputy Chairman of the Supervisory Board), Jeremy Blank, Pepyn Dinandt, Werner P. Paschke and Dr. Klaus-Dieter Rasch 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. By way of a resolution by the Supervisory Board on 12 January 2012, Dr. Philip Comberg was delegated to the Company's Management Board with immediate effect up to 31 December 2012 in accordance with Section 105 para. 2 AktG, where he served as Chairman of the Management Board.

The General Meeting on 26 August 2011 elected all members to the Company's Supervisory Board for the remaining term of office of the departed Supervisory Board members, i.e. until the end of the General Meeting that resolves on the approval of the actions of the Supervisory Board members for the 2014 financial year.

On 6 November 2012, the Supervisory Board resolved to appoint Dr. Philip Comberg as an ordinary member of the Company's Management Board for a period of three years effective 1 January 2013. At the same time, Dr. Philip Comberg resigned from the Supervisory Board effective at the end of 31 December 2012. Dr. Andreas Pleßke was elected Chairman of the Supervisory Board, Werner P. Paschke was elected Deputy Chairman and Dr. Klaus-Dieter Rasch was elected to the Audit Committee, each with effect from 1 January 2013.

Since 1 January 2013, following Dr. Philip Comberg's resignation from office, the Supervisory Board has comprised five members. It therefore does not have the quota of six members stipulated by 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 Articles of Association. In time for the Annual General Meeting scheduled for 12 June 2013, the Supervisory Board will submit a nomination and is currently in talks with suitable candidates for this purpose.

Supervisory Board meetings
In the 2012 financial year, the Supervisory Board held a total of fourteen meetings to carry out its duties, specifically, on 12 January, 24 January, 27 February, 23 March, 9 May, 5 June, 27 June, 16 August, 18 September, 23 September, 25 September, 6 November, 17 December and 28 December. With the exception of the meetings on 12 January, 27 February, 18 and 23 September and 28 December, which were held as teleconferences, all

meetings required members' personal attendance; in a few cases, Supervisory Board members participated in the deliberations and resolutions by telephone. The Supervisory Board meeting on 27 June 2012 was held at the factory of Conergy SolarModule GmbH & Co. KG in Frankfurt (Oder). All other meetings requiring the members' personal attendance were held in Hamburg. In urgent cases, resolutions were also adopted by telephone and in writing outside of meetings. In addition the Supervisory Board regularly asked the Management Board to keep it informed of current events by telephone and made ad-hoc calls to prepare and follow-up on Supervisory Board meetings. Except for Dr. Philip Comberg, who was delegated to the Management Board for the period from 12 January to 31 December 2012 in accordance with Section 105 para. 2 AktG, all members of the Supervisory Board attended more than half of the meetings. The current members of the Supervisory Board – with the exception of Pepyn Dinandt, who was excused from three meetings, and Dr. Klaus-Dieter Rasch und Jeremy Blank, who were each excused from four meetings – attended all board meetings.

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

At almost 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. The only exceptions to this were the Supervisory Board meetings held by telephone, which were each convened at short notice and on particular occasions and served to discuss individual topics in greater depth. 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 2012 reporting year. This work focused first and foremost on the Company's strategic alignment, internal restructuring and matters related to the Management Board. None of this gave rise to any doubts with respect to the current Management Board's due and proper conduct of business.

In connection with the claim for damages for approximately EUR 268 million filed with the Hamburg Regional Court and the pending actions shareholders had brought against the Company, the Supervisory Board discussed at length consulting with its legal advisers on the possibilities of reaching a settlement in both cases. The settlement talks conducted could not be finished so far.

The purpose of the Supervisory Board meeting on 12 January 2012 was to appoint new Management Board members. Dr. Philip Comberg was delegated to the Management Board, while Marc Lohoff and Jan Vannerum were appointed as further ordinary Management Board members. Alexander Gorski's term of office was extended and brought into line with the terms of office of the other ordinary Management Board members. Deliberations focused on agreement on the individual candidates and their terms of employment, whose suitability was also assessed on the basis of opinions prepared by external experts. The Supervisory Board received legal counsel on the position of the Deputy Supervisory Board Chairman during Dr. Philip Comberg's delegation to the Management Board. It also discussed severance pay rules for the retired Management Board member Dr. Sebastian Biedenkopf.

At the Supervisory Board meeting on 24 January 2012, the Management Board initially reported on current business trends. In addition to other M&A topics and the sale of non-strategic assets or equity investments, the Supervisory Board discussed the closing preparations for the sale of voltwerk at length. The Supervisory Board deliberated on the current status of the settlement talks with former Management Board members in connection with the suit filed by the previous Supervisory Board in August 2011 for breach of the duty of due care. Werner P. Paschke was elected to the Chairman's Committee to fill the post left vacant by the delegation of Dr. Philip Comberg. Finally, the components of the variable compensation for the Management Board members and the financial ratios that are relevant for incentivisation were discussed.

At the Supervisory Board meeting on 27 February 2012, the Management Board reported on the German government's plans to cut feed-in tariffs and their repercussions for the Company. The Management Board then explained the efforts being made to reduce working capital in the Group as well as possible improvements in cash flows. Other topics were the Company's ongoing and planned M&A activities.

On 23 March 2012, the Supervisory Board initially concerned itself with the variable compensation for the Management Board for the 2011 financial year. In the presence of the auditor, the Management Board briefed the Supervisory Board in depth on the financial year just ended. The Supervisory Board asked the Management Board and the auditors to report on the audit of the single-entity financial statements according to the German Commercial Code (HGB) and the preliminary findings of the audit for the 2011 financial year. The discussions were summarised for the Supervisory Board members who were not members of the Audit Committee. The Supervisory Board, the Management Board and the auditors discussed once again the main aspects of the annual and consolidated financial statements with the management reports. Both the Management Board and the auditors answered all of the Supervisory Board's questions comprehensively. At this meeting, the Supervisory Board approved the annual financial statements prepared by the Management Board as well as the consolidated financial statements for the 2011 financial year. The Management Board also provided detailed explanations of the business trends and ongoing performance. The Supervisory Board asked the Management Board to provide updates on the latest developments in new projects and M&A activities. Finally, the Supervisory Board took note of and approved the conclusion of a new supply agreement.

The Supervisory Board meeting on 9 May 2012 again concentrated on M&A activities and safeguarding a long-term outlook for the Company. Cash flow developments in the first quarter, liquidity planning and risk management were also presented. In addition to other reporting on the current financial year and earnings for the first quarter, the supervisory board discussed the possibility of a settlement with the former Management Board members. The managing directors of Mounting Systems GmbH showed the Supervisory Board a presentation on this company's business.

At the meeting on 5 June 2012, the Supervisory Board concentrated on preparations for the Annual General Meeting taking place that day and again concerned itself with the actions brought against the former Management Board members as well as the pending lawsuits brought by shareholders against the Company.

The Supervisory Board meeting on 27 June 2012 was held at the module factory in Frankfurt (Oder). In addition to the Management Board's report on M&A topics as well as current business trends, the Supervisory Board addressed in detail the settlement talks with the former Management Board members and the D&O insurance as well as the investor plaintiffs.

Among the topics on the agenda at the Supervisory Board meeting on 16 August 2012 were the composition of the Management Board for the 2013 financial year, recent M&A activities and their effects on cash flows, the status of the talks with the former Management Board members and the D&O insurance. The Audit Committee presented the areas of emphasis in the audit of the annual financial statements for the year ended 31 December 2012. The Project Control Committee described its impressions of a visit to Mounting Systems GmbH. The Management Board reported on current business trends, and ideas for improving liquidity and project financing were exchanged. A further focus of the discussions was the relationship to US wafer manufacturer MEMC Electronic Materials, Inc. and whether to renegotiate the relationship with the supplier or cancel the entire agreement. Finally, the planned restructuring in Spain and the measures requiring approval in this connection were discussed. Approval was granted.

The relationship with MEMC Electronic Materials, Inc. was again discussed at the Supervisory Board meetings on 18 and 23 September. In each case, the full Supervisory Board discussed in detail the necessity to terminate the supply relationships that owing to the global price erosion and other factors were at odds with the Company's strategic realignment and the associated reduction of its own vertical integration. In parallel to the meetings, the Management Board held ongoing talks with MEMC Electronic Materials, Inc., which on account of the different options for action made it necessary to hold two extraordinary meetings. Various procedures were critically reviewed and compared. At the end of the Supervisory Board meeting on 23 September, the Supervisory Board approved a settlement agreement to terminate the supply relationship.

The Supervisory Board meeting on 25 September 2012 focused on the current status of the settlement negotiations with MEMC Electronic Materials, Inc., the settlement talks with the former Management Board members and recent developments in the investor proceedings. The liquidity situation presented in the

Management Board reporting as well as the negative EBITDA, its causes and solutions were discussed at length.

On 6 November 2012, the Supervisory Board primarily discussed personnel matters relating to the Management Board and the Supervisory Board for the 2013 financial year. In addition, discussion repeatedly returned to the progress being made in the talks both with the former Management Board members and with the investor plaintiffs. Following the Management Board reporting, ongoing projects, their financing and other ideas for sales financing were discussed in detail. In addition, the Management Board reported on the opportunities presented by a strategic partnership.

Besides the current status of the settlement talks concerning the liability and shareholder claims, current M&A issues as well as the preparation for the Extraordinary General Meeting on 18 December 2012, the Supervisory Board consulted in detail on the business planning for 2013 to 2015 presented by the Management Board at the Supervisory Board meeting on 17 December 2012. The viability of the business plan, especially the Management Board's ideas for improving EBITDA, further reducing working capital, increasing sales and financing sales were critically reviewed in the process.

The last Supervisory Board meeting on 28 December 2012 solely addressed the procedural questions in connection with the liability claims brought against the former Management Board members.

Report from the committees

The Supervisory Board established three standing committees in the reporting period 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), an Audit Committee and a Project Control Committee, each of which is 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 in the reporting year.

At the beginning of the 2012 reporting period, the Chairman's Committee initially comprised the Chairman of the Supervisory Board Dr. Philip Comberg (until his delegation to the Management Board on 12 January 2012 in accordance with Section 105 para. 2 AktG), the Deputy Chairman of the Supervisory Board Dr. Andreas Pleßke, as well as Pepyn Dinandt and Jeremy Blank. On 24 January 2012, the Supervisory Board elected Werner P. Paschke as a further member of the Chairman's Committee.

In the 2012 financial year, the Chairman's Committee held a total of four meetings – on 22 March, 4 June, 25 September and 5 November. These meetings focused on the settlement talks with the former Management Board members and issues relating to the composition of the Management Board, among other things. Issues related to the Management Board's director's contracts, compensation issues and Management Board incentives were also discussed. All committee members with the exception of Mr. Blank, who was excused for one meeting, attended all meetings of the Chairman's Committee. In the 2012 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 2012 reporting period, the Audit Committee comprised Werner P. Paschke as Chairman, the Chairman of the Supervisory Board Dr. Philip Comberg (until his delegation to the Management Board on 12 January 2012 in accordance with Section 105 para. 2 AktG), the Deputy Chairman of the Supervisory Board Dr. Andreas Pleßke and Jeremy Blank.

The tasks of the Audit Committee, which during the 2012 reporting year met four times for meetings requiring personal attendance – specifically on 22 March, 8 May, 10 August and 5 November 2012 – 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 the principles of the short-, medium-, and long-term financial strategy. All committee members with the exception of Mr. Blank, who was excused for one meeting, attended all meetings of the Audit Committee. Management Board members and representatives of individual departments also attended the meetings as required.

At its meeting on 22 March 2012, the Audit Committee discussed the audit of the annual financial statements and the consolidated annual financial statements for the 2011 financial year at length in the presence of the auditor. It also concerned itself with the report prepared by the auditor Ernst & Young, new segment reporting and proposals to the Supervisory Board on the appointment of the auditor for the 2012 financial year. In addition, the committee discussed internal auditing issues and various compliance topics.

The main topic at the Audit Committee meeting on 8 May 2012 was the Management Board's report on the financial statements for the first quarter of the 2012 financial year. The various questions asked by the committee members were answered by the Management Board in detail. The Audit Committee also discussed issues relating to risk management.

At its meeting on 10 August 2012, the Audit Committee discussed at length the report of the Management Board on the financial statements for the second quarter as well as the first six months of 2012. Possibilities to improve the Company's liquidity were also discussed in this connection. Finally, the Audit Committee discussed the areas of emphasis for the audit of the 2012 annual financial statements as well as internal auditing and compliance issues.

The Management Board's reporting on the current financial year, the liquidity situation, working capital management and the draft of the financial report for the third quarter were the main topics of discussion at the Audit Committee's meeting on 5 November 2012.

The Project Control Committee met twice in the reporting period. The Project Control Committee consists of Dr. Andreas Pleßke (Chairman), Pepyn Dinandt and Dr. Klaus-Dieter Rasch. Among other things, the Project Control Committee is tasked with monitoring both the progress and the implementation of projects at operational level, as defined in greater detail by the Management Board with the approval of the Supervisory Board. To this end, the Project Control Committee visited the plants in Rangsdorf and Frankfurt (Oder) during the 2012 reporting period. Based on its findings from the plant visits, the committee recommended that the strategic orientation of Mounting Systems GmbH be reviewed.

Discussion and audit of the annual and consolidated financial statements for 2012

The Company's Annual General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, to audit the annual and consolidated financial statements and the associated management reports as at 31 December 2012 of Conergy AG for the 2012 financial year. The Audit Committee then negotiated the audit engagement and defined the focal points of the audit. Subsequently, the Supervisory Board awarded the audit engagement contract. The following items were stipulated as particular areas of emphasis in the audit of the financial statements for the 2012 financial year: (i) review of the forecast for the Company's continued existence as a going concern and its cash flows, (ii) review of the financial assets and receivables from affiliated companies (write-downs and reversals of write-downs), (iii) review of Conergy SolarModule GmbH & Co. KG and the further development of production in Frankfurt (Oder) and (iv) review of warranty provisions.

The auditor audited the annual financial statements of Conergy AG for 2012, 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 consolidated financial statements pursuant to International Financial Reporting Standards (IFRS) as applicable in the European Union that were prepared in accordance with Section 315a German Commercial Code and supplemented by a Group management report. The auditor also issued an unqualified auditor's report for these consolidated financial statements and the 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 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 20 March 2013 and discussed in the presence of the auditors. Subsequently, they were examined in detail by the full Supervisory Board at the Supervisory Board meeting on 21 March 2012 based on its 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 2012 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. Based on its own review of the annual and consolidated financial statements and the respective management reports, 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 2012 financial year at its financials meeting on 21 March 2013. 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 17 December 2012, 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 2012 financial year, the Supervisory Board did not have to address potential conflicts of interest of its members and consequently did not identify any conflicts of interest.

The most recent efficiency review of the Supervisory Board's work as recommended by the German Corporate Governance Code was begun in December 2010 and the results of the analysis were available in August 2011. Following the election of new Supervisory Board members in August 2011, the Supervisory Board intends to conduct a further efficiency review in the current financial year in accordance with Section 10 para. 3 letter i) of the rules of procedure before the first half of its members' regular term of office ends.

Changes in the Management Board and the Supervisory Board

By way of a resolution by the Supervisory Board on 12 January 2012, Dr. Philip Comberg was delegated to the Company's Management Board as its Chairman with immediate effect up to 31 December 2012 in accordance with Section 105 para. 2 AktG. Marc Lohoff and Jan Vannerum were appointed as members of the Management Board with effect from 12 January 2012 and started work on the same day. At the beginning of the financial year, Dr. Sebastian Biedenkopf retired from office as a member of the Management Board with effect from the end of February 2012.

The changes in the Management Board led to the reorganisation of the Board departments in the reporting period. CEO Dr. Philip Comberg is now responsible for Corporate Business Development, Corporate Legal, Corporate Human Resources & Compliance and Corporate Communications. COO Alexander Gorski is in charge of Europe as well as Global Purchasing & Supply Chain (including Supply Chain Planning, Global Logistics, Corporate Aftersales Operations), Quality Management, Sales Excellence, Global Engineering & Services, Mounting Systems and Conergy SolarModule. CSO Marc Lohoff takes responsibility for Asia Pacific and United States and Canada, while CFO Jan Vannerum is accountable for Corporate Accounting & Controlling, Investor Relations, Corporate Treasury & Project Finance, Corporate IT & Processes, Internal Audit and Corporate Tax.

Akbar Rafiq, whom the Annual General Meeting on 26 August 2011 had elected as the substitute member for all Supervisory Board members, retired from office effective at the end of 2 October 2012 in compliance with the notice periods stipulated in Article 8 para. 5 of the Articles of Association.

The 2012 financial year was again marked by a sharp fall in prices and an extremely difficult market environment in which the Company performed well. The Supervisory Board wishes to thank and express its appreciation to Conergy's management, the former members of its Management Board and Supervisory Board, as well as all employees for their extensive commitment.

Hamburg, 21 March 2013
The Supervisory Board

Dr. Andreas Pleßke
Chairman of the Supervisory Board

The Supervisory Board

The members of the Supervisory Board and their memberships

(as at 31 December 2012)

The members of the Supervisory Board held the following positions on statutory Supervisory Boards and comparable corporate control committees as at 31 December 2012:

Name	Member since	Occupations outside the company
Dr. Philip Comberg (Chairman) (membership has been suspended since 12.01.2012 pursuant to Section 105 para. 2 German Stock Corporation Act)	2011	**Independent entrepreneuer** CEO and Partner at Alcosa Capital GmbH & Co. KG, Frankfurt/Main
Dr. Andreas Pleßke (Deputy Chairman)	2011	**Self-employed management consultant** Chairman of the Supervisory Board of m.a.x. Informationstechnologie AG, Munich Chairman of the Supervisory Board of smart One Consulting AG, Berg
Jeremy Blank	2011	**Employee at YCMIL Ltd., Tel Aviv (Israel)** Head of International Credits and Partner at York Capital Management, New York (USA)
Pepyn Dinandt	2011	**CEO at Monier Group SARL, Luxemburg (Luxemburg) and CEO der Monier Group** Chairman of the Supervisory Board of Monier Braas GmbH, Oberursel, Germany Chairman of the Advisory Board of Bramac Dachsysteme International GmbH, Pöchlarn, Austria
Werner P. Paschke	2011	**Self-employed management consultant** Member of the Supervisory Board of Coperion GmbH, Stuttgart Member of the Supervisory Board of Monier Holdings GP S.A., Luxembourg
Dr. Klaus-Dieter Rasch	2011	**Managing Director (CEO) at AZUR SPACE Solar Power GmbH, Heilbronn**

On 6 November 2012, the Supervisory Board of Conergy AG appointed Supervisory Board Chairman Dr. Philip Comberg Chairman of the Company's Management Board for a period of three years effective 1 January 2013. On 12 January 2012, the Supervisory Board had delegated Dr. Philip Comberg to the Company's Management Board until 31 December 2012 in accordance with Section 105 para. 2 clause 1 AktG to serve as Chairman of the Management Board. As of that day, his position as Chairman of the Supervisory Board had been inactive. As a result of his appointment as Chairman of the Management Board, Dr. Philip Comberg is resigning from his post on the Supervisory Board. He will be succeeded as Chairman of the Supervisory Board by the previous Deputy Chairman of the Supervisory Board, Dr. Andreas Pleßke.

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, corporate governance inspires trust in the management 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 the Supervisory Board of Conergy AG issued the following declaration on 17 December 2012 regarding the recommendations of the Government Commission German Corporate Governance Code:

The most recent Declaration of Compliance was published on 7 December 2011; it was updated and amended through the Declaration on 23 February 2012. Since this date, and taking the amendment of the GCGC into account, Conergy AG has been in compliance in the 2012 financial year and is in compliance now with all recommendations of the German Corporate Governance Code as amended on 26 May 2010 and as amended on 15 May 2012 (which has been in effect since 15 June 2012), as applicable, with the following exceptions:

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, which was in effect until 14 June 2012). The Management Board and Supervisory Board are 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.

For the rest, 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.

Hamburg, 17 December 2012

For the Supervisory Board:	For the Management Board:
Dr. Andreas Pleßke	Dr. Philip Comberg, Alexander Gorski, Marc Lohoff, Jan Vannerum

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 four members as at 31 December 2012: Dr. Philip Comberg (CEO, responsible for Corporate Business Development, Corporate Legal, Corporate Human Resources & Compliance and Corporate Communications); Alexander Gorski (COO, responsible for Europe as well as for Global Purchasing & Supply Chain (including Supply Chain Planning, Global Logistics, Corporate Aftersales Operations), Quality Management, Sales Excellence, Global Engineering & Services, Mounting Systems und Conergy SolarModule); Marc Lohoff (CSO, responsible for Asia Pacific and United States and Canada); and Jan Vannerum (CFO, responsible for Corporate Accounting & Controlling, Investor Relations, Corporate Treasury & Project Finance, Corporate IT & Processes, Internal Audit and Corporate Tax).

Dr. Philip Comberg was delegated to the Management Board as its Chairman by the Supervisory Board with effect from 12 January 2012. This posting ended on 31 December 2012. By way of a Supervisory Board resolution on 6 November 2012, Dr. Comberg was appointed as a member of the Management Board for three years from 1 January 2013. In parallel, Dr. Philip Comberg resigned from the Supervisory Board effective at the end of 31 December 2012.

Alexander Gorski remained the Company's Chief Operating Officer (COO) for the entire reporting period.

Marc Lohoff and Jan Vannerum were appointed as members of the Management Board with effect from 12 January 2012.

At the beginning of the financial year, Dr. Sebastian Biedenkopf retired from office as a member of the Management Board with effect from the end of February 2012.

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, as well as planning, 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 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. 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.

During their employment for the Company, the members of the Management Board are bound by a comprehensive non-compete clause. For the Management Board member Dr. Philip Comberg, who was delegated from the Supervisory Board, the non-compete clause merely existed in relation to his general allegiance to the Company. Section 88 German Stock Corporation Act (AktG) did not apply on account of Section 105 para 2. sentence 4 AktG. The members of the Management Board shall commit themselves to the interests of the Company. In making their decisions, they may not pursue personal interests, nor may they use business opportunities inuring to the benefit of the Conergy 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. Nor may members of the Management Board grant unlawful advantages to third parties. Members of the Management Board must 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, appointments to offices in any company that entail power of attorney and any other secondary employment of a significant nature. In the case of Dr. Philip Comberg, who was delegated from the Supervisory Board to the Management Board, this did not apply to Dr. Philip Comberg's previous work as an independent financial investor and strategic advisor for crisis management and M&A scenarios as well as managing director of Alcosa Capital GmbH & Co. KG (mostly work that he was not actively pursuing). In each case these were permitted taking the Company's primary interests into account. During the reporting year, no member of the Management Board held any 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

During the reporting period, the Management Board members were not members of other statutory supervisory boards or comparable German and foreign supervisory bodies.

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. During the reporting period, the Supervisory Board consists of the following: Messrs Dr. Philip Comberg (Chairman of the Supervisory Board; his appointment was suspended from 12 January 2012 to 31 December 2012 pursuant to Section 105 para. 2 AktG), Dr. Andreas Pleßke (Deputy Chairman of the Supervisory Board), Pepyn Dinandt, Jeremy Blank, Werner P. and Dr. Klaus-Dieter Rasch.

Dr. Philip Comberg resigned from his post on the Supervisory Board with effective at the end of 31 December 2012 after being appointed to the Management Board from 1 January 2013.

At the start of the reporting period, Dr. Philip Comberg was the Chairman of the Supervisory Board and Dr. Andreas Pleßke the Deputy Chairman. By way of a resolution of the Supervisory Board on 6 November 2012, Dr. Andreas Pleßke was elected Chairman of the Supervisory Board and Werner P. Paschke as Deputy Chairman, each with effect from 1 January 2013.

The substitute member elected at the Annual General Meeting on 26 August 2011 for all new Supervisory Board members elected at that time, Mr. Akbar Rafiq, retired from his post on the Supervisory Board effective at the end of 2 October 2012 by submitting a letter dated 3 September 2012 in accordance with Article 8 para. 5 of the Articles of Association.

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. The Supervisory Board currently does not include any former members of the Management Board of Conergy AG whose Management Board appointment was not at least two years earlier. Furthermore, the Supervisory Board considers that it has an appropriate number of independent members that have no personal or business relationship with the Company, its executive bodies, a controlling shareholder or an affiliate of the controlling shareholder that might substantiate a material and not just temporary conflict of interests. 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 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 or Group's position. The rules of procedure 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 Supervisory Board meetings are convened by the Chairman of the Supervisory Board or two of its members. They shall be convened in writing, by fax, by e-mail or by some other electronic form of communication subject to a notice period of two weeks, specifying the agenda items and any proposed resolutions. 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 e-mail – 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 Company. They may not pursue personal interests, nor may they use business opportunities that properly inure to the benefit of Conergy 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 the interests of Conergy AG. 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, parties related to them and Conergy 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 Company.

Composition and procedures of the Supervisory Board's committees

The Supervisory Board created three committees – the Audit Committee, the Chairman's Committee and the Project Control 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 combined 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 2012 reporting period, the Audit Committee comprised Dr. Philip Comberg (until 11 January 2012), Dr. Andreas Pleßke, Werner P. Paschke (Chairman) and Jeremy Blank.

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. 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 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 reporting period, the Chairman's Committee comprised Dr. Philip Comberg (Chairman until 11 January 2012), Dr. Andreas Pleßke (Chairman since 12 January 2012), Pepyn Dinandt, Jeremy Blank and Werner P. Paschke (since 24 January 2012).

Among other things, the Project Control Committee will be tasked with monitoring both the progress and the implementation of projects at the operating level, as defined in greater detail by the Management Board with the approval of the Supervisory Board. The Company's projects at operating level that were supervised by the Project Control Committee during the reporting period included the strategic development of Mounting Systems GmbH, Rangsdorf, and Conergy SolarModule GmbH & Co. KG, Frankfurt (Oder). The Project Control 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.

The Project Control Committee met twice during the 2012 financial year, specifically on 27 June 2012 and on 15 August 2012. The Project Control Committee comprised Dr. Andreas Pleßke (Chairman), Pepyn Dinandt and Dr. Klaus-Dieter Rasch during the reporting period.

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 2012 annual report 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 Corporate Human Resources & 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 combined management report. The compensation report also includes information on the shareholdings of the Management Board and Supervisory Board members.

Shareholders and Annual General 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 determined by law with binding effect on all shareholders and the Company. One share confers one vote in any resolution.

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 the Annual General Meeting 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, 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 auditing

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 and the German Stock Corporation Act. 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 Annual General Meeting in accordance with the regulations of the German Stock Corporation Act. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft were appointed as auditors for the 2012 consolidated financial statements and the 2012 annual financial statements of Conergy AG. The Supervisory Board obtained the statement by Ernst & Young 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. They also included the risk management and compliance with the reporting duties related to corporate governance under Section 161 AktG.

Conergy also agreed with the auditors that 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 and ensures that shareholders, shareholder associations, analysts, the media and the interested public receive important information about the Company and the Group in equal measure. 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 Company's website.

The fact that individual shareholdings attain, exceed or fall below 3, 5, 10, 15, 20, 25, 30, 50 or 75 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 2012).

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 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 Meeting itself. All documents and information referring to the General Meeting are also published on the Company website, including the annual report.

The Conergy share

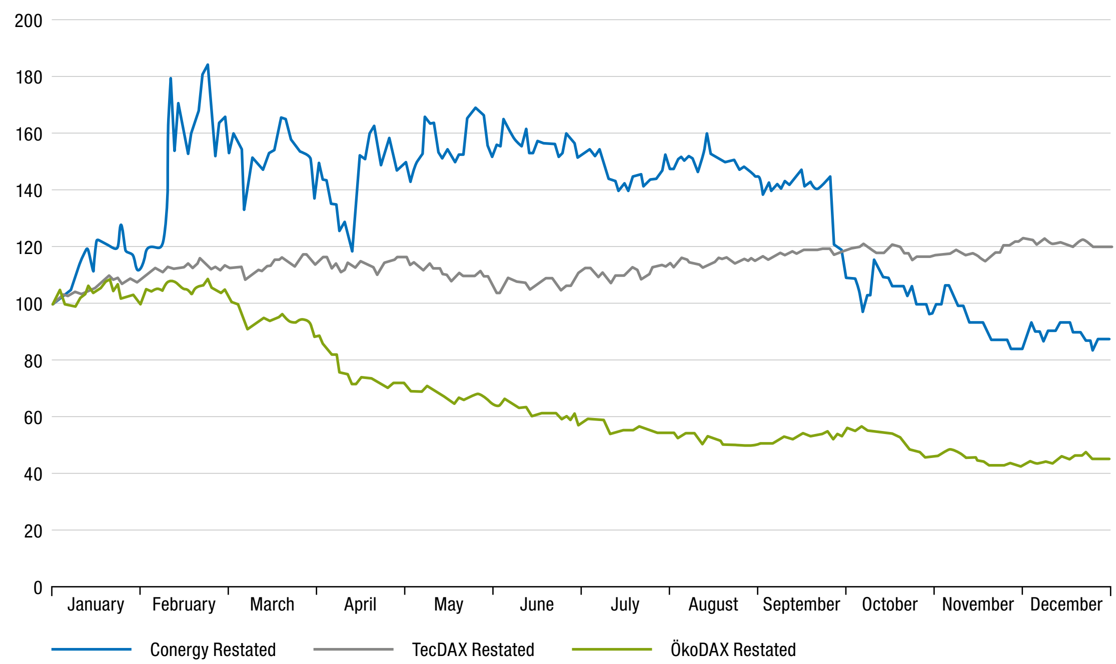
Equity markets around the world were affected in no small measure by the central banks' expansionary monetary policy in 2012. In this context, indices worldwide posted considerable gains. The DAX, Germany's leading stock index, gained 29.1 percent in the course of the year, closing at 7,612 points. The Euro Stoxx 50 (+13.8 percent), the S&P 500 (+13.4 percent) and the MSCI World (+13.2 percent) all posted double-digit growth rates, ending the year on a positive note on the whole. The DAX slipped 7.6 percent in the second quarter of 2012 alone, dragged down by the threat of Greece leaving the euro, concerns about the Spanish banking sector, disappointing euro zone economic data and the slowdown in growth in the United States and China. However, in the third quarter of 2012 the equity markets regained momentum, not least because of the political support measures implemented by the ECB and the Fed.

The technology-oriented TecDAX basically tracked the performance of the DAX and closed at 828 points on 28 December 2012, 20.9 percent higher than in the previous year.

Due to the still difficult market situation for renewable energy, many securities were unable to shake off the negative trends of the prior year. This applies in particular to solar equities, whose performance was impacted by persistent overcapacity and the resulting price pressure. The specialised ÖkoDAX, which presents the performance of the ten most liquid renewable energy companies in Germany, ended the year down 54.4 percent. Conergy AG's share was unable to extricate itself from these developments. Ending the year at EUR 0.28, a decrease of 12.5 percent, the stock nevertheless outperformed the index. The market capitalisation of Conergy AG at the close of the year was EUR 44.7 million.

Price chart

Share price performance 2012 (indexed; 100 = XETRA opening price on 2 January 2012)



Key figures of the Conergy share

		2012
Nominal capital	EUR	159,795,307
Number of shares (as at 31.12.)	shares	159,795,307
Market capitalisation (as at 31.12.)	EUR*	44,742,686
Closing share price (as at 31.12.)	EUR*	0.28
High	EUR*	0.59
Low	EUR*	0.27
Daily average trading volume	shares	747,885

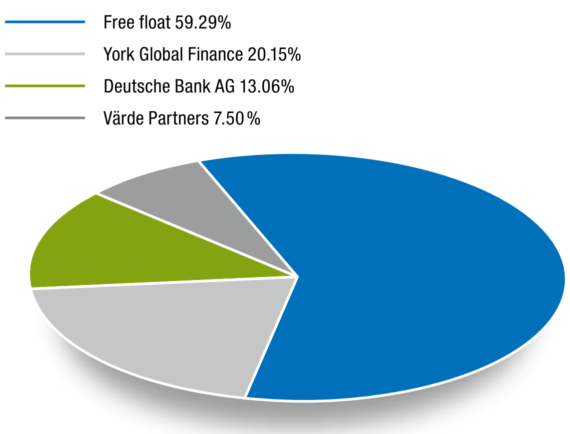
*Xetra

Share: no-par value share	
Securities identification number	A1KRCK
International Securities Identification Number (ISIN)	DE000A1KRCK4
Reuters symbol	CGYK
Stock exchanges	Xetra
	Frankfurt (Main)
	Stuttgart
	Düsseldorf
	Hamburg
	Munich
	Hanover
	Berlin-Bremen

Shareholder structure

The capital measures that Conergy AG carried out in July 2011 changed not just the number of the Company's shares outstanding but also its shareholder structure. The shareholder structure did not change significantly during the 2012 financial year. The total number of Conergy AG shares at year's end was 159,795,307. Of these, York Global Finance held 20.15 percent, Deutsche Bank 13.06 percent, and Värde Partners 7.50 percent. The Company is not aware of any other equity interests exceeding the 3-percent reporting threshold. The free float at the close of the year thus was 59.29 percent.

Shareholder structure (as at 31.12.2012)



Investor relations

We continued to place great stock in open and ongoing communications with investors, private shareholders and analysts alike in the 2012 financial year.

Both the Investor Relations team and the Management Board of Conergy AG were available for investor meetings and explained the Group's strategy and outlook in dialogue with shareholders. 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.

General Meeting

Conergy held both an Extraordinary General Meeting and an Annual General Meeting during 2012. The Annual General Meeting was held on 5 June 2012 at the Hamburg Chamber of Crafts. As in previous years, many shareholders accepted the invitation. At the Annual General Meeting, they were informed of the 2011 financial year and the Company's strategy. The general discussion was used to ask both the Management Board and the Supervisory Board specific questions. Subsequently, the shareholders adopted the management's proposed resolutions by large majorities.

The Extraordinary General Meeting was held on 18 December 2012, also at the Hamburg Chamber of Crafts. This was necessitated by the fact that Conergy AG had incurred a loss amounting to half of its capital stock in the course of the year due not least to the cancellation of a financially unfavourable supply agreement. At the Extraordinary General Meeting, the Management Board reported on the reasons and was available to answer shareholders' questions. No resolutions were passed.

Combined management report of the Company and the Group

Group management report 2012

The Conergy Group

Organisational and legal parameters

Conergy is a listed German stock corporation. The shares of Conergy AG are listed on the regulated market of the Frankfurt (Main) Stock Exchange, specifically the Prime Standard segment, which entails additional follow-up obligations.

The centralised corporate offices of Conergy AG as well as its German sales and service companies are located at the Group's head office in Hamburg. In addition to its production sites in Frankfurt (Oder) and Rangsdorf near Berlin, the Group also maintains other business premises in Germany, among them a Central European Warehouse in Zweibrücken (Rhineland-Palatinate). A total of 781 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 2012. In addition to Conergy AG, the parent company, the Conergy Group comprises 22 fully consolidated subsidiaries worldwide.

Since 12 January 2012, Conergy AG has been managed by a four-member Management Board team comprising Dr. Philip Comberg, Alexander Gorski, Marc Lohoff and Jan Vannerum. In 2012, the Supervisory Board delegated Dr. Philip Comberg to the Management Board as its Chairman in accordance with Section 105 para. 2 sentence 1 AktG. Dr. Philip Comberg resigned from the Supervisory Board with effect from 1 January 2013 and was appointed as a regular CEO of Conergy AG.

Conergy along with its subsidiaries is engaged in the solar energy business as a systems supplier. The Conergy Group develops and sells photovoltaic systems that it manufactures itself as well as using products bought from other manufacturers for private rooftop installations, industrial roofs or megawatt farms. Conergy AG is also one of the leading companies for project development and the implementation of large-scale photovoltaic projects, also providing support in structuring the financing of these projects. The Conergy Group possesses highly developed know-how and extensive expertise 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 comprehensive portfolio of systems and products is complemented by a large number of 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 for private and commercial solar energy systems and large solar power plants. Conergy sources its photovoltaic components from a series of closely affiliated strategic suppliers as well as from its own production of solar modules and mounting systems.

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

Conergy will maintain and further enhance its expertise as a systems supplier in future. It will further strengthen the positioning of its brand, further optimise its systems, enhance its service portfolio, 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.

The segment structure for the 2012 financial year has been changed relative to the consolidated financial statements for the year ended 31 December 2011 on account of the change in responsibilities on the Management Board of Conergy AG and resulting reporting needs.

The segment structure corresponds to the internal control and reporting systems applicable in the 2012 financial year. Segment reporting comprises two regional segments and one central segment ("Holding" segment). All modules, mounting systems and module frames that are sourced and produced for the European market and sold there are reported under the Europe segment. The Europe segment also includes central procurement, logistics, supply chain management and quality management. The modules, mounting systems and module frames purchased for, manufactured for and sold in the Asian and American markets are reported under the segment entitled "Asia Pacific and Americas (APAM)".

The Holding segment mainly comprises Corporate Legal, Corporate Human Resources & Compliance, Corporate Business Development, Corporate Accounting & Controlling, Corporate Communications, Investor Relations as well as Corporate IT & Processes. In addition, Momentum Renewables GmbH and Conergy Real Estate GmbH & Co. KG will be reported in this segment.

The disclosures in this combined 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. No assets and liabilities or discontinued operations were classified as available for sale in the 2012 financial year. In the 2011 financial year, the wind project business in Australia that was sold in November 2011 was assigned to the discontinued operation EPURON, and the assets and liabilities of voltwerk electronics GmbH, which was sold to the Bosch Group at the end of March 2012, were classified as “for sale”.

Companies included in the consolidated financial statements

Aside from Conergy AG, a total of 6 domestic and 16 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 2012). Two companies were included in the consolidated financial statements in the 2012 financial year as a result of their foundation and within the scope of changes in the basis of consolidation. Four companies were no longer in included in consolidation in the 2012 financial year either as a result of mergers or sales in connection with the Conergy Group’s reorganisation.

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 achieving a healthy capital structure are the elements of this management control system. This control 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. Additional Key Performance Indicator (KPI) reports assist management in controlling segments and regions, individual subsidiaries as well as operating processes. Sales volume, 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, as a KPI. The most important factors for measuring the Company’s performance are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). Conergy uses EBITDA and EBIT to measure the success of individual business units. In addition to these two parameters, the Group also utilises both the EBITDA and the EBIT 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 most important earnings-based KPIs that are monitored on a continuous basis and constitute the core of the Group's optimisation efforts:

Key performance indicators		2012	2011*
Shipment	**MWp**	**369.5**	**393.2**
Sales	**EUR million**	**473.5**	**754.1**
Europe	EUR million	333.6	543.7
Asia Pacific and Americas	EUR million	139.9	210.4
Gross profit	**EUR million**	**68.6**	**127.3**
Gross profit margin	in percent	14.5	16.9
EBITDA	**EUR million**	**−69.0**	**−80.3**
EBITDA margin	in percent	−14.6	−10.6
EBIT	**EUR million**	**−83.8**	**−179.0**
EBIT margin	in percent	−17.7	−23.7

* Prior-year figures adjusted; see notes

The Conergy Group's controlling system has a particularly important role to play in that the annual variable compensation paid to executives for the 2012 financial year was linked to the aforementioned earnings-based performance indicators, notably EBITDA.

In addition to the earnings-based performance indicators, capital tied up is a key performance indicator at Conergy. Conergy was able to lower the amount of tied-up capital in the 2012 financial year through more efficient working capital management. Hence the amount of capital tied up in receivables, liabilities and inventories was further optimised, resulting in negative working capital of EUR 6.3 million at the end of the 2012 financial year. The Management Board estimates that this is an important prerequisite for being able to survive in the difficult situation in which the global photovoltaic market currently finds itself. Working capital is defined as the total of inventories and trade accounts receivable less trade accounts payable and presented as a further performance indicator relative to the sales of the comparative period.

Working capital development		31.12.2012	31.12.2011
Inventories	EUR million	61.3	86.4
Trade receivables	EUR million	62.6	83.2
Trade payables	EUR million	130.2	88.2
Net Working Capital	**EUR million**	**−6.3**	**81.4**

A further key performance indicator of the Company's profitability is cash flows from operating activities from the Group's continuing operations. In the 2012 financial year, this was substantially improved thanks to the further optimisation of working capital, among other things.

Net cash flow		31.12.2012	31.12.2011*
Operating result from continuing operations (EBIT)	**EUR million**	**−83.8**	**−179.0**
Change in Working Capitals	EUR million	86.2	−7.4
Change in other net assets/other non-cash items	EUR million	1.5	143.1
Cash generated from operating activities			
from continuing operations	EUR million	3.9	−43.3
from discontinued operations	EUR million	4.3	1.9
Cash gererated from operating activities (net cash flow)	**EUR million**	**8.2**	**−41.4**

* Prior-year figures adjusted; see notes

As before, our foremost economic goal in the 2013 financial year is to improve EBITDA and our cash flow.

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) as applicable in the EU, the combined 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 is intended to 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 at all times 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 such as a separation of functions, restrictions on access, organisational instructions and controls that are integrated into the workflows. In addition, monitoring activities that are uninvolved in business processes such as the monthly reporting and Internal Audit 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 department, Corporate Accounting & Controlling, is tasked with managing the Group's bookkeeping and accounting process. Besides this, the Corporate Tax, Corporate Treasury and Corporate 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, however, the Group's own Shared Service Center provides these services to both Conergy AG and some 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, 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 are primarily available to answer and resolve special questions and complex issues, 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. Centralised Corporate Accounting & Controlling is tasked with carrying out the consolidation process as well as 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 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" of the combined management report.

Global economic conditions

Four years after the onset of the sovereign debt and banking crisis, the economic recovery tailed off again in the 2012 financial year, the industrialised countries being particularly hard hit. While global gross domestic product (GDP) was estimated to have risen by around 3 percent last year, growth in the industrialised nations was much lower at 1.3 percent.

This development can be chiefly ascribed to the euro zone, which slipped back into recession after a fleeting economic recovery in 2012. Especially affected were countries in Southern Europe which, due to high levels of sovereign debt and associated cuts in government spending, negatively impacted the economic growth of the euro area. In contrast, the German economy expanded again, albeit at a much slower pace than in 2011. Total output edged up 0.7 percent compared with the previous year, in which it had risen by a more substantial 1.5 percent.

In the United States, rising corporate investment and stronger government demand lifted GDP by a moderate level. Economic output rose once more by 2.2 percent despite receiving little stimulus from private consumption. The Japanese economy developed in the other direction, sliding back into recession in the course of the year. While gross national product (GNP) had risen by 1.6 percent at the end of 2012 on the back of an exceedingly strong first quarter, economic output declined by 3.5 percent once more in the third quarter.

The economies of the developing countries performed much more encouragingly, even though the rate of expansion tapered off slightly as a consequence of the regions' high dependence on exports. An increase of 5.4 percent was achieved all the same. The countries of South-East Asia recorded particularly dynamic growth, which accelerated again with an increase of 6.2 percent. Equally robust yet decelerating growth was also reported in China, where economic output increased by 7.6 percent year on year. In India growth slid from 7.0 percent in 2011 to 3.7 percent in 2012.

Development of the industry in 2012

Worldwide energy consumption today is still largely derived from fossil fuels such as coal, oil and gas. At the same time, renewable energy sources have seen considerable growth in recent years and will continue to gain in significance in the future. This is primarily due to the finiteness of fossil fuel resources and an increase in prices associated with this as well as the increasing impact of greenhouse gases on climate change. Contrasting with the rising costs for fossil fuels, production and thus investment costs for renewable energy continue to fall, which is progressively narrowing the price gap between renewable and conventional energy sources. Subsidy programmes in many countries have lifted demand and remain important growth drivers in the renewables sector. Nevertheless, following the severe price erosion for solar modules in recent years it is clear that from a financial perspective solar power can already compete with power from the grid in many regions of the world, a development that is stimulating demand.

According to estimates, new photovoltaic systems with total output of around 31,000 megawatts were installed worldwide in 2012, up by 16 percent compared to 2011. As in previous years, Germany was the largest photovoltaic market: according to the preliminary figures compiled by the German Federal Network Agency, 2012 was yet another record year with 7,604 MWp of newly installed PV output (2011: 7,485 MWp). The year was dominated by major regulatory changes, which led to an upswing and pull-forward effects but also to a decline in demand once the cuts in feed-in tariffs had been implemented. As a result, the normal increase in installation activities did not materialise in the fourth quarter 2012. With just 1,377 MWp of newly installed output, it was the weakest fourth quarter for many years.

In contrast to Germany, demand in other European markets fell sharply in some cases. Newly installed PV output in the two other large markets, Italy and France, contracted by 40 to 50 percent, for example. In both of these countries, opportunities for construction of large-scale power plants were greatly reduced, resulting in a perceptible downturn in the market. Experts also attribute the decline to the banks' increasingly cautious lending policies amid the European sovereign debt and banking crisis. By contrast, demand picked up in Greece, the United Kingdom and Bulgaria, though this failed to compensate for the drop in other markets. All in all, a dip in demand was observed in Europe for the first time.

While Europe still accounts for half of the entire global market in spite of shrinking demand, the North American and Asia-Pacific regions are becoming increasingly important. A sustained uptrend is taking place in North America, particularly in the United States, where newly installed PV output rose by over 70 percent in 2012, making the USA the fourth-largest solar energy market worldwide. Although the South American markets recorded a high increase in percentage terms, they are still growing at a low level.

Asian markets have also continued to expand in recent years. The newly installed photovoltaics output in China far outpaced that in other Asian countries. According to estimates, the Chinese photovoltaic market more than doubled in 2012, outstripping Japan to take pole position in Asia. Besides these two large markets, the development in Thailand and India is particularly noteworthy. Newly installed PV output in each of these countries more than quintupled year on year.

In spite of the generally encouraging demand trend worldwide last year, prices of solar energy installations have continued to fall sharply – once more by around 40 percent year on year, according to preliminary estimates. Given that demand is up just 16 percent, this equates to a decrease in real revenue within the solar power industry, which has presented and continues to present many companies with major challenges. In this connection, profit margins are down across the board.

Assets, liabilities, cash flows and profit or loss of the Conergy Group

Profit and loss

Income statement of the Conergy Group (short version)

		2012	2011*	4th quarter 2012	4th quarter 2011*
Shipments	**MWp**	**369.5**	**393.2**	**105.3**	**104.3**
Sales	EUR million	473.5	754.1	121.8	183.2
Gross profit	**EUR million**	**68.6**	**127.3**	**10.7**	**14.9**
Gross profit margin	in percent	14.5	16.9	8.8	8.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**EUR million**	**−69.0**	**−80.3**	**−30.2**	**−36.0**
Earnings before interest and taxes (EBIT)	**EUR million**	**−83.8**	**−179.0**	**−34.1**	**−45.5**
Non-operating result	**EUR million**	**−13.5**	**50.0**	**−5.1**	**−3.9**
Earnings before taxes (EBT)	**EUR million**	**−97.3**	**−129.0**	**−39.2**	**−49.4**
Income taxes	EUR million	−1.7	−35.5	−1.7	−11.9
Income from continuing operations after taxes	**EUR million**	**−99.0**	**−164.5**	**−40.9**	**−61.3**
Income from discontinued operations after taxes	EUR million	–	2.4	–	2.4
Income after taxes	**EUR million**	**−99.0**	**−162.1**	**−40.9**	**−58.9**
Thereof attributable to					
Shareholders of Conergy AG (consolidated profit or loss)	EUR million	−99.0	−162.3	−40.9	−58.9
Minority shareholders	EUR million	0.0	0.2	0.0	0.0

* Prior-year figures adjusted; see notes

Sales

Many of the photovoltaic markets in which Conergy is active were still struggling in 2012. Conergy had to cope with weak demand in several PV markets caused by a number of separate factors. In various countries, such as Germany, Spain, Italy and Canada, this was mainly due to ongoing discussion about changes in the regulatory conditions for photovoltaics. The sovereign debt and banking crisis also negatively impacted the implementation of photovoltaic projects through complicated financing conditions worldwide. Nevertheless, the volume for the photovoltaic modules sold by the Conergy Group in the 2012 financial year was 369.5 megawatts (previous year: 393.2 megawatts). This is a decrease of 6.0 percent year on year. By contrast, in the 2012 financial year, the Conergy Group posted sales of EUR 473.5 million (previous year: EUR 754.1 million), down a substantial 37.2 percent or EUR 280.6 million year on year. Besides the slight decrease in volumes, the decline in sales stemmed primarily from the continuing steep drop in prices for photovoltaic systems and all photovoltaic components. In 2012, photovoltaic module prices contracted by around 40 percent again, having already fallen by about 40 percent in the 2011 financial year.

Foreign sales accounted for 72.5 percent of consolidated sales in the past financial year (previous year: 73.6 percent). The German market accounted for 27.5 percent of Conergy's total sales in this period (previous year: 26.4 percent). This confirms the good international positioning of Conergy's sales organisation. Nevertheless, sales outside Germany fell by EUR 211.8 million or 38.2 percent to EUR 343.3 million (previous year: EUR 555.1 million) due to the continued pressure on prices. The most important international markets for the Conergy Group in the 2012 financial year included Italy and Greece, whose sales volumes rose by 11.0 percent and 36.2 percent, respectively. Furthermore, Australia, Spain, Thailand, which was served from Singapore, and the United States were Conergy's largest foreign sales markets in the 2012 financial year. In the USA in particular, the volume of sales was lifted by as much as 37.0 percent year on year. However, these markets were unable to fully compensate for the development in other photovoltaic markets. Sales volumes in the German market, for example, were down 13.8 percent in the 2012 financial year as a result of the weak demand caused by the ongoing debate about subsidies.

Gross profit

The Conergy Group posted a gross profit of EUR 68.6 million in the 2012 financial year, down from EUR 127.3 million in the previous year. The gross profit margin of 14.5 percent was down on the previous year's figure (16.9 percent). The worsening of the gross profit margin over the 2012 financial year is mainly due to the continued price erosion for photovoltaic modules, as well as the increasing competitive pressure in a market that is characterised by overcapacity and weak demand.

A variety of extraordinary factors also impacted the development of the gross profit margin in the 2012 financial year. Australia experienced mounting price pressure in the course of the year due to the entry of new competitors, which led to a much more pronounced narrowing of profit margins for photovoltaic products than on the global market. Due to the introduction of import duties in the United States, the prices of high-quality cells were more stable in the second half of 2012 than those of products made by Chinese manufacturers. In the third quarter of 2012, several large-scale photovoltaic projects on open land were implemented in Germany, the margins for which were substantially squeezed as a result of the unplanned reduction in feed-in tariffs for large-scale projects that took effect on 30 September 2012.

Apart from the aforementioned factors, many of the Company's competitors worldwide made attempts at the end of the year to reduce large inventories that had built up in the course of the year as a result of sliding demand. Conergy was unable to extricate itself entirely from this particular pressure on sales prices and margins in the fourth quarter of 2012 and failed to compensate for it completely through lower procurement prices and other cost savings. However, Conergy, too, scaled back its inventories further in the fourth quarter of 2012 to start the 2013 financial year with lower stocks.

An assessment of the development of the gross profit margin in comparison with the 2011 financial year must also make allowance for the fact that in 2011 the gross profit margin only reflected the percentage of total materials accounted for by solar wafers and solar cells as preproducts for the photovoltaic modules Conergy produces at its own solar factory in Frankfurt (Oder). At the end of the 2011 financial year, Conergy reduced its vertical integration at the solar factory and is concentrating on module production for the time being. In the 2012 financial year, all of the solar cells needed were sourced externally, reducing the Conergy Group's gross profit and gross profit margin not only by the percentage of total materials accounted for by solar wafers and solar cells but also by the total procurement costs. However, on the whole, the more competitive purchasing conditions compared with own production of solar wafers and solar cells had a positive effect on the EBIT of the Conergy Group.

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

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in the 2012 financial year amounted to EUR –69.0 million, improving by EUR 11.3 million or 14.1 percent compared with 2011 despite a number of significant one-time effects (previous year: EUR –80.3 million).

The most important factor affecting EBITDA in the 2012 financial year was the development of gross profit, which at EUR 68.6 million was down EUR 58.7 million on the previous year due to prices and margins being continuously squeezed. A one-time effect of around EUR 18.0 million also negatively impacted EBITDA. This resulted from the early termination of the wafer supply agreement with the US wafer manufacturer MEMC Electronic Materials, Inc., which ran until June 2018. Early cancellation of the agreement in September 2012 means Conergy is no longer obliged to purchase approximately USD 600 million worth of silicon wafers over the next few years. This now enables the Company to source production materials more flexibly and at more competitive prices on the open market. In return, Conergy has surrendered a cash collateral, an action which led to the extraordinary impact on earnings.

Alongside other operating income, the EBITDA figure for the 2012 financial year was nonetheless boosted primarily by lower other operating expenses. The cost reduction measures introduced in the 2011 financial year achieved considerable successes in the 2012 financial year. Through the improvement measures implemented, other operating expenses were trimmed by as much as EUR 38.2 million year on year to EUR 110.7 million (previous year: EUR 148.9 million). Personnel expenses also decreased, by EUR 17.5 million to EUR 68.8 million (previous year: EUR 86.3 million). EBITDA, however, was adversely affected by write-downs of receivables in the amount of EUR 6.3 million (previous year: EUR 10.4 million), of which EUR 2.7 million was attributable to the Australian market, which is in a state of flux. Net currency losses also depressed earnings by EUR 1.7 million (previous year: EUR 3.1 million).

Other operating income stood at EUR 41.7 million in the 2012 financial year, an increase of EUR 14.3 million year on year (previous year: EUR 27.4 million). This item included income of EUR 25.5 million (previous year: EUR 7.4 million), mainly resulting from unutilised provisions. These provisions had originally been recognised for guarantee risks, restructuring costs, anticipated losses and litigation and were no longer needed due to the development of business in the 2012 financial year. The sale of voltwerk electronics GmbH to the Bosch Group as at 30 March 2012 also generated income of EUR 1.4 million. The disposal of subsidiaries the previous year had generated EUR 6.3 million in profits.

Operating result (EBIT)

By focusing production at the Frankfurt (Oder) solar factory on module manufacturing and thereby achieving a reduction in Conergy's vertical integration, depreciation and amortisation was reduced to EUR 14.8 million in the 2012 financial year. In the prior-year period, this figure amounted to EUR 98.7 million. It was impacted by an impairment loss of EUR 69.6 million that was recognised on wafer and cell production. Accordingly, EBIT in the 2012 financial year rose to EUR – 83.8 million, a year-on-year improvement of EUR 95.2 million (previous year: EUR – 179.0 million).

Earnings before taxes (EBT)

As at 2012 the half-year financial statements, Conergy also reviewed the utilisation of its guarantee facilities granted under the syndicated loan agreement, among other things, in connection with the increased use of supplier loans. It was determined that these are now mainly used to provide security for supplier loans while in the past risks arising from the planning and implementation of projects were collateralised. On account of the predominant financing function, the guarantee fees of EUR 3.5 million recorded in the current 2012 financial year were reported under "Non-operating expenses" rather than under "Other operating expenses". The disclosure for the guarantee commission of EUR 3.8 million paid in the previous year was adjusted accordingly with retroactive effect.

The non-operating result of the Conergy Group in 2012 thus was EUR – 13.5 million. In the 2011 financial year, however, the non-operating result had been positive at EUR 50.0 million because it contained financial income of EUR 69.1 million from, in particular, the capital increase in July 2011 and the related waiver by the lenders of EUR 67.7 million in debt. Non-operating income in the 2012 financial year amounted to just EUR 0.5 million. Non-operating expenses of EUR 14.0 million (previous year: EUR 19.1 million) mainly arose from guarantee fees and from interest expense related to borrowings that comprise both interest payments and accrued interest. The decrease in interest expense is due in particular to the successful restructuring of our borrowings in the 2011 financial year. Taking into account the non-operating result, earnings before taxes (EBT) in the 2012 financial year were EUR – 97.3 million (previous year: EUR – 129.0 million).

Income after taxes

After accounting for income tax expense of EUR 1.7 million (previous year: EUR 35.5 million), the income from continuing operations after taxes in 2012 was EUR –99.0 million (previous year: EUR –164.5 million).

No operations were shown as discontinued operations in the 2012 financial year. In the previous year, the discontinued operations of the EPURON segment generated EUR 2.4 million in income after taxes. This means that income after taxes in the previous year was EUR –162.1 million. Income after taxes in the 2012 financial year improved by EUR 63.1 million to EUR –99.0 million.

Earnings per share from continuing operations in the 2012 financial year were EUR –0.62 (previous year: EUR –1.67).

Business development by segment

The segment structure corresponds to the internal control and reporting systems applicable in the 2012 financial year. For more information on the segment reporting, please refer to the section entitled “Organisational and legal parameters”.

Development sales by segment

External sales by segment				
EUR million	2012	2011	4th quarter 2012	4th quarter 2011
Europe	333.6	543.7	75.6	143.4
Asia-Pacific and Americas	139.9	210.4	46.2	39.8
Holding	–	–	–	–
Reconciliation	–	–	–	–
Continuing operations	473.5	754.1	121.8	183.2

In the Europe segment, sales decreased by EUR 210.1 million or 38.6 percent to EUR 333.6 million in the 2012 financial year largely due to the steep decline in prices for photovoltaic modules (previous year: EUR 543.7 million). After adjusting for price effects, revenue from the sale of photovoltaic modules in the Europe segment showed only a 5.1 percent decline, despite the difficult market situation.

The Company’s good market position in Southern Europe enabled it to boost revenue from the sale of photovoltaic modules in the 2012 financial year by 36.2 percent in Greece and 11.0 percent in Italy, for instance. The strong decline in prices, however, prevents this positive development in volumes from being reflected in sales. In Greece, sales declined from EUR 55.2 million in financial year 2011 to EUR 39.2 million in financial year 2012. In Italy, shifts in the product and sales mix reduced sales by as much as EUR 47.2 million or 37.9 percent, from EUR 124.4 million in the 2011 financial year to EUR 77.2 million in 2012. In Spain, the volatile market environment led to a decline in sales of EUR 25.8 million to EUR 28.2 million (previous year: EUR 54.0 million). Particularly in the first three quarters of 2012, the volumes sold in the Spanish company were down significantly on the previous year. At the end of 2012, this development was partially compensated on the domestic market by exports, which lifted the volume of sales by 20.0 percent year on year in the fourth quarter of 2012.

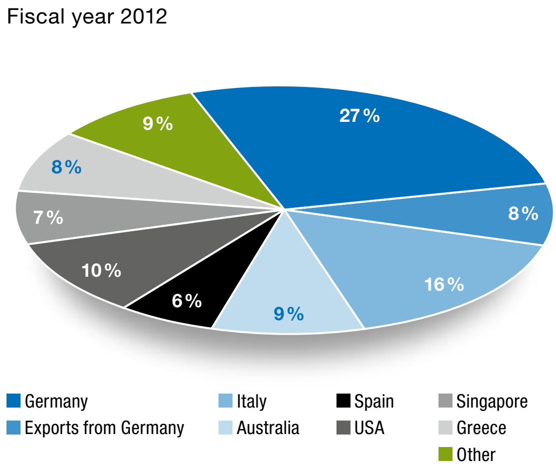
In Germany, the announcement of regulatory changes pushed up demand and resulted in pull-forward effects before the cut in subsidies, but these pull-forward effects were offset by weak demand following the reduction in feed-in tariffs. As a result, sales volumes in the 2012 financial year dropped by a total of 23.7 percent year on year. Sales fell by EUR 109.5 million to EUR 166.8 million in 2012 (previous year: EUR 276.6 million). This also includes the export business of Conergy Deutschland GmbH and Mounting Systems GmbH. The decline in sales is due to both the ongoing decline in prices for PV modules and the discontinuation of contract production in our Frankfurt (Oder) solar factory. In the 2011 financial year, this business had still generated a total of EUR 8.6 million in sales.

Sales in the Asia Pacific and Americas (APAM) region declined by EUR 70.5 million to EUR 139.9 million in financial year 2012 (previous year: EUR 210.4 million). In Australia, sales were halved from EUR 83.1 million in financial year 2011 to EUR 41.8 million in financial year 2012. In addition to the reduction in the feed-in tariffs for solar energy in mid-2011, this dip in sales can be attributed to stiffer competition. During 2012, an increasing number of new competitors entered the Australian market, causing substantial price pressure on the sales side, which could not be compensated by a corresponding increase in volume.

The company in Singapore, which principally serves the Thai market, likewise recorded a decline in sales in the 2012 financial year of EUR 14.0 million or 31.2 percent to EUR 30.9 million (previous year: EUR 44.9 million). Here, however, the sales volume in the 2012 financial year remained constant at just 1.2 percent below the prior-year level. In this context, it is important to remember that the company in Singapore focuses almost exclusively on the development and implementation of large-scale photovoltaic projects, whose time scale varies widely. Singapore implemented projects throughout the entire 2011 financial year. In 2012, a large-scale solar power plant was implemented in the first quarter, but this was not followed by a continuation project until the end of the third quarter. The company in Singapore is currently working on implementing several large-scale projects on open land totalling around 50 megawatts, which are due to be completed sometime in 2013.

Amounting to EUR 45.8 million, sales in the United States rose encouragingly compared with the 2011 financial year (EUR 42.6 million). Due to the healthy development of the US market, volumes received a substantial boost by 37.0 percent. By contrast, the constant postponement of the announcement of the new support schemes in Ontario, the most important region for the photovoltaic industry in Canada, has had a clearly negative impact on the sales volume since the beginning of 2012. In the first 2012 financial year, sales in Canada therefore fell to EUR 13.4 million, which is down from 2011 (previous year: EUR 27.4 million).

Sales by country* in percent



*company domicile

Development of earnings by segment

Reconciliation of EBITDA to consolidated profit or loss				
EUR million	**2012**	**2011***	**4th quarter 2012**	**4th quarter 2011***
Europe	–29.3	–48.4	–12.9	–18.2
Asia Pacific and Americas	–27.0	–25.8	–11.4	–16.7
Holding	–11.6	–6.8	–5.5	–2.3
Reconciliation	–1.1	0.7	–0.4	1.2
EBITDA	**–69.0**	**–80.3**	**–30.2**	**–36.0**
Depreciation	–14.8	–98.7	–3.9	–9.5
EBIT	**–83.8**	**–179.0**	**–34.1**	**–45.5**
Non-operating result	–13.5	50.0	–5.1	–3.9
Earnings before taxes (EBT)	**–97.3**	**–129.0**	**–39.2**	**–49.4**
Income taxes	–1.7	–35.5	–1.7	–11.9
Income from continuing operations after taxes	**–99.0**	**–164.5**	**–40.9**	**–61.3**
Income from discontinued operations after taxes	–	2.4	–	2.4
Income after taxes	**–99.0**	**–162.1**	**–40.9**	**–58.9**

* Prior-year figures adjusted; see notes

EBITDA of EUR –29.3 million was generated in the Europe segment in the 2012 financial year. This compares to EBITDA of EUR –48.4 in the previous year. Extraordinary factors impacted the Europe segment in both financial years. However, with the restructuring of the solar factory in Frankfurt (Oder) in the 2011 financial year and the cancellation of the wafer supply agreement with MEMC in the 2012 financial year, these were on a similar scale. The improvement in earnings in the Europe segment of EUR 19.1 million or 39.5 percent can therefore be traced above all to further trimming of operating costs. Year on year, personnel expenses fell by EUR 15.0 million to EUR 47.0 million (previous year: EUR 62.0 million). Despite the extraordinary charges, other operating expenses decreased by no less than EUR 47.6 to EUR 76.2 million (previous year: EUR 123.8 million). Over and above this, other operating income in the 2012 financial year amounted to EUR 37.8 million, primarily in the Europe segment, and was up year on year (previous year: EUR 33.7 million). This is in contrast to the gross profit margin trend in the 2012 financial year, which at 15.7 percent was down 1.6 percentage points on the previous year's figure (previous year: 17.3 percent).

In the Asia Pacific and Americas segment, EBITDA of EUR –27.0 million was recorded in the 2012 financial year, which is more or less on a par with the prior-year figure (previous year: EUR –25.8 million). Due to the establishment and expansion of business in developing markets in the Asia Pacific and Americas region, expenses were reduced only marginally compared with the previous year. Personnel expenses decreased slightly by EUR 0.8 million to EUR 12.7 million (previous year: EUR 13.5 million). All the same, other operating expenses were reduced by EUR 8.9 million to EUR 30.3 million (previous year: EUR 39.2 million). The price pressure in the 2012 financial year also lowered the gross profit margin by 1.8 percentage points to 9.5 percent (previous year: 11.3 percent).

Employees and personnel expenses

Employees by segments			
FTE		**31.12.2012**	**31.12.2011**
Europe		**847**	**1,103**
Asia Pacific and Americas		**211**	**255**
Holding		**86**	**103**
Reconciliation		–	–
Total number of employees		**1,144**	**1,461**
thereof salaried employees	in percent	66	65
thereof hourly workers	in percent	34	35

As at 31 December 2012, the Conergy Group had 1,144 employees in its continuing operations (all figures FTE), 317 employees fewer than as at 31 December 2011. The reduction in personnel is mainly due to the sale of voltwerk electronics GmbH to the Bosch Group at the end of March 2012 and the reduction in vertical integration at the Frankfurt (Oder) plant. Of the employees in discontinued operations, 695 employees worked for the Group's German subsidiaries, 363 employees worked for the foreign subsidiaries, and 86 employees worked for the holding company. Of the 1,144 employees in the Conergy Group, 66 percent were salaried employees and 34 percent were hourly-paid workers as at 31 December 2012. The average number of employees in the 2012 financial year was 1,244 (previous year: 1,517 employees).

At EUR 68.8 million (previous year: EUR 86.3 million), personnel expenses in the 2012 financial year were EUR 17.5 million lower year on year.

Cash flows

Consolidated statement of cash flows of the Conergy Group (short version)

EUR million	2012	2011	4th quarter 2012	4th quarter 2011
Operating result from continuing operations (EBIT)	**–83.8**	**–179.0**	**–34.1**	**–45.5**
Change in working capital:	**86.2**	**–7.4**	**32.7**	**26.7**
Change in inventories	29.0	50.3	20.8	57.6
Change in trade accounts receivable	15.4	10.1	6.8	0.8
Change in trade accounts payable	41.8	–67.8	5.1	–31.7
Change in other net assets/other non-cash items	1.5	143.1	11.3	23.9
Cash generated from operating activities				
from continuing operations	3.9	–43.3	9.9	5.1
from discontinued operations	4.3	1.9	0.2	3.0
Cash generated from operating activities (net cash)	**8.2**	**–41.4**	**10.1**	**8.1**
Net cash generated from investing activities	**1.9**	**15.6**	**–0.2**	**–2.6**
Cash outlfows for investments in property, plant and equipment, and intagible assets	0.1	1.6	0.0	1.4
Cash inflows sales of property, plant, equipment and other assets	–3.3	–14.6	–0.7	–5.4
Cash receipts from the sale of subsidiaries	4.8	25.3	–	0.5
Change in non-current financial assets	–0.2	2.4	0.4	0.7
Interest received	0.5	0.9	0.1	0.2
Cash flow before financing activities (free cash flow)	**10.1**	**–25.8**	**9.9**	**5.5**
Net cash generated from financing activities	**–15.0**	**11.6**	**–2.9**	**–0.7**
thereof Capital contributions	–	13.9	–	–
thereof Cash payments in connection with the acquisition of equity	–	–3.6	–	–
thereof Change in borrowings	–3.4	124.3	1.6	2.6
thereof Cash outflows for retirements of debt	–1.6	–105.0	–1.6	–
thereof Interest paid and payments similar to interest	–10.0	–18.0	–2.9	–3.3
Change in cash from operating activities (total)	**–4.9**	**–14.2**	**7.0**	**4.8**

* Prior-year figures adjusted; see notes

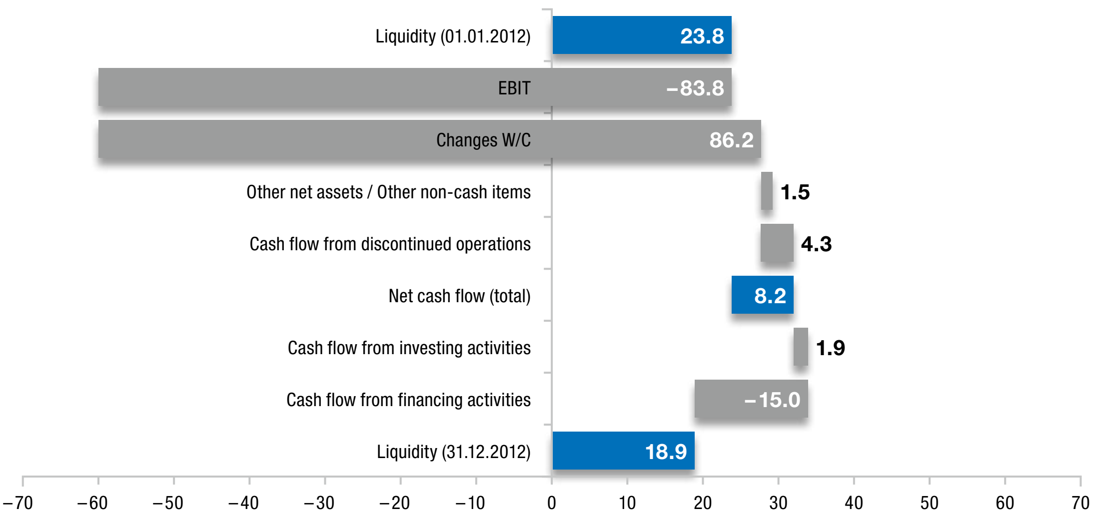
The statement of cash flows describes the source and utilisation of the cash flows in the reporting period. Hence it is central to the assessment of the changes in the Company's financial position.

Operating activities from continuing operations resulted in a net cash inflow of EUR 3.9 million in the 2012 financial year, which stands in contrast to the cash outflow of EUR 43.3 million in 2011 and represents a year-on-year improvement of EUR 47.2 million in the net cash flow from operating activities from continuing operations. This development for the year as a whole was fuelled by an upturn in the fourth quarter of 2012 in which cash inflows of EUR 9.9 million were generated. The development in the net cash flow from operating activities arises mainly from the change in the working capital. This resulted in cash inflows of EUR 86.2 million in the 2012 financial year. In the previous year, there was an outflow of cash of EUR 7.4 million. Trade accounts receivable, which were reduced in the 2012 financial year, also contributed EUR 15.4 million to this development (previous year cash inflow of EUR 10.1 million).

Further improvements in the cash flows from inventories and trade accounts payable were achieved in the 2012 financial year compared with the same period in 2011, especially through the change in the manufacturing strategy at the Frankfurt (Oder) solar factory as well as the change in the supplier concepts with different suppliers. The reduction in inventories gave rise to a cash inflow of EUR 29.0 million in the 2012 financial year (previous year: EUR 50.3 million). In the fourth quarter of 2012 alone, the reduction in inventories resulted in a cash inflow of EUR 20.8 million, which was due on the one hand to the positive development of business and on the other hand to the conscious decision to lower inventories to a minimum by the close of the year given the current market environment. Due to optimisations of the supplier strategy, the cash inflow from the change in trade accounts payable was EUR 41.8 million in the 2012 financial year, contrasting with a cash reduction in trade accounts payable in the prior-year period in the amount of EUR 67.8 million.

The change in other net working capital and other non-cash items had an effect of EUR 1.5 million in the 2012 financial year (previous year: EUR 143.1 million). This change in other net working capital and other non-cash items in the 2012 financial year is due among other things to the reduction in restructuring provisions and to advance payments made. The effect of Conergy's surrender of the cash collateral granted to MEMC Electronic Materials, Inc. in 2007 resulting from the early termination of the wafer supply agreement creates an offsetting effect.

Liquidity development in the 2012 financial year in EUR million



Net cash outflows from operating activities from the Group's discontinued operations in the 2012 financial year contain payments of EUR 4.3 million received in connection with the sale of the wind project business in Australia in the 2011 financial year that are allocated to discontinued operations. In the 2011 financial year, the cash flows from the discontinued operations biomass, biogas, wind energy projects and CSP of EPURON totalled EUR 1.9 million. This gave rise to a positive net cash flow of EUR 8.2 million in the 2012 financial year (previous year: cash outflow of EUR 41.4 million).

In the 2012 financial year, EUR 1.9 million in net cash were provided by investing activities (previous year: cash inflow of EUR 15.6 million). This cash inflow is due especially to proceeds from the sale of subsidiaries amounting to EUR 4.8 million (previous year: cash inflow of EUR 25.3 million). A cash outflow of EUR 3.3 million resulted from investments in property, plant and equipment as well as intangible assets (previous year: cash outflow of EUR 14.6 million). The outflow of funds from financial assets was EUR 0.2 million (previous year: cash inflow of EUR 2.4 million). This is in contrast to EUR 0.5 million in interest received in the 2012 financial year (previous year: EUR 0.9 million).

This gave rise to a positive cash flow of EUR 10.1 million before financing activities in the 2012 financial year, which is a year-on-year improvement of EUR 35.9 million (previous year: EUR –25.8 million).

Cash of EUR 15.0 million was used to finance the activities of the Conergy Group in the 2012 financial year (previous year: cash inflow of EUR 11.6 million). This outflow of cash was partly attributable to the sale of projects for EUR 3.4 million in the third quarter of 2012 and in the fourth quarter of 2012 also comprises a partial repayment of the proceeds from the sale of voltwerk electronics GmbH to the underwriting banks in the syndicated loan agreement in the amount of EUR 1.6 million. In addition, EUR 10.0 million in payments of interest and similar payments also resulted in an outflow of cash, which at EUR 18.0 million was EUR 8.0 million higher in the 2011 financial year. The decrease in interest payments was due primarily to the restructuring of the Company's borrowings, which basically entailed refinancing liabilities in connection with the capital measures implemented in the 2011 financial year. For more detailed information, please see the explanations in the section "Cash and cash equivalents and net liabilities".

The net change in cash and cash equivalents in the 2012 financial year was therefore EUR –4.9 million (previous year: EUR –14.2 million).

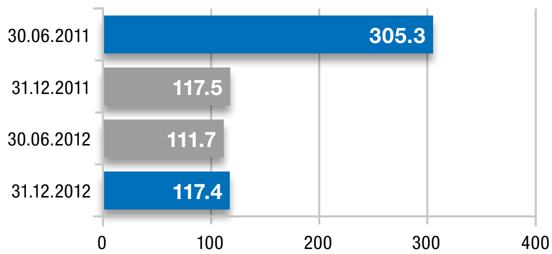
Cash and cash equivalents and net liabilities

Net liabilities		31.12.2012	31.12.2011
Non-current borrowings	**EUR million**	**81.3**	**87.7**
Current borrowings	**EUR million**	**55.0**	**53.6**
Borrowings	**EUR million**	**136.3**	**141.3**
Cash and cash equivalents	EUR million	18.9	23.8
Net liabilities related to continuing operations	**EUR million**	**117.4**	**117.5**

The Conergy Group had cash and cash equivalents of EUR 18.9 million as at 31 December 2012 (previous year: EUR 23.8 million).

As at 31 December 2012, borrowings amounted to EUR 136.3 million (previous year: EUR 141.3 million). Borrowings in the 2012 financial year thus decreased by EUR 5.0 million compared to the 2011 balance sheet date. This is due to the sale of projects in the third quarter of 2012 but also to a partial repayment of the proceeds from the sale of voltwerk electronics GmbH to the underwriting banks in the syndicated loan agreement in the amount of EUR 1.6 million in the fourth quarter of the year. The Group's net liabilities as at 31 December 2012 totalled EUR 117.4 million and hence remained more or less equal to those at 31 December 2011 (previous year: EUR 117.5 million).

Development of net liabilities (in EUR millions)



The new syndicated loan agreement (2011 Syndicated Loan Agreement) took effect after the capital increase was recorded in the Commercial Register appropriate for Conergy AG on 21 July 2011, replacing the 2007 Syndicated Loan Agreement for the purpose of ensuring adequate liquidity. Conergy AG and Conergy SolarModule GmbH & Co. KG acting as borrowers, as well as other significant companies of the Conergy Group acting as guarantors, and ten banks led by Commerzbank International S.A., Luxembourg, closed this new loan agreement for a current volume of EUR 261.5 million on 8 July 2011.

Of the three-tranche 2011 Syndicated Loan Agreement, Tranche A in the amount of EUR 70.2 million will serve to fund existing liabilities under the 2007 Syndicated Loan Agreement; Tranche B provides a revolving facility of EUR 50.0 million and covers the Conergy Group's working capital requirements as well as other defined operating purposes; Tranche C in the amount of EUR 141.3 million finally serves to fund existing guarantees and cover additional guarantees as required. Whilst all tranches are due and must be repaid in full four years from initial drawdown, revolving loans utilised under Tranche B must either be repaid at the end of the respective interest period or allocated to a new interest period without having been repaid and newly granted; they may then be used until one month prior to final maturity. The loan agreement contains extensive disclosure requirements vis-à-vis the financing banks. However, the Company is not obligated to comply with certain financial covenants until 2014.

For the particulars of the new loan agreement (2011 Syndicated Loan Agreement), please see the description of its terms and conditions in the "Risk and opportunity report" of the 2012 annual report.

Assets and liabilities

Consolidated balance sheet of the Conergy Group

EUR million	31.12.2012	31.12.2011
Non-current assets		
Goodwill	–	–
Intangible assets	1.8	4.2
Property, plant and equipment	74.8	81.3
Financial assets	1.5	1.5
Other assets	0.8	1.2
Deferred tax assets	0.7	3.1
	79.6	**91.3**
Current assets		
Inventories	61.3	86.4
Trade accounts receivable	62.6	83.2
Financial assets	4.4	8.4
Other assets	14.8	26.9
Cash and cash equivalents	18.9	23.8
Assets classified as held for sale	–	22.4
	162.0	**251.1**
Total assets	**241.6**	**342.4**
Equity	**–76.6**	**20.9**
Non-current liabilities		
Provisions	25.3	39.3
Borrowings	81.3	87.7
Other liabilities	1.3	1.8
Deferred tax liabilities	0.0	0.1
	107.9	**128.9**
Current liabilities		
Provisions	7.3	18.8
Borrowings	55.0	53.6
Trade accounts payable	130.2	88.2
Other liabilities	17.4	20.9
Current income tax liabilities	0.4	1.7
Liabilities in connection with assets held for sale	–	9.4
	210.3	**192.6**
Total equity and liabilities	**241.6**	**342.4**

Total assets

The total assets of the Conergy Group as at 31 December 2012 amounted to EUR 241.6 million, down EUR 100.8 million from the end of the 2011 financial year (previous year: EUR 342.4 million). This is mainly due to the reduction in working capital and the sale of voltwerk electronics GmbH to the Bosch Group during the 2012 financial year.

No assets and liabilities or discontinued operations were classified as available for sale as at 31 December 2012. Solely the assets and liabilities of voltwerk electronics GmbH were reported as assets or liabilities held for sale as at 31 December 2011. Voltwerk electronics GmbH was transferred to the Bosch Group in late March 2012.

Non-current assets

Non-current assets from continuing operations declined by EUR 11.7 million to EUR 79.6 million as at 31 December 2012 compared to the end of the 2011 financial year (previous year: EUR 91.3 million). This stemmed mainly from the decrease in property, plant and equipment by EUR 6.5 million to EUR 74.8 million (previous year: EUR 81.3 million), due essentially to depreciation. Deferred tax assets also decreased by EUR 2.4 million to EUR 0.7 million (previous year: EUR 3.1 million) due to a conservative carrying amount for asset surpluses.

Current assets

Current assets from continuing operations as at 31 December 2012 decreased by a total of EUR 66.7 million to EUR 162.0 million (previous year: EUR 228.7 million). A key contributory factor here was the reduction in inventories by EUR 25.1 million to EUR 61.3 million (previous year: EUR 86.4 million). On the one hand, the changes in inventories stem from the further sharp drop in prices of photovoltaic components and, on the other hand, from the change in the concepts with different suppliers as well as the conscious decision precipitated by the current market environment to minimise inventories at year-end. Trade accounts receivable also decreased by EUR 20.6 million to EUR 62.6 million (previous year: EUR 83.2 million). Apart from lower sales in the 2012 financial year, the development of trade accounts receivable is attributable to the further strengthening of the groupwide receivables management as a consequence of the continued price erosion. Other current assets also decreased by EUR 12.1 million to EUR 14.8 million (previous year: EUR 26.9 million). This reduction also includes Conergy's surrender in September 2012 of the cash collateral granted to MEMC Electronic Materials, Inc. resulting from the early termination of the wafer supply agreement, which ran until June 2018.

Equity

The Conergy Group's consolidated equity according to IFRS as at 31 December 2012 decreased by EUR 97.5 million to EUR –76.6 million (previous year: EUR 20.9 million). This was mainly due to the consolidated net loss of EUR –99.0 million in the 2012 financial year.

Non-current liabilities

Non-current liabilities as at 31 December 2012 were EUR 107.9 million, down EUR 21.0 million compared to the end of the 2011 reporting period (previous year: EUR 128.9 million). In addition to the repayment of long-term financial liabilities of EUR 6.4 million through the sale of projects and a partial repayment of the proceeds from the sale of voltwerk electronics GmbH to the underwriting banks in the syndicated loan agreement, this is due to the non-current provisions included in this item. The non-current provisions declined by EUR 14.0 million to EUR 25.3 million (previous year: EUR 39.3 million) as some of these were no longer needed on account of developments in the 2012 financial year.

Current liabilities

Current liabilities from continuing operations as at 31 December 2012 were EUR 210.3 million (previous year: EUR 183.2 million), up by EUR 27.1 million compared to the end of the 2011 financial year. A key contributory factor here was the increase in trade accounts payable by EUR 42.0 million to EUR 130.2 million (previous year: EUR 88.2 million). This can be traced above all to the change in the supply strategy applied to several suppliers. In contrast, current provisions, which were not utilised in the 2012 financial year on account of the development of business, declined by EUR 11.5 million to EUR 7.3 million (previous year: EUR 18.8 million), and other current liabilities declined by EUR 3.5 million to EUR 17.4 million (previous year: EUR 20.9 million).

Other

Non-financial performance indicators

A company's non-financial performance indicators make a major contribution to its success in the long term. Conergy treats the non-financial performance indicators that were 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.

Employee qualification

Conergy Group's employees are its bedrock. Through their identification with the Company and their commitment to its defined goals they make a decisive contribution to its success. In addition to targeted training and further education measures, a high level of empowerment serves to foster employees' potential. 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. The Compliance Committee works to ensure that absolutely everybody in the Company abides by the same high ethical and legal standards; it also serves as a point of contact for employees.

High level of technological flexibility and independence

Conergy has aligned its own production and its portfolio of suppliers such that it is able to access different state-of-the-art technologies in photovoltaics. This enables it to be as independent as possible in technological terms and ensures at the same time that its product portfolio is attractive for a diverse range of customer groups. Conergy is not dependent on any one particular PV technology and thus is able able to react to innovations in photovoltaics. It is precisely this independence from specific technologies that enable it to cushion bottlenecks in the availability of many base components.

Extensive references and engineering expertise

The construction of a multitude of PV units both at home and abroad in the past 13 years has given Conergy a vast well of experience to draw from. The Company's portfolio of services and its expertise range from planning and construction of small facilities to electrify remote regions to project development and implementation of multi-megawatt PV farms. Conergy ensures the installations' optimal construction and operation over their entire useful life with the help of a far-flung installation and services network.

Conergy's years of experience with all system components allows it to develop and implement optimally coordinated systems. Even the tiniest efficiency gains per system can generate noticeable benefits for customers throughout the systems' useful life in terms of both yield and value added. Conergy has implemented a large number of important pilot projects in its history, regularly impressing customers with excellent engineering work in new markets as well.

Such pilot projects as well as a long list of reference projects are an important factor in selling major projects and acquiring new customers. From the standpoint of customers and investors, a provider's experience and references are highly significant because investments in photovoltaics can be considerable. In the Company's view, the fact that Conergy has both a long history in a relatively young industry and a good reputation in terms of the quality of its products has been pivotal to the Company's success against this backdrop.

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

In the past, Conergy has consistently worked to broaden and internationalise its customer base in order to reduce any dependence on individual local markets, legislative models promoting renewables or individual customer groups. Acquisitions, partnerships and a local presence have catapulted Conergy into the core photovoltaics markets. In future, it will focus even more fully on established attractive growth markets and emerging PV markets while pursuing its internationalisation.

Many years of working with a multitude of customers and the Company's insight into central customer groups and their respective expectations and needs as wholesalers or installers in the B2B business, as project developers or as financial investors constitute central building blocks for success in the photovoltaics market.

Conergy's knowledge of and connection to its relevant customers give the Company a material edge over other or newer competitors that are establishing their own customer networks or aim to evolve from a pure manufacturer into an integrated provider and seller.

Flexible market access

Many years of experience in the global and increasingly dynamic photovoltaics market have enabled Conergy to develop the ability to identify opportunities in diverse markets early on and ensure access to the given market for itself in due time. Flexible working of the market, which in a first step takes place via exports without recourse to a local organisation or company, puts Conergy in a position to establish itself in developing markets as a PV provider early on. If a market turns out to be attractive in the long term given the relevant parameters for developing photovoltaics, in a second step Conergy sets up a local company to continue expanding its activities in that market. This flexible market access makes it possible to identify whether a market is attractive and sustainable without making significant investments and also offers the option of leaving a market without incurring major losses.

Research & development

Since 2009, Conergy has focused squarely on research and development at its solar modules manufacturing facility in Frankfurt (Oder) – both in its own laboratories and in cooperation projects with research institutions and partners from the photovoltaic industry. The objectives of the research activities are product innovations, higher output and quality in the Conergy PowerPlus modules as well as lower production costs and more efficient production processes.

One product innovation unveiled in 2012 was the Complete 200 solar laminate that was developed to be able to target markets like Italy, the largest customer. The distinguishing characteristics of the frameless laminate are its aesthetics and lightweight construction, which make it very attractive as a roof-mounted installation for private customers. The overlapping construction of the high-efficiency solar laminates, which are installed vertically and horizontally, enables optimum use of the roof area and gives an overall impression of uniformity on the roof.

In addition to innovations in the product design and performance, continuous improvement of module quality is one of the priorities of Conergy's work. To meet the Company's high quality standards, Conergy's PowerPlus modules and their materials undergo stringent quality testing, not only in the Company's own laboratories, clean rooms and climate chambers but also by impartial testing organisations such as TÜV (German Association for Technical Inspecton). The modules' quality certificates attest to the products' high standard: the Conergy PowerPlus premium modules stand out thanks to excellent performance in weak light and outstanding resilience to fluctuating climatic conditions, corrosion and hail as well as ammonia and salt mist. Conergy's high quality standards, the use of premium-quality materials and the fully automated production process at the solar factory ensure that faulty workmanship or defective materials and thus module defects can be virtually ruled out. This is shown not only by the awards that Conergy has received but also by the minimal complaint rate of 0.0042 percent. A result with which Conergy is well ahead of the industry average.

The factory itself has been granted seals of approval: Conergy SolarModule has been certified to TÜV Rheinland's ISO 9001:2008 and ISO 14001:2004 since 2010 and passed the annual repeat audit in 2012 without any deviations. The Frankfurt (Oder) solar factory thus possesses a documented quality assurance and environmental management system across all departments that ensures consistent quality at the highest level. Since the spring of 2012, the factory has also been one of the first in the industry to feature an integrated occupational health and safety management that has been certified in accordance with one of the most important international standards – OHSAS 18001:2007.

Mounting Systems GmbH is one of the largest international manufacturers of mounting systems and module frames for both photovoltaics and solar thermal systems. In Rangsdorf (near Berlin), construction and mechanical engineers work 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. All mounting systems manufactured in Rangsdorf provide maximum safety because the ISO-9001-certified factory only uses high-quality materials such as aluminium. In 2007 Germanischer Lloyd certified the plant in Rangsdorf to the quality management standard. In terms of stability and statics, these mounting systems comply with the state of the art and national standards and thus come with ten-year warranties.

As part of the development and optimisation of the mounting systems, the Engineering team also looks after the standard country-specific permits and certifications for construction products such as those issued by the German Institute for Construction Engineering (Deutsches Institut für Bautechnik) or the French Centre Scientifique et Technique du Bâtiment (CSTB).

Development activities in 2012 focused on further optimisation of the portfolio of open-land products, for example for the Sigma I mounting system. The configuration options of the Sigma II system were also enhanced. In 2013, the open-land system will also be available in a single-pole version. Screwless module attachment using clip fasteners will be retained. The Development department is also rolling out the pole top system designed by the engineers as an island solution, for example for rural regions in Africa or Latin America, but also for other markets in which a local, self-sufficient power supply is crucial.

The Kappa in-roof system for frameless modules that has been on the market since 1996 was also overhauled. Italy is one of the main target markets for Kappa. In 2012, the Italian renewable energy corporation Gestore Servizi Energetici (GSE) recognised the in-roof system as an innovative special component. As a result, Kappa receives the maximum feed-in tariff in Italy.

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 office in Lyon, France, in 2010 and launched its own production facility in Sacramento, CA, USA, in 2011. Mounting systems for the US and Asian markets are manufactured in shift work on 5,500 square metres of production and storage space. Since March 2012, a further office in Milton Keynes, United Kingdom, has been available for customers.

In October 2010 the Potsdam Chamber of Commerce and Industry awarded its CAI Prize – the corporate award in the growth category – to Mounting Systems. In 2011 the company won the Quality Award, which is the quality seal of the Berlin-Brandenburg Chamber of Commerce. In addition, Mounting Systems Inc. was given the Patriotic Employer Award (US) in 2011.

Disclosures related to acquisitions

The following disclosures contain the disclosures related to acquisitions in accordance with Section 315 para. 4 and section 289 para. 4 German Commercial Code:

Composition of the subscribed capital

The Company's subscribed capital (capital stock) as at the 31 December 2012 balance sheet date was EUR 159,795,307. It is denominated in 159,795,307 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 or surpass the 10.0 percent threshold of voting shares:

Deutsche Bank AG, Frankfurt/Main, notified Conergy AG on 13 March 2012 in accordance with Section 41 para. 4d German Securities Trading Act that its interest in the voting shares of Conergy AG as at 01 February 2012 was 13.06 percent (corresponding to 20,872,360 voting rights). After the end of the reporting period, Deutsche Bank AG, Frankfurt/Main, notified Conergy AG on 22 January 2013 in accordance with Section 21 para. 1 and section 25a para. 1 German Securities Trading Act that its interest in the voting shares of Conergy AG on 21 January 2013 had fallen below the threshold of 10.0 percent of the voting rights and was 9.86 percent (corresponding to 15,761,582 voting rights) on that date.

York Global Finance BDH, LLC, New York; York Global Finance Manager, LLC, New York; York Capital Management Global Advisors, LLC, New York; and James G. Dinan, USA, notified Conergy AG on 25 July 2011 in accordance with Section 21 para. 1 German Securities Trading Act that their interest in the voting shares of Conergy AG had surpassed the thresholds of 3 percent, 5 percent, 10 percent, 15 percent and 20 percent of the voting rights and was 20.15 percent (corresponding to 32,196,514 voting rights) on that date. This share in the voting rates continued to apply unchanged in the reporting period.

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. The provisions on the appointment and dismissal of the members of Conergy AG's Management Board follow from Section 84 and Section 85 AktG in conjunction with Article 6 para. 1 of the Company's Articles of Association. Thereunder, the Supervisory Board appoints the members of the Management Board, determines the number of its members and decides on their dismissal for cause. In particular, such cause shall be a gross breach of duty, inability to properly manage a business, or the withdrawal of confidence by the general meeting, unless confidence is withdrawn for evidently subjective reasons.

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 pursuant to Article 19 of the Articles of Association and, to the extent that the law requires a majority of the capital, by the simple majority of the capital stock represented. 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. The Supervisory Board is also authorised to amend the wording of Article 5 of the Articles of Association to reflect the utilisation of Authorised Capital 2012 and, if Authorised Capital 2012 has not been utilised or utilised in full until 4 June 2017, after 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 fulfilling conversion obligations or options.

Authority of the Management Board to issue shares

The Management Board is authorised pursuant to Article 5 para. 3 of the Company's Articles of Association, on the basis of the resolution by the Annual General Meeting on 5 June 2012, which was recorded in the Company's Commercial Register on 24 October 2012, to increase the Company's capital stock until 4 June 2017, with the approval of the Supervisory Board, by a total of up to EUR 79,897,653.00 (maximum amount) by issuing a total of up to 79,897,653 new no-par bearer shares (no-par shares), on one or several occasions, in return for contributions in cash and/or in kind (Authorised Capital 2012).

In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks or by companies acting in accordance with Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 German Banking Act, subject to the obligation to offer them to the shareholders for subscription. The Management Board is authorised 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 or profit participation rights 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 15,979,530.00 or, if lower, 10 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 (AktG) while this authorisation is in effect, subject to the exclusion of shareholders' subscription right, shall be offset against the maximum amount set forth in Article 5.3 item (c) of the Articles of Association. This also applies to the pro-rata amount of the capital stock attributable to shares that are or must be issued to service bonds or profit participation rights 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 AktG. A set-off that took place in accordance with the above sentence based on the exercise of authorisations (i) for the issue of new shares in accordance with Section 203 para. 1 sentence 1, para. 2 sentence 1, Section 186 para. 3 sentence 4 AktG and/or (ii) for the sale of treasury shares in accordance with Section 71 para. 1 clause 8, Section 186 para. 3 sentence 4 AktG and/or (iii) for the issue of convertible bonds and/or bonds with warrants in accordance with Section 221 para. 4 sentence 2, Section 186 para. 3 sentence 4 AktG will be cancelled with effect for the future if and to the extent that the relevant authorisation(s) whose exercise gave rise to the set-off is/are given by the Annual General Meeting once again in accordance with the legal provisions.

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 authorised 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 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 2011 syndicated loan agreement for EUR 273.2 million that was signed in July 2011. The financing banks also reserved their right to terminate the agreement in accordance with its relevant provisions if an individual or a group of people acting in concert with each other (third-party investor) under an agreement or by any other means gain more than 50 percent of the Company's voting shares. 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 combined management report. The report explains the structure and the level of compensation applicable to the Management Board and the Supervisory Board in the reporting year. 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.

Compensation of the Management Board

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.

Pursuant to the recommendations of the German Corporate Governance Code, the total compensation paid to the members of the Management Board comprises both fixed and variable components. The compensation system introduced by the Company in early 2010 not only satisfies the requirement that the compensation be based on several years of performance but also takes into account the recommendation of the German Corporate Governance Code that negative developments ought to affect the variable compensation as well.

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.

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 accommodation, flights/trips home or relocation expenses. All non-cash benefits are part of their compensation and thus taxable. The Company has not made any additional promises above and beyond the aforementioned payments with respect to corporate contributions toward retirement plans.

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 as stipulated in their individual director's contracts 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 percent of the fixed compensation; if goal achievement falls short of the target, it is lowered. The variable compensation comprises a cash component that is disbursed and a component that is converted into phantom stocks. The cash component of the variable compensation is stipulated individually and may not exceed 45 percent. It is due and payable at the close of the Annual General Meeting tasked with granting formal approval for the financial year for which the variable compensation is owed. The remaining and thus larger portion of the variable compensation is converted into phantom stocks on an annual basis. The number of phantom stocks 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 stocks 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 stocks to be paid out in the reporting year upon expiry of the holding period is limited to an individually stipulated percentage not exceeding 250 percent of the variable compensation that was converted into phantom stock options. The phantom stocks are measured on the basis of the weighted average share price during the 30 trading days preceding the payment date.

An exception to this variable compensation structure that has been in place since 2010 applied in the reporting period to the Management Board member Dr. Philip Comberg during his delegation from the Supervisory Board to the Management Board, i.e. for the period from 12 January 2012 to 31 December 2012. For more information please refer to the section on individual compensation.

Aside from setting the contractually owed compensation, the director's contract provides for the possibility 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 as determined by the Supervisory Board.

Individual compensation

Dr. Philip Comberg, who was a member of the Company's Supervisory Board from 26 August 2011 until the end of the reporting year, was delegated to the Company's Management Board in January 2012 until 31 December 2012 by resolution of the Supervisory Board pursuant to Section 105 para. 2 AktG. Before that, Dr. Philip Comberg worked as an independent financial investor and strategic consultant for crises management and M&A scenarios. A director's contract was made with Dr. Philip Comberg at the beginning of the reporting year given his appointment to the Management Board. Due to the special circumstances of his appointment, his compensation is not based on the variable compensation system introduced in 2010. Instead, Dr. Philip Comberg is paid a fixed annual salary of TEUR 540, a one-off compensation of TEUR 50 for terminating current consultancy contracts, a single special payment of TEUR 540 that will become due and payable under certain conditions as well as additional variable compensation of TEUR 180 based on financial targets. The variable compensation shall be increased to a maximum of TEUR 270 if his goal achievement surpasses the baseline and decreased accordingly if he fails to meet the targets. However, as the conditions for the one-time special payment agreed for the reporting period and the financial targets were not met, Dr. Comberg is not entitled to receive any variable compensation. Nevertheless, on the basis of the discretionary bonus provided for in the contract, the Supervisory Board conferred, by way of a resolution on 7 March 2013, a recognition bonus of TEUR 270 for Dr. Philip Comberg's special achievements during the reporting period, especially in view of his commitment to securing new partnerships and sales financing, which considerably limited his previous activity as an advisor. Mirroring the structure of the variable compensation, 45 percent of this recognition bonus will be paid as an annual bonus following the 2013 Annual General Meeting, while 55 percent will be converted into phantom stocks with a qualifying period lasting until the 2014 Annual General Meeting. As at 31 December 2012, the value of one phantom stock was EUR 0.29 and the number of phantom stocks granted on a pro-rata basis was 512,068. As at the 7 March 2013 grant date, the fair value of the share-based payments was TEUR 131. Provisions were recognised for this reason at the reporting date.

Finally, Dr. Philip Comberg received a special bonus of TEUR 265 in connection with the conclusion of a director's contract for the period subsequent to his delegation to the Management Board. The Company has the right to offset this year-end bonus with any entitlements to a special payment or variable compensation against the variable compensation for 2013, but for the first time in 2014. This new contract also provides for fixed compensation and utilises the variable compensation system that was introduced in 2010 and is described above.

Alexander Gorski, who has held a Management Board appointment since May 2011, receives an annual salary of TEUR 300 for his work in the reporting period plus variable compensation based on his personal performance and the degree of achievement of the financial targets. In the case of 100 percent target achievement, Mr. Alexander Gorski is entitled to gross variable compensation of TEUR 300. The variable compensation shall be increased to a maximum of TEUR 450 if his goal achievement surpasses the baseline and decreased if he fails to meet the targets. Forty-five percent of the variable component of his compensation shall be paid in cash as an annual bonus and 55 percent shall be converted into phantom stocks subject to a four-year holding period. However, since the financial targets agreed for the reporting period were not met, no entitlement to variable compensation has arisen from this. Nevertheless, on the basis of the discretionary bonus provided for exclusively in the contract, the Supervisory Board conferred, by way of a resolution on 7 March 2013, a recognition bonus of TEUR 200 for Mr. Alexander Gorski's special achievements during the reporting period, especially in view of the successful settlement with MEMC, the improved relationship with one supplier and the sale of voltwerk electronics GmbH. Mirroring the structure of the variable compensation, 45 percent of this recognition bonus will be paid as an annual bonus following the 2013 Annual General Meeting, while 55 percent will be converted into phantom stocks with a qualifying period lasting until the 2014 Annual General Meeting. As at 31 December 2012, the value of one phantom stock was EUR 0.29 and the number of phantom stocks granted in 2011 on a pro-rata basis was 214,286 (first Tranche 2011). Provisions of TEUR 46 were recognised for this reason at the reporting date. As at the 7 March 2013 grant date of the phantom stocks as a recognition bonus, the fair value of the share-based payments was TEUR 100 and the number of the phantom stocks granted on a pro-rata basis was 379,310. Provisions of were recognised for this reason at the reporting date. A director's contract at better terms was made with Alexander Gorski for 2013.

The director's contract with Marc Lohoff began on 12 January 2012. Marc Lohoff receives an annual salary of TEUR 270 for his work in the reporting period plus variable compensation based on his personal performance and the degree of achievement of the financial targets. In the case of 100 percent target achievement, Mr. Marc Lohoff is entitled to gross variable compensation of TEUR 270 in the reporting year. The variable compensation shall be increased to a maximum of TEUR 405 if his goal achievement surpasses the baseline and decreased if he fails to meet the targets. Forty-five percent of the variable component of his compensation shall be paid in cash and 55 percent shall be converted into phantom stocks subject to a three-year holding period. However, since the financial targets agreed for the reporting period were not met, no entitlement to variable compensation has arisen from this. Nevertheless, on the basis of the discretionary bonus provided for exclusively in the contract, the Supervisory Board conferred, by way of a resolution on 7 March 2013, a recognition bonus of TEUR 90 for Mr. Marc Lohoff's special achievements during the reporting period, especially in view of the successful expansion of Conergy's project business in Thailand. Mirroring the structure of the variable compensation, 45 percent of this recognition bonus will be paid as an annual bonus following the 2013 Annual General Meeting, while 55 percent will be converted into phantom stocks with a qualifying period lasting until the 2014 Annual General Meeting. As at 31 December 2012, the value of one phantom stock was EUR 0.29 and the number of phantom stocks granted on a pro-rata basis was 170,689. As at the 7 March 2013 grant date, the fair value of the share-based payments was TEUR 44. Provisions were recognised for this reason at the reporting date.

The director's contract with Jan Vannerum began on 12 January 2012. Jan Vannerum receives an annual salary of TEUR 240 for his work in the reporting period plus variable compensation based on his personal performance and the degree of achievement of the financial targets. In the case of 100 percent target achievement, Jan Vannerum is entitled to gross variable compensation of TEUR 240 in the reporting year. The variable compensation shall be increased to a maximum of TEUR 360 if his goal achievement surpasses the baseline and decreased if he fails to meet the targets. Forty-five percent of the variable component of his compensation shall be paid in cash and 55 percent shall be converted into phantom stocks subject to a four-year holding period. However, since the financial targets agreed for the reporting period were not met, no entitlement to variable compensation has arisen from this. Nevertheless, on the basis of the discretionary bonus provided for exclusively in the contract, the Supervisory Board conferred, by way of a resolution on 7 March 2013, a recognition bonus of TEUR 120 for Jan Vannerum's special achievements during the reporting period, especially in view of his successful and stable liquidity management. Mirroring the structure of the variable compensation, 45 percent of this recognition bonus will be paid as an annual bonus following the 2013 Annual General Meeting, while 55 percent will be converted into phantom stocks with a qualifying period lasting until the 2014 Annual General Meeting. As at 31 December 2012, the value of one phantom stock was EUR 0.29 and the number of phantom stocks granted on a pro-rata basis was 227.586. As at the 7 March 2013 grant date, the fair value of the share-based payments was TEUR 58. Provisions were recognised for this reason at the reporting date. A director's contract at better terms was made with Mr. Jan Vannerum for 2013.

Dr. Sebastian Biedenkopf, who held a seat on the Management Board at the beginning of the reporting period, exercised a special right to terminate his contract effective at the end of February 2012. Subsequently, the Company and Dr. Sebastian Biedenkopf entered into a severance agreement. Dr. Sebastian Biedenkopf shall be paid a one-off termination benefit of TEUR 550 gross thereunder. The amount agreed constitutespayment in full of all entitlements of Dr. Sebastian Biedenkopf in respect of the Company, in particular to fixed or variable compensation as well as to payment of phantom stocks allocated to him in the past, with the exception of the restructuring bonus of TEUR 205 previously stipulated in his director's contract and the salary already paid to Dr. Sebastian Biedenkopf in January and February 2012.

No Management Board member was granted loans or advances in the reporting year, nor did the Company incur any contingent liabilities on their behalf. 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.

General contractual stipulations

The employment contracts of the Management Board members all have terms of three years. The employment contracts of the Management Board members Alexander Gorski, Marc Lohoff and Jan Vannerum run until 31 December 2014. A temporary director's contract was concluded with Dr. Philip Comberg shortly after the beginning of the reporting period lasting for the duration of his delegation. A new three-year employment contract up to 31 December 2015 was concluded with Dr. Comberg for the period after the end of the reporting period.

The employment contract of Dr. Sebastian Biedenkopf, who retired from the Management Board at the beginning of the reporting period, also had a three-year term.

Their director's contracts shall expire no later than at the end of the month in which they turn 65. Given this limitation, the contracts do not provide for a regular right to termination. Whilst these employment contracts may be terminated by either party for cause effective immediately, with the exception of the aforementioned cases no promises concerning payment of additional compensation in case their contracts are terminated have been made to any member of the Management Board.

For the duration of a one-year post-signing noncompete period, the members of the Management Board shall be paid noncompete compensation equivalent to 50 percent of their most recent contractual compensation. The Company may waive compliance with the post-signing noncompete clause. Given the special circumstances of Dr. Philip Comberg's employment due to his delegation to the Management Board, as described above, his employment contract does not contain a post-signing noncompete provision and thus does not provide for noncompete compensation either.

All contracts of employment for the Management Board members stipulate that severance pay, if any, to be agreed upon if their respective activities on the Management Board are terminated early shall not exceed two years' worth of annual compensation (severance cap) and not compensate for more than the remaining term of the respective employment contract.

Due to its temporary nature given his delegation to the Management Board, Dr. Philip Comberg's employment contract did not contain any age limit or any severance cap in the event of early termination.

TEUR	Dr. Philip Comberg	Alexander Gorski	Marc Lohoff	Jan Vannerum	Total
Fixed annual compensation	524	298	262	233	1,317
Compensation in kind/other benefits*	319	13	110	6	448
Non-performance-based compensation	**843**	**311**	**372**	**239**	**1,765**
Short-term variable compensation	121	90	40	54	305
Directly paid compensation	**964**	**401**	**412**	**293**	**2,070**
Fair value of newly granted share-based payment (SAR)	149	110	50	66	375
Share-based total compensation according to HGB	**1,113**	**511**	**462**	**359**	**2,445**
Share-based variable compensation (benefits vested in the reporting year)	131	100	44	58	333
Change in value of existing benefits (Long-term variable compensation)	–	2	–	–	2
Share-based payment	**131**	**102**	**44**	**58**	**335**
Total directly paid compensation	964	401	412	293	2,070
Long-term variable compensation (benefits vested in the current year)	131	100	44	58	333
Change in value of existing benefits	–	2	–	–	2
Total compensation according to IFRS	**1,095**	**503**	**456**	**351**	**2,405**

* The other compensation components comprise primarily non-cash compensation (e.g. company car, insurance), allowances for pension insurance (relief fund); and the reimbursement of costs for flights home. In the case of Marc Lohoff this includes rental costs because he is based in Singapore for part of the year; in the case of Dr. Philip Comberg this includes a one-time bonus of TEUR 265 that has been contractually agreed.

Compensation of the Supervisory Board

The policy for the compensation of the Supervisory Board was amended by the Annual General Meeting in 2011 based on the joint proposals of the Management Board and the Supervisory Board. The compensation of the individual members of the Supervisory Board is based on their responsibilities and tasks as well as on the scope of their work, the market conditions governing the recruitment of qualified individuals and the Company's financial condition. Accordingly, Supervisory Board members have been paid fixed compensation of EUR 40,000 per annum since the 2012 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 EUR 30,000 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 EUR 12,000 per year and committee membership. The Chairman of a committee is paid two and a 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.

The Supervisory Board members listed in the following table were elected at the Annual General Meeting of Conergy AG on 26 August 2011. The compensation of the Supervisory Board members comprises the following:

	Supervisory Board		Audit Committee		Chairman´s Committee		Project Control Committee			
TEUR	Fixed component	Attendance fee	Fixed component	Attendance fee	Fixed component	Attendance fee	Fixed component	Attendance fee	Variable component	Total
Dr. Philip Comberg	3	1	0	–	0	–	–	–	–	4
Dr. Andreas Pleßke	60	14	12	4	12	4	27	2	–	135
Jeremy Blank	40	10	12	3	12	3	–	–	–	80
Pepyn Dinandt	40	11	–	–	12	4	11	1	–	79
Werner P. Paschke	40	14	30	4	11	4	–	–	–	103
Dr. Klaus-Dieter Rasch	40	10	–	–	–	–	11	1	–	62
	223	**60**	**54**	**11**	**47**	**15**	**49**	**4**	**–**	**463**

In addition to their compensation, the Supervisory Board members also received TEUR 35 in reimbursements for outlays (especially travel expenses) during the reporting year.

Shareholdings of the Management Board and the Supervisory Board members
No shares were held by members of the Management Board and the Supervisory Board as at the 31 December 2012 closing date.

Events after the reporting period

Business transactions of special significance which we expect to have a significant impact on the Conergy Group's assets, liabilities, cash flows and profit or loss have not occurred since 31 December 2012.

Assets, liabilities, cash flows, and profit or loss of Conergy AG

The annual financial statements of Conergy AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and are published in the Federal Gazette (Bundesanzeiger). For the 2012 financial year, the management report of Conergy AG was combined with the management report of the Conergy Group for the first time in accordance with Section 315 para. 3 HGB in conjunction with Section 298 para. 3 HGB.

As the parent of the Conergy Group, Conergy AG primarily acts as a holding company and is responsible for the Group's strategic orientation and management. At Conergy AG this entails the traditional central functions as well as centralised procurement and provision of the products. The situation of Conergy AG nevertheless depends to a large extent on the economic success of the Conergy Group.

Profit or loss

Comprehensive income Conergy AG according to HGB (short version)

EUR million	2012	2011
Sales	**251.2**	**429.5**
Gross profit	**−41.2**	**−64.2**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−50.7**	**−80.1**
Earnings before interest and taxes (EBIT)	**−56.8**	**−96.1**
Non-operating result	−38.4	64.1
Earnings before taxes (EBT)	**−95.2**	**−32.0**
Income taxes	0.2	−0.1
Income after taxes	**−95.0**	**−32.1**

Conergy AG posted sales of EUR 251.2 million in the 2012 financial year (previous year: EUR 429.5 million), a decrease of EUR 178.3 million or 41.5 percent. The sales of Conergy AG were generated almost exclusively with affiliated companies. The year-on-year decline in sales is mainly attributable to the unrelentingly strong erosion in the prices of photovoltaic products in 2012, which is also reflected in the sales of Conergy AG to its Group companies.

The fact that prices and margins continue to be substantially squeezed is putting pressure on Conergy AG to implement the price reductions demanded by its customers on the purchasing side as well. In addition, the severe price erosion at the end of 2012 led to a further valuation allowance being charged on the inventories as part of the loss-free valuation, taking account of the double materiality of EUR 4.9 million (previous year: EUR 3.2 million).

Conergy AG's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR −50.7 million in the 2012 financial year, an improvement of EUR 29.4 million compared with the previous year (previous year: EUR −80.1 million). Apart from a better gross profit, this improvement is chiefly attributable to the reduction in personnel and material costs.

Personnel expenses were reduced from EUR 18.9 million to EUR 17.1 million in the 2012 financial year, due primarily to a decrease in the average headcount by 24 to 200 full-time equivalents. Other operating expenses were down by as much as EUR 78.1 million in the 2012 financial year to EUR 62.3 million as a result of cost-cutting measures initiated in the previous year. It is important to note that the expenses in the reporting year included a one-off charge of approximately EUR 16.4 million arising from the early termination of the wafer supply agreement with US wafer manufacturer MEMC Electronic Materials, Inc.

Other operating income fell from EUR 81.1 million in the previous year to EUR 69.9 million in the reporting period. Other operating income in the 2012 financial year comprised cost allocations to subsidiaries in the amount of EUR 24.4 million (previous year: EUR 32.0 million) among others. Furthermore, income was mainly generated from the reversal of write-downs on the carrying amounts of investments in subsidiaries charged in previous years in the amount of EUR 23.0 million (previous year: EUR 16.9 million), the reversal of specific valuation allowances on loan receivables from subsidiaries in the amount of EUR 11.6 million (previous year: EUR 12.7 million) as well as the foreign currency measurement in the amount of EUR 2.7 million (previous year: EUR 11.4 million).

Depreciation, amortisation and write-downs in the 2012 financial year came to EUR 6.1 million (previous year: EUR 16.0 million). This item includes amortisation of intangible fixed assets and depreciation of tangible fixed assets in the amount of EUR 2.0 million (previous year: 2.2 million) as well as write-downs of receivables from affiliated companies in the amount of EUR 4.1 million (previous year: EUR 13.8 million). The recoverability of the receivables from subsidiaries was assessed using the discounted cash flow method on the basis of planned future cash flows before interest, which were discounted using a capitalisation rate.Earnings before interest and taxes (EBIT) improved accordingly in the past financial year from EUR −96.1 million to EUR −56.8 million.

The non-operating result of Conergy AG amounted to EUR −38.4 million in the 2012 financial year. In addition to a net interest loss of EUR 3.1 million (previous year: net interest income of EUR 2.3 million), this principally comprises valuation allowances on the carrying amounts of the investments in the subsidiaries of EUR 62.4 million (previous year: EUR 10.4 million) that were nevertheless partially compensated by profit and loss transfer agreements with subsidiaries. In the 2012 financial year, the valuation allowance exclusively related to Conergy SolarModule GmbH & Co. KG, whose carrying amount was written down by EUR 62.4 million. In the previous year, the non-operating result had amounted to EUR 64.1 million and was dominated by the contribution of loan receivables to equity in the amount of EUR 67.7 million.

Earnings before taxes (EBT) of Conergy AG therefore amounted to EUR −95.2 million in the 2012 financial year (previous year: EUR −32.0 million). Tax income in the past financial year stood at EUR 0.2 million (previous year: tax expense of EUR 0.1 million), giving rise to a net loss for the year of EUR 95.0 million (previous year: net loss of EUR 32.1 million). Net accumulated losses therefore increased to EUR 130.5 million in the past financial year.

Assets and liabilities

Balance sheet Conergy AG according to HGB

EUR million	31.12.2012	31.12.2011
ASSETS		
Non-current assets		
Intangible assets	1.8	3.0
Property, plant and equipment	2.5	3.0
Financial assets	105.7	88.3
	110.0	**94.3**
Current assets		
Inventories	21.9	17.4
Receivables from affiliated companies	125.0	198.6
Other receivables and assets	7.3	26.2
Cash on hand, cash balances at banks and marketable securities	10.4	17.0
	164.6	**259.2**
Deferred income	**0.6**	**0.3**
Total assets	**275.2**	**353.8**
LIABILITIES		
Equity	**39.7**	**134.7**
Provisions	**14.7**	**19.3**
Liabilities		
to financial institutions	97.1	98.7
to affilitated companies	62.9	86.6
other liabilities	60.8	14.3
	220.8	**199.6**
Deferred expenses	**0.0**	**0.2**
Total equity and liabilities	**275.2**	**353.8**

Total assets of Conergy AG decreased by EUR 78.6 million, from EUR 353.8 million as at 31 December 2011 to EUR 275.2 million at the end of 2012.

Fixed assets of Conergy AG rose by EUR 15.7 million in the 2012 financial year to EUR 110.0 million (previous year: EUR 94.3 million). This is attributable to capital increases at subsidiaries as well as to reversals of valuation allowances charged in prior years. Additional valuation allowances recognised for Conergy SolarModule GmbH & Co. KG in the 2012 financial year had an offsetting effect.

Current assets declined by EUR 94.6 million in the past financial year from EUR 259.2 million to EUR 164.6 million, due in particular to a decrease in receivables from affiliated companies. In 2012, the subordinated loans extended to subsidiaries fell by EUR 88.2 million from EUR 100.3 million to EUR 12.1 million. At the same time, however, loans to affiliated companies granted increased by EUR 25.9 million in the reporting period. Other receivables and other assets also declined by EUR 18.9 million to EUR 7.3 million, due among other things to the early cancellation of the wafer supply agreement with MEMC Electronic Materials, Inc. An increase in inventories from EUR 17.4 million to EUR 21.9 million in the reporting period had an offsetting effect.

Conergy AG's equity decreased by EUR 95.0 million to EUR 39.7 million in the 2012 financial year on account of the loss incurred (previous year: EUR 134.7 million). The capital stock of Conergy AG amounted to EUR 159.8 million in the reporting period. Due not least to the cancellation of the supply agreement with MEMC, the Company had incurred a loss amounting to half of Conergy AG's capital stock at 30 September 2012. At the Extraordinary General Meeting held on 18 December 2012 that became necessary in accordance with Section 92 para. 1 AktG, the Management Report reported on the reasons for this and was available to answer shareholders' questions. No resolutions were passed.

The liabilities of Conergy AG rose by EUR 21.2 million to EUR 220.8 million in the past financial year (previous year: EUR 199.6 million). This was mainly due to an increase in trade accounts payable as part of other liabilities of EUR 46.9 million to EUR 60.2 million resulting from a change in the supply concepts with different suppliers. In addition to the reduction of liabilities to affiliated companies by EUR 23.7 million to EUR 62.9 million, the decrease in provisions by EUR 4.6 million to EUR 14.7 million had an offsetting effect.

Financial position

The cash funds of Conergy AG were comprised as follows as at 31 December 2012:

Cash and cash equivalents of Conergy AG

EUR million	2012	2011
Liquid funds	10.4	16.9
Marketable securities	0.0	0.1
Cash and cash equivalents at the end of the period	**10.4**	**17.0**

Conergy AG had cash and cash equivalents of EUR 10.4 million as at 31 December 2012 (previous year: EUR 17.0 million). Net liabilities at the balance sheet date amounted to EUR 86.7 million (previous year: EUR 81.7 million).

Net liabilities of Conergy AG

EUR million	2012	2011
Non-current borrowings	47.1	48.7
Current borrowings	50.0	50.0
Borrowings	**97.1**	**98.7**
Cash and cash equivalents	**10.4**	**17.0**
Net liabilities	**86.7**	**81.7**

For further explanations of the cash flows of Conergy AG, please also refer to the section on the cash flows of the Conergy Group in this combined management report.

Risk and opportunity report

Risk management

Risk report

All entrepreneurial activity is inextricably bound to risks and rewards. In its operating activities, Conergy, too, is exposed to a wide variety of risks that may have a negative impact on its corporate development and could, in an extreme case, endanger its future as a going concern. At this time, there are no discernible risks to the Company as a going concern that are more likely than not to occur. Hence the Management Board assumes that the Company will continue as a going concern. However, all that is available to Conergy is a thin liquidity cover that significantly depends on the Company's operating activities. In addition, Conergy is active on the global photovoltaic market in an extremely dynamic environment with an ever-changing playing field. This is also demonstrated by the investigation recently launched by the European Commission into the possibility of imposing anti-dumping duties on imports of solar panels and their key components originating in China, the scope and consequences on the photovoltaic industry or on the company cannot yet be estimated.

Even though Conergy enjoys an excellent strategic positioning and is well established on the most important photovoltaic markets, dips in demand caused by factors outside or inside the Company cannot be ruled out. Considerable shortfalls in expected sales and earnings as well as in expected cash inflows from operating activities would impact Conergy's assets, liabilities, cash flows and profit or loss undermine or even destroy Conergy's solvency. In this case, the currently existing threat to its existence as a going concern could become a reality, if and to the extent that it is impossible to offset the lack of operating cash flows through other actions, especially cash infusions from shareholders and outside lenders. The Management Board cannot judge at this time whether the shareholders or outside lenders would be willing to do so.

Risk management and internal control system

The monitoring and management of opportunities and risks is an integral part of Conergy's groupwide system of corporate management and is mainly achieved through the Company's risk management activities and internal control system.

In Conergy's view, risk management is a process that is adjusted on an ongoing basis to the Company's structural and process organisation as well as current market and company developments, with the result that it is continuously improved. The Company's risk management activities are therefore continually refined by its Corporate Risk Management function. In addition, the effectiveness of the risk management activities is monitored by the Supervisory Board's Audit Committee as well as through internal audits.

Risk management is performed by the central Corporate Risk Management function with the aid of a groupwide risk management manual, the risk management system, regular risk reporting at the level of the divisions and periodic assistance from the Risk Committee.

In addition to the risk management activities, corporate management uses the internal control system (ICS) as a further tool for monitoring and managing opportunities and risks. On the one hand, the internal control system consists of such process-integrated controls as the "four-eyes" principle, the separation of functions or IT process controls. on the other, ICS encompasses controls that are uninvolved in business processes such as regular internal audit procedures that are designed to ensure compliance with internal guidelines and accounting standards, the reliability of the data used for preparing the consolidated financial statements and internal reporting as well as compliance with material legal requirements. In addition to these internal audit activities, the Company's management is also being supported by Corporate Compliance in managing risks and opportunities comprehensively.

Risk detection and assessment

The Management Board of Conergy AG has established a management control system by way of groupwide Corporate Risk Management for purposes of early detection, assessment and management of relevant risks and for purposes of fulfilling statutory requirements. Risk management is thus an integral part of groupwide planning, managing and reporting processes. It 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 risk management for identifying substantial risks that have a direct impact on the Company's financial reporting.

The groupwide risk management concept is described in the risk management manual. The manual also describes 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. In this context, Conergy's organisational units are each 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 in a risk management system based on uniform quantitative and qualitative standards. Taking defined risk categories into account, the risks are assessed based on the probability of their occurring and the loss amount, in particular based on their possible impact on EBIT and cash flow. The initial risk assessment is made for a one-year planning period. Corporate Controlling also analyses the difference between the Company's actual and targeted performance in order to identify any additional 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 once the given risks have been identified and measured. These countermeasures are documented in the risk management system; their implementation is monitored by Corporate Risk Management and controlled by the Risk Committee.

Risk reporting

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. Material risks are defined as those risks whose impact is serious enough to jeopardise the existence of the Conergy Group as a going concern.

Whilst Conergy's risk management system provides for the complete recording and processing of matters relevant to the Company, personal judgements, defective controls or criminal acts 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 operating units and 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 the Conergy Group's 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.

Financial and liquidity risks

Financial risks
The international nature of the Conergy Group's activities and its financing requirements exposes it to a variety of financial risks, in particular, market, credit and liquidity risks. Furthermore, its groupwide financial 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 Corporate Treasury 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 is available to our employees in this connection. Maximum amounts that greatly limit the risk from underlying (project) transactions of the hedges 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 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.

Terms and conditions of the syndicated loan agreement
To secure the Conergy Group's liquidity in the future, the new syndicated loan agreement (2011 Syndicated Loan Agreement) took effect after the capital increase was recorded in the Commercial Register on 21 July 2011, replacing the 2007 Syndicated Loan Agreement after the loans thereunder had been repaid. Conergy AG and Conergy SolarModule GmbH & Co. KG acting as borrowers, as well as other significant companies of the Conergy Group acting as guarantors, and ten banks led by Commerzbank International S.A., Luxembourg, closed this new loan agreement for EUR 261.5 million on 8 July 2011.

The scope of the collateral for the 2011 Syndicated Loan Agreement is basically identical to that for the 2007 Syndicated Loan Agreement. As is customary for such funding arrangements, the collateral made available for the 2007 Syndicated Loan Agreement was released and new collateral was created for the loan agreement dated 8 July 2011. In particular, the 2011 Syndicated Loan Agreement thus has been collateralised by pledging absolutely all equity interests in Conergy Deutschland GmbH, Mounting Systems GmbH, Conergy SolarModule GmbH & Co. KG, Conergy SolarModule Verwaltungs GmbH, Conergy Services GmbH, Conergy Real Estate Verwaltungs GmbH, Conergy Real Estate GmbH & Co. KG, Momentum Renewables GmbH (formerly: Epuron GmbH), Conergy Inc. (USA) and Conergy Projects Inc. (USA) as well as Conergy Pty. Ltd. (Australia). Conergy has also created senior collateral in favour of the lenders based on all of its material assets or conveyed, pledged or assigned them for security purposes to an entity holding the collateral.

Of the three-tranche 2011 Syndicated Loan Agreement, Tranche A in the amount of EUR 70.2 million will serve to fund existing liabilities under the 2007 Syndicated Loan Agreement; Tranche B provides a revolving facility of EUR 50.0 million and covers the Conergy Group's working capital requirements as well as other defined operating purposes; Tranche C in the amount of EUR 141.3 million finally serves to fund existing guarantees and cover additional guarantees as required. Whilst all tranches are due and must be repaid in full four years from initial drawdown, revolving loans utilised under Tranche B must either be repaid at the end of the respective interest period or allocated to a new interest period without having been repaid and newly granted; they may then be used until one month prior to final maturity.

The individual tranches of the 2011 Syndicated Loan Agreement are subject to interest at a variable rate corresponding to the sum of the applicable margin, EURIBOR (or LIBOR in case of a foreign currency) for the interest period selected and the regulatory costs (in each case as defined in the loan agreement). The 2011 Syndicated Loan Agreement provides for a mark-up of 1 percent per annum if Conergy AG, Conergy SolarModule GmbH & Co. KG or a guarantor under the 2011 Syndicated Loan Agreement fail to repay an amount due and payable in due time.

Unless any of the exceptions set out in the 2011 Syndicated Loan Agreement intervene, Conergy is obligated – if it borrows funds on the capital market, sells assets and receives insurance payments – to use the net proceeds for early repayment of both interest and costs outstanding first; if neither interest nor costs are owed, such net proceeds must be used to repay Tranche A and, once it has been repaid in full, Tranche B. The 2011 Syndicated Loan Agreement also contains customary provisions regarding both voluntary and mandatory special loan payments.

Due to the sale of voltwerk electronics GmbH to the Bosch Group during 2012, Conergy AG was required in December 2012 to make an unscheduled repayment to the banks from the proceeds of the sale of voltwerk electronics GmbH in accordance with the provisions of the loan agreement.

Tranche C, which is available for the refinancing of guarantees, continued to exist in the same amount throughout 2012.

The 2011 Syndicated Loan Agreement contains requirements that have an impact on the Conergy Group's ability to exercise discretion in operational terms. Certain 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 financial liabilities, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations triggers an extraordinary right of termination on the lenders' part (in some cases after expiry of a cure period), giving them the right to call the loan immediately.

The lenders have other rights to terminate, for example, if covenants stipulated provided under the 2011 Syndicated Loan Agreement are not (or cannot be) truthful, if a German or significant foreign subsidiary files for insolvency, if creditors institute execution proceedings against Conergy for an amount in excess of EUR 5.0 million in each individual case, if Group companies whose total financial liabilities are EUR 5.0 million or more default, or if creditors of such financial liabilities are entitled to call these liabilities early due to the occurrence of a right to terminate. Conergy AG and other Group companies may declare a dividend only if a predefined level of liabilities was met in the calendar quarter immediately preceding the date of the envisioned distribution. Moreover, no creditor is obligated to satisfy a demand for payment by a borrower in the event of a change of control. In certain circumstances, the creditors have the right to terminate the loan agreement for cause, such right to be exercised by each bank individually. The aforementioned rights shall inure to the creditors during the first three years from the first drawdown under the loan agreement if they are enjoined, due to either corporate requirements internal to the given entity or regulatory requirements, from serving as a creditor on account of the change of control.

The loan agreement contains extensive disclosure requirements vis-à-vis the financing banks. The Company is also obligated to comply with certain financial covenants starting in 2014. These financial covenants shall be established in December 2013 by mutual agreement between the Company and the lenders. Absent an agreement the financial covenants shall be based on the Company's targets until 2014 less risk discounts. Any breach of the financial covenants that apply from 2014 may give the banks the right to call the tranches of the loan.

Liquidity risks

The Conergy Group centrally manages its liquidity risk – i.e. the risk of being unable to fulfil current and 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. 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.

A total of EUR 261.5 million in funds are available to Conergy under the loan agreement (2011 Syndicated Loan Agreement) made on 8 July 2011 between Conergy AG and Conergy SolarModule GmbH & Co. KG (as the borrowers), other significant Conergy Group companies (as the guarantors) and ten banks led by Commerzbank International S.A., Luxembourg. According to the Company's planning and based on the existing credit lines and guarantees, Conergy AG and the Group basically have sufficient liquidity in both the short and medium term through cash inflows from operating activities. The Company's liquidity cover remains very thin and depends solely on earnings from operating activities. Considerable shortfalls in expected sales and earnings as well as in expected cash inflows from operating activities would therefore undermine or even destroy Conergy's solvency. In this case, the currently existing threat to its existence as a going concern could become a reality, if and to the extent that it is impossible to offset the lack of operating cash flows through other actions, especially cash infusions from shareholders and outside lenders. The Management Board cannot judge at this time whether the shareholders or outside lenders would be willing to do so.

However, at this time there are no discernible risks to the Company as a going concern that are more likely than not to occur. Hence the Management Board assumes that the Company will continue as a going concern.

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 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 purchase 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 purchase prices due to the rising US dollar) could trigger additional procurement expenses in the short term, in turn substantially affecting Conergy's earnings and liquidity.

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 are subject to variable interest rates. Borrowings in the 2012 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.

Credit risk
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 therefore subjected to various credit checks. Conergy has a groupwide receivables management policy in place to promote effective receivables management. Defined centrally yet implemented at local level, this contains specifications and guidelines that are effective for both initial contact with customers and ongoing customer management (e.g. by setting credit limits). Conergy adjusts and adds to these rules and regulations at regular intervals and implements process optimisations, taking care to continually minimise possible risks.

In addition, the Company's central receivables management function, as a sub-discipline of working capital management, continuously monitors all receivables outstanding worldwide by their maturity structure. Measures aimed at collecting receivables, e.g. through an ERP-based dunning system, are determined in cooperation with the decentralised units Conergy also uses credit insurers as an additional instrument to cover receivables. As the opportunities for using credit insurance in the photovoltaic industry are increasingly diminishing, Conergy is continually working on optimising this process. Given the difficult situation in the industry at present, Conergy is also keen to find other flexible forms of safeguarding its business with its clients directly so as to protect itself from incurring potential bad debt losses as far as possible.

Despite these measures, there is no guarantee nonetheless – especially against the backdrop of the situation on the capital and sales markets – that the Company will actually be able to collect receivables.

Market risks

Macroeconomic 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, cash flows and results of operations.

The fallout that the euro zone states' sovereign debt crisis might have in the medium and long-term cannot be estimated clearly at this time. In 2012, however, an increase in public debt and the resulting fiscal consolidation already prompted some European countries such as Spain and Greece to reduce subsidies for photovoltaic installations. That other countries might also make such cuts in the future cannot be precluded. Moreover, tax increases in connection with the austerity measures prescribed in Europe could reduce the funds available to private and commercial customers for investments in PV systems.

The sovereign debt and banking crisis could also impact the European and non-EU financial markets more heavily than before, causing financing shortfalls. This would affect lending for renewable energy projects as well, which would have repercussions for the financing of large-scale photovoltaic projects in particular.

A further potential risk could arise in the future should the debt crisis in one EU Member State escalate to such an extent that the country were to leave the European Economic and Monetary Union. Since Conergy sells its products in many European markets, this could lead to bad debt losses from customers in this country and additionally impact on the Company's operating activities locally.

Conergy buys its products on the global market, sells these worldwide and is therefore subject to the local conditions. Moreover, Conergy must adapt to the prevailing economic, legal and tax conditions and to changes in these areas. As a result, in some countries Conergy might be exposed to foreign exchange controls; insufficient economic, logistical or social infrastructure; existing or imminent restrictions on trade; insufficiently developed legal and administrative systems; or war and terrorism. Every one of these factors could have an adverse effect on Conergy's business activities and opportunities for growth in affected countries and thereby have negative effects on the Conergy Group's assets, liabilities, cash flows and profit or loss.

Industry-specific risks
Photovoltaics competes with other renewable sources of energy such as wind power, bioenergy, geothermal energy and concentrated solar power, as well as with conventional sources of energy such as fossil fuels or nuclear energy. These might develop better than photovoltaics for a variety of reasons and thus hamper its continued development. This could cause subsidies of and investments in PV to dry up in part or entirely, which in turn might cause the demand for Conergy's products and services to stagnate. What is more, the path being followed by many regions around the world in switching from fossil fuels and nuclear power to renewable energy could be slowed by political factors, which could likewise reflect on Conergy's business.

However, in principle, Conergy expects that the need for clean, renewable sources of energy will continue to grow in the long term and that the scarcity of resources will further push up the price of conventional energy sources. Still, there is a possibility that prices for conventional energy sources may fall in the near term, thereby putting a temporary damper on the demand for renewable energy.

The more intense competition the photovoltaic industry has witnessed in recent years across all stages of the value chain will continue to leave its mark and probably lead to enduring consolidation in the industry.

The price pressure generated by this stiff competition will be sustained in 2013, curbing revenue growth. Prices are nevertheless expected to increasingly stabilise due to rising demand from emerging photovoltaic markets as well as a more moderate increase in installed capacity.

Like all industries, the solar energy industry is affected by the general economic climate. For this reason, deterioration in the macroeconomic situation could also reduce the earnings of the solar power sector and increase the pressure to consolidate. Conergy, too, is affected by economic forces in all of the markets in which it is active and is heavily dependent on the readiness of companies, investors and private households to invest in photovoltaic systems. Another factor affecting its development is the willingness of banks to continue to finance these investments. That a weakening of the macroeconomy may cause demand for Conergy's products to fall cannot be ruled out.

In addition, damage to Conergy's reputation or changes in the requirements for photovoltaic products or services might undermine both margins and earnings. The industry's activities are also relatively dependent on the weather, with the consequence that inclement weather or natural disasters may cause considerable delays. Conergy is therefore dependent on the climate and weather conditions in the regions in which it installs and operates PV systems. Inclement weather may prevent timely delivery of orders or construction of systems, or impede completion of installations by the date specified in the contract, and thus have a material adverse effect on Conergy's assets, liabilities, cash flows and profit or loss.

Market-specific risks

The global photovoltaic market recorded a healthy growth rate of around 16 percent in 2012 once again. However, the change in focus from the recessive European market to the expanding North American and Asia-Pacific regions is now very apparent. Going forward, the most important photovoltaic markets will correspondingly be in newly industrialised countries such as India, as well in highly energy-intensive countries such as the United States and China.

Europe accounted for only around half of the global increase in installed PV capacity in 2012, whereas the Asia-Pacific region has grown to one-third of the global market in recent years. It is expected that China will soon take Germany's place at the top of the ranking list of annual new installations. This contraction of the market in Germany and Europe may also have a significant adverse effect on Conergy's business activities in spite of the Company's broad sales organisation.

Significant changes in the support schemes and additional restrictions such as the introduction of taxes and charges dominated the situation in the core markets in 2012. In Germany, for instance, feed-in tariffs were reduced at short notice, while in Spain a moratorium was issued on the feed-in tariffs for solar power. By contrast, in the United States, the competitive landscape was shaped by the introduction of punitive tariffs. In yet other countries such as Canada, the industry's growth throughout 2012 was hampered by inconsistent statements on the funding situation.

In this connection, a Council Regulation was issued at the beginning of March 2013 stipulating that imports from China must be presented to the customs authorities. As the investigation proceeds, a decision will be reached by the beginning of June 2013 on whether provisional duties will be imposed. At the present time, it is impossible to forecast the outcome of this investigation, which specific regulatory measures will be involved and their effects on competition in the photovoltaic industry in Europe and markets outside Europe.

Due to the unpredictability of the regulatory conditions, which translates into an uncertain outlook for the market's development, forecasting trends and developments precisely and correctly will remain difficult. This may cause near-term dips in demand that are almost impossible to foresee, which in turn may have a significant effect on the Company's assets, liabilities, cash flows and profit or loss.

For some time now, Conergy has been modifying its business activities to cope with the imminent decline in the European markets. The Company has been increasingly shifting the focus of its activities to the growth regions of Asia and North America, but is also constantly developing new business models geared towards the changing market conditions.

The evolution of PV into a mass market also entails further risks precipitated by changing expectations of the Company's positioning. Greater professionalism, a lean structure and maximum flexibility are required. By continuously reviewing its focus and differentiating itself from suppliers, Conergy is able to respond fast and flexibly to customers' requirements and position itself well in spite of political change in its traditional core markets.

Business-related risks

Raw material, preproduct and component supplies

Conergy depends on its suppliers for different raw materials such as aluminium and high-quality components such as solar modules, inverters, cells, glass and foil in the required quantities and at fixed times. The terms at which materials and services are procured have improved substantially in the past. 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, 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, 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 materials from other suppliers at adequate terms and conditions. Insufficient deliveries of the materials required for the production process might undermine Conergy's own ability to make deliveries. Rising commodities prices would also have a negative effect if Conergy cannot pass these price increases on to its customers. The availability of materials and components at adequate prices thus is pivotal to Conergy's assets, liabilities, cash flows and profit or loss.

Conergy has concentrated on module production since the end of 2011 through the restructuring of the Frankfurt (Oder) solar factory and the associated reduction of its vertical integration. Under this new business model, the plant is supplied with high-grade, high-performance silicon cells at market prices. Supplies are obtained from both established and newly qualified manufacturers. Insufficient deliveries of silicon cells would prevent Conergy from fully or adequately utilising the production capacities in Frankfurt (Oder) and thus from attaining the targeted economies of scale required to keep production costs competitive.

To make its own module production more competitive, Conergy cancelled its long-term wafer supply agreement with MEMC Electronic Materials, Inc. in September 2012. The premature termination of this agreement means that Conergy is no longer bound by the obligation to purchase wafers for around USD 600 million and now has the flexibility to buy the preproducts it requires at market prices. In 2012, Conergy also successfully terminated a long-term supply agreement with First Solar Inc. and is thus able to procure the thin film modules it needs on the market flexibly and at more favourable terms and conditions.

In addition to the manufacture of its own products, inadequate supplies of merchandise to Conergy by its suppliers could adversely affect the Company's ability to deliver to its own customers. Conergy counters this risk by further reducing its dependence on suppliers of photovoltaic modules, which it achieves by forging long-term partnerships and through certification of further reliable, strategic suppliers.

Conergy's own module production

By concentrating vertical integration at the Frankfurt (Oder) solar factory on module production at the end of 2011, Conergy is now able to adapt to the fluctuations in the market swiftly and flexibly through procurement of solar cells from other manufacturers. All the same, with the operation of the production plant there is still the possibility that various situations will give rise to risks.

In the course of the continuous improvement programmes, production costs at Conergy's own production facility will be steadily reduced. Market-driven shortfalls in capacity utilisation could lead to cost reductions not being achieved as planned. There is also the risk of cost increases under supply contracts due to surcharges for small quantities. Currently, the solar factory supplies only Conergy AG and is therefore completely dependent on Conergy AG's expansion of the market.

The outcome of the currently pending litigation in the EU resulting from dumping prices and subsidies of Chinese photovoltaic products that are distorting competition could also have repercussions for the production costs and even the manufacturing process. Were punitive tariffs to be imposed on Asian imports or a European minimum level of local content introduced, some or all of the preproducts and materials for manufacturing would have to be sourced elsewhere, which in turn would affect the conditions of purchase. Moreover, any process adjustment may lead to disruptions in production at the plants, thereby decreasing output.

Production facilities

Business interruptions cannot 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. There is also the risk that people, third-party property and/or the environment might be harmed, in turn triggering considerable financial costs, even criminal liability.

For its production operations, Conergy applies annually for confirmation of the certification of its quality and management system under ISO 9001 and ISO 14001. This is very important especially because Conergy is subject to a multitude of continuously evolving and generally ever more demanding requirements pertaining to environmental and health protections. These requirements have already sparked a need for capital investments in the past, and it cannot be ruled out that additional funds would be needed in the future if required by legal provisions.

Impairment losses on fixed assets

There is the possibility that intangible assets as well as property, plant and equipment such as production facilities must be written down in accordance with the applicable requirements of both international and national accounting standards. This occurs when future fair values fall below the carrying amount. Such a situation may arise, for instance, when the cash flows from the use of such assets falls short of targets due to regulatory interventions. Changes in the Company's level of vertical integration might also entail writedowns.

The greater part of Conergy's property, plant and equipment concerns the Frankfurt (Oder) and Rangsdorf production sites. Any damage to or destruction of material buildings or production facilities – for instance due to natural disasters or failures in operating processes – might lead to material writedowns of Conergy's property, plant and equipment irrespective of any payouts from insurance companies.

There is the risk in all these scenarios that accounting losses on the property, plant and equipment as well as intangible assets would substantially affect Conergy's assets, liabilities and profit or loss.

Products

Conergy sells photovoltaic products that it produces itself, products that are built to order and products that it buys from other manufacturers. Most of these products are brought to market under the Conergy brand. All of the products offered have to meet Conergy's premium quality standards. However, quality defects can never be ruled out entirely, no matter what precautions are taken. Any failure on the part of Conergy's products to meet the specifications and quality standards agreed with customers may result in the loss of such customers and damage to Conergy's reputation, culminating in the loss of sales. Claims under warranties that Conergy gives its customers might also arise. In addition, the long-term service and maintenance contracts that Conergy offers, particularly for major power plants, might entail risks related to the profitability of providing certain services.

These potential product risks are hedged through comprehensive and integrated quality assurance for the products that Conergy manufactures itself or that are built to order. In addition, the Group's own production facilities of Conergy SolarModule GmbH & Co. KG and Conergy Mounting Systems GmbH as well as all companies under contract to build products to order for Conergy are certified under ISO 9001.

The quality of the preproducts used and their processing largely determines the quality of the products that Conergy sells, whether generated in-house or built to order. Defective preproducts or sales of counterfeit goods by suppliers could make it impossible for Conergy to perform as required under its contracts. In turn, this would give rise to claims under warranties, delivery commitments or product liability. Conergy is thus dependent on the quality of the preproducts 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 rights of recourse or rights to transaction reversal against its suppliers if its customers bring claims under warranties and claims for damages due to defective preproducts and products, its claims may not be enforceable in every case.

The third-party products that Conergy sells under its own brand are subjected to demanding requirements, fulfilment of which is assured through intensive supplier certifications, Conergy's own product tests and on-site quality audits of the given production facilities. Conergy uses the experts its employs at its own production facilities as well as its own testing laboratories and procedures to this end. It also uses standardised procurement and product control processes for conducting performance and quality assurance checks. As a rule, warranties that Conergy can secure through the manufacturers themselves, thus limiting its own warranty risks, are passed on to Conergy's customers in connection with these products.

Customary provisions have been recognised to meet future and known claims under guarantees and 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.

Projects and project financing

Risks specific to Conergy's project business arise particularly from the need for prefinancing as well as the operational handling of PV project.

Grid-connected units are often financed through extensive borrowings. This applies to small and medium-sized systems that are bought by private individuals, medium-sized companies or municipalities, as well as large plants that are purchased by investors. The current sovereign debt and banking crisis has limited the provision of loans across the board and made financing conditions for photovoltaic projects more restrictive. This gives rise to a risk that outside capital, but also equity promised by customers, might not be available as planned for the project implementation. Apart from stricter requirements for debt financing, this could be rooted in unrealistic expectations of achievable yields. Higher borrowing costs, for example due to an increase in interest rates, might reduce the profitability of photovoltaic installations and thus lower demand for them further.

We cannot assure that contractually stipulated financing will actually materialise even though sufficient 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, depending on the services already provided by Conergy.

There is also the risk that it might not be possible to sell PV installations, which were financed and built by Conergy itself, at the envisioned time, with the attendant temporary negative impact on the Company's liquidity and earnings.

Operational difficulties and delays in carrying out these projects could give rise to damages payable to the projects' principals under the Company's liability as well as to loss of sales and liquidity shortfalls. They may also harm the Company's reputation and have an adverse effect on the future project business, impacting Conergy's assets, liabilities, cash flows and profit or loss.

Implementing its project business also exposes Conergy 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 costs. Finally, Conergy may also provide advance services as part of its project development work that might not be remunerated if the given project fails.

Every project undergoes a fixed planning, decision-making, management and controlling process in order to ensure that all parameters critical to its success have been considered in the project selection process. At the same time, existing policies and processes are continuously adapted to changes in the scope of services and/or enhanced. Last year, for example, the evaluation process for major international projects was modified to take account of increasingly complex financing and payment models in new markets.

Inventory management

Conergy has a rolling sales planning process spanning all units, on the basis of which raw materials and consumables for the Company's own production, photovoltaic modules as well as mounting systems and inverters are stocked in order to achieve planned sales and recognise revenue. The assets stored might not be sold as planned or only at prices that do not cover costs if trading and the project business fail to meet expectations, for instance due to economic factors, regulatory intervention or intensifying competition. This might increase the physical inventories, which are a part of working capital, in turn increasing inventory costs. The inventories might also have to be written down if they are subject to impairment on account of the severe price erosion for photovoltaic products.

In order to reduce the risk arising from stockpiling and possible associated impairment, in addition to the sales planning process it implemented groupwide, the Company further optimised its supplier concepts and increasingly moved over to the use of consignment warehouses during 2012. By using consignment warehouses, Conergy shares the risk arising from price erosion and the market's dynamic development with the supplier, limiting its own stockpiling risk in the process.

Research and development

Protecting industrial property rights, especially inventions and know-how in relation to system technology and processes, is of major significance to Conergy. A lack of protection for its inventions or any loss of know-how can limit Conergy's ability to profit from innovative developments of technology, systems, processes and products. Moreover, insufficient protection of its inventions of 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.

Many of Conergy's developments and products are not patentable from the outset. Conergy therefore tries to protect the outcomes of its development activities, which cannot be patented, through secrecy agreements and other contractual arrangements if and to the extent that it believes that such arrangements are appropriate. As far as Conergy considers the protection of intellectual property rights to be an economically viable option, it strives to safeguard its rights to intellectual property by registering patents, trademarks and other proprietary rights in selected countries and also through non-disclosure agreements and other contractual agreements on the use of intellectual property in the Company's products and services. Any failure by Conergy to take the necessary steps to protect its rights to intellectual property and the results of its development activities could substantially undermine its competitiveness.

Despite Conergy's efforts to protect its intellectual property rights, the possibility exists that unauthorised parties may copy or use products and/or services developed by the Conergy Group. This also applies to cases in which Conergy is the target of industrial espionage. Furthermore, there is a certain risk that Conergy's present or future patents and copyrights or other rights to intellectual property will be contested, declared invalid or circumvented. Moreover, third parties might develop similar products and services without infringing any rights to the intellectual property of the Conergy Group. Finally, Conergy itself might violate intellectual property rights of third parties and thus potentially become liable for damages or be required to purchase licenses.

Personnel

The expertise, dedication and motivation of its staff go a long way towards ensuring the success of the Conergy Group and its opportunities to compete. Highly qualified specialists and managers are indispensable if the Group is to achieve its strategic goals. Attracting and retaining these employees is a constant challenge, especially given the fierce competition for top performers and the industry's dynamic development. In this connection, the implementation of standardised, transparent processes as well as the targeted, needs-driven use of training measures (development measures) plays an important role.

Going forward, it can also not be ruled out that on account of social constraints strikes could jeopardise the Company's production operations in Frankfurt (Oder) and in Rangsdorf, even if there have so far been no work stoppages or other disputes with employees affecting operations at Conergy's German and foreign sites. If labour unrest were to impair or interrupt Conergy's business operations for an extended period, this could have material adverse effects on the Company's assets, liabilities, cash flows and profit or loss.

Various works councils have been established within the Conergy Group since the middle of 2008. At this time, there are works councils in Conergy AG and Conergy Deutschland GmbH at the Hamburg and Zweibrücken sites. Both companies have also seen the establishment of general works councils. A works council has also been set up at Conergy SolarModule GmbH & Co. KG. Conergy AG has a works council at the Group level also. In this respect, the individual companies must comply with the respective works council's statutory codetermination rights. In particular, this could delay the execution of operational changes and thus cause the company concerned to incur higher costs.

The members of the Supervisory Board of Conergy AG are representatives of the shareholders. Conergy AG generally has a workforce of below 500, which is why its Supervisory Board does not need to have employee representatives comprising one-third of its members.

Corporate management

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 cannot be fully precluded despite fully developed and multi-stage review and controlling mechanisms. Directors & Officers insurance policies (D&O insurance) that provide for 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.

Information technology

Most of Conergy's operations worldwide are carried out by means of IT systems. This applies above all to production, sales, logistics, accounting and controlling. Ensuring the efficiency and largely uninterrupted functioning of the relevant data processing systems as well as data privacy and protection are prerequisites for maintaining smooth operations. Any prolonged failure of existing systems may result in the stoppage of production and work processes. Furthermore, the wilful dissemination, deletion or manipulation of data may trigger substantial adverse effects. Both could adversely affect Conergy's assets, liabilities, cash flows and profit or loss. Conergy outsourced its data centre operations to an external service provider in order to minimise relevant risks of loss. This also ensures that the IT systems are operated in a certified environment and maintained on a regular basis, and that availability is always high. Data privacy and protection are assured through clearly defined rules and processes, current anti-virus programmes and firewalls. Regular investments in updates of hardware systems and software applications ensure that the state of the art is adequate to the risk exposure.

As the contract with the current operator of the data centre is due to expire in the fourth quarter of 2013, Conergy carried out a tendering process for the data centre operation. The risks that may be involved in a transition are estimated as low owing to the high level of standardisation of Conergy's IT and through the use of professional project management.

Legal, tax and environmental risks

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 Conergy Group's business generally entails the risk that customers might sue due to defects in its products, plants, or services, be it in connection with entire installations or individual components.

Conergy AG and some of its subsidiaries are currently 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. In the view of Conergy SolarModule GmbH & Co. KG, provision of the agreed services by Roth & Rau AG was delayed and did not conform to the specifications laid down in the contract, which is the reason why Conergy SolarModule GmbH & Co. KG retained part of the remaining purchase price/remuneration for work in a single-digit million euro amount. After consensus talks with Roth & Rau AG conducted between mid-2008 and June 2010 and subsequent requests to fulfil the contract despite submission of an extensive expert opinion prepared by a well-known institution remained unsuccessful, Conergy SolarModule GmbH & Co. KG filed a claim with the Hamburg Regional Court in February 2011 for damages resulting from delays and the defective performance in addition to the resulting loss of income combined with an application for a declaratory judgement in relation to further damages incurred in 2010. The amount in controversy is in the lower three digit millions.

In its statement of defence, Roth & Rau AG contested the claims asserted in the full amount, demanding, among other things, payment of the remaining purchase price/remuneration for work plus interest in close to a double-digit million euro amount and that Conergy SolarModule GmbH & Co. KG be required to pay damages allegedly connected with the filing of the suit.

Conergy SolarModule GmbH & Co. KG considers the counter-claims filed by Roth & Rau AG to be unfounded and deems the allegations and arguments put forward otherwise unsuitable for undermining its claims. Against this backdrop, Conergy SolarModule GmbH & Co. KG commented extensively on the statement of defence in the past financial year, extended the action to include further damages from defective performance that had accrued in the first half of 2010 in a mid-single-digit million euro amount and explained the set-off against its own damages in the alternative. The court has not yet set a date for the hearing. Given the extent of the claim it has brought and general litigation risks, Conergy SolarModule GmbH & Co. KG does not expect to be able to fully recoup its claims for damages. 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 might be awarded. Given general litigation risks however, it cannot fully be precluded that Conergy Solar Module GmbH & Co. KG faces a residual risk in this matter.

In a total of currently 19 lawsuits, several claimants are seeking a total of EUR 3.5 million in damages from the Company under own or assigned rights on the grounds that capital market data pertaining to the restatement of the Company's sales and profit forecasts for 2007 on 25 October 2007 were defective or not disseminated by the Company in due time. The Company is essentially contesting the claimants' claims. Whilst 19 lawsuits, which were filed between October and December 2008, are currently pending before the Hamburg Regional Court, they have been suspended under the German Capital Markets Test Case Act (Kapitalanlegermusterverfahrensgesetz - KapMuG). In one of these proceedings, the Court issued an order for reference under KapMuG in the 2010 financial year with the aim of having the Hamburg Upper Regional Court (Hanseatisches Oberlandesgericht) bring about a test-case ruling on certain questions concerning the claims for damages. The Hamburg Upper Regional Court finally designated one test-case plaintiff in November 2011. In the test case, two hearings took place in the reporting period. In addition, the court issued an order with directions in the fourth quarter on the basis of which Conergy was required to put forward additional facts for specific petitions. Conergy has commented on this order under protest against the burden of production and proof. The other parties to the proceedings were given until the end of March 2013 to state their position. No further procedural orders have been issued.

Aside from these 19 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. The Hamburg Upper Regional Court has notified us that it intends to include these proceedings in the test case mentioned above.

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.

Conergy AG has filed claims for damages against six former Management Board members on the ground that they breached their duties. The breaches of duty it accuses them of committing are related to the Company's earnings and liquidity crisis in 2007 and concern individual transactions in which the former Management Board members participated in their capacity as members of the Company's Management Board. The Company had initiated settlement talks. In August 2011 the Company filed suit in the Hamburg Regional Court against four of these former Management Board members because the settlement talks had failed in part. We cannot assess the outcome of the proceedings at this time because the lawsuit also concerns legally complex matters that have not yet been adjudicated by Germany's highest court in connection with comparable cases. It cannot be precluded therefore that the Company might have to pay approximately EUR 1.5 million in court and attorneys' fees in the event that it loses in whole or in part. The Court has currently fixed the end of March 2013 as the date for filing the statement of defence.

Insurance risks

Conergy takes out different insurance policies for the products it sells, which largely cover the faults for which the Company might be liable. Furthermore, Conergy has taken out employers' liability and product liability insurance as well as all-risk property insurance and business interruption insurance.

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. Deductibles and liability caps have also been stipulated in part. Conergy's assets, liabilities, cash flows and profit or loss might be substantially affected if losses cannot be claimed in full under existent insurance policies, if existent insurance claims are disputed by the insurance company in question and thus not paid or if the insurance premiums that Conergy must pay are increased in future.

Risks arising from public funding

As a company of the Conergy Group, Conergy SolarModule GmbH & Co. KG, whose production facility is in Frankfurt (Oder), received public funding in the past of which, after a partial refund, it retained around EUR 35 million. These grants impose obligations and are based on statutory requirements. They may have to be returned if the conditions for the grant or the requirements are not being met at all or no longer.

It cannot be precluded that the government will assert claims for repayment against Conergy AG and/or Conergy Group companies in future. In particular, in view of the reduction of vertical integration at the solar factory in Frankfurt (Oder) in the fourth quarter of 2011, the risk that such a claim may be asserted cannot be ruled out.

Tax risks

Conergy AG and its domestic subsidiaries are subject to routine external tax audits. The Conergy Group's foreign entities are also subject to similar tax audits.

The most recent external tax audit of the companies in Germany concerned corporation, trade and value-added taxes in the 2004 to 2008 assessment periods. This audit has since been completed. Conergy AG and its German subsidiaries have settled the subsequent tax claims made by the tax offices for items identified in the external tax audit.

The tax assessments for the following years are subject to subsequent audits. Given the complexity of tax laws – e.g. with respect to intragroup pricing, the taxation of foreign investments or VAT – current or future comprehensive tax audits can always trigger demands for additional payments, both in Germany and abroad. In particular, the elimination of both losses and interest assets carried forward may aggravate the tax situation of companies in the Conergy Group.

As at 31 December 2012, the Conergy Group's tax loss carryforwards amounted to EUR 416.0 million in connection with corporate income tax and EUR 311.3 million in connection with municipal trade tax. In addition, deferred tax assets in the amount of EUR 0.7 million were recognised as at 31 December 2012. They arise from temporary differences between the balance sheet and the income tax base. No deferred taxes were recognised for tax loss carryforwards.

The changed shareholder structure following the completion of the December 2008 capital increase as well as 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. The tax authorities have already issued amended tax assessments for the years from 2008 to 2010. These amended tax assessments did not entail any immediate payments.

Conergy is currently reviewing whether the restructuring provision in Section 8c para. 1a German Corporation Tax Act – which was introduced on 16 July 2009 as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums – 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 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. Contrary to the European Commission's view, the German government believes that the restructuring provision is not a harmful grant. The case that the German government filed with the European Court on 7 April 2011 to annul the European Commission's decision has since been dismissed as inadmissible. At the same time, other actions on comparable legal issues have been brought before the European Court. For the restructuring privilege to apply, it would suffice if just one of the actions filed with the European Court were to be successful.

Moreover, the Hamburg Tax Court (Finanzgericht) and the Münster Tax Court, among others, have raised doubt as to the constitutionality overall of the limitation on loss carryforwards under Section 8c para. 1 KStG. The Hamburg Tax Court has asked the Federal Constitutional Court (Bundesverfassungsgericht) to review the requirements of Section 8c KStG. The ruling of the Federal Constitutional Court is pending. Conergy has appealed the amended tax assessments for the 2008 to 2010 assessment periods against this backdrop.

The tax loss carryforwards of both the Company and its domestic subsidiaries could no longer be utilised if the limitation on loss carryforwards under Section 8c KStG is finally upheld. 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 rulings of the courts do 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 would not not have any effect.

The Conergy companies carried out comprehensive measures in 2011 to reduce liabilities. In this connection, shareholders of Conergy AG contributed their claims under loans by means of in-kind contributions in return for new Conergy AG shares. A taxable restructuring gain of about EUR 67 million has arisen in connection with the takeover because the loan receivables contributed were measured below the nominal value. According to the binding statements from the tax authorities and the municipalities authorised to levy the taxes, the Restructuring Ordinance (Sanierungserlass) will apply to this restructuring gain, i.e. any taxes due on the 2011 restructuring gain will be waived after it has been offset against existing loss carryforwards.

Furthermore, the shareholder structure of Conergy AG has changed in the wake of its debt-reduction measures. Pursuant to a binding statement from the tax authorities however, this change does not result in any further elimination of the loss carryforwards pursuant to Section 8c para. 1 KStG.

With respect to both the application of the Restructuring Ordinance (Sanierungserlass) and elimination of the loss carryforwards, the binding statement of the tax authority will be binding only if the actual facts correspond in all material respects to the facts described in the application for a binding statement.

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 further elimination of recognised and unrecognised 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.

Environmental risks
Conergy is subject to a large number of constantly changing regulations regarding environmental and health protection. These requirements have already sparked a need for capital investment in the past and it cannot be ruled out that additional legal provisions will not generate the need for substantial funds in the future as well.

Compared to the international competition, Conergy's production facilities in Germany are subject to stricter environmental laws. This location factor may cause Conergy to incur additional expenses and thus affect the Company's earnings.

It cannot be precluded furthermore that the land, which Conergy has rented or owns, contains previously unknown residual pollution or hazardous soil changes or that the activities of Conergy will create such conditions in future. In such an event, the authorities might require Conergy to participate in examinations or clean-ups of such contamination. Besides harming the Company's reputation, this might also trigger substantial expenses and adversely affect Conergy's assets, liabilities, cash flows and profit or loss.

Opportunities

Strategic positioning
Aside from resulting in the risks described above, the relevant scenarios can also give rise to opportunities. As one of the highest-grossing solar companies based in Europe, Conergy is well positioned in all its divisions. Conergy's innovative products, good business relationships with the most important suppliers, established network of industry partners as well as its broad, international customer base and strong premium brand offer good prospects for the future. In the next years, Conergy will further strengthen the positioning of its brand, further optimise its systems, enhance its service portfolio, 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.

As a leading provider of PV system solutions and services, Conergy has extensive expertise built up over many years of experience with these systems. Conergy offers its customers high-quality, synchronised systems and tailors these to its customers' wishes by adding services from its broad portfolio. Furthermore, Conergy is one of the leaders in project development and implementation of large-scale photovoltaic projects, also providing support in structuring the financing of these projects. Hence, Conergy offers its customers perfectly harmonised photovoltaic solutions and corresponding services from a single source.

By systematically adjusting its own vertical integration and orientating itself as a systems provider, Conergy is able to react flexibly to a changing market environment and can service both the markets with support mechanisms and the new requirements that arise in markets with grid parity. In addition to Conergy's strategic orientation as a systems provider, reducing its own vertical integration allows the Company to clearly differentiate itself from its suppliers. This permits new forms of cooperation such as strategic partnerships and provides opportunities for further business relationships.

Conergy will maintain and further enhance its expertise as a systems supplier in future. This strategic positioning might give rise to opportunities and the resulting positive effects on Conergy's sales, earnings or liquidity, some of which will be explained below. 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 partly or wholly offset the positive effects of these opportunities.

Potential of the market mechanisms

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. The profitability of PV units might noticeably improve and demand might therefore increase if the reduction in systems prices were to outpace any renewed adjustment of governmental support in certain markets. More cost-effective systems also reduce power generation costs, which has a direct and positive effect on the path to grid parity. These lower electricity prices generated by photovoltaic systems and the related direct cost savings for consumers also make PV power more profitable.

In addition, the continuous rise in electricity prices in almost all markets is continually improving the profitability of renewable energy sources. Rising taxes and charges are pushing up prices for end users, particularly in countries that do not have state-subsidised oil/coal and/or gas prices. For this reason, alternatives to the conventional electricity suppliers and supplying one's own premises with power from photovoltaics and other sources of renewable energy will become more attractive.

Rising demand momentum

As in other industries, the demand for photovoltaic systems in the private, commercial and institutional end customer market is subject to the elasticity of demand, a factor that nevertheless has not been adequately analysed to date in regards to PV systems. However, any decline in systems prices is expected have a substantial impact on the demand for photovoltaic units. If systems prices continued to fall, high price elasticity could substantially stimulate demand, in turn tightening supplies. Substantially lower investment costs per kWp would attract customer groups with a lower transaction limit for investments. This path to grid parity provides new opportunities for the spread and use of photovoltaic systems. In addition, introducing storage solutions for photovoltaic units increases the diversity of applications for consumers, which may also lift demand.

This sharp rise in the demand for photovoltaic systems nevertheless depends on reasonable refinancing options and attractive interest rates. The attractiveness of PV units as interesting and secure investment options for end customers and investors alike would increase if this development were to occur in tandem with the availability of sufficient funds.

Changes in the markets

There are various incentive systems prevailing in the photovoltaic markets worldwide, influenced by political prioritisations for attaining renewable energy targets and their policy-induced implementation. For this reason, not only the industries built around renewable energy sources but also awareness of the advantages and possible applications in the individual countries have developed to varying extents.

Moderate growth is forecast for the global photovoltaic market in the coming years. Due to the downturn in the established European markets as well as increased momentum in the emerging markets of the Asia-Pacific and North American regions, the worldwide photovoltaic market with its future prospects and potential can be divided into two groups: established regions and emerging regions.

The two regions have common mechanisms that are more or less directly influenced by policy-makers in each case, but they are also characterised by different focal points and incentives that provide interesting opportunities for the coming years.

Regions with an established photovoltaic market
The regions with an established photovoltaic market include all markets that are dominated by a renewable energy market that has been regulated for many years by the system of state support. These include in particular the European core markets to date.

Due to the cuts in public funding that have already been made in most of these countries, many of these markets are already seeing stagnation or a decline in annual newly installed photovoltaic output – a situation that is set to continue in years to come. The main challenge in these markets will be to decouple PV from its dependence on support mechanisms, giving it an economically viable basis of its own. This will be required to be implemented for all markets and market segments in the foreseeable future. In recent years, many of these markets have recorded huge growth in the subsidised large-scale project sector. By the time grid parity is achieved and entirely new market mechanisms are implemented, this trend will probably become less pronounced or taper off considerably in a number of countries. Instead, the focus in the short to medium term will shift towards smaller commercial projects in industrial environments and towards installations for private households.

For this reason, we can observe that PV is moving away from being a purely yield-motivated investment and that a paradigm shift in the solar energy market is gradually becoming apparent. As PV power moves closer to achieving grid parity, end consumers are becoming more aware of the cost savings of this clean form of energy and hence the reduction of the cost per kilowatt hour of electricity consumption. It is not the generation and yield-oriented marketing, but rather the use of the electricity generated and the resulting saving as compared with power from the grid that will provide the incentive for solar power in the future. In most cases, this turnaround in the market has not yet become entrenched and some time for adaptation is still needed – especially for making customers more aware of energy cost-saving consumption behaviour. While grid parity has effectively been achieved in a number of countries, demand is not following suit to the same extent.

However, there is a possibility that the rising power prices will act as an additional driver for the reorientation of the market in the short term, propelling demand.

In Spain, for example, we can currently see that due to the high solar irradiation grid parity already exists for many patterns of consumption in both the private and the commercial sector. The first pilot systems that are in no way funded by a subsidised feed-in tariff are already in operation. In the 2012 financial year, Conergy also successfully implemented its first projects in Spain for maximising use of power on the operator's own premises and is continuing to focus squarely on expanding this business.

Italy, too, has already achieved grid parity in many regions and market segments. As soon as Conto Energia V and thus the relevant feed-in tariff for the operation of PV systems has been used up, we will see how actively and rapidly the market continues to develop independently of subsidies.

The discussion of basic government funding of renewable energy that has now been resumed in Germany and the need to amend the German Renewable Energy Sources Act (EEG) show that even Germany might be able to pull the funding in the near term. As a consequence, awareness that the conditions for PV are changing is also growing in the Company's largest solar energy market.

Were the use of solar power on the operator's own premises to suddenly become much more attractive in the coming years, Conergy might benefit. With strategic vision, Conergy identified this development some time ago and has since implemented a number of different initiatives to meet the changing market and customer requirements. By systematically honing its offering as a leading provider of PV system solutions and services, Conergy will be able to address and support entirely new groups of customers in the future under the new market mechanisms. More than ever before, not only the price of the components but also the availability of a synchronised comprehensive solution including coverage of a wide range of services will become a key competitive advantage in the coming years. Conergy's services portfolio comprises services for commercial plant operators and investors, but also for private end consumers, and thus provides comprehensive solutions ranging from installation planning and financing to the installation itself to monitoring, maintenance, management and insurance.

The focus on the use of power on the operator's own premises, which grid parity has sharpened, is increasing the focus on the target groups of private individuals and home-owners as well as business owners who wish to use the power they generate themselves. In particular, strong growth potential is anticipated in this segment through the further expansion of rooftop installations.

Furthermore, grid parity will lead to entirely new business models being developed in the future for the marketing of solar power to new groups of customers. Conergy is already in the process of preparing quotations for these new areas of business. It is expected that the availability of different financing solutions will play an increasingly important role in these developments.

Regions with an emerging photovoltaic market
The countries in the Asia-Pacific region as well as in North America, the Middle East, Africa, Eastern Europe and South America are considered emerging regions for the global solar energy industry, though these solar power markets are still at extremely different stages of development. Some of the countries, for example India and Japan, are in the process of moving up to gigawatt market size and therefore have considerable growth potential for the near future. In the wake of ample cost reductions that were both politically motivated and precipitated by the price erosion of recent years, other markets such as the United States are only now seeing demand rise to a level commensurate with the size of the country thanks to the implementation of an increasing number of large-scale infrastructure projects but also to the development of market segments such as commercial applications and private households.

However, in these emerging regions, the establishment of PV as a key pillar of the energy mix is largely determined by the influence and the will of policy-makers. Some countries – Thailand and Jordan, for example – have support schemes that are still in their infancy, while others, such as the Philippines, are only just introducing such programmes. In these regions there is significant potential for stimulus with associated opportunities for an established market participant like Conergy, particularly as Conergy has already been involved in the development of new markets on several occasions and therefore can fall back on its experience of how customer segments, financing options and competitive tendering developed in other countries. This knowledge allows Conergy to secure a strong foothold in new markets quickly and support its customers in the structuring of photovoltaic projects.

Nevertheless, the current economic slowdown as a consequence of the sovereign debt and banking crisis may itself put a damper on growth in the emerging photovoltaic regions. However, the energy-hungry regions can be perceived to be exerting considerable pressure to cover their energy requirements independently and cost-effectively for the future. Diminishing state subsidies of other energy suppliers – such as diesel, coal and gas – are also contributing to the solar energy industry's growing competitiveness in these markets as well.

Owing to the varying national realities, it cannot be assumed that the segmentation of the emerging solar energy markets will be consistent. However, due to the strong demand for energy in fast-growing industrialised regions, a common trend towards large-scale infrastructure-oriented projects is emerging. This is also the reason why such high growth rates of newly installed photovoltaic output can be observed in these regions.

We are also seeing that the megawatt volumes of Conergy's individual projects are following this general trend as well and are becoming far bigger than in the past. Increasing numbers of implemented projects are in the double-digit megawatt range, for example. Conergy's project pipeline also has steadily growing project opportunities in the mid-double-digit megawatt range, which underpins Conergy's positive outlook of volumes in its project business and, in addition, helps to cushion the effects of the price and revenue erosion.

For one thing, larger projects need more financing. For another, compared to its competitors Conergy is actually very well positioned to secure these projects because it can look back on extensive experience in the conceptual development and implementation of major PV projects. If Conergy continues to be successful in securing financing and interim financing solutions for pipelines of large-scale projects, additional viable project opportunities should arise in the emerging markets that will give a boost to Conergy's net assets, cash flows and results of operations.

Due to the rapid market development, new markets are continuously becoming relevant for the global photovoltaic industry. In some of these there is considerable demand for energy and correspondingly high growth potential. Conergy routinely analyses and tracks the development of new emerging markets in which the Company has so far not been active, the results of which will provide further potential for the exploitation of new sales opportunities for various market segments, for example in Eastern Europe, Africa and Latin America.

To minimise complexity and maximise flexibility, Conergy develops new markets through its existing broad-based subsidiaries. This allows Conergy to support the market development, expand its market positioning and thus build a stable basis for business before investing in a local organisation. Given the momentum of the global photovoltaic industry, this strategy has proven successful in the past. On the basis of this market entry strategy, Conergy believes it will also have the opportunity in the future to derive maximum benefit from the development of the photovoltaic industry's emerging regions, increasing the Group's net assets, cash flows and results of operations in the process.

Report on anticipated developments

Global economic developments

Notwithstanding the ongoing consolidation efforts in the private and public sectors of the industrialised countries, global economic growth will probably accelerate slightly once again this year. Only a modest increase of 1.1 percent is forecast for the industrialised nations; the greatest impetus will continue to come from the emerging economies.

Given a 0.1 percent dip in economic output the euro zone recession is set to continue, with little change expected in the individual countries. Germany's economic output is projected to rise marginally again in 2013, while countries in Southern European will see their economic output decline, though to a lesser extent than before.

The United States, on the other hand, is expected to lose some of its growth momentum. Despite numerous monetary policy measures, this economy will continue to be impacted by surplus capacity in the real estate market as well as the high level of indebtedness among private households. Growth of just 1.6 percent is anticipated as a result. The Japanese economy is expected to expand once again by only 0.5 percent in 2013.

The emerging economies will pick up speed once more, their economic output climbing 6.2 percent. China, whose economy is slated to expand by 9.0 percent, will be the growth driver. However, India, too, is expected continue its growth trajectory, lifting its economic output by 4.6 percent.

Developments in the industry

The growth prospects of the solar energy market continue to be considered very favourable. Fuelled by growing awareness of the finiteness of fossil fuels and the related political support to expand renewable energies in many parts of the world, the demand for photovoltaic installations has been continuously rising. Dynamic growth is forecast for the coming years as well. The slump in prices in recent years has reduced the cost of producing solar power to such an extent that it is now able to compete with conventional power in a number of markets. This provides promising opportunities for the attractiveness and marketing of solar power installations.

Experts estimate that the market volume will rise to up to 35 gigawatts worldwide in 2013. Developments in the individual markets will vary considerably: while the established markets in Europe will contract further in 2013, the USA and Asia in particular will see sustained growth.

The sharpest fall in demand is forecast for the German market where, after the federal government made numerous amendments to the Renewable Energy Sources Act, experts are forecasting a decrease of over 40 percent. Though Germany would still remain the third-largest market in the world, its volume would only just be marginally higher than the 2009 figure. A similar trend is expected for Italy, the former world number two. Here, too, a regulation-induced slump in demand is anticipated.

The fact that the global market is expected to grow all the same is mainly thanks to the strong increase in Asia. Here, the Chinese government in particular has set itself the goal of raising new installed output to around 10 gigawatts in 2013, which equates to about one-third of the global market. Establishing a domestic market is particularly important for China, as the largest producing country. Efforts to shift the energy mix clearly in favour of renewables are also progressing in Japan in the wake of the devastating reactor accident in Fukushima. In this connection, the market is expected to expand further, a trend that is set to continue in the years to come.

As one of the highest consumers of energy, the United States is likely to see a sustained increase in demand. Experts are predicting that, if it keeps growing, the country could establish itself as the second-largest market after China in the coming years.

Although overall demand is increasing worldwide once again, it will not entirely offset the supply overhang that together with other factors was responsible for the severe price erosion of recent years. It is therefore expected that prices for solar modules will continue to fall, albeit at a much slower pace.

Furthermore, a decision by the Council of Europe in favour of introducing punitive tariffs on solar modules and components from China could impact the future development of prices and volumes: In early March 2013, the EU issued a Regulation stipulating that imports from China must be presented to the customs authorities. As the investigation proceeds, a decision will be reached by the beginning of June 2013 on whether provisional punitive tariffs will be imposed in the European Union. At the present time, it is impossible to forecast the outcome of this investigation, which specific regulatory measures will be involved and their effects on competition in the photovoltaic industry in Europe and markets outside Europe.

Outlook

The global demand for solar power installations is essentially shaped by price trends in the material components of a solar power installation and, still, by the political funding structures in the individual markets. As in years past, there is some uncertainty relating to these two factors of influence, which means that the Group's plans can consider these aspects only in part. This also applies in relation to possible consequences of the European Commission's anti-dumping investigation into imports of solar panels and their key components originating in China.

After reducing its losses in 2012 compared with the previous year, Conergy Group is seeking to further improve its key performance indicators. Sales are expected to rise again in 2013 for the first time. Assuming much weaker price erosion, sales of between EUR 650 and EUR 750 million are likely to be generated on the strength of higher module sales. Increasing the large-scale project business in Asia, North America and new export markets such as in Eastern Europe will contribute to this development in particular.

In recent years, earnings before interest, taxes, depreciation and amortisation (EBITDA) was impacted on multiple occasions by one-time effects arising from the Company's restructuring. The Management Board expects that the Company's strategic realignment will be essentially completed in 2013 and that earnings will improve again as sales rise. Planning therefore assumes that with the expected fall in the prices of all material components of a photovoltaic installation, EBITDA will be slightly positive.

As in the past, the Company will also focus on generating positive cash flows from operating activities. Through the reduction of its own vertical integration, Conergy considers the financing requirements for its investments to be small. The Company therefore assumes that its activities will be largely financed through its cash flows from operating activities.

The Management Board believes that sales will continue to move upwards in the coming years and that earnings in particular will be systematically strengthened. But this presupposes largely stable political parameters for the solar industry as well as moderate changes in the prices for the central components of a solar electricity system.

The business development of Conergy AG is heavily influenced by the development of the Conergy Group's business. The outlook given on the global economy and the development of the industry also applies to Conergy AG. The positive development of the Conergy Group's business that is to be expected based on this will have a corresponding effect on the earnings of Conergy AG. The Company therefore expects earnings according to the single-entity financial statements to improve as well. However, a further net loss cannot be ruled out for 2013 and 2014.

Hamburg, 19 March 2013
Conergy AG
The Management Board

Consolidated financial statements as at 31 December 2012

CONSOLIDATED FINANCIAL STATEMENTS

NOTES CONERGY GROUP

Disclosures and comments on the income statement

Disclosures and comments on the consolidated balance sheet

Other disclosures

Consolidated statement of comprehensive income of the Conergy Group

EUR million	Note	2012	2011*
Sales	8	473.5	754.1
Changes in inventories of finished goods and work in progress		–14.2	–17.9
Cost of materials		–390.7	–608.9
Gross profit		**68.6**	**127.3**
Personnel expenses	9	–68.8	–86.3
Other own work capitalised		0.2	0.2
Other operating income	10	41.7	27.4
Other operating expenses	11	–110.7	–148.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–69.0**	**–80.3**
Depreciation, amortisation and impairment losses	12	–14.8	–98.7
Earnings before interest and taxes (EBIT)		**–83.8**	**–179.0**
Non-operating income		0.5	69.1
Non-operating expenses		–14.0	–19.1
Non-operating result	13	**–13.5**	**50.0**
Earnings before taxes (EBT)**		**–97.3**	**–129.0**
Income taxes	14	–1.7	–35.5
Income from continuing operations after taxes		**–99.0**	**–164.5**
Income from discontinued operations after taxes	6	–	2.4
Income after taxes		**–99.0**	**–162.1**
Changes in value recognised in equity			
Exchange differences from the translation of foreign subsidiaries		1.5	–1.5
Comprehensive income***		**–97.5**	**–163.6**
Income after taxes		**–99.0**	**–162.1**
Thereof attributable to:			
Shareholders of Conergy AG (consolidated profit or loss)		–99.0	–162.3
Minority shareholders		0.0	0.2
Comprehensive income***		**–97.5**	**–163.6**
Thereof attributable to:			
Shareholders of Conergy AG		–97.5	–163.8
Minority shareholders		0.0	0.2
Earnings per share (in EUR)****	15		
Basic		–0.62	–1.65
Diluted		–0.62	–1.65
Earnings per share (in EUR) from continuing operations	15		
Basic		–0.62	–1.67
Diluted		–0.62	–1.67

* Previous years' figures adjusted owing to IAS 8; see notes
** 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	31.12.2012	31.12.2011
Non-current assets			
Goodwill	16	–	–
Intangible assets	16	1.8	4.2
Property, plant and equipment	17	74.8	81.3
Financial assets	18	1.5	1.5
Other assets	19	0.8	1.2
Deferred tax assets	14	0.7	3.1
		79.6	**91.3**
Current assets			
Inventories	20	61.3	86.4
Trade account receivable	21	62.6	83.2
Financial assets	18	4.4	8.4
Other assets	19	14.8	26.9
Cash and cash equivalents	23	18.9	23.8
		162.0	**228.7**
Assets classified as held for sale and discontinued operations	6	–	22.4
		162.0	**251.1**
Total assets		**241.6**	**342.4**
Equity attributable to the shareholders of Conergy AG			
Capital stock		159.8	159.8
Capital reserves		8.0	8.0
Other reserves		–244.4	–146.9
		–76.6	**20.9**
Non-controlling interests		**0.0**	**0.0**
Total equity	**24**	**–76.6**	**20.9**
Non-current liabilities			
Provisions	25	25.3	39.3
Borrowings	27	81.3	87.7
Other liabilities	29	1.3	1.8
Deferred tax liabilities	14	0.0	0.1
		107.9	**128.9**
Current liabilities			
Provisions	25	7.3	18.8
Borrowings	27	55.0	53.6
Trade accounts payable	28	130.2	88.2
Other liabilities	29	17.4	20.9
Current income tax liabilities	14	0.4	1.7
		210.3	**183.2**
Liabilities in connection with assets held for sale and discontinued operations	6	–	9.4
		210.3	**192.6**
Total equity and liabilities		**241.6**	**342.4**

Consolidated statement of cash flows of the Conergy Group

EUR million	Note	2012	2011*
Operating result from continuing operations (EBIT)		**−83.8**	**−179.0**
Depreciation and amortisation		14.8	98.7
Change in non-current provisions		−14.6	0.2
Gains (–)/losses (+) from disposal of fixed assets		0.0	0.9
Increase (–)/decrease (+) in inventories		29.0	50.3
Increase (–)/decrease (+) in trade receivables		15.4	10.1
Increase (–)/decrease (+) in trade payables		41.8	−67.8
Change in other net assets / Other non-cash items		3.1	46.0
Income taxes paid (–)/received (+)		−1.8	−2.7
Net cash generated from operating activities, continuing operations		**3.9**	**−43.3**
Net cash generated from operating activities, discontinued operations	6	4.3	1.9
Net cash generated from operating activities (total)	**31**	**8.2**	**−41.4**
Cash inflows from sales of property, plant, equipment and other assets		0.1	1.6
Cash outflows for investments in property, plant and equipment and intangible assets		−3.3	−14.6
Cash receipts from the sale of subsidiaries		4.8	25.3
Change in non-current financial assets		−0.2	2.4
Interest received		0.5	0.9
Net cash generated from investing activities (total)	**31**	**1.9**	**15.6**
Cash flow before financing activities		**10.1**	**−25.8**
Capital contributions		–	13.9
Cash payments in connection with the acquisition of equity		–	−3.6
Change in borrowings		−3.4	124.3
Cash outflows for retirements of debt		−1.6	−105.0
Interest paid		−10.0	−18.0
Net cash generated from financing activities (total)	**31**	**−15.0**	**11.6**
Change in cash from operating activities (total)		**−4.9**	**−14.2**
Cash and cash equivalents as at 01.01.		**23.8**	**38.0**
Change from exchange rate changes		0.0	0.0
Cash and cash equivalents as at 31.12.	**23**	**18.9**	**23.8**
Thereof cash and cash equivalents from discontinued operations/assets held for sale		–	0.0

* Previous years' figures adjusted owing to IAS 8; see notes

Consolidated statement of changes in equity of the Conergy Group

	Equity attributable to the shareholders of Conergy AG						
			Other reserves				
				Valuation adjustments recognised directly in shareholders' equity			
EUR million	**Capital stock**	**Capital reserves**	**Retained earnings**	**Currency changes**	**Total**	**Non-controlling interests**	**Total equity**
As at 01.01.2011	**398.1**	**323.9**	**−649.5**	**−0.9**	**71.6**	**−0.2**	**71.4**
Non-owner changes in equity							
Earnings after taxes			−162.3		−162.3	0.2	−162.1
Gains and losses recognized in equity				−1.5	−1.5		−1.5
Comprehensive income / loss			**−162.3**	**−1.5**	**−163.8**	**0.2**	**−163.6**
Owner-based change in capital							
Capital increase	110.0	5.5			115.5	–	115.5
Taxes on items recognised directly in equity		1.2		–	1.2	–	1.2
Ordinary capital reduction	−348.3	−319.0	667.3				
Cost of capital increase	–	−3.6	–	–	−3.6	–	−3.6
As at 31.12.2011	**159.8**	**8.0**	**−144.5**	**−2.4**	**20.9**	**–**	**20.9**
As at 01.01.2012	**159.8**	**8.0**	**−144.5**	**−2.4**	**20.9**	**–**	**20.9**
Non-owner changes in equity							
Earnings after taxes			−99.0		−99.0		−99.0
Gains and losses recognised in equity				1.5	1.5		1.5
Comprehensive income / loss			**−99.0**	**1.5**	**−97.5**	**–**	**−97.5**
Owner-based change in capital							
As at 31.12.2012	**159.8**	**8.0**	**−243.5**	**−0.9**	**−76.6**	**–**	**−76.6**

Notes Conergy Group

1. Reportable segments

Segments	Europe		Asia Pacific & Americas		Holding*		Reconciliation		Continuing operations*	
EUR million	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External sales	333.6	543.7	139.9	210.4	–	–	–	–	473.5	754.1
Intersegment sales	16.4	55.1	0.5	0.0	–	–	−16.9	−55.1	–	–
Segment sales (total)	**350.0**	**598.8**	**140.4**	**210.4**	**–**	**–**	**−16.9**	**−55.1**	**473.5**	**754.1**
Other operating income	37.8	33.7	2.9	3.0	16.1	19.1	−15.1	−28.4	41.7	27.4
EBITDA	−29.3	−48.4	−27.0	−25.8	−11.6	−6.8	−1.1	0.7	−69.0	−80.3
Depreciation/amortisation	−11.3	−93.7	−1.2	−2.3	−2.3	−2.7	–	–	−14.8	−98.7
Thereof Impairments	–	−72.7	–	−1.6	–	–	–	–	–	−74.3
EBIT	−40.6	−142.1	−28.2	−28.1	−13.9	−9.5	−1.1	0.7	−83.8	−179.0
Segment investments	2.3	12.1	0.6	2.1	0.4	0.4	–	–	3.3	14.6
Employees FTE** (as at 31.12.)	847	1,103	211	255	86	103	–	–	1,144	1,461

* Previous years' figures adjusted owing to IAS 8; see notes
** Full-time equivalents

2. General disclosures

Conergy AG (hereinafter also referred to as "Conergy" or the "Company") along with its subsidiaries (the "Conergy Group") is a systems supplier in the field of renewable energies, specifically in the field of photovoltaics. The Conergy Group develops, produces, plans and sells photovoltaic plants and plant components. In addition, Conergy is also one of the leading companies for project development and the implementation of large-scale photovoltaic projects and also helps to structure the financing of such 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 Federal Gazette.

On 19 March 2013, 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 20 March 2013; they were approved by the Supervisory Board at its meeting on 21 March 2013. 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 2012 were satisfied in full. There were basically 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.

The Company reviewed the utilisation of its guarantee facilities granted under the syndicated loan agreement, among other things, in connection with the increased use of supplier loans in the 2012 financial year. It was determined that these are now mainly used to provide security for supplier loans while in the past risks arising from the planning and implementation of projects were collateralised. On account of the predominant financing function, the guarantee fees of EUR 3.5 million recorded in the current 2012 financial year were reported under "Non-operating expenses" rather than under "Other operating expenses". The disclosure for the guarantee commission of EUR 3.8 million paid in the previous year was adjusted accordingly with retroactive effect.

In order to make the presentation more precise, items in the consolidated balance sheet and in the consolidated 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 and current. 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 as separate line items in the balance sheet, the statement of comprehensive income and the statement of cash flows (cash flow 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 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 2012 financial year:

| 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. The first-time application of this amendment did not materially affect the presentation of the Conergy Group's assets, liabilities, cash flows and profit or loss.

All IFRS/IAS and interpretations to be applied for the first time in the 2012 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: The dates stated below concerning mandatory first-time application correspond to the dates given according to the EU's endorsement if this has already taken place.

| IAS 12 (Amendment), Recovery of Underlying Assets (1 January 2013)

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. The amendments give rise to an exception from the fundamental principles of IAS 12 for investment property that is measured as investment property using the fair value model in IAS 40. The exception entails including the rebuttable presumption that the carrying amount is usually recovered on disposal. This amendment did not affect the Group's assets, liabilities, cash flows and profit or loss because the Company does not own any investment property.

IFRS 1, First-time Adoption of International Financial Reporting Standards – Government Loans (1 January 2013)

This limited amendment of IFRS 1 relates to the recognition of government loans issued at a below-market rate of interest and sets out that the provisions of IAS 20 must only be applied to government loans existing at the date of transition to IFRSs. Given that Conergy already publishes IFRS financial statements, the first-time adoption of these amendments will not have any effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

IFRS 9, Financial Instruments (1 January 2015)

This standard is an aspect of the project that will replace IAS 39 with the aim of simplifying the accounting for financial instruments. This project has been divided into three stages. Now that the project's first phase has been completed, IFRS 9 contains amended requirements respecting the classification and measurement of financial assets (issued in November 2009), the classification and measurement of financial liabilities as well as the derecognition of financial instruments (issued in October 2010). 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". Changes in the fair value of financial liabilities recognised at the fair value through profit and loss that are attributable to changes in the credit risk of that liability shall be presented in other comprehensive income instead of in profit or loss together with the fair value changes. The standard must be applied for the first time for reporting periods beginning on or after 1 January 2015. Earlier application of the new standard is permitted but Conergy is not considering doing so at the present time. 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.

IFRS 10, IFRS 11 and IFRS 12 as well as Amendments of IAS 27 and IAS 28 (1 January 2013)

In May 2011, the IASB published a package to revise the concept of consolidation (IFRS 10) as well as the accounting for joint arrangements (IFRS 11) and interests in other entities (IFRS 12).

IFRS 10 Consolidated Financial Statements supersedes the requirements of IAS 27 in respect of control over and consolidation of subsidiaries as well as SIC-12 Consolidation – Special Purpose Entities. The new standard provides a uniform definition of the concept of control. Thereunder, control is being exercised when the following three elements of control have been satisfied: (1) Power over the investee, (2) exposure, or rights, to variable returns from involvement with the investee and (3) the ability to use power over the investee to affect the amount of the investor's returns. The standard also contains detailed requirements specifying the three elements in various scenarios.

In October 2012, an amendment was approved that provides for limited exceptions to the application of the requirements of IFRS 10 to qualifying investment entities. These limited amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements supersedes IAS 31 as well as attendant SIC-13. IFRS 11 governs the joint control of activities by two or more parties. In contrast to IAS 31, IFRS 11 now only distinguishes between two kinds of joint activities – joint operations and joint ventures. These two activities are delineated based on the parties' respective rights and obligations. In contrast to IAS 31, the existence of a separate legal entity is no longer decisive to classification as a joint venture. In addition, pursuant to IFRS 11 joint ventures must be accounted for using the equity method. IFRS 11 eliminates the choice in IAS 31 regarding proportionate consolidation.

IFRS 12 Disclosure of Interests in Other Entities combines the disclosures on subsidiaries, joint activities and associates as well as unconsolidated structured entities. IFRS 12 requires disclosures that go above and beyond those required under the previous standards, especially in respect of the risks related to an investment and their effect on the entity's assets, liabilities, cash flows and profit or loss.

The new standards must be applied for the first time to reporting periods beginning on or after 1 January 2014. First-time application may result in significant changes in the Company's assets, liabilities, cash flows and profit or loss because in future previously unconsolidated entities must be included in the consolidated financial statements or consolidated entities must be deconsolidated. Furthermore, IFRS 11 may also lead to the classification of joint activities. Early application is permitted. The Conergy Group is reviewing at present how application of this standard will affect the Company's assets, liabilities, cash flows and profit or loss.

| IFRS 13, Fair Value Measurement (1 January 2013)

Given the adoption of IFRS 13, the IFRSs now contain uniform guidance on determining fair values. IFRS 13 must be applied to financial instruments as well as to non-financial assets and liabilities measured at the fair value. In addition, IFRS 13 also provides for additional disclosures on the determination of fair values. For instance, the disclosures on the fair value hierarchies, which so far have applied only to financial instruments, now must also be applied to the fair values of non-financial assets and liabilities. Initial application of this standard will not have a material effect on the Company's assets, liabilities, cash flows and profit or loss because the Conergy Group does not have any financial instruments or non-financial assets and liabilities measured at fair value.

| IAS 1 (Amendment), Presentation of Items of Other Comprehensive Income (1 July 2012)

The amendment of the standard prescribes presenting the elements of other comprehensive income in future broken down by those that will be reclassified to the period's profit or loss at a later date and those that will not be reclassified in subsequent periods. The taxes attributable to the individual items must be allocated accordingly. As it is purely a presentation standard, first-time application of IAS 1 will not affect the Company's assets, liabilities, cash flows and profit or loss but the presentation of other comprehensive income will change accordingly.

| IAS 19 (Amendment), Employee Benefits (1 January 2013)

The amendment of the standard mainly concerns the accounting for defined contribution plans and eliminates the 'corridor' method for recognising actuarial gains and losses. The revision requires recognising all actuarial gains and losses in other comprehensive income at the time they arise. Furthermore, the amended standard also requires application of a uniform discount rate when measuring liabilities and determining the revenue from a fund's assets. Initial application of this standard is unlikely to have a material effect on the Company's assets, liabilities, cash flows and profit or loss because the Conergy Group does not have material defined contribution pension plans or comparable pension plans.

| IAS 32 (Amendment), - Offsetting Financial Assets and Financial Liabilities (1 January 2014) and IFRS 7 (Amendment) - Disclosures Offsetting Financial Assets and Financial Liabilities (1 January 2013)

The requirements for netting set out in IAS 32 were basically retained and merely made more specific by means of additional application guidance. What is new in IFRS 7 are the disclosure obligations in connection with certain netting arrangements such as the gross amount of the affected financial assets and financial liabilities prior to netting and the amount of the financial assets and financial liabilities that are the purpose of netting arrangements without any netting having been performed in the balance sheet. Since these amendments mainly concern additional disclosures in the notes, they will not affect the assets, liabilities, cash flows and profit or loss of the Conergy Group.

| Various amendments as part of the 2009-2011 Annual Improvements cycle (1 January 2013)

The amendments approved in May 2012 as part of the annual improvements project provide for changes to five standards in all and relate to:

- Clarification that an entity that has stopped applying IFRSs may choose to re-apply IFRS 1 plus the corresponding simplifications in order to resume reporting under IFRSs (IFRS 1);

- Recognition of borrowing costs relating to qualifying assets before and after the date of transition to IFRSs (IFRS 1);

- Clarification of the presentation of comparative information, especially in connection with the opening balance sheet for the comparative period that must be presented when an entity changes its accounting policies making retrospective restatements or reclassifications (IAS 1);

– Classification of spare parts and servicing equipment as property, plant and equipment (IAS 16);

– Clarification that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, Income Taxes (IAS 12);

– Amendment of the interim financial reporting of segment information in accordance with IFRS 8 (IFRS 8).

Since the amendments relate only to a small number of items, Conergy currently assumes that first-time adoption of these amendments will not have a material effect on the presentation of its assets, liabilities, cash flows and profit or loss.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)

This interpretation must be applied to all kinds of natural resources obtained from a surface mine. It explains when and how to account for stripping costs in the production phase. This interpretation will not have any effect on the Group's assets, liabilities, cash flows and profit or loss because it concerns an activity that is not pursued by the Conergy Group.

Except for the limited amendments to IFRS 10 in relation to qualifying investment entities, the amendments made in connection with the 2009-2011 Annual Improvements process, the amendment to IFRS 1, Government Loans, and the amendment to IFRS 9, Financial Instruments, these new and amended standards and interpretations had been endorsed by the EU by the time the consolidated financial statements were being prepared. The option to apply them early was not used.

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 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 the realisation of photovoltaic projects, in addition to the production of photovoltaic components and the wholesale business. This encompasses both the planning and construction of energy farms, as well as subsequent maintenance and marketing 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. 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 accordance with 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 or external project company.

An acquired subsidiary is 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. Acquisition-related ancillary 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 at the fair value of the pro-rata identifiable net assets either including or excluding goodwill. 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.

Intragroup 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 percent and 50 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 2012.

Companies included in the consolidated financial statements
Besides Conergy AG as the parent company, the consolidated financial statements also comprise six (previous year: seven) domestic and 16 (previous year: 17) 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 combined management report in the Federal Gazette.

In the 2012 financial year, the following changes occurred with respect to the companies included in Conergy's consolidated financial statements:

	2012			2011
Number of fully consolidated subsidiaries	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**7**	**17**	**24**	**32**
Additions	–	1	1	–
Disposals	1	3	4	7
Additions/Disposals through changes in consolidated Group	–	1	1	–1
As at 31.12.	**6**	**16**	**22**	**24**

Two companies were included in the consolidated financial statements in the 2012 financial year as a result of their foundation and within the scope of changes in the basis of consolidation.

Four companies were no longer in included in consolidation in the 2012 financial year either as a result of mergers or sales in connection with the Conergy Group's reorganisation.

The following table lists the significant subsidiaries included in consolidation:

	Domicile	Percentage of shares owned
Europe		
Conergy Deutschland GmbH	Hamburg	100.0
Conergy Espana SLU	Madrid (Spain)	100.0
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
Conergy SolarModule GmbH & Co. KG	Frankfurt (Oder)	100.0
Mounting Systems GmbH	Rangsdorf	100.0
Conergy UK Limited	Milton Keynes (UK)	100.0
Asia-Pacific and Americas		
Conergy Pty. Limited	Sydney (Australia)	100.0
Conergy Asia & Me Pte. Ltd.	Singapore (Singapore)	100.0
Conergy Energy Systems (India) Private Limited	Bangalore (India)	100.0
Conergy Inc.	Santa Fe (USA)	100.0
Conergy Inc.	Alberta (Canada)	100.0
Mounting Systems Inc.	Sacramento (USA)	100.0

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

Company	Country	Percentage of shares owned
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 Verwaltungs GmbH	Germany	100.0
Conergy SolarModule Verw. GmbH	Germany	100.0
EPURON Pte. Ltd.	Singapore	100.0
EPURON Renewable Energy Private Limited	India	99.9
EPURON Yenilenebilir Enerji Projeleri Limited Sirketi	Turkey	100.0
Panergia SL	Spain	100.0
SunTechnics AG	Switzerland	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 the realisation of photovoltaic projects in addition to the production of photovoltaic components. This encompasses both the planning and construction of energy farms, as well as subsequent maintenance and marketing 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 2012 financial year, as in the previous 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 2012 developed as follows during the financial year:

	2012			2011
Number of intermediate holding companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**2**	**4**	**6**	**14**
Additions	–	–	–	–
Disposals	–	1	1	8
As at 31.12.	**2**	**3**	**5**	**6**

The number of project companies existent as at 31 December 2012 developed as follows during the financial year:

	2012			2011
Number of project companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**6**	**43**	**49**	**187**
Additions	1	–	1	–
Disposals	1	24	25	138
As at 31.12.	**6**	**19**	**25**	**49**
Thereof fully consolidated	1	–	1	3

One (previous year: three) out of the 25 (previous year: 49) project companies was consolidated as at 31 December 2012. The remaining project companies were not consolidated given their overall insignificance to the assets, liabilities, cash flows and profit or loss of the Conergy Group.

The disposals in the 2012 financial year mainly result from eliminations and the sale of so-called shelf companies.

For more information, please 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 table shows the reconciliation of the currency changes recognised in equity:

EUR million	2012	2011
As at 01.01.	**−2.4**	**−0.9**
Exchange differences from the translation of foreign subsidiaries	1.5	−2.1
Reclassification due to the sale of a foreign operation	–	0.6
As at 31.12.	**−0.9**	**−2.4**

The following significant exchange rates were material to currency translation:

	31.12.2012	31.12.2011
1 EUR	**Closing rate/Average exchange rate**	
USD (USA)	1.32/1.28	1.29/1.39
AUD (Australia)	1.27/1.24	1.27/1.35
SGD (Singapore)	1.61/1.61	1.68/1.75
GBP (UK)	0.82/0.81	0.84/0.87
THB (Thailand)	40.35/39.93	40.99/42.43

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 statement of comprehensive income 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 cannot 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 statement of comprehensive income 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 2012 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.

As in the previous year, no goodwill was recognised as at 31 December 2012.

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
Operating 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 statement of comprehensive income 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 statement of comprehensive income.

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 reporting year, all borrowing costs expensed – as in the previous year.

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 statement of comprehensive income 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.

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 its 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 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 thing, 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 using the effective interest method. Conergy's portfolios currently do not contain any 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. Global valuation allowance are 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.

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, production, construction and assembly of complex photovoltaic 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 in which 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 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. Own shares are to be 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. Conergy AG and its subsidiaries do not hold treasury shares.

Earnings per share
Earnings per share are calculated by dividing the net income or loss for the period attributable to the shareholders of Conergy AG by the number of the average number of shares outstanding. Any shares sold or bought back during a given period are taken into account on a pro-rata basis for the period during which they were outstanding. There were no dilutive effects during the reporting periods shown.

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 are recognised in the statement of comprehensive income under the non-operating result 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.

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 cannot 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.

Government grants

Government grants received in connection with investments in property, plant and equipment are deducted 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.

Employee benefits

Post-employment benefits

The Group's pension plan 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 statement of comprehensive income 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 payment

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.

4. Assumptions and exercise in judgement

Management's material margin in judgement
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 combined management report.

Estimates and assumptions
Below is a description of the judgement 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 2012, EUR 3.7 million (previous year: EUR 6.7 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 2012, trade accounts receivable included allowances of EUR 16.5 million (previous year: EUR 16.1 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 2012, the carrying amount of the Company's property, plant and equipment – which essentially concerns the Frankfurt (Oder) production site – was EUR 74.8 million (previous year: EUR 81.3 million).

| 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 2012, no deferred tax assets were recognised for tax loss carryforwards of EUR 416.0 million (previous year: EUR 291.2 million) in corporate income taxes and EUR 311.3 million (previous year: EUR 210.4 million) in municipal trade tax because the entities this currently concerns have a history of posting losses and 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.

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

Provisions

The determination of provisions for warranties, restructuring measures 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 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 requirements exposes it to a variety of financial risks, in particular, market, credit and liquidity risks. Furthermore, its groupwide financial 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 Corporate Treasury 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 is available to our employees in this connection. Maximum amounts that greatly limit the risk from underlying (project) transactions of the hedges 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 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 euros 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 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 purchase 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 purchase prices due to the rising US dollar) could trigger additional procurement expenses in the short term, in turn substantially affecting Conergy's earnings and liquidity.

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 are subject to variable interest rates. Borrowings in the 2012 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.

Liquidity risks

The Conergy Group centrally manages its liquidity risk – i.e. the risk of being unable to fulfil current and 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. 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.

A total of EUR 261.5 million in funds are available to Conergy under the loan agreement (2011 Syndicated Loan Agreement) made on 8 July 2011 between Conergy AG and Conergy SolarModule GmbH & Co. KG (as the borrowers), other significant Conergy Group companies (as the guarantors) and ten banks led by Commerzbank International S.A., Luxembourg. According to the Company's planning and based on the existing credit lines and guarantees, Conergy AG and the Group basically have sufficient liquidity in both the short and medium term through cash inflows from operating activities. The Company's liquidity cover remains very thin and depends solely on earnings from operating activities. Considerable shortfalls in expected sales and earnings as well as in expected cash inflows from operating activities would therefore undermine or even destroy Conergy's solvency. In this case, the currently existing threat to its existence as a going concern could become a reality, if and to the extent that it is impossible to offset the lack of operating cash flows through other actions, especially cash infusions from shareholders and outside lenders. The Management Board cannot judge at this time whether the shareholders or outside lenders would be willing to do so (see note 27).

However, at this time there are no discernible risks to the Company as a going concern that are more likely than not to occur. Hence the Management Board assumes that the Company will continue as a going concern.

Credit 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 therefore subjected to various credit checks. Conergy has a groupwide receivables management policy in place to promote effective receivables management. Defined centrally yet implemented at local level, this contains specifications and guidelines that are effective for both initial contact with customers and ongoing customer management (e.g. by setting credit limits). Conergy adjusts and adds to these rules and regulations at regular intervals and implements process optimisations, taking care to continually minimise possible risks.

In addition, the Company's central receivables management function, as a sub-discipline of working capital management, continuously monitors all receivables outstanding worldwide by their maturity structure. Measures aimed at collecting receivables, e.g. through an ERP-based dunning system, are determined in cooperation with the decentralised units Conergy also uses credit insurers as an additional instrument to cover receivables. As the opportunities for using credit insurance in the photovoltaic industry are increasingly diminishing, Conergy is continually working on optimising this process. Given the difficult situation in the industry at present, Conergy is also keen to find other flexible forms of safeguarding its business with its clients directly so as to protect itself from incurring potential bad debt losses as far as possible.

Despite these measures, there is no guarantee nonetheless – especially against the backdrop of the situation on the capital and sales markets – that the Company will actually be able to collect receivables.

6. Changes in the consolidated group

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

Discontinued operations
As in the previous year, no discontinued operations were classified as available for sale as at 31 December 2012.

The result from discontinued operations in the previous year essentially concerned the wind project business in Australia, which was sold in November 2011, and was as follows:

EUR million	2011
Sales	6.1
Other expenses and income	−3.7
Income from discontinued operations before taxes	**2.4**
Income taxes	0.0
Income from discontinued operations after taxes	**2.4**
Thereof	
valuation gains/losses from value adjustments of assets and liabilities	–
Profit/loss from disposals	–
comprised taxes	–

Discontinued operations in the previous year accounted for the following net cash flows:

EUR million	2011
Cash flow from operating activities	1.9
Cash flow from investing activities	0.1
Cash flow from financing activities	0.3
Cash flow from discontinued operations	**2.3**

Due to the sale of the wind project business in Australia, a net cash inflow of EUR 4.3 million was recorded in the 2012 financial year.

Assets and liabilities held for sale
No assets and liabilities were classified as available for sale as at 31 December 2012.

The assets and liabilities of the inverter subsidiary, voltwerk electronics GmbH, were designated as held-for-sale assets and liabilities in the previous year because the entity was sold to the Bosch Group, which is headquartered in Stuttgart in December 2011.

Conergy closed the sale of its inverter subsidiary, voltwerk electronics GmbH, to the Bosch Group at the end of March 2012 with the approval of the relevant cartel offices. The sale of voltwerk electronics GmbH resulted in a recognised disposal of "assets classified as held for sale" in the amount of EUR 14.5 million and "liabilities in connection with assets held for sale" in the amount of EUR 7.0 million.

The previous year's assets and related liabilities scheduled for disposal are categorised as follows:

EUR million	31.12.2011
Assets	
Goodwill	0.0
Intangible assets	3.9
Property, plant and equipment	1.2
Inventories	16.7
Other assets	0.6
Cash and cash equivalents	0.0
	22.4
Liabilities	
Borrowings	–
Trade payables	4.5
Other liabilities	4.9
	9.4

The sales mentioned above and further sales of smaller companies as at the time of sale had the following effect on the Group's assets and liabilities:

EUR million	2012	2011
Assets		
Intangible assets	4.1	0.9
Property, plant and equipment	1.1	1.2
Inventories	8.8	14.3
Other assets	0.5	3.2
	14.5	**19.6**
Liabilities		
Borrowings	–	0.0
Trade payables	4.4	1.5
Other liabilities	2.5	5.2
	7.0	**6.7**

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 2012 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.

Segment classification for the 2012 financial year has been changed relative to the consolidated financial statements for the year ended 31 December 2011 on account of the change in responsibilities on the Management Board of Conergy AG and resulting reporting needs.

Reportable segments

The segment structure corresponds to the internal control and reporting systems applicable in the 2012 financial year. Segment reporting comprises two regional segments and one central segment ("Holding" segment). All modules, mounting systems and module frames that are sourced and produced for the European market and sold there are reported under the Europe segment. The Europe segment also includes central procurement, logistics, supply chain management and quality management. The modules, mounting systems and module frames manufactured for and sold in the Asian and American markets are reported under the segment entitled "Asia Pacific and Americas (APAM)".

The Holding segment mainly comprises Corporate Legal, Corporate Human Resources & Compliance, Corporate Business Development, Corporate Accounting & Controlling, Corporate Communications, Investor Relations as well as Corporate IT & Processes. In addition, Momentum Renewables GmbH and Conergy Real Estate GmbH & Co. KG will be reported in this segment.

The "Reconciliation" column is shown separately. During reconciliation, intra-Group business transactions are eliminated and income and expenses not directly attributable to the segments are disclosed.

The previous year's segment reporting figures were adjusted accordingly.

In its function as the Company's chief operating decision maker, the Management Board is not given any information on segment assets. Given the absence of internal reporting, there are no disclosures on segment assets in respect of reportable segments.

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, taxes, depreciation and amortisation (EBITDA) to the Group's earnings before taxes (EBT):

Reconciliation of the segment result		
EUR million	**31.12.2012**	**31.12.2011**
Europe	−29.3	−48.4
Asia Pacific and Americas	−27.0	−25.8
Holding	−11.6	−6.8
Reconciliation	−1.1	0.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−69.0**	**−80.3**
Depreciation, amortisation and impairment losses	−14.8	−98.7
Operating result (EBIT)	**−83.8**	**−179.0**
Non-operating result	−13.5	50.0
Earnings before taxes (EBT)	**−97.3**	**−129.0**

Cross-segment disclosures

Cross-segment sales in Germany were EUR 130.2 million (previous year: EUR 199.0 million). Sales of EUR 343.3 million (previous year: EUR 555.1 million) were generated outside Germany.

Of this amount, EUR 77.2 million (previous year: EUR 124.4 million) are attributable to Italy and EUR 45.8 million (previous year: EUR 42.6 million) are attributable to the United States.

As in the previous year, no single customer accounted for more than ten percent of the Conergy Group's sales in the 2012 financial year. All disclosures regarding sales are classified by the location of the respective Conergy company's head office.

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

A total of EUR 75.1 million (previous year: EUR 83.2 million) of the Group's non-current assets amounting to EUR 76.6 million (previous year: EUR 85.5 million) are attributable to Germany.

Disclosures and comments on the income statement

8. Sales

Sales are comprised of the following:

EUR million	**2012**	**2011**
Sales from the sale of goods	273.9	497.2
Revenue from services rendered (incl. projects)	186.1	224.1
Services realised under construction contracts (PoC)	13.5	32.8
	473.5	**754.1**

9. Personnel expenses

EUR million	**2012**	**2011**
Wages and salaries	−54.8	−70.4
Social security costs	−14.0	−15.9
	−68.8	**−86.3**

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.

Personnel expenses include EUR 0.5 million in termination benefits (previous year: EUR 1.4 million).

10. Other operating income

The other operating income is comprised of the following:

EUR million	**2012**	**2011**
Income from the reversal of provisions	25.5	7.4
Cash receipts from the sale of subsidiaries	1.4	6.3
Currency changes	0.3	3.8
Write-up from receivables	1.4	1.7
Other operating income	13.1	8.2
	41.7	**27.4**

The income from the reversal of provisions mainly concerns the reversal of unused provisions that had been recognised in connection with guarantee risks, restructuring costs, contingent losses and potential litigation, which are no longer needed due to the business performance in the 2012 financial year.

The income from the sale of subsidiaries stems from the sale of voltwerk electronics GmbH to the Bosch Group in the first quarter of 2012. The company was shown as part of the Europe segment. In the previous year, this contained EUR 6.3 million in total profits from the sale of assets and liabilities of our subsidiaries, Güstrower Wärmepumpen GmbH and Conergy (Schweiz) GmbH – both belonging to the Europe segment – that were classified as held for sale in the 2010 financial year. Both companies were sold in the first quarter of 2011.

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 other operating income also comprise a large number of additional extraordinary factors. These include EUR 3.1 million attributable to Conergy AG, principally resulting from the positive outcome of litigation, plus EUR 2.9 million attributable to Conergy SolarModule GmbH & Co. KG in connection with investment grants.

11. Other operating expenses

The other operating expenses are comprised of the following:

EUR million	2012	2011
Distribution costs (incl. transportation costs)	–20.6	–24.1
Legal and consulting expenses	–12.2	–12.1
Rental and lease expenses	–9.9	–10.9
Usage fees and maintenance costs	–9.8	–16.0
Warranty costs	–9.6	–16.0
Bad debt allowance	–6.3	–10.4
Third-party services (incl. temporary staff)	–4.8	–14.5
Currency changes	–2.0	–6.9
Other operating expenses	–35.5	–38.0
	–110.7	**–148.9**

Compared with the previous year, distribution costs including transport costs fell from EUR 24.1 million by EUR 3.5 million to EUR 20.6 million in the 2012 financial year. This was mainly due to the reduction in marketing and other distribution costs.

At EUR 12.2 million (previous year: EUR 12.1 million), legal and consulting expenses were EUR 0.1 million higher year on year. Consulting expenses were largely incurred in the areas of finance (banks), legal affairs, restructuring, auditing and consulting. This also contains external IT and project development services.

Usage fees and maintenance expenses decreased year on year by EUR 6.2 million, from EUR 16.0 million to EUR 9.8 million. This is mainly due to the reduction in energy costs by EUR 4.7 million triggered by the change in strategy at the Frankfurt (Oder) solar factory. Due to this change in strategy, expenses for third-party services were also reduced by EUR 9.7 million compared to the previous year, from EUR 14.5 million to EUR 4.8 million. The expenses for third-party services essentially concern contract and temporary workers employed in the production units. As a result of the reduction of Conergy's vertical integration, such workers were employed only to a small extent in the Frankfurt (Oder) solar factory in 2012.

The year-on-year decrease in warranty costs by EUR 6.4 million from EUR 16.0 million to EUR 9.6 million is primarily due to the high price erosion for photovoltaic modules and the recognition of lower provisions as a result of the high quality standard achieved in recent years for photovoltaic modules as well as an extraordinary charge in the previous year in connection with converters, which occurred in the first half of 2011.

The allowances on receivables were due to a lack of creditworthiness on the part of customers. Whilst write-downs of receivables were EUR 10.4 million the previous year, write-downs in 2012 were EUR 6.3 million, of which EUR 2.7 million was attributable to the Australian market, which is in a state of flux, and EUR 1.0 million was attributable to India.

The other operating expenses amounting to EUR 35.5 million (previous year: EUR 38.0 million) are due, among others, to a non-recurring expenditure in connection with terminating the wafer supply agreement with US wafer manufacturer MEMC Electronic Materials, Inc. and the associated surrender of the cash collateral provided, which depressed earnings by approx. EUR 18.0 million as part of other operating expenses. In the previous year, the other operating expenses included, among others, EUR 15.8 million in one-time expenses that were triggered by the Company's decision to focus on module production at the Frankfurt (Oder) solar factory.

In 2012 the other operating expenses also contained EUR 3.2 million in expenses for travel, food and entertainment (previous year: EUR 3.1 million); EUR 2.1 million in expenses for communication and office equipment (previous year: EUR 2.3 million); as well as EUR 2.0 million in expenses for insurance, contributions, fees and other charges (previous year: EUR 2.1 million).

The miscellaneous other operating expenses comprise a multitude of minor individual items related to the Group's 23 consolidated companies shown under continuing operations.

12. Depreciation, amortisation and impairment losses

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

EUR million	2012	2011
Impairment of goodwill	–	–1.0
Impairment of own development services	–	–0.2
Impairment of other intangible assets and of property, plant and equipment	–0.3	–73.1
Depreciation and amortisation	–14.5	–24.4
	–14.8	**–98.7**

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.

No goodwill existed as at 31 December 2012. Impairment losses on property, plant and equipment in the previous year were due mainly to the write-down of the wafer and cell production facilities owing to our changed strategy for the Frankfurt (Oder) production plant.

13. Non-operating result

Conergy's non-operating result in the 2012 financial year was EUR –13.5 million (previous year: EUR 50.0 million). It comprises EUR –14.0 million in non-operating expenses (previous year: EUR –19.1 million) and EUR 0.5 million in non-operating income (previous year: EUR 69.1 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	2012	2011
Expenses		
Interest and similar expenses*	–12.9	–16.8
Interest expense from derivatives (held for trading)	–	–0.9
Income		
Other interest and similar income*	0.5	1.4
Total	**–12.4**	**–16.3**

* 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	2012	2011
Expenses		
Interest expense added back to interest-bearing provisions	–1.0	–1.3
Other non-operating expenses	–0.1	–0.1
Income		
Other non-operating income	–	67.7
Total	**–1.1**	**66.3**

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

The other non-operating income in the previous year contained one-time income from the capital increase in July 2011 and the related waiver by the lenders of EUR 67.7 million in debt.

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	2012	2011
Current income taxes	0.4	–2.7
Deferred income taxes	–2.1	–32.8
	–1.7	**–35.5**

The deferred tax expense of EUR 2.1 million mainly results from the non-recognition of deferred tax assets on temporary differences.

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	2012	2011
Income from continuing operations before taxes	**–97.3**	**–129.0**
Income from discontinued operations before taxes	0.0	2.4
Earnings before taxes (total)	**–97.3**	**–126.6**
Theoretical income tax rate for the Company in percent	31.5	31.5
Expected tax income (+)/expense (–)	**30.7**	**39.9**
Effects of tax rate changes in future years	–0.5	0.0
Municipal trade tax additions/deductions	–2.5	–0.9
Effects of previous years' taxes recognised in the financial year	–0.4	–0.6
Effects due to tax rates deviating from the theoretical income tax rate	1.5	–0.9
Effects of non-taxable income	2.4	0.0
Permanent effects	0.0	–0.8
Effects of non-deductible expenses	–1.8	–0.9
Effects of the non-recognition and retrospective application of deferred tax assets on temporary differences and loss carryforwards	–32.7	–67.2
Other differences	1.5	–4.1
Current income taxes (total)	**–1.7**	**–35.5**
Effective income tax rate in percent	–1.8	–28.1
Thereof current income taxes from discontinued operations	0.0	0.0
Current income taxes from continuing operations	**–1.7**	**–35.5**
Effective income tax rate in percent	–1.8	–27.5

As in the previous year, 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 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; and 31.4 percent in Italy.

Deferred taxes recognised in the balance sheet stem from the following items:

	Deferred tax assets		Deferred tax liabilities	
EUR million	2012	2011	2012	2011
Intangible assets	4.6	9.7	0.2	0.1
Property, plant and equipment	0.0	1.5	0.1	0.0
Receivables and other financial assets	0.7	0.2	0.1	2.8
Inventories	5.0	1.2	0.1	1.1
Trade receivables	0.0	1.3	1.2	1.4
Provisions	3.4	1.4	0.0	0.1
Other liabilities	0.4	1.5	6.1	2.2
Trade accounts payable	0.5	0.0	6.1	6.1
Tax loss carryforwards	–	–	–	–
	14.6	**16.8**	**13.9**	**13.8**
Thereof non-current	8.0	12.0	0.3	2.4
Netting	13.9	13.7	13.9	13.7
Deferred taxes recognised	**0.7**	**3.1**	**–**	**0.1**

No deferred tax assets were recognised on deductible temporary differences in the amount of EUR 125.3 million (previous year: EUR 162.0 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, no deferred tax assets were recognised for all corporate income tax and municipal trade tax loss carryforwards amounting to EUR 416.0 million and EUR 311.3 million. In the previous year, the corporate income tax and municipal trade tax loss carryforwards amounted to EUR 291.2 million and EUR 210.4 million, respectively.

The tax loss carryforwards can be used as follows:

EUR million	2012		2011	
	CIT/SS*	MTT*	CIT/SS*	MTT*
Up to 1 year	0.1	–	–	–
1 to 5 years	31.1	–	11.8	–
More than 5 years	384.8	311.3	279.4	210.4
	416.0	**311.3**	**291.2**	**210.4**

* CIT= Corporate income tax, SS = Solidarity surcharge, MTT = Municipal trade tax

The changed shareholder structure following the completion of the December 2008 capital increase as well as 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. The summary above reflects the situation regarding loss carryforwards after application of the limitation on loss carryforwards in accordance with Section 8c para. 1 German Corporation Tax Act.

Conergy is currently reviewing whether the restructuring provision in Section 8c para. 1a German Corporation Tax Act – which was introduced on 16 July 2009 as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums – 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 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. Contrary to the European Commission's view, the German government believes that the restructuring provision is not a harmful grant. The case that the German government filed with the European Court on 7 April 2011 to annul the European Commission's decision has since been dismissed as inadmissible. At the same time, other actions on comparable legal issues have been brought before the European Court. For the restructuring privilege to apply, it would suffice if just one of the actions filed with the European Court were to be successful.

Moreover the Hamburg Tax Court and the Münster Tax Court have both raised doubt as to the constitutionality overall of the limitation on loss carryforwards under Section 8c para. 1 German Corporate Income Tax Act. The Hamburg Tax Court has asked the Federal Constitutional Court to review the requirements of Section 8c German Corporate Income Tax Act. The ruling of the Federal Constitutional Court is pending.

The Conergy companies carried out comprehensive measures in 2011 to reduce liabilities. In this connection, shareholders of Conergy AG contributed their claims under loans by means of in-kind contributions in return for new Conergy AG shares. The shareholder structure of Conergy AG has changed in the wake of these debt-reduction measures. Pursuant to a binding statement from the tax authority however, this change does not result in the elimination of the loss carryforwards pursuant to Section 8c para. 1 German Corporate Income Tax Act. The binding statement of the tax authority shall be binding only if the actual facts correspond in all material respects to the facts described in the application for a binding statement.

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 further elimination of tax loss carryforwards after the reporting date.

Deferred tax liabilities of EUR 20.1 million (previous year: EUR 35.1 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

		2012	2011
Result from continuing operations applicable to shareholders of Conergy AG	EUR million	–99.0	–164.7
Result applicable to shareholders of Conergy AG	EUR million	–99.0	–162.3
Adjusted result from continuing operations	EUR million	–99.0	–164.7
Adjusted result applicable to shareholders of Conergy AG	EUR million	–99.0	–162.3
Weighted average number of shares issued	Shares	159,795,307	98,359,550
Adjusted weighted average number of no-par shares issued	Shares	159,795,307	98,359,550
Basic earnings per share			
from continuing operations in EUR	EUR	–0.62	–1.67
from discontinued operations in EUR	EUR	0.00	0.02
Earnings per share applicable to shareholders of Conergy AG	**EUR**	**–0.62**	**–1.65**
Diluted earnings per share			
from continuing operations in EUR	EUR	–0.62	–1.67
from discontinued operations in EUR	EUR	0.00	0.02
Earnings per share applicable to shareholders of Conergy AG	**EUR**	**–0.62**	**–1.65**

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.

The net accumulated losses of Conergy AG as at 31 December 2011 amounted to EUR 35.5 million. The net loss pursuant to the annual financial statements of Conergy AG according to the German Commercial Code as at 31 December 2012 was EUR –95.0 million.

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 to EUR 49,761,116, and thus for an 8:1 reverse stock split.

The Extraordinary General Meeting on 25 February 2011 also resolved to raise the capital stock by up to EUR 187,790,283 once it had been reduced.

The total number of shares issued has been 159,795,307 since 21 July 2011. The implementation of the capital increase in return for cash and in-kind contributions was recorded in the appropriate Commercial Register on 21 July 2011.

Disclosures and comments on the consolidated balance sheet

16. Intangible assets and goodwill

EUR million	Goodwill	Industrial property rights	Own development services	Other intangible assets and advance payments made	Total
As at 01.01.2011					
Cost	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**
Development in 2011					
Net carrying amount as at 01.01.2011	1.0	0.5	5.1	4.6	11.2
Currency changes	–	0.0	0.0	0.1	0.1
Additions	–	0.2	0.9	0.7	1.8
Disposals	–	0.0	−0.3	0.0	−0.3
Reclassification to current assets	–	0.0	−3.9	0.0	−3.9
Amortisation	–	−0.2	−1.1	−3.1	−4.4
Impairment losses	−1.0	–	−0.2	−1.0	−2.2
Transfers	–	–	–	1.9	1.9
Net carrying amount as at 31.12.2011	**-**	**0.5**	**0.5**	**3.2**	**4.2**
As at 31.12.2011					
Cost	29.1	8.5	21.5	14.3	73.4
Cumulative amortisation and impairment losses	−29.1	−8.0	−21.0	−11.1	−69.2
Net carrying amount	**-**	**0.5**	**0.5**	**3.2**	**4.2**
Development in 2012					
Net carrying amount as at 01.01.2012	-	0.5	0.5	3.2	4.2
Currency changes	–	0.0	0.0	0.0	0.0
Additions	–	0.1	0.5	0.5	1.1
Disposals	–	–	0.0	−0.1	−0.1
Reclassification to current assets	–	–	–	–	–
Amortisation	–	−0.2	−0.5	−2.6	−3.3
Impairment losses	–	–	–	–	–
Transfers	–	0.0	0.0	−0.1	−0.1
Net carrying amount as at 31.12.2012	**–**	**0.4**	**0.5**	**0.9**	**1.8**
As at 31.12.2012					
Cost	27.8	8.5	21.2	14.4	71.8
Cumulative amortisation and impairment losses	−27.8	−8.1	−20.7	−13.5	−70.0
Net carrying amount	**–**	**0.4**	**0.5**	**0.9**	**1.8**

The line item “reclassification to current assets” in the previous year showed the relevant disposals of the assets attributable to discontinued operations and disposal groups pursuant to IFRS 5.

Research and development costs of EUR 0.6 million (previous year: EUR 0.7 million) were expensed.

17. Property, plant and equipment

EUR million	Land and buildings	Technical equipment and machinery	Other plant and equipment	Advance payments made and assets under construction	Total
As at 01.01.2011					
Cost	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**
Development in 2011					
Net carrying amount as at 01.01.2011	61.0	81.5	11.7	10.2	164.4
Currency changes	0.1	0.0	0.0	0.0	0.1
Additions	0.7	4.7	2.4	5.0	12.8
Disposals	0.0	−0.8	−0.3	0.0	−1.1
Reclassification to current assets	–	−0.2	−1.0	–	−1.2
Depreciation	−2.4	−14.9	−2.7	0.0	−20.0
Impairment losses	−10.6	−50.1	−1.6	−9.5	−71.8
Transfers	0.2	1.8	0.2	−4.1	−1.9
Net carrying amount as at 31.12.2011	**49.0**	**22.0**	**8.7**	**1.6**	**81.3**
As at 31.12.2011					
Cost	74.3	136.0	25.5	17.8	253.6
Cumulative depreciation and impairment losses	−25.3	−114.0	−16.8	−16.2	−172.3
Net carrying amount	**49.0**	**22.0**	**8.7**	**1.6**	**81.3**
Development in 2012					
Net carrying amount as at 01.01.2012	49.0	22.0	8.7	1.6	81.3
Currency changes	0.0	0.0	−0.1	0.0	−0.1
Additions	−0.8	5.4[1]	0.9	−0.1	5.4
Disposals	0.0	–	−0.1	−0.3	−0.4
Reclassification to current assets	–	–	–	–	–
Depreciation	−1.9	−6.9	−2.4	0.0	−11.2
Impairment losses	−0.2	–	−0.1	–	−0.3
Transfers	0.2	0.1	0.0	−0.2	0.1
Net carrying amount as at 31.12.2012	**46.3**	**20.6**	**6.9**	**1.0**	**74.8**
As at 31.12.2012					
Cost	73.3	141.4	24.1	17.2	256.0
Cumulative depreciation and impairment losses	−27.0	−120.8	−17.2	−16.2	−181.2
Net carrying amount	**46.3**	**20.6**	**6.9**	**1.0**	**74.8**

[1] The additions include reclassifications in connection with investments grants received.

The line item “reclassification to current assets” in the previous year showed 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:

EUR million	31.12.2012		31.12.2011	
	Total	Of which current	Total	Of which current
Loans and receivables	5.8	4.3	9.7	8.2
Available-for-sale financial assets	–	–	–	–
Held-to-maturity investments	–	–	–	–
Financial instruments held for trading	0.1	0.1	0.2	0.2
Derivatives in hedge accounting	–	–	–	–
Total	**5.9**	**4.4**	**9.9**	**8.4**

19. Other assets

EUR million	31.12.2012	31.12.2011
Other assets	15.6	28.1
Thereof		
Receivables from the tax office	5.2	3.6
Prepaid expenses	1.7	1.8
Other current assets	8.7	22.7
Thereof non-current	0.8	1.2

EUR 5.2 million (previous year: EUR 3.6 million) in receivables from the tax authority primarily concern VAT receivables and are due within one year.

The reduction in other assets is connected to the termination of the wafer supply agreement with US wafer manufacturer MEMC Electronic Materials, Inc. and the associated surrender of the cash collateral of EUR 17.6 million that had been provided.

The other current assets also comprise a multitude of minor individual items related to the Group's 23 consolidated companies.

20. Inventories

EUR million	31.12.2012	31.12.2011
Raw materials and consumables	8.0	13.6
Work in progress	13.3	21.1
Finished goods and merchandise	38.3	48.1
Advance payments made	1.7	3.6
	61.3	**86.4**

In 2012, the following inventories were recognised at their lower fair values net of distribution expenses:

EUR million	31.12.2012	31.12.2011
Raw materials and consumables		
Carrying amount before impairment	8.9	18.8
Less impairment	–0.9	–5.2
Carrying amount	**8.0**	**13.6**
Work in progress		
Carrying amount before impairment	13.3	26.8
Less impairment	0.0	–5.7
Carrying amount	**13.3**	**21.1**
Finished goods and merchandise		
Carrying amount before impairment	43.9	52.4
Less impairment	–5.6	–4.3
Carrying amount	**38.3**	**48.1**

Cost of materials increased due to impairment losses on inventories amounting to EUR 6.5 million (previous year: EUR 15.2 million) in the respective financial years.

21. Trade accounts receivable

EUR million	31.12.2012	31.12.2011
Trade receivables before impairment losses	79.1	99.3
Less impairment losses	–16.5	–16.1
Trade receivables	62.6	83.2
Thereof		
Receivables from production contracts	3.7	11.8
Advance payments received	0.0	–5.1
	3.7	**6.7**

Most trade accounts receivable have short residual lives. Hence their carrying amounts essentially 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	31.12.2012	31.12.2011
Accrued contract costs	3.7	9.0
Contract gains realised pro rata incl. carryforward effect	0.0	2.8
Less recognised contract losses	–	–
Less advance payments received	0.0	–5.1
	3.7	**6.7**

The aging structure of the trade accounts receivable that are not impaired was recognised as follows:

EUR million	31.12.2012	31.12.2011
Trade accounts receivable according to balance sheet	62.6	83.2
Thereof		
Neither impaired nor past due as of the balance sheet date	36.4	41.2
Not impaired as of the balance sheet date and past due within the following periods:		
Less than 1 month	8.8	17.7
Between 1 and 2 months	2.7	7.4
Between 2 and 3 months	3.1	4.6
Between 3 and 6 months	2.4	5.1
Between 6 and 12 months	2.1	1.4
More than 12 months	3.7	1.7
	22.8	**37.9**

As at 31 December 2012, trade accounts receivable that were due but not impaired amounted to EUR 22.8 million (previous year: EUR 37.9 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.

The following impairment losses were recognised in the reporting year:

EUR million	2012	2011
As at 01.01.	**16.1**	**14.6**
Currency changes	–	–
Additions	6.3	7.0
Use	–4.6	–3.6
Reversals	–1.3	–1.3
Disposal	–	–
Reclassification to current assets	–	–0.6
As at 31.12.	**16.5**	**16.1**

Specific and global valuation allowances are recognised in the statement of comprehensive income under other operating expenses while reversals are recognised under other operating income.

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 2012 reporting period, Conergy Group companies received a total of EUR 0.3 million in non-reimbursable government grants for research and development projects (actual inflow of funds). Conergy did not obtain binding promises of grants in 2012 above and beyond this amount (subsidy notifications). 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. For more detailed information, please see the explanations in the section “Opportunity and risk report” in the combined management report.

The following subsidies were disbursed in the reporting period:

EUR million	2012	2011
As at 01.01.	**36.8**	**36.8**
Received in the financial year	0.3	0.9
Recognised in income in the financial year	4.6	0.9
As at 31.12.	**32.5**	**36.8**

23. Cash and cash equivalents

EUR million	31.12.2012	31.12.2011
Cash on hand/cheques	0.3	0.3
Bank balances	18.6	23.5
	18.9	**23.8**

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.

24. Equity

The individual components of equity as well as their development in 2011 and 2012 follow from the statement of changes in equity of the Conergy Group.

Capital stock

Number of shares outstanding	2012	2011*
As at 01.01.	**159,795,307**	**49,761,116**
Capital increase	–	110,034,191
Thereof		
in cash		13,226,962
in kind (dept equity swap)		96,807,229
As at 31.12.	**159,795,307**	**159,795,307**

* The calculation of earnings per share in accordance with IAS 33 is based on the assumption that the number of shares was reduced at the beginning of the period.

The subscribed capital of Conergy AG remained unchanged year on year. As at the balance sheet date, it was EUR 159,795,307 and was denominated in 159,795,307 no-par bearer shares with a pro-rata interest in capital of EUR 1.00 per share.

The Management Board is authorised pursuant to Article 5 para. 3 of the Company's Articles of Association, on the basis of the resolution by the Annual General Meeting on 5 June 2012, which was recorded in the Company's Commercial Register on 24 October 2012, to increase the Company's share capital until 4 June 2017, with the approval of the Supervisory Board, by a total of up to EUR 79,897,653.00 (maximum amount) by issuing a total of up to 79,897,653 new no-par bearer shares (no-par shares), on one or several occasions, in return for contributions in cash and/or in kind (Authorised Capital 2012).

In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks or by companies acting in accordance with Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 German Banking Act, subject to the obligation to offer them to the shareholders for subscription. The Management Board is authorised 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 or profit participation rights 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 15,979,530.00 or, if lower, 10 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 share capital 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 (AktG) while this authorisation is in effect, subject to the exclusion of shareholders' subscription right, shall be offset against the maximum amount set forth in Article 5.3 item (c) of the Articles of Association. This also applies to the pro rata amount of the share capital attributable to shares that are or must be issued to service bonds or profit participation rights 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 AktG. A set-off that took place in accordance with the above sentence based on the exercise of authorisations (i) for the issue of new shares in accordance with Section 203 para. 1 sentence 1, para. 2 sentence 1, Section 186 para. 3 sentence 4 AktG and/or (ii) for the sale of treasury shares in accordance with Section 71 para. 1 clause 8, Section 186 para. 3 sentence 4 AktG and/or (iii) for the issue of convertible bonds and/or bonds with warrants in accordance with Section 221 para. 4 sentence 2, Section 186 para. 3 sentence 4 AktG will be cancelled with effect for the future if and to the extent that the relevant authorisation(s) whose exercise gave rise to the set-off is/are given by the Annual General Meeting once again in accordance with the legal provisions.

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 authorised 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 percent of the capital stock.

In the reporting year, no use was made of the originally existing authorisations concerning Authorised Capital 2009, Authorised Capital 2010 and the newly registered Authorised Capital 2012.

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.

Whilst capital reserves fell in the 2011 financial year as a result of the reduction in capital by EUR 319.0 million, the subsequent capital increase caused capital reserves to increase thanks to the share premium on both the cash contribution (EUR 0.7 million) and the in-kind contribution (EUR 4.8 million). In addition, EUR 3.6 million in costs related to the capital increase less EUR 1.2 million in attributable deferred taxes were deducted.

Other reserves
Aside from appropriations from cumulative prior-period net income/losses, the expense and income items to be recognised directly in equity 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.

25. Provisions

The provisions developed as follows in the financial year:

EUR million	Warranties	Restructuring	Legal disputes	Other	Total
As at 01.01.2012	**28.4**	**11.3**	**1.7**	**16.7**	**58.1**
Thereof non-current	27.0	–	–	12.3	39.3
Change in the basis of consolidation	–	–	–	–0.2	–0.2
Addition	5.1	0.8	0.3	5.1	11.3
Use	–2.6	–7.2	–0.4	–1.9	–12.1
Disposal	–11.9	–3.4	–0.5	–9.7	–25.5
Interest cost added back	0.7	0.0	0.0	0.3	1.0
Currency changes	0.0	–	0.0	0.0	0.0
Balance as at 31.12.2012	**19.7**	**1.5**	**1.1**	**10.3**	**32.6**
Thereof non-current	19.7	–	–	5.6	25.3

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.

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 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.

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 four-year performance period that starts on the issue date, an amount corresponding to no more than 250 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 for certain members of the Management Board lapsed because the respective director's contracts expired. Expenses of TEUR 251 (previous year: expenses of TEUR 56) were recognised under personnel expenses in connection with this stock option programme for the financial year just ended. A liability of TEUR 295 (previous year: TEUR 44) was recognised for the share-based payments as at 31 December 2012.

27. Borrowings

Borrowing are comprised as follows:

EUR million	Total	up to 1 year	1 to 5 years	more than 5 years
As at 31.12.2012				
Liabilities to banks	124.6	54.4	70.2	–
Derivative financial instruments	–	–	–	–
Other borrowings	11.7	0.6	–	11.1
Total	**136.3**	**55.0**	**70.2**	**11.1**
As at 31.12.2011				
Liabilities to banks	124.9	53.1	71.8	–
Derivative financial instruments	–	–	–	–
Other borrowings	16.4	0.5	–	15.9
Total	**141.3**	**53.6**	**71.8**	**15.9**

To secure the Conergy Group's liquidity in the future, the new syndicated loan agreement (2011 Syndicated Loan Agreement) took effect after the capital increase was recorded in the Commercial Register on 21 July 2011, replacing the 2007 Syndicated Loan Agreement after the loans thereunder had been repaid. Conergy AG and Conergy SolarModule GmbH & Co. KG acting as borrowers, as well as other significant companies of the Conergy Group acting as guarantors, and ten banks led by Commerzbank International S.A., Luxembourg, closed this new loan agreement for EUR 261.5 million on 8 July 2011.

The scope of the collateral for the 2011 Syndicated Loan Agreement is basically identical to that for the 2007 Syndicated Loan Agreement. As is customary for such funding arrangements, the collateral made available for the 2007 Syndicated Loan Agreement was released and new collateral was created for the loan agreement dated 8 July 2011. In particular, the 2011 Syndicated Loan Agreement thus has been collateralised by pledging absolutely all equity interests in Conergy Deutschland GmbH, Mounting Systems GmbH, Conergy SolarModule GmbH & Co. KG, Conergy SolarModule Verwaltungs GmbH, Conergy Services GmbH, Conergy Real Estate Verwaltungs GmbH, Conergy Real Estate GmbH & Co. KG, Momentum Renewables GmbH (formerly: Epuron GmbH), Conergy Inc. (USA) and Conergy Projects Inc. (USA) as well as Conergy Pty. Ltd. (Australia). Conergy has also created senior collateral in favour of the lenders based on all of its material assets or conveyed, pledged or assigned them for security purposes to an entity holding the collateral.

Of the three-tranche 2011 Syndicated Loan Agreement, Tranche A in the amount of EUR 70.2 million will serve to fund existing liabilities under the 2007 Syndicated Loan Agreement; Tranche B provides a revolving facility of EUR 50.0 million and covers the Conergy Group's working capital requirements as well as other defined operating purposes; Tranche C in the amount of EUR 141.3 million finally serves to fund existing guarantees and cover additional guarantees as required. Whilst all tranches are due and must be repaid in full four years from initial drawdown, revolving loans utilised under Tranche B must either be repaid at the end of the respective interest period or allocated to a new interest period without having been repaid and newly granted; they may then be used until one month prior to final maturity.

The individual tranches of the 2011 Syndicated Loan Agreement are subject to interest at a variable rate corresponding to the sum of the applicable margin, EURIBOR (or LIBOR in case of a foreign currency) for the interest period selected and the regulatory costs (in each case as defined in the loan agreement). The 2011 Syndicated Loan Agreement provides for a markup of 1 percent per annum if Conergy AG, Conergy SolarModule GmbH & Co. KG or a guarantor under the 2011 Syndicated Loan Agreement fail to repay an amount due and payable in due time.

Unless any of the exceptions set out in the 2011 Syndicated Loan Agreement intervene, Conergy is obligated – if it borrows funds on the capital market, sells assets and receives insurance payments – to use the net proceeds for early repayment of both interest and costs outstanding first; if neither interest nor costs are owed, such net proceeds must be used to repay Tranche A and, once it has been repaid in full, Tranche B. The 2011 Syndicated Loan Agreement also contains customary provisions regarding both voluntary and mandatory special loan payments.

Due to the sale of voltwerk electronics GmbH to the Bosch Group during 2012, Conergy AG was required in December 2012 to make an unscheduled repayment to the banks from the proceeds of the sale of voltwerk electronics GmbH in accordance with the provisions of the loan agreement.

Tranche C, which is available for the refinancing of guarantees, continued to exist in the same amount throughout 2012.

The 2011 Syndicated Loan Agreement contains requirements that have an impact on the Conergy Group's ability to exercise discretion in operational terms. Certain 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 financial liabilities, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations triggers an extraordinary right of termination on the lenders' part (in some cases after expiry of a cure period), giving them the right to call the loan immediately.

The lenders have other rights to terminate, for example, if covenants stipulated provided under the 2011 Syndicated Loan Agreement are not (or cannot be) truthful, if a German or significant foreign subsidiary files for insolvency, if creditors institute execution proceedings against Conergy for an amount in excess of EUR 5.0 million in each individual case, if Group companies whose total financial liabilities are EUR 5.0 million or more default, or if creditors of such financial liabilities are entitled to call these liabilities early due to the occurrence of a right to terminate. Conergy AG and other Group companies may declare a dividend only if a predefined level of liabilities was met in the calendar quarter immediately preceding the date of the envisioned distribution. Moreover no creditor is obligated to satisfy a demand for payment by a borrower in the event of a change of control. In certain circumstances, the creditors have the right to terminate the loan agreement for cause, such right to be exercised by each bank individually. The aforementioned rights shall inure to the creditors during the first three years from the first drawdown under the loan agreement if they are enjoined, due to either corporate requirements internal to the given entity or regulatory requirements, from serving as a creditor on account of the change of control.

The loan agreement contains extensive disclosure requirements vis-à-vis the financing banks. The Company is also obligated to comply with certain financial covenants starting in 2014. These financial covenants shall be established in December 2013 by mutual agreement between the Company and the lenders. Absent an agreement, the financial covenants shall be based on the Company's targets until 2014 less risk discounts. Any breach of the financial covenants that apply from 2014 may give the banks the right to call the tranches of the loan.

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	31.12.2012	31.12.2011
Trade payables	130.2	88.2
Thereof		
Advance payments received	14.9	8.3

29. Other liabilities

EUR million	31.12.2012	31.12.2011
Other liabilities	18.7	22.7
Thereof		
Liabilities arising from salary or wage settlement for employees	8.6	9.5
Liabilities to the tax office	2.6	4.4
Accrued expenses	1.6	1.9
Deferred income	1.5	2.1
Liabilities related to social security	0.4	0.4
Miscellaneous other liabilities	4.0	4.4
Non-current	1.3	1.8

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 2.6 million (previous year: EUR 4.4 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 4.0 million (previous year: EUR 4.4 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 combined management report.

30.1 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. 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

	31.12.2012				
	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	62.6	–	–	–	62.6
Loans and receivables	62.6	62.6	–	–	62.6
Financial assets	5.9	–	–	–	5.9
Loans and receivables	5.9	5.9	–	–	5.9
Financial instruments held for trading	–	–	–	–	–
Other assets	–	–	–	15.6	15.6
Loans and receivables	–	–	–	–	0.0
Non-financial assets	–	–	–	15.6	15.6
Cash and cash equivalents	18.9	–	–	–	18.9
Loans and receivables	18.9	18.9	–	–	18.9
Financial assets (total)	**87.4**	**–**	**–**	**–**	**87.4**
Thereof: Loans and receivables	87.4	–	–	–	87.4
Borrowings	136.3	–	–	–	136.3
Measured at amortised cost	136.3	136.3	–	–	136.3
Liabilities held for trading	–	–	–	–	–
Trade accounts payable	130.2	–	–	–	130.2
Measured at amortised cost	130.2	130.2	–	–	130.2
Financial liabilities (total)	**266.5**	**–**	**–**	**–**	**266.5**

Carrying amounts and fair values of financial instruments

	31.12.2011				
	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	83.2	–	–	–	83.2
Loans and receivables	83.2	83.2	–	–	83.2
Financial assets	9.7	–	0.2	–	9.9
Loans and receivables	9.7	9.7	–	–	9.7
Other assets	18.1	–	–	10.0	28.1
Loans and receivables	18.1	18.1	–	–	18.1
Non-financial assets	–	–	–	10.0	10.0
Cash and cash equivalents	23.8	–	–	–	23.8
Loans and receivables	23.8	23.8	–	–	23.8
Financial assets (total)	**134.8**	**–**	**0.2**	**–**	**135.0**
Thereof: Loans and receivables	134.8	–	0.2	–	135.0
Borrowings	141.3	–	–	–	141.3
Measured at amortised cost	141.3	141.3	–	–	141.3
Liabilities held for trading	–	–	–	–	–
Trade accounts payable	88.2	–	–	–	88.2
Measured at amortised cost	88.2	88.2	–	–	88.2
Financial liabilities (total)	**229.5**	**–**	**–**	**–**	**229.5**

In the previous year, the financial instruments at fair value were measured according to Level 2 based on their input factors.

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 and are subject to variable interest rates. Their carrying amounts thus correspond to their fair values.

30.2 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	2012	2011
Loans and receivables	–5.6	–7.1
Held-to-maturity investments	–	–
Available-for-sale financial assets	–	–
Financial instruments held for trading	–0.1	–2.2
Financial liabilities measured at amortised cost	–1.1	–4.7
	–6.8	**–14.0**

The net result from loans and receivables amounted to EUR –5.6 million. Of this amount, EUR –0.6 million (previous year: 1.6 million) resulted from currency translation and EUR –5.0 million (previous year: EUR –8.7 million) resulted from the write-downs and the reversal of write-downs on receivables.

The net loss of EUR 0.1 million (previous year: EUR 2.2 million) from financial instruments held for trading concerns derivative financial instruments.

The net loss of EUR 1.1 million (previous year: EUR 4.7 million) from financial liabilities measured at amortised cost resulted from currency translation.

30.3 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 31.12.2012				
Liabilities to banks	124.6	57.9	89.7	–
Derivative financial instruments	–	–	–	–
Other borrowings	11.7	0.6	–	11.1
Trade accounts payable	130.2	130.2	–	–
Obligations under rental and lease contracts	16.8	8.0	8.7	0.1
As at 31.12.2011				
Liabilities to banks	124.9	57.1	90.7	–
Derivative financial instruments	–	–	–	–
Other borrowings	16.4	0.5	–	15.9
Trade accounts payable	88.2	88.2	–	–
Obligations under rental and lease contracts	30.4	11.4	16.8	2.2

Cash outflows for interest payments related to financial liabilities with a maturity of up to one year are estimated at EUR 3.5 million (previous year: EUR 4.0 million).

There are also annual payment obligations of EUR 1.5 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.

30.4 Disclosures on derivatives

No transactions with derivative financial instruments existed at year's end:

EUR million	31.12.2012			31.12.2011		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate swaps Cash flow hedges	–	–	–	–	–	–
Forward exchange and currency option transactions Fair value hedges	–	–	–	3.9	0.2	–
	–	**–**	**–**	**3.9**	**0.2**	**–**

The positive market value of derivative financial instruments in the amount of EUR 0.2 million in the previous year was shown under financial assets.

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 2012 would have been EUR 1.9 million; it would have been attributable mainly to the currency risk arising from receivables in Australian dollars (AUD).

An increase of one percentage point in all relevant interest rates as at 31 December 2012 would have reduced the non-operating result by EUR 1.2 million. Conversely, a decrease in all relevant interest rates would have improved the non-operating result by EUR 1.2 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

Operating activities from continuing operations resulted in a net cash inflow of EUR 3.9 million in the 2012 financial year, which stands in contrast to the cash outflow of EUR 43.3 million in 2011 and represents a year-on-year improvement of EUR 47.2 million in the net cash flow from operating activities from continuing operations. This development for the year as a whole was fuelled by an upturn in the fourth quarter of 2012 in which cash inflows of EUR 9.9 million were generated. The development in the net cash flow from operating activities arises mainly from the change in the working capital. This resulted in cash inflows of EUR 86.2 million in the 2012 financial year. In the previous year, there was an outflow of cash of EUR 7.4 million. Trade accounts receivable, which were reduced in the 2012 financial year, also contributed EUR 15.4 million to this development (previous year cash inflow of EUR 10.1 million).

Further improvements in the cash flows from inventories and trade accounts payable were achieved in the 2012 financial year compared with the same period in 2011, especially through the change in the manufacturing strategy at the Frankfurt (Oder) solar factory as well as the change in the supplier concepts with different suppliers. The reduction in inventories gave rise to a cash inflow of EUR 29.0 million in the 2012 financial year (previous year: EUR 50.3 million). In the fourth quarter of 2012 alone, the reduction in inventories resulted in a cash inflow of EUR 20.8 million, which was due on the one hand, to the positive development of business and on the other hand, to the conscious decision to lower inventories to a minimum by the close of the year given the current market environment. The cash inflow from the change in trade accounts payable was EUR 41.8 million in the 2012 financial year, contrasting with a cash reduction in trade accounts payable in the prior-year period in the amount of EUR 67.8 million. Despite the continuous rise in trade accounts payable throughout the year as a result of improvements to the supply strategy, in the fourth quarter of 2012 alone the increase in trade accounts payable once more had a positive impact on cash flows of EUR 5.1 million.

The change in other net working capital and other non-cash items had an effect of EUR 1.5 million in the 2012 financial year (previous year: EUR 143.1 million). This change in other net working capital and other non-cash items in the 2012 financial year is due among other things to the reduction in restructuring provisions and to advance payments made. The effect of Conergy's surrender of the cash collateral granted to MEMC Electronic Materials, Inc. resulting from the early termination of the wafer supply agreement creates an offsetting effect.

Net cash outflows from operating activities from the Group's discontinued operations in the 2012 financial year contain payments of EUR 4.3 million received in connection with the sale of the wind project business in Australia in the 2011 financial year that are allocated to discontinued operations. In the 2011 financial year, the cash flows from the discontinued operations biomass, biogas, wind energy projects and CSP of EPURON totalled EUR 1.9 million. This gave rise to a positive net cash flow of EUR 8.2 million in the 2012 financial year (previous year: cash outflow of EUR 41.4 million).

Investing activities

In the 2012 financial year, EUR 1.9 million in net cash were provided by investing activities (previous year: cash inflow of EUR 15.6 million). This cash inflow is due especially to proceeds from the sale of subsidiaries amounting to EUR 4.8 million (previous year: cash inflow of EUR 25.3 million). A cash outflow of EUR 3.3 million resulted from investments in property, plant and equipment as well as intangible assets (previous year: cash outflow of EUR 14.6 million). The outflow of funds from financial assets was EUR 0.2 million (previous year: cash inflow of EUR 2.4 million). This is in contrast to EUR 0.5 million in interest received in the 2012 financial year (previous year: EUR 0.9 million).

This gave rise to a positive cash flow of EUR 10.1 million before financing activities in the 2012 financial year, which is a year-on-year improvement of EUR 35.9 million (previous year: EUR –25.8 million).

Financing activities
Cash of EUR 15.0 million was used to finance the activities of the Conergy Group in the 2012 financial year (previous year: cash inflow of EUR 11.6 million). This net cash outflow of EUR 5.0 million resulted from the retirement of debt (previous year: net cash inflow of EUR 19.3 million). This is partly attributable to the sale of projects in the third quarter of 2012, though in the fourth quarter of 2012 it also comprises a partial repayment of the proceeds from the sale of voltwerk electronics GmbH to the underwriting banks in the syndicated loan agreement in the amount of EUR 1.6 million. In addition, EUR 10.0 million in payments of interest and similar payments also resulted in an outflow of cash, which at EUR 18.0 million was EUR 8.0 million higher in the 2011 financial year. The decrease in interest payments was due primarily to the restructuring of the Company's borrowings, which basically entailed refinancing liabilities in connection with the capital measures implemented in the 2011 financial year. For more detailed information, please see the explanations in the section "Cash and cash equivalents and net liabilities" in the combined management report.

The net change in cash and cash equivalents in the 2012 financial year was therefore EUR – 4.9 million (previous year: EUR – 14.2 million).

32. Contingent liabilities and receivables, and other financial obligations

Contingent liabilities and receivables
As at 31.12.2012 Conergy AG has assumed a total of EUR 137.9 million in bank guarantees and documentary credits as part of the syndicated credit facility. The Company also had liabilities to other banks from EUR 14.1 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.

In connection with pending legal disputes, Conergy currently assumes that it will be able to assert the claims made thereunder. In accordance with IAS 37, Conergy has not recognised possible receivables resulting from these claims.

Rental and lease contracts
The Group maintains operating leases primarily 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 statement of comprehensive income under other operating expenses (see note 11).

The Conergy Group has the following obligations under existent long-term rentals and lease contracts:

EUR million	31.12.2012	31.12.2011
Up to 1 year	8.0	11.4
1 to 5 years	8.7	16.8
More than 5 years	0.1	2.2
	16.8	**30.4**

Purchase commitment and obligations to accept goods
Conergy AG has undertaken to purchase solar cells and inverters from suppliers. These contracts have original terms of between one and three years.

Conergy AG has the following obligations under existent long-term purchasing agreements:

EUR million	31.12.2012	31.12.2011
Up to 1 year	67.5	182.4
1 to 5 years	37.2	328.6
More than 5 years	0.0	237.1
	104.7	**748.1**

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 1.5 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 1.3 million.

Conergy has the following obligations under existent lease, insurance and hereditary building right contracts:

EUR million	31.12.2012	31.12.2011
Up to 1 year	4.9	3.7
1 to 5 years	6.3	6.1
More than 5 years	133.0	131.0
	144.2	**140.8**

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.

As at 31 December 2012, the Conergy Group did not have business relationships with related parties.

No loans were outstanding to members of the Management Board or Supervisory Board as at 31 December 2012.

The compensation report in the combined 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 3,027 (previous year: TEUR 1,063). This also included the compensation of TEUR 622 paid to Dr. Sebastian Biedenkopf for the 2012 financial year, which mainly comprises a termination benefit of TEUR 550.

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. A share-based payment was made to all member of the Management Board in the 2012 financial year.

TEUR	2012	2011
Fixed annual compensation	1,317	769
Compensation in kind/other benefits*	448	285
Non-performance-based compensation	**1,765**	**1,054**
Short-term variable compensation	305	65
Directly paid compensation	**2,070**	**1,119**
Fair value of newly granted share-based payment (SAR)	375	76
Total compensation according to HGB	**2,445**	**1,195**
Share-based variable compensation (benefits vested in the reporting year)	333	44
Change in value of existing benefits (Long-term variable compensation)	2	–100
Share-based payment	**335**	**–56**
Total directly paid compensation	2,070	1,119
Long-term variable compensation (benefits vested in the current year)	333	44
Change in value of existing benefits	2	–100
Total compensation according to IFRS	**2,405**	**1,063**

* The other compensation components comprise primarily non-cash compensation (e.g. company car, insurance), allowances for pension insurance (relief fund); and the reimbursement of costs for flights home. In the case of Marc Lohoff this includes rental costs because he is based in Singapore for part of the year; in the case of Dr. Philip Comberg this includes a one-time bonus of TEUR 265 that has been contractually agreed.

Please see the compensation report contained in the combined management report for more details.

The Supervisory Board members received compensation totalling TEUR 463 (previous year: TEUR 406).

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	2012	2011
Income	0.3	0.3
Expenses	0.0	0.0
Receivables	0.3	0.2
Liabilities	0.5	0.5

34. Number of employees

The Group had 1,144 employees (expressed in full-time equivalents), including managing directors and Management Board members, as of 31 December 2012 (previous year: 1,461).

The average number of employees (expressed in full-time equivalents) of the companies included in the consolidated financial statements was as follows:

	2012	2011
Germany	847	1,076
Rest of world	397	441
	1,244	**1,517**
Thereof		
Production	423	507
Administrative/technical area	821	1,010
	1,244	**1,517**

35. Auditing fees

The total fees for the auditor of the consolidated financial statements in the financial year just ended amounted to:

EUR million	2012	2011
Auditing services	0.4	0.3
Other confirmation services	0.1	0.1
Tax consultancy services	0.0	0.0
Other services	0.1	0.0
	0.6	**0.4**

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.

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 period

Business transactions of special significance which we expect to have a significant impact on the Conergy Group's assets, liabilities, cash flows and profit or loss have not occurred since 31 December 2012.

Hamburg, Germany, 19 March 2013
Conergy AG
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 combined 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, 19 March 2013
Conergy AG
The Management Board

Dr. Philip Comberg Alexander Gorski

Marc Lohoff Jan Vannerum

Independent Auditors' Report

(Translation of the German version; in case of doubt only the German version is valid)

"We have audited the consolidated financial statements prepared by Conergy AG, Hamburg, comprising the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "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 Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and 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 comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (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 the Group and Conergy AG, Hamburg, as a going concern is jeopardised by risks. As stated in the Group management report in the section "Risk and opportunity report" under "Liquidity risks" the existence of the Group as a going concern is explained to be at risk due to the liquidity cover, which remains very thin and depends solely on earnings from operating activities, since it is uncertain whether not insignificant shortfalls in expected sales and earnings as well as in expected cash inflows from operating activities could be compensated through other actions, especially cash injections from shareholders and third-party lenders. The management board cannot judge at present whether the shareholders or third-party lenders would be willing to do so."

Hamburg, 20 March 2013
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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Annual Reports, Interim Reports and further information on Conergy AG are available on the internet. We would be pleased to send you printed versions of the Annual Report as well as additional information upon request.

2013 Financial calendar

Thursday, 28 March 2013

Publication of the 2012 financial statements

Tuesday, 14 May 2013

Publication of the interim report first quarter 2013

Tuesday, 12 June 2013

General Shareholders' Meeting

Tuesday, 14 August 2013

Publication of the interim report first half-year 2013

Tuesday, 14 November 2013

Publication of the interim report third quarter 2013

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