



RECOGNIZING CHALLENGES.  
ACTING DECISIVELY.

ANNUAL REPORT 2010

# KEY FIGURES

COLEXON ENERGY AG AS OF 31 DECEMBER 2010

INCOME STATEMENT IN EUR MILLION	2010	2009
Revenue	196.0	188.1
Gross profit	38.3	47.3
EBIT	9.5	18.5
Net profit/loss	-2.0	5.9

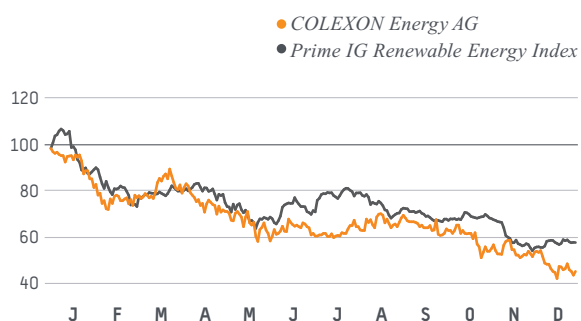
STATEMENT OF FINANCIAL POSITION IN EUR MILLION	31 DEC 2010	31 DEC 2009
Total assets	228.0	323.1
Equity	53.2	118.3
Equity ratio in %	23.3	36.6
Subscribed capital	17.7	17.7

CASH FLOW IN EUR MILLION	2010	2009
Cash flows from operating activities	-1.1	30.2
Cash flows from investing activities	-3.2	-8.9
Cash flows from financing activities	-7.0	-5.3
Cash and cash equivalents as of 31 December	20.3	32.3

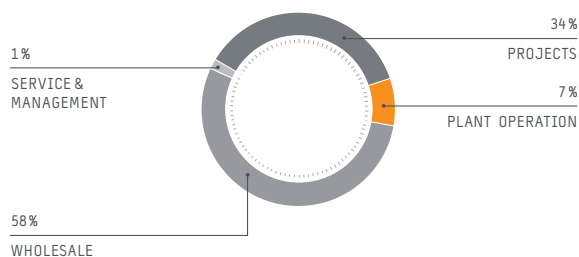
**Notes to the 2010 results (without goodwill impairment):** In the 2010 financial year, the COLEXON Group recognized an impairment loss of EUR 63.4 million on goodwill that was taken over with the acquisition of Renewagy A/S in 2009. The pro forma figures comprise the consolidated net profit/loss of COLEXON Energy AG without taking into account the extraordinary effects of the impairment of goodwill.

**Notes to the 2009 results (without reverse acquisition):** COLEXON took over the Danish plant operator Renewagy in the 2009 financial year. Since this takeover was recognized as a reverse acquisition, the results of COLEXON were taken into account only for part of the prior-year period. The pro forma presentation comprises the results of COLEXON and Renewagy for the entire prior-year period.

## PERFORMANCE OF THE COLEXON SHARE 2010



## REVENUE BY SEGMENTS



# COLEXON IN BRIEF

The amount of energy that the sun sends to the earth within one hour is enough to cover the amount of electricity that the world's population consumes in one year. We want to make this inexhaustible source of energy available to as many people worldwide as possible. In doing so, we are pursuing a stable growth course based on a diversified business model:

## WHOLESALE

As a wholesaler, we offer our customers an extensive range of solar modules and components by renowned manufacturers. Our extensive network of partners enables us to identify suitable solutions for just about every requirement.

## PROJECTS

We develop solar power plants. Our activities in that connection entail acquisition and assessment of suitable spaces, design and selection of the best possible technology as well as bringing the plant online and transferring the turnkey installation to the customer.

## PLANT OPERATION

Our own solar power plants are viable economically and environmentally. COLEXON's own solar power plants currently make a significant contribution to earnings before interest and taxes and cut harmful CO<sub>2</sub> emissions by about 44 metric tons each year.



**1 HAMBURG**  
COLEXON Energy AG

**2 WESEL**  
COLEXON Energy AG

**3 LEIPZIG**  
COLEXON Energy AG

**4 MAINZ**  
COLEXON Energy AG

**5 BRIGHTON, AUSTRALIA**  
COLEXON Australia  
Pty Ltd

**6 PRAGUE, CZECH REP.**  
COLEXON Energy s.r.o.

**7 MALAGA, SPAIN**  
COLEXON Iberia S.L.

**8 NICE, FRANCE**  
COLEXON France SASU

**9 TEMPE/ARIZONA, USA**  
COLEXON Corp.

**10 IMOLA, ITALY**  
COLEXON Italia s.r.l.  
COLEXON Imola s.r.l.

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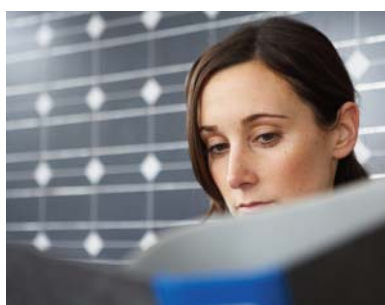
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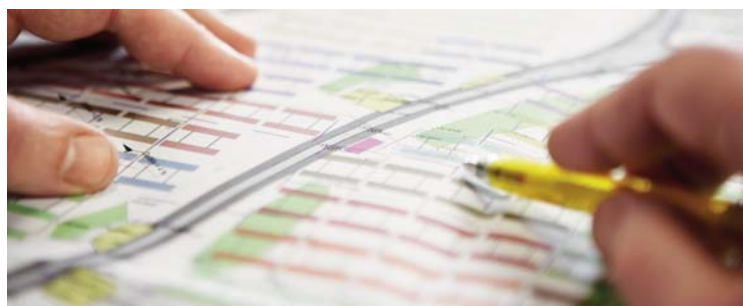




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# FOREWORD OF THE MANAGEMENT BOARD

Dear Ladies and Gentlemen,  
Dear Shareholders,

The year just ended was as moving as it was dynamic. The transition from a technology promoted by the state to a competitive one continues at full swing. These changes require solar companies to pursue consistent cost management, intensive marketing work and strategies aligned with the requirements of the market.

At revenue of EUR 196.0 million, in the 2010 financial year we posted the highest revenue to date in the Company's history and expanded the foreign share of our project business to 42 percent. Due to the considerable weakening of the market in the year's second half and the early onset of winter, earnings before interest and taxes (EBIT) were lower year on year. With adjusted EBIT of EUR 9.5 million, we did, however, meet our updated guidance that we announced on 09 February 2011.

The dramatic and unscheduled reduction of the statutory subsidies for solar energy in our most important European markets has prompted us to launch a restructuring program. The share of large-scale projects will be scaled back to reflect market requirements. In the future, we will focus on the Wholesale segment, project-related services and select projects, primarily rooftop installations.

The ever-increasing significance of regenerative energies in political terms is reassuring. Many countries' fundamental realignment with energy policies aimed at secure and decentralized energy supplies is likely to accelerate in the years to come. This development will continue, especially given the risks of energy production from fossil and nuclear sources which are increasingly entering the public's consciousness.

We are pleased to pursue this exciting journey with our shareholders.

Sincerely yours,



Volker Hars  
*Chief Executive Officer*



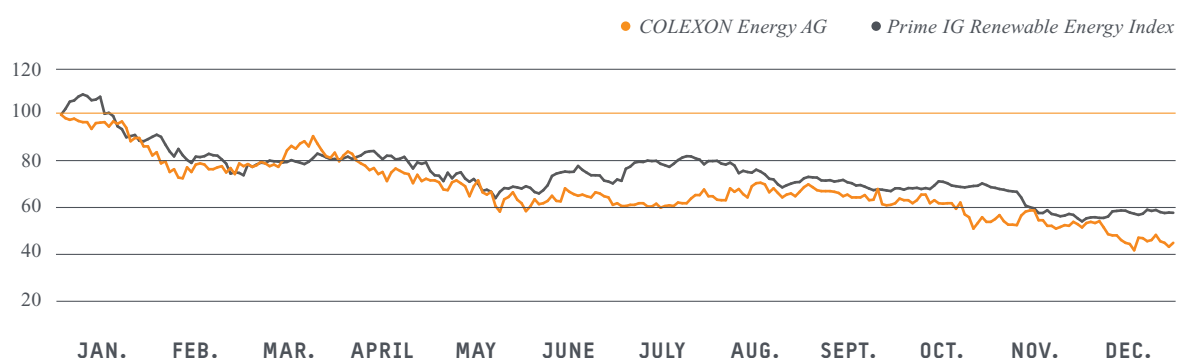
Dr. Rolando Gennari  
*Chief Financial Officer*



# THE SHARE

COLEXON Energy AG has been listed in the Prime Standard of Deutsche Börse since April 2006. This means that the company has committed itself to abide by comprehensive transparency standards. We consider this both an obligation and an opportunity to strengthen our trusting relationship with our shareholders and gain new investors.

## SHARE PRICE PERFORMANCE



## KEY SHARE FIGURES

WKN/ISIN	525070/DE0005250708
Ticker symbol	HRP
Common code	22356658
Trading segment	Prime Standard, Regulated Market, Frankfurt/M.
Stock exchanges	Xetra, Berlin, Düsseldorf, Frankfurt, Munich, Stuttgart
Type of share	No-par value shares
Designated sponsor	ICF Kursmakler AG, Frankfurt/M.
Initial listing	December 2000

	2010	2009
Number of shares	17,744,557	17,744,557
Market capitalization in EUR million (Xetra**)	32.8	72.9
Earnings per share in EUR (Xetra)	-3.87	0.59
Share price on 1 January in EUR (Xetra)	4.15	4.20
Share price on 30 December in EUR (Xetra)	1.85	4.11



### VOLATILE INTERNATIONAL CAPITAL MARKETS

The volatility in the international financial markets continued during the reporting period. The sovereign debt crisis in the euro zone, the restrictive fiscal policies of a number of European states and the unsteady development of the US economy sparked much uncertainty in the financial markets during the year's first half. The positive trend that was triggered by the central banks' expansive monetary policies and strong economic data from both Germany and China did not emerge until September 2010.

On the whole, however, developments in the capital markets during the reporting period were positive. Following a weak start, share prices started to rise again in tandem with the economic recovery, posting strong gains for the most part. At the end of the reporting period, the DAX closed at 6,914 points, thus gaining 16.1 percent year on year.

### SOLAR STOCKS REMAINED UNDER STRONG PRESSURE

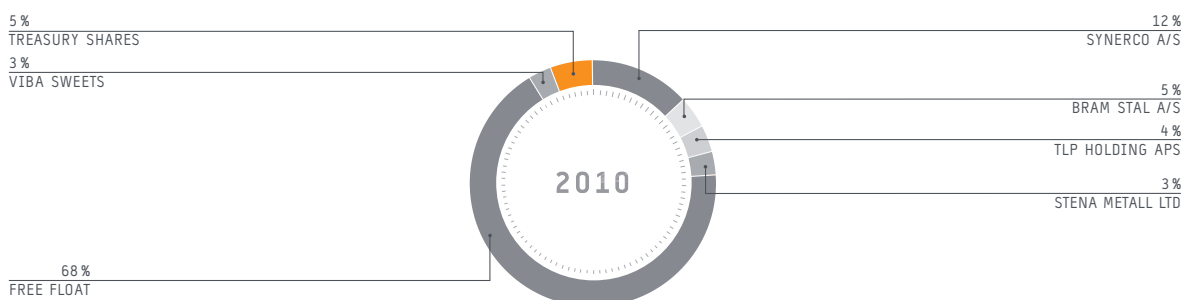
Solar stocks were unable to benefit from this positive trend. The political debates and media reporting on the effects of the reduction in the feed-in tariff for solar energy in Germany, Italy and France created strong uncertainty among investors. The share prices of listed solar energy companies came under severe pressure in the course of the year and failed to meet expectations, as an analysis of the industry average clearly shows. After 446.23 points at the beginning of the year, the Prime IG Renewable Energy Index fell to 258.18 points by 30 December 2010, a decrease of 42.1 percent.

### PERFORMANCE OF THE COLEXON SHARE

After a severe 35 percent drop in the first half-year, the COLEXON share recovered in the third quarter and remained almost unchanged at EUR 2.64. Initially defying sector trends, the share climbed to EUR 2.80 by the end of August. This period coincided with the publication of our positive half-year results and the Small Cap Conference, at which COLEXON gained new investors for the shares. In the fourth quarter, however, the share was affected by the general downturn in solar shares and suffered double-digit falls in value.

On 31 December 2010, COLEXON's market capitalization stood at EUR 32.8 million (31 December 2009: EUR 72.9 million). The average number of shares traded daily was approximately 43,415 units, which was more than twice that of the previous year.

### SHAREHOLDER STRUCTURE ON 27 APRIL 2011





GROUP  
MANAGEMENT  
REPORT  
OF COLEXON  
ENERGY AG

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# 1. SUMMARY OVERVIEW

In financial year 2010, the market environment for solar energy companies underwent sweeping changes. The cut-backs of feed-in tariffs in key growth markets has increased the consolidation pressure in the entire industry. The COLEXON Group has aligned its business model with the changed parameters with the aim of lowering country-specific risks and acting in ways geared to the market.

COLEXON posted revenue of EUR 196.0 million in the reporting period and adjusted earnings before interest and taxes (EBIT) of EUR 9.5 million. Due to an impairment loss of EUR 63.4 million taken on goodwill, actual EBIT amounted to EUR –53.9 million. The impairment loss has no effect on the Company's cash flows.

Given the familiar momentum of the solar market, the continuous modification of national development models and the effects of these changes on the Company's liquidity, future earnings may deviate from current expectations. The Management Board expects revenue to decline substantially in the 2011 financial year due to changes in the government development programs in key European markets. COLEXON has already initiated the requisite restructuring to align itself with the changed parameters.

Given the disaster at the Fukushima nuclear power plant in Japan, people worldwide are becoming more sensitive to the need for a safe power supply that is climate neutral and protects people from incalculable risks. The scope of the disaster has made it abundantly clear to us all that there really are no alternatives to expanding renewable energies. This is likely to be reflected in political decision making in the near future.



## 2. EXTERNAL CONDITIONS

### 2.1 SALES MARKET

During 2010, the global economy recovered from the aftermath of the global financial crisis. Emerging economies in particular recorded dynamic growth, becoming major growth drivers for the development of the global economy. The German economy also regained momentum in the reporting period. The Federal Statistical Office is forecasting growth of 3.6 percent in Germany's gross domestic product (GDP) for 2010. Experts expect the positive trend to continue. The German Institute for Economic Research anticipates a 2.2 percent rise in German GDP for 2011.

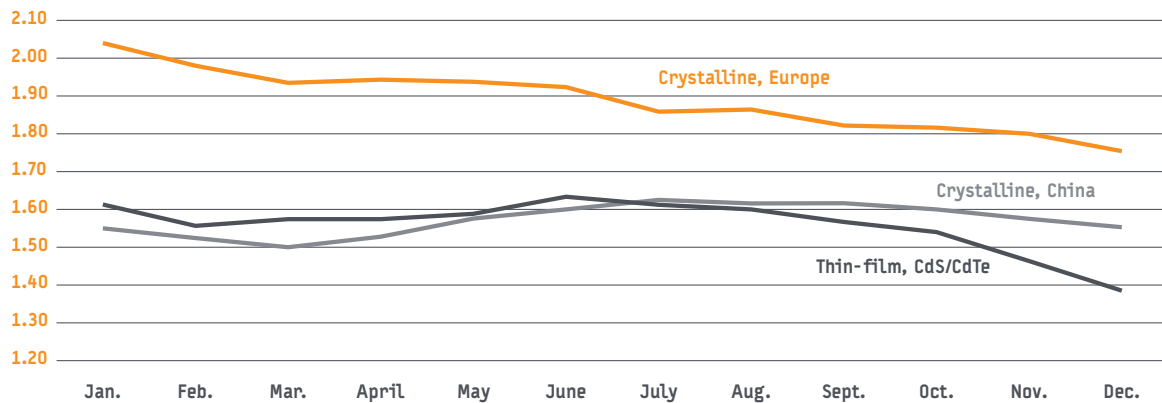
Last year, the solar industry benefited from the favorable economic conditions, though it was also impacted by legislative decisions. Unscheduled reductions in feed-in tariffs in key growth markets generated a highly volatile demand situation. In Germany, the cut in the feed-in tariffs effective 01 July 2010 caused significant anticipatory spending, stimulating the sales of the domestic solar manufacturers in the first half of the financial year. The second half of the year saw an increasing shift in demand for high-yield solar power plants to outside Germany. Nevertheless, the German Solar Industry Association (BSW) assumes that in Germany solar power plants with total output of 7–8 gigawatts were connected to the grid.

International sales markets gained significant importance in the reporting period. In its report, the BSW calculated that the number of new installations in foreign markets almost tripled in the reporting period. As a result, around two-thirds of all new solar power plants are now installed outside Germany. Programs serving to promote solar energy were cut dramatically in key European countries. At the start of 2011, France imposed a ceiling of 500 megawatt-peak per year on the installation of new solar power plants and cut feed-in tariffs by between 40 percent and 70 percent. In Italy, the program that was supposed to run until 2013 is already being terminated effective May 31, 2011. The direction that Italy will take in the future regarding support for solar power plants had not yet been announced at the time this report was published. In the United Kingdom, the program that took effect as recently as in April 2010 will also be amended on short notice, and the subsidies will be cut considerably.

### 2.2 PROCUREMENT MARKET

While module prices in 2009 had fallen sharply on account of a substantial increase in production capacity throughout the entire year, the picture in the reporting period was different. Procurement prices developed in step with the political parameters. For example, the prices charged by Chinese manufacturers for crystalline modules and thin-film modules skyrocketed ahead of the unscheduled reduction in feed-in tariffs in Germany as of 01 July before receding again in the course of the year. As the year progressed, further fluctuations emerged that presented project developers with the particular challenge of executing a balanced procurement strategy in a volatile procurement market.

PROCUREMENT PRICES FOR SOLAR MODULES (1 JAN – 31 DEC 2010) IN EUR/WP



In the reporting period, COLEXON procured over 90 percent of its modules from the U.S. module manufacturer First Solar, with which COLEXON signed a supply agreement in 2006 that runs until 2012. This mitigated the impact of the volatile market conditions on the Company and improved planning reliability on the procurement side. To adjust the purchasing side to the radically changing market conditions, the Company constantly renegotiates quantities, delivery times, as well as price and payment terms.

The picture on the procurement market for inverters in 2010 was similar. Around mid-year, the availability of inverters became a serious impediment to growth for many project developers. The situation eased as the year progressed. COLEXON concluded a master agreement with the German inverter manufacturer SMA to improve its component availability.

2.3 CAPITAL MARKET

The situation on the international financial markets has brightened perceptibly compared to the previous year thanks to governmental stimulus packages. This also benefited the project developers as more favorable conditions for project financing enabled them to reduce the cost of capital for their projects. By the same token, the growing internationalization in the industry presented project developers with a challenge in procuring capital because it is more difficult to obtain financing from German banks for international projects than for projects in Germany. As a result, the project development companies sometimes needed to use a higher proportion of equity or the financing conditions were accompanied by risk premiums.

While the trend on the equity markets was positive on the whole, the prices of solar stocks remained below expectations during the reporting period and made it more difficult to raise fresh capital on the stock exchange for growth financing, as the analysis of industry averages shows all too clearly: The Prime IG Renewable Index fell by almost 50 percent in the reporting period. As the necessary international expansion of solar energy companies requires start-up finance, capital procurement became a constraint for many solar energy companies.

During the reporting period, COLEXON drew primarily on internal sources of finance. In spite of the limited availability of external funding, major start-up financing ventures were arranged in international markets and the Company's positioning was strengthened in potential growth regions. COLEXON's most important target markets outside Germany were Italy, France and the United Kingdom. The cuts in these countries' government development programs for solar energy that were enacted at the start of 2011 and are yet to come require COLEXON to realign its activities – especially in the project business – because the projects that it had prepared in these countries (around 50 MWp) are no longer attractive and the Company will not be able to realize them based on the knowledge available today.

#### **2.4 COMPETITION**

All players in the solar energy market are struggling with falling margins due to the in some cases significant reductions in feed-in tariffs. Consolidation pressure has increased, especially among manufacturers. Chinese module producers in particular have been able to lower their cost base by significantly expanding their production capacity and through cost-effective financing options provided by state-run financial institutions. In the reporting period, project developers benefited to a certain extent from falling module prices, which enabled them to make up for part of their shrinking profit margins.

The consolidation pressure will increase substantially along the entire value chain. It can be expected that subsidies for photovoltaic installations in Germany and other key sales markets will be scaled back further in 2011, making project developers unable to implement a large number of planned projects for economic reasons. Because module manufacturers have focused their production capacity on dynamic growth in the industry, module prices will fall sharply and price pressure at manufacturer level will rise perceptibly. COLEXON therefore focuses on improving the Company's cost efficiency so as to further sharpen its competitiveness and guarantee profitability in spite of falling margins.

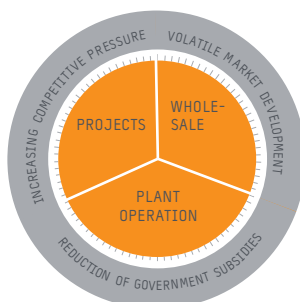
## 3. STRATEGY, ORGANIZATION AND MANAGEMENT

### 3.1 STRATEGIC POSITIONING

The growing consolidation pressure in the solar industry and the considerable volatility of development in the market present solar energy companies with a particular challenge. In the future, COLEXON intends to focus primarily on the whole-sale distribution of solar modules and components, as well as on select projects (primarily rooftop installations) and project-related services. This also entails selling some of the solar power plants in COLEXON's portfolio. The Company's realignment is aimed at substantially lowering staff and material costs. Selling some of the solar power plants will also strengthen the COLEXON's equity ratio and generate cash for implementing the realignment.

#### STRATEGIC POSITIONING

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With its three divisions COLEXON is able to balance fluctuations in demand in the individual market segments to a certain extent. Furthermore, COLEXON spread market-specific risks with an international, broad-based project business in 2010 so as to be more independent of changes in national law.

The major project business will become less significant in the future owing to the sharp cuts in several European countries' government development programs. New legislation is also preventing us from expanding our solar power plant operations because projects in excess of 1 MWp are simply not viable anymore, economically speaking.

#### WHOLESALE

##### Business activities

COLEXON's specialized wholesale operations include the provision of modules and components for photovoltaic systems as well as made-to-measure one-stop solutions. COLEXON gives its customers detailed advice when purchasing these PV components as well as professional help with their individual questions. Customers of the Wholesale division include resellers, installers and specialized solar power businesses.



#### Competitive advantages

Comprehensive know-how transfers from the Project segment help COLEXON to put in place a range of services that are tailored to customers' needs. The high quality of the Company's consulting services, among other factors, has helped to create a long-term customer base in the Wholesale business that places this segment's planning on a more reliable footing.

#### Objective

Flexible structures and powerful partner networks enable the Wholesale division to react swiftly and flexibly to changes in the market, in turn enhancing COLEXON's independence from the highly volatile solar market. Intensifying this division's international alignment serves to spread country-specific risks and expand the business in attractive growth markets.

### PROJECTS

#### Business activities

COLEXON plans and constructs solar power plants for own and third-party operation. Most of these are large-scale installations with outputs exceeding 100 kilowatts-peak. Many solar power plants, especially those for institutional investors, have an output of several megawatts-peak. The services offered by COLEXON are tailored to the specific needs of each customer and range from individual planning services to the turnkey construction of solar power plants including operation and maintenance.

#### Competitive advantages

COLEXON possesses many years of expertise and a proven track record in the development of high-yield solar power plant projects. In Germany, the Group specialized on rooftop installations early on, and experts believe that this segment will continue to gain importance.

#### Objective

COLEXON has positioned itself as a leading provider of turnkey solar power plants with an output of more than 100 kilowatts-peak, especially in the German market. In the future, the project business will have to be repositioned on short notice in ways specific to the given country due to the cuts in government development programs.

### PLANT OPERATION

#### Business activities

As of the end of the reporting period, COLEXON operated nine solar power plants with an aggregate output of about 33.4 MWp in Germany. COLEXON's services in this context include reviewing and assessing the projects, financing and structuring the project portfolio as well as servicing and operating the solar power plants.

#### Competitive advantages

As a fully integrated player in the downstream segment, COLEXON covers both the upstream and the downstream processes of the solar market's value chain. This generates strategic synergy effects for the operation of solar power plants.

#### Objective

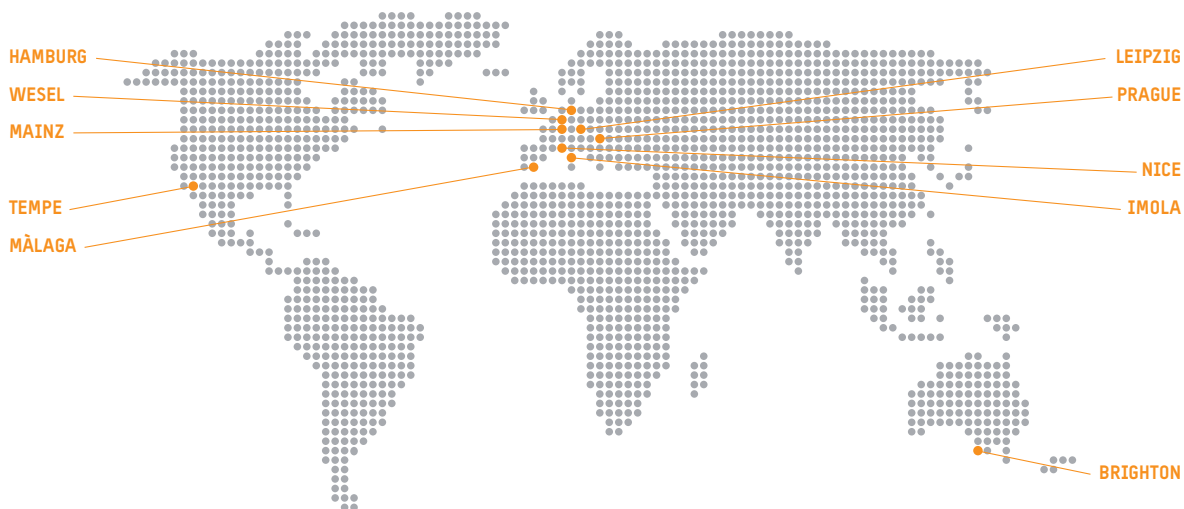
Owing to the recent changes in market parameters, it will be impossible to expand COLEXON's portfolio of solar power plants through major projects in European countries other than Germany. The Group will thus restructure and reduce its portfolio of solar power plants in order to boost its efficiency and turn its focus to the other divisions.

### 3.2 GROUP STRUCTURE AND MANAGEMENT

#### GROUP STRUCTURE

COLEXON Energy AG is an internationally positioned group of companies with headquarters in Hamburg. The functions of corporate management, administration and the coordination of the national and international business are performed at this location. In Germany, the Company is represented at its Hamburg, Wesel, Leipzig and Mainz sites. Foreign operating subsidiaries exist in France, Spain, Italy, the USA, the Czech Republic and Australia.

#### WORLDWIDE SITES OF COLEXON ENERGY AG



<b>HAMBURG</b> COLEXON Energy AG	<b>WESEL</b> COLEXON Energy AG	<b>LEIPZIG</b> COLEXON Energy AG	<b>MAINZ</b> COLEXON Energy AG	<b>PRAGUE, Czech Republic</b> COLEXON Energy s.r.o.
<b>MÁLAGA, Spain</b> COLEXON Iberia S.L.	<b>NICE, France</b> COLEXON France SASU	<b>IMOLA, Italy</b> COLEXON Italia s.r.l. COLEXON Imola s.r.l.	<b>TEMPE/Arizona, USA</b> COLEXON Corp.	<b>BRIGHTON, Australia</b> COLEXON Australia Pty Ltd

Compared with the previous year, the following changes occurred among the subsidiaries as of 31 December 2010:

Squeeze-out of minority shareholders of COLEXON Solar Invest A/S  
 Renewagy A/S, the Danish solar power plant operator, was incorporated into the Company as a subsidiary on 14 August 2009. The company was subsequently renamed COLEXON Solar Invest A/S. The squeeze-out process was completed during the reporting period. Since 31 May 2010, COLEXON has held a 100 percent stake in this company.

#### Establishment of a subsidiary in Italy

COLEXON Italia s.r.l. in Italy was entered in the commercial register on 27 July 2010. The purpose of this company is to develop and install solar power plants, commercialize solar modules and components, as well as operate and maintain existing solar farms. On 02 August 2010, COLEXON Italia s.r.l. entered into a joint venture with an Italian cooperation partner in which COLEXON has a 70 percent stake.

#### GROUP MANAGEMENT

The Management Board has introduced an internal management system that includes Group-wide planning, control and reporting processes designed to safeguard the corporate strategy. Actual and target forecasts for the Wholesale, Projects and Plant Operation divisions are a material part of this system. The forecasts cover a period of three years and are continuously updated in keeping with the general conditions on the market.

In addition to the corporate strategy communicated, the safeguarding of liquidity (operating cash flow and free cash flow) is the main parameter for measuring operating performance. Earnings before interest and taxes (EBIT) and earnings before taxes (EBT) are other important evaluation parameters.

In addition to its financial performance indicators, COLEXON relies on “soft factors” to ensure a sustainable development of the Company. These include, in particular, optimizing organizational processes, increasing entrepreneurial flexibility and climate protection.

#### Employee figures

The dynamic, volatile market environment is making human resources management and change management increasingly important. The development of the market calls for a more flexible organizational structure, which presents a major challenge for the Company and its staff. In the reporting period, the organizational processes were focused on the changing parameters of the Company’s business and both specialized employees and managers received training in these changes through a broad range of inhouse seminars.

#### Flexibility

The solar energy market requires a flexible sales strategy and efficient decision-making processes. This is the reason COLEXON systematically expands its own core competencies and outsources services. For example, COLEXON has implemented a selective outsourcing model for the construction of solar power plants, drawing on the expertise of sub-contractors for installation work. However, COLEXON takes charge of project and construction management during assembly so as to consistently guarantee the high quality standards to which the Company has committed itself. This selective approach has enabled the Group to drive up the efficiency and profitability of its operations.

#### Climate protection

The Group has steered its activities in the direction of economic success with environmental sustainability. With its work, COLEXON is instrumental in climate protection and the reduction of CO<sub>2</sub> emissions. Our own solar power plants generated 41,401,895 kWh of green electricity in the reporting period. A coal-powered plant would emit approximately 40,000 metric tons of CO<sub>2</sub> to generate the same amount of energy.

## 4. BUSINESS PERFORMANCE IN 2010

### 4.1 PROJECTS SEGMENT

The Project division posted revenue of EUR 66.2 million in the reporting period and a loss before interest and taxes of EUR 4.1 million. This negative outcome stems from declining profit margins and the delayed completion of projects in foreign growth markets. The organizational structures were also modified to increase the division's efficiency. While project sales in the first six months of 2010 concentrated on projects in Germany, the Company focused on the international project business in the second half of the year. More than 55 percent of project revenue in the second half of the year was generated outside Germany.

### 4.2 WHOLESALE SEGMENT

The Wholesale business, in particular, profited from strong demand for modules in Germany until the fall and generated an excellent gross profit margin. EBIT rose to EUR 16.4 million against the backdrop of a steady sales volume of about 78 MWp and an overall decline in revenue to EUR 114.3 million. We also pushed the internationalization of our wholesale business, expanding its share in the total volume to 13 percent.

### 4.3 PLANT OPERATION SEGMENT

At EUR 14.4 million, the revenue of the Plant Operation division was down on the previous year (2009: EUR 17.8 million), principally due to the sale of the Eckolstädt (8.8 MWp) and Froschham (4.2 MWp) solar farms to a Hamburg-based investment company. In January 2011, three Italian projects (2.9 MWp) were transferred to the Company's own portfolio. These project were constructed together with an Italian partner and were operated as a joint venture. The sales of the German solar power plants and the incorporation of the high-yield solar farm in Italy were an important step in optimizing COLEXON's solar farm portfolio. The loss before interest and taxes of EUR 57.2 million in this segment is due to the impairment of goodwill in the amount of EUR 63.4 million. This goodwill was incorporated into COLEXON's consolidated accounting in connection with the acquisition of Renewagy A/S in 2009; it was based on the assumption that our solar power plant portfolio would be expanded continually and over the long term. The goodwill was written down because the feed-in tariffs in key European markets were reduced faster and more radically than expected. The impairment loss has no effect on the Company's cash flows. Excluding special factors arising from the goodwill impairment, the Company's solar farms generated EBIT of EUR 6.2 million.

### 4.4 SERVICE AND MANAGEMENT SEGMENT

The Service and Management segment was newly integrated into COLEXON's segment reporting as of 01 January 2010. At EUR 1.4 million, revenue in this segment was relatively low because the division is still being established. Due to charges stemming from warranty claims, EBIT amounted to EUR -1.2 million.

As of 31 December 2010, COLEXON serviced and managed solar power plants with a total output of 57.3 MWp. The number of plants in our portfolio rose sharply in the reporting period. This division signed contracts for new solar farms with an output of 25.8 MWp during the 2010 financial year in both Germany and Italy.



## 5. ASSETS, LIABILITIES, CASH FLOWS AND PROFIT OR LOSS

### 5.1 GENERAL REMARKS

The reverse acquisition of COLEXON Solar Invest A/S (formerly Renewagy A/S) has a large impact on the representation of the Group's earnings for 2009.

COLEXON Energy AG acquired its former major shareholder, Renewagy A/S, on 14 August 2009. Pursuant to IFRS 3, the acquisition of Renewagy A/S must be treated as a reverse acquisition in the consolidated financial statements. As a result, Renewagy A/S is treated as the buyer in accounting terms whereas COLEXON Energy AG is treated as the acquired company and thus must be recognized as a subsidiary. Hence actual legal relationships are not taken into account and are reversed.

In material terms, this means that the revenue, income and expenses of COLEXON Energy AG are only accounted for in the income statement after its initial consolidation as a subsidiary, i. e. from 14 August 2009. In contrast, IFRS 3 requires taking the earnings of COLEXON Energy AG until 14 August 2009 directly to equity in connection with the purchase price allocation. This limits the comparability of profit or loss for 2010 and the previous year's figures.

### 5.2 PROFIT OR LOSS

COLEXON's revenue increased to EUR 196.0 million in 2010, up from EUR 78.8 million the year before. This increase largely stems from the fact that the comparative figure for the previous year is greatly distorted due to the reverse acquisition. The sales volume in the reporting period came to around 102 MWp.

International revenue amounted to EUR 43.2 million, accounting for just under 22.0 percent of the Company's total revenue. The wholesale business accounted for EUR 14.7 million of this amount, and the project business for EUR 27.9 million. A 7.2 MWp project in the Czech Republic was the main driver of this development.

Gross profit increased from EUR 36.0 million to EUR 38.3 million in the 2010 financial year. In 2010, the gross profit margin as a percentage of sales fell to 19.6 percent (previous year: 30.8 percent) because the share of the IPP business, which generated very large gross profit margins, has shrunk.

The Company had a total of 126 employees (previous year: 125 employees) at the reporting date. Due to the reverse acquisition in 2009, staff costs nevertheless rose by EUR 4.3 million year-on-year to EUR 9.2 million. At 4.7 percent, the staff costs ratio in 2010 is nevertheless higher than in the previous year (previous year: 4.2 percent).

Depreciation, amortization and impairment losses of EUR 69.5 million concern EUR 6.1 million in amortization and depreciation on intangible assets and solar power plants, as well as EUR 63.4 million in impairment losses on goodwill following an impairment test (previous year: EUR 6.1 million). The management of COLEXON Energy AG felt compelled to revise its long-term assumptions regarding its portfolio of solar power plants downward because the feed-in tariffs in key European markets were cut much sooner and to a much greater extent than initially expected.

Other operating expenses in the financial year were up EUR 6.4 million to EUR 13.6 million (previous year: EUR 7.2 million). The sharp increase is mainly due to the distorted previous year's figure resulting from the accounting treatment of the reverse acquisition. The ratio of other operating expenses to revenue increased from 6.1 percent to 6.9 percent. EBIT fell in the financial year by EUR 71.7 million to EUR –53.9 million (previous year: EUR 17.8 million). The EBIT margin was therefore –27.5 percent (previous year: EUR 15.2 percent). The decline in EBIT is due, for one, to an impairment loss of EUR 63.4 taken on goodwill and, for another, to an increase in operating costs in connection with setting up operations in France, Italy and the UK.

The negative financial result and loss from investments came to EUR 8.0 million, an improvement of EUR 1.8 million compared with the previous year. This is principally due to lower interest payments on long-term bank loans that were taken out to finance the solar power plants in the Company's own portfolio because the sale of two solar farms and regular loan payments lowered the loan amounts outstanding. In addition, only minor expenses were incurred in the 2010 financial year from derivative financial instruments.

A Consolidated net loss for the year of EUR 65.4 million was generated in the 2010 financial year. The Company had posted a net profit of EUR 5.6 million a year earlier. This decline in earnings was mainly driven by the impairment loss of EUR 63.4 million taken on goodwill.

### **5.3 ASSETS, LIABILITIES AND CASH FLOWS**

#### **NON-CURRENT ASSETS**

Non-current assets fell by EUR 105.4 million to EUR 145.0 million compared with prior-year figures. This decline stems basically from the reduction by EUR 41.4 million in our holdings of solar farms due to the sale of two solar farms as well as the reduction in goodwill by EUR 63.4 million.

#### **CURRENT ASSETS**

Current assets rose by EUR 10.4 million to EUR 83.0 million (previous year: EUR 72.7 million). This change was mainly attributable to the increase in inventories and future receivables from construction contracts. Inventories rose by EUR 24.6 million year on year and consisted mainly of solar modules (EUR 30.1 million). This increase stems from the fact that regular deliveries to us continued but the inclement weather at the close of 2010 hampered regular sales of the solar modules.

Trade receivables fell by EUR 2.0 million to EUR 4.1 million (previous year: EUR 6.1 million). In contrast, future receivables from construction contracts rose to EUR 6.9 million (previous year: EUR 4.0 million). This increase arises, in particular, from the fact that the final invoicing for the Enercap project in the Czech Republic has not yet taken place. Cash and cash equivalents decreased to EUR 20.3 million as of 31 December 2010 (previous year: EUR 32.3 million). The change is essentially due to the repayment of financial liabilities.

#### **NON-CURRENT LIABILITIES**

Non-current liabilities, of which EUR 92.7 million is attributable solely to non-recourse financing of solar power plants in the Company's own portfolio, fell considerably by EUR 47.5 million year-on-year to EUR 99.3 million. This decline stems mainly from the reduction in non-current financial liabilities by EUR 49.3 million to EUR 94.3 million due to regular payments on borrowings, the sale of two solar farms and the reclassification of a portion of a bank loan from non-

current to current financial liabilities because the bank has the right to call the loan for cause from 1 August 2011 in the event of noncompliance with financial covenants. Deferred tax liabilities rose by EUR 2.8 million year-on-year to EUR 4.1 million.

#### **CURRENT LIABILITIES**

Current liabilities increased from EUR 57.9 million to EUR 75.5 million compared to the prior-year figure. Although tax provisions fell to EUR 3.3 million (previous year: EUR 3.6 million), other provisions increased to EUR 4.9 million (previous year: EUR 3.3 million) and trade payables rose by EUR 20.1 million to EUR 36.6 million. The trade payables are mainly due to a module supplier.

Financial liabilities increased to EUR 20.9 million year on year. They include non-recourse financing in the amount of EUR 5.3 million from solar power plants in the Company's own portfolio, which are due within the next 12 months. The increase by EUR 2.2 million is mainly due to the sale of solar farms, payments on current financial liabilities and the reclassification of a portion of a bank loan from non-current to current financial liabilities because the bank has the right to call the loan for cause from 1 August 2011 in the event of noncompliance with financial covenants.

Advances received in the amount of EUR 6.6 million (previous year: EUR 3.4 million) included the advances received on account of orders up to the reporting date. The other liabilities fell by EUR 9.2 million to EUR 4.0 million. Working capital (inventories incl. advances paid plus receivables less advances received less liabilities) totaled EUR 16.5 million as of 31 December 2010. This represents a year-on-year increase in working capital of EUR 2.2 million (previous year: EUR 14.3 million).

#### **STATEMENT OF CASH FLOWS**

The principles and goals of financial management at COLEXON Energy AG are aimed at securing funding for the Company's operating activities and safeguarding its solvency at all times.

Project financing, lines of guarantee and current account credit lines amounting to EUR 60.0 million were available to finance the Group's business activities as of the reporting date. Of this figure, EUR 34.8 million had been drawn down at the reporting date for guarantees and EUR 3.1 million for overdrafts.

Cash flows from operating activities in the 2010 financial year amounted to EUR –1.1 million (prior-year period: EUR 28.8 million). The negative cash flow is largely due to the increase in working capital. Investing activities resulted in negative cash flow of EUR 3.2 million (prior-year period: EUR –8.5 million). The cash flow from financing activities was EUR –7.0 million (prior-year period: EUR –3.2 million) and mainly stems from the payment of financial liabilities.

The negative cash flow from financing activities during the reporting year could not be covered through the free cash flow from operating activities as well as investing and financing activities because it was negative too; as a result, cash and cash equivalents fell to EUR 20.3 million by the end of the reporting period.

## 6. EVENTS AFTER THE REPORTING PERIOD

At its meeting on 05 January 2011, the Supervisory Board of COLEXON Energy AG appointed Volker Hars, former COO of COLEXON Energy AG, as the new chairman of the Management Board. Thorsten Preugschas stepped down from the Management Board at the same time.

Henrik Christiansen, former CFO of COLEXON Energy AG, left the Company after the end of the reporting period. His Management Board contract was rescinded by mutual agreement. On 07 March 2011, the Supervisory Board appointed Dr. Rolando Gennari as the Company's new CFO.

On 09 February 2011, COLEXON sold its equity interests in a foreign project company, COLEXON Imola s.r.l. The sale comprised the Imola solar power plant with a total rated output of 993 KWp, including all liabilities. COLEXON has initiated a restructuring process in the light of the changed parameters and a considerably more subdued development of business in key European markets. The planned adjustments – such as focusing on smaller projects, expanding the Wholesale segment and reducing personnel to achieve more efficient structures – will enable COLEXON to adapt to current developments so that it can continue to profit from the growth of regenerative energies in the future.

In the 2009 financial year, COLEXON entered into loan agreements with several banks which contain “financial covenants” regarding its consolidated financial statements, for one, and its consolidated financial statements adjusted for the Plant Operation division, for another, and which entail special termination rights. In the third quarter of 2010, an equity ratio for the consolidated financial statements was no longer met for the first time. In the fourth quarter of 2010, the equity ratio, interest coverage ratio and leverage ratio were no longer met for the consolidated financial statements adjusted for the Plant Operation segment. This gave the lenders the right to terminate the loan prematurely. This would have greatly jeopardized COLEXON's existence as a going concern. The banks did not exercise their special termination right. Instead, the parties agreed to a moratorium until 31 July 2011 in order to negotiate new financial covenants. During this time, the banks cannot exercise their right of termination. The agreement on the continuation of the credit lines and new financial covenants is subject to the usual proviso that the banks' corporate bodies approve the arrangements and that COLEXON's restructuring concept is viable. According to the information currently available to it, the Management Board expects the banks to view the matter in a favorable light – given the restructuring measures that have been put in place and assuming that the markets will continue to rebound – such that the Company's funding will be assured beyond 31 July 2011.

We entered into negotiations with our main module supplier after the reporting date on account of the changed market parameters. COLEXON is obligated under the current delivery contracts to accept and pay the stipulated deliveries at the contractually stipulated terms. Falling sale prices expose it to a sales and liquidity risk. Negotiations with the supplier aimed at increasing the Company's flexibility under its purchase obligations are continuing. We have already come to an agreement as to the quantities, and critical aspects of the pricing terms have been negotiated.

No further events occurred after the reporting date that had a material impact on COLEXON's business performance.

## 7. REPORT ON ANTICIPATED DEVELOPMENTS

### 7.1 MACROECONOMIC DEVELOPMENTS

The global economy is expected to continue its growth trend during the rest of the year. The International Monetary Fund (IMF) has slightly raised its forecast for global economic growth in the current year and expects global economic output to increase by 4.4 percent in the coming year. A growth rate of 4.5 percent is anticipated for 2012.

Experts predict that the German economy will also grow faster than expected up to now. Barclays Capital is forecasting economic growth of 2.8 percent for the year as a whole, around half a percent more than the federal government's forecast, which was recently revised upwards substantially, and also higher than the estimates for December by the major economic research institutions. The "Mittelstandsbarometer" (mood barometer for small and medium-sized enterprises) of the development bank KfW and of the Ifo Institute support these assumptions. The business climate indicator reached a record level for small and medium-sized companies as well as for large companies.

### 7.2 DEVELOPMENTS IN THE INDUSTRY

2010 was one of the strongest years in the history of the photovoltaic industry. Following growth of 25 percent to 7.1 GW in 2009, GMT Research anticipates 14 GW of newly installed power worldwide for 2010, a doubling of the global market volume in one year. At the same time, however, the profit margins along the entire value chain have fallen sharply, as a result of which the solar market is increasingly evolving into a mass market.

Forecasts for the time after 2010 vary widely. Around the world, experts, market researchers, lenders and the European photovoltaic association EPIA are forecasting very different developments, ranging from a contraction of the market to stagnation to a doubling of the market volume like in the previous year.

Given this situation and in view of the amendments of the German Renewable Energy Sources Act (EEG) due to enter into force on July 01, 2011, the solar energy companies will have to make an extra effort at all levels of the value chain over and above the price cuts and efficiency enhancements already implemented if they are to be able to continue to work profitably with the now falling tariffs. It can be assumed that not all companies will manage to find the right answers. COLEXON therefore expects that Germany will see a wave of consolidation in the coming years that will lead to a market shake-out. Yet the current debate on electricity from nuclear power plants also opens up the possibility that photovoltaics will play a significant role in the energy mix, in the medium term given the need to fill the atomic gap.

If solar energy companies are to survive the current consolidation phase and be able to exploit the opportunities that arise, a clear strategic focus on the new challenges is essential. This needs to be constantly adjusted to changing conditions in a flexible manner and therefore requires both professional organization and professional management.

### 7.3 OUTLOOK FOR COLEXON

COLEXON plans to modify its organizational structure and business model in the next months to take account of the changed parameters. The changes to be implemented include, in particular, the assessment of risks and opportunities in the individual markets, optimization of the sourcing policy and the restructuring of the countries and divisions within the Group. As it is difficult to predict how government subsidies for photovoltaic installations will develop in 2011, a long-term forecast is possible only to a very limited extent. The main challenge lies in adapting the business strategy to the accelerated change in the solar market. COLEXON thus will focus on finetuning its business model by concentrating more closely on the Wholesale segment and complementary services. Given the resulting reduction in the capital intensity of its business, COLEXON will aim for an operationally and financially stable position from which to participate in the growth of the renewable energy sector.

The Management Board will use the planned measures to successfully position COLEXON in the solar energy market and profit from its opportunities for growth in the long term.



## 8. CORPORATE GOVERNANCE REPORT

The statement on corporate governance contains the declaration of compliance, disclosures about corporate governance practices and the description of Management Board and Supervisory Board procedures. Our goal is a consistently transparent and concise portrayal of corporate governance.

### 8.1 DECLARATION OF COMPLIANCE REGARDING CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of COLEXON make the following Declaration of Compliance in accordance with Section 161 German Stock Corporation Act regarding the recommendations of the Government Commission of the German Corporate Governance Code and will ensure that it is published on the Company's website.

The Management Board and the Supervisory Board of COLEXON generally welcome the intention of the Government Commission of the German Corporate Governance Code to prescribe transparent guidelines in that they constitute valuable guiding principles and points of reference for proper corporate management. We will disclose and explain any deviations from the Code's recommendations in future Declarations of Compliance.

Now, therefore, the Management Board and the Supervisory Board of COLEXON declare that the Company has complied with the recommendations of the Government Commission of the German Corporate Governance Code, as amended 18 June 2009 and published by the Federal Ministry of Justice, since its most recent Declaration of Compliance and has also complied with the recommendations as amended 26 May 2010 from their effective date and will comply with them in the future. However, the following exceptions have applied or still apply:

- The German Corporate Governance Code recommends sending notification of the convening of the Annual General Meeting including the convention documents by electronic means if the approval requirements are fulfilled. The Company believes that publishing the convention documents for the Annual General Meeting on its website constitutes sending them by electronic means.
- The German Corporate Governance Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Proposals of the Supervisory Board to the relevant election committees shall take into account these objectives. The objectives and the status of implementation shall be stated in the corporate governance report. The Supervisory Board has already specified an age limit for its members and has stated that it aims for a diversified composition of the Supervisory Board. The Supervisory Board has not specified any other concrete objectives following the aforementioned criteria. A fixed target for the composition of the Supervisory Board would result in an unreasonable limitation for the recruitment of new members. A detailed specification of objectives would impact the shareholders' right to elect the Supervisory Board members. The Company therefore does not take into account additional

objectives above and beyond the age limit and the aim of achieving diversity when making proposals for the nomination of Supervisory Board members and will not make disclosures to that effect in its corporate governance report.

- The German Corporate Governance Code recommends that the Supervisory Board regularly perform an efficiency review of its activities. The Supervisory Board did not carry out such a review and will not do so. In its view, a formal efficiency review is not meaningful because such a review is not expected to generate efficiency gains owing to the Supervisory Board's small size.
- The German Corporate Governance Code recommends that the D&O insurance policies purchased for Supervisory Board members stipulate a deductible of at least 10 percent per loss but no more than one-and-a-half times the fixed annual compensation of the respective Supervisory Board member for all events of loss in a given year. The Company's existing D&O insurance for its Supervisory Board members does not provide for any deductible. COLEXON does not believe that a deductible can influence the commitment and responsibility each member of our Supervisory Board brings to the pursuit of their tasks.
- The German Corporate Governance Code recommends that the consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year and interim reports shall be publicly accessible within 45 days of the end of the reporting period. COLEXON does not follow the deadlines specified. However, given its listing in the Prime Standard of the Frankfurt Stock Exchange COLEXON is required in any event to publish these documents and make them available to the public within a relatively short time (two months for quarterly reports, four months for annual and consolidated financial statements). Furthermore, treatment within the Audit Committee and the full Supervisory Board as well review by the auditors would also have to be completed within the publication deadlines for annual and consolidated financial statements. Creation of additional time pressure in the preparation and review of relevant documents by shortening the statutory deadlines should be avoided. The Management Board and the Supervisory Board maintain that this ensures that the public is given information in a sufficiently timely fashion.

## **8.2 STATEMENT ON CORPORATE GOVERNANCE**

The structures underlying corporate management and supervision at COLEXON are explained below:

### Shareholders and Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting. COLEXON's Annual General Meeting is held in the first five months of each financial year. Annual General Meetings are presided over by the Chairman of the Supervisory Board and resolve on all tasks assigned to this body by law (including the election of Supervisory Board members, amendments to the Articles of Association, the appropriation of profits and capitalization measures).

### Supervisory Board

The main tasks of the Supervisory Board are to advise and supervise the Management Board. COLEXON's Supervisory Board currently comprises four members, who were elected by the shareholders at the Annual General Meeting.

The Supervisory Board closely works with the Management Board for the Company's good and is included in all fundamental decisions that affect it. Extensive experience and competence make the Supervisory Board an important adviser to the Management Board whose activities it guides within specified parameters. As independent members of the Supervisory Board, Mr. Henrik Lasse Lindblad and Dr. Peter Dill have particular expertise in the field of accounting and financial reporting as required by Section 100(5) of the German Stock Corporation Act (Aktengesetz – AktG).

COLEXON's Supervisory Board formed an Audit Committee in accordance with Section 107 (3) of the German Stock Corporation Act, as well as a Nomination Committee and a Strategy Committee. The committees are comprised as follows:

- Members of the Audit Committee: Dr. Peter Dill (from March 2009), Dr. Carl Graf Hardenberg (from November 2009), Henrik Lasse Lindblad (from February 2010 to 24 March 2011)
- Members of the Nomination Committee: Dr. Carl Graf Hardenberg (from March 2009), Henrik Lasse Lindblad (from March 2009 to 24 March 2011)
- Members of the Strategy Committee: Members of the Strategy Committee: Dr. Peter Dill (from March 2009), Henrik Lasse Lindblad (from March 2009 to 24 March 2011)

#### Management Board

In its capacity as an executive body of the stock corporation, the Management Board manages the Company's business and is bound by the provisions of the German Stock Corporation Act to act in the interests of the Company and in compliance with the principles of the Company's business policy. The Management Board reports to the Supervisory Board on a regular, timely and comprehensive basis about all significant aspects of the development of business, the corporate strategy and potential risks.

The remuneration of the Management Board comprises the fixed salary and performance-related components itemized in the remuneration report.

#### Transparency

Uniform, comprehensive and timely information is a high priority for COLEXON. The Group reports on its business position and results in the annual report, at press conferences and in conference calls, as well as in its interim reports.

Information is also published in press releases and ad hoc disclosures. All reports, presentations and disclosures are available on the Company's Web site under Investor Relations/News Center.

COLEXON regularly updates its insider register as required by Section 15b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The individuals affected have been notified of their statutory obligations and any possible sanctions.

#### Accounting and auditing

The consolidated financial statements have been prepared in accordance with IFRSs since the 2005 financial year. After being drawn up by the Management Board, the consolidated financial statements are audited by the auditors and adopted by the Supervisory Board. Consolidated financial statements shall be published within 90 days of the end of the financial year.

The Company has agreed with the auditor that the Chairman of the Supervisory Board or the Chairman of the Audit Committee shall be notified immediately of any reasons for exclusion or exemption or of any misstatements in the Declaration of Compliance identified during the audit. The auditors shall report on all questions and events that arise during the audit and materially affect the tasks of the Supervisory Board without delay to the Chairman of the Supervisory Board.

#### Key performance indicators and control system

In addition to the corporate strategy communicated, the safeguarding of liquidity (operating cash flow and free cash flow) is the main parameter for measuring operating performance. Earnings before interest and taxes (EBIT) and earnings before taxes (EBT) are other important evaluation parameters.

### **8.3 DISCLOSURES ON SHARE-BASED TRANSACTIONS**

The following disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) reflect the situation at the reporting date. The explanation of these disclosures provided in this section also corresponds to the explanatory report required by Section 120 (3) sentence 2 of the German Stock Corporation Act (Aktien-gesetz – AktG).

#### Composition of the subscribed capital

The Company's subscribed capital amounts to EUR 17,744,557.00. It is divided into 17,744,557 no-par value ordinary bearer shares (no-par value shares). The rights and obligations associated with these ordinary shares are derived in particular from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act. As the Company has issued only one class of shares, no particular voting disadvantages or limitations arise for individual shareholders.

#### Direct or indirect interests in the share capital

Direct or indirect interests in the share capital exceeding 10 percent of voting rights are disclosed and explained in the notes to the consolidated financial statements.

#### Appointment and dismissal of Management Board members

The appointment and dismissal of Management Board members is governed by the German Stock Corporation Act (Section 84) and the Company's Articles of Association. The Management Board comprises at least two members. Beyond this provision, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint a chairman of the Management Board and a deputy chairman of the Management Board. Deputy members of the Management Board may be appointed. The Supervisory Board can issue internal rules of procedure for the Management Board. The distribution of responsibilities among the members of the Management Board requires the approval of the Supervisory Board. There are no "golden parachute" regulations in place which would make the dismissal or appointment of Management Board members more difficult.

#### Capital increase

In accordance with the resolutions passed by the Annual General Meeting on 19 May 2006, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in accordance with Article 4 (6) of the Articles of Association by up to a total of EUR 2,325,000.00 by 18 May 2011 through the issue of new bearer shares against cash or non-cash contributions on one or several occasions (authorized capital).

For information on the possibility of excluding subscription rights, see GAS 15a, note 26 "specific authorizations." Creating authorized capital will enable the Company to react quickly and flexibly to growth opportunities and opportunities on the capital market. In 2007, two capital increases totaling EUR 465,000.00 were implemented against cash contributions with partial use of authorized capital. The remaining authorized capital amounts to EUR 1,860,000.00.

Disclosures on the authorization in accordance with Section 221 of the German Stock Corporation Act on the issue of convertible bonds and bonds with warrants

In accordance with Article 4 (7) of the Articles of Association, the Company's share capital is contingently increased by up to EUR 1,550,000.00 through the issue of up to 1,550,000 new no-par value bearer shares (contingent capital). A total of 757 convertible bonds were converted into shares in 2009. The remaining contingent capital amounts to EUR 1,549,243.

Amendments to the Articles of Association

Pursuant to Sections 133 and 179 of the German Stock Corporation Act, the Articles of Association of COLEXON Energy AG may only be amended by way of a resolution passed by the Annual General Meeting. In accordance with Article 19 (1) of the Articles of Association, resolutions of the General Meeting shall be passed with a simple majority of the votes cast, provided that no contradictory provisions are prescribed in the Articles of Association or by any other mandatory provision of the law. In the event that the law stipulates a capital majority in addition to the majority vote, resolutions shall be passed with a simple majority of the share capital represented at the time the resolution was passed. The authorization to amend the Articles of Association, which pertains only to the wording, has been assigned to the Supervisory Board in accordance with Article 4 (7) and Article 14 of the Articles of Association in compliance with Section 179 (1) sentence 2 of the German Stock Corporation Act.

#### 8.4 REMUNERATION REPORT

At COLEXON, transparent reporting on the remuneration of the Management Board and Supervisory Board are key elements of good corporate governance. This section provides information about the principles of the remuneration system and about the structure and amounts of benefits.

Management Board

**Remuneration structure.** The remuneration of Management Board members is determined by the Human Resources Committee, whereas the remuneration structure is fixed and regularly reviewed by the Supervisory Board. The existing remuneration system guarantees that the members of the Management Board receive remuneration that is commensurate with their work and responsibilities. In addition to personal performance, the economic situation as well as the Group's performance and future prospects are taken into account.

**Short-term remuneration components.** The compensation package comprises a fixed salary as well as variable, performance-based remuneration. If all targets are achieved, the fixed salary accounts for around 66 percent of total remuneration, while the variable component accounts for about 34 percent. A member's individual bonus depends on the achievement of the targets agreed by the Chairman of the Supervisory Board and the individual Management Board member at the start of the financial year.

The remuneration of Management Board members also includes benefits in kind, mostly consisting of the amounts recognized for the use of a company car in accordance with tax laws, rental expenses and premiums for accident insurance.

The following members of the Management Board received remuneration from the Company in the 2010 financial year:

NAME		RESIDENCE	POSITION	APPOINTMENT
Thorsten Preugschas	Dipl.-Ing. (graduate engineer)	Kamp-Lintfort	CEO	11 Nov. 2006 – 05 Jan. 2011
Henrik Christiansen	Dipl.-Kaufm. (holder of a degree in business administration)	Ahrensburg	CFO	17 Oct. 2008 – 28 Feb. 2011
Volker Hars	Dipl.-Kaufm. (holder of a degree in business administration)	Reinbek	COO CEO	15 Feb. 2010 – 05 Jan. 2011 since 05 Jan. 2011
Tom Larsen	Dipl.-Kaufm. (holder of a degree in business administration)	Virum	COO	01 Jan. 2010 – 15 Feb. 2010

The members of the Management Board received the following remuneration in the reporting period:

REMUNERATION IN EUR '000	VOLKER HARS	HENRIK CHRISTIANSEN	THORSTEN PREUGSCHAS	TOM LARSEN
Fixed remuneration	265.7	260.3	298.6	28.0
Benefits in kind	11.4	17.8	39.5	0
Pension commitment	45.0	0	0	0
Royalty entitlement for 2009	0	20.0	0	0
Royalty entitlement for 2010	0	0	0	0
Termination benefits				160.0
<b>Total</b>	<b>322.1</b>	<b>298.1</b>	<b>338.1</b>	<b>188.0</b>

#### Supervisory Board

The remuneration of the Supervisory Board is regulated by the Articles of Association and determined by the Annual General Meeting. In accordance with the Company's Articles of Association, the members of the Supervisory Board received remuneration totaling EUR 125 thousand (previous year: EUR 152 thousand). Supervisory Board members receive fixed and variable remuneration for each financial year.

The Chairman receives EUR 30 thousand, the Deputy Chairman EUR 22.5 thousand, and regular members receive EUR 15 thousand in fixed remuneration. These amounts are payable after the end of the financial year. The variable component of the annual remuneration amounts to EUR 0.5 thousand for each EUR 1 million of positive earnings before interest and taxes (EBIT) reported in the consolidated financial statements for the current financial year.



EUR '000	CHAIRMAN	DEPUTY CHAIRMAN	MEMBER	ATTEND- ANCE FEES	TRAVEL EXPENSES	VARIABLE REMUNER- ATION	BALANCE PREVIOUS YEARS	TOTAL
Dr. Carl Graf Hardenberg	30	0	0	4	5	0	3	42
Tom Larsen	0	0	0	0	0	0	7	7
Dr. Peter Dill	0	0	15	4	1	0	0	20
Max Köttgen	0	0	5	1	0	0	0	6
Henrik Lasse Lindblad	0	23	0	4	3	0	2	32
Dr. Eric Veulliet	0	0	2	4	3	0	0	18
<b>Total</b>	<b>30</b>	<b>23</b>	<b>32</b>	<b>17</b>	<b>11</b>	<b>0</b>	<b>13</b>	<b>125</b>

In 2010 and beyond, the Company's Supervisory Board had the following members:

- Dr. Carl Graf Hardenberg (Chairman), member since 6 March 2009, managing director of the law firm Sozietät Hardenberg Rechtsanwälte
- Dr. Peter Dill (member), member since 6 March 2009, CEO of Deutsche See GmbH
- Lasse Lindblad (Deputy Chairman), member from 28 May 2008 to 24 March 2011, CEO of several companies  
Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):
  - Danske AMP A/S
  - Steffen Rønn Fondsmæglerselskab A/S
  - DKA Consult A/S
  - FMT A/S
  - Dansk O.T.C.Fondsmæglerselskab A/S
  - Nordisk Fondservice AB
  - Monetar Pensionsförvaltning AB
- Dr. Eric Veulliet (member), member from 6 March 2009 to 10 October 2010, CEO of alpS Zentrum für Naturgefahren- und Risikomanagement GmbH
- Max-Arnold Köttgen (member), member from 13 September 2010 to 07 February 2011, member of the Management Board of Remondis AG & CO. KG
- Dr. Kurt Friedrich Ladendorf (member), member since 18 March 2011, Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code:
  - GBK Beteiligungen AG

## 9. RISK REPORT

### 9.1 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Every business venture entails opportunities and risks due to uncertainties existing within and outside the Company. The aim of COLEXON's risk management system (RMS) and internal control system is to ensure that all relevant risks are identified, recorded, analyzed and assessed as well as communicated in the correct form to the relevant decision-makers. The RMS satisfies the external requirements pursuant to the Act on Control and Transparency in Business, the German Corporate Governance Code (GCGC), German Accounting Standards and the auditing standards of the Institute of Public Auditors in Germany (IDW) in addition to further statutory requirements.

The economic benefit of the RMS lies not only in the fact that it provides transparency and ensures an early-warning function, but also in that it increases planning reliability and reduces risk costs. The RMS and the internal control system generally also cover processes relating to accounting and financial reporting, as well as all accounting-related risks and controls. This relates to all parts of the RMS and the internal control system that could affect the Company's earnings.

COLEXON's RMS and internal control system for accounting and financial reporting processes are designed to ensure objective identification and assessment of individual risks that could impede the regulatory compliance of the consolidated financial statements. Identified risks are analyzed and assessed so that their potential impact on the consolidated financial statements can be ascertained. The objective of the internal control system is to implement appropriate control mechanisms to provide adequate assurance that the consolidated financial statements prepared by COLEXON comply with regulatory requirements in spite of the risks identified. COLEXON's management therefore will not take any unreasonable risks within the scope of its business activities.

Both the RMS and the internal control system include all subsidiaries with a material influence on the consolidated financial statements together with all processes of relevance for the preparation of the statements. The accounting-related controls are focused in particular on the risk of material misstatements in COLEXON's financial reporting. The assessment of materiality is based on the likelihood of occurrence as well as the financial impact on the key financial indicators.

Key elements for risk management and control in accounting and financial reporting are the clear allocation of responsibilities and controls in the preparation of financial statements, transparent requirements and a clear regulation of responsibilities in the involvement of external specialists. The principle of dual control and segregation of functions are other important control principles.

The Company's risk management system and internal control system are based on a risk manual. Risk management guidelines, which among other things form the basis of communication at all levels of the Company, were derived from the corporate objectives. In the context of risk management, the Management Board is responsible for the following tasks:

- Defining the corporate objectives and strategies as well as the risk management objectives derived from these
- Promoting risk awareness within the Company (establishing a culture of risk awareness)
- Optimizing the risk management system

- Laying down standards and rules for analyzing, assessing and managing risks
- Keeping the Supervisory Board informed of the risk map at regular intervals

## 9.2 RISK MANAGEMENT PROCESS

Risk management at COLEXON is based on the concept of a control loop, which means it is continuously being improved. After being initially recorded and assessed, risk management is included in an ongoing process as part of corporate management and reporting, and it is periodically discussed with the Supervisory Board.

This process complies with the specifications defined by corporate management and the provisions of risk management legislation. Risks that pose a threat to earnings and the Company's continued existence as a going concern are identified and assessed either by the internal risk management team in a top-down approach or by the risk officers designated to the specific area. Risks are assessed by dividing the risks into loss categories and evaluating the likelihood of their occurrence. Based on the risk assessment, countermeasures are defined whose implementation is then initiated and monitored.

In some cases, appropriate measures can be taken to avert or mitigate the risks. Part of the risk exposure may be transferred to third parties or the financial impact may be covered by taking out insurance policies. The Company itself must bear the residual risk. To illustrate the overall exposure, the risks identified and assessed are presented in a risk map and subsequently updated. The risk map is used for regular reporting to corporate management and the Supervisory Board.

To be able to identify the risks associated with COLEXON's business activities at an early stage, a variety of measures and analysis tools for early identification of risk are integrated into workflow management and therefore into both operating processes and reporting. These risk management tools for early detection of risk include ongoing liquidity planning and system-based procurement management as well as process-oriented controlling in the divisions and Group-wide commercial reporting.

## 9.3 GOING-CONCERN RISKS AND OTHER INDIVIDUAL RISKS

### Purchase obligations

Among the principal components that COLEXON needs to provide its services are solar modules and inverters. COLEXON is obligated under current delivery contracts to accept and pay the stipulated deliveries. Besides creating sizeable financial obligations, there is also the risk that the purchase obligation could lead to overstocking and unwanted inventory build-up. In turn, this gives rise to a sales and liquidity risk. COLEXON engages in continuous liquidity management to coordinate and optimize its cash flows and temporary capital requirements. Given the general changes in the European market, COLEXON initiated negotiations with its main supplier in due time with the aim of redefining the general agreement's flexibility and thus lowering its exposure to risk under its purchase obligation.

#### Raising capital

To expand its divisions, COLEXON will have to rely on sufficient funds from external funding sources. The Company's ability to borrow sufficient amounts of capital might suffer, especially if the situation in the financial markets or the solar industry were to deteriorate. Any decline in banks' ability and/or willingness to finance solar modules and solar power plants would have a negative impact on the Company's operating performance and thus also on its profitability.

In the 2009 financial year, COLEXON entered into loan agreements with several banks which contain "financial covenants" regarding its consolidated financial statements, for one, and its consolidated financial statements adjusted for the Plant Operation division, for another, and which entail special termination rights. In the third quarter of 2010, an equity ratio for the consolidated financial statements was no longer met for the first time. In the fourth quarter of 2010, the equity ratio, interest coverage ratio and leverage ratio were no longer met for the consolidated financial statements adjusted for the Plant Operation segment. This gave the lenders the right to terminate the loans prematurely. The banks have not exercised their right to terminate, however, and have declared their basic willingness to support a restructuring plan subject to amended provisions, as follows.

The banks have agreed to a moratorium until 31 July 2011 so that new financial covenants can be negotiated. During this time, the banks cannot exercise their right of termination. The agreement on the continuation of the credit lines and new financial covenants is subject to the usual proviso that the banks' corporate bodies approve the arrangements and that COLEXON's restructuring concept is viable. According to the information currently available to it, the Management Board expects the banks to view the matter in a favorable light – given the restructuring measures that have been put in place and assuming that the markets will continue to rebound – such that the Company's funding will be assured beyond 31 July 2011. For the rest, the Company's liquidity targets are structured such that cash flow from the sale of a solar farm will already enable it to reduce its dependence on the credit lines in July 2011.

#### **OTHER INDIVIDUAL RISKS**

##### Dependence on government development programs

In most regions and countries, it is not possible at this time to generate solar energy at prices that are competitive with the costs for generating electricity from conventional sources of energy such as coal, gas, oil or nuclear power. As a result, demand for solar power plants and thus for the Company's products and services depends on government development programs for photovoltaics. The changes in the feed-in tariffs that were enacted during the reporting year in both Germany, France and the Czech Republic have shown that extraordinary cuts in statutory support mechanisms have a sizeable impact on demand and thus on the operating business of solar companies. By strengthening its international project business during the reporting period, COLEXON spread the Company's revenue over various markets, lowering country-specific risks in the process.

##### Growth risk from purchase commitments

Solar modules from First Solar accounted for more than 90 percent of the solar modules that COLEXON purchased in the 2010 financial year. Any elimination of the Company's business relations with the First Solar Group or any failure to bring the renegotiation of the prices and terms governing PV module deliveries to a successful completion would affect COLEXON's assets, liabilities, cash flows and profit or loss. Moreover, the Company has not made any fixed general agreements with other renowned manufacturers of crystalline modules. This could have a negative effect on its growth. COLEXON is always in talks with its suppliers regarding quantities, delivery times, price and payment terms with the aim of continuously adjusting its procurement strategy to the powerful changes in market conditions. We also adjust our

need and allocation planning on a regular basis in order to ensure that sufficient quantities of solar modules are available and avert excessive inventories.

#### Non-payment risks in connection with receivables

COLEXON is exposed to a customary non-payment risk in connection with trade or financial receivables. Any failure of the Company's debtors to settle outstanding receivables in due time or at all would have a negative effect on COLEXON's cash flows. All customers wanting to do business with COLEXON are therefore subjected to detailed credit checks and all outstanding receivables are continuously monitored by the central Working Capital Management team.

#### Project financing

Safeguarding the interim financing of projects will remain a critical success factor for the Company. COLEXON has also operated solar power plants through project companies, most of which – around 80 to 85 percent – are financed externally. Existing and any future project companies formed for solar power plant operation therefore depend on the continued availability of sufficient funding, especially bank loans, in accordance with the given project's existent financial obligations and at attractive terms and conditions.

#### Internationalization

A key pillar in COLEXON's strategic development is the internationalization of its business activities. This is especially true with regard to the reduction in feed-in tariffs in Germany. Compared with the Company's business activities in Germany, international expansion harbors much higher risks from a legal and political perspective. These risks are often very difficult to assess and can lead to unplanned cost burdens. Moreover, government development programs for photovoltaics in international markets have also been cut, reducing the profitability of this segment for both investors and the Company. But the Company can spread country-specific risks thanks to its international expansion and thus ensure that its performance is less dependent on volatile individual markets. Besides, profitability can be achieved faster in Southern countries without sizeable financial support thanks to greater solar irradiation. Furthermore, COLEXON works with lean, flexible foreign units and frequently hires local subcontractors to minimize these risks.

#### Personnel

To date, COLEXON's performance has largely depended on the performance of its executive and nonexecutive employees. Ensuring that key personnel remain with the Company thus is important to COLEXON's future success. The process of consolidation in the solar energy market has increased employee turnover. Our planned restructuring thus intensifies our risk of losing qualified personnel and executives. This is why COLEXON will try to tie key personnel to the Company through individual employee development programs.

#### The German sales market

The feed-in tariff under the German Renewable Energy Sources Act is the vital incentive for the development of Germany's PV industry, which up to now has been exceedingly positive and swift. Experts therefore assume that the planned lowering of the feed-in tariff in 2011 will have negative consequences for the German market and slow down market growth. COLEXON has reduced its dependence on the German market in the reporting period by increasing the share of revenue generated abroad.

#### Technological development

Technological development on the photovoltaic market is extremely dynamic. COLEXON's success depends heavily on foreseeing new trends, developments and customer requirements in good time, and ensuring that our product and service portfolio keeps pace with changing technologies. There is the particular risk that competitors might launch new products and services earlier or at lower prices or that they might secure exclusive rights to new technologies for themselves. Nor is there any guarantee that improved or new products or services will function and be accepted by the market as expected.

#### Product quality

Supply problems and suppliers' failure to provide the required product quality pose a risk to operating activities. As the Company itself does not produce solar modules or any other system parts for solar power plants, it is dependent on the service and product quality of its suppliers. Such defects may result in customers asserting warranty claims against the Company. COLEXON hedges against this risk by carefully selecting and regularly monitoring its partners.

#### Interest rate and currency risks

The targeted international expansion of COLEXON's business entails increased interest rate and currency risks. When taking out loans, the Company is also subject to market interest rate fluctuations. A continuous monitoring of the capital markets as part of the risk management system ensures that financial risks are recognized early on and appropriate hedging strategies and principles are determined. COLEXON also uses interest rate swaps ("swaps") as derivatives to hedge against interest rate risk.

#### Competition

Competitive pressures in the market segment relevant to COLEXON intensified during the reporting period. Management expects this trend to continue during the current financial year. Keen competition alongside greater availability of modules regularly causes achievable prices to crumble. Any failure on the part of COLEXON to agree to appropriate price adjustments with its suppliers in such cases or to achieve cost reductions by other means would also result in lower operating margins. This could have a considerable impact on the Company's profit margins, revenue and performance.

#### Weather conditions

COLEXON depends on the respective regional climate and weather conditions when installing and operating solar power plants. Unfavorable weather conditions could result in delays in the project business. A delay could pose problems for the Company especially since projects must often be completed by a certain date because of the existing funding structures. Furthermore, unfavorable weather conditions could lead to an unintended increase in inventories, especially solar modules. This could have a considerable impact on the Company's cash flows.



#### 9.4 OVERALL RISK

The risk of insufficient funding constitutes a going-concern risk to the Company. The Management Board has initiated all necessary steps to avert this risk, as described above. According to the information currently available to it, the Management Board expects the Company's funding to be assured given the restructuring measures that have been put in place and assuming that the markets will continue to rebound and that the negotiations with the banks will be successful. The positive nature of the negotiations with a supplier regarding both pricing and quantities under purchase obligations lead the Management Board to believe that this general agreement poses a minor risk to the Company as a going concern.

Considering the Company's overall risk situation, it can be observed that as things stand today risks are limited and manageable.

## 10. RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.”


# 11. CONCLUDING STATEMENT OF THE MANAGEMENT BOARD ON THE DEPENDENCY REPORT

The Company prepared a dependency report in accordance with Section 319 (3) German Stock Corporation Act. The Management Board declares in accordance with Section 312 (3) German Stock Corporation Act: “Our Company was paid appropriate consideration in connection with the legal transactions described in the report on relations with affiliated companies, given the circumstances known to us at the time the relevant legal transactions were executed. No measures disadvantaging the Company were executed or omitted in the interest or at the instruction of the controlling company.”

Hamburg, Germany, 26 April 2011

Volker Hars

Dr. Rolando Gennari



CONSOLIDATED  
FINANCIAL  
STATEMENTS  
OF COLEXON  
ENERGY AG

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2010

<b>ASSETS</b>		
EUR '000	31 DEC 2010	31 DEC 2009
<b>A. Non-current assets</b>		
I. Goodwill	7,937	71,399
II. Other intangible assets	763	923
III. Land and improvements	298	298
IV. Investment property	1,161	1,296
V. Plant and machinery	117,482	158,560
VI. Other equipment, operating and office equipment	905	895
VII. Other non-current assets	13,720	14,491
VIII. Deferred tax assets	2,757	2,598
<b>Total non-current assets</b>	<b>145,023</b>	<b>250,460</b>
<b>B. Current assets</b>		
I. Inventories		
1. Modules	30,091	16,910
2. Production supplies	1,430	187
3. Work in progress	13,062	4,023
II. Advances paid	4,145	2,966
III. Trade receivables	4,071	6,056
IV. Future receivables from construction contracts	6,888	3,967
V. Cash	20,325	32,255
VI. Other assets	2,946	6,211
VII. Tax refund claims	47	76
<b>C. Assets held for sale</b>		
Assets held for sale		0
<b>Total current assets</b>	<b>83,006</b>	<b>72,650</b>
<b>Total assets</b>	<b>228,030</b>	<b>323,110</b>



## EQUITY AND LIABILITIES

EUR '000	31 DEC 2010	31 DEC 2009
<b>A. Equity</b>		
I. Subscribed capital	17,745	17,745
II. Capital reserves	77,555	77,345
III. Retained earnings	-31,629	33,797
IV. Reserve for treasury shares	-9,915	-10,826
V. Currency translation reserve	38	235
VI. Reserve for derivative financial instruments	-648	-614
VII. Revaluation surplus	0	1
VIII. Non-controlling interest	17	657
	<b>53,162</b>	<b>118,340</b>
<b>B. Liabilities</b>		
I. Non-current liabilities		
1. Financial liabilities	94,339	143,607
2. Deferred tax liabilities	4,074	2,849
3. Other non-current provisions	931	394
	<b>99,344</b>	<b>146,850</b>
II. Current liabilities		
1. Tax provision	3,322	3,559
2. Other provisions	4,865	3,324
3. Financial liabilities	20,855	18,664
4. Advances received	6,573	3,361
5. Trade payables	36,569	16,436
6. Other liabilities	3,340	12,575
<b>C. Liabilities held for sale</b>		
1. Liabilities held for sale		0
<b>Total current liabilities</b>	<b>75,524</b>	<b>57,920</b>
<b>Total liabilities</b>	<b>174,868</b>	<b>204,770</b>
<b>Total equity and liabilities</b>	<b>228,030</b>	<b>323,110</b>

# CONSOLIDATED INCOME STATEMENT

FROM 1 JANUARY TO 31 DECEMBER 2010

EUR '000	1 JAN – 31 DEC 2010	1 JAN – 31 DEC 2009
<b>1. Revenue</b>	<b>196,011</b>	<b>117,178</b>
2. Other operating income	2,785	3,408
3. Increase in inventories of finished services and work in progress	11,340	-3,595
4. Cost of production supplies and purchased goods	-148,668	-76,287
5. Cost of purchased services	-23,135	-4,659
<b>6. Gross profit</b>	<b>38,333</b>	<b>36,045</b>
7. Staff costs	-9,206	-4,888
8. Depreciation, amortization and impairment losses	-69,477	-6,138
9. Other operating expenses	-13,573	-7,194
<b>10. Operating profit (EBIT)</b>	<b>-53,923</b>	<b>17,825</b>
11. Other interest and similar income	240	280
12. Interest and similar expenses	-8,227	-10,075
13. Result from investments/deconsolidation result	0	45
<b>14. Result from investments and financial result</b>	<b>-7,987</b>	<b>-9,751</b>
<b>Earnings before taxes (EBT)</b>	<b>-61,909</b>	<b>8,074</b>
15. Taxes on income	-3,454	-2,336
<b>17. Net income from continuing operations</b>	<b>-65,364</b>	<b>5,737</b>
18. Net income after taxes from discontinued operations		-95
<b>19. Net profit/loss</b>	<b>-65,364</b>	<b>5,643</b>
of which shareholders of COLEXON Energy AG/Renewagy A/S	-65,335	5,655
of which non-controlling interest	-9	-12
<b>Earnings per share</b>		
Basis: 16.885 million (previous year: 9.507 million) shares acc. to IAS 33		
There are no dilutive effects		
from continuing operations	-3.87	0.60
from discontinued operations	0.00	-0.01

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 31 DECEMBER 2010

EUR '000	1 JAN – 31 DEC 2010	1 JAN – 31 DEC 2009
<b>Net profit/loss</b>	-65,364	5,643
Changes in the fair value of hedging instruments	-34	-474
Changes in the fair value of financial instruments held for sale	-1	0
Currency translation	-197	280
Revaluation in connection with business combinations	0	178
Taxes on other comprehensive income	92	146
<b>Other comprehensive income after taxes</b>	<b>-141</b>	<b>131</b>
<b>Total comprehensive income</b>	<b>-65,504</b>	<b>5,774</b>
of which shareholders of COLEXON Energy AG/Renewagy A/S	-65,495	5,786
of which non-controlling interest	-9	-12

# CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY TO 31 DECEMBER 2010

EUR '000	1 JAN – 31 DEC 2010	1 JAN – 31 DEC 2009
<b>Net profit/loss</b> (including portion attributable to non-controlling interests) before extraordinary items	-65,364	5,643
+/- Depreciation/amortization/impairment losses and write-ups on fixed assets	6,101	6,138
+/- Increase/decrease in provisions	2,035	1,282
+/- Other non-cash expenses/income (including goodwill impairment)	63,395	1,319
+/- Change in currency translation reserve	-197	284
-/+ Gain/loss from the disposal of fixed assets	-442	99
-/+ Increase/decrease in inventories, trade receivables and other assets not part of investing or financing activities	-24,637	22,745
+/- Increase/decrease in trade payables and other liabilities not part of investing or financing activities	17,958	-8,674
<b>Cash flows from operating activities</b>	<b>-1,149</b>	<b>28,836</b>
+ Cash receipts from the disposal of property, plant and equipment/intangible assets	8,720	0
- Cash payments for investments in property, plant and equipment	-10,038	-8,220
- Cash payments for investments in intangible assets	-332	-12
+/- Cash receipts and payments in connection with the purchase/sale of consolidated companies and other business units	-1,541	-235
<b>Cash flows from investing activities</b>	<b>-3,191</b>	<b>-8,466</b>
+/- Cash receipts and payments in connection with capital increases	0	-473
- Cash receipts/payments from/to owners and non-controlling interests (dividends, purchase of own shares, equity repayments, other distribution)	0	653
+ Cash receipt from issuing bonds and from borrowings	11,202	43,012
- Payments for the redemption of bonds and borrowings	-18,189	-46,441
<b>Cash flows from financing activities</b>	<b>-6,987</b>	<b>-3,249</b>
<b>+/- Cash flows from discontinued operations</b>	<b>0</b>	<b>3,615</b>
Cash and cash equivalents at beginning of period	32,255	10,048
+/- Changes in the basis of consolidation	-603	1,472
+/- Net change in cash and cash equivalents	-11,327	20,736
<b>= Cash and cash equivalents at end of period</b>	<b>20,325</b>	<b>32,255</b>

# STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY TO 31 DECEMBER 2010

EUR '000	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	RESERVE FOR TREASURY SHARES	CURRENCY TRANS-LATION RESERVE	RESERVE FOR DERIVATIVE FINANCIAL INSTRUMENTS	REVALU-ATION SURPLUS	EQUITY OF SHARE-HOLDERS OF COLEXON ENERGY AG	NON-CONTROL-LING INTEREST	TOTAL EQUITY
<b>I. Balance 1 January 2009</b>	<b>9,318</b>	<b>57,616</b>	<b>30,710</b>	<b>-1,361</b>	<b>-22</b>	<b>-286</b>	<b>0</b>	<b>95,975</b>	<b>0</b>	<b>95,975</b>
1. Total comprehensive income			5,655		280	-328	178	5,786	-12	5,774
2. Capital increase against contribution in kind	12,629							12,629		12,629
3. Change in capital structure from reverse acquisition of COLEXON Energy AG by Renewagy A/S	-4,202	22,444	-2,756		-24		-177	15,286		15,286
4. Addition of treasury shares from reverse acquisition			401	-12,442				-12,041		-12,041
5. Disposal of treasury shares from squeeze-out of COLEXON Solar Invest A/S shareholders		-301	0	827				526		526
6. Disposal of treasury shares from sale		-1,497	0	2,150				653		653
4. Reclassification of the costs of the capital increase		-473						-473		-473
5. Non-controlling interest		-444	-213					-657	669	12
<b>II. Balance 31 December 2009</b>	<b>17,745</b>	<b>77,345</b>	<b>33,797</b>	<b>-10,826</b>	<b>235</b>	<b>-614</b>	<b>1</b>	<b>117,683</b>	<b>657</b>	<b>118,340</b>
<b>I. Balance 1 January 2010</b>	<b>17,745</b>	<b>77,345</b>	<b>33,797</b>	<b>-10,826</b>	<b>235</b>	<b>-614</b>	<b>1</b>	<b>117,683</b>	<b>657</b>	<b>118,340</b>
1. Total comprehensive income			-65,355		-197	-34	-1	-65,587	-9	-65,596
2. Disposal of treasury shares from squeeze-out of COLEXON Solar Invest A/S shareholders		-234	-285	910				392		392
4. Non-controlling interest		444	213					657	-631	26
<b>II. Balance 31 December 2010</b>	<b>17,745</b>	<b>77,555</b>	<b>-31,629</b>	<b>-9,915</b>	<b>38</b>	<b>-648</b>	<b>0</b>	<b>53,145</b>	<b>17</b>	<b>53,162</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL DISCLOSURES

COLEXON is a group of companies with an international focus. The parent company is COLEXON Energy AG, with subsidiaries in Spain, France, the Czech Republic, the United States, Australia, Italy and Denmark. COLEXON Energy AG is a listed stock corporation under German law that is entered in the Commercial Register of Hamburg Local Court under No. HRB 93828. The Company's registered office is in Grosse Elbstrasse 45, 22767 Hamburg, Germany. The Company has an Official Market listing on the Frankfurt Stock Exchange with German Securities Identification Number 525070 and is also listed on other stock markets in Germany.

In the area of renewable energy, the COLEXON Group has specialized both in the wholesale business with solar modules and in the project development and operation of large-scale solar power plants. The Group companies plan and build turnkey solar power plants for constructors and investors from agriculture, industry and the public sector in and outside Germany. The COLEXON Group also invests in and operates low-risk solar power plants that provide a steady cash flow. COLEXON Solar Invest A/S performs analyses, conducts technical, legal and financial investment reviews and secures the financing of the solar power plants to that end.

These consolidated financial statements were approved for publication by the Management Board on 26 April 2011.

## 2. ACCOUNTING PRINCIPLES

### 2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of COLEXON Energy AG, Hamburg, Germany (hereinafter also: COLEXON or, if used in connection with the Group: COLEXON Group) for the financial year ended 31 December 2010 were prepared in accordance with the accounting regulations of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as applicable in the European Union following the adoption by the European Commission, as well as the supplementary provisions that are applicable under Section 315a (1) German Commercial Code (HGB). The term IFRS also includes the applicable International Accounting Standards (IAS). All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – previously the Standing Interpretations Committee (SIC) – that were mandatory as of 31 December 2010 were also applied. Unless indicated otherwise, the policies described were applied consistently to the reporting periods covered by these notes.

These financial statements are consolidated financial statements for the period from 01 January 2010 to 31 December 2010 with comparative figures for the period from 01 January 2009 to 31 December 2009 and comparative figures in the statement of financial position for the closing date of 31 December 2009.

The consolidated statement of financial position is divided into current and non-current items. Current assets are expected to be utilized and current liabilities repaid within twelve months of the reporting date. All other assets and liabilities are deemed non-current. The consolidated income statement has been prepared based on the nature of expense format. The Group's comprehensive income is presented in two statements: A separate income statement and a reconciliation of profit or loss with the statement of comprehensive income, including a presentation of the components of other income.

The consolidated financial statements have been prepared in euros (EUR), which is the functional currency of the entities in Germany, Spain, France and Italy. For purposes of simplification, most disclosures are made in EUR thousand. Individual figures have been rounded. In tables, such figures may not exactly add up to the totals in the table. The functional currencies of the subsidiaries are the US dollar in the United States, the Danish krone in Denmark, the Czech koruna in the Czech Republic and the Australian dollar in Australia (see note 4 for information on currency translation).

The consolidated financial statements are prepared on the basis of historical cost, limited by the fair value measurement of available-for-sale financial assets as well as by the measurement of financial assets and financial liabilities (including derivatives) at fair value through profit and loss.

Preparing consolidated financial statements in accordance with IFRSs as applicable in the EU requires the use of estimates. Furthermore, the application of Group-wide accounting policies requires assessments by management. Areas that permit greater leeway in terms of assessments or exhibit greater complexity, or where assumptions and estimates are of critical significance to the consolidated financial statements, are discussed in note 5.



## 2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE ADOPTION WAS MANDATORY IN 2010

The following overview shows the new or amended IFRSs and IFRICs that must be applied in the European Union from 2010:

- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items”  
The amendments to IAS 39 do not have any effects on COLEXON’s consolidated financial statements.
- Amendments to IFRS 1: “First-time Adoption of IFRS” and IAS 27: “Consolidated and Separate Financial Statements”  
The amendments to IFRS 1 and IAS 27 solely concern separate financial statements. They do not have any effects on the COLEXON’s consolidated financial statements.
- Amendments to IFRS 2: “Group Cash-settled Share-based Payment Transactions”  
The amendments to IFRS 2 do not have any effects on COLEXON’s consolidated financial statements.
- Amendment to IFRS 3 (rev. 2008) “Business Combinations”  
The amendments to IFRS 3 do not have any effects on COLEXON’s consolidated financial statements.
- Amendment to IFRS 7: “Enhanced Disclosures on Financial Instruments”  
The amendments relate to disclosures on fair value measurement and liquidity risk and are accounted for appropriately in COLEXON’s consolidated financial statements.
- IFRIC 13: “Customer Loyalty Programmes”  
IFRIC 13 provides guidance on determining the date of revenue recognition in customer loyalty programs. Initial application of this interpretation does not have any effects on the consolidated financial statements of COLEXON Energy AG.
- IFRIC 15: “Agreements for the Construction of Real Estate”  
Initial application does not have any effects on the consolidated financial statements of COLEXON Energy AG.
- IFRIC 16: “Hedges of a Net Investment in a Foreign Operation”  
Initial application does not have any effects on COLEXON’s consolidated financial statements.
- IFRIC 17: “Distributions of Non-cash Assets to Owners”  
Initial application does not have any effects on COLEXON’s consolidated financial statements.
- IFRIC 18: “Transfers of Assets from Customers”  
Initial application does not have any effects on COLEXON’s consolidated financial statements.
- Amendments resulting from the Annual Improvements Project (2009)  
This concerns numerous minor amendments to existing standards. The amendments do not have significant effects on COLEXON’s consolidated financial statements.

### 2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE ADOPTION WAS NOT YET MANDATORY IN 2010

The following overview shows the new or revised standards, whose application was not yet mandatory from 2010 and which were not adopted early by the Group:

- IFRS 1: “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”
- Amendments to IFRS 1: “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”
- IFRS 7: “Transfer of Financial Assets”
- IFRS 9: “Financial Instruments: Classification and Measurement”
- Amendments to IAS 12: “Deferred Tax: Recovery of Underlying Assets”
- Amendments to IAS 18: “Guidance for identifying agency relationships”
- IAS 24: “Related Party Disclosures”
- IAS 32: “Classification of Rights Issues”
- Amendments resulting from the Annual Improvements Project 2010
- IFRIC 14: “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IFRIC 19: “Extinguishing Financial Liabilities with Equity Instruments”

The application of the other standards and interpretations mentioned above are not expected to have a significant effect on COLEXON’s consolidated financial statements. However, they are expected to have an effect on the disclosures to be made.

## 3. CONSOLIDATION

### 3.1 BASIS OF CONSOLIDATION

The consolidated financial statements as of 31 December 2010 include COLEXON as well as all companies whose financial and business policy can be directly or indirectly controlled by the COLEXON Group. Subsidiaries are fully consolidated in the consolidated financial statements from the date at which the Group assumes control over them. Conversely, they are deconsolidated at the date the Group’s possibility to exercise control over the respective company ends. Insignificant subsidiaries from the Group’s perspective are not consolidated.

The Group had 57 consolidated subsidiaries in the year under review (previous year: 48). Five companies left the Group (three sold, two liquidated). Fourteen companies joined the Group (eight founded, six purchased). Most of the companies bought are shelf companies designated for the implementation of solar projects. As these companies cannot be accounted for as an operation as defined by IFRS 3 “Business Combinations”, they are reported as individual assets without purchase price allocation as such. The excess purchase prices from the purchase of these companies mainly relate to the project and land rights acquired as part of the purchase that are classified as work in progress.

In addition to the parent company, COLEXON, the following subsidiaries were fully consolidated in the consolidated financial statements as of 31 December 2010:

	COUNTRY	SHARE IN %
COLEXON Iberia S.L., Madrid	Spain	100
COLEXON Spain SPV S.L., Madrid	Spain	100
COLEXON Corp., Tempe/Az.	USA	100
SASU COLEXON FRANCE, Nice	France	100
COLEXON Energy S.R.O, Prague	Czech Republic	100
COLEXON Australia Pty. Ltd., Brighton	Australia	100
COLEXON Imola S.R.L., Imola	Italy	100
COLEXON Italia S.r.l., Imola	Italy	100
BN Solar S.r.l., Agrate Brianza	Italy	50
JV Solar S.r.l., Agrate Brianza	Italy	70
Future Energy Solar Production S.r.l., Agrate Brianza	Italy	70
COLEXON IPP GmbH, Hamburg	Germany	100
Loubes Bernac Solaire SASU, Nice	France	100
Margueron Solaire SASU, Nice	France	100
St. Benoit Solaire SASU, Nice	France	100
Venanson Solaire SASU, Nice	France	100
Villeneuve d'Entraunes Solaire SASU, Nice	France	100
COLEXON IPP Germany GmbH, Hamburg	Germany	100
COLEXON 1. Solar Verwaltungs GmbH, Hamburg	Germany	100
COLEXON 1. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 2. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 3. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Corvo S.r.l., Imola	Italy	100
COLEXON 4. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Valle S.r.l., Imola	Italy	100
COLEXON 5. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
CTG Baal S.r.l., Imola	Italy	100
COLEXON 6. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 7. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 8. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 9. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON 10. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
COLEXON IPP Italy GmbH, Hamburg	Germany	100
COLEXON IPP Bulgaria GmbH, Hamburg	Germany	100
COLEXON IPP Czechia GmbH, Hamburg	Germany	100
COLEXON IPP Spain GmbH, Hamburg	Germany	100
COLEXON IPP France GmbH, Hamburg	Germany	100
COLEXON I SASU, Saint-Quentin de Caplong	France	100

	COUNTRY	SHARE IN %
COLEXON Solar Invest A/S, Virum	Denmark	100
ITH Traeindustrie AS, Lyngby-Taarbaek	Denmark	100
O. Windows (UK) Ltd., Norfolk	United Kingdom	100
O. Vinduer Ireland Ltd., Kildare	United Kingdom	100
CHA Furnitures A/S, Lyngby-Taarbaek	Denmark	100
HTI Import & Handel A/S, Virum	Denmark	100
Renewagy Germany GmbH, Hamburg	Germany	100
COLEXON Renewable Energy A/S, Virum	Denmark	100
COLEXON Solar Energy ApS, Virum	Denmark	100
Renewagy 1. Solarpark Verwaltungs GmbH, Hamburg	Germany	100
Renewagy 1. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 2. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 3. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 4. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 5. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 10. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 11. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 21. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100
Renewagy 22. Solarprojektgesellschaft mbH & Co. KG, Hamburg	Germany	100

### 3.2 CONSOLIDATION PRINCIPLES

The annual financial statements of the companies included in COLEXON's consolidated financial statements are consolidated in accordance with uniform accounting policies. All consolidated companies have the same reporting date as the parent company. The reporting currency is the euro – with the exception of the subsidiaries in the United States (US dollar), Denmark (Danish krone), the Czech Republic (Czech koruna) and Australia (Australian dollar). The modified closing rate method is used for currency translation of the foreign financial statements. Currency translation differences are recognized directly in equity as the currency translation reserve.

#### BUSINESS COMBINATIONS PRIOR TO 1 JANUARY 2010:

Acquisition accounting uses the purchase method in accordance with IFRS 3 by deducting the purchase cost of the investment from the fair value of the subsidiary's proportionate equity at the acquisition date. Goodwill is created if the cost of the acquisition is higher than the Group's share in the net assets carried at fair value. Transaction costs directly attributable to the business combination were accounted for as part of the acquisition cost.

**BUSINESS COMBINATIONS FROM 1 JANUARY 2010:**

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum total of the consideration assigned, which is measured at the acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at either fair value or the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Costs incurred in connection with a business combination are recognized as an expense and reported under administrative expenses.

Subsidiaries are consolidated from the acquisition date, i. e., from the date on which the Group obtains control. Consolidation ends when the parent company relinquishes control. Income and expenses as well as receivables and liabilities between the fully consolidated companies and intragroup provisions are eliminated. Profits from intercompany transactions that are not generated through a sale to a third party are eliminated where not insignificant.

Losses incurred by a subsidiary are attributed to the non-controlling interests, even if this results in a negative balance. Until January 1, 2010, the losses were attributed to the non-controlling interests until their balance was zero. Losses exceeding this amount were attributed to the parent company except in cases where the non-controlling interests had assumed an obligation to set off the losses.

## 4. CURRENCY TRANSLATION

All transactions denominated in foreign currencies are translated into the functional currency at the exchange rate on the transaction date. Gains and losses from the settlement of such transactions as well as from the translation of monetary assets and liabilities reported in a foreign currency at the reporting date rate are recognized in income. At the reporting date, monetary items are translated at the closing rate, while non-monetary items are translated at the rate prevailing on the date of the transaction. Currency translation differences are recognized directly in equity as the currency translation reserve.

## 5. SELECTED ACCOUNTING POLICIES

### 5.1 INTANGIBLE ASSETS

#### 5.1.1 GOODWILL

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share in the net assets of the acquired company at the acquisition date. Goodwill arising from the acquisition of a company is recognized as an intangible asset. It is subjected to an annual impairment test and measured at historical cost less accumulated impairments. Reversals of impairment losses are prohibited. Goodwill is divided into cash generating units (CGUs) for the purpose of impairment testing.

### 5.1.2 OTHER INTANGIBLE ASSETS

Other purchased intangible assets are carried at cost and, where the useful life can be determined, reduced by amortization. The purchase cost of the assets includes all directly attributable costs. The assets are amortized using the straight-line method over a probable useful life of three to five years. Impairments are recognized in accordance with IAS 36.

### 5.2 PROPERTY, PLANT AND EQUIPMENT (OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT)

Items of property, plant and equipment are carried at cost and reduced by straight-line depreciation over their probable economic useful life. The Company recognizes borrowing costs if they concern qualifying assets. An asset is considered qualified if a period of at least 12 months is required for its completion (construction of solar power plants). Costs comprise the expenses directly attributable to the respective acquisition.

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

- Plant and machinery 30 years
- Motor vehicles 5 years
- Hardware 3 years
- Operating and office equipment 3 to 15 years

Both the carrying amounts and the useful lives are reviewed at the given reporting date and adjusted as necessary. Impairments are recognized in accordance with IAS 36.

### 5.3 INVESTMENT PROPERTY

Investment property is property held to earn rentals or for capital appreciation. Individual components that can be measured separately are depreciated separately.

They are measured at amortized cost. Depreciation using the straight-line method is essentially based on the following useful lives:

- Investment property 30–50 years

### 5.4 IMPAIRMENT OF NON-MONETARY ASSETS

Assets with an indefinite useful life are not subject to depreciation or amortization; they are subject to an annual impairment test instead. Assets subject to depreciation or amortization are tested for impairment if relevant events indicate that the carrying amount might no longer be recoverable. An impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. For impairment testing, assets are combined into cash-generating units, the smallest identifiable groups of assets that generate cash inflows independent of the cash inflows from other assets or groups of assets. With the exception of goodwill, non-monetary assets that were impaired in the past are reviewed at each reporting date to determine whether the impairment losses can be reversed.

### 5.5 INVENTORIES

Inventories are carried at the lower of cost or net realizable value. Methods specifying the order of use are not applied. The production cost of the inventories comprises other direct costs and attributable overheads. The costs do not include borrowing costs. Net realizable value is the estimated selling price of the item in the course of ordinary business less necessary variable selling costs.

### 5.6 CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the reporting date, in each case as part of the contract costs incurred for the work performed in proportion to the estimated total contract costs unless this would not reflect the stage of completion. Changes in the contractual work, entitlements and bonuses are included to the extent that they were agreed with the customer. When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as an expense in the period in which they are incurred.

Expected losses on the construction contract are recognized as an expense immediately in their full amount.

If the work performed (contract revenue) exceeds the advances received in individual cases, the net disclosure of the construction contracts is capitalized under "Future receivables from construction contracts". Any negative balance remaining after deduction of partial billings is recognized in other liabilities as a liability from construction contracts.

### 5.7 RECEIVABLES AND OTHER CURRENT ASSETS

Receivables and other current assets are initially carried at fair value and subsequently measured at amortized cost. Where the interest rate effects are material, receivables and other assets are carried at the present value of the future (expected) payments using the effective interest method. Impairment losses are recognized when there is objective evidence that not all amounts due will be fully recoverable. Indications of this include severe financial difficulties being experienced by the debtor, a greater probability that a borrower will become insolvent or undergo other financial reconstruction, as well as breach of contract or delayed payment of interest or debt. The amount of the impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable, discounted at the effective interest rate. The carrying amount of an asset is reduced through the recognition of an impairment account. The impairment is recognized in the income statement. In addition, portfolio-based valuation allowances are recognized.



### 5.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to cash and demand deposits and are carried at their nominal value. These are items that can be converted into cash contributions at any time and are subject to only marginal fluctuations in value, which is generally the case for items with a remaining maturity of less than three months.

### 5.9 PROVISIONS

Provisions are recognized in accordance with IAS 37 when past events exist that create a legal or constructive obligation to third parties, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits, and a reasonable estimate can be made. Provisions are carried in the amount that is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Non-current provisions are measured at the present value of the expected payments, if the effect is material, using a pre-tax interest rate reflecting the market's current expectation of the interest effect as well as specific risks of the obligation. An increase of the provision due to the unwinding of the discount is recognized as interest expense in the income statement.

Provisions are reported as gross amounts, i. e. no expected refund claims are deducted.

### 5.10 BORROWING COSTS

Borrowing costs are recognized in profit or loss during the period in which they are incurred. This does not include attributable borrowing costs for qualified assets which are capitalized in accordance with IAS 23. In the year under review, EUR 0 thousand (previous year: EUR 0 thousand) was recognized as attributable borrowing costs.

### 5.11 CURRENT AND DEFERRED TAXES

Current tax expense is calculated in line with tax provisions that are already in effect at the reporting date or will enter into force in the near term. Management regularly reviews tax declarations and, where necessary, recognizes provisions based on the amounts to be foreseeably paid to the tax authorities.

Deferred taxes are recognized for all temporary differences between the carrying amounts in the IFRS financial statements and the tax base of the assets and liabilities applying the tax rates and tax regulations in effect at the reporting date or essentially passed as law and which are expected to be in force at the time the deferred taxes are utilized. Deferred taxes on unused tax losses carried forward and temporary differences are recognized if it is likely that corresponding taxable profits will be generated in the future.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries are recognized unless the Group can determine the date at which the temporary difference is reversed and unless it is probable that there will be no reversal of temporary differences in the foreseeable future.

## 5.12 REVENUE RECOGNITION

Revenue is measured at the fair value of consideration received or receivable from the sale of goods and services in the course of ordinary activities, not taking into account value-added tax, returns, volume rebates and trade discounts.

### 5.12.1 SALE OF GOODS

Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 5.12.2 SERVICES

Revenue from construction contracts is recognized in accordance with the stage of completion. The Group's accounting policy is described in note 5.6.

### 5.12.3 INTEREST

Interest income is recognized pro rata temporis using the effective interest method.

## 5.13 LEASES

Leases are classified as operating leases if a material portion of the risks and rewards associated with the economic ownership of the leased asset remains with the lessor. Payments made in connection with an operating lease are recognized in equal amounts in the income statement over the lease period.

Leases of property, plant and equipment where substantially all the risks and rewards incidental to ownership of the leased asset lie with the Group are classified as finance leases. Assets from finance leases are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. A lease liability in the same amount is reported under non-current liabilities. Each lease payment is divided into an interest component and a repayment component, which means that a constant rate of interest is charged on the lease liability. The interest component of the lease liability is recorded as an expense in the income statement. The items of property, plant and equipment held as finance leases are written down over the shorter of the economic useful life of the asset and the term of the lease.

## 5.14 FINANCIAL INSTRUMENTS

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability of another entity or to the issue of equity instruments. According to IAS 39, all financial instruments must be recognized and measured. The scope of the Standard does not include investments in subsidiaries, associated companies and joint ventures, which are recognized in accordance with IAS 27, 28 and 31.

#### 5.14.1 FINANCIAL ASSETS

In accordance with IAS 39, financial assets are allocated to the categories “measured at fair value through profit or loss”, “held to maturity”, “loans and receivables” and “available for sale”. They are classified according to the purpose for which the financial assets are acquired. The company’s management determines how financial assets are to be classified on initial recognition and reviews such classification at each reporting date. The financial instruments are recognized as of the trading date. The Group currently has financial assets that are classified as “loans and receivables” as well as “available-for-sale financial assets”.

##### A) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with contractually fixed or determinable payments that are not quoted in an active market. They are reported under current assets if due within twelve months of the reporting date. Otherwise they are reported as non-current assets. The Group’s loans and receivables are reported in the statement of financial position under “Trade receivables”, “Future receivables from construction contracts”, “Other current and non-current assets” and “Cash and cash equivalents”.

##### B) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that were designated as available for sale or not classified to any of the other categories. They are reported under non-current assets unless management intends to dispose of them within twelve months of the reporting date. Available-for-sale financial assets are reported in the statement of financial position under “Financial assets”. Other investments and securities are reported as available-for-sale assets in accordance with IAS 39.

Regular way purchases and sales of financial assets are recognized using trade date accounting. They are initially carried at their fair value plus transaction costs. Investments are derecognized when the rights to payments from the investment expire or have been transferred and substantially all the risks and rewards incidental to ownership of the asset have been transferred to the Group.

Available-for-sale financial assets are measured at their fair values after initial recognition. Gains and losses from changes in the fair value are netted and recognized directly in equity. Impairments arising from a significant or prolonged decline in the fair value and a gain or loss on disposal are recorded immediately in net profit or loss for the period under “Other operating expenses”. Once impairment losses of equity instruments have been recognized in the income statement, they are not reversed in the income statement. If the fair value cannot be reliably determined through the listing on an active market or by other means, the assets are carried at cost.

Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairments. Assets are impaired when there is objective evidence that a loan or receivable may not be fully recoverable on becoming due. The impairment is recognized in the amount of the expected loss and reported in the income statement under “Other operating expenses.”

#### 5.14.2 FINANCIAL LIABILITIES

The Group’s financial liabilities are assigned to the “financial liabilities at amortized cost” category. They comprise non-derivative financial liabilities.

On initial recognition, financial liabilities are carried at fair value after deduction of transaction costs. They are subsequently measured at amortized cost. Any difference between the amount paid and the redemption amount is reported in the income statement over the term using the effective interest method.

Liabilities measured at cost are derecognized on repayment, i. e. when the liabilities stipulated in the contract have been settled or canceled or expire.

They are reported as current liabilities unless the Group has the unconditional right to repay the liability at some date at least twelve months after the reporting date.

The Group uses interest rate swaps (“swaps”) as derivatives to hedge against interest rate risk. These derivatives are recognized at fair value on the transaction date and subsequently remeasured at fair value. Derivatives are measured as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Gains and losses on changes in the fair value of derivatives are recognized immediately in profit or loss, with the exception of the effective portion of a cash flow hedge, which is included in other comprehensive income.

For hedge accounting purposes, hedging instruments are classified as cash flow hedges when the aim is to hedge the risk of fluctuations in cash flows that can be allocated to the risk associated with a recognized liability.

Both the hedging relationship and the Group’s risk management objectives and strategies are formally designated and documented with respect to the hedge at its inception. The documentation contains the determination of the hedging instrument, the hedged item or the transaction being hedged as well as the type of risk hedged and a description of how the Company determines the effectiveness of the change in the fair value of the hedging instrument when compensating for risks from changes in the fair value of or the cash flows from the hedged item caused by the hedged risk. Such hedging relationships are considered highly effective in compensating for risks from fair value or cash flow changes. Continuous assessments are made to determine whether or not they actually were highly effective during the entire reporting period for which the hedging relationship was designated.

Hedging transactions that meet the strict criteria to qualify for hedge accounting are accounted for as follows:

## **CASH FLOW HEDGES**

The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, whereas the ineffective portion is immediately recognized in profit or loss. The amounts recognized in equity are transferred to the income statement in the period during which the hedged transaction has an impact on the profit or loss for the period, e. g. at the time hedged finance costs are recognized.

### **5.15 USE OF ASSUMPTIONS AND ESTIMATES**

When the consolidated financial statements were being prepared, assumptions were made and estimates concerning the future were taken as a basis for the recognition, disclosure and measurement of the assets, liabilities, income and expenses reported. By nature, the assumptions and estimates will fully correspond to later actual events in only a very small number of cases. The underlying assumptions and estimates mainly relate to the definition of the standard useful life of non-current assets, the assumptions made in impairment testing, the determination of the stage of completion of construction contracts and the measurement of provisions.

#### **5.15.1 USEFUL LIFE OF NON-CURRENT ASSETS**

The probable economic useful lives of other intangible assets and property, plant and equipment set out in notes 5.1.2, 5.2 and 5.3 may change over time, e. g. as a result of technical progress or specific events. For this reason, the Group regularly examines whether it is necessary to adjust the probable economic useful life. In addition to depreciation and amortization, other intangible assets and property, plant and equipment are impaired at the reporting date if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the expected net cash flows generated by its continued use.

#### **5.15.2 GOODWILL**

As explained under the accounting policies, the Group tests goodwill for impairment once a year and also during the year if there is any indication that the assets may be impaired. In such cases, the recoverable amount of the cash-generating unit must be estimated. This is the higher of its fair value less costs to sell and its value in use. Calculating the value in use involves making assumptions and estimates of the projections of future cash flows and the discount rate. While the Management Board believes that the assumptions used to calculate the recoverable amount are appropriate, unforeseen changes to these assumptions could lead to the recognition of impairment losses, which could have an adverse effect on the Group's assets, liabilities, cash flows and profit or loss.

#### **5.15.3 RECOGNITION OF REVENUE FROM CONSTRUCTION CONTRACTS**

The Group conducts a large share of its business as construction contracts, which are reported using the percentage of completion method, where contract revenue is recognized according to the stage of completion. This method requires an exact estimate of the degree of contract progress, calculated using the cost-to-cost method. Depending on the method used to determine the stage of completion, the estimates include the total contract costs, the costs yet to be incurred prior to completion, total contract revenue, the contract risks and other assessments. Management continuously reviews all estimates required in the context of construction contracts and adjusts these as appropriate.

#### 5.15.4 MEASUREMENT OF PROVISIONS

Provisions are measured according to management's best estimates. As soon as more recent findings or more reliable data become available about future utilization, these will be taken into account in the measurement. The carrying amount of the provisions is reviewed at each reporting date. Provisions in foreign currencies were translated using the closing rate on the reporting date.

## 6. DISCLOSURES ON THE STATEMENT OF FINANCIAL POSITION

### 6.1 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The development of non-current assets can be derived from the following statement of changes in non-current assets.

EUR '000	COST						AS OF 31 DEC 2010
	AS OF BEGINNING OF FINANCIAL YEAR	CURRENCY DIFFERENCES	CHANGES IN THE BASIS OF CONSOLI- DATION	ADDITIONS	TRANSFERS	DISPOSALS	
Goodwill	71,399	-79	0	0	0	0	71,321
Other intangible assets	1,662	0	262	332	24	2	2,278
Land and improvements	0	0	0	0	298	0	298
Investment property	2,302	0	0	0	0	0	2,302
Plant and machinery	167,974	0	417	10,553	-298	49,488	129,158
Other equipment, operating and office equipment	1,432	12	0	386	-24	270	1,537
	<b>244,769</b>	<b>-67</b>	<b>679</b>	<b>11,271</b>	<b>0</b>	<b>49,759</b>	<b>206,894</b>

EUR '000	AMORTIZATION / DEPRECIATION / IMPAIRMENT LOSSES							AS OF 31 DEC 2010	CARRYING AMOUNT 31 DEC 2010	CARRYING AMOUNT PREVIOUS YEAR
	AS OF BEGINNING OF FINANCIAL YEAR	CURRENCY DIFFER- ENCES	ADDI- TIONS	IMPAIRMENT LOSS	TRANSFERS	DISPOSALS				
Goodwill	0	8	0	63.376	0	0	63,384	7,937	71,399	
Other intangible assets	740	0	770	0	5	0	1,515	763	923	
Land and improvements	0	0	0	0	0	0	0	298	0	
Investment property	1,006	81	54	0	0	0	1,141	1,161	1,296	
Plant and machinery	9,120	0	5,008	0	0	2,452	11,676	117,482	158,858	
Other equipment, operating and office equipment	537	3	269	0	-5	172	632	905	895	
	<b>11,402</b>	<b>92</b>	<b>6,101</b>	<b>63.376</b>	<b>0</b>	<b>2,624</b>	<b>78,347</b>	<b>128,546</b>	<b>233,372</b>	

## 6.2 GOODWILL AND OTHER INTANGIBLE ASSETS

COLEXON's goodwill of EUR 7,937 thousand arises from the reverse acquisition of COLEXON AG by Renewagy A/S from the 2009 financial year. The goodwill of EUR 63,376 thousand for the Plant Operation segment was written down. The original goodwill was based on the assumption of a continuous and very long-term expansion of the solar power plant portfolio. In the main European markets, the feed-in tariffs were reduced faster and more radically than initially anticipated, which led to the long-term assumptions regarding this portfolio being revised downwards.

Goodwill is not amortized but rather tested for impairment at least once a year in accordance with IAS 36.

For this, cash-generating units were identified in the Group along the lines of internal management and reporting. The cash-generating units therefore correspond to the Projects, Wholesale, Service & Management and Plant Operation segments, which are described in more detail in the disclosures on segment reporting.

The carrying amount of the allocated goodwill was EUR 7,937 thousand for the Projects segment (previous year: EUR 7,937 thousand) and EUR 0 thousand for the Plant Operation segment (previous year: EUR 63,376 thousand).

The fair value less costs to sell – calculated using a discounted cash flow method – was carried as the recoverable amount of the two cash-generating units, Projects and Plant Operation. The fair value reflects the best estimate of the amount which an independent third party would pay for the cash-generating unit at the reporting date.

The calculation of the fair value less costs to sell of the Projects and Plant Operation CGUs was based on assumptions about market and price trends, module availability and corporate development as well as the development of feed-in tariffs resulting from corporate planning approved by the Management Board on the basis of the long-term experience and future expectations.

In addition to changes in the regulatory framework, expectations regarding price trends for photovoltaic systems and modules constitute key assumptions in the planning period. For this, three-year planning up to 2013 was prepared for the Projects CGU and 37-year planning was prepared for the Plant Operation CGU based on assessments of the market and the Company by the Management Board backed up by market studies. Revenue, the cost of purchased goods and services, as well as employee and other expenses were derived from this. The detailed planning phase was adjusted in the perpetual annuity.

The fair values less costs to sell of the Plant Operation CGU were each calculated by discounting the payment flows using a discount rate that corresponds to the weighted average cost of capital (WACC), which is approx. 5.89 percent (previous year: 6.72 percent) for the Plant Operation CGU and approx. 5.31 percent (previous year: 6.26 percent) for the Projects CGU and has been derived from the special risk structure using market data. With respect to the capitalization rate, a discount of 1.0 percent was assumed for both cash-generating units in the perpetual annuity on the basis of growth assumptions. This discount is based on experience and future expectations and does not exceed the long-term average growth rate for the markets in which the Company is active.



The 2010 impairment test of the allocated goodwill showed that the goodwill for the Plant Operation cash-generating unit needed to be impaired. There was no need to recognize impairment losses for the Projects cash-generating unit, however.

The miscellaneous other intangible assets, mainly comprising software, were solely amortized.

### 6.3 INVESTMENT PROPERTY

The investment property concerns property rented in Denmark and the land on which a solar farm that belongs to the Company's own portfolio is located. The property's carrying amount is EUR 1,161 thousand (previous year: EUR 1,296 thousand). The annual rental income is approx. EUR 127 thousand and the current operating costs are approx. EUR 106 thousand. The land's carrying amount is EUR 298 thousand (previous year: EUR 298 thousand).

### 6.4 PLANT AND MACHINERY

The fixed assets as of 31 December 2010 primarily comprise solar power plants valued at EUR 117,482 thousand (previous year: EUR 158,858 thousand). The plants in operation as of 31 December 2010 had an installed output of 35.0 MWp (previous year: installed output of 45.2 MW). The solar power plants are depreciated using the straight-line method in accordance with IFRS based on their expected useful life of 30 years (see note 5.2).

### 6.5 OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT

Property, plant and equipment also concerns motor vehicles, operating and office equipment and IT hardware in the amount of EUR 905 thousand (previous year: EUR 895 thousand). This item was solely depreciated in the 2010 financial year.

### 6.6 PLANT AND MACHINERY UNDER CONSTRUCTION

No solar power plants for own operation were under construction as of 31 December 2010.

### 6.7 FINANCIAL ASSETS

There were no financial assets as of the reporting date (previous year: EUR 0 thousand).

### 6.8 OTHER NON-CURRENT ASSETS

In the reporting period, other non-current assets primarily comprised restricted guarantee deposits for a module supplier and restricted cash for borrowings in the amount of EUR 13,720 thousand (previous year: EUR 14,491 thousand).

### 6.9 DEFERRED TAX ASSETS

For information on the composition of deferred tax assets please see note 7.9.

### 6.10 INVENTORIES

Goods mainly relate to photovoltaic modules for the wholesale and project business. This item includes goods in transit with a value of EUR 11,386 thousand (previous year: EUR 9,088 thousand). Production supplies primarily relate to products intended for the project business; they are recognized at EUR 1,430 thousand (previous year: EUR 187 thousand). Work in progress attributable to the project business of COLEXON amounted to EUR 13,062 thousand (previous year: EUR 4,023 thousand).

Inventory impairments in the amount of EUR 0 thousand were recognized in profit or loss in financial year 2010 (previous year: EUR 242 thousand).

The inventories recognized as an expense in the consolidated income statement under “Cost of purchased goods, non-cash benefits and services” amounted to EUR 171,803 thousand in the year under review (previous year: EUR 80,946 thousand).

### 6.11 TRADE RECEIVABLES

All trade receivables are due in less than one year.

The following impairment losses were recognized in the reporting year:

EUR '000	2010	2009
As of 1 January	1,184	10
Addition through business acquisition	0	1,771
Use	-113	-1,661
Reversal	-1,024	-97
Addition	106	1,160
As of 31 December	152	1,184

Specific valuation allowances were recognized based on the Management Board's assumption of each individual trade receivable.

The receivables are derecognized as soon as they become irrecoverable.

### 6.12 FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

This item includes the profits generated from the application of the percentage of completion method for construction contracts less the amounts received for partial billing.

The following table shows the significant factors arising from non-current construction contracts that affect the Company's assets, liabilities, cash flows and profit or loss (excluding tax effects):

EUR '000	31 DEC 2010	31 DEC 2009
Contract revenue	32,948	5,714
Contract costs	-31,608	-4,496
Realized gains	1,339	1,218
Actual contract costs	31,608	4,496
Advances received	-26,059	-1,746
<b>Future receivables from construction contract</b>	<b>6,888</b>	<b>3,967</b>

The increase in future receivables from construction contracts at year-end is attributable to the early onset of winter in Germany and the Czech Republic, which led to the implementation of several projects being postponed until the new fiscal year. This gives rise to a future receivable from construction contracts in the amount of EUR 6,888 thousand.

### 6.13 OTHER CURRENT ASSETS

The other current assets all are due within twelve months and are comprised as follows:

EUR '000	31 DEC 2010	31 DEC 2009
Other assets	2,017	1,717
Creditors with debit balances	43	197
Prepaid expenses	1,320	1,939
Current loans	1,656	1,578
Valuation allowances	-2,090	-168
Input VAT deductible in the following year	0	9
Tax receivables	0	802
Clearing accounts	0	27
Input VAT receivables	0	108
	<b>2,946</b>	<b>6,210</b>

The valuation allowance is mainly due to the write-down of an advance of EUR 1,575 thousand for project rights.

### 6.14 TAX REFUND CLAIMS

The tax refund claims principally result from excessively high advance payments.

### 6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash-in-hand and bank balances of EUR 20,325 thousand (previous year: EUR 32,255 thousand).

### 6.16 EQUITY

The Company's share capital amounted to EUR 17,744,557 as of December 31, 2010.

During the year, COLEXON completed the squeeze-out of the remaining shareholders of COLEXON Solar Invest A/S, for which a further 90,431 COLEXON shares were issued to shareholders of COLEXON Solar Invest A/S as part of an exchange. This brings COLEXON's investment in COLEXON Solar Invest A/S up to 100 percent at the reporting date (previous year: 99.3 percent), giving rise to a non-controlling interest of EUR 0 thousand (previous year: EUR 657 thousand).

The establishment of a subsidiary in which COLEXON has a 70 percent stake results in a non-controlling interest of EUR 17 thousand (previous year: EUR 0 thousand).

At the reporting date, the COLEXON Group had 819,479 (previous year: 909,910) treasury shares in its portfolio, corresponding to 4.62 percent of the Company's share capital. Of this figure, 816,199 (previous year: 816,199) shares are held by COLEXON Solar Invest A/S. COLEXON holds 3,280 (previous year: 93,711) shares. The treasury shares are reported as a separate item of equity under "Treasury shares" in the amount of EUR 9,915 thousand (previous year: EUR 10,826 thousand).

The statement of changes in equity presented separately shows the development of the Group's equity.

In accordance with the resolutions passed by the Annual General Meeting on 19 May 2006, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in accordance with Article 4 (6) of the Articles of Association by up to a total of EUR 2,325,000.00 by 18 May 2011 through the issue of new bearer shares against cash or non-cash contributions on one or several occasions (authorized capital). The Management Board and the Supervisory Board resolved a capital increase on 14 May 2007 and 27 September 2007, respectively, with partial use of authorized capital. Authorized capital amounted to EUR 1,860,000.00 as of 31 December 2010. This authorization was not utilized in 2010.

COLEXON also had contingent capital limited up to 07 June 2010 in accordance with resolutions passed by the Annual General Meeting on 07 May 2005. In accordance with Article 4 (7) of the Articles of Association, the Company's share capital was contingently increased by up to EUR 1,550,000.00 through the issue of up to 1,550,000 new no-par value bearer shares (contingent capital). After a total of 757 convertible bonds were converted into shares in 2009, the remaining contingent capital was EUR 1,549,243.

#### **6.17 NON-CURRENT LIABILITIES**

Liabilities to banks and the non-current portion of the fair values of the interest rate swaps are reported under non-current liabilities. These principally serve to finance solar power plants. These liabilities have a contractual term of 18 years, including a redemption-free period of two years.

The negative fair values of the derivatives (interest rate swaps) come to EUR –1,558 thousand (previous year: EUR –2,577 thousand).

The deferred tax liabilities predominantly result from the application of the percentage of completion method in accordance with IAS 11 and the application of the effective interest method in accordance with IAS 39.

Other non-current provisions are recognized for discounted restoration obligations for the solar power plants and the non-current portion of the general provision for warranties totaling EUR 931 thousand (previous year: EUR 394 thousand).

### 6.18 TAX PROVISIONS

The development of tax provisions is shown below:

EUR '000	31 DEC 2010	31 DEC 2009
As of 1 January	3,559	0
Additions through business acquisition	0	1,169
Reversal	-2	0
Use	-1,308	0
Addition	1,073	2,390
<b>As of 31 December</b>	<b>3,322</b>	<b>3,559</b>

### 6.19 OTHER PROVISIONS

With the exception of provisions for warranties, the other current assets all are due within twelve months and are comprised as follows:

EUR '000	AS OF 1 JAN 2010	DISPOSALS	USE	REVERSAL	ADDITION	AS OF 31 DEC 2010
Warranties	2,309	0	-1,135	-185	1,431	2,420
Sun energy funds	400	0	-400	0	275	275
Litigation costs	385	0	-22	-61	1,320	1,622
Penalties	0	0	0	0	800	800
Storage costs	26	0	0	0	0	26
Other	599	-117	0	0	171	653
	<b>3,718</b>	<b>-117</b>	<b>-1,557</b>	<b>-247</b>	<b>3,998</b>	<b>5,796</b>

EUR '000	AS OF 1 JAN 2009	ADDITIONS THROUGH BUSINESS ACQUISITION	USE	REVERSAL	ADDITION	AS OF 31 DEC 2009
Warranties	0	1,479	-539	-107	1,476	2,309
Sun energy funds	0	947	-947	0	400	400
Litigation costs	0	871	-427	-60	0	385
Penalties	0	910	-410	-500	0	0
Closing of the Meppen site	0	175	-112	-63	0	0
Other	373	50	0	0	202	625
	<b>373</b>	<b>4,433</b>	<b>-2,435</b>	<b>-730</b>	<b>2,078</b>	<b>3,718</b>

Warranty and litigation risks are measured on the basis of management's best estimate, which is based on the lawyers' assessments.

The provisions for warranties due in more than one year amount to EUR 616 thousand.

### 6.20 FINANCIAL LIABILITIES

Current financial liabilities mainly include the current portion of liabilities to banks from the financing of the solar farms and a bank loan for the long-term financing of equipment amounting to EUR 20,855 thousand (previous year: EUR 18,664 thousand) that can be terminated on grounds of non-compliance with financial covenants from 1 August 2011.

### 6.21 ADVANCES RECEIVED

Advances received on account of orders from the wholesale business up to the reporting date are reported under this item.

### 6.22 TRADE PAYABLES

All trade payables are due in less than one year. The trade payables to a supplier are secured by bank guarantees in the amount of EUR 10,000 thousand. In turn, EUR 2,500 thousand was deposited for these bank guarantees (see note 7.8).

### 6.23 OTHER LIABILITIES

All other current liabilities are due in less than one year.

This item is comprised as follows:

EUR '000	31 DEC 2010	31 DEC 2009
Import sales tax	0	3,088
VAT	393	4,397
Bonus/termination benefits/continued salary payments	455	1,091
Obligation under Imola acquisition	0	240
Wage tax	155	98
Vacation	203	202
Costs for preparing and auditing the annual financial statements	164	204
Supervisory Board remuneration	60	189
Legal and consulting costs	156	669
Accounts receivable with a credit balance	75	0
Other	1,678	2,395
	<b>3,340</b>	<b>12,575</b>

### 6.24 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No contingent liabilities exist. Other financial liabilities mainly arose from module supply contracts and service agreements.

Under rental agreements and leases, of which all material agreements qualify as operating leases, the Group leases office space, warehouses, vehicles, parking spaces, as well as operating and office equipment, among other things. There are also long-term supply contracts with purchase obligations, mainly for modules. The prices are fixed.

The future (undiscounted) minimum lease payments under such non-cancelable contracts are:

EUR '000	2010	2009
Rental and lease obligations		
of which due in less than one year	1,209	908
of which due after more than one and in less than five years	2,794	2,616
of which due after more than five years	5,412	5,845
	<b>9,415</b>	<b>9,370</b>

EUR '000	2010	2009
Supply and purchase obligations		
of which due in less than one year	66,000	143,794
of which due after more than one and in less than five years	80,514	163,892
of which due after more than five years	0	7,716
	<b>146,514</b>	<b>315,403</b>

EUR '000	2010	2009
Total		
of which due in less than one year	67,209	144,702
of which due after more than one and in less than five years	83,308	166,509
of which due after more than five years	5,412	13,562
	<b>155,929</b>	<b>324,773</b>



## 7. INCOME STATEMENT DISCLOSURES

### 7.1 REVENUE

Please see the Group segment reporting for the composition of revenue.

### 7.2 OTHER OPERATING INCOME

Other operating income is essentially comprised as follows:

EUR '000	2010	2009
Other income	2,035	166
Income from the reversal of provisions	247	1,118
Insurance payments	67	10
Negative goodwill recognized in income	0	2,057
Income from costs passed on	0	45
Disposal of PPE	436	12
	<b>2,785</b>	<b>3,408</b>

### 7.3 COST OF PURCHASED GOODS AND SERVICES

This expense item relates to the cost of goods sold and the services received in the financial year.

### 7.4 STAFF COSTS

Staff costs are comprised as follows:

EUR '000	2010	2009
Wages and salaries	7,866	3,954
Social security costs	1,295	934
Pension expenses	45	0
	<b>9,206</b>	<b>4,888</b>

Pension expenses relate to contributions for a direct insurance policy under a defined contributions plan. The Group's only obligation under this plan was to pay the fixed contributions.

### 7.5 DEPRECIATION, AMORTIZATION, AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses in the financial year just ended relates to amortization and impairment of other intangible assets and depreciation of property, plant and equipment totaling EUR 69,477 thousand (previous year: EUR 6,138 thousand). Of this amount, EUR 6,101 concern depreciation and amortization and EUR 63,376 thousand concern the impairment of goodwill.

## 7.6 OTHER OPERATING EXPENSES

The other operating expenses are essentially comprised as follows:

EUR '000	2010	2009
Legal, consulting and audit costs	4,287	0
Distribution costs	2,289	2,565
Administrative costs	1,301	1,423
Vehicle costs	1,049	756
Office and occupancy costs	1,156	723
Bad debts	2,354	1,160
Other	1,138	567
	<b>13,573</b>	<b>7,194</b>

Expenses of EUR 334 thousand for the Group auditors' fees are reported under legal, consulting and audit costs. These mainly relate to the costs for the audit of the annual financial statements and the reviews of the interim financial statements.

The auditors' fees recognized as an expense are comprised as follows:

EUR '000	2010	2009
Audit of annual financial statements	329	393
of which for the previous year	79	
Other auditing and consulting services	5	493
Other services	0	52
	<b>334</b>	<b>938</b>

## 7.7 OTHER INTEREST AND SIMILAR INCOME

This item essentially concerns interest on bank balances.

## 7.8 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses mainly concern interest on long-term bank borrowings.

As of 31 December 2010, the Group had six interest rate swaps with nominal capital of EUR 20,428 thousand (previous year: EUR 58,163 thousand). Based on these agreements, the Group will receive a variable interest rate in the amount of the Euribor and pay fixed interest rates of 3.06 percent to 4.91 percent on the nominal amounts. The interest rate swaps are used to hedge the risk of fluctuations in the cash flows from variable-interest loans.

## 7.9 TAXES ON INCOME

Taxes on income are comprised as follows:

EUR '000	2010	2009
Actual tax expense		
Current year	2,677	2,885
Previous years	126	0
Tax expense from recognition of capital increase costs in equity	0	211
Deferred taxes	652	-760
Future changes in tax rates	0	0
Other	0	0
	<b>3,454</b>	<b>2,336</b>

Deferred tax expense primarily relates to temporary differences from the recognition and measurement of assets and liabilities under IFRSs and tax law regulations. It also arises from the elimination of intercompany transactions. Deferred taxes are determined on the basis of the tax rates which, based on the current legal situation, apply or are expected to apply in the individual countries at the time of realization. Group companies in Germany pay income tax at a rate of 31.734 percent (previous year: 30.875 percent). The deferred tax assets and liabilities developed as follows:

EUR '000	1 JAN 2010	EXPENSE/ INCOME INCOME STATEMENT	DISPOSALS	RECOGNIZED DIRECTLY IN EQUITY	31 DEC 2010
<b>Deferred tax assets</b>					
Differences between consolidated statement of financial position and tax accounts					
Loss carryforwards	926	327	-476		777
Effective interest method	776	-61	-32		684
Interest rate derivatives	796	32	-435	92	484
Intercompany profits	100	183			283
Current assets	0	529			529
Other					0
<b>Deferred tax assets</b>	<b>2,598</b>	<b>1,011</b>	<b>-943</b>	<b>92</b>	<b>2,757</b>
<b>Deferred tax liabilities</b>					
Purchase price allocation	176	-176			0
Property, plant and equipment	1,033	1,026	-326		1,733
Investment property	240	1			241
Current assets	150	-118			32
PoC	376	737			1,113
Provisions	0	131			132
Effective interest method	888	62	-126		824
Other	-17	-1	18		0
<b>Deferred tax liabilities</b>	<b>2,846</b>	<b>1,662</b>	<b>-434</b>	<b>0</b>	<b>4,074</b>
<b>Deferred taxes, net</b>	<b>249</b>	<b>652</b>	<b>509</b>	<b>-92</b>	<b>1,318</b>

EUR '000	1 JAN 2009	TRANSFER FROM ACQUISITION	EXPENSE/ INCOME INCOME STATEMENT	RECOGNIZED DIRECTLY IN EQUITY	31 DEC 2009
<b>Deferred tax assets</b>					
Loss carryforwards	0	141	785	0	926
Effective interest method, loans	0	0	776	0	776
Intercompany profits	0	0	100	0	100
Interest rate derivatives	385	0	265	146	796
Other	0	0	0	0	0
	<b>385</b>	<b>141</b>	<b>1.926</b>	<b>146</b>	<b>2,598</b>
<b>Deferred tax liabilities</b>					
Purchase price allocation	0	570	-394	0	176
Property, plant and equipment	570	0	463	0	1,033
Investment property	0	0	240	0	240
Current assets	-12	0	162	0	150
PoC	0	599	-223	0	376
Provisions	-47	0	47	0	0
Effective interest method, loans	0	0	888	0	888
Other	0	0	-17	0	-17
	<b>511</b>	<b>1,169</b>	<b>1.166</b>	<b>0</b>	<b>2,846</b>
<b>Deferred taxes, net</b>	<b>- 126</b>	<b>- 1,028</b>	<b>760</b>	<b>146</b>	<b>- 248</b>

#### RECONCILIATION FROM EXPECTED TO CURRENT TAX EXPENSE

The reconciliation statement from expected to reported tax expense is presented below. Expected tax expense is calculated as the pre-tax profit of EUR 61,909 thousand (previous year: EUR 8,006 thousand) – which includes the result from discontinued operations – multiplied by the theoretical Group tax rate of 31.734 percent (previous year: 30.875 percent).

EUR '000	2010	2009
<b>Pre-tax profit</b>	<b>-61,909</b>	<b>8,006</b>
<b>Taxes determined on the basis of national tax rates which are applicable to the profit/loss in the respective countries</b>	<b>-19,646</b>	<b>2,466</b>
<b>Average weighted tax rate</b>	<b>31.7%</b>	<b>30.8%</b>
Income not subject to taxation	0	0
Goodwill (previous year: negative goodwill)	20,111	-634
Ancillary costs of acquiring COLEXON	0	-185
No deferred tax assets on loss carryforwards	1,605	204
Use of unrecognized loss carryforwards from previous years	305	0
Recognition of loss carryforwards from previous years	-59	0
Valuation allowance on recognized loss carryforwards	992	0
Profit/loss share and impairment of investees	0	-31
Effects of different tax rates for subsidiaries in other jurisdictions	-47	335
Non-deductible expenses	27	27
Other	165	181
<b>Taxes on income</b>	<b>3,454</b>	<b>2,363</b>

Deferred taxes are calculated for the Group as a whole using the tax rate of 31.734 percent applicable for 2010. Applying an average trade tax assessment rate of 455 percent for the individual operating establishments, this is calculated from a trade tax rate of 15.909 percent and a corporate income tax rate plus solidarity surcharge of 15.825 percent.

The taxes on the other income amounting to EUR 124 thousand (previous year: EUR 146 thousand) solely concern changes in the fair value of the effective portion of derivative financial instruments.

#### 7.10 NET LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS

The net loss after taxes from discontinued operations of EUR 0 thousand (previous year: EUR 95 thousand) concerned the loss on the disposal of discontinued operations. All discontinued operations of COLEXON Solar Invest A/S (formerly Renewagy A/S) were sold as of the 31 December 2009 reporting date.

#### 7.11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the consolidated net profit attributable to ordinary equity holders by the average number of ordinary shares.

The basic earnings per share as defined by IAS 33 were as follows:

	31 DEC 2010	31 DEC 2009
Consolidated profit/loss (in EUR)	-65,363,580.91	5,642,851.64
Weighted number of shares	16,885,086	9,506,531
Basic earnings per share (in EUR)	-3.87	0.59

## 8. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

### 8.1 FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial instruments in accordance with IFRS 7 is analogous to the relevant items in the statement of financial position. The following tables show the reconciliation of these classes with the measurement categories of IAS 39 and the fair values of the individual classes, to the extent they can be determined:

	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT COST	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT FAIR VALUE THROUGH EQUITY	TOTAL FINANCIAL INSTRUMENTS	NOT SUBJECT TO IFRS 7	CARRYING AMOUNTS ACCORDING TO STATEMENT OF FINANCIAL POSITION	FAIR VALUE OF FINANCIAL INSTRUMENTS
<b>EUR '000</b>							
<b>As of 31 December 2010</b>							
<b>Recognized financial assets</b>							
Trade receivables	4,071	0	0	4,071	0	4,071	4,071
Future receivables from construction contracts	6,888	0	0	6,888	0	6,888	6,888
Cash in hand and bank balances	20,325	0	0	20,325	0	20,325	20,325
Other assets	2,309	0	638	2,946	1,681	2,946	2,946
Other non-current assets	13,720	0	0	13,720	0	13,720	13,720
<b>Total</b>	<b>47,313</b>	<b>0</b>	<b>638</b>	<b>47,951</b>	<b>1,681</b>	<b>47,951</b>	<b>47,951</b>
<b>Total fair value of the category</b>	<b>47,951</b>	<b>47,951</b>					
<b>EUR '000</b>							
	FINANCIAL LIABILITIES MEASURED AT COST	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT FAIR VALUE		TOTAL FINANCIAL INSTRUMENTS	NOT SUBJECT TO IFRS 7	TOTAL	FAIR VALUE OF FINANCIAL INSTRUMENTS
<b>Liabilities</b>							
Financial liabilities	113,751	1,442	0	115,193	0	115,193	139,403
Trade payables	36,569	0	0	36,569	0	36,569	36,569
Other liabilities	3,340	0	0	3,340	1,330	3,340	3,340
Other non-current liabilities	931	0	0	931	0	931	931
<b>Total</b>	<b>154,591</b>	<b>1,442</b>	<b>0</b>	<b>156,033</b>	<b>1,330</b>	<b>156,033</b>	<b>180,243</b>
<b>Total fair value of the category</b>	<b>180,243</b>	<b>156,033</b>					

EUR '000	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT COST	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT FAIR VALUE THROUGH EQUITY	TOTAL FINANCIAL INSTRUMENTS	NOT SUBJECT TO IFRS 7	CARRYING AMOUNTS ACCORDING TO STATEMENT OF FINANCIAL POSITION	FAIR VALUE OF FINANCIAL INSTRUMENTS
<b>As of 31 December 2009</b>							
Trade receivables	6,056	0	0	6,056	0	6,056	6,056
Future receivables from construction contracts	3,967	0	0	3,967	0	3,967	3,967
Cash in hand and bank balances	32,255	0	0	32,255	0	32,255	32,255
Other assets	6,094	0	0	6,094	117	6,211	6,094
Other non-current assets	13,854	0	637	14,491	0	14,491	14,491
<b>Total</b>	<b>62,226</b>	<b>0</b>	<b>637</b>	<b>62,863</b>	<b>117</b>	<b>62,980</b>	<b>62,863</b>
<b>Total fair value of the category</b>	<b>62,863</b>	<b>62,863</b>					

EUR '000	FINANCIAL LIABILITIES MEASURED AT COST	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT FAIR VALUE		TOTAL FINANCIAL INSTRUMENTS	NOT SUBJECT TO IFRS 7	CARRYING AMOUNTS ACCORDING TO STATEMENT OF FINANCIAL POSITION	FAIR VALUE OF FINANCIAL INSTRUMENTS
<b>As of 31 December 2009</b>							
Financial liabilities	159,694	2,577	0	162,271	0	162,271	166,436
Trade payables	16,436	0	0	16,436	0	16,436	16,436
Other liabilities	3,699	0	0	3,699	8,876	12,575	3,699
<b>Total</b>	<b>179,829</b>	<b>2,577</b>	<b>0</b>	<b>182,406</b>	<b>8,876</b>	<b>191,282</b>	<b>186,571</b>
<b>Total fair value of the category</b>	<b>186,571</b>	<b>182,406</b>					

## 8.2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are calculated on the basis of their quoted price on an active market at the reporting date (Level 1). If a market for a financial instrument is not active, the fair value is established on the basis of comparable transactions, where these exist (Level 2), otherwise using appropriate valuation techniques such as a discounted cash flow method (Level 3). If the fair value cannot be reliably determined, the asset is carried at amortized cost. The following table shows the classification of financial instruments into the different measurement categories:

AS OF 31 DEC 2010 EUR '000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale assets	638	0	0	638
Derivative financial instruments	0	- 1,558	0	- 1,558
<b>Total</b>	<b>638</b>	<b>- 1,558</b>	<b>0</b>	<b>- 921</b>

AS OF 31 DEC 2009 EUR '000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale assets	637	0	0	637
Derivative financial instruments	0	- 2,577	0	- 2,577
<b>Total</b>	<b>637</b>	<b>- 2,577</b>	<b>0</b>	<b>- 1,940</b>

In the case of trade receivables and trade payables, bank balances and other current financial assets and liabilities, it is assumed that the face value less impairment losses equals the fair value on account of the short maturity.

The fair values of other non-current receivables due in more than one year correspond to the present values of the payments associated with the assets, taking into account the current interest parameters in each case that reflect market- and partner-based changes in the terms and conditions and expectations. The fair values of the financial liabilities are calculated by discounting the future contractually agreed payment flows using the current interest rate that would be granted to the Group for comparable financial instruments.

## 8.3 NET RESULT BASED ON MEASUREMENT CATEGORIES

The net result from financial instruments based on the measurement categories of IAS 39 is shown in the table below:



EUR '000	SUBSEQUENT MEASUREMENT			DISPOSAL	INTEREST RESULT	NET RESULT 2010
	FAIR VALUE CHANGES	CURRENCY TRANSLATION	VALUATION ADJUSTMENTS			
<b>As of 31 December 2010</b>						
Loans and receivables	0	33	106	0	0	139
Financial liabilities measured at cost	0	0	0	-665	-7,562	-8,227
Financial liabilities held for sale	-197	0	0	-1,280	0	-1,477
<b>Total</b>	<b>-197</b>	<b>33</b>	<b>106</b>	<b>-1,945</b>	<b>-7,562</b>	<b>-9,565</b>

EUR '000	SUBSEQUENT MEASUREMENT			DISPOSAL	INTEREST RESULT	NET RESULT 2009
	FAIR VALUE CHANGES	CURRENCY TRANSLATION	VALUATION ADJUSTMENTS			
<b>As of 31 December 2009</b>						
Loans and receivables	0	0	1,160	0	280	1,440
Financial liabilities measured at cost	0	0	0	0	-9,513	-9,513
Financial liabilities held for sale	-1,037	0	0	0	0	-1,037
<b>Total</b>	<b>-1,037</b>	<b>0</b>	<b>1,160</b>	<b>0</b>	<b>-9,233</b>	<b>-9,110</b>

## 9. DISCLOSURES ON THE STATEMENT OF CASH FLOWS

In accordance with IAS 7, the statement of cash flows provides information about changes in cash and cash equivalents of the COLEXON Group during the reporting period. The statement of cash flows is divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

The statement of cash flows includes the following cash flows:

EUR '000	31 DEC 2010	31 DEC 2009
Interest received	189	425
Interest paid	7,933	9,556
Income taxes refunded	378	40
Income taxes paid	1,905	265

## 10. DISCLOSURES ON SEGMENT REPORTING

IFRS 8 "Operating Segments" stipulates the "management approach," according to which segment information is presented externally on the same basis as used by the Company for internal management. EBIT, earnings before interest and taxes, is used for internal management and as an indicator of the long-term earnings capacity of an operating segment.

Reporting using the operating segments corresponds to the internal reporting to the chief operating decision-maker. The chief operating decision-maker is the Management Board.

The operating segments are defined on the basis of the reports available to the Management Board. The reporting on the operating segments' financial performance using the "management approach" depends to a considerable extent on the nature and the scope of the information submitted to the chief operating decision-maker.

The Management Board assesses the Company from a sales market-based perspective. The primary segments Wholesale, Projects and Service & Management are distinguished in accordance with IAS 14. As a result of the acquisition of COLEXON Solar Invest A/S (formerly Renewagy A/S), the Company included the activities of COLEXON Solar Invest A/S (formerly Renewagy A/S) in segment reporting as a new segment called Plant Operation.

The Projects segment comprises the Company's activities as a system provider of photovoltaic systems as well as a project developer for private and institutional investors. As a system provider, the COLEXON Group plans, delivers and installs large-scale photovoltaic systems, mainly on the roofs of buildings used for commercial, public or agricultural purposes. In this context, the Company offers the following services depending on the arrangement with the customer in question:

- Evaluation of the project's profitability as well as the technical suitability of the areas for PV installation (usually roof surfaces of commercial, private or agricultural buildings),
- Compliance with the requirements for official approval for the construction and operation of the facilities on the relevant areas,
- Organization of the static test of roof areas,
- Preparation of expert reports on output

The Wholesale segment comprises the wholesale business with modules and accessories.

The "Service & Management" segment comprises the technical and commercial operation of solar power plants. In 2009, this segment had been part of the "Projects" segment. Its separate presentation in the reporting year is due to the restatement of prior-year amounts for the "Projects" segment.

The Plant Operation segment comprises performing analyses, conducting technical, legal and financial investment reviews, securing the financing of the solar power plants and operating them.

The accounting principles for the two segments are identical to those for the Group as described in the section entitled "Accounting principles". The earnings capacity of the Group's individual segments is measured on the basis of operating result (EBIT) as presented in the income statement.

Management allocated goodwill to the cash-generating units at segment level. This led to goodwill being divided between the Plant Operation and the Projects segments in the respective amounts of EUR 0 thousand (previous year: EUR 63,462) and EUR 7,937 thousand (previous year: EUR 7,937 thousand). The measurement of the Company's assets and liabilities also remained unaffected.

The segment information provided to the Management Board for the reportable segments in 2010 and 2009 comprises:

SEGMENT INFORMATION BY OPERATING SEGMENTS	SEGMENT WHOLE- SALE	SEGMENT PROJECTS	SEGMENT SERVICE & MANAGE- MENT	SEGMENT PLANT OPERATION	SEGMENT HOLDING	CONSOLI- DATION	TOTAL GROUP
EUR '000							
<b>Revenue</b>	<b>114,285</b>	<b>66,225</b>	<b>1,370</b>	<b>14,429</b>	<b>0</b>	<b>-298</b>	<b>196,011</b>
Previous year (Q4 2009)	68,174	35,168	395	17,758	0	-4,317	117,178
<b>Changes in inventories</b>	<b>0</b>	<b>11,391</b>	<b>-51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,340</b>
Previous year (Q4 2009)	1	-3,648	52	0	0	0	-3,594
<b>Cost of materials</b>	<b>-97,025</b>	<b>-72,141</b>	<b>-1,269</b>	<b>-1,796</b>	<b>0</b>	<b>428</b>	<b>-171,803</b>
Previous year (Q4 2009)	-55,314	-26,779	-261	-1,553	-116	3,076	-80,946
<b>Other income</b>	<b>202</b>	<b>1,013</b>	<b>120</b>	<b>752</b>	<b>831</b>	<b>-133</b>	<b>2,785</b>
Previous year (Q4 2009)	9	952	8	146	237	2,057	3,408
<b>Gross profit</b>	<b>17,462</b>	<b>6,488</b>	<b>170</b>	<b>13,386</b>	<b>831</b>	<b>-3</b>	<b>38,333</b>
Previous year (Q4 2009)	12,870	5,692	195	16,351	121	817	36,044
<b>Staff costs</b>	<b>-749</b>	<b>-4,686</b>	<b>-573</b>	<b>-684</b>	<b>-2,514</b>	<b>0</b>	<b>-9,206</b>
Previous year (Q4 2009)	-302	-1,374	-449	-1,362	-1,402	0	-4,888
<b>Amortization/depreciation</b>	<b>-25</b>	<b>-103</b>	<b>-6</b>	<b>-68,501</b>	<b>-251</b>	<b>-591</b>	<b>-69,477</b>
Previous year (Q4 2009)	-16	-32	-4	-5,559	-87	-440	-6,138
<b>Other expenses</b>	<b>-309</b>	<b>-5,773</b>	<b>-786</b>	<b>-1,395</b>	<b>-5,312</b>	<b>0</b>	<b>-13,574</b>
Previous year (Q4 2009)	-558	-3,418	-247	-2,115	-1,471	615	-7,194
<b>EBIT</b>	<b>16,379</b>	<b>-4,073</b>	<b>-1,196</b>	<b>-57,193</b>	<b>-7,246</b>	<b>-595</b>	<b>-53,923</b>
Previous year (Q4 2009)	11,994	868	-505	7,314	-2,838	992	17,825
<b>Result from investments and financial result</b>	<b>0</b>	<b>-1,142</b>	<b>-2</b>	<b>-6,802</b>	<b>-41</b>	<b>0</b>	<b>-7,987</b>
Previous year (Q4 2009)	0	-292	0	-9,427	-32	0	-9,751
<b>EBT</b>	<b>16,379</b>	<b>-5,215</b>	<b>-1,198</b>	<b>-63,995</b>	<b>-7,287</b>	<b>-595</b>	<b>-61,909</b>
Previous year (31 Dec. 2009)	11,994	576	-505	-2,112	-2,870	992	8,073
<b>Taxes on income</b>							<b>-3,454</b>
Previous year (Q4 2009)							-2,336
<b>Net profit/loss from continuing operations</b>							<b>-65,364</b>
Previous year (Q4 2009)							5,737
<b>Net profit/loss from discontinued operations</b>							<b>0</b>
Previous year (Q4 2009)							-95
<b>Net profit/loss</b>							<b>-65,364</b>
Previous year (Q4 2009)							5,642
<b>Segment assets</b>	<b>51,778</b>	<b>37,972</b>	<b>0</b>	<b>137,593</b>	<b>33,746</b>	<b>-33,059</b>	<b>228,030</b>
Previous year (31 Dec. 2009)	13,210	51,987	0	238,040	25,009	-5,136	323,110

The amounts that are reported to the Management Board are measured in the same way as in this Annual Report. These assets are divided between the segments on the basis of their operations and the location of these operations.

The segment revenue generated with customers outside the Group amounted to EUR 66,225 thousand (previous year: EUR 31,246 thousand) in the Projects segment; EUR 114,285 thousand (previous year: EUR 68,174 thousand) in the Wholesale segment; EUR 1,072 thousand (previous year: EUR 395 thousand) in the Service & Management segment; and EUR 14,429 thousand (previous year: EUR 17,758 thousand) in the Plant Operation segment.

One project in the Czech Republic that is being sold to the EnerCap Power Fund had a business volume amounting to EUR 21,361 thousand, which exceeded 10 percent of consolidated revenue in the reporting period (10.9 percent).

Non-current assets excluding financial instruments and deferred tax assets amounted to EUR 120,621 thousand (previous year: EUR 246,345 thousand) in Germany; EUR 7,854 thousand (previous year: EUR 1,464 thousand) in the rest of Europe; and EUR 72 thousand (previous year: EUR 53 thousand) in the other regions.

Revenue breakdown by region:

The reporting of the information by region to the Management Board is based on the customers' registered offices. Germany, Europe and Other Regions are defined as regions in line with internal management requirements.

#### SEGMENT INFORMATION BY REGION

EUR '000	GERMANY	REST OF EUROPE	OTHER REGIONS	CONSOLIDATION	GROUP
<b>Revenue</b>	<b>153,133</b>	<b>42,599</b>	<b>576</b>	<b>-298</b>	<b>196,011</b>
Previous year (Q4 2009)	115,997	4,785	0	-4,317	117,178

The revenue by region generated with customers outside the Group amounted to EUR 152,835 thousand (previous year: EUR 111,680 thousand) in Germany; EUR 42,599 thousand (previous year: EUR 4,785 thousand) in the rest of Europe; and EUR 576 thousand (previous year: EUR 714 thousand) in the other regions.

## OTHER DISCLOSURES

### 11. RELATED PARTIES

Besides the subsidiaries included in the consolidated financial statements, COLEXON AG has direct and indirect relationships with related parties within the scope of its ordinary operations.

The business relationships with related parties of the Group are as follows:

RELATIONSHIPS WITH RELATED PARTIES EUR '000	COMPANIES WITH A MATERIAL INFLUENCE	MANAGEMENT BOARD	SUPERVISORY BOARD MEMBERS	OTHER RELATED PARTIES
<b>Services and products provided</b>	7	5	0	6
Previous year (2009)	0	2	42	450
<b>Receivables and other assets</b>	0	0	0	0
Previous year (31 December 2009)	1,575	0	0	2
<b>Valuation allowances</b>	-1,575	0	0	0
Previous year (31 December 2009)	0	0	0	0
<b>Services and products received</b>	29	94	2	33
Previous year (2009)	0	0	0	407
<b>Liabilities</b>	0	1	0	0
Previous year (31 December 2009)	0	62	42	327
<b>Advances received</b>	0	0	0	0
Previous year (31 December 2009)	0	0	0	0

All receivables and liabilities stated above are current. Besides the subsidiaries included in the consolidated financial statements, COLEXON AG has direct and indirect relationships with related parties within the scope of its ordinary operations.

In the ordinary course of business, all supply and service relationships with individuals were conducted on an arm's length basis.

#### COMPANIES WITH A MATERIAL INFLUENCE

The products and services provided for companies with a material influence relate to rental costs that were passed on. The receivables related to receivables from services provided and loans.

#### MANAGEMENT BOARD MEMBERS

One member of the Management Board of COLEXON AG has an interest of one-third in a leasing partnership.

#### SUPERVISORY BOARD MEMBERS

One member of the Supervisory Board has a fifty-percent interest in the leasing partnership.

#### RELATED PARTY ENTITIES

The reporting on related parties concerns business relations with relatives of members of the Management Board or the Supervisory Board or companies they own or control, directly or indirectly.

## 12. WORKFORCE

The Group had a total of 126 employees as of 31 December 2010 (31 December 2009: 125). All are salaried employees.

## 13. EVENTS AFTER THE REPORTING PERIOD

On 09 February 2011, COLEXON sold its equity interests in a foreign project company, COLEXON Imola s.r.l. The sale comprised the Imola solar power plant with a total rated output of 993 KWp, including all liabilities.

Mr. Thorsten Preugschas left the Company at the beginning of 2011. According to the terms of his contract, Mr. Preugschas is entitled to a settlement of up to EUR 600 thousand. The amount of the actual settlement is still being negotiated.

COLEXON has initiated a restructuring process in the first quarter of 2011 in the light of the changed parameters in key European markets. The planned adjustments – such as focusing on the Wholesale segment and reducing personnel to achieve more efficient structures – will enable COLEXON to adapt to current developments so that it can continue to profit from the growth of regenerative energies in the future.

In the 2009 financial year, COLEXON entered into loan agreements with several banks which contain “financial covenants” regarding its consolidated financial statements, for one, and its consolidated financial statements adjusted for the Plant Operation division, for another, and which entail special termination rights. In the third quarter of 2010, an equity ratio for the consolidated financial statements was no longer met for the first time. In the fourth quarter of 2010, the equity ratio, interest coverage ratio and leverage ratio were no longer met for the consolidated financial statements adjusted for the Plant Operation segment. This gave the lenders the right to terminate the loan prematurely. This would have greatly jeopardized COLEXON’s existence as a going concern. The banks did not exercise their special termination right. Instead, the parties agreed to a moratorium until 31 July 2011 in order to negotiate new financial covenants. During this time, the banks cannot exercise their right of termination. The agreement on the continuation of the credit lines and new financial covenants is subject to the usual proviso that the banks’ corporate bodies approve the arrangements and that COLEXON’s restructuring concept is viable.

We entered into new negotiations with our supplier, First Solar, after the reporting date on account of the changed market parameters. COLEXON is obligated under the current delivery contracts to accept and pay the stipulated deliveries. The Company bears the sales and price risk for the solar modules it purchases. In turn, this gives rise to a liquidity risk that might jeopardize the Company’s existence as a going concern. We have already come to an agreement as to the quantities, and critical aspects of the pricing terms have been negotiated.

## 14. LITIGATION

The project business of COLEXON entails the general risk typical of the industry that customers might sue due to non-performance or defective performance in connection with the promised quality and capabilities of products, plants, or services delivered, or due to delays in delivering such products, plants or services. Currently, a complaint against COLEXON has been received in which the petitioners sue for damages in connection with an offer submitted by COLEXON. Based on a preliminary assessment made by the law firm retained in this matter, the suit is expected to have only limited chances to succeed, both in terms of its merit and the amount sued for. The Company has recognized an appropriate provision.

## 15. RISK MANAGEMENT

### 15.1 MANAGEMENT OF CAPITAL RISKS

The Group manages its capital with the goal of maximizing the earnings of Company shareholders by optimizing the debt/equity ratio. This will ensure that all Group companies can operate on the basis of its forecast as a going concern.

The Group's capital structure consists of liabilities, including the borrowed capital specified under note 6.17 and cash and cash equivalents, as well as the equity to which the equity suppliers of the parent company are entitled. This consists of share capital, the capital reserve, the profit brought forward and the net profit/loss for the period.

The net debt-to-equity ratio is as follows:

EUR '000	31 DEC 2010	31 DEC 2009
Liabilities	115,193	162,271
Cash and cash equivalents	-20,325	-32,255
Net liabilities	94,868	130,016
Equity	53,162	118,340
Net debt-to-equity ratio	178%	110%

## 15.2. MANAGEMENT OF FINANCIAL RISKS

Within the scope of its business activities, the Group is exposed to a number of different financial risks. These include credit risk, liquidity risk and market risk, which in turn comprises the interest rate-related cash flow risk, the interest rate-related risk from changes in the fair value and foreign currency risk.

Corporate management decides on strategies and methods to manage individual types of risk.

### 15.2.1 CREDIT RISK

A credit risk for non-derivative financial instruments arises when counterparties are unable to meet their contractually stipulated payment obligations. This relates to banks, wholesale and retail customers, well as institutional investors. The maximum credit risk is determined on the basis of the recognized carrying amounts of the financial assets.

Credit risk is managed by the Company's management. In the financing area, COLEXON only transacts business with counterparties who have outstanding credit ratings. In the area of operations, the credit risk based on customers' payment performance in the past is monitored continuously. Information on creditworthiness is also obtained. In the wholesale business, the credit risk can also be limited by making deliveries only after receipt of payment. In some cases, collateral is also accepted in the form of bank guarantees. There are no significant concentration risks.

Identifiable credit risks are covered by recognizing specific valuation allowances and global valuation allowances. Please refer to note 6.11 for changes in valuation allowances.



The following table shows the age structure analysis according to classes of financial instruments:

EUR '000	CARRYING AMOUNT	OF WHICH NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED			
			< 30 DAYS	31 – 60 DAYS	61 – 90 DAYS	> 90 DAYS
<b>As of 31 December 2010</b>						
<b>Financial assets</b>						
Trade receivables	4,071	727	1,568	132	0	1,566
Future receivables from construction contracts	6,888	6,888	0	0	0	0
Other assets	2,946	2,946	0	0	0	0
Other non-current assets	13,720	13,720	0	0	0	0
<b>Total</b>	<b>27,626</b>	<b>24,327</b>	<b>1,568</b>	<b>132</b>	<b>0</b>	<b>1,566</b>

EUR '000	CARRYING AMOUNT	OF WHICH NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED			
			< 30 DAYS	31 – 60 DAYS	61 – 90 DAYS	> 90 DAYS
<b>As of 31 December 2009</b>						
<b>Assets</b>						
Trade receivables	6,056	1,569	3,850	164	48	425
Future receivables from construction contracts	3,967	3,967	0	0	0	0
Other assets	6,211	6,211	0	0	0	0
Assets	14,491	14,491	0	0	0	0
<b>Total</b>	<b>30,725</b>	<b>26,238</b>	<b>3,850</b>	<b>164</b>	<b>48</b>	<b>425</b>

For the amounts reported under receivables that are neither past due nor impaired, there are no indications that the debtors will not fulfill their payment obligations.

### 15.2.2 LIQUIDITY RISK

Liquidity risks arise from potential financial bottlenecks and may increase the cost of funding. Financial risks could arise for COLEXON in its project business in the form of a pre-financing requirement where project finance has not been secured prior to the start of construction. For this reason, COLEXON's contracts with customers include a right to withdraw from the project contract within a set timeframe if the customer fails to provide committed project finance. There is also a financing requirement for module deliveries, as these need to be bindingly accepted. The Wholesale segment is exposed to an extremely small liquidity risk resulting from prepayments by customers.

The Group plans its liquidity for a one-year period with the aim of maintaining an adequate liquidity reserve. The credit lines totaling EUR 8.5 million (2009: EUR 4.0 million) available to the Group had been drawn down in the amount of EUR 3.1 million (2009: EUR 0 million) at the reporting date. The Group also has temporary lines of guarantee in the amount of EUR 51.5 million (2009: EUR 23.5 million), EUR 34.8 million of which had been utilized (2009: EUR 21.3 million) at the end of the reporting period.

A bank loan amounting to EUR 12,750 thousand as of December 31, 2010 was originally granted with several financial covenants relating to COLEXON's consolidated financial statements and also to consolidated financial statements adjusted for the Plant Operation segment. In the third quarter of 2010, an equity ratio for the consolidated financial statements was no longer met for the first time. In the fourth quarter of 2010, the equity ratio, interest coverage ratio and leverage ratio were no longer met for the consolidated financial statements adjusted for the Plant Operation segment. This gave the lender the right to terminate the loan prematurely.

This would have greatly jeopardized COLEXON's existence as a going concern. The banks did not exercise their special termination right. Instead, the parties agreed to a moratorium until 31 July 2011 in order to negotiate new financial covenants. During this time, the banks cannot exercise their right of termination. The agreement on the continuation of the credit lines and new financial covenants is subject to the usual proviso that the banks' corporate bodies approve the arrangements and that COLEXON's restructuring concept is viable.

The following maturity analysis shows the contractually agreed, undiscounted cash flows (interest rate and repayment) of the financial liabilities at the respective reporting dates. Planned payments for new, future liabilities were not taken into account. The interest rate applicable at each closing date was taken as the basis for variable interest payments. Financial liabilities that can be terminated at any time are assigned to the first maturity range:

	UP TO ONE YEAR	1 – 5 YEARS	MORE THAN 5 YEARS
<b>As of 31 December 2010</b>			
Financial liabilities	23,208	45,877	102,128
Trade payables	36,569	0	0
Other liabilities	3,340	0	0
<b>Total</b>	<b>63,117</b>	<b>45,877</b>	<b>102,128</b>

	UP TO ONE YEAR	1 – 5 YEARS	MORE THAN 5 YEARS
<b>As of 31 December 2009</b>			
Financial liabilities	25,722	61,986	136,014
Trade payables	16,436	0	0
Other liabilities	12,575	0	0
<b>Total</b>	<b>54,733</b>	<b>61,986</b>	<b>136,014</b>

There are no conditional or unconditional call rights of creditors and also no Company loan commitments.

### 15.2.3 INTEREST RATE RISK

The Group is principally exposed to interest rate risk in the context of project financing, and mainly in Germany. Liabilities with variable interest rates give rise to an interest rate-related cash flow risk. As of 31 December 2010, the balance of variable-interest bank financing was EUR 1,533 thousand (31 December 2009: EUR 0 thousand). The following table shows the effect of an assumed change in the interest rate of +/- 100 basis points for the term of one year of the variable-interest bank financing:

INTEREST LEVEL	31 DEC 2010		31 DEC 2009	
	+ 100 BASE POINTS	- 100 BASE POINTS	+ 100 BASE POINTS	- 100 BASE POINTS
Variable interest bank financing	-15	15	0	0

Liabilities with a fixed interest rate give rise to an interest rate-related risk from changes in the fair value. This may only be recognized in profit or loss, however, if the liabilities are actually measured at fair value. The fixed-interest liabilities measured at amortized cost are consequently not exposed to interest rate risk within the meaning of IFRS 7.

The Group has entered into swaps to hedge interest rate risk. Interest rate risk is presented using sensitivity analyses in accordance with IFRS 7. These show the effects of a change in market interest rates on interest payments, interest income and expense, other line items of profit or loss and, when applicable, equity. Sensitivity analyses for interest rate risk are based on the following assumptions:

Changes in the market interest rate of primary financial instruments with fixed interest rates only affect profit or loss if these instruments are measured at fair value. Correspondingly, no financial instruments with fixed interest rates that are measured at amortized cost are subject to interest rate risk in accordance with IFRS 7.

Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations.

The following table shows the effect of an assumed change in the interest rate of +/- 100 basis points on equity assuming that all other variables for the ineffective portion of derivative financial instruments remain constant:

INTEREST LEVEL	31 DEC 2010		31 DEC 2009	
	+ 100 BASE POINTS	- 75 BASE POINTS	+ 100 BASE POINTS	- 100 BASE POINTS
Changes in equity, effective derivative financial instruments	1,176	-957	1,112	-1,241

#### 15.2.4 EXCHANGE RATE RISK

On the sales side, foreign currency transactions have only occurred on a very small scale. On the procurement side, the long-term procurement contracts with the two main suppliers stipulate prices in euros. There are no long-term procurement contracts denominated in foreign currencies. Exchange rate fluctuations can therefore have only a minimal impact on COLEXON's profit or loss. For reasons of materiality, there is consequently no need for a sensitivity analysis.

#### 15.2.5 PRICE RISK

The biggest price risk with respect to volume and volatility is in the area of module purchases. In the past, the price trend was dependent both on the performance of the dollar and on general demand for modules. In the context of the development described above under exchange rate risk, with suppliers switching to euro contracts, the influence of the dollar is declining rapidly and is no longer significant. Demand, and therefore price fluctuations for modules, is affected to a considerable extent by government regulations on feed-in tariffs, which are often reduced in stages in the individual countries.

The price risk for the Company is limited insofar as there is a long-term procurement contract with the main supplier wherein fixed prices are agreed up to 2012, reduced in tandem with the feed-in tariffs. For 2011, the purchase volume from the main supplier, secured as regards price and quantity, stands at over EUR 66,000 thousand (previous year: EUR 147,200 thousand).

We entered into new negotiations with our supplier, First Solar, after the reporting date on account of the changed conditions/market parameters. COLEXON is obligated under the current delivery contracts to accept and pay the stipulated deliveries. The Company bears the sales and price risk for the solar modules it purchases. In turn, this gives rise to a liquidity risk that might jeopardize the Company's existence as a going concern. We have already come to an agreement as to the quantities, and critical aspects of the pricing terms have been negotiated.

Additional modules are procured from other suppliers only where reasonable prices can be agreed. This situation limits the risk for the Group arising from price fluctuations for modules.

## 16. SUPERVISORY BOARD

The Company's Supervisory Board was comprised as follows in 2010 and thereafter:

- Dr. Carl Graf Hardenberg (Chairman since 20 March 2009), member since 6 March 2009, lawyer
  - Lasse Lindblad (Deputy Chairman since 20 March 2009), member from 28 May 2008 to 24 March 2011, CEO of several companies
- Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):
- Danske AMP A/S
  - Steffen Rønn Fondsmæglerselskab A/S
  - DKA Consult A/S
  - FMT A/S
  - Dansk O.T.C.Fondsmæglerselskab A/S
  - Nordisk Fondservice AB
  - Monetar Pensionsförvaltning AB
- Dr. Eric Veulliet, member from 6 March 2009 to 10 October 2010, CEO of alpS Zentrum für Naturgefahren- und Risikomanagement GmbH
  - Dr. Peter Dill, member since 6 March 2009, CEO of Deutsche See GmbH
  - Max-Arnold Köttgen, member from 13 September 2010 to 7 February 2011, CEO Remondis AG & Co. KG
  - Dr. Kurt Friedrich Ladendorf, member since 18 March 2011
- Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):
- GBK Beteiligungen AG

Pursuant to the Company's Association, the members of the Supervisory Board receive remuneration totaling EUR 125 thousand (previous year: EUR 152 thousand). Supervisory Board members receive fixed and variable remuneration for each financial year. The Chairman receives EUR 30 thousand, the Deputy Chairman EUR 22.5 thousand, and regular members receive EUR 15 thousand in fixed remuneration. These amounts are payable after the end of the financial year. The variable component of the annual remuneration amounts to EUR 0.5 thousand for each EUR 1 million of positive earnings before interest and taxes (EBIT) reported in the consolidated financial statements for the current financial year.

The individual members of the Supervisory Board received the following remuneration:

EUR '000	FIXED REMUNERATION				ATTEND- ANCE FEES	VARIABLE REMUNER- ATION	TRAVEL EXPENSES	BALANCE PREVIOUS YEARS	TOTAL
	CHAIR- MAN	DEPUTY CHAIR- MAN	MEMBER						
Dr. Carl Graf Hardenberg	30			4	0	5	3	42	
Tom Larsen			15	0	0	0	7	7	
Dr. Peter Dill				4	0	1	0	20	
Max Köttgen			5	1	0			6	
Henrik Lasse Lindblad		23		4	0	3	2	32	
Dr. Eric Veulliet			12	4	0	3		18	
	<b>30</b>	<b>23</b>	<b>32</b>	<b>17</b>	<b>0</b>	<b>11</b>	<b>13</b>	<b>125</b>	

## 17. MANAGEMENT BOARD

The following persons were appointed to the Management Board in 2010 and beyond:

NAME		RESIDENCE	POSITION	APPOINTED ON	APPOINTED UNTIL
Thorsten Preugschas	Dipl.-Ing. (graduate engineer)	Kamp-Lintfort	CEO	11 Nov. 2006	05 Jan. 2011
Henrik Christiansen	Dipl.-Kaufm. (holder of a degree in business administration)	Ahrensburg	CFO	17 Oct. 2008	28 Feb. 2011
Tom Glæsner Larsen	MBA	Charlottenlund, DK	CIO	01 Jan. 2010	15 Feb. 2010
Volker Hars	Dipl.-Betriebswirt (holder of a degree in business administration)	Reinbek	COO/CEO	15 Feb. 2010	
Dr. Rolando Gennari	Businessman	Hamburg	CFO	07 Mar. 2011	

In accordance with Article 6 of the Articles of Association, the Company is represented by two members of the Management Board or by one Management Board member together with an authorized signatory ("Prokurist"). The Supervisory Board may determine that individual members of the Management Board are authorized to represent the Company alone.

The remuneration of the Management Board members including termination benefits, benefits in kind and royalties were comprised as follows in the reporting period:

EUR '000	THORSTEN PREUGSCHAS	HENRIK CHRISTIANSEN	TOM LARSEN	VOLKER HARS	TOTAL
Fixed remuneration	299	260	28	266	853
Benefits in kind	39	18	0	11	69
Pension commitment	0	0	0	45	45
Additional royalty for 2009	0	20	0	0	20
Royalty entitlement 2010	0	0	0	0	0
Termination benefits	0	0	160	0	160
	<b>338</b>	<b>298</b>	<b>188</b>	<b>322</b>	<b>1,147</b>

Defined benefits in the event of premature termination:

Volker Hars: If the Company terminates the Board member's appointment without cause before his contract expires and this member's employment contract is also terminated prematurely in this context, payments may not exceed the value of two annual salaries including benefits and not provide remuneration for longer than the remaining term of the employment contract.

Dr. Rolando Gennari: If the Company terminates the Board member's appointment without cause before his contract expires and this member's employment contract is also terminated prematurely in this context, payments may not exceed the contractual salary due for one year and not provide remuneration for longer than the remaining term of the employment contract.

## 18. DECLARATION OF COMPLIANCE

The declaration to be submitted in accordance with Section 161 of the German Stock Corporation Act stating to what extent the Company has complied and will comply with the recommendations of the Government Commission of the German Corporate Governance Code was submitted through publication on the Company's website and made available to shareholders.

Hamburg, Germany, 26 April 2011

Volker Hars, CEO

Dr. Rolando Gennari, CFO



# FURTHER INFORMATION



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# AUDITORS' REPORT

We have audited the consolidated financial statements of COLEXON Energy AG, Hamburg, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes as well as the Group management report for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a (1) German Commercial Code (HGB) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These 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 evaluations of 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 financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

We are duty bound to note that the existence of COLEXON Energy AG and those of its subsidiaries that are included in its consolidated financial statements are exposed to going-concern risks that are disclosed in section 6, "Events after the reporting period," and section 9.3, "Going-concern risks and other individual risks," of the consolidated financial state-

ments. It is stated there that the continued existence of COLEXON Energy AG and its subsidiaries as going concerns is contingent on the successful implementation of the measures set forth in a restructuring plan – in particular, the lenders' willingness to leave existent credit lines in plans and timely disposal of a solar farm.

Hamburg, Germany, 27 April 2011

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Richard Müllner  
Wirtschaftsprüfer (German Public Auditor)

ppa. Tobias Hennenberger  
Wirtschaftsprüfer (German Public Auditor)

# DEPENDENCY REPORT

The Company prepared a dependency report in accordance with Section 319 (3) German Stock Corporation Act. The Management Board declares in accordance with Section 312 (3) German Stock Corporation Act:

Our Company was paid appropriate consideration in connection with the legal transactions described in the report on relations with affiliated companies, given the circumstances known to us at the time the relevant legal transactions were executed. No measures disadvantaging the Company were executed or omitted in the interest or at the instruction of the controlling company.

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

During the 2010 financial year, the Supervisory Board performed all its duties in accordance with the law, the Articles of Association and the rules of procedure. In addition to monitoring the Company's management, the Supervisory Board advised the Management Board on its management of the Company. The Supervisory Board of COLEXON Energy AG held a total of eight meetings in the 2010 financial year. All members attended over half of the meetings held during their respective terms of office. Most of these meetings took place in the presence of the Management Board. Urgent resolutions were also voted on by way of written circular approval memos.

## BASIC INFORMATION

The Management Board of COLEXON Energy AG – through written and oral reports – informed the Supervisory Board on a regular, timely and comprehensive basis about all significant transactions, the position and development of the Company and the Group including the key financial indicators, corporate planning, as well as the risk situation, risk management and compliance. In cases where business developed not in line with planning, the Management Board provided detailed explanations on these deviations. These reports and their discussion with the Management Board at the meetings gave the Supervisory Board an insight into the financial situation of the Company and the Group. In addition, the Chairman of the Supervisory Board maintained regular contact with the Management Board.

Following its own examination, the Supervisory Board voted on the measures requiring its approval in accordance with the law, the Articles of Association or the rules of procedure for the Management Board. The Supervisory Board was involved in all decisions of material importance for the Company. Specifically, the Management Board also coordinated the Company's strategic orientation with the Supervisory Board.

## KEY TOPICS IN THE REPORTING PERIOD

The Supervisory Board's principal advisory and monitoring activities involved the following topics during the reporting period:

- Discussion of the Company's claims against DKA Consult A/S in connection with the use of tax loss carryforwards and authorization of the Management Board to litigate these claims against DKA Consult A/S;
- Regular deliberations on the development of the Company's business and liquidity, particularly given its module purchase obligations;
- Discussions of the Company's strategic alignment, particularly regarding the sale of a portfolio of solar power plants;
- Strengthening the Company's international expansion, particularly in three foreign markets: Italy, France and the UK; and
- Discussions on the Company's organization, particularly its personnel structure.

### KEY RESOLUTIONS OF THE SUPERVISORY BOARD

In particular, the Supervisory Board adopted the following key resolutions:

- Discussion of the contractual obligations of DKA Consult A/S under two agreements on the delivery of projects as well as authorization of the Management Board to conduct negotiations on the rescission of these agreements (25 November 2010);
- Resolution on the 2009 Declaration of Compliance, which was integral to the “Statement on Corporate Governance” and had to be prepared for the first time (3 & 5 March 2010);
- Approval of the annual financial statements and consolidated financial statements, along with the respective management reports, for the 2009 financial year; the annual financial statements were thus adopted. Resolution on the notice of meeting for and the agenda of the Annual General Meeting, including the Supervisory Board’s proposals (23 & 24 March 2010);
- Approval of the founding of COLEXON Italia s.r.l. as a direct and wholly-owned subsidiary of COLEXON Energy AG in Imola, Italy (26 May 2010);
- Authorization of the Management Board to establish an IPP joint venture with Future Energy s.r.l./P&G in Italy (23 June 2010);
- Approval of the lease with the lessor, Maaß-Gooßen-Preugschas GbR, Wesel, and signing of the lease by the Supervisory Board for the Company (23 June 2010);
- Approval of a joint-venture agreement between P&G Service Srl and COLEXON Italia s.r.l. (2 August 2010);
- Approval of a term sheet between Commerzbank AG and COLEXON Energy AG regarding operating capital (20 September 2010);
- Approval of the general agreement with First Solar (20 September 2010); and
- Approval of the sale of the Eckolstädt (8.8 MWp) and Froschham (4.2 MWp) solar farms, including all liabilities (25 November 2010).

Where the Management Board requested a Supervisory Board resolution in these or other cases, the corresponding draft resolution was always submitted to the Supervisory Board in writing for the preparation of the resolution.

### REPORT FROM THE COMMITTEES

To support its work, the Supervisory Board formed an Audit Committee, a Nomination Committee and a Strategy Committee from among its members.

The Audit Committee has three members. It is mainly tasked with monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. It also deals with issues that arise in connection with the audit and prepares the Supervisory Board’s deliberations and resolutions regarding all of the above. The Audit Committee met twice in the 2010 financial year; currently, it has the following members:

- Dr. Peter Dill (from March 2009)
- Henrik Lasse Lindblad (from February 2010)
- Dr. Carl Graf Hardenberg (from November 2009)

The Nomination Committee has two members. Its tasks include suggesting suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting in connection with the election of shareholder representatives to the Supervisory Board. The Nomination Committee also prepares matters related to the Management Board.

The Nomination Committee met twice in the 2010 financial year; it has the following members:

- Dr. Carl Graf Hardenberg (from March 2009)
- Henrik Lasse Lindblad (from March 2009)

The Strategy Committee, which has two members, is tasked with investment and financial matters and met twice in the 2010 financial year; it has the following members:

- Dr. Peter Dill (from March 2009)
- Henrik Lasse Lindblad (from March 2009)

The committees regularly report to the Supervisory Board on their work.

#### **CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

##### **Management Board**

At its meeting on 15 February 2010, the Supervisory Board appointed Mr. Volker Hars to the Company's Management Board. Mr. Tom Larsen stepped down from the Management Board at the same time by mutual agreement with the Supervisory Board. On 05 January 2011, the Supervisory Board appointed then COO, Mr. Volker Hars, the Company's new Chairman of the Management Board/CEO. Mr. Thorsten Preugschas stepped down from the Management Board at the same time.

At its meeting on 20 September 2010, the Supervisory Board and Mr. Henrik Christiansen, the Company's CFO, agreed to terminate his director's contract effective 28 February 2011. By resolution dated 07 March 2011, the Supervisory Board appointed Dr. Rolando Gennari to the Company's Management Board as its new Chief Financial Officer (CFO).

##### **Supervisory Board**

Dr. Eric Veulliet stepped down from the Supervisory Board effective 10 October 2010. By order dated 09 September 2010, the Hamburg District Court appointed Mr. Max-Arnold Köttgen to the Company's Supervisory Board in his stead. The Supervisory Board thanks the Company's management, former members of its Management Board and Supervisory Board, as well as all employees for their committed and constructive work in the 2010 financial year.

#### **GERMAN CORPORATE GOVERNANCE CODE**

During the reporting period, the Management Board and the Supervisory Board discussed the recommendations of the German Corporate Governance Code in depth. The declaration of compliance in accordance with Section 161 of the German Stock Corporation Act in the 2010 financial year was submitted in March 2011 and published on the Company's website. The Management Board reports on COLEXON's corporate governance, also on behalf of the Supervisory Board, in the corporate governance report of the Company's annual financial statements.

Potential conflicts of interest were disclosed to the Supervisory Board in the 2010 financial year. In his capacity as a member of COLEXON's Supervisory Board, Mr. Lasse Lindblad – who is also the sole shareholder of DKA Consult A/S – voted in the Company's interest for the Supervisory Board's proposal to the 2010 Annual General Meeting that it resolve new authorized capital and grant a new authorization to issue convertible bonds and/or bonds with warrants, in each case with the option of excluding shareholders' subscription right. Note that the objectives of then shareholder DKA Consult A/S regarding the proposed capital increase were diametrically opposed to those of the Company.

The Supervisory Board made sure when it approved the lease between the Company and Maaß-Gooßen-Preugschas GbR – one of whose partners was the Company's former Management Board Chairman, Mr. Thorsten Preugschas – that it was made at arm's length.

#### **2010 ANNUAL FINANCIAL STATEMENTS**

The Annual General Meeting on 12 May 2010 appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, with its Hamburg branch as the auditor of the financial statements for the 2010 financial year. The Supervisory Board then issued the audit mandate, taking particular account of the recommendations of the German Corporate Governance Code concerning the collaboration of the Supervisory Board with the auditors.

The annual financial statements of COLEXON Energy AG, the management report of COLEXON Energy AG, as well as the consolidated financial statements and the Group management report including the underlying bookkeeping for the 2010 financial year were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, with its branch in Hamburg and issued with an unqualified audit opinion in each case including a remark regarding dependence on the successful implementation of the Company's restructuring process.

The financial statements and audit reports were submitted to the members of the Supervisory Board in a timely manner. The auditor attended the meeting of the Supervisory Board on 28 April 2011 for the adoption of the financial statements. The auditor also reported on the main findings of the audit, in particular on the fact that the Company's internal control and risk management system relating to its financial reporting process did not show any material weaknesses, and answered the questions of the Supervisory Board. The auditor informed the Supervisory Board about services provided in addition to the audit of the financial statements and the fact that there were no circumstances giving rise to any doubts regarding the auditor's impartiality. The result of the audit was discussed and debated at length. The Supervisory Board took note of the result of the audit performed by the auditor and conducted its own examination of the annual financial statements and the management report, the consolidated financial statements and the Group management report within the framework of the legal provisions and taking into account the results of the preliminary examination by the Audit Committee. This did not lead to any objections. The Supervisory Board endorses the findings of the audit performed by the auditor. Following the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board at its meeting on 28 April 2011. The annual financial statements were thus adopted.

#### **PROPOSAL ON THE APPROPRIATION OF PROFIT**

The Supervisory Board discussed the Company's liquidity as well as its financial and investment planning with the Management Board in connection with the Management Board's proposal on the appropriation of accumulated profit. Following the conclusion of its examination, the Supervisory Board adopts the Management Board's proposal on the appropriation of profit.



**AFFILIATED COMPANY REPORT**

The Management Board's affiliated company report in financial year 2010 was also examined by the Supervisory Board.

The auditor issued the following unqualified audit opinion in this respect:

“In accordance with our dutifully performed audit and assessment, we confirm that

1. the factual statements in the report are correct,
2. the consideration paid by the Company for the transactions specified in the report was not unreasonably high and no disadvantages have been compensated.”

The auditor participated in the deliberations of the Supervisory Board on the affiliated company report prepared by the Management Board and reported on the main findings of the audit.

The Supervisory Board examined the affiliated company report prepared by the Management Board and adopts it. It also endorses the findings of the audit presented in the audit report. Following the conclusion of its examination, the Supervisory Board did not object to the Management Board's statement at the end of the affiliated company report.

The Supervisory Board would like to thank the members of the Management Board as well as the Company's employees for their work in the past financial year.

Hamburg, Germany, 28 April 2011

Dr. Carl Graf Hardenberg  
Chairman of the Supervisory Board

# FINANCIAL AND EVENT CALENDAR

<b>Date</b>	<b>Event</b>	<b>Place</b>
29 April 2010	Publication Annual Report 2010	
31 May 2010	Publication Quartalsfinanzbericht Q1	
16 June 2010	Annual General Meeting	Hamburg, Germany
31 August 2010	Publication Half-yearly Financial Report	
21 – 23 November 2010	German Equity Forum	Frankfurt, Germany
30 November 2010	Publication Quarterly Financial Report Q3	

# PUBLISHING INFORMATION

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This report is available for download in German and English. Please contact us for printed copies or additional information about COLEXON Energy AG. We will be happy to include you in our mailing list for shareholders if you'd like to receive regular information and the latest news by email.

## DISCLAIMER

This Report includes forward-looking statements that are based on the opinions of the Management Board of COLEXON Energy AG and reflect the Board's current assumptions and estimates. These forward-looking statements are subject to risks and uncertainties. Numerous facts unforeseeable at this time could cause the actual performance and results of COLEXON Energy AG to differ from such forward-looking statements. These facts include, but are not limited to: lack of acceptance of newly introduced products or services; changes in the general economic or business situation; failure to meet efficiency or cost reduction targets; and changes in the Company's business strategy.

The Management Board firmly believes that the expectations contained in these forward-looking statements are sound and realistic. However, should the previously mentioned or other risks materialize, COLEXON Energy AG cannot guarantee that the assumptions made turn out to be correct.



This interim report was produced in a climate-neutral fashion and printed on FSC-certified paper. The greenhouse gas emissions generated by the production and dissemination of this publication were offset by investments in an additional climate protection project.

