Conergy AG
Annual Report 2009

Hamburg-based Conergy AG is one of the leading solar companies, with around 1,400 employees in 14 different countries, spread over four continents. Conergy develops and produces crystalline solar modules, power inverters and mounting systems at three locations in Germany.In this way, Conergy is able to offer its customers the levels of quality associated with German technology, as well as its own complete range of components for solar equipment.In addition, Conergy develops, finances and installs solar systems as well as solar parks. Since its foundation in 1999, Conergy has converted over 1.25 gigawatts of renewable energy, almost 1 gigawatt of which has come from solar energy.

Key figures

		2009	2008*
Sales	EUR million	600.9	975.3
Germany	EUR million	280.8	282.3
International	EUR million	320.1	693.0
Gross profit	EUR million	117.6	131.9
Gross profit margin	in percent	19.6	13.5
EBITDA	EUR million	–10.7	–147.4
EBITDA margin	in percent	–1.8	–15.1
EBIT	EUR million	–36.8	–181.9
EBIT margin	in percent	–6.1	–18.7
Income after taxes	EUR million	–79.3	–306.6
		31.12.09	31.12.08
Total assets	EUR million	649.1	746.8
Total equity	EUR million	116.0	196.8
Equity ratio	in percent	17.9	26.4
		2009	2008
Cashflow from operating activities	EUR million	68.5	–160.9
Cashflow from investing activities	EUR million	–14.9	–21.2
Cashflow from financing activities	EUR million	–27.2	146.4
Earnings per share from continuing operations	EUR	–0.20	–3.47
Average number of no-par shares issued		398,088,928	65,338,928
Number of employees FTE** (as at 31.12.) from continuing operations		1,429	1,647
Germany		937	987
International		492	660

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

Milestones since foundation of the company.

Foundation of Conergy GmbH by Hans-Martin Rüter and Dieter Ammer
1999

Transformation of Conergy GmbH into Conergy AG
2000

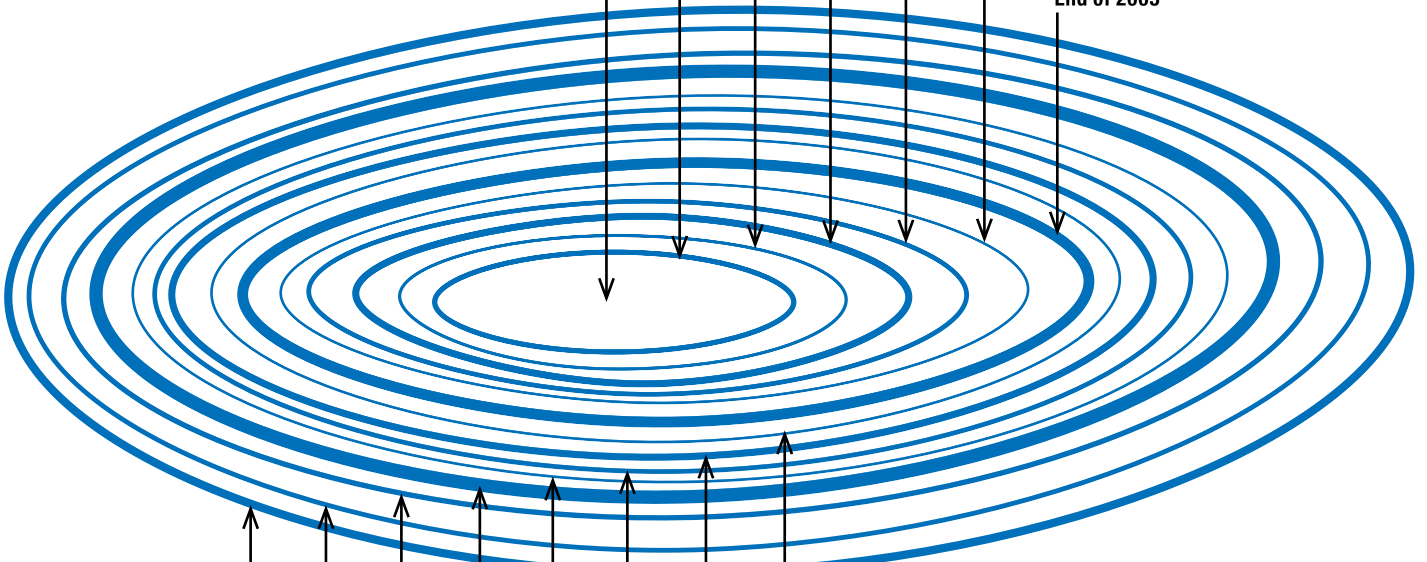
Germany's largest solar park goes onto the public power grid in Sonnen, Bavaria (1.8MWp)
End of 2002

World's largest solar park goes onto the public power grid in Hemau, Bavaria (4MWp)
Beginning of 2003

Conergy's annual turnover exceeds 100 million Euros for the first time, with rapidly rising profits
2004

Stock market launch of Conergy AG, initial public offer on 17th of March. Admission to TecDAX
17.03.2005

World's largest roof solar project is completed on the roofs of plants owned by the tyre manufacturer Michelin at four locations in Germany (9MWp)
End of 2005



Beginning/Middle of 2006
In 2005, Conergy increases turnover by 86 percent to 530 million Euros and profits by 153 percent to 27.8 million Euros.

Beginning of 2007
Conergy builds the world's most modern, fully integrated PV production facility in Frankfurt (Oder)

Beginning of 2008
Conergy sets course for the operational turnaround

2008
Conergy completes construction of Asia's largest solar park in South Korea (24MWp)

20.04.2009
Conergy – 10 years

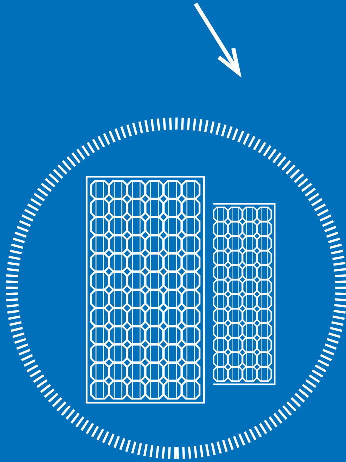
18.08.2009
Rising demand: Conergy opens additional production lines at solar plant

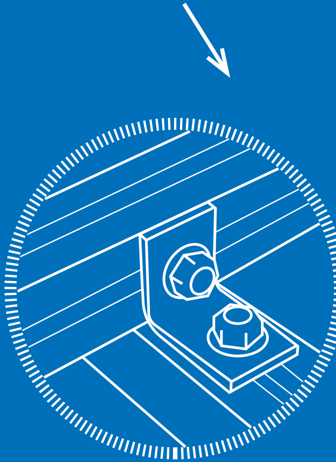
26.08.2009
Conergy sells biggest solar park in Northern Germany to an investor group

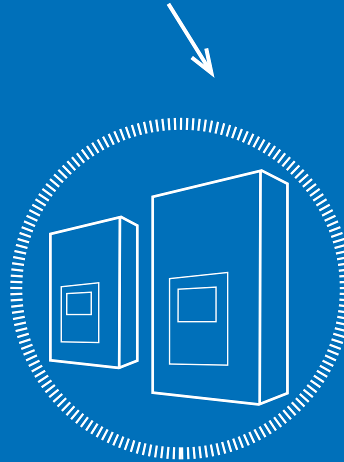
24.01.2010
Conergy reaches agreement with MEMC regarding an adjustment of the wafer supply contract

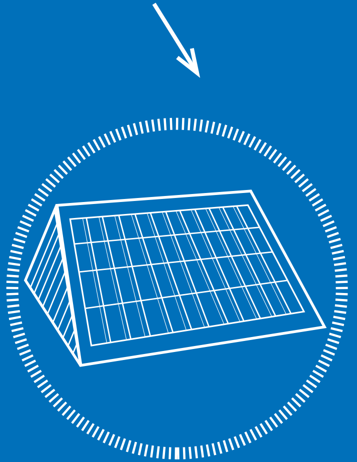
Components segment

Conergy PV segment









WAFERS/CELLS/MODULES

- Solar factory in Frankfurt (Oder)
- Production of wafers, cells and modules
- Manufacturing capacity: 250 megawatts

MOUNTING SYSTEMS

- Production of mounting systems in Rangsdorf near Berlin
- Production of mounting systems for PV plants and module frames

ELECTRONIC COMPONENTS

- Development in Hamburg and Bad Vilbel (Hessen)
- Development of inverters, tracking systems and diagnostic tools

- Sales organisation for self-produced or purchased PV components
- Wholesale
- Installation of photovoltaic systems (EPC) from 500 kWp
- Large-scale projects

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Dear Shareholders,

I took up the role of CEO of Conergy AG around two and a half years ago. At that time we were in the midst of a crisis which threatened Conergy's survival and which caused no small number of people to forecast the end of our company. For many people, the risks seemed too high, the burden upon the former stock market star of the German solar industry too great.

Today we know that our crisis management has been successful. Conergy is back amongst the front runners. Neither a corporate crisis nor a dramatic slump in the solar market could put our company out of contention. The management, employees, shareholders, banks and customers have shown their faith in Conergy. And they have been proved right. Conergy was worth fighting for. For the jobs that have been saved, for our competitive position, for Germany as a location – and also for you, our company's shareholders.

In the fourth quarter of 2009 we recorded positive EBIT again for the first time in eight quarters. Even though this figure was also aided by a non-recurring item, the result still shows that the drastic course of action over these two and a half years has paid off. The trend is moving in the right direction, even though we recorded an EBIT loss of EUR 36.8 m for 2009 as a whole. The turnaround from 2008 is remarkable: we improved our overall result by EUR 225.2 m over the course of last year. We achieved this through a great deal of discipline and strict decision-making which enabled us to systematically transform our company into a streamlined, efficient and competitive organisation within two and a half years. As you know, we were able to extend the positive trend in 2010. We have recorded a positive operating result for the second quarter in a row and significantly increased our sales. We are anticipating more considerable improvements in sales and an above-average increase in our overall result this year and next year.

We managed to turn the tide in 2009, a year that will go down as a the most difficult so far in our industry's short history. The economic crisis and the collapse of the formerly record-breaking Spanish market in the first half of the year resulted in a dramatic, industry-wide slump of up to 70 percent. The industry was faced with tumbling prices, a rapid drop-off in demand, and it was only around the middle of the year that the industry started to show signs of recovery.

Unlike most of our competitors, Conergy had to free itself from a difficult situation well before the industry crisis, namely from the end of 2007. This meant we had already weathered a storm – we were flexible and ready for change. We continually cut costs and brought about a turnaround spirit which helped to thoroughly implement these cuts. For this reason, we adopted a new motto back in 2008: Profitability before sales. Of course, we did not anticipate such a drastic decline in prices and demand either. Nevertheless, we were able to absorb the set-backs in Spain, where we lost around EUR 300m in sales in 2009, and in Korea, where we came up around EUR 100m short due to the rapid decline in the exchange rate, relatively well. Measured by volume, we remained at the same level as in the record year 2008. This means that our core business actually grew.

However, the 38 percent decline in sales for the whole of 2009 to EUR 601m reflects how prices in our market have collapsed.

After some hard years of restructuring work, I am pleased that the first signs of success are now being reflected in our figures. Now we can turn our full attention to our daily business once more: the day when solar electricity reaches parity with conventional grid power is within reach. In certain European countries, solar electricity could be competing without any subsidisation in as little as one to two years. At the same time, we can see that the photovoltaics market is going global. The Australian and US markets already made substantial contributions to our sales in 2009. The German market remains the largest, but China, the USA, Japan and Australia are catching up a step at a time. Grid parity will cause this trend to accelerate. As an international systems provider, we are in prime position to benefit.

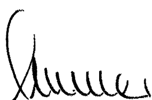
Since we manufacture all PV system components – modules, inverters and mounting systems – we have the unique ability to optimise the way all these components work together. This enables us to significantly cut costs whilst noticeably increasing the output of our systems for our customers. Just as a vehicle's chassis, motor and gearbox have to be finely tuned to one another in order to achieve high performance, so too is this tuning necessary in our industry. And this is precisely where our experience and expertise lie.

2010 has already started positively: our agreement with the US wafer supplier MEMC was a major achievement for us, and it took a heavy burden of initially USD 8bn, later USD 4bn, from our shoulders. We are now receiving wafer supply orders from MEMC that match demand and at prices in line with the market. Our factory in Frankfurt (Oder) is becoming considerably more attractive as a result. The extension of our financing from the banks, agreed in mid-2010, now marks the end of this part of the restructuring. The next stage of the process will depend on the results of the independent business review.

Our goal remains the same: to get back to a positive annual operating result this year. We are heading in the right direction. In light of the funding cuts which are now arriving in Germany, it is positive that we have continued to expand our percentage of sales in other regions – markets such as Italy, France, the USA and Australia already contributed over half of our turnover in 2009. And although the megatrends for our industry remain intact, our market is changing at an ever faster pace – we will have to keep evolving constantly in order to remain at the head of the pack.

Conergy is back on course and even equipped for rough seas. The positioning of the company means that it will remain a key player in a PV market that is still growing rapidly. As for me personally, as announced last year I will be making way for my colleague Dr. Andreas von Zitzewitz to take the helm. He has played a major role in Conergy's reorientation and I am pleased that, by settling the issue of succession at an early stage, we have brought about continuity, clear structures and security. It is a pleasure for me to be able to hand over a revitalised company to my successor.

Yours Sincerely,



Dieter Ammer

Interview
with Dr. Andreas von Zitzewitz

Dr. von Zitzewitz, you arrived at Conergy at the peak of the crisis – what has changed since then?

Dr. Andreas von Zitzewitz: The first thing that I noticed was the great morale of the team here – in spite of everything. The employees all pulled together in the midst of the corporate crisis – and that impressed me from day one. We have put ourselves on track strategically and operationally, gone through a tough restructuring process and learned to accept that the company has to change radically. That benefited us at a time when our young industry was plunged into its first real crisis. And it benefits us now, when real opportunities are emerging for streamlined and dynamic companies.

Nevertheless, the combination of the economic and solar industry crisis has delayed the results of the restructuring. How successful is Conergy's new path?

Dr. Andreas von Zitzewitz: Indeed, our task has not been made easy. Every new round of savings in 2009 was counteracted by a slump in sales. We had to undertake even greater efforts in order to stabilise our earnings power. The fact that we had already weathered the storm of our self-inflicted crisis was a massive help to us here. We made the company lean, efficient and focused, and the development of our results in 2009 shows that we made the right choices. Furthermore, we have been benefiting from the general recovery in demand since late summer 2009. In Frankfurt (Oder) we were able to put all our production lines into operation for the first time and thus operate our plant profitably for the first time in the autumn of 2009.

In 2009 Conergy reduced its loss position from one quarter to the next and operated profitably once more in the first half of 2010. What targets are you pursuing in the second half of the year and beyond?

Dr. Andreas von Zitzewitz: In 2010 we want to get Conergy permanently back into the black in operating terms. We will be aided in this task by the corporate strategy 2010+, which has been developed under my guidance. We are already the world's only supplier of complete, self-manufactured solar power system solutions. We aim to move even further in this direction. To do so, we will focus even more closely on our expertise as a developer and a manufacturer, on made-to-measure systems, and on an expansion of our customer groups.

By way of partnerships, we will continue to upgrade the technology at our solar factory in Frankfurt (Oder), thus enabling us to produce solar modules that perform even better. Carefully selected foreign partners will manufacture modules for us according to Conergy designs, standards and specifications, just as we do in Frankfurt (Oder). In this way, we will gain additional capacity for Conergy-quality production – and at considerably lower manufacturing costs.

Since we are the only solar company to have all technologies in-house, we will develop solar power systems in the future which bring our customers greater solar yields thanks to their user-specific designs. We have developed Conergy into a leading quality brand and we will continue to build upon this leadership in quality. To do so, we will keep strengthening our business selling directly to large and strategic installers, and expand our sales of large-scale projects. Our wholesale business and OEM business will give us access to new customer groups. In addition, we intend to create more customer ties and further strengthen our brand through attractive partner programmes. With our new strategy, we can guarantee our customers high quality and high yields. We will be able to cut our production costs considerably, react flexibly to market fluctuations and, thanks to an increase in sales of products developed and manufactured by us, improve our margin.

That said, the German government has agreed on a reduction in solar funding in two stages. To what extent will Conergy be affected by this?

Dr. Andreas von Zitzewitz: It certainly won't make our job any easier. There was already a 9 percent reduction in January 2010, now it will be another 16 percent in total in July and October, plus approximately 12 percent in January 2011. Altogether this results in a reduction of over 30 percent. Coming to terms with this is a great challenge for our industry as a whole. However, we believe that we are well positioned. We already generate a large proportion of our sales outside of Germany, and we are very confident that this trend will continue in the future. Furthermore, over recent years we have been able to considerably reduce our production costs and we will keep on doing do so in the future.

In addition, we are investing in new technologies and developing innovative solutions such as solar self-consumption. In this field we will be the first company to offer a worthwhile, user-friendly solution to the market. We believe there is a great future for solar self-consumption, and we are working on more attractive solar products.

In short: Conergy is well positioned and will continue to surprise the market with attractive, high-quality solar solutions.

Conergy announced as early as last summer that Mr Ammer would hand over the reins to you as CEO. Are you looking forward to the challenge of leading Conergy into a secure future?

Dr. Andreas von Zitzewitz: Our team and I thank Mr Ammer and our Supervisory Board for having planned the succession so clearly and at such an early stage. This allowed the passing of the baton to be prepared and implemented carefully, without uncertainty within the company. The last two-and-a-half years have been rocky for all of us, but together we have made Conergy into a professionally run company. I look forward to pursuing this course of success in cooperation with our entire team.

Thank you for the interview Dr. von Zitzewitz

The Management Board

Dieter Ammer (CEO)
Chairman of the Management Board

Appointed from 1 August 2008 to 31 October 2010
Responsibilities: Strategy, Communications, Legal Affairs, Human Resources and Internal Revision

Dieter Ammer (born 1950), graduated in business studies and is a professional auditor and tax adviser, as well as being one of the founding members of Conergy AG. After an education with a strong international focus, he held a number of key senior management positions in German industry. A native of Bremen, he has previously been the Chairman of Zucker AG and CEO of Brauerei Beck & Co, as well as holding the position of Chairman of the Management Board of the Hamburg-based Tchibo Holding AG.

Dr. Jörg Spiekerkötter (CFO)

Appointed from 1 November 2007 to 31 October 2010
Responsibilities: Controlling, Treasury, Tax, Accounting, IR and IT

Dr. Jörg Spiekerkötter (born 1958), a native of Essen, studied law at Bielefeld, Lausanne and Freiburg. Amongst others he worked at Hoechst AG and as the head of Legal Affairs at Hoechst Schering AgrEvo GmbH. In 1999 he joined Schering AG to work in finance, were he was member of the Management Board from 2002 until 2006. Dr. Spiekerkötter's previous appointment was CFO at the Dutch firm Organon Biosciences N.V., based in the Netherlands.

Dr. Andreas von Zitzewitz (COO)
(Deputy Chairman of the Management Board)

Appointed from 1 January 2009 to 31 December 2011
Responsibilities: Production, Purchasing, Logistics and the Components division

Andreas von Zitzewitz (born 1960) holds a doctorate in electrical engineering. A native of Stuttgart, von Zitzewitz began his career in the research & development department of Siemens and took over the management of the memory products division at the age of 35. Four years later, he was appointed Chief Operating Officer (COO) and member of the Management Board of Infineon, a listed company manufacturing semiconductors, where he was responsible for operations.

Andreas Wilsdorf (CSO)

Appointed from 15 March 2010 to 14 March 2013
Responsibility: Marketing and Sales

Andreas Wilsdorf (born 1958) holds a degree in Business Administration and last worked as deputy managing director sales for SCHÜCO International KG, Bielefeld. In this position, he was responsible, among others, for all sales activities in the area of solar, aluminum and PVC in Southern and Western Europe as well as in South America. From 2005 on, he has been working for SCHÜCO in Spain over the period of three years. Andreas Wilsdorf was appointed to the company's Management Board effective 15 March 2010.

Philip von Schmeling (CSO)
Appointed on 1 November 2007, resigned from the Management Board effective at the end of 23 April 2010.

Nikolaus Krane (CPO)
Appointed on 4 August 2000, resigned from the Management Board effective at the end of 30 April 2009.

The members of the Management Board and their memberships

(as of 31 December 2009)

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

Name	Member since	Positions on statutory Supervisory Boards and comparable control committees
Dieter Ammer (Chairman)	2007	Member of the Supervisory Board of GEA Group AG Member of the Supervisory Board of Heraeus Holding GmbH Member of the Supervisory Board of Beiersdorf AG (until 30 April 2009)
Dr. Andreas von Zitzewitz (Deputy Chairman)	2009	–
Dr. Jörg Spiekerkötter	2007	Chairman of the Supervisory Board of PAION AG
Philip von Schmeling	2007	–

Effective with the end of 30 April 2009 Nikolaus Krane resigned from the Management Board.

The Supervisory Board

The members of the Supervisory Board and their memberships

(as of 31 December 2009)

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

Name	Member since	Positions on statutory Supervisory Boards and comparable control committees
Eckhard Spoerr (Chairman) Self-employed management consultant Chairman of the Management Board of freenet AG (until 23 January 2009)	2005	Statutory Supervisory Boards: Deputy Chairman of the Supervisory Board of financial advertising AG Chairman of the Supervisory Board of Strato AG Member of the Supervisory Board of aktiencheck.de AG (each until 23 January 2009)
Norbert Schmelzle (Deputy Chairman) Self-employed management consultant	2009	Statutory Supervisory Boards: Member of the Supervisory Board of J. Müller AG, Brake Deputy Chairman of the Supervisory Board of GBK Beteiligungen AG, Hamburg Member of the Supervisory Board of Detlef Hegemann AG, Bremen Member of the Supervisory Board of Gesundheit Nord gGmbH, Bremen Comparable control committees: Chairman of the Advisory Board of KAEFER Isoliertechnik GmbH & Co. KG, Bremen Chairman of the Advisory Board of Bühnen GmbH & Co. KG, Bremen Deputy Chairman of the Board of Directors of Stulz Holding GmbH, Hamburg
Klaus-Joachim Wolfgang Krauth Chief Financial Officer (CFO), Santo Holding (Deutschland) GmbH	2009	Statutory Supervisory Boards: Chairman of the Supervisory Board of Hobnox AG, Munich Deputy Chairman of the Supervisory Board of InterComponentWare AG (ICW AG), Walldorf Member of the Supervisory Board of SÜDWESTBANK AG, Stuttgart
Carl Ulrich Andreas de Maizière Self-employed management consultant and partner Doertenbach & Co GmbH, Frankfurt (Main)	2009	Statutory Supervisory Boards: Chairman of the Supervisory Board of Rheinische Bodenverwaltung AG, Düsseldorf Chairman of the Supervisory Board of Fürstlich Castell'sche Bank, Credit-Casse AG, Würzburg Chairman of the Supervisory Board of Jerini AG, Berlin (until 9 March 2010) Comparable control committees: Chairman of the Supervisory Board of Arenberg-Schleiden GmbH, Düsseldorf Chairman of the Supervisory Board of Arenberg-Recklinghausen GmbH, Düsseldorf Deputy Chairman of the Supervisory Board of Commerzbank (Budapest) Zrt, Budapest Second Deputy Chairman of the Supervisory Board of Commerz Real Spezialfonds-gesellschaft mbH (CRS), Wiesbaden
Oswald Metzger Independent publicist and political consultant	2005	–
Bernhard Milow Programme Director for Energy, Deutsches Zentrum für Luft- und Raumfahrt e.V. (DLR)	2009	–

The Supervisory Board members, Andreas de Maizière, Klaus-Joachim Wolfgang Krauth, Norbert Schmelzle and Carl Ulrich Andreas de Maizière were elected to the Company's Supervisory Board on 10 June 2009 by way of a statutory election of replacements for the departed Supervisory Board members, Hans Johann Baptist Jetter, Dr. Dr. h.c. Andreas J. Büchting, Andreas Rüter and Alexander Rauschenbusch for the remainder of these individuals' terms of office after having already been appointed to the Supervisory Board by court order pursuant to an application of the Management Board effective until the end of the aforementioned General Shareholders' Meeting. Each election of a replacement was conducted separately in accordance with the recommendations of the German Corporate Governance Code. All Supervisory Board members have the same term of office, which expires at the end of the General Shareholders' Meeting tasked with formally approving the actions of the Supervisory Board members during the 2009 financial year.

Report of the Supervisory Board
Ladies and Gentlemen,

Monitoring activities of the Supervisory Board

The Supervisory Board advised the Management Board on the Company's management in the financial year just ended, duly and regularly monitoring the Management Board's conduct of business based on written and oral Management Board reports and joint meetings. In addition, both the Chairman of the Supervisory Board and the Chairman of the audit committee maintained regular contact with the Management Board outside the meetings. The Management Board provided regular and timely information to the Supervisory Board about the Company's business policies; the relevant aspects of its planning, including its financial, investment and personnel planning; the development of business; current revenue, earnings and liquidity developments; the economic situation of both the Company and the Group, including their exposure to risk and their risk management; intra-group compliance; the Group's strategic realignment in connection with the restructuring process that the Management Board designed and updates; as well as the decisions and business transactions pivotal to the Company and the Group. The Management Board reported to the Supervisory Board both on specific occasions at the request or explicit demand of the Supervisory Board and in regular intervals in accordance with the rules of procedure drawn up by the Supervisory Board for the Management Board. The Supervisory Board included external consultants as well as staff from various areas such as Legal, Accounting and Internal Auditing in its deliberations to the extent necessary in the 2009 financial year as well. The Supervisory Board was involved in a timely manner in all decisions that were of material significance for the Company. Furthermore, the Supervisory Board was presented with transactions requiring its approval, all of which it approved following detailed examinations and discussion with the Management Board.

Composition of the Supervisory Board

In the 2009 financial year, Eckhard Spoerr (Chairman of the Supervisory Board), Alexander Rauschenbusch (Deputy Chairman of the Supervisory Board), Dr. Dr. h. c. Andreas J. Büchting, Andreas Rüter, Oswald Metzger and Hans Johann Baptist Jetter initially belonged to the Company's Supervisory Board, which comprises six shareholder representatives pursuant to Article 96 para. 1 and Section 101 para. 1 sentence 1 German Stock Corporation Act (AktG) in conjunction with Article 10 para. 1 of the Company's Articles of Association. Alexander Rauschenbusch, Dr. Dr. h. c. Andreas J. Büchting, Andreas Rüter and Hans Johann Baptist Jetter resigned from the Supervisory Board effective 31 January 2009. By order of the Hamburg District Court dated 5 February 2009, they were replaced by Norbert Schmelzle (Deputy Chairman of the Supervisory Board), Klaus-Joachim Wolfgang Krauth and Carl Ulrich Andreas de Maizière and by order of the Hamburg District Court dated 21 April 2009 also by Bernhard Milow, in each case for a term of office ending at the close of the next General Shareholders' Meeting. These court-appointed Supervisory Board members were elected to the Supervisory Board by the Company's General Shareholders' Meeting on 10 June 2009 for the remainder of the terms of office of the departed Supervisory Board members, i. e. for a term ending at the close of the General Shareholders' Meeting tasked with formally approving the actions of the Supervisory Board for the 2009 financial year.

Supervisory Board meetings

In the 2009 financial year, the Supervisory Board held a total of ten meetings to carry out its duties, specifically, on 2 March, 26 March, 20 April, 10 June (two meetings), 9 July, 21 July, 15 October, 6 November and 4 December 2009. All meetings required members' personal attendance; in a few cases, Supervisory Board members participated in the deliberations and resolutions by telephone. In urgent cases, resolutions were also adopted by telephone and in writing outside of meetings. With the exception of Bernhard Milow, who was not appointed to the Supervisory Board until the District Court of Hamburg issued its order dated 21 April 2009, all members of the Supervisory Board attended its meetings; Bernhard Milow has participated in all Supervisory Board meetings since being appointed to it by the court.

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

At all meetings, the Management Board briefed the Supervisory Board in detail on current revenue, earnings and liquidity developments as well as on the Company's short and medium term cash flow projections and participated in the Supervisory Board's subsequent discussions. The priorities of the Supervisory Board's advisory and supervisory activities were keeping a critical eye on the Company's ongoing restructuring process with individual issues such as (I) refinancing;

(II) liquidity status and cash flow targets; (III) contract and lawsuit with MEMC; as well as (IV) the restructuring approach and bringing claims for damages against former members of the Company's Management Board in connection with its earnings and liquidity crisis in 2007. None of this gave rise to any doubts with respect to the current Management Board's due and proper conduct of business.

The extraordinary Supervisory Board meeting on 2 March 2009 was largely taken up by the resolution on the election of the Deputy Chairman of the Supervisory Board and filling the vacancies in the committees. In addition, the Supervisory Board dealt with personnel matters related to the termination of Nikolaus Krane's appointment to the Management Board, the structure of the Management Board's compensation as well as issues related to the Management Board's structure and composition in future. At that meeting, the Supervisory Board also discussed the Management Board's report on the Company's current performance and its liquidity as well as the status of the talks with MEMC.

The ongoing negotiations with MEMC as well as the preliminary status of the annual financial statements of Conergy AG and the consolidated financial statements, including the respective management reports, as at 31 December 2008, in the presence of the representatives of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft (Deloitte & Touche) were the main topics at the Supervisory Board meeting on 26 March 2009. In this connection, the full Supervisory Board discussed the impact various approaches to solving the problem with MEMC would have on the 2008 annual and consolidated financial statements. The Supervisory Board also asked Deloitte & Touche to report on the focal points of its audit and the audit's preliminary findings. The Supervisory Board also addressed personnel matters, including the Management Board's variable compensation, as well as the review of whether to bring claims for damages against former members of the Company's Management Board in connection with the Company's earnings and liquidity crisis, which became visible in 2007. Furthermore, the Supervisory Board discussed the resolutions to be proposed to the 2009 General Shareholders' Meeting, in particular its recommendations regarding the formal approval of the actions of individual members of the Management Board for the 2007 financial year, the election of Supervisory Board members, the formal approval of the actions of the members of the Management Board and the Supervisory Board as well as the planned capital measures. The Supervisory Board adopted the respective resolutions to be proposed to the General Shareholders' Meeting. In addition, the Management Board reported on the Company's performance in 2009 and on strategic issues. The Management Board provided exhaustive answers to the questions raised by the Supervisory Board in this connection.

The annual financial statements of Conergy AG, which were audited and confirmed by Deloitte & Touche, as well as the audited and confirmed consolidated financial statements along with the respective management reports as at 31 December 2008 were the main topics at the extraordinary Supervisory Board meeting on 20 April 2009. The Supervisory Board once again discussed the essential aspects of the annual and consolidated financial statements with both the Management Board and representatives of Deloitte & Touche based on the audit committee's preliminary reviews and deliberations and the Supervisory Board meeting on 26 March 2009. Both the Management Board and Deloitte & Touche answered all of the Supervisory Board's relevant questions. To supplement its meeting on 26 March 2009, the Supervisory Board adopted the additional proposed resolutions to be submitted to the 2009 General Shareholders' Meeting with respect to its recommendation for the election of the auditor of the 2009 annual and consolidated financial statements (without the representatives of Deloitte & Touche being present), a profit and loss transfer agreement as well as adjustments of the compensation structure applicable to the Supervisory Board. In addition, the Management Board reported on the Company's performance in 2009 and on strategic issues. The discussions centred on the next steps to be taken in regards to the Company's lawsuit against the contract with MEMC and on the three-year planning, which was discussed extensively with the Supervisory Board. Moreover, the Supervisory Board dealt with the termination of Nikolaus Krane's appointment to the Management Board, issues related to the Management Board's compensation as well as the status of the reviews of whether to bring claims for damages against former members of the Management Board of Conergy AG on account of the Company's earnings and liquidity crisis in 2007. Following detailed deliberations, the Supervisory Board decided on the basis of a review that it had commissioned to bring claims for damages against the former members of the Company's Management Board.

At the Supervisory Board meeting on 10 June 2009, the Management Board reported especially on the current status of the pending litigation against MEMC, the design of the Long-Term Incentive Plan (LTIP) for the Company's executives and the Company's performance. The Supervisory Board also kept abreast of the status of the imminent General Shareholders' Meeting.

The extraordinary Supervisory Board meeting on 10 June 2009, which followed the General Shareholders' Meeting, focused on the election of the Deputy Chairman of the Supervisory Board as well as on the composition of the committees and the appointment of each committee's chairperson. Personnel matters were also discussed.

The Company's performance, the revised planning for 2009 as well as various aspects of the Company's refinancing were the main topics at the extraordinary Supervisory Board meeting on 9 July 2009. The Supervisory Board also dealt with matters related to the Management Board and asked the latter to report on the criminal investigation being conducted by the Hamburg District Attorney against (former) members of the Company's corporate bodies and its upper management in connection with the disclosures in the 2006 consolidated financial statements. The Supervisory Board also discussed the status of the pending litigation against MEMC.

The revised business plan, the development of the factory in Frankfurt (Oder), the development of the litigation against MEMC as well as the status of the restructuring programme were the main issues at the extraordinary Supervisory Board meeting on 21 July 2009. The full Supervisory Board asked a host of questions in this regard, which it discussed in detail with the Management Board. The Management Board also reported on the Company's marketing and sales strategy and a series of measures planned for the second half of 2009. The discussion of matters related to the Management Board was another main topic. In this regard, the Supervisory Board dealt in particular with compensation issues as well as the Management Board's organisational structure. The Supervisory Board resolved unanimously in this connection to appoint Dr. Andreas von Zitzewitz Deputy Chairman of the Management Board.

The Company's marketing and sales strategy, including individual sales activities, as well as the status of the restructuring programme and the Company's performance had priority yet again at the Supervisory Board meeting on 15 October 2009. Among other things, in this connection the Management Board addressed project financing issues and the current cash flow forecast as well as the status of the talks with MEMC on settling the dispute out of court. Considerations of the Company's strategic realignment and its refinancing concept were also important individual topics. In particular, the discussion focused on the Company's leeway to design the syndicated loan agreements.

The extraordinary Supervisory Board meeting on 6 November 2009 basically focused on the three-year planning, strategic issues as well as topics related to the Company's refinancing, finances and liquidity. The full Supervisory Board also discussed the development of the photovoltaics market and a possible repositioning of the Conergy Group with the Management Board in detail. Further, the Management Board reported on the status of the litigation against MEMC and developments in Frankfurt (Oder).

At its meeting on 4 December 2009, the Supervisory Board discussed various questions related to the bringing of claims for damages against former members of the Company's Management Board in connection with it's earnings and liquidity crisis in 2007. The Management Board also reported on the Company's performance, its finances and liquidity and its cash flow targets. Additionally, the Supervisory Board dealt with the status of the MEMC litigation, refinancing issues as well as personnel matters, including the Management Board's internal organisational structure. The Supervisory Board also resolved to issue the Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act.

Report from the committees

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

Eckhard Spoerr (Chairman), Alexander Rauschenbusch and Andreas Rüter comprised the chairman's committee at the beginning of the 2009 reporting year. Norbert Schmelzle and Andreas de Maizière were elected to the chairman's committee on 2 March 2009 or 10 June 2009 respectively, following the resignation of Alexander Rauschenbusch and Andreas Rüter from the Supervisory Board of Conergy AG effective 31 January 2009. The chairman's committee has also been serving as the nomination committee since 4 December 2007.

The audit committee was initially composed of Alexander Rauschenbusch (Chairman) as well as Eckhard Spoerr and Oswald Metzger in the 2009 reporting year. Alexander Rauschenbusch departed from the Supervisory Board effective 31 January 2009, and Oswald Metzger resigned his position as member of the audit committee effective 2 March 2009, given the new composition of the Supervisory Board. Klaus-Joachim Krauth (Chairman) and Norbert Schmelzle were both elected to the audit committee effective as at the same date and confirmed in office during the meeting on 10 June 2009.

In the 2009 financial year, the chairman's committee held a total of four meetings, specifically, on 2 March, 26 March, 26 May and 17 July 2009. These meetings focused on the termination of Nikolaus Krane's appointment to the Management Board, issues related to the composition of the Management Board and the Management Board's internal organisational structure as well as compensation issues. Recommendations for Supervisory Board resolutions were also prepared. On 26 March 2009, the chairman's committee also met in its function as the nomination committee. Issues related to the composition of the Supervisory Board in future were discussed. All committee members attended all meetings of the chairman's committee.

The tasks of the audit committee, which during the year under review met five times for meetings requiring personal attendance – specifically on 2 March, 25 March, 7 May, 6 August and 11 November 2009 – included the preparation of the audit of the annual and consolidated financial statements together and the associated management reports, the engagement of the auditor of the annual and consolidated financial statements and the associated management reports, including deciding on the focal points of the audit, the auditor's fee and the independence of the auditor, questions on and the audit of the accounting, questions on and the audit of risk management, issues relating to compliance and the conducting of internal auditing as well as the audit and establishment of the principles of the short-, medium-, and long-term financial strategy. With the exception of Klaus-Joachim Krauth, who was excused for the meeting on 2 March 2009, all members were present at all of the audit committee's meetings. The Chairman of the Management Board and the Chief Financial Officer as well as members of individual departments also participated in these meetings as necessary.

On 2 March 2009, the audit committee dealt with the preliminary status of the 2008 annual and consolidated financial statements as well as the preliminary management and Group management report as at 31 December 2008 in the presence of the Deloitte & Touche auditors. The Management Board also reported on the planning for 2009 and the status of matters with MEMC.

At its meeting on 25 March 2009, the audit committee again engaged in a detailed discussion – in the presence of the auditors, Deloitte & Touche, and both the Chief Executive Officer and the Chief Financial Officer – of the preliminary annual and consolidated financial statements for 2008 as well as the preliminary management and Group management report as at 31 December 2008; the audit committee asked the auditors to report on their audits and the relevant findings as well as on the status of the groupwide implementation of risk management policies. In this context, the current status of the negotiations with MEMC was also discussed. Preparations for the Supervisory Board's

proposal to the General Shareholders' Meeting concerning the election of the auditors and the need to obtain their declaration of independence as well as regular audits of the Company's quarterly financial statements were additional important topics. The risk management system, the internal control system and issues of intra-group compliance were also discussed in detail.

The meeting of the audit committee on 7 May 2009 focused on a discussion of the quarterly report as at 31 March 2009. The Chief Executive Officer and the Chief Financial Officer provided exhaustive answers to the questions that the audit committee raised in this connection.

At its meeting on 6 August 2009, the audit committee also discussed the Company's half-yearly financial statements in the presence of both the Chief Executive Officer and the Chief Financial Officer and invited both to make presentations on the development of the Conergy Group's business in the first six months of 2009. The status of the litigation against MEMC was also discussed in detail.

At its last meeting on 11 November 2009, the audit committee discussed the quarterly report as at 30 September 2009 with the Chief Executive Officer and the Chief Financial Officer and asked them to report on the development of business both in the third quarter and the financial year. The questions raised by the audit committee in this connection were answered exhaustively. The review of the accounting processes, the status of the internal control and risk management system and issues of intra-group compliance also were at the core of the deliberations. The committee also dealt with the status report of the internal auditing department and confirmed the focal points of the audit that had been stipulated with the auditors, Deloitte & Touche.

Discussion and review of the annual and consolidated financial statements for 2009

The Company's General Shareholders' Meeting appointed Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, to audit the annual and consolidated financial statements and the associated management reports as at 31 December 2009 of Conergy AG for the 2009 financial year. The audit committee then negotiated the audit engagement and stipulated the focal points of the audit. Subsequently, the Supervisory Board awarded the audit engagement contract. It was stipulated that the audit should focus on the following in particular: Reconciliation of the accounts of associates, the subsidiaries' equity situation as well as the effect of deferred tax assets/liabilities on loss carryforwards.

Deloitte & Touche audited the annual financial statements of Conergy AG for 2009, which were prepared in accordance with the requirements of the German Commercial Code, as well as the management report and issued an unqualified audit opinion for each of them. The same applies to the IFRS consolidated financial statements that were prepared in accordance with Section 315a German Commercial Code (HGB) and supplemented by a Group management report. The auditor also audited the risk early warning system in place at Conergy AG in accordance with Section 317 para. 4 German Commercial Code (HGB) and found that the obligations of management in the areas of operations and strategy as set out in the German Control and Transparency in Business Act are addressed.

Both the financial statement documentation and the auditors' reports had been made available to the audit committee and the full Supervisory Board in due time. They were initially reviewed by the audit committee on 5 August 2010 – after the audit committee and the full Supervisory Board had already dealt with the preliminary (i.e. not yet audited) financial statements documentation at their meetings on 23 and 24 March 2010, respectively – and discussed in the presence of the auditors. They were examined in detail by the full Supervisory Board at the financials meeting on 5 August 2010 at the then following financials based on the latter's knowledge of the audit committee's report and duly considering the auditors' report and they were exhaustively discussed in the auditors' presence. The auditors reported on the conduct and material findings of their audit of the financial statements pursuant to the focal points stipulated with the audit committee and the Supervisory Board for 2009 and were available for questions, discussions of the documentation and supplementary information. Notes by the auditor from the audit reports were recorded by the Supervisory Board, discussed with the Management Board and arrangements made for their consideration.

After its own examination of the annual financial statements of Conergy AG together with the management report and the consolidated financial statements together with the Group management report, the Supervisory Board determined that following the conclusive findings of its examination, no objections needed to be raised. The Supervisory Board therefore concurred with the recommendation of the audit committee, agreed with the result of the auditors' audit and approved the annual financial statements, the consolidated financial statements as well as the management report and the Group management for the 2009 financial year at its financials meeting on 5 August 2010. The annual financial statements of Conergy AG are hence adopted (Section 172 sentence 1 German Stock Corporation Act).

Declaration of Compliance and Corporate Governance

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

On 4 December 2009, the Supervisory Board issued the annual Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act jointly with the Company's Management Board; it was made available to the public on the Company's website. This declaration was updated on 24 March 2010.

The compensation of the Supervisory Board members is itemised in the Compensation Report of the consolidated financial statements reproduced in this annual report. There were no conflicts of interest in the 2009 reporting period.

Changes on the Management Board and the Supervisory Board

Nikolaus Krane left the Management Board effective at the end of 30 April 2009.

Andreas von ZItzewitz was appointed Deputy Chairman of the Management Board effective 21 July 2009.

Effective 31 January 2009, the Supervisory Board members Dr. Dr. h. c. Andreas J. Büchting, Alexander Rauschenbusch, Hans Johann Baptist Jetter and Andreas Rüter resigned their office after completion of the successful capital increase and the attendant change in the composition of the Group's shareholder structure.

Upon application of the Company's Management Board and in accordance with the German Corporate Governance Code, by order dated 5 February 2009 the Hamburg District Court appointed Messrs Klaus-Joachim Wolfgang Krauth, Norbert Schmelzle and Carl Ulrich Andreas de Maizière – as well as, by order dated 21 April 2009, Mr Bernhard Milow – as members of the Supervisory Board of Conergy AG until the end of the next General Shareholders' Meeting in lieu of those members who had resigned.

At the suggestion of the Supervisory Board, by resolution of the General Shareholders' Meeting dated 10 June 2009, Norbert Schmelzle, Klaus-Joachim Wolfgang Krauth, Carl Ulrich Andreas de Maizière and Bernhard Milow were elected members of the Supervisory Board for the remaining terms of office of the Supervisory Board's departed members, i. e. until the close of the General Shareholders' Meeting tasked with resolving the formal approval of the Supervisory Board's actions for the 2009 financial year.

The 2009 financial year was a very difficult one for the Company, given the dramatic change in the general environment for the PV industry and the renewed challenge posed by the Conergy Group's second reorganisation. The first successes have become clearly noticeable in the meantime – an achievement which is due to the personal dedication of Conergy's Management Board, senior management and employees. The Supervisory Board would like to extend its special thanks for this to the Company's management, the Supervisory Board members who have left the Board and all employees.

Hamburg, 5 August 2010
The Supervisory Board

Norbert Schmelzle
Chairman of the Supervisory Board

Statement on corporate governance

Declaration of Corporate Governance

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

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

Declaration of Compliance and report on corporate governance

Section 161 of the German Stock Corporation Act requires the Management Board and the Supervisory Board of stock corporations listed in Germany to declare once a year that they have been and are in compliance with the recommendations of the Government Commission on the German Corporate Governance Code as published by the German Federal Department of Justice in the official section of the electronic Federal Gazette („Bundesanzeiger“), or to state which recommendations they did not or do not apply, providing reasons for such non-compliance. This declaration shall be kept permanently available through publication on the Company’s website.

Both the Supervisory Board and the Management Board of Conergy AG are committed to corporate governance practices that are aimed at creating value in a responsible, transparent and sustainable manner. In the 2009 financial year, the Management Board and the Supervisory Board dealt repeatedly with issues of corporate governance. On 4 December 2009, they jointly signed the annual Declaration of Compliance for 2009 in accordance with Section 161 German Stock Corporation Act, the wording of which is provided below. The Declaration was published on the website of Conergy AG (www.conergy-group.com) in the Investor Relations section. All previous Declarations of Compliance are publicly available there.

The wording of the Declaration of Compliance for 2009

“In the 2009 financial year, Conergy AG has been in compliance with all recommendations of the German Corporate Governance Code as amended on 6 June 2008 and 18 June 2009, as applicable, with the following exceptions:

In 2009, Conergy AG was not in compliance with Item 7.1.2 sent. 3, case 1 of the German Corporate Governance Code as amended on 6 June 2008. We were unable to make the 2008 consolidated financial statements of Conergy AG publicly available within the 90-day period mentioned in that item but did so in April 2008. The fact that the Company was still engaged in negotiations with a key supplier at the end of March, i.e. at the time it had initially planned to publish its consolidated financial statements, was the reason for the delay. The outcome of these talks had to be taken into account in the financial statements”.

Hamburg, 4 December 2009

| On behalf of the Supervisory Board: Norbert Schmelzle

| For the Management Board: Dieter Ammer, Dr. Jörg Spiekerkötter

The Management Board and the Supervisory Board on 24 March 2010 resolved the following update and amendment to this Declaration:

In 2009, Conergy AG was not in compliance with Item 5.4.6 sent. 3, case 2 of the German Corporate Governance Code as amended on 6 June 2008 and 18 June 2009. No separate compensation had been fixed for the chairpersons of the individual Supervisory Board committees because the Management Board and the Supervisory Board had previously not thought it necessary to do so. By resolution of the General Shareholders’ Meeting dated 10 June 2009 however, separate compensation was established for the chairpersons of the individual Super-

visory Board committees starting with the 2010 financial year, provided the chairpersonship is not assigned to the respective committee member by virtue of the Company's Articles of Association or the Supervisory Board's rules of procedure.

Conergy AG is also not in compliance with Item 7.1.2 sentence 3, case 1 of the German Corporate Governance Code as amended on 18 June 2009. We were unable to make the 2009 consolidated financial statements of Conergy AG publicly available within the 90-day period mentioned in that item but will do so at a later time. The delay was caused by the ongoing negotiations with the lending banks regarding the Company's financing beyond 2010.

Procedures of the Management Board and the Supervisory Board

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

Management Board

The Management Board of Conergy AG as at 31 December 2009 has four members: Dieter Ammer (Chairman of Management Board, responsible for Strategy, Communications, Legal Affairs, Human Resources and Internal Audit), Dr. Andreas von Zitzewitz (Deputy Chairman of the Management Board, responsible for Production, Purchasing, Logistics and the Components division), Dr. Jörg Spiekerkötter (responsible for Controlling, Treasury, Tax, Accounting, Investor Relations and IT) and Philip von Schmeling (responsible for Marketing and sales). Dr. Andreas von ZItzewitz was appointed to the Management Board effective 1 January 2009 and was appointed Deputy Chairman of the Management Board with immediate effect on 21 July 2009. Andreas Wilsdorf was appointed to the Company's Management Board effective 1 March 2010. He took up his function on 15 March 2010. He takes the place of Philip von Schmeling, previously the Chief Sales Officer responsible for sales and marketing, who after three years of service on the Management Board has decided to take on new challenges once his contract ends. With effect from the end of 23 April 2010 Philip von Schmeling resigned as member of the Management Board.

With effect of 1 August 2010, the appointment of Dieter Ammer as Member of the Management Board as well as Chairman of the Board was extended by additional three months until the end of 31 October 2010.

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

The Supervisory Board has issued rules of procedure (as amended 4 December 2009) for the Management Board of Conergy AG that set out the responsibilities and work of the members of the Management Board as well as the Management Board's cooperation with the Supervisory Board in greater detail. Thereunder, the members of the Management Board jointly manage the Company's affairs (principle of collective responsibility). The principle of collective responsibility for the Company's entire management notwithstanding, each individual member of the Management Board is independently and autonomously responsible for managing the business area assigned to them under both the rules of procedure and the schedule of responsibilities unless the matter at hand is assigned to the full Management Board, given its special significance and scope, or by virtue of the law, the Company's Articles of Association or its rules of procedure. The respective Management Board member must coordinate with the relevant other members of the Management Board ahead of time if the activities and transactions of his business area also materially concern one or more other business areas. If an agreement cannot be reached, the Chairman of the Management Board shall arrange for the full Management Board to adopt the resolution. The members of the Management Board must inform each other on an ongoing basis of all material transactions that concern another Management Board member's business areas or could otherwise be significant to other members of the Management Board. The Chairman of the Management

Board shall be kept informed on an ongoing basis of all material transactions related to the business areas for which the other members of the Management Board are responsible. He coordinates all business areas, represents the Management Board and the Company – both internally and externally – as well as vis-à-vis the Supervisory Board, in particular, and keeps the Supervisory Board informed of the Company's performance and position as part of his statutory reporting duties; he immediately notifies the Chairman of the Supervisory Board of any matters that are particularly significant to the Company. The Chairman of the Management Board may object to any management actions taken by members of the Management Board. The respective action may not be taken if he avails himself of this option. Irrespective thereof, any member of the Management Board may turn directly to the Chairman of the Supervisory Board if they believe that the outcome of particular deliberations or a resolution of the full Management Board is unlawful or highly improper.

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

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

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

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

The members of the Management Board are subject to a comprehensive non-compete clause while they are in the Company's employ. They shall commit themselves to the interests of both the Company and the Group companies. In making their decisions, they may not pursue personal interests, nor may they use business opportunities inuring to the benefit of the Company or Group companies for their own good. The members of the Management Board must immediately disclose any conflicts of interest to both the Supervisory Board and

the other members of the Management Board. There were no conflicts of interest in the financial year just ended that would have had to be disclosed to the Supervisory Board without delay. All transactions between members of the Management Board as well as parties related to them, on the one hand, and the Company or a Group company, on the other hand, must comply with industry standards. Material transactions are subject to the approval of the Supervisory Board. The members of the Management Board may not demand nor accept payments or other benefits for themselves or for third parties in connection with their activities above and beyond their compensation, to the extent that this could jeopardise the interests of the Company or Group companies. Members of the Management Board shall obtain the approval of the chairman's committee of the Supervisory Board if they wish to accept board appointments to or consulting assignments from companies that are not Conergy AG Group companies as well as appointments to offices in any company that entail power of attorney and any other secondary employment of a significant nature. During the reporting year, no member of the Management Board held more than three appointments to the supervisory boards of listed stock corporations not belonging to the Conergy Group.

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

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

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

Supervisory Board
Pursuant to Article 8 para. 1 of the Company's Articles of Association in conjunction with Section 95 and 96 para. 1 AktG as well as Section 101 para. 1 AktG, the Supervisory Board is composed of six shareholder representatives who are elected by the General Shareholders' Meeting, which is not bound by election proposals.

At this time, Norbert Schmelzle (Chairman of the Supervisory Board), Klaus-Joachim Krauth (Deputy Chairman of the Supervisory Board), Andreas de Maizière, Oswald Metzger and Bernhard Milow constitute the Supervisory Board of Conergy AG. The Supervisory Board members, Andreas de Maizière, Klaus-Joachim Wolfgang Krauth, Norbert Schmelzle and Bernhard Milow were elected to the Company's Supervisory Board on 10 June 2009 by way of a statutory election of replacements for the departed Supervisory Board members, Hans Johann Baptist Jetter, Dr. Dr. h.c. Andreas J. Büchting, Andreas Rüter and Alexander Rauschenbusch for the remainder of these individuals' terms of office after having already been appointed to the Supervisory Board by court order pursuant to an application of the Management Board effective until the end of the aforementioned General Shareholders' Meeting. Each election of a replacement was conducted separately in accordance with the recommendations of the German Corporate Governance Code. All Supervisory Board members have the same term of office, which expires at the end of the General Shareholders' Meeting tasked with formally approving the actions of the Supervisory Board members during the 2009 financial year.

Eckhard Spoerr resigned from his position as Chairman of the Supervisory Board of Conergy as well as from his Supervisory Board seat for personal reasons effective 19 July 2010. Given that a new Supervisory Board must be elected at Conergy AG's imminent General Shareholders' Meeting anyway, both the Supervisory Board and the Management Board of Conergy AG waive their right to ask the court to appoint a substitute member for Eckhard Spoerr in the interim.

All election proposals concerning potential Supervisory Board members shall consider the expertise, abilities and professional experience that are required for carrying out the respective tasks as well as issues of diversity. No former member of the Management Board of Conergy AG has been elected to the Supervisory Board. The Supervisory Board includes an adequate number of independent individuals, who do not maintain any professional or personal ties to the Company or its Management Board. The rules of procedure also require Supervisory Board members to resign their seat on the Supervisory Board effective at the end of the General Shareholders' Meeting that follows their 72nd birthday.

The tasks of the Supervisory Board include regularly supporting the Management Board in managing Conergy AG and the Group's companies through advice and discussion, the execution of its duties in accordance with the law and the Articles of Association, and the monitoring of the Company's management. Among other things, the Supervisory Board is also responsible for appointing the members of the Management Board; for establishing the compensation system and determining the compensation of individual Management Board members; and for reviewing the Company's annual and consolidated financial statements, including the management and Group management reports. In terms of strategy and planning, the Supervisory Board is integrated into all issues of fundamental significance to the Company. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board and its committees, chairs its meetings and represents its interests vis-à-vis external parties. The Chairman of the Supervisory Board or his deputy, if the former is unavailable, also issue the declarations of intent of the Supervisory Board and its committees. The Chairman of the Supervisory Board shall be in regular contact with the Chairman of the Management Board and discuss the Company's strategy and performance with the latter. He informs all other Supervisory Board members of the reports by the Chairman of the Management Board inasmuch as they concern important events that are material to the assessment of the Company's performance, position and management. The rules of procedure (as amended 6 November 2009) contain detailed descriptions of the work of the Supervisory Board and its committees.

The Supervisory Board shall convene once every calendar quarter but must convene twice every six calendar months. It shall convene additional meetings as necessary or if a member of the Supervisory Board or the Management Board request on justified grounds that a Supervisory Board meeting be convened immediately. As a rule, all Supervisory Board meetings are convened by the Chairman of the Supervisory Board or two of its members. They shall be convened in writing subject to a notice period of two weeks, specifying the agenda items and any proposed resolutions, and all required documents shall be appended to the notice. In urgent cases, the Chairman of the Supervisory Board may reasonably shorten the notice period and convene a meeting verbally or by telephone, fax or email. The members of the Management Board participate in the meetings of the Supervisory Board unless the Chairman of the Supervisory Board provides otherwise. Employees of the Conergy Group and/or experts may also be invited in connection with individual agenda items or to serve as keepers of the minutes.

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

The Supervisory Board's rules of procedure also contain detailed provisions regarding the treatment of potential conflicts of interest. Every member of the Supervisory Board has the obligation – both while they serve on the Supervisory Board and thereafter – to maintain secrecy in regards to confidential matters as well as the Company's business and trade secrets to which they become privy in connection with their activities on the Supervisory Board. In making their decisions, the members of the Supervisory Board shall be committed to the interests of the Conergy Group. They may not pursue personal interests, nor may they use business opportunities that properly inure to the benefit of the Conergy Group for their own purposes. All conflicts of interest arising from their position on the Supervisory Board shall be

disclosed to the latter immediately. In the event of unavoidable conflicts of interest, the affected Supervisory Board member shall refrain from participating in deliberations and resolutions on matters that affect their impartiality or resign from the Supervisory Board in order to safeguard Conergy's interests. Supervisory Board members must resign their seats in case of material conflicts of interest that are not of a merely passing nature. All transactions between members of the Supervisory Board as well as parties related to them, on the one hand, and the Conergy Group, on the other hand, must comply with industry standards. The members of the Supervisory Board may not demand nor accept any payments or other benefits for themselves or for third parties in connection with their activities on the Supervisory Board above and beyond their compensation, to the extent that doing so jeopardises the interests of the Conergy Group.

Composition and procedures of the Supervisory Board's Committees

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

The audit committee – which consisted of the Supervisory Board members, Klaus-Joachim Krauth (Chairman), Eckhard Spoerr and Norbert Schmelzle during the 2009 financial year – supports the Supervisory Board in carrying out its monitoring duties. The chairman of the audit committee is an independent financial expert with particular expertise and experience in the application of accounting principles and internal control procedures based on his professional practice. Among other things, the audit committee is tasked with preparing the audit of the annual and consolidated financial statements, including the management and the Group management report, as well as the Management Board's proposal for the appropriation of earnings; commissioning the auditor, which includes determining the audit's focal points; issues related to and reviews of the Company's accounting on the whole; monitoring the accounting process; issues related to the structure, task and efficacy of the internal control system; issues related to the management and monitoring of the risk management system on the whole; issues of compliance; reviewing the efficiency of the risk management system; and both reviewing and determining the principles that govern the Company's financial strategy in the short, medium and long term.

The audit committee convenes at least twice per calendar year and includes the auditor and/or the Company's tax adviser in its deliberations as necessary. It only constitutes a quorum if all its members participate in its resolutions. In keeping with the recommendations of the German Corporate Governance Code, the chairman of the audit committee is an independent person who never belonged to the Company's Management Board.

The chairman's committee – which comprised the Supervisory Board members, Eckhard Spoerr (Chairman), Norbert Schmelzle and Andreas de Maizière in the 2009 financial year – stays in constant touch with the Management Board, coordinates the work of the Supervisory Board and prepares its meetings. In addition, the chairman's committee is responsible, among other things, for granting the Supervisory Board's approvals to the Management Board as required by law, the Company's Articles of Association or the rules of procedure, as amended; approving Management Board members' requests to accept board appointments to or consulting assignments from companies in which the Company has no stake as well as appointments to offices in any company that entail power of attorney and other secondary employment of any significance; determining and monitoring personnel matters related to the Management Board; preparing the appointment and dismissal of Management Board members; preparing proposals related to the compensation of Management Board members and reviews thereof; regular monitoring of the efficiency of the Supervisory Board's work; as well as for special tasks that the full Supervisory Board assigns to the chairman's committee on a case-by-case basis. In its function as nomination committee it makes recommendations to the Supervisory Board in connection with the latter's proposals for the election of Supervisory Board members at the General Shareholders' Meeting. The chairman's committee constitutes a quorum if all its members participate in its resolutions.

For the rest, the provisions of both the Company's Articles of Association and the Supervisory Board's rules of procedure apply analogously to the work of the Supervisory Board committees.

Board appointments of the Supervisory Board members

The appointments of the members of the Company's Supervisory Board to other companies' statutory

supervisory boards and comparable domestic and foreign corporate control committees are enumerated in the appendix to the notes to the annual financial statements of Conergy AG as well as in the section entitled “The Supervisory Board”.

Relevant practices of corporate governance

The Management Board has enacted a Code of Business Conduct and Ethics for employees of the Conergy Group that goes above and beyond legal requirements. This Code provides guidelines for dealing with business partners and government institutions, for assuring confidentiality, independence and objectivity, and for handling conflicts of interest. Compliance with these standards is monitored by a compliance committee organised by the legal department. Detailed information on the Code of Business Conduct and Ethics is available on the Company’s website (www.conergy-group.com) in the Investor Relations section under the heading Corporate Governance.

Compensation for the Management Board and the Supervisory Board

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

Shareholders and General Shareholders’ Meeting

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

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

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

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

Risk management

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

risk management system, the internal audit system, compliance and the audits of the annual accounts.

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

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

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

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

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

The fact that individual shareholdings attain, exceed or fall below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the Company's voting shares is published in a pan-European information system immediately after the Company receives the respective notification pursuant to Section 21 German Securities Trading Act (WpHG).

In accordance with Section 15a WpHG, certain individuals must disclose the acquisition and disposal of Company shares and of any associated financial instruments. Such individuals include members of the Management and Supervisory Board for Conergy AG, as well as certain members of managerial staff and persons with whom they have close relationships.

The member of the Management Board, Philip von Schmeling, notified Conergy AG during the reporting period of a purchase of shares in Conergy AG that is reportable under Section 15a German Securities Trading Act. In December 2008, Philip von Schmeling purchased 10,000 shares at a price of EUR 1.1055.

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

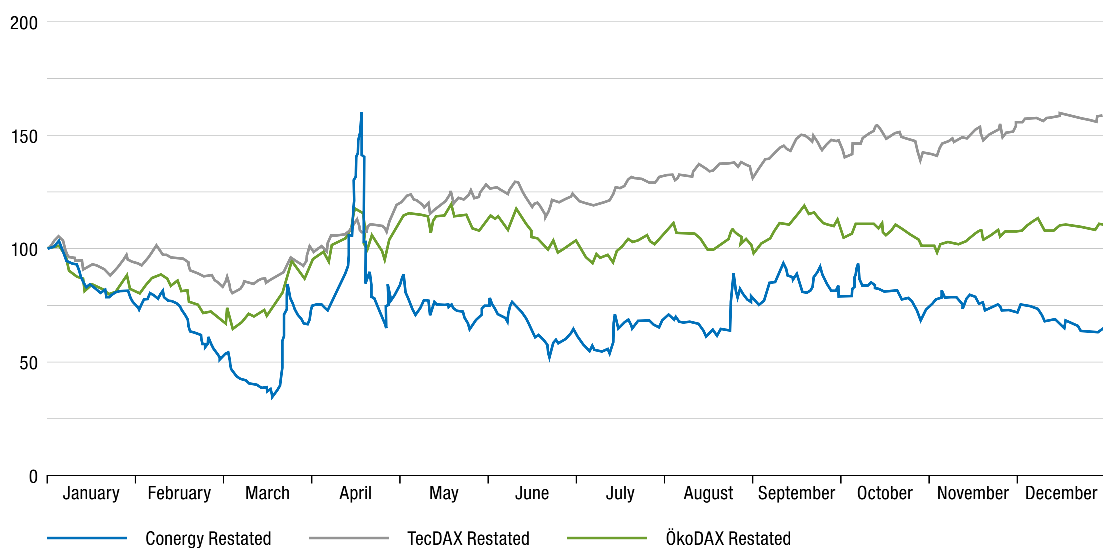
The Conergy share

The global economy was dominated by the international financial market crisis for most of 2009. Numerous countries slipped into deep recessions, and the economic activity in industrialised countries saw a sharp decline. Even the emerging economies had to contend with an economic downturn. During the year's first half, these economic developments were also reflected in the international stock markets. On the whole, volatility in the international stock markets was high in 2009 because investor confidence has yet to be restored in many markets. During the year's second half however, the stock markets increasingly started to show signs of slowly recovering on the strength of improving economic data and corporate news.

The trends in the German stock indices also mirrored the developments in the international financial markets. The DAX (the leading stock index of Deutsche Börse AG), which hit 3,666 points in March 2009, its low for the year, managed to briefly surpass the 6,000 point mark but closed the year at 5,957 points. This corresponds to an increase of 23.8 percent over the start of the year. And the TecDAX, an index of technology stocks, closed at 818 points, 60.8 percent above its level in early 2009. The shares of Conergy AG closed the financial year at € 0.66 – down 35.9 percent compared to its opening price at the start of 2009.

Price chart

Share price performance 2009 (indexed; 100 = XETRA opening price on 2 January 2009)



Investor relations activities

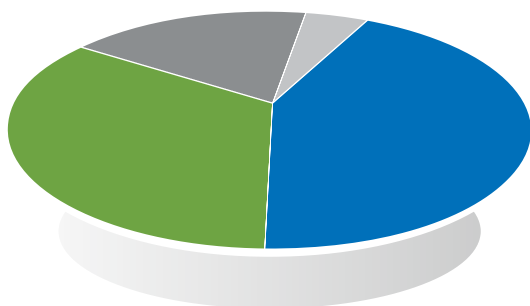
In 2009, Conergy AG conducted timely and comprehensive briefings of analysts and investors on the Company's current performance and the progress of its restructuring. Both the Management Board and the Investor Relations department also presented themselves to national and international investors in talks at the Company's Hamburg headquarters as well as at trade fairs and conferences. Current data on both the Company and the share as well as reports and presentations are available to our shareholders on Conergy's website, www.conergy-group.com.

General Shareholders' Meeting

Our General Shareholders' Meeting is the most important platform during the financial year for discussions with our shareholders. A total of 350 shareholders and proxies attended the Fourth General Shareholders' Meeting of Conergy AG at the CCH in Hamburg. We informed our shareholders of the Group's strategy and the actions it plans to take and gave them the opportunity as part of the general discussion to direct their questions about the Company to both the Management Board and the Supervisory Board. Subsequently, the shareholders of Conergy AG adopted all of the management's proposed resolutions by large majorities.

Shareholder structure (as at 31.12.2009)

Free float 44.25%
Commerzbank AG 37.01%
Athos Service GmbH 14.95%
Dieter Ammer 3.79%



As at the 31 December 2009 balance sheet date, Conergy AG's shareholder structure was as follows: Of the 398,088,928 no-par shares, Commerzbank AG held 37.01 percent, Athos Service GmbH 14.95 percent and Dieter Ammer 3.79 percent. The free float was 44,25 percent. In addition to the shareholders mentioned, we are not aware of any further shareholders that control more than three percent of the capital of Conergy AG.

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

Section 10 of the German Securities Prospectus Act requires Conergy AG to publish an annual document that contains all publications made by Conergy AG in the previous 12 months. This document is available on our website at www.conergy-group.com in the Investor Relations section. If you are unable to download or view the document, we will be happy to send you a copy.

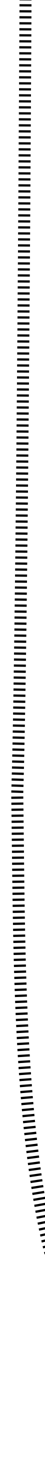
Key figures of the Conergy share

	2009	2008
Nominal capital in EUR	398,088,928	398,088,928
Number of shares (as at 31.12.)	398,088,928	398,088,928
Market capitalisation (as at 31.12.) in EUR million*	262.27	398.1
Closing share price (as at 31.12.) in EUR*	0.66	1.00
High in EUR*	1.65	24.23
Low in EUR*	0.34	0.85
Daily average trading volume (shares)*	4,763,017	846.171

*Xetra

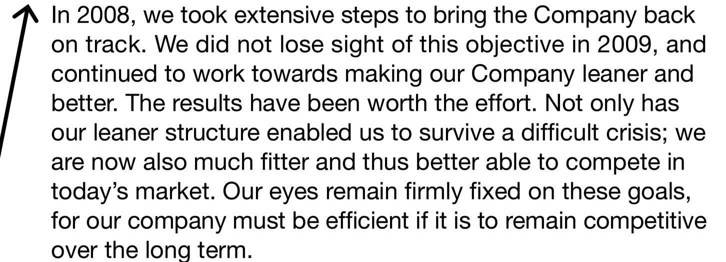
Share: no-par value share	
Securities identification number	604002
International Securities Identification Number (ISIN)	DE 00060 40025
Reuters symbol	CGYG.DE
Bloomberg symbol	CGY GR
Stock exchanges	Xetra
	Frankfurt (Main)
	Stuttgart
	Düsseldorf
	Hamburg
	Munich
	Hanover
	Berlin-Bremen

Change in perspective Motion.

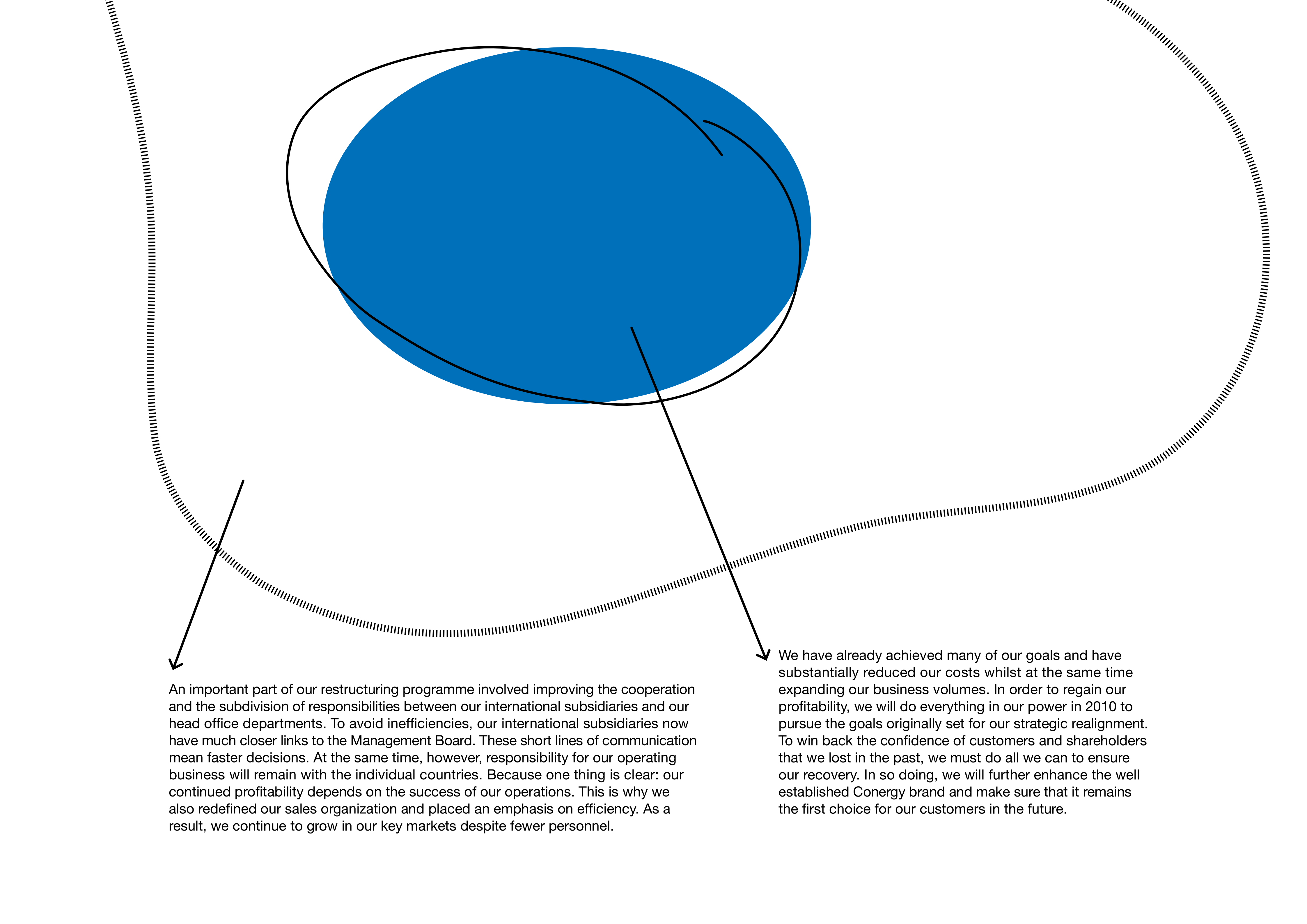


To be successful a change in perspective is sometimes necessary.

Optimised.
The ideal.



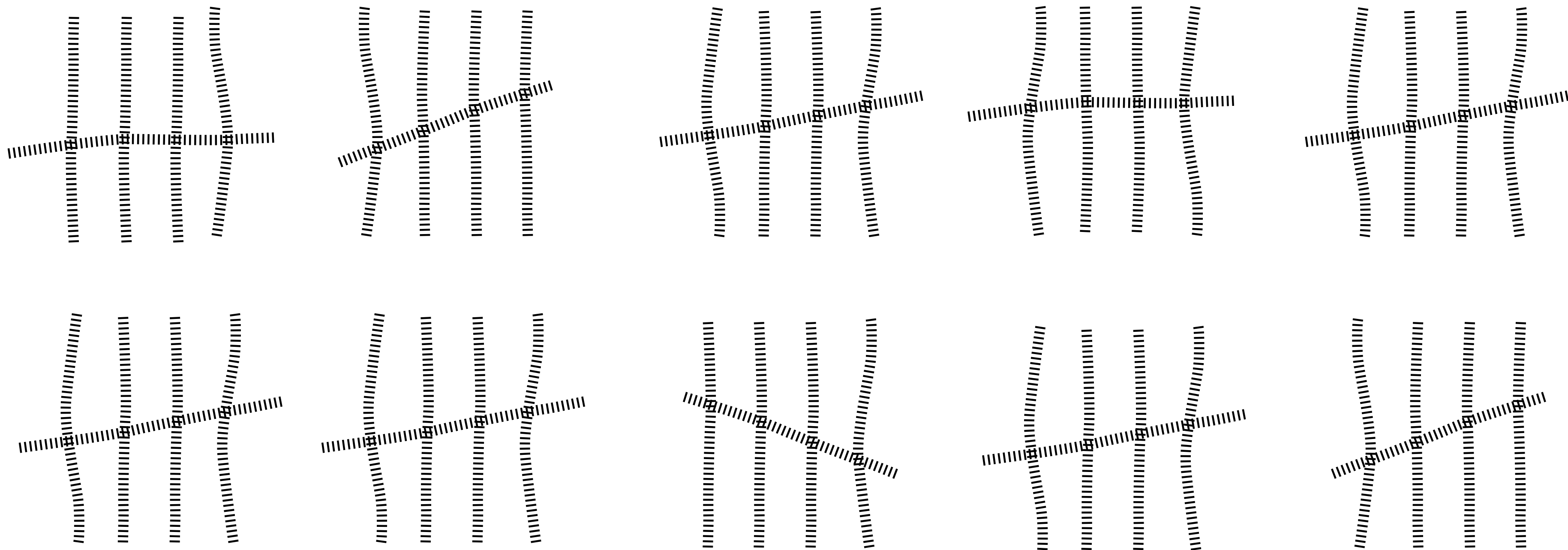
In 2008, we took extensive steps to bring the Company back on track. We did not lose sight of this objective in 2009, and continued to work towards making our Company leaner and better. The results have been worth the effort. Not only has our leaner structure enabled us to survive a difficult crisis; we are now also much fitter and thus better able to compete in today's market. Our eyes remain firmly fixed on these goals, for our company must be efficient if it is to remain competitive over the long term.

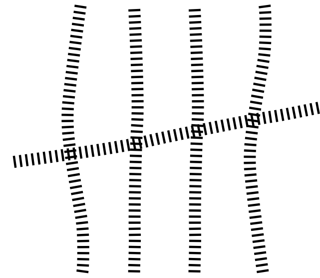
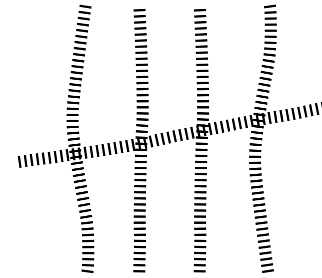
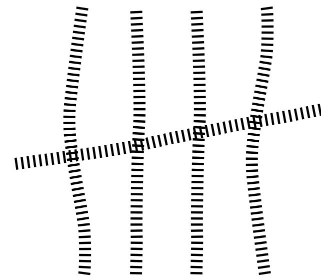
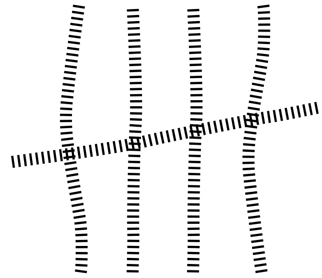
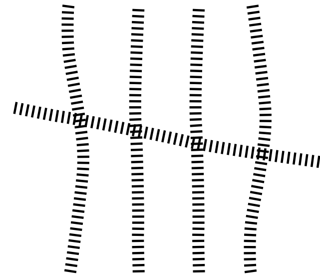
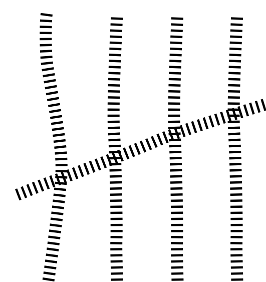
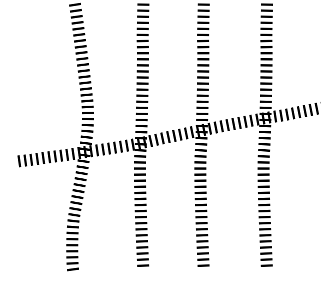
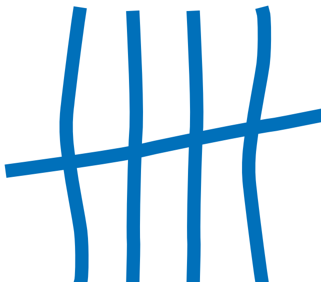
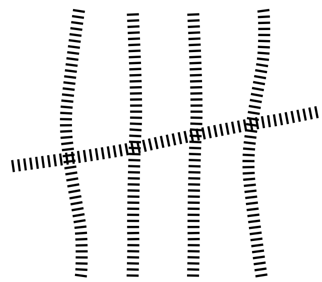
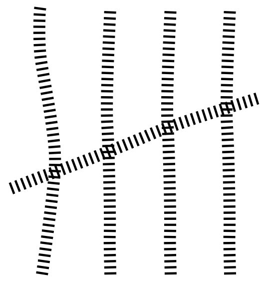
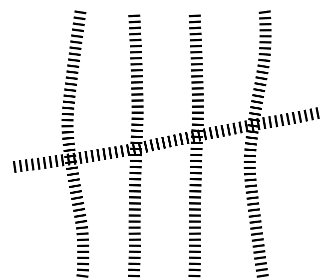
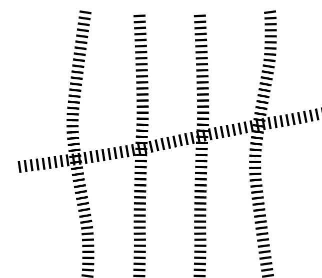
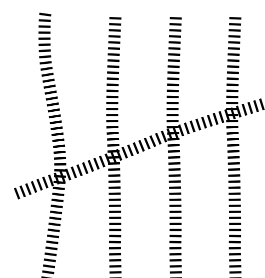
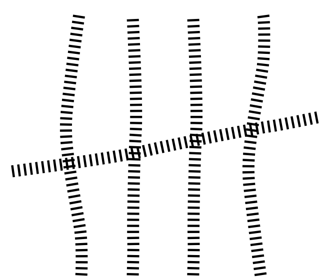
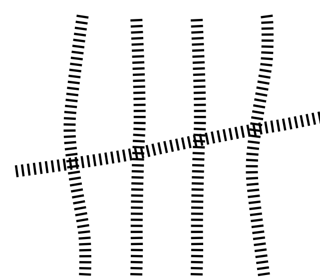


An important part of our restructuring programme involved improving the cooperation and the subdivision of responsibilities between our international subsidiaries and our head office departments. To avoid inefficiencies, our international subsidiaries now have much closer links to the Management Board. These short lines of communication mean faster decisions. At the same time, however, responsibility for our operating business will remain with the individual countries. Because one thing is clear: our continued profitability depends on the success of our operations. This is why we also redefined our sales organization and placed an emphasis on efficiency. As a result, we continue to grow in our key markets despite fewer personnel.

We have already achieved many of our goals and have substantially reduced our costs whilst at the same time expanding our business volumes. In order to regain our profitability, we will do everything in our power in 2010 to pursue the goals originally set for our strategic realignment. To win back the confidence of customers and shareholders that we lost in the past, we must do all we can to ensure our recovery. In so doing, we will further enhance the well established Conergy brand and make sure that it remains the first choice for our customers in the future.

Leaner.
Focusing on the essentials.

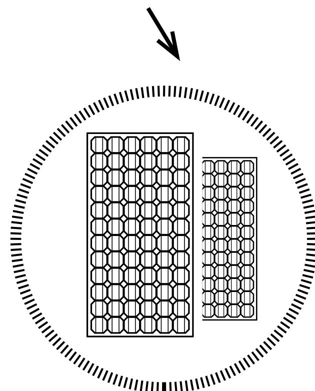


Keeping costs under control and creating efficient decision-making structures were two of the first tasks that our restructuring programme had to tackle. But there were also more fundamental questions to which we needed answers. For example, how many technologies and activities can we handle in a professional manner at the same time? In how many fields can we maintain market leadership? These questions go to the heart of our strategy and have serious implications for the future structure of the Company. Experience has shown that it is better to do a small number of things well than to do many things indifferently. On this basis, our goal was clear. We focused our attention on our strengths and sold off the less attractive parts of the Company that were only sapping our strength. The result is a photovoltaic specialist focused on making the best use of its energy, creativity and professionalism in expanding and developing the expertise needed to drive its business forward. And if this means turning away the occasional, interesting opportunity, so be it. The change has concentrated our minds, channelled our energies into what is important and made valuable synergies possible. The first successes of this strategy have validated our approach.

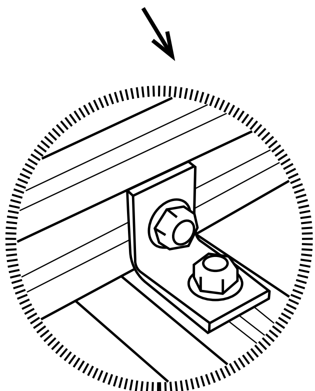
The Group.
Lean and focused.

Components segment



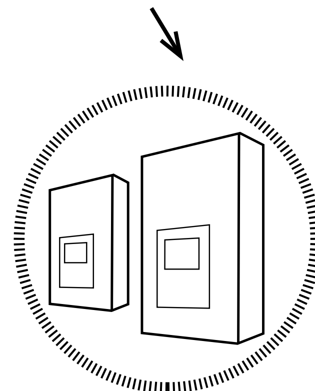
WAFERS/CELLS/MODULES

- Solar factory in Frankfurt (Oder)
- Production of wafers, cells and modules
- Manufacturing capacity: 250 megawatts



MOUNTING SYSTEMS

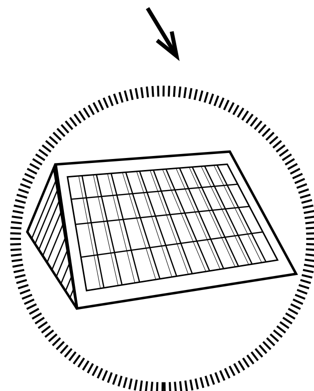
- Production of mounting systems in Rangsdorf near Berlin
- Production of mounting systems for PV plants and module frames



ELECTRONIC COMPONENTS

- Development in Hamburg and Bad Vilbel (Hessen)
- Development of inverters, tracking systems and diagnostic tools

Conergy PV segment



- Sales organisation for self-produced or purchased PV components
- Wholesale
- Installation of photovoltaic systems (EPC) from 500 kWp
- Large-scale projects

Clear structures with efficient lines of communication and clearly assigned responsibilities are at the heart of every successful enterprise. This is why Conergy continues to streamline and optimise its organisational structure. Our control systems map out the challenges the market holds in store for us, allowing us to undertake timely and appropriate interventions.

Components segment
The Components segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. All of this makes Conergy one of the few companies worldwide that offers all essential components for PV systems from a single source. Customers benefit from the advantages of this systems approach in several ways. Their projects' yield overall rises because the coordinated system components deliver maximum revenue and efficiency. Planning, purchasing and assembly times drop dramatically, and the matched components reduce the risk of installation and operating defects.

Conergy PV segment
The Conergy PV segment sells the products that Conergy manufactures, as well as purchased components and complete systems, to wholesalers, installers and end customers. The Company's distribution activities also include the construction, planning, and installation of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). In addition, Conergy develops, finances, implements and operates major solar energy projects. In its capacity both as a dedicated PV provider and worldwide market leader in plant construction, this segment now maintains separate sales offices in major markets on four continents.

Corporate strategy
Conergy develops and manufactures all of the important components that go into making a solar power system. This gives us – and more importantly, our customers – a clear competitive advantage, because this is the only way that all components can be optimally matched at the development stage. Although it is common for manufacturers of solar power systems to use components from a wide range of suppliers, careful matching of system components can deliver valuable synergies that can increase system efficiency. Conergy will therefore strive in the future to make maximum use of our own components and thus increase their contribution to our sales. Conergy enjoys an advantage over manufacturers that are expanding into the downstream business in that its own production facilities allow it to exploit the key performance potential of solar power systems, enabling it to offer its customers the best high-quality solution for their needs.

We will also remain focused on our core markets and on profitable growth. The size of the market for solar energy will continue to increase in the coming years. Most of this growth will take place in established markets rather than in the markets that have only just begun to promote solar energy, although these new markets offer us good opportunities for increasing our sales. Before we can actively grasp this potential, however, we must be confident that these markets have reached a degree of maturity and that they do indeed offer long-term growth potential. For we know from experience that we cannot always count on the political support upon which the solar market is still reliant. This is why it is so important for us to be able to respond flexibly to changes in demand caused by changes in government policy in individual countries, because this flexibility plays a vital role in smoothing out fluctuations in our business operations.

Top.

Conergy Top-Stories 2009.

5 March 2009 – Preliminary figures: Conergy increases its revenues to over EUR 1 billion. Earnings significantly below expectations due in particular to extraordinary items

In a year of fundamental restructuring measures, the solar energy company Conergy has, according to preliminary figures, increased its revenues by 40 percent to EUR 1,006m (previous year: EUR 719m).

24 April 2009 – The transportation corporation Frankfurt (Oder) sets focus on solar power: Mayor Patzelt inaugurates the PV plant from Conergy in Frankfurt (Oder)

As of today modern solar technology is used on the rooftops of the local transportation corporation (SVF) in Frankfurt (Oder): with a festive ceremony the SVF and Martin Patzelt together inaugurated the new solar power plant.

30 June 2009 – Conergy sells solar portfolio with a capacity of 10.7 MWp

Conergy Deutschland GmbH, one of the leading suppliers of products and solutions in the field of solar electricity generation, has successfully concluded the sale of three photovoltaic plants in Bavaria. This subsidiary of the publicly owned Conergy AG sold its solar park in Baar with a nominal capacity of 4.8 MWp, its photovoltaic plant in Gebersdorf with a nominal capacity of 2.3 MWp and its solar plant in Münster (Bavaria) with a nominal capacity of 3.6 MWp.

14 October 2009 – Italy: Conergy builds 1.7 MWp solar energy system on the roofs of Parma Fairgrounds

The Conergy Group is building one of Italy's biggest rooftop solar energy systems in Parma. The 1.7-MWp system is being built by Conergy Italia on behalf of the Italian fairground operator Fiera di Parma S.p.A.

4 November 2009 – Conergy Germany and solar-konzept connect the "Heimpersdorf" MWp solar park to the grid

Conergy Deutschland GmbH has successfully linked up the "Heimpersdorf" solar park, with its peak output of 2.4 MWp, to the power grid.The company sold the Bavarian solar park to the investor solar-konzept GmbH in May and immediately began construction work.The scheduled connection to the grid in Heimpersdorf gives the investor access to attractive fixed feed-in tariffs of 31.94 cents per kilowatt-hour that will already begin to be paid this year.

29 April 2009 – Conergy presents 2008 financial statements; solar expert joins Supervisory Board

Conergy AG today presented its 2008 financial statements. They show that, as previously reported, revenue increased by 40 percent to over EUR 1bn in 2008 (previous year: EUR 719m). At the same time, substantial one-time expenses incurred as a result of the company's fundamental reorientation placed a burden on earnings before interest and taxes (EBIT), which remained at last year's level of EUR -213m.

19 May 2009 – Solar electricity from Conergy reduces costs for water supply in California

Energy and water are both scarce and expensive in California. The Robert O. Schulz solar park installed by Conergy in the South San Joaquin Irrigation District (SSJID) reduces the costs for both of these resources significantly. The large 1.6 MWp plant enables the local water authority, which operates a drinking water purification system there for some 155,000 people, to cut its electricity costs from this moment forward by an annual amount of around US 400,000 dollars.

27 May 2009 – The new Conergy High Performance series: design output guaranteed

At Intersolar 2009 Conergy introduces the new HighPerformance series (225-230 Wp) of its PowerPlus modules. Conergy's HighPerformance modules not only deliver what they promise – they also guarantee it. All of the HighPerformance series modules will win you over with their strictly positive performance tolerance of as much as +2.5 percent.

27 May 2009 – New product at Intersolar: Ready-to-install Conergy SolarKits with a 10-year warranty

Just in time for Intersolar 2009, the Conergy Group presents its latest systems innovation: its Conergy SolarKits – perfectly coordinated, pre-assembled complete packages for the installation of solar energy systems. Conergy SolarKits mean less time and energy spent on planning and assembly for the installer, and thanks to the use of perfectly coordinated, TÜV-certified components, they also mean greater yield and reliability for the customer.

22 July 2009 – Dr. Andreas von Zitzewitz named Deputy Chairman of the Board of Directors

The Supervisory Board of Conergy AG has named Dr. Andreas von Zitzewitz as Deputy Chairman of the Board of Directors With this step the supervisory body has already laid the ground for the time following the expiry of the regular mandate of CEO Dieter Ammer from 31 July 2010 and has established continuity, clear structures and security in the succession question.

6 August 2009 – PV Parks with 19,000 Conergy PowerPlus Modules Sold to Spanish based Solaer

The Hamburg Conergy Group has sold two solar parks with a total volume of 4 MWp to Solaer in Spain. Construction of the large projects is slated to begin in the next few weeks. Both parks will be equipped with Conergy PowerPlus modules from the company's own production facilities in Frankfurt (Oder), thus guaranteeing genuine "Made in Germany."

13 August 2009 – Conergy sales in Q2 almost tripled compared to previous quarter

Thanks to the upturn in the global solar market, the Hamburg-based photovoltaic specialist Conergy has almost tripled its sales to EUR 163.4m in the second quarter, compared to the previous quarter. Furthermore, Conergy has increased its gross profit margin by 4.3 percentage points to 18.5 percent in the first half of the year, compared to the same period last year. A positive net cash flow of EUR 17.3m from the operating business reflects, above all, more efficient relations with stock and much lower receivables from deliveries and services.

18 August 2009 – Rising demand: Conergy opens additional production lines at solar equipment plant

The Conergy solar equipment manufacturing plant in Frankfurt (Oder) is further increasing production by starting up additional cell and module lines; two more of each. On August 19, Brandenburg's Secretary of Commerce will attend the dedication ceremony for the new lines.

21 Setember 2009 – The new Conergy compact class – up to 30 percent greater yield on the same roof area

At the 24th EU PVSEC in Hamburg, Conergy AG is presenting the new Conergy PowerPlus MC series to the international audience of specialists. The modules, available in the output classes from 170 to 185 Watt, combine all the quality characteristics of the famous Conergy PowerPlus modules – but in a significantly more compact design.

12 November 2009 – Conergy able to continue stabilising its business in the economic crisis

Conergy AG has generated revenue of EUR 140.2m in the 3rd quarter. Despite a considerably lower sales volume than the prior year, the company was able to continue stabilising its business in many areas over the past quarter. Conergy increased its gross profit margin by 4.0 percentage points to a pleasing 21.6 percent, despite the continued downward trend in module prices.

2 December 2009 – Conergy Solar Factory in Frankfurt (Oder): Three Years "Quality Made in Germany"

Frankfurt (Oder), December 02, 2009 – Conergy SolarModule GmbH & Co. KG, based in Frankfurt (Oder), is celebrating its third anniversary. Back in 2007 and 2008 the start-up of the factory was significantly hampered by the reorganization of the company. In the meantime, provision of the raw material silicon has been secured and the ramp-up almost completed.

8 December 2009 – Conergy builds one of the largest photovoltaic plants on the American east coast

America's energy and water suppliers are becoming green: By building "Ingram's Mill Farm", Conergy is erecting one of the largest photovoltaic plants on the east coast of the USA, and is therefore equipping the second large US water supplier with solar technology this year.

11 December 2009 – Hörup's sun for Schleswig Holstein: Conergy and Jost de Jager open North Germany's biggest solar park

In Hörup near Flensburg Conergy Deutschland GmbH and Jost de Jager, Minister for Science, Economic Affairs and Transport in Schleswig Holstein, today opened the biggest solar energy park in North Germany with 4.2 MWp.

Conergy

An added-value brand.

Established, Sustainable,
Trust, Customer Loyalty,
Product of the Future,
Emotion, Passion,
Communication

The Conergy brand stands for a body of knowledge, unique in the solar industry, which encompasses the entire value chain. Conergy has many years of experience in supplying turnkey photovoltaic installations of all sizes. As the only company which manufactures all of the components used in a solar power system, Conergy focuses its development and production efforts on optimising the entire system – in addition, of course, to ensuring the quality of individual components. This expertise sets us apart from the competition and is the reason why Conergy has grown to become a premium brand, which continues to gather momentum. Our primary aim is to deliver customer benefit: the satisfaction of a solar power plant owner, the confidence that the right investment decision has been made, and the pleasure of having secured a long-term return on investment.

In an increasingly hard-fought market in which consumers are often confused by the range of products on offer, we want to offer our customers real benefits backed by a clear performance pledge. Conergy began generating customer interest in its big idea some time ago: the idea that our world is full of energy. Photovoltaic installations from Conergy have already proved themselves a thousand times over in a wide variety of conditions all over the world. Our extensive experience benefits the ongoing enhancement of our systems and results in photovoltaic plants offering maximum yields, a longer service life and lower maintenance requirements.

At Conergy, we know what we are talking about. Our aims are therefore set correspondingly high: we aim to extract from the sun the maximum energy possible. Solar modules play a crucial role in doing this, because it is here that the electricity is generated. And no matter how intelligent the system design, it can never make up for the energy that remains unconverted. This thought gave birth to the idea that we should develop the perfect module. And we have succeeded.

OUR WORLD IS FULL OF ENERGY.

Qualified. Committed to the same goal.

Employees

The success of Conergy's strategic reorganisation is due in large part to the dedication and enthusiasm of our workforce. Every day, 1,429 staff deal with the challenges and opportunities involved in supporting and building Conergy as a company. Our staff convey the image of Conergy at home and abroad. It is they who negotiate, develop, produce and install on behalf of our customers. Without the commitment of our employees, we would not have succeeded in executing the restructuring programme that has enabled us to remain successful in spite of the difficult market environment.

Unfortunately, the realignment of our activities has made job cuts inevitable. However, working closely with the Works Council, we were able to structure the cutbacks in an as socially responsible manner as possible. This entailed pursuing agreements that put in place a temporal and financial framework designed to help employees' transition to new jobs.

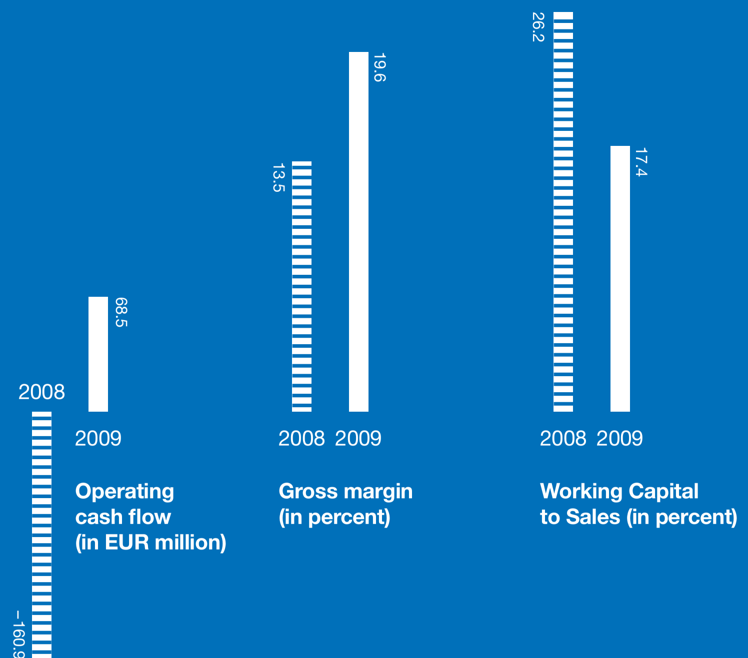
Employee development

As a company, we have a special responsibility for our employees and so pursue a policy of offering an attractive working environment within an important industry of the future. The dedication, expertise and motivation of the employees in the Conergy Group are critical to the Group's future success. These employee characteristics are supported and promoted through a variety of HR instruments. During annual employee development meetings, managers also discuss professional and personal development with their employees. Employee strengths and weaknesses are defined on the basis of a Group-wide competence model, and specific measures are stipulated with the employees to help them enhance their skills. We also offer school leavers trainee positions in which they can learn more about the many facets of a leading high tech company. Identifying and fostering able and dedicated employees in targeted ways is decisive to Conergy's ability to fill important positions in future.

Thank you

2009 was a year in which the Company and its workforce had to deal with many problems and challenges. The Management Board would like to express its thanks and appreciation to the workforce for its efforts during the past year. The continued commitment of every individual made an invaluable contribution to Conergy's ability to achieve its milestones in a very difficult business climate. Your support was one of the key factors in our success in 2009. Neither the improvements on the operating level nor the success of the realignment would have been possible without your commitment.

Changed. To cut a long story short.



The past financial year was significantly influenced by internal and also external developments and decisions. With this group management report we inform in detail about the development of the business in 2009, the risks and opportunities as well as the anticipated developments.

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Group management report 2009

The Conergy Group

Organisational and legal parameters

Conergy is one of the highest-grossing solar companies in Europe, with a comprehensive presence in both Germany and key international markets. The Company develops and manufactures crystalline solar modules as well as inverters and mounting systems at three sites in Germany. Hence Conergy offers its customers not just quality “Made in Germany” but also all key-components as integrated solution required for a PV unit – fully produced in-house.

In the past, Conergy had focused predominantly on the downstream business in photovoltaics, where Conergy offers comprehensive systems solutions for the B2B and B2C markets as well as turnkey installations. As a leading downstream player, Conergy maintains good business relationships with the most important suppliers of crystalline and thin film solar modules; it also has an established network of industry partners and financial investors. Conergy benefits from its strong brand as well as from a large partner distribution network. The Company believes that it is well positioned in its core foreign markets, given its comprehensive local presence.

In future, Conergy will position itself as a fully-integrated systems manufacturer with a leading quality brand, superior system performance, top-notch services and a well-organised production and partner network. This will allow Conergy to occupy almost all stages of the solar value chain; further improve the positioning of its brand; enhance its customer relationships to big installers, wholesalers of electrical equipment and strategic marketing partners; as well as further expand the development, financing and execution of major photovoltaics projects.

Conergy AG is domiciled in Hamburg. This is where the corporate departments of both Conergy AG and its subsidiaries are located. The Group also maintains other business premises in Germany, among them its Central European Warehouse in Zweibrücken (Rhineland-Palatinate) and the solar module factory in Frankfurt (Oder) in Brandenburg. As at 31 December 2009, the Company’s German subsidiaries and the holding company had a total of 937 employees (full-time equivalents – FTEs) at the production plant in Rangsdorf (near Berlin), a development site in Bad Vilbel (in the state of Hesse) and regional sales offices. The Group is also active worldwide. In addition to Conergy AG, the parent company, the Conergy Group comprises 44 subsidiaries.

Conergy AG is managed by a four-member Management Board. The Management Board’s members are Dieter Ammer (Chairman of the Management Board), Dr. Jörg Spiekerkötter and Dr. Andreas von Zitzewitz (Deputy Chairman of the Management Board). The Supervisory Board of Conergy AG appointed Andreas Wilsdorf Chief Sales Officer responsible for sales and marketing on 1 March 2010. He started working on 15 March 2010. Philip von Schmeling, previously the Chief Sales Officer, has resigned from his position as member of the Management Board with effect of the end of 23 April 2010.

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

Conergy’s areas of operation are divided into the Conergy PV and **Components** segments. The Components segment comprises the Company’s manufacturing activities whereas the **Conergy PV** segment comprises the marketing and sale of self-produced and purchased photovoltaics products and systems solutions. This segment is also responsible for financing, implementing and operating major photovoltaic projects.

The **Components** segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. In its solar facility in Frankfurt (Oder), Conergy is developing additional parts of the photovoltaic value chain by manufacturing wafers, solar cells and solar modules. Conergy develops electronic components such as inverters, connec-

tion boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order mostly by European manufacturers. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed, produced and sold by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH, also separately under their market names.

The **Conergy PV** segment sells the products and complete systems that Conergy manufactures, as well as purchased components, such as thin film solar modules, to wholesalers, installers and end customers. The Company's distribution activities also include the construction, planning, and installation of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). Conergy also develops, finances and implements large-scale PV projects in its Conergy PV segment. Conergy's range of products and services includes site inspection and development; contracting for, coordinating, and monitoring plant construction; negotiation of project agreements; the creation of project-based operating companies; and commercial and technical management of plants. Conergy offers three different types of service: the sale of individual components, the sale of complete systems with coordinated components, and turnkey plant construction. Customers are primarily in Germany, Spain, France, Italy, Greece, the United States, Australia, and parts of Asia.

The Management Board of Conergy AG resolved in December 2009 to sell the activities of both EPURON and its subsidiaries. Hence Conergy will no longer pursue its activities in the EPURON segment's biomass, biogas, wind energy and Concentrated Solar Power (CSP) operations. As a consequence, the results of EPURON and its subsidiaries will be reported under discontinued operations as at 31 December 2009. The Group has thus taken a final important step towards becoming a focused provider in the solar power business.

Companies included in the consolidated financial statements

Aside from Conergy AG, a total of 12 domestic and 32 foreign subsidiaries – the majority of whose voting shares are held by Conergy – were included in the consolidated financial statements of the company at the end of the reporting period (31 December 2009). Twenty-six companies were no longer in included in consolidation in the 2009 financial year as a result of mergers or sales or because they were insignificant.

Internal control system and key performance indicators

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

Budgets and forecasts are an integral part of the relevant information systems. The forecasts cover a period of three years and are revised annually as part of a comprehensive planning process. The groupwide reporting system requires all subsidiaries to prepare monthly IFRS financial statements that are consolidated for the purposes of both management reporting and the Company's published quarterly and annual financial statements. Likewise, the subsidiaries provide their own assessments of current business trends and the expected profit for the year at regular intervals. Key Performance Indicator (KPI) reports assist management in controlling segments and regions, individual subsidiaries as well as operating processes. Sales and gross profit serve as the key performance indicators for determining corporate success. Conergy also uses the gross profit margin, which shows gross profit relative to sales. The Company's performance is measured based on earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). Conergy uses earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA) to measure the success of individual business units. In addition to these two parameters, the Group also utilises both the EBITDA and the EBIT margin that present these earnings measures as a ratio of sales. These relative performance indicators make it possible to compare the profitability of profit-oriented divisions of various sizes.

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

Key performance indicators		2009	2008*
Sales	EUR million	**600.9**	**975.3**
Germany	EUR million	280.8	282.3
Abroad	EUR million	320.1	693.0
Gross profit	EUR million	**117.6**	**131.9**
Gross profit margin	in percent	**19.6**	**13.5**
EBITDA	EUR million	**–10.7**	**–147.4**
EBITDA margin	in percent	**–1.8**	**–15.1**
EBIT	EUR million	**–36.8**	**–181.9**
EBIT margin	in percent	**–6.1**	**–18.7**

* Previous year's figures adjusted; see notes

The Conergy Group's controlling system has a particularly important role to play in that the annual variable compensation paid to top management for the 2009 financial year was linked to the aforementioned earnings-based performance indicators, notably EBITDA.

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

Working capital development		31.12.2009	31.12.2008*
Sales	EUR million	**600.9**	**975.3**
Inventories	EUR million	107.5	245.6
Trade receivables	EUR million	113.4	120.9
Trade payables	EUR million	116.5	111.2
Working Capital	EUR million	**104.4**	**255.3**
Working Capital/ Sales	in percent	**17.4**	**26.2**

* Previous year's figures adjusted; see notes

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

Net liabilities to equity		31.12.2009	31.12.2008*
Borrowings	EUR million	293.6	317.2
Liquid funds	EUR million	52.1	27.7
Net liabilities	EUR million	**241.5**	**289.5**
Equity	EUR million	116.0	196.8
Gearing	in percent	**208.2**	**147.1**

* Previous year's figures adjusted; see notes

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

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

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

This is designed to guarantee timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with legal standards, accounting principles and the Group's internal accounting guidelines that are binding on all subsidiaries that are included in the consolidated financial statements. Amendments of laws and revisions of accounting standards as well as other types of announcements are immediately analysed in terms of their relevance to and impact on our consolidated financial statements, and the guidelines are adjusted to reflect the resulting changes. Unequivocal specifications are intended to limit the discretion available to employees in connection with the recognition, measurement and presentation of assets and liabilities and

thus the risk of inconsistent bookkeeping and accounting practices within the Group. These guidelines are available to all employees involved in bookkeeping and accounting via the groupwide intranet.

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

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

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

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

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

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

For details on the features of the risk management system, please see the disclosures in the "Risk and opportunity report" on page 70 ff.

Global economic conditions

The global economy has been slightly on the rebound since April 2009, after the dramatic downturn in economic activity the world over as a result of the financial market crisis, which put its stamp on most of 2008 and the start of 2009. Numerous measures that individual governments enacted with the aim of supporting the banking sector laid the groundwork for the economic recovery. Highly expansive monetary and financial policies also prevented the global finance system from collapsing.

On the whole, monetary policies were greatly loosened with the aim of stabilising and supporting the system worldwide. The European Central Bank for instance lowered the prime rate to 1.0 percent in the second quarter of 2009; the Bank of England lowered to 0.5 percent in March 2009. In the United States, the prime rate has been between 0.00 percent and 0.25 percent since the end of 2008. According to the International Monetary Fund (IMF), Germany's gross domestic product (GDP) fell overall by 4.8 percent year on year and that of the United States by 2.5 percent. At plus 8.7 percent year on year, China's economic development had a stabilising effect so that in the end global economic activity fell by only 0.8 percent in 2009. It is not just the situation in the international financial markets that improved in the course of the year; the global economy also showed signs of recovering thanks to the multitude of measures. The first revisions of various economic indicators began to ease the strain starting in the spring. In Germany, both the Ifo Index and the ISM Index ended their downward slide, and industry order levels began to improve for the first time. A few banks even stated that the start into the 2009 financial year had been good.

First signs that the deep recession was ending began to appear in the summer of 2009; in the second quarter of 2009 for example, the German economy grew again. The global economy in contrast has already been expanding since the spring of 2009. There were very few countries whose economy did not begin to grow again in the third quarter of 2009. The emerging markets deserve a particular mention in this regard. In the autumn of 2008, they had been pulled into the maelstrom of the recession in the industrialised countries and had to contend with a massive downturn in productive output. China was the first country to recover economically, and it served as a driver for many other emerging economies. The East Asian countries in particular benefited not just from the recovering economies of the industrialised countries but also from extensive trade among themselves.

But the industrialised countries did not regain their footing as rapidly as the emerging countries. Starting in the second half of the reporting year however, numerous institutes revised their economic data slightly upward for the first time, and many companies published surprisingly positive news and earnings.

Oil prices rose again during 2009, after plummeting in 2008. Whilst one barrel of Brent Crude had cost USD 37.1 at the start of the year, it had reached USD 77.5 by year's end.

The US dollar was exposed to strong fluctuations in the 2009 financial year. It started the year at USD 1.39 against the euro but fell to below USD 1.30 in the spring. The declining aversion to risk caused the US dollar to soar to over USD 1.50 against the euro in the fourth quarter but it ended the year at USD 1.44 against the euro.

Development of the industry

In addition to the western industrial nations, both China and India are also dependent on an increasing supply of energy. Primary energy consumption is expected to rise annually by a good 2 percent until 2030, not least due to the economic upswing in both these two countries and other Asian nations, as well as due to world population growth. This would almost mean a doubling of energy consumption over the next 20 years. In contrast, the limited supply of fossil energy resources is becoming ever scarcer and hence more expensive. For some time now, the issue has no longer been whether or not oil or gas prices will increase further generally, but rather by what amount. National economies are already paying higher and higher energy prices or must accept gaps in supply. At the same time, the number of energy exporting countries is declining while imports from crisis regions are rising. This has resulted in a fundamental shift: Sustainable alternatives are steadily growing in significance and, as a result, are being promoted at the political level.

This has turned renewables into an important economic base for both industry and the trades. In 2008 alone, this economic sector generated sales in excess of EUR 30 billion. Also renewable energy is becoming more important throughout the world. Environmental protection, the scarcity of conventional sources of energy and price stability are the main topics that will continue to support the industry in future as well.

In 2009, the solar energy market maintained its position overall in terms of volume despite the steep decline of the global economy and the collapse of the Spanish solar market as a result of the Spanish government's interventions. But the sudden oversupply of solar modules that triggered a massive drop in prices by 30 to 40 percent also effected the market. Whilst economic activity in this market was still below average in the first six months of the year due to these effects, demand revived in the second half of the year, especially in Germany. The total capacity of the newly installed systems in Germany increased by more than

a thirty fold from 74 MWp in the first quarter to 2.336 MWp in the fourth quarter. On the whole, it is estimated that the German market accounted for more than 50 percent of the global market.

Also the European market in total grew thanks to the over 100 percent increase in Germany. Experts anticipate the newly installed output in 2009 to have increased by roughly 15 percent year on year. This is satisfying in particular due to the collapse of the Spanish market, which shrank to less than 3 percent of its original size in 2009 due to legislative changes that were enacted at the end of 2008. These measures on the part of the Spanish government show that individual governments frequently have a difficult time maintaining a proper balance between market growth and subsidies.

Despite the strong economic and financial crises the worldwide PV market was able to continue its growth trend in 2009. According to estimates the newly installed capacity once again increased by about 20 percent. Among other things, this powerful growth is due to the rapid shift from a sellers' to a buyers' market. There was a shortage of solar modules in the third quarter of 2008. All of this changed radically in the fourth quarter of 2008. That is when the Spanish government enacted its restrictive policies on subsidies, causing a huge solar market to vanish virtually overnight. Yet manufacturers continued to build new production facilities and produce at full throttle. The quantities that had been produced could no longer be sold, triggering a dramatic crumbling in prices. This development in turn posed a new challenge for many solar companies because both falling prices and falling margins had a substantial impact on the solar industry's economic performance. The decline in module prices also had a negative effect on the industry's sales even though demand remained strong in 2009 as well. Some companies could not prevent posting a – sometimes significant – loss for the year.

The Climate Conference in Copenhagen, Denmark, also showed that climate change is an issue that resonates worldwide. Whilst no binding resolution was adopted at the end of the negotiations, it is considered a success that both China and the United States were key participants in the negotiations from start to finish and announced that they will continue their negotiations. It is not that long ago that integrating particularly the US into international efforts to protect the climate was the paramount goal of all climate policies.

Assets, liabilities, cash flows and profit or loss

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

EUR million	4. quarter 2009	3. quarter 2009*	2. quarter 2009*	1. quarter 2009*
Sales	244.5	**138.8**	**160.9**	**56.7**
Gross profit	**51.8**	**32.7**	**18.2**	**14.9**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**37.1**	**−5.8**	**−22.9**	**−19.1**
Earnings before interest and taxes (EBIT)	**28.2**	**−11.7**	**−28.3**	**−25.0**
Financial result	**−5.1**	**−5.1**	**−4.6**	**−7.0**
Earnings before taxes (EBT)	**23.1**	**−16.8**	**−32.9**	**−32.0**
Income taxes	−22.7	−0.4	−0.3	0.9
Income from continuing operations after taxes	**0.4**	**−17.2**	**−33.2**	**−31.1**
Income from discontinued operations after taxes	−0.7	−2.8	2.1	3.2
Result after taxes	**−0.3**	**−20.0**	**−31.1**	**−27.9**
Thereof				
to the sharesholders of Conergy AG	−1.2	−19.9	−31.0	−27.8
to minority shareholders	0.9	−0.1	−0.1	−0.1

* Quarterly figuers restated; see notes

Basis of presentation

Segment classification for the 2009 financial year was changed compared to the consolidated financial statements as at 31 December 2008 due to the Company's strategic realignment and the change in the business model of the former EPURON segment. Effective 1 January 2009, the photovoltaics project business is no longer part of the EPURON segment but belongs to the Conergy PV segment. The reason for introducing the new segment structure is to bundle all of the Group's sales activities for photovoltaic in the Conergy PV segment. Furthermore, the Components segment is shown separately. Previously, this division was part of the Conergy PV segment.

Since the Management Board in December 2009 resolved to sell EPURON's business, the EPURON segment is shown as a discontinued operation. EPURON, which now focuses on wind energy and bioenergy projects, will continue to pursue projects in other renewables areas such as Concentrated Solar Power (CSP). As a result, Conergy now has two operating segments – Conergy PV and Components.

The Components segment develops and manufactures system components, mounting systems and electronic components and markets them under discrete brand names. Conergy operates an integrated factory in Frankfurt (Oder) that produces solar cells and a variety of finished products – so-called solar modules – from silicon slices. Conergy develops electronic components such as inverters, connection boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order by various companies, most of them European. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed, produced and sold by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH.

The derecognition of discontinued operations in connection with the Conergy Group's realignment resulted in an adjustment of previous year's quarterly and annual figures. Please see the notes for information on changes in Group companies.

The disclosures in this Group management report solely concern continuing operations unless they expressly refer to discontinued operations. Discontinued operations are combined in the income statement, the balance sheet and the statement of cash flows as separate line items. Continuing operations are divided into two operational segments: Conergy PV and Components.

Profit or loss

Income statement of the Conergy Group (short version)

EUR million	2009	2008*	4. quarter 2009	4. quarter 2008*
Sales	600.9	975.3	244.5	155.0
Gross profit	**117.6**	**131.9**	**51.8**	**6.6**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**−10.7**	**−147.4**	**37.1**	**−130.3**
Earnings before interest and taxes (EBIT)	**−36.8**	**−181.9**	**28.2**	**−145.9**
Financial result	**−21.8**	**−67.6**	**−5.1**	**−18.6**
Earnings before taxes (EBT)	**−58.6**	**−249.5**	**23.1**	**−164.5**
Income taxes	−22.5	23.8	−22.7	26.0
Income from continuing operations after taxes	**−81.1**	**−225.7**	**0.4**	**−138.5**
Income from discontinued operations after taxes	1.8	−80.9	−0.7	−23.6
Result after taxes	**−79.3**	**−306.6**	**−0.3**	**−162.1**
Thereof				
to the sharesholders of Conergy AG	−79.9	−305.3	−1.2	−161.4
to minority shareholders	0.6	−1.3	0.9	−0.7

* Previous year's figures adjusted; see notes

Overview of the fourth quarter

The Conergy Group's sales in the fourth quarter of 2009 amounted to EUR 244.5 million, compared to EUR 155.0 million in the same quarter the previous year. Relatively low sales in the fourth quarter of 2008 were largely due to the increasingly difficult economic environment in the wake of the financial and economic crisis – which also affected the solar industry by reducing capital spending and tightening access to funds. The shift in the worldwide PV market from a sellers' to a buyers' market, which went hand in hand with the decline in prices for solar modules that had started at the close of the 2008 financial year, occurred in the same period.

Particularly the implementation of a number of major projects in Germany, Italy and Spain as well as the expansion of the wholesale business in Germany, Australia and Italy had positive effects on the fourth quarter of 2009. At EUR 111.0 million, in 2009 the German market made a substantial contribution to fourth-quarter sales (2008: EUR 33.4 million) thanks especially to the strong B2B business and the implementation of three major projects. This included the largest integrated PV farm in Hörup near Flensburg, Germany, with a total peak output of 4.2 MWp. Conergy also completed two projects in Bavaria with a total peak output of 2.5 MWp and 3.2 MWp, respectively.

At EUR 26.9 million, sales in Spain in the fourth quarter of 2009 also substantially exceeded the EUR 16.6 million posted in the prior-year period. Major projects alone generated sales of approximately EUR 20.3 million in the fourth quarter, compared to approximately EUR 7.2 million in the fourth quarter of 2008. In Australia, the wholesale business in particular boosted sales by EUR 5.9 million to EUR 16.7 million in the fourth quarter of 2009.

The positive development during the fourth quarter is also reflected in the performance of each individual segment. Conergy PV's external sales soared by 52.9 percent compared to the same period the previous year whilst that of the Components segment more than tripled. At the same time, the very strong German market changed the regional distribution of sales relative to the fourth quarter of 2008. Germany accounted for 45.4 percent of sales, compared to 21.5 percent in the fourth quarter of 2008.

The gross profit of the Conergy Group rose by EUR 45.2 million to EUR 51.8 million (Q4 2008: EUR 6.6 million). The gross profit margin improved by 16.9 percentage points to 21.2 percent (Q4 2008: 4.3 percent) despite the increased pressure on PV module prices both nationally and internationally in 2009. This was due among other things to high capacity utilisation at the Frankfurt (Oder) solar module factory and lower writedowns on inventories.

The year-on-year comparison points to substantial improvements in costs. For instance, personnel expenses and other operating expenses fell from EUR 149.0 million in the fourth quarter of 2008 to EUR 57.5 million in the fourth quarter of 2009 – a reduction of EUR 91.5 million. At EUR 37.4 million, other operating expenses in particular declined substantially by EUR 88.0 million from the same period the previous year (Q4 2008: EUR 125.4 million) mainly due to lower losses on foreign currency translation in the amount of EUR 38.3 million and the adjustment in the 2008 annual report of a receivable in the amount of EUR 42.1 million from MEMC Electronic Materials, Inc. Specifically, the other operating expenses include rental and lease expenses and maintenance expenses of EUR 7.1 million (Q4 2008: EUR 8.9 million) and consulting expenses of EUR 7.3 million (Q4 2008: EUR 8.8 million). Furthermore, other third-party expenses amounted to EUR 4.4 million (Q4 2008: EUR 2.3 million) and distribution costs were EUR 4.2 million (Q4 2008: EUR 3.8 million). The increase in expenses for third-party services was due in particular to expenses for contract and temporary workers that the Components segment incurred in connection with the ramp up of additional module production lines at the Frankfurt (Oder) solar module factory. A total of EUR 3.8 million in expenses were incurred for warranties (Q4 2008: EUR 2.6 million). Write-downs of uncollectible receivables were 3.4 million (Q4 2008: EUR 5.0 million). Whilst foreign exchange losses were EUR 38.0 million in the same quarter the previous year, they were only EUR 0.3 million in the fourth quarter of 2009.

The other operating expenses were contrasted by income of EUR 42.4 million (Q4 2008: EUR 12.6 million). In particular, this concerns EUR 34.2 million in write-ups to receivables previously written down in connection with the out-of-court settlement of our dispute with the US-based wafer manufacturer, MEMC Electronic Materials, Inc. Additionally, the reversal of provisions initially recognised in connection with warranty and contract risks related to the project business accounted for EUR 1.7 million in income (Q4 2008: EUR 2.4 million) and foreign exchange gains contributed EUR 0.7 million to income (Q4 2008: EUR 10.0 million).

At EUR 37.1 million, EBITDA substantially surpassed the previous year's level (Q4 2008: EUR -130.3 million). Amounting to EUR 28.2 million, EBIT was in the black for the first time since the 2008 financial year (Q4 2008: EUR -145.9 million).

At EUR -5.1 million, the non-operating result also improved over the fourth quarter of 2008 (EUR -18.6 million), especially due to the substantial reduction in non-operating expenses from EUR 19.7 million in the prior-year period to EUR 5.3 million in the third quarter of 2009. The relatively high level of non-operating expenses in the same quarter the previous year was due to the interest expense for borrowings, comprising both interest payments and accrued interest, especially the amortisation of the transaction costs for the bridge loan.

Earnings before income taxes were EUR 23.1 million (Q4 2008: EUR -164.5 million). After taking into account EUR 22.7 million in income taxes paid (Q4 2008: tax income of EUR 26.0 million), income from continuing operations after taxes in the fourth quarter of 2009 was EUR 0.4 million (Q4 2008: EUR -138,5 million). The tax expense in the fourth quarter of 2009 arose chiefly from the writedown of deferred tax assets for loss carry-forwards. A loss of EUR -0.7 million after taxes was recognised for the discontinued operations of the EPURON segment, compared to EUR 23.6 million from discontinued operations in the same quarter the previous year. The loss after taxes (including the loss from the discontinued operations) was EUR 0.3 million, down from an after-tax loss of EUR 162.1 million in the fourth quarter of 2008 – a marked improvement. Besides reflecting the seasonal nature of our strong performance in the fourth quarter of 2009, this outcome also shows that restructuring targets were met amid the simultaneous yet slow recovery of the global economy.

The full 2009 year

Key figures by segment

	Quarterly sales		Sales		FTE	
EUR million	**4. quarter 2009**	**4. quarter 2008***	**2009**	**2008***	**31.12.2009**	**31.12.2008***
Conergy PV	**230.4**	**150.6**	**575.5**	**954.1**	**712**	**959**
Components	**14.1**	**4.4**	**25.4**	**21.2**	**580**	**550**
Holding	–	–	–	–	137	138
Continuing operations	**244.5**	**155.0**	**600.9**	**975.3**	**1,429**	**1,647**

* Previous year's figures adjusted; see notes

Key figures by region

	Quarterly sales		Sales		FTE	
EUR million	**4. quarter 2009**	**4. quarter 2008***	**2009**	**2008***	**31.12.2009**	**31.12.2008***
Germany	**111.0**	**33.4**	**280.8**	**282.3**	**800**	**849**
Rest of world	**133.5**	**121.6**	**320.1**	**693**	**492**	**660**
Holding	–	–	–	–	137	138
Continuing operations	**244.5**	**155.0**	**600.9**	**975.3**	**1,429**	**1,647**

* Previous year's figures adjusted; see notes

Sales

Sales of the Conergy Group in the 2009 financial year fell to EUR 600.9 million (2008: EUR 975.3 million). A total of EUR 575.5 million or 95.8 percent of this amount was attributable to the Conergy PV segment (2008: 97.8 percent). At EUR 25.4 million, the external sales of the Components segment was higher year on year (2008: EUR 21.2 million), given the rise in contract production for third parties and the simultaneous increase in production at our solar module factory in Frankfurt (Oder).

The year-on-year drop in sales by 38.4 percent was due to the steep decline in prices triggered by the dramatic downturn in the photovoltaics markets in both Spain and South Korea and the existence of large production capacities particularly among Asian manufacturers which, in turn, sparked a fundamental shift from a sellers' to a buyers' market. Falling prices for solar modules coupled with greater difficulties in securing loans for major PV projects have significantly depressed demand and have thus had a negative impact on the development of business in all segments and core markets. Nevertheless Conergy was able to remain sales in Germany at the previous year's level.

Note when comparing this year's figures to those of the past year that a major portion of the sales in 2008 arose from the execution of major photovoltaics projects in Spain and South Korea. Just the two major projects in El Calaverón (Spain) and DongYang (South Korea) generated sales of approximately EUR 262.0 million in 2008. The Spanish market shrank considerably in the 2009 financial year as a result of the limits on subsidies that had been enacted in September 2008. Spain alone accounted for total sales of EUR 346.0 million in the 2008 financial year due to strong demand, which dropped by 87.5 percent to EUR 43.4 million in the 2009 financial year. Conergy has also withdrawn from the South Korean market in the meantime due to low demand and the high exchange rate risk. Sales in 2008 in South Korea were EUR 100.7 million.

In Germany, the Conergy Group posted sales of EUR 280.8 million, compared to EUR 282.3 million in 2008, which corresponds to 46.7 percent of total sales (2008: 28.9 percent). Among other things, the Conergy PV segment sold the largest integrated PV farm in Northern Germany to a group of investors; it is situated on about 15 hectares of land and has a total peak output of 4.2 MWp. The Conergy PV segment also closed the sale of three thin film PV units with a total peak output of 10.7 MWp to a Luxembourg-based investor.

Sales in Spain, previously our core market, fell by EUR 302.6 million to EUR 43.4 million (2008: EUR 346.0 million). The Los Pilones project contributed about EUR 14.0 million to consolidated sales in 2009. Sales in 2008 were due, in particular, to the implementation of the El Calaverón project (which contributed roughly EUR 152.0 million to sales) and strong demand in the wake of the Spanish government's attractive policies for promoting photovoltaics. The subsidies were reduced considerably from October 2008 and the maximum annual volume of new installations was limited.

The Conergy Group posted sales of EUR 45.8 million in the United States (2008: EUR 65.4 million). Conergy completed a thin film solar energy farm with a total peak output of 1.6 MWp in San Joaquin, California. It is the world's first large-scale tracking system based on thin film solar modules. The local water authority is using it to reduce the cost of the electricity required for water treatment. One of the largest PV farms on the East Coast of the United States with a total output of 1.1 MWp was also completed in 2009. This farm already is the third major project that Conergy has implemented in the United States for local utility companies and one of 25 projects that received a grant totalling USD 20.7 million from the Pennsylvania Energy Development Authority for expanding the use of renewables in Pennsylvania.

Business developed along a positive trajectory especially in France, Italy, Australia and Singapore. In France, Conergy PV expanded its market position in the wholesale business, boosting its sales by EUR 7.4 million to EUR 33.1 million (2008: EUR 25.7 million). Given the improvement in statutory programmes aimed at end consumers in Italy, sales in that country rose by EUR 11.0 million to EUR 74.3 million (2008: EUR 63.3 million), especially due to the solid performance of the wholesale business. In Australia too the wholesale business in particular boosted sales by EUR 27.8 million to EUR 52.5 million (2008: EUR 24.7 million). In Singapore, sales climbed by EUR 9.5 million to EUR 12.3 million (2008: EUR 2.8 million), among other things thanks to the completion of the 2 MWp Kaust project in Saudi Arabia. Conergy Asia-Pacific had already started in December 2008 to prepare the ground for entering the growing market in the Persian Gulf. The introduction of alternative energies could give a substantial boost to both the energy landscape and the country's economic growth, given that its energy needs have been growing by about 5.0 percent each year.

Gross profit

The Conergy Group posted a gross profit of EUR 117.6 million in the 2009 financial year, down from EUR 131.9 million in the same period the previous year. The gross profit margin improved considerably by 6.1 percentage point to 19.6 percent (2008 13.5 percent) despite the increased pressure on PV module prices both nationally and internationally. However, a one-off writedown of EUR 27.3 million on inventories in the fourth quarter of 2008 had put extreme pressure on the gross profit margin the previous year. The Components segment helped to boost the gross profit margin in the 2009 financial year. Lower procurement prices for silicon, price cuts for other production materials and lower manufacturing costs thus supported the positive development of the gross profit margin of the Components segment. The start-up of additional solar cell and module lines at our solar module factory in Frankfurt (Oder) has almost doubled the production volume of Conergy PowerPlus modules. The resulting change in the module mix, unit cost degression that is linked to the ramp-up of production and additional cost-cutting measures are allowing the Conergy Group to benefit from an integrated value chain which, in turn, has already had a positive effect on the Group's gross profit margin. Contract production for third parties was lowered in 2009 in order to increase capacity utilisation. For the rest, all sales are conducted solely through the sales channels of the Conergy PV segment.

Personnel expenses

Conergy further reduced staffing levels during the 2009 financial year and thus is on the way to a personnel structure that is adequate for its business activities. The Conergy PV segment was affected the most by the personnel cuts as the new organisational structures were put in place and operations were discontinued. As at 31 December 2009, the Conergy Group had 1,429 employees (all figures FTE) compared to 1,647 employees as at 31 December 2008. Of these, 800 employees worked for our German subsidiaries, 492 employees worked for the Group's foreign subsidiaries, and 137 employees worked for the holding company. This corresponds to 1,561 employees on average (2008: 1,820 employees). Of the 1,429 employees in the Conergy Group, 73.5 percent were salaried employees and 26.5 percent were hourly-paid workers as at 31 December 2009. Including discontinued operations, a total of 1,553 staff were employed worldwide by the Conergy Group as at 31 December 2009 (31 December 2008: 1,764 employees). The employee figures disclosed in this report deviate from previously published figures as a result of the reorganisation of the Group's segments in 2009 and the realignment of subsidiaries in the area of discontinued operations.

We succeeded in substantially reducing total personnel expenses of EUR 82.1 million by EUR 23.6 million compared to the previous year (2008: EUR 105.7 million). This figure comprised wages and salaries of EUR 65.6 million (2008: EUR 91.8 million) as well as social security contributions and other pension costs of EUR 16.5 million (2008: EUR 13.9 million). In 2009, personnel expenses contained EUR 2.5 million in one-off expenditures. The decrease in personnel expenses compared to the prior-year period results from the reduction in staffing levels carried out as part of the restructuring programme.

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

Earnings before interest, taxes, depreciation and amortisation (EBITDA) – a measure of operating income – were EUR -10.7 million (2008: EUR -147.4 million) and thus substantially higher year on year. This positive outcome notwithstanding, bear in mind that gross profits and thus operating income were affected by the declining sales volume even though expenses were lower.

Other income was EUR 65.1 million (2008: EUR 39.7 million) whilst other operating expenses were EUR 111.3 million (2008: EUR 213.3 million). In particular, the other operating income contains EUR 34.2 million in income from write-ups to receivables previously written down in connection with the out-of-court settlement of our dispute with the US-based wafer manufacturer, MEMC Electronic Materials, Inc. Additional income of EUR 11.8 million (2008: EUR 5.0 million) was generated from the reversal of provisions initially recognised in connection with warranty and contract risks related to the project business. The reversal of personnel provisions also accounted for additional income. Income of EUR 3.8 million from net currency gains (2008: EUR 11.6 million) contributed to this development. In the previous year, other operating income had included EUR 7.5 million in own work capitalised resulting mainly from the capitalisation of start-up costs for the Frankfurt (Oder) solar module factory.

At EUR 111.3 million (2008: EUR 213.3 million), other operating expenses were down substantially year on year. The reduction resulted both from savings in material costs and lower foreign exchange losses. Operating expenses included, in particular, rental and lease expenses as well as maintenance expenses of EUR 26.9 million (2008: EUR 30.2 million). Lower legal and consulting expenses of EUR 18.0 million (2008: EUR 31.6 million) and distribution costs of EUR 12.1 million (2008: EUR 18.7 million) also contributed to this development. Expenses for other third-party services were EUR 12.9 million (2008: EUR 11.5 million). In particular, this concerns expenses for contract and temporary workers that the Components segment incurred in connection with the ramp up of production at the solar module factory in Frankfurt (Oder). A total of EUR 9.2 million had to be recognised for bad debt allowances (2008: EUR 45.9 million). Expenses for warranties were EUR 7.4 million (2008: EUR 10.4 million). Foreign exchange losses in 2009 amounted to EUR 1.1 million. This compares to foreign exchange losses of EUR 40.3 million in the 2008 financial year. In addition, the previous year's result had been affected by the adjustment of a receivable in the amount of EUR 42.1 million from MEMC Electronic Materials, Inc.

Earnings before interest and taxes (EBIT)
Taking EUR 26.1 million (2008: EUR 34.5 million) in amortisation and depreciation of intangible assets and property, plant and equipment into account, earnings before interest and taxes (EBIT) in the 2009 financial year were EUR -36.8 million (2008: EUR -181.9 million) and thus improved significantly despite declining sales.

Earnings before taxes (EBT)
The non-operating result of the Conergy Group in 2009 improved significantly to EUR -21.8 million compared to EUR -67.6 million in the 2008 financial year. In the previous year, Conergy's non-operating result was essentially due to the Company's high net liabilities. Non-operating expenses of EUR 22.5 million (compared to EUR 71.2 million in the previous year) arose from interest expenses related to borrowings that comprise both interest payments and accrued interest. Contrast the non-operating expenses with EUR 0.7 million in non-operating income (2008: EUR 3.6 million). Taking into account the non-operating result of EUR -21.8 million (2008: EUR -67.6 million), earnings before taxes (EBT) were negative at EUR -58.6 million (2008: EUR -249.5 million).

Result after taxes
After accounting for income taxes of EUR -22.5 million (2008: tax income of EUR 23.8 million), the income from continuing operations after taxes in 2009 was EUR -81.1 million (2008: EUR -225.7 million), an improvement of EUR 144.6 million. The tax expense arose largely from the writedown of deferred tax assets for loss carryforwards.

A loss of EUR 1.8 million after taxes was recognised for the discontinued operations of the EPURON segment. This compares to a loss after taxes of EUR 80.9 million from discontinued operations in the previous year. The high loss from discontinued operations in the previous year was due, among others, to the sale of the business of Conergy Wind GmbH, which resulted in a one-off and essentially non-cash impact on discontinued operations of approximately EUR 35.0 million and thus had a material effect on the assets, liabilities, financial position and profit or loss of the Conergy Group. Income after taxes in the 2009 financial year was EUR -79.3 million (2008: EUR -306.6 million) – a marked improvement year on year. Earnings per share from continuing operations were EUR -0.20 (2008 EUR -3.47 per share).

Assets and liabilities

Consolidated balance sheet of the Conergy Group (short version)

EUR million	31.12.2009	31.12.2008*
Non-current assets	**266.1**	**319.7**
Current assets	**344.6**	**426.7**
Assets held for sale	38.4	0.4
Total current assets	**383.0**	**427.1**
Total assets	**649.1**	**746.8**
Total equity	**116.0**	**196.8**
Non-current borrowings	**127.0**	**131.3**
Current borrowings	**378.6**	**414.8**
Liabilities from assets held for sale	27.5	3.9
Total current borrowings	**406.1**	**418.7**
Total equity and liabilities	**649.1**	**746.8**

* Previous year's figures adjusted; see notes

Structure of the balance sheet

Total assets of the Conergy Group as at 31 December 2009 amounted to EUR 649.1 million, down EUR 97.7 million from the end of the 2008 financial year (31 December 2008: EUR 746.8 million).

Non-current assets		
EUR million	**31.12.2009**	**31.12.2008***
Goodwill	14.9	17.5
Intangible assets	12.6	12.6
Property, plant and equipment	183.9	204.0
Financial assets	8.2	5.3
Other assets	0.9	0.7
Deferred tax assets	45.6	79.6
Non-current assets	**266.1**	**319.7**

* Previous year's figures adjusted; see notes

Non-current assets from continuing operations declined by EUR 53.6 million to EUR 266.1 million compared to the end of the previous year (31 December 2008: EUR 319.7 million) While non-current financial assets increased by EUR 2.9 million to EUR 8.2 million (31 December 2008: EUR 5.3 million), property, plant and equipment fell by EUR 20.1 million to EUR 183.9 million (31 December 2008: EUR 204.0 million), mainly as a result of depreciation. At the same time, deferred tax assets declined. At 45.6 million, deferred tax assets were down EUR 34.0 million compared to the end of the 2008 financial year (31 December 2008: EUR 79.6 million). After offsetting, they were largely due to deferred tax assets for tax loss carryforwards. In addition, goodwill declined by EUR 2.6 million to EUR 14.9 million (31 December 2008: EUR 17.5 million) in connection with the reclassification of the EPURON segment to discontinued operations and due to impairment losses.

Current assets		
EUR million	**31.12.2009**	**31.12.2008***
Inventories	107.5	245.6
Trade accounts receivable	113.4	120.9
Financial assets	3.1	2.9
Other assets	68.5	29.6
Cash and cash equivalents	52.1	27.7
Current assets	**344.6**	**426.7**

* Previous year's figures adjusted; see notes

Current assets from continuing operations as at 31 December 2009 decreased by EUR 82.1 million to EUR 344.6 million (31 December 2008: EUR 426.7 million). This was substantially due to the reduction in inventories by EUR 138.1 million to EUR 107.5 million (31 December 2008: EUR 245.6 million) in the wake of overall inventory reductions and the sale of major projects. The decline in inventories occurred in tandem with a reduction in trade accounts receivable by EUR 7.5 million to EUR 113.4 million (31 December 2008: EUR 120.9 million). The increase in other current assets by a total of EUR 39.1 million to EUR 71.6 million (31 December 2008 EUR 32.5 million) partly compensated this development. Among other things, the other receivables contained a payment to MEMC Electronic Materials, Inc. under a wafer delivery contract. Cash and cash equivalents rose at the same time by EUR 24.4 million to EUR 52.1 million (31 December 2008: EUR 27.7 million).

Assets and liabilities from discontinued operations are not shown in individual balance sheet items but rather as a combined item under "non-current assets held for sale" and recognised in the corresponding liabilities and equity item of the balance sheet. In the previous year, these concerned the biomass and solar thermal activities as well as the business activities of Conergy Wind GmbH. In the current financial year, both the assets and the liabilities of the EPURON segment were classified as "held for sale".

Negative earnings drove down equity in 2009 by EUR 80.8 million, or 41.1 percent, to EUR 116.0 million compared to the 2008 balance sheet date (31 December 2008: EUR 196.8 million). The equity ratio thus fell to 17.9 percent compared to 26.4 percent on 31 December 2008.

Liabilities from continuing operations decreased slightly by EUR 40.5 million to EUR 505.6 million compared to the close of the 2008 financial year (31 December 2008: EUR 546.1 million).

Non-current liabilities		
EUR million	**31.12.2009**	**31.12.2008***
Provisions	35.7	32.1
Borrowings	88.8	86.5
Other liabilities	2.5	2.6
Deferred tax liabilities	0.0	10.1
Non-current liabilities	**127.0**	**131.3**

* Previous year's figures adjusted; see notes

Non-current liabilities as of 31 December 2009 were EUR 127.0 million, down EUR 4.3 million compared to the end of the 2008 reporting period (31 December 2008: EUR 131.3 million). This was especially due to the decrease in deferred tax liabilities by EUR 10.1 million to EUR 0.0 million (31 December 2008: EUR 10.1 million). The increase in non-current provisions by EUR 3.6 million to EUR 35.7 million (31 December 2008: EUR 32.1 million) as well as the increase in non-current borrowings by EUR 2.3 million to EUR 88.8 million (31 December 2008: EUR 86.5 million) had an offsetting effect.

Current liabilities		
EUR million	**31.12.2009**	**31.12.2008***
Provisions	13.2	12.0
Current portion of non-current borrowings	18.8	37.5
Borrowings	186.0	193.2
Trade accounts payable	116.5	111.2
Other liabilities	43.5	58.8
Current income tax liabilities	0.6	2.1
Current liabilities	**378.6**	**414.8**

* Previous year's figures adjusted; see notes

Current liabilities as at 31 December 2009 were EUR 378.6 million (31 December 2008: EUR 414.8 million), which is a considerably improvement of EUR 36.2 million compared to the end of the 2008 financial year. This was due in particular to the decline in current borrowings by EUR 25.9 million to EUR 204.8 million (31 December 2008: EUR 230.7 million) on account of scheduled payments. At the same time, other current liabilities fell by EUR 15.3 million to EUR 43.5 million (31 December 2008: EUR 58.8 million). The increase in trade accounts payable by EUR 5.3 million to EUR 116.5 million (31 December 2008: EUR 111.2 million) and in current provisions by EUR 1.2 million to EUR 13.2 million (31 December 2008: EUR 12.0 million) had a slightly offsetting effect.

Cash flows

Consolidated cash flow statement of the Conergy Group (short version)		
EUR million	**2009**	**2008***
Result from operating activities before changes in net working capital	**–37.5**	**–4.9**
Cash generated from operating activities		
continuing operations	53.1	–104.9
discontinued operations	15.4	–56.0
Cash generated from operating activities (total)	**68.5**	**–160.9**
Net cash generated from investing activities	**–14.9**	**–21.2**
Net cash generated from financing activities	**–27.2**	**146.4**
Change in cash from operating activities (total)	**26.4**	**–35.7**
Cash and cash equivalents at beginning of period	28.0	63.7
Exchange rate changes	0.0	0.0
Cash and cash equivalents at end of period	**54.4**	**28.0**
continuing operations	52.1	27.7
discontinued operations	2.3	0.3

* Previous year's figures adjusted; see notes

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

Based on operating income (EBIT) of EUR -36.8 million (2008: EUR -181.9 million) in the 2009 financial year, adjusted for non-cash items such as depreciation, amortisation and impairment losses, changes in non-current provisions as well as other non-cash income and expenses such as, for instance, portions of the net gain/loss from currency translation, and writedowns of inventories and receivables, the cash outflow from operating activities before changes in net working capital in the 2009 financial year increased by EUR 32.6 million to EUR 37.5 million (2008: EUR 4.9 million) compared to the previous year.

At EUR 53.1 million, the cash flow generated from operating activities related to continuing operations in the 2009 financial year was considerably improved compared to 2008, when a cash outflow of EUR -104.9 million was recognised. As a result, the Company succeeded in generating a positive net cash flow from operating activities in 2009. This was due to the inflow of funds from the reduction in the working capital by EUR 97.9 million (2008: outflow of funds in the amount of EUR 20.0 million). The relatively large decrease in inventories in the amount of EUR 89.6 million (2008: EUR 74.8 million) was the main reason for the reduction in the working capital. At the same time, trade accounts payable rose by EUR 17.6 million; in 2008, there had been a substantial reduction in trade accounts payable by EUR 194.5 million. In the previous year, trade accounts payable fell by EUR 99.7 million while in 2009, there was an increase in trade accounts payable by EUR 9.3 million. The other net assets decreased by EUR 9.9 million (2008: EUR 82.0 million). Tax refunds in 2009 were EUR 2.6 million (2008: EUR 2.0 million), which was slightly more than in the previous year.

The cash flow from operating activities related to the discontinued operations of the EPURON segment – biomass, biogas, wind energy projects and CSP – in the 2009 financial year was EUR 15.4 million (2008: EUR -56.0 million). This figure was shown in a separate item in the statement of cash flows. Operating activities generated a total of EUR 68.5 million in cash inflows for the Group; the previous year, in contrast, operating activities had led to a total of EUR 160.9 million in cash outflows, taking discontinued operations into account. Aside from the improvement in the operating result, this was also due to the fact that the working capital developed along a positive trajectory.

At EUR 14.9 million, the net cash used for investing activities in the 2009 financial year was EUR 6.3 million lower year on year (2008: EUR 21.2 million). The Group invested a net total of EUR 12.3 million (previous year: EUR 34.5 million) in property, plant and equipment as well as intangible assets. The increased outflow of funds in 2008 stemmed primarily from investments in Frankfurt (Oder). The cash outflow for investments in financial assets amounted to EUR 3.4 million (2008: EUR 0.8 million). Contrast this with cash inflows of EUR 11.3 million from the sale of solar thermal subsidiaries in the 2008 financial year. The Conergy Group received interest payments of EUR 0.8 million (2008: EUR 2.1 million).

The Conergy Group's net cash flow from financing activities in the 2009 financial was EUR -27.2 million (2008: EUR 146.4 million). The high inflow of funds in 2008 resulted from the capital increase in December, which generated gross proceeds of approx. EUR 399.3 million for the Conergy Group. Outflows in connection with the capital increase in the 2008 financial year were EUR 32.6 million. Outflows for Group loan payments in 2009 were EUR 55.5 million (2008: EUR 277.5 million). Among other things, this includes a partial payment of EUR 18.8 million under the syndicated loan that was used to finance the solar factory in Frankfurt (Oder). Furthermore, the sale of thin film photovoltaic systems in Germany also lowered borrowings. Add to that interest payments of EUR 20.4 million – far below the previous year's level (2008: EUR 59.3 million). Contrast this with an inflow of funds of EUR 48.7 million in new borrowings (2008: EUR 116.5 million) as part of the syndicated loan. The change in cash and cash equivalents in the 2009 financial year was EUR 26.4 million, compared to EUR -35.7 million the previous year.

Cash and cash equivalents and net liabilities

The Conergy Group had cash and cash equivalents of EUR 52.1 million as at 31 December 2009 (31 December 2008: EUR 27.7 million).

As at 31 December 2009, borrowings amounted to EUR 293.6 million, compared to EUR 317.2 million at the close of the 2008 financial year. Borrowings as at 31 December 2009 thus decreased by EUR 23.6 million compared to the 2008 balance sheet date. The Group's net liabilities as at the end of 2009 thus were EUR 241.5 million (31 December 2008: EUR 289.5 million).

Net liabilities and gearing		31.12.2009	31.12.2008
Non-current borrowings	EUR million	**88.8**	**86.5**
Current borrowings	EUR million	**204.8**	**230.7**
Borrowings	EUR million	**293.6**	**317.2**
Cash and cash equivalents	EUR million	52.1	27.7
Net liabilities related to continuing operations	EUR million	**241.5**	**289.5**
Equity	EUR million	116.0	196.8
Gearing	in percent	**208.2**	**147.1**

At the same time, the gearing ratio, i. e. the ratio of net borrowings (borrowings less liquid funds) to equity as at 31 December 2009 increased to 208.2 percent (31 December 2008: 147.1 percent). The development of gearing against a backdrop of slightly lower net liabilities is essentially due to the reduction in equity as a result of the loss incurred in the 2009 financial year.

In a deviation from the presentation in the consolidated balance sheet, the cash holdings shown in the statement of cash flows as at 31 December 2009 contain EUR 2.3 million in cash and cash equivalents attributable to assets held for sale. At total of EUR 0.3 million was recognised under discontinued operations as at 31 December 2008.

To ensure sufficient operating liquidity, on 31 July 2007 Conergy AG, EPURON GmbH, Conergy SolarModule GmbH & Co. KG and Conergy Deutschland GmbH closed a syndicated loan for a total of originally EUR 600.0 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG (EUR 400.0 million cash loan and EUR 200.0 million guarantee and documentary credit facility). The cash loan is divided into two tranches and is intended for financing the construction of the production facility in Frankfurt (Oder) (Tranche A) and for financing Conergy Group's working capital requirements (Tranche B with a revolving facility of EUR 250.0 million). In addition, the syndicated loan provides a guarantee and documentary credit facility of EUR 200.0 million. Tranche A, amounting to EUR 150.0 million, was originally to be repaid by 31 December 2011, in half-yearly installments starting on 30 June 2008. A total of 37.5 million were repaid in 2008 and a total of EUR 18.8 million were repaid in 2009 as agreed with the banks. An additional loan payment of EUR 18.8 million was made once the out-of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in

mid-February 2010. Tranche B, amounting to EUR 250.0 million was originally due for total repayment on 31 July 2010. On 29 July 2010 Conergy reached an agreement with its financing banks to extend its loans to the end of 2011. In addition, the parties have agreed to postpone payments of the three remaining instalments of the term loan (tranche A), also to the end of 2011.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case.

The loan agreement imposes operating limitations on both Conergy and its subsidiaries as well as extensive disclosure requirements and the obligation to comply with specific financial indicators. Conergy has undertaken thereunder to ensure that certain balance sheet and earnings ratios, such as the ratio of consolidated net borrowings to consolidated EBITDA (in each case with and without contingent liabilities), a specific ratio of consolidated EBITDA to consolidated net interest expense and a specific equity ratio do not exceed or fall below a specific figure.

Certain other requirements do apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional debt, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations triggers an extraordinary right of termination on the lenders' part, giving them the right to call the loan immediately. The lenders have other rights to terminate, for example, if a German or other significant subsidiary files for insolvency.

Other information

Non-financial performance indicators

Activities in the 2009 financial year focused on the continuation of the restructuring programme that had been launched at the end of 2007. We established non-financial performance indicators during the restructuring that help to restructure and realign the Conergy Group and close the gap to our competitors; it is our view that financial performance indicators by themselves fail to adequately capture all of a company's strengths and weaknesses. These non-financial performance indicators are broken down into certain categories that we leverage in order to attain our restructuring goals, specifically: Employees as agents of success, corporate communications and the code of conduct; on the marketing side, they include extensive experience in project management and project financing, engineering expertise and a broad, internationally diverse customer base.

Employees as agents of success

The restructuring and realignment of the Conergy Group would not have been possible absent the know-how, the creativity and the commitment of our employees and executives. Both staff and management must be integrated into all processes in order to facilitate the management of change. It is precisely their identification with Conergy and their commitment to its goals that are decisive to its success. Targeted off-the-job training aimed at enhancing the qualifications of employees and executives alike is thus central to the Company's future performance. At the same time, this serves to challenge and foster employees' potential by giving them a lot of individual responsibility among other things. Internal personnel programmes as well as the annual employee development review and dialogue support this process. We are also recruiting highly qualified and experienced professionals as necessary. Remuneration models that reward individual performance through variable, performance-based compensation enhance employee motivation.

Corporate communications

We are engaged in intensive communications work, for open and transparent communication both internal and external serves to help our employees, customers, business partners and investors regain their confidence in the Company following its crisis at the end of 2007 and in the wake of the financial market and economic crisis.

Hence internal communications can be used to counteract employees' uncertainty in the wake of the restructuring process. We also initiated an internal employee suggestion system in order to tap into employees' ideas and experience in connection with the Group's realignment and foster a dialogue between staff and top management on issues related to the operating business. Specially established round tables between employees and executives as well as regular newsletters aimed at the Company's workforce further enhance internal communications and transparency.

Credible external communications serve to restore the confidence of our customers, suppliers, business partners and investors in the Company following its earnings and liquidity crisis at the end of 2007. Creating confidence is thus being defined as a corporate goal. The capital market participants attending these events were interested in the progress the Company had made in its restructuring programme, among other things. Conergy responded to these questions by instituting a dialogue characterised by openness and transparency.

Conergy's customers are yet another important target group in our communications work because open information and a strong brand positively enhance customer loyalty. We also aim to intensify our conversations and close business relationships with our wide and diversified customer base in order to lay the groundwork for enhancing our attractiveness and thus increasing customer loyalty. Our profound market intelligence on the international PV market, our extensive references and our engineering expertise stand us in good stead in this connection.

Code of Conduct

As early as in the 2007 financial year, the Management Board issued a company-wide Code of Business Conduct and Ethics applicable to the employees of the Conergy Group that regulates relationships with business partners and government authorities; issues of confidentiality, independence and objectivity; as well as conflicts of interest. This Code is the ethical foundation of all business activities and describes the values, principles and practices of the Conergy Group. In addition, the Code of Conduct describes the fundamental ethical and legal duties of the Conergy Group's employees and corporate bodies as they conduct their business. Compliance with these standards is monitored by a compliance committee organised by the legal department. The Compliance Committee works to ensure that absolutely everybody in the Company abides by the same high ethical and legal standards. It is responsible for publicising the Code of Conduct and its aims among the Company's employees, training them and ensuring compliance with the guidelines. At the same time, the compliance committee functions as a point of contact for our employees. All compliance officers can also be contacted individually.

Extensive experience in project management and project financing

Since its founding, Conergy has executed major projects with more than 500 MWp in renewables output. This makes Conergy one of the most experienced project developers and engineers in the field of regenerative energies. Conergy offers its customers the complete value chain from planning to construction to start-up. It believes that its comprehensive expertise in planning and implementing everything from smaller off-grid facilities to special architectural solutions all the way to major multi-megawatt renewables farms gives it an important competitive advantage. Conergy also possesses many years of experience and excellent contacts in project financing.

Product- and technology strength and flexibility

Conergy has access to different state-of-the-art technologies in photovoltaics, i. e. mono- and multicrystalline silicon as base materials for crystalline solar modules that it manufactures itself as well as thin film solar modules that it purchases. Whilst crystalline technology – due to higher efficiency – accounts for the largest share of business in both the residential and the commercial market segment, Conergy can also equip power plants with economical thin film technology in the power plant market segment. The fact that both of these PV technologies are available makes Conergy attractive for its customers.

Extensive references and engineering expertise

The construction of a multitude of PV units both at home and abroad has given Conergy's engineers a vast well of experience to draw from. These engineers plan and build small island facilities, electrify remote regions, devise special architectural solutions and design multi-megawatt PV farms. They ensure the installations' optimal operation over their entire useful life with the help of a far-flung installation and services network. Conergy's experience with all system components allows it to develop and implement optimally coordinated components and systems. Even the tiniest efficiency gains per system can generate noticeable benefits for customers throughout the systems' useful

life in terms of both yield and value added. Conergy has executed a large number of important pilot projects based on excellent engineering work. References are an important factor in selling major projects and acquiring new customers. From the standpoint of customers and investors, a provider's experience and references are highly significant because investments in photovoltaics can be considerable. The Company's excellent reputation thus is pivotal to its success.

Broad and internationally diversified customer base, customer access and customer proximity
Through the years, Conergy has consistently worked to internationalise its customer base in order to reduce any dependence on individual local markets, legislative models promoting renewables or individual customer groups. Acquisitions in recent years, increased partnerships and a local presence have catapulted Conergy into the core photovoltaics markets. In future, it will focus even more fully on established attractive growth markets while pursuing its internationalisation. The Company's insight into central customer groups in the B2B business as well as into financial investors and their respective expectations and needs are a central component in building economic success in the PV market. Many years of working with a multitude of customers in these segments have led to broad knowledge of the needs and expectations of these customer groups, greatly facilitating services to these target groups while at the same time enhancing customer loyalty. Loyal, profitable customers are a strategic asset in buyers' markets.

Research and development

Conergy has been intensifying its research and development activities at its solar factory in Frankfurt (Oder) since the start of 2009 with the aim of pushing the production of solar wafers, cells and modules. A team of specialists uses both targeted R&D projects and new materials to continuously refine our state-of-the-art manufacturing processes.

We can conduct almost the entire range of tests for certification purposes in our own climate chambers and labs; a clean room for chemical processes is also available. In the labs, our experts subject the materials utilised and the Conergy PowerPlus Solar Module to ongoing quality assurance and long-term tests.

Combining a variety of analytic procedures as well as other qualifying methods such as electroluminescence and thermography yield considerable improvements in both output and production quality. Our specialists apply their analytic findings directly to the mass production at the solar factory in Frankfurt (Oder). We aim to continue optimising the processes involved in the production of wafers, cells and modules and lowering production costs.

Conergy works closely with research institutes and facilities throughout Germany to expand its own know-how. The Economics Ministry of the German state of Brandenburg is already providing millions in grants to Conergy in view of supporting its cutting-edge technologies.

Mounting system technology is also refined on an ongoing basis. Our engineers test new materials and manufacturing processes in our own R&D department but also in collaboration with universities and scientific research institutes. Current approaches to securing the mounting systems are optimised on a continuous basis. In that connection, our developers look beyond our own industry to other technologies' applications, even turning to the manufacture of airplanes or automobiles for new ideas.

Our wholly-owned subsidiary, voltwerk electronics GmbH, develops the electronic components used to operate photovoltaic systems. These are string and central inverters and tracking systems, as well as systems for plant management. A number of different teams at our sites in Hamburg and Bad Vilbel devote all of their time to optimising our products in order to make them even more competitive and adjusting them in ways that anticipate ever-changing statutory requirements.

Within the framework of the "Sol-ion" project, voltwerk electronics GmbH leads the research on new solutions for temporarily storing PV energy using lithium-ion batteries. Sol-ion is a project that is being funded by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. Aside from voltwerk electronics GmbH, the companies participating in the research are Saft Batteries; EON Bayern AG; ISEA – Institut für Stromrichtertechnik und Elektrische Antriebe; Fraunhofer-Institut für Windenergie und Energiesystemtechnik IWES; Zentrum für Sonnenenergie- und Wasserstoff-Forschung (ZSW); Tenesol and Institut National de l'Energie Solaire.

The complete system that is being developed by voltwerk electronics GmbH will be able to make the electricity used at present available as needed. The energy required to that end will be made available directly from the PV unit, the storage unit or a combination of both.

Development of a three-point topology helped to boost the performance of the string inverters to a considerable extent. The housing of the string inverters was completely redesigned for the new generation of these devices. Work on developing the new, three-phase inverters for performance classes 8, 11 and 15 kW was also completed by the close of the year.

The development of the StringInverter Setup Tool is a new product in the private & small commercial segment. This tool recognises the so-called current voltage curve via the voltwerk/Conergy string inverter, thus facilitating the final on-site inspection of a PV unit. The StringInverter Setup Tool is not just an optimal maintenance and service tool but also helps in the start-up of inverters.

Disclosures related to acquisitions

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

Summary of subscribed capital

The Company's subscribed capital (capital stock) as at the 31 December 2009 balance sheet date was EUR 398,088,928. It is denominated in 398,088,928 no-par bearer shares with a pro-rata interest in capital of EUR 1.00 per no-par share. Each share grants identical rights and one vote at the General Shareholders' Meeting. New shares are issued as bearer shares unless the General Shareholders' Meeting resolves otherwise.

Limitations on voting rights

Pursuant to Section 21 para. 1 German Securities Trading Act (WpHG), Allianz SE, Munich, had notified Conergy AG on 10 December 2008 – on its own behalf and for its subsidiaries, Allianz Finanzbeteiligungs GmbH, Munich, and Dresdner Bank AG, Frankfurt (Main) – in connection with the December 2008 cash capital increase by EUR 363,000,000 that its interest in the voting shares of Conergy AG on 2 December 2008 (the settlement date for the shares subscribed by the shareholders) was 38.99 percent (equivalent to 155,231,704 voting shares). Dresdner Bank AG, which at the time was still legally independent, had subscribed and taken over the new shares from the cash capital increase with the proviso that it would offer them for purchase to the Company's shareholders by means of an indirect subscription right in accordance with Section 186 para. 5 German Stock Corporation Act. Allianz SE as well as its subsidiaries, Allianz Finanzbeteiligungs GmbH and Dresdner Bank AG, had been exempted from their obligations under Section 35 German Securities Acquisition and Takeover Act in regards to this share purchase by notice dated 11 November 2008 of the Federal Financial Supervisory Authority (BaFin) pursuant to Section 37 para. 1 in conjunction with Section 8 et seq. of the Offer Regulations of the German Securities Acquisition and Takeover Act. The exemption was granted under the condition that Dresdner Bank AG not exercise the voting rights arising from its equity interest in the Company insofar as its interest in the voting shares does not reach or exceed the threshold of 30.0 percent of all voting shares.

By notice dated 21 January 2009, BaFin also exempted Commerzbank AG from its obligations under Section 35 German Securities Acquisition and Takeover Act in connection with its acquisition of absolutely all shares of Dresdner Bank AG on 12 January 2009. This exemption too was granted with the proviso that Commerzbank AG not exercise the voting rights arising from its equity interest in Conergy AG, indirectly or directly, insofar as its interest in the voting shares of Conergy AG does not reach or exceed the threshold of 30.0 percent of all voting shares. BaFin had reserved the right to reverse its decision if the interest of Commerzbank AG in the voting shares of Conergy AG is not reduced to less than 30.0 percent as defined in Section 29 para. 2 and Section 30 German Securities Acquisition and Takeover Act within one year of the recording of the capital increase on 1 December 2008.

On 21 October 2009, Commerzbank AG finally published a supplementary letter from BaFin regarding its exemption from the obligation to make a takeover offer, according to which Commerzbank AG had applied to have the aforementioned cancellation period extended by one year. In response, BaFin told Commerzbank AG that it did not see any need for formally supplementing its exemption notice dated 21 January 2009. Reserving its right to reverse its decision allowed BaFin to react flexibly to changes in the market or the

situation of Conergy AG. According to the information made available at the time, BaFin did not intend to use its right to reverse its decision as long as Commerzbank AG did not use its voting shares in Conergy AG to pursue any economic interests of its own. Hence BaFin would refrain from exercising its right to reverse its decision until 1 December 2010.

Equity interests in excess of 10.0 percent of the voting shares

As at the reporting date, the following direct and indirect equity interests in Conergy AG surpassed the 10.0 percent threshold of voting shares:

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

Commerzbank AG, Frankfurt (Main), notified Conergy AG on 14 January 2009 pursuant to Section 21 para. 1 German Securities Trading Act that its interest in the voting shares of Conergy AG in connection with the takeover of Dresdner Bank AG, Frankfurt (Main) on 12 January 2009 exceeded the reporting thresholds of 3.0, 5.0, 10.0, 15.0, 20.0, 25.0 and 30.0 percent and was 37.01 percent (i.e. 147,351,748 voting shares) at that date. These voting shares are attributable to Commerzbank AG under Section 22 para. 1 sentence 1 no. 1 German Securities Trading Act and were held by Dresdner Bank AG.

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

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

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

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

Authority of the Management Board to issue shares and share buyback

Pursuant to Article 5 para. 3 of the Articles of Association, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's capital stock until 9 June 2014 by a total of up to EUR 100,000,000 by once or repeatedly issuing up to 100,000,000 new no-par bearer shares in return

for contributions in cash and/or in kind ("Authorised Capital 2009"). In principle, the shareholders are granted a subscription right. The new shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription.

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

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

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

The capital stock is increased using contingent capital by up to EUR 199,044,464 in accordance with Article 5 para. 8 of the Company's Articles of Association by issuing up to 199,044,464 new no-par bearer shares with a pro rata interest in the capital stock of EUR 1.00 per share (Contingent Capital). This contingent capital increase serves to grant no-par bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or income bonds (or combinations of these instruments) that are issued by the Company or its direct or indirect associates under the authorisation granted by the General Shareholders' Meeting on 10 June 2009 pursuant to Agenda item 9 in return for cash contributions and establish a conversion right or option to the Company's new no-par bearer shares or a conversion obligation. This contingent capital increase shall be executed only insofar as the options or conversion rights are exercised or insofar as the holders or creditors obligated to convert actually fulfil their conversion obligation and provided that no treasury shares or new shares issued under authorised capital are used to satisfy same.

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

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

in the capital stock. The shares bought back under items (a) through (c) above, along with the Company's other treasury shares, which it already purchased or still retains, may not account for more than 10 percent of the capital stock.

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

Key agreements of the Company

A material financing agreement that gives the financing banks the right to terminate the agreement in the event of a change of control in accordance with its relevant provisions is a key agreement that will be affected by a change of control of Conergy AG. This concerns the EUR 600,0 million syndicated loan that was extended to the Company in July 2007 in the event a third-party investor takes over more than 50.0 percent of the capital stock entitled to vote. All investors not known as existent major shareholders under the syndicated loan are deemed third-party investors as defined in the aforementioned agreements. A potential investor would be obligated to raise funds on its own if one of the lenders were to exercise its right to immediate termination and repayment of the amounts owed to it under the respective loan agreement in the event of such a change of control.

The employment contracts of individual members of the Management Board give those among them to whom such a provision applies the right to terminate their contracts for cause in the event of a defined change of control of Conergy AG. Hence there is no guarantee in the event of a change of ownership that Conergy AG's existing senior management would continue to be available to the Company.

The Conergy share

Regarding the development of Conergy's share in the 2009 financial year, we refer to pages 26 – 27 of this annual report.

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

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

Compensation of the Management Board

Pursuant to the recommendations of the German Corporate Governance Code, the total compensation paid to the members of the Management Board comprises both fixed and variable components. The variable compensation of the Management Board comprises an annual performance bonus, the amount of which is contingent on the achievement of goals that the Supervisory Board fixes in advance at its discretion. The variable component also contains share-based compensation elements in the form of stock appreciation rights (phantom stock options).

The appropriate amount of compensation paid to the individual members of the Management Board is determined by the Supervisory Board based on performance appraisals, taking all payments from the Group into account. Criteria for determining the appropriateness of compensation are, in particular, the tasks of the respective member of the Management Board, his personal performance, the performance of the Management Board as well as the economic situation, the performance and outlook of the enterprise taking into account its peer companies.

The fixed component largely comprises compensation that is paid monthly as a salary and is not based on performance. In addition, all members of the Management Board receive benefits in the form of non-cash compensation such as the option to use company cars for private purposes as well as contributions to their retirement plans as well as to insurance expenses; these benefits are part of their compensation and thus taxable. As a rule, all members of the Management Board are entitled equally to these benefits but the amounts vary according to personal needs. No Management Board member was granted loans or advances in the reporting year, nor did the Company incur any contingent liabilities on their behalf.

A Long-Term Incentive Plan (LTIP) was introduced for the Management Board of Conergy AG back in 2007; the Management Board members, Dr. Jörg Spiekerkötter, Philip von Schmeling and Nikolaus Krane were the last to participate in it. It has been cancelled in the meantime. Reason for this is the ongoing restructuring of the company as well as the extraordinary complexity of the program. A new agreement that corresponds to the existing agreement with both Dieter Ammer and Dr. Andreas von Zitzewitz was made with the Management Board members, Dr. Jörg Spiekerkötter and Philip von Schmeling, in the spring in regards to their variable compensation. Under this agreement, all members of the Management Board are paid an annual performance bonus, the amount of which is contingent on the achievement of goals that the Supervisory Board fixes in advance at its discretion. If 100 percent of these targets are met, the respective member of the Management Board is entitled to an annual performance bonus equivalent to his fixed annual compensation. The annual performance bonus is raised in increments relative to the fixed annual compensation for each 10 percentage points by which goal achievement surpasses the baseline, up to a maximum of 50 percent; it is reduced in increments relative to the fixed annual compensation for each 10 percentage points by which goal achievement falls short of the baseline.

The adequacy of Philip von Schmeling's fixed compensation was reviewed as at 1 January 2009 and raised for the reporting year by TEUR 5 per month to a monthly total of TEUR 20. But this increase was not included in the amount underlying the calculation of the annual performance bonus. The aforementioned agreement on the variable compensation notwithstanding, in the case of Philip von Schmeling the underlying amount thus is not based on his current fixed compensation but instead on the fixed compensation prior to his raise.

Dr. Jörg Spiekerkötter and Philip von Schmeling no longer have any claims for previous years under the LTIP. Mr. Nikolaus Krane cannot bring any claims under the LTIP since his resignation from the Management Board.

Mr. Dieter Ammer is entitled to an annual performance bonus of TEUR 500 if the goals are met in full. His annual performance bonus is raised in increments of TEUR 50 for each additional 10 percentage points by which goal achievement surpasses the baseline, up to a maximum of TEUR 750; it is reduced in increments of TEUR 50 for each 10 percentage points by which goal achievement falls short of the baseline.

In addition, Dieter Ammer has also been participating in a share-based compensation programme in the form of stock appreciation rights with a three-year term starting 1 September 2008. These stock appreciation rights were divided into two tranches of 50 percent each. The first tranche may be exercised at the earliest upon expiration of a waiting period of six months, and the second tranche at the earliest upon expiration of a waiting period of one year and six months from 1 September 2008. Furthermore, the exercisability of stock appreciation rights is also tied to the positive development of Conergy AG's share price. The first tranche may be exercised only if and as soon as the Company's share exceeds a price of EUR 1.27 (which was fixed as the base price) by at least 10 percent, on the thirtieth trading day, at the earliest, at the Frankfurt (Main) Stock Exchange prior to expiration of the waiting period of the stock appreciation rights and no later than prior to the expiration of the overall maturity. The second tranche may only be exercised if the share price exceeds the base price by at least 20 percent under the same conditions. Any exercise of the stock appreciation rights is ineffective absent the fulfillment of these performance targets. Stock appreciation rights must be exercised no later than by the stock's final maturity; if not, they will be forfeited outright without compensation. For every stock appreciation right exercised to legal effect, Mr. Dieter Ammer has a claim against the Company for payment in cash of an amount corresponding to the difference between the unweighted closing price of Conergy AG's share in Deutsche Börse AG's Frankfurt (Main) XETRA trading on the last 30 consecutive trading days preceding the exercise date of the stock appreciation right (limited to a specific maximum price) and the base price. The fair value of the share-based payments as at the 31 December 2009 balance sheet date was approximately TEUR 164.

Dr. Jörg Spiekerkötter is entitled to an annual performance bonus of TEUR 500 if all performance targets are met. His annual performance bonus is raised in increments of TEUR 50 for each additional 10 percentage points by which goal achievement surpasses the baseline, up to a maximum of TEUR 750; it is reduced in increments of TEUR 50 for each 10 percentage points by which goal achievement falls short of the baseline.

Dr. Jörg Spiekerkötter also participates in a share-based compensation programme entailing stock appreciation rights embodied in phantom stock options with a term of three years overall. These phantom options are divided into three tranches with terms of one, two and three years. Three exercise dates have been set; on each date, a third of the Phantom Stock Options granted can be exercised. After three years, all of the Phantom Stock Options are exercisable. Unexercised options may be carried over to the next two tranches. At the time the Phantom Stock Options are exercised, Conergy AG is obligated to pay the difference between the base price that is fixed at the inception of the stock option programme and the volume-weighted average share price during the last 85 trading days prior to the end of the relevant service period. The difference will be increased or decreased by 10 to 20 percent depending on the development of Conergy's share relative to the Öko-Dax reference index. The gross amount paid out is restricted to a fixed total amount, which may not be exceeded, even if the calculation principles used would technically have resulted in a higher amount. Given the performance of the Company's share price, as at 31 December 2009 no provision for the corresponding stock option plan was recognised. The provision that had been recognised the previous year was reversed in the reporting year, reducing personnel expenses by TEUR 8.

Dr. Andreas von Zitzewitz is entitled to an annual performance bonus of TEUR 400 if all performance targets are met. His annual performance bonus is raised in increments of TEUR 40 for each additional 10 percentage points by which goal achievement surpasses the baseline, up to a maximum of TEUR 600; it is reduced in increments of TEUR 40 for each 10 percentage points by which goal achievement falls short of the baseline. Dr. Andreas von Zitzewitz shall also be included in any stock option plan or share-based payment plan that the Company might establish in future.

Philip von Schmeling is entitled to an annual performance bonus of TEUR 180 if all performance targets are met. His annual performance bonus is raised in increments of TEUR 18 for each additional 10 percentage points by which goal achievement surpasses the baseline, up to a maximum of TEUR 270; it is reduced in increments of TEUR 18 for each 10 percentage points by which goal achievement falls short of the baseline.

The Company paid Nikolaus Krane pro rata compensation for the duration of the 15-month post-signing noncompete clause equivalent to 50 percent of his total compensation (fixed and variable compensation if 100 percent of the targets are met), for a total of TEUR 300 in connection with his resignation from the Management Board effective at the end of 30 April 2009. Nikolaus Krane is obligated to reimburse the entire aforementioned compensation to the Company in the event of any breach of the post-signing noncompete clause. He has no other claims to compensation.

The contracts with Philip von Schmeling and Dr. Jörg Spiekerkötter as Management Board members provide for compensation corresponding to no more than the severance pay cap specified in item 4.2.3 of the German Corporate Governance Code in case of early termination of their respective activities as such. In a deviation from the foregoing sentence however, maximum severance pay corresponding to the higher level under item 4.2.3 of the German Corporate Governance Code has been stipulated with Dr. Jörg Spiekerkötter if he terminates his contract in the event of a change of control.

If Dr. Andreas von Zitzewitz terminates his activities for the Management Board early, his contractually stipulated severance pay shall be limited to an amount that is equivalent to two full years of compensation, provided 100 percent of the performance targets have been met, up to a maximum of the compensation payable for the remainder of his director's contract. Dr. Andreas von Zitzewitz also has a special right to terminate his director's contract for cause if a successor to Dieter Ammer is appointed to the position of Chairman of the Company's Management Board without the position having been offered to Dr. Andreas von Zitzewitz first. In that case, Dr. Andreas von Zitzewitz shall be entitled to severance pay corresponding to six months of fixed compensation.

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

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

TEUR	Dieter Ammer	Dr. Andreas von Zitzewitz	Nikolaus Krane**	Philip von Schmeling	Dr. Jörg Spiekerkötter	Total
Fixed annual compensation	500	400	69	240	500	1,709
Compensation in kind/other benefits*	23	23	302	21	12	381
Non-performance-based compensation	**523**	**423**	**371**	**261**	**512**	**2,090**
Short-term variable compensation	225	180	0	81	225	711
Directly paid compensation	**748**	**603**	**371**	**342**	**737**	**2,801**
Fair value of newly granted sharebased payment	0	0	0	0	0	0
Total compensation according to HGB	**748**	**603**	**371**	**342**	**737**	**2,801**
Long-term variable compensation (benefits vested in the current year)	0	0	0	0	0	0
Change in value of existing benefits	40	0	0	0	-8	32
Share-based payment	**40**	**0**	**0**	**0**	**-8**	**32**
Total directly paid compensation	748	603	371	342	737	2,801
Long-term variable compensation (benefits vested in the current year)	0	0	0	0	0	0
Change in value of existing benefits	40	0	0	0	-8	32
Total compensation according to IFRS	**788**	**603**	**371**	**342**	**729**	**2,833**

* The other compensation components primarily comprise non-cash compensation (e.g. company car, insurance, removal costs) and allowances for pension insurance (relief fund); in the case of Nikolaus Krane also the waiting allowance
** Member of the Management Board until 30 April 2009

Compensation of the Supervisory Board

The policy for the compensation of the Supervisory Board was established by the General Shareholders' Meeting in 2004 and 2009 based on the joint proposals of the Management Board and the Supervisory Board. The compensation of the Supervisory Board takes into consideration the responsibilities and duties of each of the Supervisory Board members as well as the Company's economic performance. Accordingly, Supervisory Board members have been paid fixed compensation of TEUR 16.5 per annum since the 2007 financial year. They also receive performance-based components in addition to this fixed compensation. Members of the Supervisory Board are thus paid an additional EUR 500 per one-million euro increment of annual net income up to a maximum of TEUR 11 in performance-based compensation. The Chairman of the Supervisory Board is paid two-and-a-half times and the Deputy Chairman one-and-a-half times the fixed and variable compensation paid to regular members of the Supervisory Board. Each member of the Supervisory Board also receive an attendance fee of EUR 1,000 for each meeting in which the member participates. Finally, committee members are paid EUR 1,000 for each day on which they attend a committee meeting.

TEUR	Fixed compen-sation	Attendance compensation	Committee compensation	Variable com-pensation	Total
Eckhard Spoerr (chairman since November 2007)	41	10	9	–	60
Dr. Dr. h.c. Andreas J. Büchting (until 30 January)	1	–	–	–	1
Oswald Metzger	16	10	–	–	26
Alexander Rauschenbusch (Member and deputy chairman until 30 January)	2	–	–	–	2
Andreas Rüter (until 30 January)	1	–	–	–	1
Johann Baptist Jetter (until 30 Januar)	1	–	–	–	1
Norbert Schmelzle (Member since 6. February, deputy chairman since 2. March)	22	10	9	–	41
Klaus-Joachim Krauth (since 6. February)	15	10	4	–	29
Andreas de Maizère (since 6. February)	15	10	4	–	29
Bernhard Milow (since 22. April)	11	7		–	18
	125	**57**	**26**	–	**208**

Shareholdings of the Management Board and the Supervisory Board members
A total of 15,096,953 shares were held by the members of the Management Board as of 31 December 2009. This equates to 3.8 percent of the shares issued by Conergy AG. No shares were held by members of the Supervisory Board as of 31 December 2009.

	Number of shares held as of 31.12.2009
Management Board	**15,096,953**
Dieter Ammer	15,074,082
Dr. Jörg Spiekerkötter	–
Dr. Andreas von Zitzewitz	7,840
Philip von Schmeling	15,031
Aufsichtsrat	**–**
Eckhard Spoerr (Chairman)	–
Oswald Metzger	–
Norbert Schmelzle	–
Klaus-Joachim Krauth	–
Andreas de Maizière	–
Bernhard Milow	–

Events after the reporting period

On 27 April 2009, Conergy AG had filed a lawsuit in New York City – the place of jurisdiction pursuant to the Company's ten-year contract with US-based MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant that was signed in late 2007 – seeking to invalidate the contract by declaratory judgment. The litigation was based on the fact that the contract contained a number of invalid and, in particular, anti-competitive provisions, which Conergy believed rendered the entire contract invalid. Conergy had already initiated talks with MEMC at the end of 2008 in order to settle the matter out of court. Whilst these negotiations aimed at setting aside the contract did lead to an accord on the economic conditions governing the parties' future collaboration, they were not implemented with respect to a number of ancillary terms. In the final analysis, Conergy AG felt compelled to file a lawsuit seeking to invalidate the delivery contract by declaratory judgment.

On 24 January 2010, Conergy and MEMC Inc. settled their dispute out of court and agreed to adjust the original USD 8.0 billion wafer delivery contract once again. The amount to be purchased from MEMC in future will be aligned with the needs of the Conergy Solar Factory in Frankfurt (Oder). The wafer prices are based on the prevailing market price. In future, MEMC will cover roughly one half of Conergy's demand, especially for the Frankfurt (Oder) plant. Conergy will obtain the remainder from third parties. The settlement also allows Conergy to procure ingots from other suppliers. This means that the Company will be able to continue using its Frankfurt (Oder) wafer sawing facility to capacity and thus to enhance the value chain.

As a result, significant imminent disadvantages in terms of both costs and competition have been eliminated, both procurement and raw material supplies have been made sufficiently flexible and efficient compared to the old agreement, and the supply of raw materials has been secured. In 2010 Conergy will thus be able to continue raising production at its module factory and produce its premium Conergy PowerPlus modules even more economically.

The Supervisory Board of Conergy AG appointed Andreas Wilsdorf Chief Sales Officer responsible for sales and marketing on 1 March 2010. He started working on 15 March 2010 and will be responsible for the sales and marketing of the established Conergy brand. Andreas Wilsdorf takes the place of Philip von Schmeling, previously the Chief Sales Officer. Philip von Schmeling has resigned as member of the Management Board with effect of the end of 23 April 2010.

Eckhard Spoerr resigned from his position as Chairman of the Supervisory Board of Conergy as well as from his Supervisory Board seat at his own volition and for personal reasons effective 19 July 2010. The Company's Supervisory Board elected Norbert Schmelzle as its new chairman and Klaus-Joachim Krauth as his deputy. Given that a new Supervisory Board must be elected at Conergy AG's imminent General Shareholders' Meeting anyway, both the Supervisory Board and the Management Board of Conergy AG waive their right to ask the court to appoint a substitute member for Eckhard Spoerr in the interim.

On 29 July 2010 Conergy reached an agreement with its financing banks to extend its loans to the end of 2011. As such, the consortium of banks is continuing to support Conergy in the successful operational development. The company expects to return to an annual operating profit again this year. The loan was basically due on 31 July 2010.

In addition, the parties have agreed to postpone payments of the three remaining instalments of the term loan, also to the end of 2011. This will enable the company to realise the growth targets it has set.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case.

With effect of 1 August 2010, the appointment of Dieter Ammer as Member of the Management Board as well as Chairman of the Board was extended by additional three months until the end of 31 October 2010. One reason for this is that the Supervisory Board has asked Ammer to accompany the 2010 Annual General Meeting. In addition, a shareholder with a more than 25 percent stake in Conergy has proposed to elect him to the Supervisory Board. Should Supervisory Board and shareholders follow this proposal, Ammer will withdraw from the Management Board with the ending of the 2010 Annual General Meeting.

Risk and opportunity report

Risk management

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

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

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

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

The respective organisational units are responsible for identifying risks and reporting them to Corporate Risk Management. Corporate Risk Management for its part coordinates the groupwide recording of risks and their systematic assessment based on uniform standards. Risks are identified and quantified as part of internal risk reporting. The initial risk assessment is made for a one-year planning period. Taking defined risk categories into account, the risks are assessed based on the probability of their occurring and the loss amount, in particular their possible impact on EBIT. New risks are analysed and included in risk management if they are relevant. Corporate Controlling of Conergy AG also analyses the difference between the Company's actual and targeted performance in order to identify any risks that could jeopardise its performance. Individually adjusted strategies and measures designed to avoid, mitigate or hedge risks are initiated in cooperation with the responsible departments. Risks that exceed a specific maximum value are communicated to the risk committee, which is tasked with monitoring the Group's material risks and initiating appropriate countermeasures as necessary.

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

In Conergy's view, the risk management system is a process that is adjusted on an ongoing basis to the Company's structural and process organisation, markets and current developments, with the result that it is continuously improved. Hence Corporate Risk Management will continue to refine the Company's risk management system in 2010 as well. The effectiveness of the risk management system is also monitored by the Supervisory Board's audit committee.

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

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

Material risks

Fallout of the crisis in the markets for capital and sales

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

Both regional and global economic conditions have an impact on Conergy's business. Whilst the capital and credit markets were impacted by considerable fluctuations and distortions throughout the 2009 financial year, the financial markets began to stabilise gradually in the second half of 2009 thanks, among other things, to the slowly recovering global economy. But we would caution against too much optimism. Several negative factors remain in play so that any upturn in the global economy is expected to be slow.

Substantial negative effects on Conergy's assets, liabilities, cash flows and profit or loss that might even jeopardise the Company as a going concern as well as its ability to close financing deals and raise funds cannot be excluded if these fluctuations and distortions on the capital and credit markets remain in place owing to the financial market crisis, particularly in the markets that are crucial to Conergy.

The current economic situation is having an especially negative effect on Conergy's ability to achieve individual targets, mainly in the following areas:

- **Sales volume:**
  There is the possibility that customers might delay or cancel orders and projects due to their specific situation as a result of both the financial market crisis and the recession, and that the Company will be unable to acquire new customers in the numbers necessary for meeting sales volume targets. Customers are uncertain as to how prices for photovoltaics systems are going to develop in future, given the reduction of the feed-in tariff in Germany in the 2nd halfyear of 2010. The reduction could then have a negative impact particularly on the project business.

- **Change in margins:**
  The sales prices for PV modules stabilised due to the anticipated strength of the market in the first half of 2010. Conergy SolarModule GmbH & Co. KG pays for most of its raw material purchases in US dollars. The weakening of the euro vis-à-vis the US dollar could have a negative impact on the Company's gross profit margin. The Company expects to be able to to offset a possible fall in prices through productivity gains and lower procurement prices paid to upstream suppliers for raw materials and feedstock. There is the risk that a possible decline in module sales prices will outpace Conergy's economies of scale. This triggers corresponding risks in term of the attainable gross profit margin.

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

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

- **Fixed assets and intangible assets:**
  Impairment losses might have to be recognised on intangible assets – but also on significant items of property, plant and equipment such as the production plant in Frankfurt (Oder) – pursuant to statutory accounting standards if fair values fall below carrying amounts. This could happen if income is lower than planned due to the ongoing crisis on the markets for capital and sales. This crisis thus intensifies the risk that Conergy's assets, liabilities and profit or loss might be substantially affected by accounting losses on tangible assets as well as immaterial assets.

According to the Company's planning and based on the existing credit lines and guarantees, the liquidity of Conergy AG and the Group is basically ensured in both the short and medium term through cash inflows from operating activities. This is predicated on confirmation by an independent auditing firm that the existing syndicated loan can be refinanced beyond 31 December 2011. Please see the section entitled "Terms and conditions of the syndicated loan agreement" on page 73 et seq. in regards to details of the syndicated loan agreement.

If, in addition to that, there are substantial shortfalls in sales and earnings targets as well as in the expected cash inflows from operating activities – e. g. due to the fallout of the crisis in the markets for capital and sales as described in this section – both the Company's and the Group's existence as a going concern might be jeopardised if they are unable to offset the relevant effects through other actions.

Terms and conditions of the syndicated loan agreement

Effective 31 July 2007, Conergy closed a syndicated loan agreement with originally 23 under the leadership of Commerzbank AG, Dresdner Bank AG and WestLB AG for a total two-tranche loan volume of originally EUR 600.0 million. The loan was basically due on 31 July 2010 and was extended on 29 July 2010 until 31 December 2011.

The loan agreement contains extensive disclosure requirements and the obligation to comply with specific financial indicators ("Financial Covenants"). Conergy has undertaken thereunder not to exceed a specific ratio of consolidated net liabilities to consolidated EBITDA (in each case with and without contingent liabilities), not to fall below a specific ratio of EBITDA to consolidated net interest expense as well as a certain equity ratio; these ratios are redefined each quarter. The banks did waive compliance with the Financial Covenants for financial years 2008 and 2009, given the development of the Conergy Group's financial situation at the end of 2007.

We can not preclude that compliance with our obligations under both the syndicated loan will have a negative impact on Conergy's business activities, for instance because the Company must forgo or postpone investments, divestments, disposals or acquisitions, thus undercutting its competitiveness. Any failure by Conergy to comply with the Financial Covenants under the aforementioned loan agreement and to cure any breach thereof or any refusal by the relevant lenders to waive compliance with the relevant requirements would give rise to contractually stipulated grounds for termination authorising the lenders, among other things, to call all liabilities under the loan immediately and to foreclose on the collateral.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case. This means that the follow-up financing for the loan that will be due at that time is highly likely but has not yet been finally secured.

Availability and procurement prices of preproducts

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

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

Raw material and component supplies

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

Production plant in Frankfurt (Oder)

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

The factory in Frankfurt (Oder) currently is operating at close to full capacity. Conergy is faced with the risk that the degree to which existing capacities are utilised could shrink in future due to market conditions and that the unit cost of manufacturing will not fall as planned or might even rise.

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

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

Grants for photovoltaics

Conergy's business activities depend to a large degree on government grants for photovoltaics – especially in the core markets. Absent these grants, photovoltaics would generally not be profitable for customers at this time because the cost of generating electricity using PV still exceeds both attainable market prices and the cost of generating electricity from conventional sources such as nuclear power, coal or gas. Any deterioration or even elimination of statutory subsidies for electricity from renewable energies could have significantly adverse effects on the Company's assets, liabilities, cash flows and profit or loss. This also applies against the backdrop of possible EU initiatives aimed at changing EU-wide subsidies for renewables. Such a reduction was enacted for the German market in two stages effective 1 July and 1 October 2010. The construction of PV units on agricultural land is no longer being subsidised whilst the installation of units on roofs as well as open air projects and those using converted land will be subsidised at lower rates. In contrast, solar electricity used for own consumption will be subsidised at a higher rate than solar electricity fed into the grid.

Additional fields of risk

Industry-specific risks

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

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

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

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

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

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

Research and development

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

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

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

Legal risks

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

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

Conergy SolarModule GmbH & Co. KG and Roth & Rau AG entered into an agreement in June 2006 regarding the delivery and installation of four solar cell production lines for the Frankfurt (Oder) factory. Conergy SolarModule GmbH & Co. KG believed that Roth & Rau AG was late in delivering the cell production lines and that they did not fulfil the specifications under the contract. The settlement talks with Roth & Rau AG that were initiated in the summer of 2008 have been fruitless. Conergy SolarModule GmbH & Co. KG is weighing the alternative of suing for damages. Under the delivery contract, Conergy SolarModule GmbH & Co. KG must still make payments of about EUR 2.0 million to Roth & Rau AG under certain conditions. As Conergy SolarModule GmbH & Co. KG sees it however, these conditions have not been met. Whilst Conergy SolarModule GmbH & Co. KG is not expected to incur any financial loss in future in connection with this matter because the claims for damages that it might bring in a legal action far exceed the amount of EUR 2.0 million, this cannot be precluded with absolute certainty given general litigation risks.

In November 2006, Conergy SolarModule GmbH & Co. KG and M+W Zander FE GmbH entered into an agreement regarding the construction of a production plant for the Frankfurt (Oder) factory. On 4 May 2009, M+W Zander FE GmbH filed suit for payment of approximately EUR 3.0 million in outstanding compensation plus interest. Conergy countersued, filing for damages that far exceed the petitioner's claims. The amount that M+W Zander FE GmbH claimed by its lawsuit has been reduced to approximately EUR 2.8 million in the meantime because the petitioner abandoned some of its claims. The dispute is ripe for a decision in the first instance now that both the discovery proceedings and the trial have ended. The parties are currently in settlement talks based on the court's legal assessments. Based on these assessments, Conergy SolarModule GmbH & Co. KG is not expected to incur any financial loss in future from this matter. However, this cannot be precluded with absolute certainty given general litigation risks.

In a total of 17 claims filed between October and December 2008, several claimants are seeking damages totalling EUR 3.5 million from the Company for their own rights or for rights assigned based essentially on incorrect capital market information in connection with the Company's revision of sales and profit forecasts for 2007 on 25 October 2007. The Company is essentially contesting the claimants' claims. The court issued an order for reference under the German Capital Markets Model Case Act (KapMuG) in one of these proceedings with the aim of having the Hamburg Upper Regional Court (Hanseatisches Oberlandesgericht) bring about a test-case ruling with respect to certain questions regarding the claims for damages. The other proceedings were suspended until a ruling is issued in the test case because they are contingent on that outcome; portions of this decision are still outstanding.

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

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

In March 2004, Windpark Wörbzig GmbH & Co. KG filed an application for an investment grant for 2003. This investment grant was approved by the Leipzig Tax Office in January 2005, fixed at about EUR 2.3 million as per the application and disbursed to Windpark Wörbzig GmbH & Co. KG. A notice from the Leipzig Tax Office in July 2005 rescinded the grant and requested that the investment grant be repaid in full along with interest. Windpark Wörbzig GmbH & Co. KG appealed this notice. In August 2006, Windpark Wörbzig GmbH & Co. KG filed another application for an investment grant, which was rejected by the Leipzig Tax Office in October 2006. Windpark Wörbzig GmbH & Co. KG appealed this notice too. In July 2009, the Leipzig Tax Office issued a notice rejecting all appeals as being without merit and sent a demand for repayment of the investment grant disbursed plus interest. Windpark Wörbzig GmbH & Co. KG filed a lawsuit with the Saxon Tax Court in Leipzig in August 2009, challenging these decisions. The company believes that the Leipzig Tax Office's request for repayment is unlawful. However, the company will be obligated to repay the investment grant that was disbursed to it plus interest if does not prevail.

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

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

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

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

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

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

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

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

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

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

Project risks

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

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

In addition, we already issued a directive for Conergy's project management in the 2007 financial year, which establishes binding guidelines with respect to processes, decision making and controlling during individual project phases. These are reviewed and enhanced regularly.

We counteract capital market risks by obtaining long-term funding in a timely manner. Risks from limitations on lending (especially in the wake of the financial market crisis in the international financial markets, which has been ongoing since August 2008) and existing interest rates are discussed on page 71 et seq. of the section entitled, "Fallout of the crisis in the markets for capital and sales", and on page 79 et seq. of the section entitled, "Interest rate and currency risks".

Personnel risks

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

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

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

Information technology risks

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

Conergy outsourced its computer centre operations to an external service provider back in 2007 in order to minimise relevant risks of loss. This ensures that the IT infrastructure is maintained at a high standard at all times and that all requirements regarding both the security and the availability of data are satisfied. Conergy AG and Conergy Deutschland GmbH introduced SAP as their ERP system in early 2009 in order

to improve transparency within the company. Furthermore, the Company initiated projects that involved the migration in 2010 and 2011 to the latest version of the Microsoft Dynamics NAV (Navision) ERP software, which is being used in addition to SAP. It cannot be precluded that these release changes cannot be implemented as planned or later than planned or not at all. Furthermore, errors in using the systems might increase in the start-up phase in spite of intensive training and the coordination of work processes due to the introduction of new IT systems; additional quality assurance and error correction could lead to delays and shifts in schedules. Conergy's IT security was defective in the past and its emergency planning was insufficient. The Company has taken measures aimed at largely eliminating the shortcomings regarding access rights, authentication and master data management. Backup systems were updated at the time the Company's computer centres were outsourced and the emergency protocols have been revised as well.

The Conergy Group's ERP systems are heterogeneous and partly obsolete – especially abroad – and its levels of process standardisation are very low due to the Company's intensive and much too rapid expansion strategy – acquisitions, numerous market entries, establishment of module production – in turn hampering controlling and reporting functions. Measures such as the introduction of new ERP systems with corresponding controlling functions, tight liquidity management, revisions of the risk management process and centralisation of working capital management were initiated during the restructuring. Particularly the introduction of new ERP systems entails large one-off costs and administrative expenses. An organisational unit established specifically for this purpose monitors the implementation of individual restructuring measures and adjusts them as necessary. Nevertheless, given the rapidly changing situation on the capital and sales markets there is a possibility that the appropriate information regarding deviations from budgets and other facts negatively affecting the Company's business are not forwarded to Conergy's management in due time through the controlling and reporting systems, especially before, during and, possibly, after the conclusion of these measures so that misallocations of resources cannot be fully precluded.

Financial risks

Liquidity risks
Please see the section entitled "Terms and conditions of the syndicated loan agreement" on page 73 et seq. in regards to the material earnings and liquidity risks arising from the syndicated loan agreement.

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

Based on the insights gained with respect to the liquidity situation from groupwide financial planning tools, we now utilise liquidity planning that covers a period of 13 weeks as well as a monthly update on the planning up to the end of the year. The introduction of refined controlling tools and IT systems support the planning process; in Germany, the introduction of SAP was completed as planned in January 2009.

According to the Company's planning and based on the existing credit lines and guarantees, the liquidity of Conergy AG and the Group is basically ensured in both the short and medium term through cash inflows from operating activities. This is predicated on confirmation by an independent auditing firm that the existing syndicated loan can be refinanced beyond 31 December 2011.

Please see the section entitled "Terms and conditions of the syndicated loan agreement" on page 73 et seq. in regards to details of the syndicated loan agreement.

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

Interest rate and currency risks
A large part of the Conergy Group's purchasing and sales volume in the 2009 financial year was effected in various currencies – in particular, euros and the US dollar. The Company is thus exposed to substantial currency risks.

A currency management process was put in place in the 2009 financial year because exchange rate fluctuations can materially affect the net earnings of the Conergy Group. It serves to systematically record as well as regularly analyse, measure and control the Group's currency risks. Appropriate strategies are designed and executed based on the Group's exposure to currency risks and its expectations. The Management Board has established clear guidelines for continuous monitoring of currency risks, compliance with which is regularly verified by a committee. These currency hedging transactions ensure that Conergy is no longer exposed to the exchange rate fluctuations it had to contend with in the past. The corresponding short-term and long-term interest rate positions have also been centrally recorded, analysed and measured since the start of the second half of 2009. The committee monitors the fixed hedging strategies.

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

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

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

Default risks

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

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

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

Risks related to the utilisation of government subsidies

Conergy Group companies have received public subsidies in the past. These subsidies are subject to specific requirements and strict controls aimed at verifying whether or not the standards for public subsidies have been met. Any noncompliance with the requirements

carries the risk that the subsidies might have to be repaid. We can not preclude that the modified plans or political changes in connection with Conergy's factory in Frankfurt (Oder) or parts of this factory or other Group companies will entail a greater cut than expected in the subsidies made available to Conergy and that the Company might face repayment demands by the authorities, especially on grounds that it did not comply with the requirements.

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

Tax risks

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

The tax authorities have decided to eliminate a total of about EUR 7.8 million in loss carryforwards for Conergy AG, EPURON GmbH and SunTechnics GmbH (today: Conergy Deutschland GmbH) as a result of the comprehensive tax audit of the 2000 to 2003 assessment periods. The companies have already received revised tax assessments, which they have appealed. Conergy has not yet recognised any provisions for the taxes it expects to owe as a result of the comprehensive tax audit because both internal and external experts believe that the appeals are highly likely to be successful and corresponding loss carryforwards exist.

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

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

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

As at 31 December 2009, the Company has deferred tax assets of EUR 45.6 million primarily from tax loss carryforwards. Conergy assumes that these tax loss carryforwards will be available for offsetting against future income before they expire. These deferred tax assets will have to be written down if the underlying loss carryforwards can not be used in the foreseeable future. The changed shareholder structure following the completion of the December 2008 capital increase as well as the takeover of Dresdner Bank AG (in January 2009) and the merger of Dresdner Bank AG with Commerzbank AG (in May 2009) eliminated additional tax loss carryforwards on a pro rata basis under Section 8c para. 1 German Corporate Income Tax Act. Conergy continues to review with the assistance of internal and external experts whether the restructuring provision in Section 8c para. 1a German Corporate Income Tax Act – which was introduced as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums on 16 July 2009 – affects the December 2008 capital increase and also applies to the indirect changes in the shareholder structure in 2009 and the extent to which the remaining existing losses can be carried forward.

Furthermore, the European Commission has opened a formal investigation (C 7/10) regarding the admissibility of the restructuring provision of Section 8c para. 1 German Corporate Income Tax Act (KStG). According to the announcement of the Federal Ministry of Finance dated 30 April 2010, the provision may no longer be applied until the European commission has adopted a conclusive resolution. If the European commission ultimately decides that the restructuring provision is not applicable, we will no longer be able to utilise the Company's or our domestic subsidiaries' tax loss carryforwards. If the tax loss carryforwards can no longer be utilised, this would have a substantially negative impact on Conergy's assets, liabilities, cash flows and profit

or loss. This fact was already taken into account in the determination of the deferred tax assets on loss carryforwards such that it will not affect the extent of the deferred tax assets recognised in 2009.

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

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

Management risks

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

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

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

Other risks

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

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

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

Opportunities

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

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

Increased profitability of PV units

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

Rising demand momentum

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

Renewables as an increasingly attractive separate asset class

The uncertainty in the capital markets has unsettled many investors. By definition, alternative energy projects offer considerable advantages in these times. In stable countries, photovoltaics projects for instance are largely embedded in a statutory framework and protected from external effects such as commodities prices, interest rate trends etc. Photovoltaics systems can offer a return on equity between 8 percent and 12 percent over a useful life of 20 years. As a result, investments in renewables projects and funds might become even more popular than has been the case to date, which would greatly stimulate demand among major investors for projects and installations. This could have a positive effect on the Company's assets, liabilities, cash flows and profit or loss.

Early grid parity

Providing certain assumptions are true, various market studies forecast grid parity for different countries by the beginning or middle of the next decade. In fact, grid parity could occur earlier than anticipated if electricity prices continue to rise in countries such as Italy or Spain or US states that boast high levels of solar radiation, such as California, or even in Germany. Early grid parity would have a positive effect on consumer demand for photovoltaic systems and installations, which could benefit Conergy. Consumers would be presented with a choice as to the provenance of their grid power. This would increase the number of projects and individual demand as well as boost demand for photovoltaic system components in general, which in turn would also have a positive effect on Conergy's earnings as a supplier of photovoltaic systems.

Positive development in the US market

Conergy expects a noticeable change in energy policy in the US.

The US stimulus package (the so-called American Recovery and Reinvestment Act) that took effect in early 2009 contains several provisions that could spur growth in the solar industry yet again. According to one of the more notable provisions, up to 30 percent of the cost of solar projects will be directly reimbursed under the Renewable Energy Grant Program irrespective of tax liabilities; this programme was put in place for two years. Moreover, loans for financing renewables projects are guaranteed at the federal level. This provision could increase banks' willingness to finance projects in the renewables industry. And the possibility of obtaining grants for solar energy at the level of individual states in addition to the federal programme will also help to foster growth.

Conergy will be able to benefit from the expected positive development of the market, given both its presence in the US market and its references. Plans in the USA are to boost installed output fourfold by 2012. This could have a positive effect on Conergy's assets, liabilities, cash flows and profit or loss.

New markets

Conergy expects laws promoting renewables projects to be expanded to an ever-increasing number of regions and range of technologies. Moreover, market incentive programmes should create additional demand for regenerative energy systems. Conergy is essentially focusing on high-margin markets in growth regions

with attractive subsidy programmes, given the Group's realignment as a provider in the photovoltaics market. The development of new markets could stimulate demand for PV systems and thus have a positive effect on the assets, liabilities, cash flows and profit or loss of Conergy, on condition that mechanisms aimed at promoting renewables remain stable and clear procedural rules are in place.

Report of anticipated developments

Global economic developments

At the start of 2010, the Ifo Institute's mood barometer rose for the tenth time in a row, an upward trend that had started in March 2009. Numerous economic experts also expect the recovery of the global economy that started in 2009 to continue in 2010 – albeit at different rates in different countries. According to their estimates, production in the emerging economies will expand at a robust pace in the coming years. The International Monetary Fund expects China's GDP to grow by 10.5 percent compared to 2009 and by 9.6 percent in 2011. It is estimated that Asia on the whole expanded at a rate of 9.2 percent in 2010.

In the industrialised countries however, production will recover but gradually. The economic momentum in countries with heretofore largely export-driven economies will be hampered for a while longer due to the respective economy's shift to lower foreign demand. Overall, the International Monetary Fund expects global economic output to expand by 4.6 percent in 2010 thanks to the multitude of statutory stimulus packages. Experts believe at present that growth will accelerate to 4.3 percent in 2011. The United States can expect growth of 3.3 percent according to the IMF. According to the experts, Germany's GDP will rise by 1.4 percent in 2010, compared to negative growth of 4.9 percent in 2009. This is in contrast to the German government, which projects an increase of 1.4 percent in real terms for 2010, on average.

Yet all economic forecasts continue to be marred by specific uncertainties. Many experts point out that the severe recession has ended but that the financial market crisis has not yet been overcome, the progress to date notwithstanding. Whilst risk appetite returned to the capital markets in 2009, problems continue to plague the banking sector. It also remains to be seen how the expiring stimulus packages, restrictive lending as well as tense labour markets will affect matters. Experts are warning that the risk of another recession is all too real if stabilising measures are withdrawn too soon.

Development of the industry

The global financial and economic crisis did not affect the solar industry in 2009 as much as it did many other industries. What was affected were major projects that had to be postponed or shelved altogether owing to banks' restrictive lending policies. Thanks to the still favourable environment worldwide for solar energy an increase in sales volume is expected for this year. For 2010 research reports assume the global sales volume to expand by about 50 percent compared to the previous year. A moderate growth in sales of 10 percent is anticipated for 2011.

The manufacturing costs for solar modules will continue to decline in 2010 thanks to increased mass production and the utilisation of economies of scale. Whilst excess supplies will also contribute to the crumbling of prices, slightly underused production capacities are expected to have a countervailing effect.

The United States are expected to turn into a significant growth market in the next few years, given plans to boost installed output fourfold by 2012. Also in Germany further growth is expected in the long-run.

But the anticipated deterioration in subsidies in 2011 could lead to a short-term decrease in Germany. Italy, France and Spain are additional growth markets in Europe.

Whilst Japan paid little attention to promoting solar energy in years past, recently the Japanese government established an attractive renewables promotion programme that will stimulate growth in future. China, in its capacity as one of the world's largest PV manufacturers, has decided to expand the use of solar energy and launched a national renewables promotion programme.

Outlook

In terms of its own outlook, Conergy expects the solar energy market to continue to grow unimpeded in the next few years but this is contingent on stable or moderately reduced statutory subsidies in those markets where the Company pursues its business. At the same time, this outlook is predicated on the availability of raw materials in sufficient quantities and a more downward trajectory of the prices of the materials used. In terms of sales forecasts, we expect both continuous reductions in the prices for solar modules in the low double percent area.

Whilst sales fell in 2009, Conergy's Management Board expects rising sales in both 2010 and 2011. The intensified use of products manufactured in-house should have a positive impact on the gross profit margin in 2010 and generate an above-average increase in earnings. Moreover, the effect of the cost reduction programmes that were put in place in 2009 will continue to unfold in the coming years and thus also contribute to an improvement in earnings. On the whole, we expect 2010 earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 30 million to EUR 40 million. In anticipation of a further growing market earnings should continue to improve in 2011.

The high operating cash flow in 2009 stems from our consistent management of working capital. As a result, cash flows of EUR 90.0 million were generated in the year just ended from inventories alone. These positive effects will not be repeated however because the working capital is now on a low level. With the upturn in sales, the working capital will likely rise in tandem. For 2010 we expect a further postive operating cash flow in the low double-digit million range, which will further improve in 2011.

Hamburg, Germany, 3 August 2010
Conergy Aktiengesellschaft
The Management Board

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Consolidated income statement of the Conergy Group*

EUR million	Note	2009	2008**
Sales	8	600.9	975.3
Changes in inventories of finished goods and work in progress		–38.8	–41.3
Cost of materials		–444.5	–802.1
Gross profit		**117.6**	**131.9**
Personnel expenses	9	–82.1	–105.7
Other own work capitalised		0.3	7.5
Other operating income	10	64.8	32.2
Other operating expenses	11	–111.3	–213.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–10.7**	**–147.4**
Depreciation and amortisation	12	–26.1	–34.5
Earnings before interest and taxes (EBIT)		**–36.8**	**–181.9**
Non-operating income		0.7	3.6
Non-operating expenses		–22.5	–71.2
Non-operating result	14	**–21.8**	**–67.6**
Earnings before taxes (EBT)* **		**–58.6**	**–249.5**
Income taxes	15	–22.5	23.8
Income from continuing operations after taxes		**–81.1**	**–225.7**
Income from discontinued operations after taxes	6	1.8	–80.9
Income after taxes		**–79.3**	**–306.6**
Changes in value recognised in equity			
Exchange differences from the translation of foreign subsidiaries		–1.5	0.6
Comprehensive loss******		**–80.8**	**–306.0**
Income after taxes		**–79.3**	**–306.6**
Thereof attributable to:			
Shareholders of Conergy AG (Group profit or loss)		–79.9	–305.3
Minority shareholders		0.6	–1.3
Comprehensive loss******		**–80.8**	**–306.0**
Thereof attributable to:			
Shareholders of Conergy AG		–81.4	–304.7
Minority shareholders		0.6	–1.3
Earnings per share (in EUR)	16		
Basic		–0.20	–4.67
Diluted		–0.20	–4.67
Earnings per share (in EUR) from continuing operations	16		
Basic		–0.20	–3.47
Diluted		–0.20	–3.47

* Consolidated statement of comprehensive income
** Previous year's figures adjusted
*** Corresponds to earnings from ordinary activities
**** Corresponds to the sum of income after taxes and changes in value recognised in equity

Consolidated balance sheet of the Conergy Group

EUR million	Note	31.12.2009	31.12.2008
Non-current assets			
Goodwill	17	14.9	17.5
Intangible assets	17	12.6	12.6
Property, plant and equipment	18	183.9	204.0
Financial assets	19	8.2	5.3
Other assets	20	0.9	0.7
Deferred tax assets	15	45.6	79.6
		266.1	**319.7**
Current assets			
Inventories	21	107.5	245.6
Trade receivables	22	113.4	120.9
Financial assets	19	3.1	2.9
Other assets	20	68.5	29.6
Cash and cash equivalents	25	52.1	27.7
		344.6	**426.7**
Assets held for sale	6	38.4	0.4
		383.0	**427.1**
Total assets		**649.1**	**746.8**
Equity attributable to the shareholders of Conergy AG			
Share capital		398.1	398.1
Capital reserve		321.8	321.8
Other provisions		−603.9	−522.5
		116.0	**197.4**
Non-controlling interests		**0.0**	**−0.6**
Total equity	26	**116.0**	**196.8**
Non-current liabilities			
Provisions	27	35.7	32.1
Borrowings	29	88.8	86.5
Other liabilities	31	2.5	2.6
Deferred tax liabilities	15	0.0	10.1
		127.0	**131.3**
Current liabilities			
Provisions	27	13.2	12.0
Current portion of non-current borrowings	29	18.8	37.5
Borrowings	29	186.0	193.2
Trade payables	30	116.5	111.2
Other liabilities	31	43.5	58.8
Current income tax liabilities	15	0.6	2.1
		378.6	**414.8**
Liabilities from assets held for sale	6	27.5	3.9
		406.1	**418.7**
Total equity and liabilities		**649.1**	**746.8**

Consolidated statement of cash flows of the Conergy Group

EUR million	Note	2009	2008*
Operating result from continuing operations		**–36.8**	**–181.9**
Depreciation and amortisation		25.5	34.5
Change in non-current provisions		2.6	17.6
Other non-cash income (–)/expenses (+)		–29.0	124.8
Gains (–)/losses (+) from disposal of fixed assets		0.2	0.1
Result from operating activities before changes in net working capital		**–37.5**	**–4.9**
Increase (–)/decrease (+) in inventories		89.6	74.8
Increase (–)/decrease (+) in trade receivables		–9.3	99.7
Increase (–)/decrease (+) in trade payables		17.6	–194.5
Change in other net assets/Other non-cash items		–9.9	–82.0
Income taxes paid (–)/received (+)		2.6	2.0
Cash generated from operating activities, continuing operations		**53.1**	**–104.9**
Cash generated from operating activities. discontinued operations	6	15.4	–56.0
Cash generated from operating activities (total)	32	**68.5**	**–160.9**
Cash receipts from disposal of property, plant and equipment and other assets		–	1.0
Cash payments for investments in property, plant and equipment and intangible assets		–12.3	–34.5
Acquisition of subsidiaries less cash acquired		–	–0.3
Cash receipts from the sale of subsidiaries		–	11.3
Other cash payments for investments in financial assets		–3.4	–0.8
Interest received		0.8	2.1
Net cash generated from investing activities (total)	32	**–14.9**	**–21.2**
Cash receipts from issuance of share capital		–	399.3
Cash payments in connection with the acquisition of equity		–	–32.6
Cash receipts from borrowings		48.7	116.5
Cash payments for repayment of borrowings		–55.5	–277.5
Interest paid		–20.4	–59.3
Cash payments for dividends		–	–
Net cash generated from financing activities (total)	32	**–27.2**	**146.4**
Change in cash from operating activities (total)		**26.4**	**–35.7**
Cash and cash equivalents as at 01.01.		**28.0**	**63.7**
Change from exchange rate changes		0.0	0.0
Cash and cash equivalents as at 31.12.	25	**54.4**	**28.0**
Thereof cash and cash equivalents from discontinued operations/assets held for sale		2.3	0.3

* Previous year's figures adjusted

Consolidated statement of changes in equity of the Conergy Group

	Equity attributable to the shareholders of Conergy AG							
			Other provisions					
				Valuation adjustments recognized directly in shareholders' equity				
EUR million	**Share capital**	**Capital reserve**	**Retained earnings[**]**	**Currency changes**	**Cashflow hedges**	**Total**	**Non-controlling interests**	**Total equity**
As at 01.01.2008	**35.1**	**307.2**	**–219.6**	**1.8**	**–**	**124.5**	**0.7**	**125.2**
Owner-based change in capital								
Capital contributions	363.0	3.8[*]				366.8		**366.8**
Dividend payments			–			–	–	–
Taxes on items recognized directly in equity		10.8				10.8		10.8
Non-owner changes in equity								
Comprehensive income / loss			–305.3	0.6	–	–304.7	–1.3	–306.0
As at 31.12.2008	**398.1**	**321.8**	**–524.9**	**2.4**	**–**	**197.4**	**–0.6**	**196.8**
As at 01.01.2009	**398.1**	**321.8**	**–524.9**	**2.4**	**–**	**197.4**	**–0.6**	**196.8**
Owner-based change in capital								
Capital contributions	–	–				–	–	–
Dividend payments			–			–	–	–
Taxes on items recognized directly in equity		–				–	–	–
Non-owner changes in equity								
Comprehensive income / loss			–79.9	–1.5	–	–81.4	0.6	–80.8
As at 31.12.2009	**398.1**	**321.8**	**–604.8**	**0.9**	**–**	**116.0**	**0.0**	**116.0**

* including costs of capital increase of EUR 32.6 million
** including Group profit or loss

Notes to the consolidated financial statements of the Conergy Group

1. Reportable segments

Segments	Conergy PV		Components		Holding		Reconciliation		Continued operations	
EUR million	2009	2008*	2009	2008*	2009	2008*	2009	2008*	2009	2008*
External sales	575.5	954.1	25.4	21.2	–	–	–	–	600.9	975.3
Intersegment sales	0.6	0.4	168.3	209.1	–	–	–168.9	–209.5	–	–
Segment sales (total)	**576.1**	**954.5**	**193.7**	**230.3**	**–**	**–**	**–168.9**	**–209.5**	**600.9**	**975.3**
Other operating income	16.2	47.8	8.1	6.3	63.0	30.2	–22.5	–52.1	64.8	32.2
Segment result (EBIT)	–53.5	–55.0	–10.3	–27.5	25.2	–48.1	1.8	–51.3	–36.8	–181.9
Segment investments	3.3	3.0	10.6	27.4	1.8	2.1	–	–	15.7	32.5
Depreciation/amortisation	–3.7	–9.9	–18.8	–21.6	–3.6	–3.0	–	–	–26.1	–34.5
Thereof impairment losses	–1.0	–9.6	–0.7	–	–0.6	–	–	–	–2.3	–9.6
Employees FTE** (as at 31.12.)	712	959	580	550	137	138	–	–	1,429	1,647

* Previous year's figures adjusted
** Full Time Equivalents

Cross-segment disclosures

Regions	Germany		Rest of World		Continuing operations	
EUR million	2009	2008*	2009	2008*	2009	2008*
External sales	280.8	282.3	320.1	693.0	600.9	975.3
Non-current assets	192.2	211.1	19.2	23.0	211.4	234.1
Employees FTE** (as at 31.12.)	937	987	492	660	1,429	1,647

* Previous year's figures adjusted
** Full Time Equivalents

2. General comments

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

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

On 3 August 2010, the Management Board of Conergy released the Company's consolidated financial statements for purposes of submitting them to its Supervisory Board (release for publication). The consolidated financial statements were submitted to the Supervisory Board's Audit Committee on 5 August 2010; they were approved by the Supervisory Board at its meeting on 5 August 2010. Under German law, the consolidated financial statements according to IFRS may be changed only in exceptional cases and subject to the approval of the Supervisory Board.

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

3. Key accounting policies

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

All requirements under the standards and interpretations adopted by the EU that had to be applied at 31 December 2009 were satisfied in full. There were no changes in the periods presented to the consolidated accounting principles underlying recognition and measurement as well as the explanations and disclosures related to the IFRS consolidated financial statements, taking into account the amendments to IAS 1, IFRS 8 and IFRS 7. Recognition and measurement methods correspond to the methods applied a year ago unless indicated otherwise. The annual financial statements of the consolidated companies are based on consistent and uniform accounting principles and methods.

In order to make the presentation more precise, items in the consolidated balance sheet and in the consolidated income statement were combined and explained as necessary in these notes. The income statement is structured according to the nature of expense format. Assets and liabilities are classified as non-current (for maturities of more than one year) and current (for maturities of less than one year). Deferred taxes are generally treated as non-current.

We distinguish between continuing and discontinued operations in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Discontinued operations are combined in the balance sheet, the income statement and the statement of cash flows as separate line items. Unless stated otherwise, the disclosures in the notes concern the Company's continuing operations. Discontinued operations are described in note 6.

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

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

The following new standards and interpretations had to be applied for the first time by Conergy in the 2009 financial year:

- **IFRS 1 und IAS 27 (Amendment), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (1 January 2009)**

  This amendment concerns specific rules aimed at simplifying both the first-time preparation of IFRS consolidated financial statements and the determination of the cost of investments in subsidiaries, jointly controlled entities and associates in separate single-entity financial statements and thus did not affect Conergy's consolidated financial statements.

- **IFRS 2 (Amendment), Vesting Conditions and Cancellations (1 January 2009)**

  The revision of this standard clarifies the delineation of exercise conditions and other conditions in share-based payment arrangements. Pursuant to the revision of IFRS 2, performance conditions shall be the sole criterion governing exercise terms. The first-time application of the amendment did not have a significant effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group because the existing share-based payment plans only provide for performance- and success-related exercise conditions.

- **IFRS 7 and IFRS 4 (Amendment), Improving Disclosures about Financial Instruments (1 January 2009)**

  Revised IFRS 7 concerns disclosures on the determination of fair values and on liquidity risk. The disclosures on the determination of the fair value are specified such that a classification in the form of a table was introduced for each class of financial instruments based on a three-level fair value hierarchy; the scope of the disclosure obligations was also expanded. This amendment has resulted in additional disclosures in the consolidated financial statements.

| IFRS 8, Operating Segments (1 January 2009)

This new segment reporting standard requires applying the management approach to future segment reporting. Accordingly, both the identification of operating segments and the data related to those segments must be based on the information management uses to manage the Company. The first-time application of IFRS 8 will not affect the assets, liabilities, cash flows and profit or loss of the Conergy Group because this is purely a disclosure standard. Basically, the new standard resulted in changes in the delineation of the reportable segments and the key figures as they relate to segments of the Conergy Group that must be disclosed. For details, please see note 7.

| IAS 1 (Amendment), A Revised Presentation (1 January 2009)

Revised IAS 1 basically provides for a change in the recognition of changes in equity. Under this revised version, all changes in equity not arising from transactions with equity holders shall be recognised in the statement of comprehensive income. The components of income may be shown either in a single statement of comprehensive income or in a separate income statement. In future, solely the changes in equity arising from transactions with equity holders acting in their capacity as such shall be presented in the statement of changes in equity. As purely a presentation standard, first-time application of this standard had no effect on the Company's assets, liabilities, cash flows and profit or loss. The Conergy Group has decided to show its profit or loss in a statement of comprehensive income. The previous year's figures were presented accordingly.

| IAS 23 (Amendment), Borrowing Costs (1 January 2009)

This revision of IAS 23 eliminates the previously available option to choose between capitalising and expensing borrowing costs related to the acquisition or production of qualifying assets and to permit capitalisation as the sole option in future. First-time application of revised IAS 23 did not have an impact on Conergy's consolidated financial statements because we have already used the alternative treatment (capitalisation) allowed under IAS 23.

| IAS 32 (Amendment), Puttable Financial Instruments and Obligations arising on Liquidation (1 January 2009)

The amendment to IAS 32, which was adopted in February 2008, requires the issuer to classify certain financial instruments that the holder can put back to the issuer as equity. To date, these financial instruments had to be treated as liabilities. The first-time application of the amended IAS 32 did not have a significant effect on the assets, liabilities, cash flows and profit or loss of the Conergy Group.

| IFRIC 9 and IAS 39 (Amendment), Embedded Derivatives (30 June 2009)

The amendments of IFRIC 9 and IAS 39 serve to clarify the treatment of embedded derivatives if a hybrid (combined) contract is reclassified out of the "fair value through profit or loss" category into another measurement category. The first-time application of the amendment is not expected to have a significant effect on the consolidated financial statements of Conergy.

| Various improvements to IFRSs 2008 (1 January 2009)

In May 2008, the IASB published its Improvements to IFRSs that provide for a total of 35 amendments to 20 standards. The most important of these concern

- the classification of all assets and liabilities held by a subsidiary as available for sale if shares in the subsidiary are for sale and if such sale will result in a loss of control (IFRS 5);
- the recognition of gains on disposals of certain items of property, plant and equipment held for rental as revenue and costs or cost of materials (IAS 16);
- the fair value measurement of the benefit derived from a government loan with a below-market rate of interest (IAS 20);
- additional disclosures on estimates used to determine the recoverable amount, to the extent that the fair value less costs to sell is determined in connection with an impairment test using the discounted cash flow method (IAS 36);

– the expensing of advertising and promotional activities at the time the entity has a right to access the relevant goods or has received the services (IAS 38);

– the classification of property being constructed or developed as an investment if it is intended for future use as investment property (IAS 40);

– the distinction between curtailments and negative past service costs (IAS 19);

– the clarification that short-term employee benefits are those that arise within 12 months after the relevant service has been rendered (IAS 19); and

– the clarification that the amount written down and up in the event of an equity-accounted investment's impairment and its subsequent reversal shall not be allocated to the assets underlying the investment (IAS 28);

The majority of the changes must be applied for the first time to financial years beginning on or after 1 January 2009. The first-time application of the amendment did not have a significant effect on the Group's assets, liabilities, cash flows and profit or loss.

In addition, the following interpretations also had to be applied in the 2009 financial year for the first time but they did not give rise to any changes in the Conergy Group's accounting policies:

| IFRIC 12, Service Concession Arrangements (1 January 2008)

| IFRIC 13, Customer Loyalty Programmes (1 July 2008)

All IFRS/IAS and interpretations to be applied for the first time in the 2009 financial year had already been adopted by the EU at the time Conergy AG's consolidated financial statements were released.

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

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

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

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

These amendments clarify how to account for cash-settled share-based payments in the consolidated financial statements. A company that receives goods or services under a share-based payment arrangement must account for these goods or services irrespective of which Group company fulfils the related obligation or whether or not the obligation is settled based on shares or cash. The Conergy Group is reviewing at present whether these clarifications will change the way cash-settled share-based payments are accounted for.

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

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

IFRS 9, Financial Instruments (1 January 2013)

This standard is an aspect of the project that will replace IAS 39 with the aim of simplifying the accounting for financial instruments. The project has been divided into three stages and is scheduled to be completed by the end of 2010. Upon completion of the project's first phase, IFRS 9 will provide for amended requirements regarding the classification of financial assets. Instead of the four different measurement categories used to date, the amendment will only contain the measurement categories, "amortised cost" and "fair value". This classification is based on both the characteristics of the instrument and an entity's business model relative to the corresponding instruments. Financial instruments that do not meet the definitions of the "amortised cost" category must be measured at fair value through profit or loss. Selected equity instruments may be recognised at fair value directly in equity. As designed, this new category does not correspond to the previous category, "available-for-sale financial assets". We do not expect the new standard to apply until 2013. The Conergy Group is reviewing at present how application of the new standard will affect the Group's assets, liabilities, cash flows and profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The majority of the changes must be applied for the first time to financial years beginning on or after 1 January 2010. The Conergy Group is currently reviewing what effects individual amendments could have on its assets, liabilities, cash flows and profit or loss.

The following interpretations that are currently not relevant to the Conergy Group were also published:

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

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

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

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

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

IFRIC 15, Agreements for the Construction of Real Estate, provides criteria for judging whether revenue from an agreement for the construction of real estate should be recognised by reference to the stage of completion of the contract activity under IAS 11, Construction Contracts, or under IAS 18, Revenue. The main criteria are whether or not the buyer can determine material elements of the planning and/or modify or influence material elements during construction or the progress of the project. In the assessment of the Conergy Group, these criteria have no bearing on the existing classification of its construction contracts.

With the exception of IFRS 9, IAS 24, IFRIC 14 and IFRIC 19, these revised and new standards and interpretations had been adopted by the EU by the time the Company's annual financial statements were completed. No voluntary early application of the standards and interpretations already adopted was made – with exception of the improvement to IFRS 8 (description of assets of the segment).

Consolidation principles

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

Subsidiaries
All companies (including special purpose entities), whose financial and business policies are controlled by the Conergy Group, are considered subsidiaries. As a rule, an ownership interest of more than 50 percent of the voting shares entails control. Currently exercisable or convertible potential voting shares are considered in any assessment of whether or not an enterprise holds a controlling interest. Subsidiaries are fully consolidated from the date on which control is transferred to the controlling group entity and deconsolidated at the time the control ends.

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

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

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

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

An acquired subsidiary is accounted for using the purchase method under IFRS 3 by offsetting the cost of the ownership interest against the pro rata remeasured equity of the subsidiary. Accordingly, the cost of the ownership interest corresponds to the fair value of the assets acquired, the equity instruments issued and the liabilities created or assumed at the transaction date plus the costs directly attributable to the acquisition. On initial consolidation, identifiable assets, liabilities and contingent liabilities that were acquired in connection with a business combination are recognised at their acquisition-date fair value, irrespective of the scope of the non-controlling interests. Goodwill is recognised if the acquisition cost of the ownership interest exceeds the pro rata net assets measured at fair value. It is not amortised but subject to an annual impairment test instead. Any excess of the acquired subsidiary's pro rata net assets that have been measured at fair value over the acquisition cost is recognised directly in income.

Intragroup profits and losses, sales, expenses, and income as well as receivables and payables between the consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the assets transferred. Deferred tax assets or liabilities are recognised pursuant to IAS 12 in the event of consolidation measures that are recognised to profit or loss. The accounting policies used by subsidiaries were adjusted as necessary to the Conergy Group's uniform accounting methods.

Acquisition and sale of non-controlling interests
The Company treats transactions with non-controlling interests (NCI) as transactions with third parties. Disposals of an ownership interest in a subsidiary that do not result in a loss of control thus generate a gain or loss on disposal that is recognised in the Group's net profit or loss for the period. Acquisitions of NCIs in subsidiaries lead to the recognition of goodwill corresponding to the difference between the cost of the ownership interest and the corresponding carrying amount of the acquired pro rata net assets of the subsidiary.

Associated companies
Companies over which the Group generally exercises a significant influence based on its ownership interest of between 20 percent and 50 percent are accounted for using the equity method. Just as in the previous year, Conergy AG did not have such shareholdings as at 31 December 2009.

Companies included in the consolidated financial statements
Besides Conergy AG as the parent company, the consolidated financial statements also comprise 12 domestic and 32 foreign subsidiaries. Pursuant to Section 313 para. 2 and para. 4 German Commercial Code, the required disclosures regarding shareholdings are announced in the electronic Federal Gazette in a separate register along with the consolidated financial statements and the group management report. In the 2009 financial year, the following changes occurred with respect to the companies included in Conergy's consolidated financial statements:

	31.12.2009			31.12.2008
Number of fully consolidated subsidiaries	Germany	Abroad	Total	Total
As at 01.01.	**23**	**44**	**67**	**83**
Additions	–	3	3	–
Disposals	1	9	10	6
Additions / Disposals through changes in consolidated Group	–10	–6	–16	–10
As at 31.12.	**12**	**32**	**44**	**67**

Twenty-six companies were no longer included in consolidation in the 2009 financial year either as a result of mergers or sales in connection with the Conergy Group's reorganisation or because they were insignificant.

The 44 fully consolidated subsidiaries of Conergy AG contain nine companies attributable to the discontinued operations.

The following table lists the significant subsidiaries included in consolidation:

	Domicile	Percentage of shares owned
Germany		
Conergy Deutschland GmbH	Hamburg	100.0
Conergy SolarModule GmbH & Co. KG	Frankfurt (Oder)	100.0
EPURON GmbH	Hamburg	100.0
Mounting Systems GmbH	Rangsdorf	100.0
Voltwerk Electronics GmbH	Hamburg	100.0
Rest of Europe		
Conergy Italia S.p.A.	Vicenza (Italy)	100.0
Conergy M.E.P.E.	Athens (Greece)	100.0
Conergy S.A.S.	Brignoles (France)	100.0
EPURON Spain SLU	Madrid (Spain)	100.0
SUNTECHNICS SISTEMAS DE ENERGIA,SLU	Madrid (Spain)	100.0
Rest of World		
Conergy Inc.	Santa Fe (USA)	100.0
Conergy Pty. Limited	Sydney (Australia)	100.0
Conergy Renewable Energy Singapore Pte. Ltd.	Singapore (Singapore)	100.0
SunTechnics Energy Systems Private Limited	Bangalore (India)	100.0

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

Company	Domicile	Shareholding in percent
Cap-Aus Pty. Limited	Australia	100.0
Conergy Austria GmbH	Austria	100.0
Conergy Energia Solar Ltda.	Brazil	100.0
Conergy Estonia OÜ	Estonia	100.0
Conergy Pty. Ltd.	Singapore	100.0
Conergy (Shanghai) Trading Co., Ltd	China	100.0
Conergy SolarModule Verw. GmbH	Germany	100.0
Conergy (Thailand) Ltd.	Thailand	99.9
SunTechnics (China) Limited	China	100.0

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

As already disclosed in the note on the Company's accounting policies, the Conergy Group focuses on long-term project development work, among other things. Project development encompasses both the planning and construction of energy farms, as well as marketing them to investors that invest in project companies established specifically for project development from a certain point in time. In this content, there are basically two types of project companies. For one, project companies that were founded in order to carry out the construction of energy farms and, for another, so-called intermediate holding companies that have a stake in the operating project companies. Project companies that serve as intermediate holding companies were not consolidated in the 2009 financial year given their insignificance to the Conergy Group's assets, liabilities, cash flows and profit or loss. Operating project companies are generally consolidated as soon as construction begins. Please see the disclosures on the principles governing the consolidation of subsidiaries for additional details on the general approach to the deconsolidation or consolidation of project companies.

The number of intermediate holding companies existent as at 31 December 2009 developed as follows during the financial year:

	31.12.2009			31.12.2008
Number of intermediate holding companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**5**	**38**	**43**	**41**
Additions	9	3	12	2
Disposals	–	29	29	–
As at 31.12.	**14**	**12**	**26**	**43**

The number of project companies existent as at 31 December 2009 developed as follows during the financial year:

	31.12.2009			31.12.2008
Number of project companies	**Germany**	**Abroad**	**Total**	**Total**
As at 01.01.	**200**	**125**	**325**	**401**
Additions	1	83	84	12
Disposals	112	30	142	88
As at 31.12.	**89**	**178**	**267**	**325**
Thereof fully consolidated	4	13	17	66

A total of 17 out of the 267 project companies were consolidated as at 31 December 2009. The remaining project companies were not consolidated given their overall insignificance to the assets, liabilities, cash flows and profit or loss of the Conergy Group.

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

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

Currency translation

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

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

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

The following significant exchange rates were material to currency translation:

	Closing rate		Average exchange rate	
1 EUR	31.12.2009	31.12.2008	2009	2008
USD (USA)	1.44	1.39	1.39	1.47
AUD (Australia)	1.60	2.03	1.77	1.74
INR (India)	67.04	68.01	67.36	63.75
SGD (Singapore)	2.02	2.00	2.02	2.08

Accounting policies

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

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

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

Intangible assets whose estimated useful life can not be determined are not subject to amortisation; an annual impairment test is conducted instead. The Conergy Group does not possess such assets.

Development costs are capitalised if it is sufficiently probable that the development activity will lead to future inflows of funds that cover not only current costs but also the respective development costs. Directly attributable staff costs and related are only recognised at the time the technical and economic feasibility of the project can be demonstrated and the costs can be reliably assessed.

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

Pursuant to IAS 38.54, research costs are expensed in the period in which they are incurred. An insignificant amount of research costs was expensed in the 2009 financial year.

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

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

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

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

The recoverable amount of a cash generating unit is defined as the value in use or the net realisable value, whichever is greater. It is determined using the discounted cash flow method based on planned future cash flows that are discounted using a weighted average of the cost of capital. These calculations are based on detailed plans for the next three annual periods of the type that are also used for internal purposes. Please see the section on expected developments (outlook) in the Group management report for information on the underlying planning assumptions. Thereafter, the net present value (NPV) is determined based on sustained income achievable on average in the form of a perpetual yield.

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

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

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

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

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

The country-specific interest rate after taxes that was used to discount the estimated series of payments was between 9.8 percent and 11.2 percent. The determination of the rate of return on capitalisation after taxes as part of the goodwill impairment test was based on the assumption that discounting pre-tax cash flows using a pre-tax discount rate leads to the same result as discounting after-tax cash flows using an after-tax discount rate.

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

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

	2009			
EUR million	**Conergy PV**	**Components**	**EPURON**	**Total**
Germany	0.5	–	0.3	0.8
USA	7.1	–	–	7.1
Switzerland	3.7	–	–	3.7
Canada	1.7	–	–	1.7
Rest of World	1.9	–	0.8	2.7
Reclassification to current assets	–	–	−1.1	−1.1
	14.9	**–**	**–**	**14.9**

	2008			
EUR million	**Conergy PV**	**Components**	**EPURON**	**Total**
Germany	0.7	0.5	0.2	1.4
USA	7.1	–	–	7.1
Switzerland	3.8	–	–	3.8
Canada	1.7	–	–	1.7
Rest of World	2.7	–	0.8	3.5
Reclassification to current assets	–	–	–	–
	16.0	**0.5**	**1.0**	**17.5**

An impairment loss of EUR 1.5 million was recognised on existing goodwill as a result of the impairment test that was conducted during the financial year.

Property, plant and equipment

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

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

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

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

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

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

Borrowing costs

Borrowing costs are generally recognised as expenses in the period in which they have incurred. Under IAS 23.11 (Borrowing Costs), directly attributable borrowing costs are shown as part of the costs if the relevant asset is considered a qualifying asset. Financing costs not directly attributable to the assets are included in the costs of the manufactured or acquired asset on a pro-rated basis. In the financial year just ended, EUR 18.5 million in borrowing costs (previous year: EUR 66.5 million) were recognised as an expense. As in the previous year, no borrowing costs were capitalised because there were no qualifying assets.

Leases

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

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

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

Financial instruments

A financial instrument is an agreement simultaneously giving rise to a financial asset in one company and a financial liability or an equity instrument in another company. In particular, financial assets include cash and cash equivalents, trade accounts receivable, loans and receivables, investments held to maturity as well as primary and derivative financial assets held for trading.

Financial liabilities always give rise to a claim for repayment in cash or by means of another financial asset. In particular, this includes bonds and other securitised liabilities, liabilities to banks, liabilities under finance leases, borrower's note loans and derivative financial liabilities. Financial instruments are always recognised as soon as Conergy becomes a party to the terms governing the financial instrument. The settlement date, i.e. the date on which the asset is delivered to or by Conergy, is relevant to both initial recognition and derecognition of purchases or sales made at market rates. As a rule, financial assets and financial liabilities are not offset; they are offset only if there is a right to set off the amounts at the present time and if there is a plan to settle on a net basis.

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

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

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

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

The financial instruments that were recognised in the consolidated balance sheet at fair value (as well as the disclosures regarding the fair values of financial instruments) are all based on information and input factors related to Level 2 described above. No reclassifications from or into another measurement level were made.

Financial assets

Financial assets are divided into the following measurement categories:

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

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

Financial assets measured at fair value through profit or loss

For one, this comprises financial assets held for trading and, for another, financial assets designated on initial recognition as financial assets measured at fair value through profit or loss. Derivative financial assets must be allocated to this category unless hedge accounting is applied (see note 19).

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

Held-to-maturity investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on any active market. On initial recognition, they are recognised at their fair value as at the contract date plus transaction costs directly attributable to the

purchase of the financial asset. Subsequent measurements are made at amortised cost using the effective interest method. This includes, in particular, trade accounts receivable as well as other financial assets.

If the recoverability of receivables is doubtful, an impairment is recognised on the basis of the difference between the carrying amount of the respective receivables and the present value of the expected future cash flows, discounted at the initial effective interest rate. A flat rate method is used in connection with insignificant receivables.

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

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

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

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

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

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

The effective portion of the change in the fair value of the hedging instrument is recognised in a separate item in equity. In fair value hedges, the underlying transaction is recognised in profit or loss at fair value and the profit or loss from the measurement of the hedge is recognised in profit or loss.

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

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

All changes in value related to derivatives not subject to hedge accounting are recognised in profit or loss.

The market value of interest rate swaps follows from the discounting of expected future cash flows over the residual maturity of the contract based on current market rates or interest rate curves.

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

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

Inventories

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

Construction contracts

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

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

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

The construction contracts are shown in trade accounts receivable or payable. Contract work is recognised as trade accounts receivable to the extent that in individual cases the cumulative performance (order costs and income) is higher than the payments received on invoices for partial deliveries. Any negative balance remaining after deduction of the advances is recognised in trade accounts payable as a liability from construction contracts.

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

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

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

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

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

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

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

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

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

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

Provisions for other risks from sales and procurement basically relate to imminent losses from executory contracts. Conergy measures provisions for expected losses at the lower of the expected cost upon fulfilment of the contract and the cost upon termination of the contract. A provision for restructuring expenses is recognised if the Group has prepared a detailed formal restructuring plan which, in turn, has raised a valid expectation in the minds of the affected individuals that the restructuring measures will be executed, and starts to implement the plan or announces its material components. Solely the direct expenditures arising from the restructuring are considered in the measurement of a restructuring provision. Hence this only concerns amounts arising from the restructuring that are not associated with the Company's continuing operations.

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

Deferred tax assets and liabilities are measured in accordance with both the tax rates and tax regulations that were applicable at the balance sheet date or have essentially been adopted into law in the respective countries and that are expected to apply at the time the deferred tax asset is realised or the deferred tax liability is settled. A tax rate of 31.5 percent applies to the German Group companies; aside from the uniform corporate income tax rate and the solidarity surtax, this rate also includes the average trade tax rate.

Contingent liabilities
Contingent liabilities are possible obligations arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events, or current obligations arising from past events that are unlikely to result in an outflow of resources or the amount of which can not be measured with sufficient reliability. Pursuant to IAS 37, contingent liabilities are generally not recognised.

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

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

Revenue from service contracts is recognised in accordance with the stage of completion. Consideration for services that is included in the price of the product sold is recognised at the ratio of its share in the total consideration attributable to the product sold, based on past trends regarding the services provided in connection with products sold. Revenue from contracts settled on the basis of time or materials are recognised at the contractually stipulated rates for hours worked and costs directly incurred. Income in connection with construction contracts is recognised according to the stage of completion, provided all requirements under IAS 11 have been met, particularly when the revenue, total cost and stage of completion can be reliably measured. For further details, please see the disclosures in the section discussing construction contracts.

Employee benefits

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

Share-based payments
Conergy maintains a share-based payment system for members of its Management Board based on stock appreciation rights on shares of Conergy AG.

The share-based payment programme based on stock appreciation rights embodied in phantom stock options has a term of three years overall, starting 15 November 2007. These phantom options are divided into three tranches with terms of one, two and three years. Three exercise dates have been set; on each date, a third of the Phantom Stock Options granted can be exercised. After three years, all of the Phantom Stock Options are exercisable. Unexercised options may be carried over to the next two tranches.

The share-based compensation programme in the form of stock appreciation rights also has a term of three years starting 1 September 2008. These stock appreciation rights were divided into two tranches of 50 percent each. The first tranche may be exercised at the earliest upon expiration of a waiting period of six months, and the second tranche at the earliest upon expiration of a waiting period of one year and six months. Furthermore, the exercisability of stock appreciation rights is also tied to the positive development of Conergy AG's share price. The first tranche may be exercised only if and as soon as the Company's share exceeds the price previously fixed as the base price by at least 10 percent, at the earliest, on the thirtieth trading day at the Frankfurt (Main) Stock Exchange prior to expiration of the waiting period of the stock appreciation rights and no later than prior to the expiration of the overall maturity. The second tranche may only be exercised if the share price exceeds the base price by at least 20 percent under the same conditions. Any exercise of the stock appreciation rights is impossible absent the fulfilment of these performance targets. Stock appreciation rights must be exercised no later than by the stock's final maturity; if not, they will be forfeited outright without compensation.

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

Government grants
Government grants received in connection with investments in property, plant and equipment are deducted from the cost of the asset in accordance with IAS 20.24 Government Grants Related to Assets and result in a commensurate reduction in depreciation in subsequent periods.

4. Assumptions and exercise in judgment

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

Management wishes to point out that future events frequently deviate from forecasts and that estimates frequently require routine adjustments.

We also assume that geopolitical conditions will remain stable. This assessment is also based on the underlying assumption that the problems resulting from the international financial crisis will not continue to intensify dramatically. The international financial crisis that was triggered by developments gone awry in the US mortgage market has already had an impact on macroeconomic developments, especially in the United States and other industrialised countries. In this connection, please also see the disclosures in the risk report of Conergy's Group management report.

Estimates and assumptions

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

| Construction contracts

The Conergy Group's business is based in part on customer-specific construction contracts. In these cases, revenue is recognised pursuant to the percentage of completion method (PoC). Under this method, the assessment of the stage of completion, total contract costs, total revenues and contract risks substantially affect both the amount of revenue that is recognised and pro rata earnings. Changes in planned costs and the profitability of the individual construction contracts lead to modifications of the estimates that are recognised in the period during which they occur. As at 31 December 2009, EUR 14.6 million (previous year: EUR 11.3 million) in receivables from construction contracts were recognised in trade accounts receivable.

| Impairment of goodwill

The Group tests goodwill for impairment at least once a year (see note 12). This requires estimating the recoverable amount of those cash generating units to which the goodwill has been allocated. The recoverable amount is the higher of fair value less costs to sell and the cash generating unit's value in use. The Group must estimate the expected future cash flows from the cash generating unit in order to estimate the value in use and, furthermore, select a reasonable discount rate in order to determine the present value of these cash flows. As at 31 December 2009, the carrying amount of the goodwill was EUR 14.9 million (previous year: EUR 17.5 million).

| Impairment of assets

The Group must assess at every reporting date whether there is any indication that the carrying amount of an item of property, plant and equipment or an intangible asset might be impaired. If so, the recoverable amount of the relevant asset is estimated. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. The value in use is determined based on the discounted future cash flows of the relevant asset. Estimating the discounted future cash flows entails making material assumptions, especially with respect to future selling prices and volumes as well as to the discounting rates. As at 31 December 2009, the carrying amount of the Company's property, plant and equipment – which essentially concerns the Frankfurt (Oder) production site – was EUR 183.9 million (previous year: EUR 204 million).

| Assets held for sale

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

| Income taxes

Corporate income taxes must be estimated for every tax jurisdiction where the Group engages in business activities. This entails calculating the expected actual income tax for each taxpayer and the temporary differences from the divergent treatment of specific balance sheet items in the IFRS consolidated financial statements and the tax accounts. Temporary differences, if any, generally lead to the recognition of tax assets and tax liabilities in the consolidated financial statements. Management must make assessments in calculating current and deferred taxes. Deferred tax assets are recognised to the extent that it is probable that they can be used. Whether deferred tax assets are used depends on the Group's ability to earn sufficient taxable income under the relevant tax type and jurisdiction, if necessary, taking into account statutory limits on the maximum periods allowed for tax loss carryforwards. Various factors must be considered to assess the likelihood that deferred tax assets will be used in future, such as, for instance, past earnings, operational plans, tax loss carryforward periods and tax planning strategies. Any difference between actual results and these estimates or any need to adjust these estimates in future periods could have negative effects on the Company's assets, liabilities, cash flows and profit or loss. The deferred tax assets previously recognised must be written down to profit and loss if they are impaired. As at 31 December 2009, recognised tax loss carryforwards for corporate income and municipal trade tax

purposes, respectively, were EUR 100.2 million and EUR 78.3 million (previous year: EUR 213.6 million and EUR 140 million, respectively). No deferred tax assets were recognised for tax loss carryforwards of EUR 350.1 million (previous year: EUR 139.4 million) in corporate income taxes and EUR 241.9 million (previous year: EUR 137.1 million) in municipal trade tax because it is currently unlikely that the tax loss carryforwards can be utilised within the framework of the Company's medium-term, tax-related earnings planning. These loss carryforwards can essentially be utilised for an unlimited period of time.

The changed shareholder structure following the completion of the December 2008 capital increase as well as the takeover of Dresdner Bank AG by Commerzbank AG (in January 2009) and the subsequent merger of Dresdner Bank AG and Commerzbank AG (in May 2009) will eliminate additional tax loss carryforwards on a pro rata basis under Section 8c para. 1 German Corporate Income Tax Act. Conergy is currently reviewing with the assistance of internal and external experts whether the restructuring provision in Section 8c para. 1a German Corporate Income Tax Act – which was introduced as part of the so-called Bürgerentlastungsgesetz-Krankenversicherung for the purpose of enhancing the deductibility of health insurance premiums on 16 July 2009 – affects solely the December 2008 capital increase or also applies to the indirect changes in the shareholder structure in 2009 and the extent to which the remaining existing losses can be carried forward. Furthermore, the European Commission has opened a formal investigation (C 7/10) regarding the admissibility of the restructuring provision of Section 8c para. 1 German Corporate Income Tax Act (KStG). According to the announcement of the Federal Ministry of Finance dated 30 April 2010, the provision may no longer be applied until the European commission has adopted a conclusive resolution. If the European commission ultimately decides that the restructuring provision is not applicable, we will no longer be able to utilise the Company's or our domestic subsidiaries' tax loss carryforwards. If the tax loss carryforwards can no longer be utilised, this would have a substantially negative impact on Conergy's assets, liabilities, cash flows and profit or loss. This fact was already taken into account in the determination of the deferred tax assets on loss carryforwards such that it will not affect the extent of the deferred tax assets recognised in 2009.

As Conergy currently sees it, the corporate income tax loss carryforwards of EUR 238.3 million and the municipal trade tax loss carryforwards of EUR 223.3 million can be carried forward in full.

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

For further details, please see the information provided in note 15.

Provisions

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

Estimate of the fair value of financial assets and liabilities

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

The fair value of financial assets and liabilities with standard maturities and conditions that are traded in active liquid markets is determined by reference to the listed market prices. The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted measurement methods based on discounted cash flow analyses using prices achieved in observable current market transactions. The fair value of derivative instruments is calculated based on listed prices. Absent such prices, discounted cash flow analyses are applied to derivatives without optional components using the corresponding interest rate curves applicable to the instruments' maturity and option pricing models are applied to derivatives with optional components. These estimates, including the methods used, can influence the fair value determination.

5. Management of financial risks

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

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

Market risks

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

Currency risks on the one hand arise from the fact that a number of the Group's consolidated companies report their figures in currencies other than the euro, which means that Conergy has to convert the relevant items into euro when preparing its consolidated financial statements ("translation risk"). On the other hand, currency risks can also arise if sales of a certain member of the Conergy Group are recognised in currencies different from those of the associated costs ("transaction risk"). A significant portion of transactions is carried out in US dollars (USD). The risks from US dollars stem mainly from long-term procurement contracts in the relevant currency, pursuant to which the Conergy Group has undertaken to accept goods against payment in US dollars. Changes in the respective currency relations can intensify or counteract fluctuations in commodities prices. A decline in the value of the euro vis-à-vis the US dollar can have a negative impact on Conergy's gross profit margin. Unfavourable conditions (notably rising commodities prices due to the rising US dollar) can trigger additional expenses in the procurement of raw materials in the short term, in turn substantially affecting Conergy's earnings and liquidity.

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

IFRS 7 requires a sensitivity analysis, which examines the effects of hypothetical changes in foreign exchange rates at the balance sheet date on the Group's assets, liabilities, cash flows and profit or loss. The effects of hypothetical changes in foreign exchange rates on the translation risk are not subject to IFRS 7. A hypothetical negative five percent change in foreign exchange rates was used to determine the sensitivities, positing a simultaneous gain in all currencies against the euro based on each currency's year-end exchange rate. The hypothetical loss from

derivative and primary financial instruments as at 31 December 2009 would have been EUR 2.4 million; it would have been attributable to the currency risk arising from liabilities in US dollars. There were no effects on equity because no derivatives were used as at 31 December 2009 to hedge anticipated exposures to risk from planned transactions in foreign currencies.

Interest rate risks

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

Currently, all borrowings under the syndicated loan dated 31 July 2007 are subject to variable interest rates. All borrowings in the 2009 financial year were structured in euros. The Conergy Group is exposed to additional interest rate risks in connection with the project business. Here, Corporate Treasury's responsibility is to monitor current interest rate trends and adjust the interest portfolio as necessary. This entails monitoring all critical interest rate curves in order to be able to react to short-term changes or shifts in the relevant interest rate curve as well, focusing mainly on the United States and Europe. Corporate Treasury develops additional short, medium and long-term interest rate forecasts to this end and subsequently aligns the relevant hedging strategies to these forecasts. Primarily interest rate derivatives – in particular, interest rate swaps and interest rate options – are used to implement these hedges.

Six fixed-rate swaps were entered into for variable interest rate loans to hedge rising interest rates. Five fixed-rate swaps (of EUR 15 million each), including redemption for securing the term loan, and one fixed-rate swap for EUR 100 million were entered into to hedge the interest rate risk from the Company's revolving facility. No interest rate risk arises because changes in the value of both the loans and the hedging transaction due to interest rates offset each other almost entirely during the period presented in the income statement.

Liquidity risks

The Conergy Group's failed strategy of expanding aggressively into new technologies, value added stages as well as geographic markets and simultaneously acquiring new companies had a substantial impact on the Group's assets, liabilities, cash flows and profit or loss, sparking an earnings and liquidity crisis.

Groupwide financial planning tools are intended to ensure early detection of the Company's complex liquidity situation resulting from the execution of corporate processes related to strategy and planning. Based on the insights gained with respect to the liquidity situation from groupwide financial planning tools, we now utilise liquidity planning that covers a period of 13 weeks and is rolled over from week to week as well as monthly planning up to the end of the year which is regularly updated and adjusted.

To ensure sufficient liquidity, on 31 July 2007 Conergy negotiated a revolving credit facility and a syndicated loan for originally EUR 600 million with fixed terms of, respectively, three and four and one half years. The loan is divided into two tranches and will provide funding for the construction of the production facility in Frankfurt (Oder) (Tranche A) as well as enable the Conergy Group to refinance its existing credit facilities and finance its working capital and guarantee requirements (Tranche B with a revolving facility of EUR 250 million and a guarantee and documentary credit facility of EUR 200 million). Tranche A, amounting to EUR 150 million, was originally to be repaid by 31 December 2011, in half-yearly installments starting on 30 June 2008. Tranche B, amounting to EUR 450 million was due for repayment on 31 July 2010. On 29 July 2010 Conergy reached an agreement with its financing banks to extend its loans to the end of 2011. In addition, the parties have agreed to postpone payments of the three remaining instalments of the term loan (Tranche A), also to the end of 2011. The Group's financing needs are also being covered by recourse to a variety of financial market instruments (including overnight money and term deposits) as well as bilateral loans.

The syndicated loan for originally EUR 600 million requires compliance with specific liquidity and capital structure ratios ("Financial Covenants"). Non-compliance with these Financial Covenants gives the lenders the right to terminate the loan for cause. The banks did waive compliance with the Financial Covenants for financial years 2008 and 2009, given the development of the Conergy Group's financial situation at the end of 2007. The EUR 18.8 million payment of Tranche A was suspended effective 31 December 2009 in this connection

with the banks' consent. The corresponding payment was made once the out-of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in mid-February 2010. Compliance with certain financial covenants must be demonstrated again by 30 June 2010.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case.

For further details on the syndicated loan, please see note 38, "Events after the reporting period".

The following table shows the sum total of the contractually stipulated undiscounted payments on interest and principal in connection with the financial liabilities and derivative financial instruments, broken down by maturities:

EUR million	Up to 1 year	1 to 5 years	More than 5 years
As at 31.12.2009			
Liabilities to banks	200.7	75.0	–
Derivative financial instruments	3.3	2.9	–
Other borrowings	0.8	0.0	10.9
Trade accounts payable	116.5	–	–
Obligations under rental and lease contracts	13.2	22.8	–
As at 31.12.2008			
Liabilities to banks	224.9	75.6	–
Derivative financial instruments	5.8	–	–
Other borrowings	0.0	0.0	10.9
Trade accounts payable	111.2	–	–
Obligations under rental and lease contracts	15.1	28.8	0.1

The variable interest payments related to the liabilities were determined based on the interest rates last applicable prior to 31 December 2009. Foreign currency holdings were converted at the reporting date exchange rate. Changes in cash flows can arise, in particular, from changes in interest rates and foreign exchange rates, prepayments, extensions as well as new financing obtained in future.

Credit risks

Credit risks from trade accounts receivable or financial assets arise when one party fails to honour its obligations, in whole or in part, and can result in the loss of cash or income. Such risks generally arise up to the carrying amounts of the financial assets recognised in the balance sheet (see note 19).

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

Risks arising from the capital structure

In addition to bringing about a sustained increase in the enterprise value, managing the finances of the Conergy Group is also aimed at maintaining an adequate capital structure. Gearing thus serves as an additional financial ratio in our management control system. It is defined as the ratio of net liabilities (borrowings less liquid funds) to equity. Repaying borrowings as well as boosting the equity base through retained earnings and/or capital increases serve as controlling instruments. We aim to achieve a gearing of 100 percent in the medium term, i.e. a 1:1 ratio of equity to net financial liabilities. Gearing developed as follows:

Net liabilities		31.12.2009	31.12.2008
Borrowings	EUR million	293.6	317.2
Liquid funds	EUR million	52.1	27.7
Net liabilities	EUR million	**241.5**	**289.5**
Equity	EUR million	116.0	196.8
Gearing	in percent	**208.2**	**147.1**

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

6. Changes in the consolidated group

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

Discontinued operations
In December 2009, the Management Board decided to sell the EPURON division and report it under discontinued operations. Prior to this, segment classification for the 2009 financial year was changed compared to the consolidated financial statements as at 31 December 2008 due to the Company's strategic realignment and the change in the business model of EPURON. Effective 1 January 2009, the photovoltaics project business is no longer part of the EPURON segment but belongs to the Conergy PV segment. The reason for introducing the new segment structure was to bundle all of the Group's photovoltaics business activities in the Conergy PV segment. EPURON, which now focuses on wind energy and bioenergy projects, will continue to pursue projects in other renewables areas such as Concentrated Solar Power (CSP).

The discontinued operations of the 2008 financial year comprise the former solar thermal and biomass business units. The Conergy Group has disposed of its thermal activities in Belgium, the Netherlands and Austria in the first quarter of 2008. The cash inflow from the sale of these business units amounted to EUR 10.3 million. In addition, the Management Board had resolved in the second quarter of 2008 to stop manufacturing wind turbines. This affected Conergy Wind GmbH domiciled in Bremerhaven, which was also treated as a discontinued operation. The sale of the business of Conergy Wind GmbH was completed in October 2008. This generated cash of EUR 1 million for Conergy.

Non-current assets and related liabilities slated for disposal are categorised as follows:

EUR million	31.12.2009	31.12.2008
Assets		
Goodwill	1.1	–
Intangible assets	0.1	–
Property, plant and equipment	2.6	–
Inventories	28.8	–
Other assets	3.5	0.1
Cash and cash equivalents	2.3	0.3
	38.4	**0.4**
Liabilities		
Borrowings	16.7	–
Trade payables	5.7	2.3
Other liabilities	5.1	1.6
	27.5	**3.9**

Writedowns of EUR 38.1 million to the lower fair values less costs to sell were recognised on the Group's assets in the 2008 financial year. They are contained in the net income for the year from discontinued operations. No such writedowns were recognised in the 2009 financial year.

The net income from discontinued operations is as follows:

EUR million	2009	2008*
Sales	16.5	32.0
Other expenses and income	–14.8	–116.8
Result before taxes from discontinued operations	**1.7**	**–84.8**
Income taxes	0.1	3.9
Result after taxes from discontinued operations	**1.8**	**–80.9**
Thereof		
valuation gains/losses from value adjustments of assets and liabilities	–	–38.1
Current profits/losses	–	–

* Previous year's figures adjusted

The previous year's deficit contained the losses incurred by both the EPURON segment and the operations of Conergy Wind GmbH as well as non-cash expenses from the sale of the wind energy activities. The losses incurred in connection with the disposal essentially arose from writedowns on fixed and current assets.

Discontinued operations account for the following net cash flows:

EUR million	2009	2008*
Cash flow from operating activities	15.4	–56.0
Cash flow from investing activities	–0.9	–1.7
Cash flow from financing activities	–0.3	16.9
Cash flow from discontinued operations	14.2	- 40.8

* Previous year's figures adjusted

The previous year's figures were adjusted such that they contain all operations that were discontinued at the balance sheet date.

Available-for-sale assets and liabilities
In the 2008 financial year, both the assets and the liabilities of the Conergy PV segment's South Korean subsidiaries were classified as "available for sale". The change in the recognition was made against the backdrop of our withdrawal from South Korea.

7. Segment disclosures

The new standard on segment reporting (IFRS 8, Segment Reporting) was applied for the first time as at 1 January 2009. Individual consolidated data are reported by business units in keeping with the Group's internal reporting and organisational structure. Segment reporting aims to lend greater transparency to both the Group's individual segments and regions (see note 1).

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

Segment reporting is based on the organisational structure of the Conergy Group in the 2009 financial year. The individual organisational units are allocated to the operating segments solely according to economic criteria, irrespective of their ownership structure under German corporate law. In its function as the Company's chief operating decision maker, the Management Board is not given any information on segment assets. Given the absence of internal reporting, there are no disclosures on segment assets in respect of reportable segments. The Group differentiates among the following segments:

Reportable segments
Segment classification for the 2009 financial year was changed compared to the consolidated financial statements as at 31 December 2008 due to the Company's strategic realignment and the change in the business model of the former EPURON segment. Effective 1 January 2009, the photovoltaics project business is no longer part of the EPURON segment but belongs to the Conergy PV segment. The reason for introducing the new segment structure was to bundle all of the Group's photovoltaics business activities in the Conergy PV segment. Furthermore, the Components segment is shown separately. Previously, this division was part of the Conergy PV segment. As a result of the Group's operational realignment, the product portfolio's different distribution channels have thus been integrated into the new Conergy PV, Components and EPURON divisions.

The EPURON segment is shown as a discontinued operation. EPURON, which now focuses on wind energy and bioenergy projects, will continue to pursue projects in other renewables areas such as Concentrated Solar Power (CSP).

As a result, Conergy now has two segments – Conergy PV and Components.

The Components segment develops and manufactures system components such as solar cells, solar modules, module frames, and mounting systems, as well as electronic components. In its new solar facility in Frankfurt (Oder), Conergy is developing additional parts of the photovoltaic value chain by manufacturing solar cells and solar modules. Conergy develops electronic components such as inverters, connection boxes, monitoring systems, and tracking systems in Hamburg and Bad Vilbel, and has these built to order by various companies, most of them European. Mounting systems and module frames are developed and manufactured in Rangsdorf near Berlin. Electrical components and mounting systems are developed, produced and sold by our subsidiaries voltwerk electronics GmbH and Mounting Systems GmbH.

The Conergy PV segment sells the products that Conergy manufactures, as well as purchased complete systems and components, to wholesalers, installers and end customers (primarily farmers, private households, and companies). The Company's distribution activities also include the construction, planning, and installation of photovoltaic systems (known as EPC activities: engineering, procurement, and construction). Conergy offers three different types of service: the

sale of individual components, the sale of complete systems with coordinated components, and turnkey plant construction. The services that we offer range from construction planning to component procurement, all the way to the construction of photovoltaic plants.

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

The "Reconciliation" and "Holding" columns are shown separately. During reconciliation, intragroup items are eliminated and income and expenses not directly attributable to the segments are disclosed. The Holding segment essentially comprises the activities of the Conergy holding company's Shared Services. It also includes the write-up of the receivable from MEMC Electronic Materials, Inc. in the amount of EUR 34.2 million. For more details on this issue, please see the information on the events after the reporting period.

The accounting standards applied to segment reporting correspond to those applied for Conergy as a whole. Intersegment sales include the sales from transactions between segments. The transfer prices for intragroup sales are determined at arm's length.

The number of employees corresponds to the number of full-time employees. Part-time employees are taken into account on a pro rata basis in accordance with their contractual working hours.

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

Reconciliation of the segment result		
EUR million	**2009**	**2008**
Operating result of the reported segments	−63.8	−82.5
Operating result holding company / reconciliation	27.0	−99.4
Operating result (EBIT)	**−36.8**	**−181.9**
Non-operating result	−21.8	−67.6
Earnings before taxes (EBT)	**−58.6**	**−249.5**

The segment table solely shows the Company's continuing operations. The previous year's segment reporting figures were adjusted accordingly.

Cross-segment disclosures
In Germany, the Conergy Group posted sales of EUR 280.8 million, compared to EUR 282.3 million in 2008, which corresponds to 46.7 percent of total sales (previous year: 28.9 percent). Sales in Spain, previously our core market, fell by EUR 302.6 million to EUR 43.4 million (previous year: EUR 346 million). The Conergy Group posted sales of EUR 45.8 million in the United States (previous year: EUR 65.4 million). Business developed along a positive trajectory especially in France, Italy, Australia and Singapore. In France, Conergy PV expanded its market position in the wholesale business, achieving sales growth by EUR 7.4 million to EUR 33.1 million (previous year: EUR 25.7 million). In Italy, sales rose by EUR 11 million to EUR 74.3 million (previous year: EUR 63.3 million) due to the positive development of the wholesale business. In Australia too the wholesale business in particular boosted sales by EUR 27.8 million to EUR 52.5 million (previous year: EUR 24.7 million). For more details, please see the section on the Group's profit or loss in the management report.

In the 2009 financial year, no single customer accounted for more than ten percent of the Conergy Group's sales. At approximately EUR 152 million, the construction of the El Calaverón solar power plant had made a substantial contribution to consolidated sales in the 2008 financial year.

Disclosures and comments on the income statement

8. Sales

Sales are comprised of the following:

EUR million	2009	2008*
Sales from the sale of goods	374.1	369.9
Sales from services rendered (incl. projects)	208.4	571.5
Services realised under construction contracts (PoC)	18.4	33.9
	600.9	**975.3**

* Previous year's figures adjusted

The 2008 sales of EUR 975.3 million are EUR 30.9 million lower than reported in the 2008 annual report due to the reclassification of discontinued operations. For further details on the changes in the consolidated group, please see the comments in note 6.

Sales of EUR 79.7 million (previous year: EUR 190.6 million) were recognised on a total of 17 settled projects (previous year: 42 projects). Sales of EUR 18.4 million (previous year: EUR 33.9 million) were recognised using the PoC method.

9. Personnel expenses

EUR million	2009	2008*
Wages and salaries	−65.6	−91.8
Social security costs	−16.5	−13.9
	−82.1	**−105.7**

*Previous year's figures adjusted

10. Other operating income

The other operating income is comprised of the following:

EUR million	2009	2008*
Currency changes	3.8	11.6
Deconsolidation income	11.8	5.0
Write-up from receivables	36.0	7.6
Other operating income	13.2	8.0
	64.8	**32.2**

*Previous year's figures adjusted

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

The income from the reversal of provisions mainly concerns the reversal of unused provisions recognised in the 2008 financial year that had been recognised in connection with restructuring measures and guarantee risks related to the project business.

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

The other operating income also comprises a multitude of minor individual items related to the Group's 36 consolidated companies shown under continuing operations.

11. Other operating expenses

The other operating expenses are comprised of the following:

EUR million	2009	2008*
Rental, lease and maintenance expenses	−26.9	−30.2
Legal and consulting expenses	−18.0	−31.6
Third-party services (temporary staff)	−12.9	−11.5
Distribution costs	−12.1	−18.7
Bad debt allowance	−9.2	−45.9
Warranty costs	−7.4	−10.4
Currency changes	−1.1	−40.3
Other operating expenses	−23.7	−24.7
	−111.3	**−213.3**

*Previous year's figures adjusted

In 2009, the consultancy fees incurred by the Conergy Group amounted to approx. EUR 18 million (previous year: EUR 31.6 million). Consulting expenses were incurred for consulting and support services related to the Company's restructuring, specifically, finance (banks), legal affairs, restructuring and auditing. This also contains external IT and project development services.

The allowances on receivables were due to a lack of creditworthiness on the part of customers. This development was caused for one by problems in individual projects and for another by the general deterioration in the economic environment; taken together, these factors have had a negative effect on the profitability of the Conergy Group's projects. The previous year's figure was affected by the restatement of a receivable from MEMC Electronic Materials, Inc. in the amount of EUR 42.1 million.

The cost of sales contain transport and advertising costs.

In 2009 the other operating expenses also contained EUR 2.8 million in expenses for communications and office equipment (previous year: EUR 4.2 million); EUR 2.6 million in insurance, contributions, fees and other charges (previous year: EUR 3.2 million); as well as EUR 3.3 million in expenses for travel, meals and entertainment (previous year: EUR 4.6 million).

In the previous year, the other operating expenses had also contained EUR 14.4 million in expenses for the valuation of contracts, among other things.

The miscellaneous other operating expenses comprise a multitude of minor individual items related to the Group's 36 consolidated companies shown under continuing operations.

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

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

EUR million	2009	2008*
Impairment of goodwill	−1.5	−0.9
Impairment of own development services	0.0	−7.3
Impairment of other intangible assets and of property, plant and equipment	−0.8	−3.5
Depreciation and amortisation	−23.8	−22.8
	−26.1	**−34.5**

*Previous year's figures adjusted

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

As in the previous year, impairment losses on property, plant and equipment essentially concern restructuring costs.

13. Net gains and losses from financial instruments

Net gains and losses are influenced by fair value changes recognised to profit or loss, impairment losses, adjusting events recognised to profit or loss, changes in foreign exchange rates, as well as derecognitions, and are recognised in other operating income/expenses and the non-operating result.

Net profit or loss by measurement category

EUR million	2009	2008
Loans and receivables	28.1	−9.6
Financial investments held to maturity	–	–
Available-for-sale financial assets	–	–
Financial instruments held for trading	−3.9	−8.0
Borrowings measured at amortised cost	−1.2	−9.1
	23.0	**−26.7**

A total of EUR 28.1 million in net gains from loans and receivables (previous year: net loss of EUR 9.6 million) essentially results from the reversal of writedowns on receivables as a result of the agreement reached with MEMC Electronic Materials, Inc.

The net loss of EUR 3.9 million (previous year: EUR 8 million) from financial instruments held for trading essentially comprises the result of the measurement of the derivative financial instruments.

The net loss of EUR 1.2 million (previous year: EUR 9.1 million) from financial liabilities measured at amortised cost essentially resulted from currency translation.

14. Non-operating result

The non-operating result is comprised of the following elements:

EUR million	2009	2008*
Finance income	0.7	3.6
Finance costs	−22.5	−71.2
	−21.8	**−67.6**

*Previous year's figures adjusted

Thereof financial instruments in measurement categories pursuant to IAS 39		
Loans and receivables	−0.1	−3.2
Financial investments held to maturity	–	–
Available-for-sale financial assets	–	–
Borrowing measured at amortised cost	−15.1	−60.8
	−15.2	**−64.0**

The non-financial result of the Conergy Group is essentially impacted by the Company's net borrowing. The two-tranche syndicated loan for EUR 600 million (Tranche A for EUR 150 million and Tranche B for EUR 450 million) has a significant impact in that respect.

EUR -3.8 million (previous year: EUR -6.9 million) of the non-operating result is attributable to the interest rate swap.

No interest income from impaired financial assets was recognised during the reporting period.

15. Income taxes

Income taxes comprise taxes paid and owed on income and earnings, as well as the deferred tax assets and liabilities recognised by the Group. The income taxes shown include:

EUR million	2009	2008*
Current income taxes	−0.7	−4.0
Deferred income taxes	−21.8	27.8
	−22.5	**23.8**

*Previous year's figures adjusted

The following table shows the reconciliation of tax expense expected on the basis of the IFRS earnings before taxes (EBT) with actual tax expense:

EUR million	2009	2008*
Result before taxes from continuing operations	**−58.6**	**−249.5**
Result before taxes from discontinued operations	1.7	−84.8
Earnings before taxes (total)	**−56.9**	**−334.3**
Theoretical income tax rate for the Company in percent	31.5	31.5
Expected tax income (+) / expense (–)	**17.9**	**105.3**
Effects of tax rate changes in future years	0.6	1.0
Municipal trade tax additions / deductions	−2.2	−5.6
Effects of previous years' taxes recognised in the financial year	20.9	1.4
Effects due to tax rates deviating from the theoretical income tax rate	−0.5	−0.5
Effects of non-taxable income	−2.5	−16.0
Permanent effects	−0.8	−3.7
Effects of non-deductible expenses	−2.1	−2.1
Effects of the non-recognition of deferred tax assets on temporary differences and loss carryforwards	−47.9	−58.0
Other differences	−5.8	5.9
Current income taxes (total)	**−22.4**	**27.7**
Effective income tax rate in percent	−39.3	8.3
Thereof current income taxes from discontinued operations	0.1	3.9
Effective income tax from continuing operations	**−22.5**	**23.8**
Effective income tax rate in percent	−38.4	9.5

*Previous year's figures adjusted

A corporate income tax rate of 15 percent and a solidarity surcharge of 5.5 percent on the corporate income tax rate, as well as trade tax rates between 12 percent and 19 percent, are applied to domestic tax calculations in accordance with applicable taxation rates. Foreign income taxes are calculated on the basis of the laws and regulations applicable in the respective countries.

The following income tax rates apply in the various countries: 30 percent in Spain; 33.3 percent in France; 39.5 percent in the USA; 30 percent in Australia; 31.4 percent in Italy; and 23.3 percent in Switzerland.

Deferred taxes recognised in the balance sheet stem from the following temporary differences:

	Deferred tax assets		Deferred tax liabilities	
EUR million	**2009**	**2008**	**2009**	**2008**
Intangible assets	14.4	32.8	0.1	1.5
Property, plant and equipment	0.0	0.2	0.0	0.5
Receivables and other financial assets	5.8	0.4	9.8	4.3
Inventories	11.6	37.8	2.5	–
Provisions	3.3	6.1	8.9	0.4
Other liabilities	1.8	3.2	7.3	40.2
Trade payables	5.0	0.4	0.0	27.5
Capitalised tax loss carryforwards	32.4	63.0	–	–
	74.3	**143.9**	**28.7**	**74.4**
Thereof non-current	48.7	119.5	5.1	6.2
Netting	28.7	64.3	28.7	64.3
Deferred taxes recognised	**45.6**	**79.6**	**0.0**	**10.1**

No deferred tax assets were recognised on deductible temporary differences in the amount of EUR 74.5 million, most of which are non-current.

Deferred tax assets and liabilities are offset at the level of individual Group companies and within tax units if there is a right to offset actual tax assets against current tax liabilities and if the deferred tax assets and liabilities are due from or to the same tax authority.

As at the balance sheet date, the Company recognised deferred tax assets on corporate income and municipal trade tax loss carryforwards amounting to EUR 100.2 million and EUR 78.3 million, respectively (previous year: EUR 213.6 million and EUR 140 million, respectively). Deferred tax assets were recognised for these carryforwards insofar as it is probable that the Group will have sufficient taxable temporary differences; in turn, these will give rise to taxable income to which these loss carryforwards can be applied before they expire. Possible tax measures related to the restructuring and/or refinancing of our business activities that might allow us to use loss carryforwards in future have not been taken into account to date. The recognised tax loss carryforwards can be used as follows:

EUR million	2009		2008	
	CIT/SS*	**MTT***	**CIT/SS***	**MTT***
Up to 1 year	–	–	–	–
1 to 5 years	12.1	7.2	7.7	10.1
More than 5 years	88.1	71.1	205.9	129.9
	100.2	**78.3**	**213.6**	**140.0**

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

No deferred tax assets were recognised for corporate income tax and municipal trade tax loss carryforwards of EUR 350.1 million and EUR 241.9 million (previous year: EUR 139.4 million and EUR 137.1 million). The unrecognised tax loss carryforwards can be used as follows:

EUR million	2009		2008	
	CIT/SS*	**MTT***	**CIT/SS***	**MTT***
Up to 1 year	–	–	0.9	–
1 to 5 years	51.0	7.8	0.6	–
More than 5 years	299.1	234.1	137.9	137.1
	350.1	**241.9**	**139.4**	**137.1**

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

Deferred tax liabilities of EUR 36.7 million (previous year: EUR 42.7 million) for taxes on subsidiaries' retained earnings, which would trigger actual tax payments if they were distributed, were not recognised. If deferred tax assets or liabilities were recognised for these timing differences, only the withholding tax rate applicable in the given case would apply, if necessary taking the German tax rate of five percent for dividends paid into account. There is no plan to pay out the retained profits.

16. Earnings per share

		2009	2008*
Result from continuing operations applicable to shareholders of Conergy AG	EUR million	−80.5	−227.0
Result applicable to shareholders of Conergy AG in	EUR million	−79.9	−305.3
Adjustment of results for finance costs for diluting instruments	EUR million	–	–
Adjusted result from continuing operations	Mio. EUR	−80.5	−227.0
Adjusted result applicable to shareholders of Conergy AG	EUR million	−79.9	−305.3
Weighted average number of shares issued	Shares	398,088,929	65,338,928
Potential effect of diluting instruments (number)	Shares	–	–
Adjusted average number of no-par shares issued	Shares	398,088,929	65,338,928
Basic earnings per share from continuing operations	EUR	−0.20	−3.47
from discontinued operations	EUR	0.00	−1.20
Earnings per share applicable to the shareholders of Conergy AG	**EUR**	**−0.20**	**−4.67**
Diluted earnings per share from continuing operations	EUR	−0.20	−3.47
from discontinued operations	EUR	0.00	−1.20
Earnings per share applicable to the shareholders of Conergy AG	**EUR**	**−0.20**	**−4.67**

* Previous year's figures adjusted

Under the German Stock Corporation Act (Aktiengesetz), dividends eligible for distribution are calculated based on the unappropriated surplus pursuant to the annual financial statements of Conergy AG that were prepared in accordance with the German Commercial Code.

Given Conergy AG's net loss of EUR 378.8 million as at 31 December 2008, the General Shareholders' Meeting resolved on 10 June 2009 not to distribute any dividend for the 2008 financial year. The net loss pursuant to the annual financial statements of Conergy AG according to the German Commercial Code as at 31 December 2009 was EUR 114.8 million.

Conergy's Management Board and Supervisory Board propose to the General Shareholders' Meeting not to pay any dividend for the 2009 financial year.

Disclosures and comments on the consolidated balance sheet

17. Intangible assets and goodwill

EUR million	Goodwill	Industrial property rights	Development services	Other intangible assets and advance payments made	Total
As at 01.01.2008					
Cost	51.1	13.8	21.8	4.0	90.7
Cumulative amortisation and impairment losses	−30.4	−6.9	−11.9	0.0	−49.2
Net carrying amount	**20.7**	**6.9**	**9.9**	**4.0**	**41.5**
Development in 2008					
Net carrying amount as at 01.01.2008	20.7	6.9	9.9	4.0	41.5
Currency changes	−0.2	0.0	0.1	0.1	0.0
Acquisitions	0.3	–	–	–	0.3
Investments	2.1	4.8	1.2	3.1	11.2
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassification to current assets	−4.5	−0.9	–	–	−5.4
Amortisation	–	−3.3	−0.8	−2.3	−6.4
Impairment losses	−0.9	−3.0	−7.3	–	−11.2
Reclassifications	0.0	−0.9	–	1.0	0.1
Net carrying amount as at 31.12.2008	**17.5**	**3.6**	**3.1**	**5.9**	**30.1**
As at 31.12.2008					
Cost	47.8	10.9	23.6	7.1	89.4
Cumulative amortisation and impairment losses	−30.3	−7.3	−20.5	−1.2	−59.3
Net carrying amount	**17.5**	**3.6**	**3.1**	**5.9**	**30.1**
Development in 2009					
Net carrying amount as at 01.01.2009	17.5	3.6	3.1	5.9	30.1
Currency changes	0.0	0.0	0.0	0.0	0.0
Acquisitions	–	–	–	–	0.0
Investments	0.1	0.1	1.7	2.3	4.2
Disposals	0.0	0.0	0.0	−0.6	−0.6
Reclassification to current assets	− 1.0	0.0	0.0	−0.1	−1.1
Amortisation	−0.2	−0.7	0.0	−2.7	−3.6
Impairment losses	−1.5	–	–	−0.2	−1.7
Reclassifications	0.0	−2.2	0.0	2.4	0.2
Net carrying amount as at 31.12.2009	**14.9**	**0.8**	**4.8**	**7.0**	**27.5**
As at 31.12.2009					
Cost	41.4	8.7	25.4	10.8	86.3
Cumulative amortisation and impairment losses	−26.5	−7.9	−20.6	−3.8	−58.8
Net carrying amount	**14.9**	**0.8**	**4.8**	**7.0**	**27.5**

The line item “reclassification to current assets” shows the relevant disposals of the assets attributable to discontinued operations pursuant to IFRS 5.

18. Property, plant and equipment

EUR million	Land and buildings	Technical equipment and machines	Other plant and equipment	Advance payments made and assets under construction	Total
As at 01.01.2008					
Acquisition and production cost	52.9	105.0	17.4	51.4	226.7
Cumulative depreciation and impairment losses	−0.3	−3.4	−5.0	−9.3	−18.0
Net carrying amount	**52.6**	**101.6**	**12.4**	**42.1**	**208.7**
Development in 2008					
Net carrying amount as at 01.01.2008	52.6	101.6	12.4	42.1	208.7
Currency changes	0.0	−0.1	−0.3	0.0	−0.4
Investments	8.5	0.1	0.0	14.7	23.3
Disposals	–	–	−0.1	–	−0.1
Reclassification to current assets	−8.7	−1.5	−0.3	–	−10.5
Depreciation	−1.5	−11.7	−3.2	–	−16.4
Impairment losses	–	–	−0.5	–	−0.5
Reclassifications	19.0	−0.4	4.4	−23.1	−0.1
Net carrying amount as at 31.12.2008	**69.9**	**88.0**	**12.4**	**33.7**	**204.0**
As at 31.12.2008					
Acquisition and production cost	73.4	104.3	21.0	43.0	241.7
Cumulative depreciation and impairment losses	−3.5	−16.3	−8.6	−9.3	−37.7
Net carrying amount	**69.9**	**88.0**	**12.4**	**33.7**	**204.0**
Development in 2009					
Net carrying amount as at 01.01.2009	69.9	88.0	12.4	33.7	204.0
Currency changes	0.0	0.0	0.2	0.0	0.2
Investments	2.5	3.7	5.5	1.0	12.7
Disposals	0.0	−7.7	0.0	−1.7	−9.4
Reclassification to current assets	−1.0	−0.6	−1.0	–	−2.6
Depreciation	−2.3	−13.5	−4.2	−0.2	−20.2
Impairment losses		−0.3	−0.3		−0.6
Reclassifications	–	20.3	1.0	−21.5	−0.2
Net carrying amount as at 31.12.2009	**69.1**	**89.9**	**13.6**	**11.3**	**183.9**
As at 31.12.2009					
Acquisition and production cost	74.7	119.3	24.4	20.8	239.2
Cumulative depreciation and impairment losses	−5.6	−29.4	−10.8	−9.5	−55.3
Net carrying amount	**69.1**	**89.9**	**13.6**	**11.3**	**183.9**

The line item “reclassification to current assets” shows the relevant disposals of the assets attributable to discontinued operations pursuant to IFRS 5.

19. Financial assets

The carrying amounts and fair values of financial assets subject to different classes and measurement categories follow from the overview below:

EUR million	Loans and receivables	Financial instruments held for trading	Derivatives with a hedging relationship	Financial investments held to maturity	Carrying amount	Fair value
As at 31.12.2009						
Assets						
Non-current financial assets	8.2	–	–	–	8.2	9.6
Trade receivables	113.4	–	–	–	113.4	113.4
Current financial assets	3.1	0.0	–	–	3.1	3.1
Other assets	40.1	–	–	–	40.1	40.1
Cash and cash equivalents	52.1	–	–	–	52.1	52.1
	216.9	**0.0**	**–**	**–**	**216.9**	**218.3**
As at 31.12.2008						
Assets						
Non-current financial assets	5.3	–	–	–	5.3	5.3
Trade receivables	120.9	–	–	–	120.9	120.9
Current financial assets	2.9	–	–	–	2.9	2.9
Other assets	7.6	–	–	–	7.6	7.6
Cash and cash equivalents	27.7	–	–	–	27.7	27.7
	164.4	**–**	**–**	**–**	**164.4**	**164.4**

Cash and cash equivalents, trade accounts receivable, other assets and current financial assets largely have short residual lives. Hence the carrying amounts correspond to the fair values at the balance sheet date.

The fair value of non-current financial assets with residual lives of more than one year corresponds to the present value of the payments related to these assets, taking current interest rate parameters into account.

The respective loans and receivables are considered recoverable based on certain credit management processes and individual assessments.

20. Other assets

EUR million	31.12.2009	31.12.2008
Other assets	69.4	30.3
Thereof		
Receivables from the tax office	27.8	21.2
Prepaid expenses	0.6	0.8
Other current assets	40.1	7.6
Non-current	0.9	0.7

EUR 27.8 million (previous year: EUR 21.2 million) in receivables from the tax authority primarily concern input VAT receivables and are due within one year.

The other current assets amounting to EUR 40.1 million (previous year: EUR 7.6 million) include other receivables from MEMC Electronic Materials, Inc. in the amount of EUR 34.2 million. The other current assets also comprise a multitude of minor individual items related to the Group's 36 consolidated companies shown under continuing operations.

21. Inventories

EUR million	31.12.2009	31.12.2008
Raw materials and consumables	27.3	26.8
Work in progress	12.8	60.6
Finished goods	64.1	144.4
Advance payments made	3.3	13.8
	107.5	**245.6**

In 2009, the following inventories were recognised at their lower fair values net of distriution expenses:

EUR million	31.12.2009	31.12.2008
Raw materials and consumables		
Carrying amount before impairment	27.3	29.4
Less impairment	0.0	−2.6
Carrying amount	**27.3**	**26.8**
Work in progress		
Carrying amount before impairment	13.0	61.5
Less impairment	−0.2	−0.9
Carrying amount	**12.8**	**60.6**
Finished goods		
Carrying amount before impairment	66.4	171.3
Less impairment	−2.3	−26.9
Carrying amount	**64.1**	**144.4**

Cost of materials increased in the 2009 financial year due to impairment losses on inventories amounting to EUR 2.5 million (previous year: EUR 30.4 million).

22. Trade accounts receivable

EUR million	31.12.2009	31.12.2008
Trade receivables before impairment losses	128.1	131.8
Less impairment losses	−14.7	−10.9
Trade receivables	113.4	120.9
Thereof		
Receivables from production contracts	47.5	71.4
Advance payments received	−22.9	−60.1
Non-current	–	–
	24.6	**11.3**

Most trade accounts receivable have short residual lives. Hence their carrying amounts correspond to the fair value at the balance sheet date.

The item, trade accounts receivable, also contains the contracts recognised pursuant to the percentage of completion method under IAS 11. This item comprises the contract costs accrued at the reporting date and the profits from the relevant order, pro-rated according to the stage of completion. Advances received on the contracts recognised were deducted. Orders resulting in a net loss were considered in connection with a loss-free measurement.

Receivables from construction contracts developed as follows year on year:

EUR million	31.12.2009	31.12.2008
Accrued contract costs	39.3	58.7
Contract gains realised pro rata incl. carryforward effect	8.2	12.7
Less recognised contract losses	–	–
Less advance payments received	−22.9	−60.1
	24.6	**11.3**

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

EUR million	31.12.2009	31.12.2008
Trade receivables	113.4	120.9
Thereof		
Neither impaired nor past due as of the balance sheet date	51.7	57.8
Not impaired as of the balance sheet date and past due within the following periods:		
Less than 1 month	27.2	34.9
Between 1 and 2 months	11.6	3.7
Between 2 and 3 months	3.9	7.1
Between 3 and 6 months	6.7	9.0
Between 6 and 12 months	1.9	6.1
More than 12 months	4.1	2.3
	55.4	**63.1**

As at 31 December 2009, trade accounts receivable that were due but not impaired amounted to EUR 55.4 million (previous year: EUR 63.1 million). Given specific credit management processes and separate assessments of individual credit risks, receivables that have not been written down are considered recoverable. Any future non-payment risk related to existing receivables has been adequately considered in the valuation allowances. In addition, receivables of a certain scope have been hedged.

The following impairment losses were recognised in the reporting year:

EUR million	2009	2008
As at 01.01.	**10.9**	**19.4**
Currency changes	0.0	0.4
Additions	8.2	12.3
Use	−1.0	−13.5
Reversals	−1.8	−7.7
Disposal	−0.4	–
Reclassification to current assets	−1.2	–
As at 31.12.	**14.7**	**10.9**

Specific and global valuation allowances are recognised in the income statement under other operating expenses while reversals are recognised under other operating income. Reversals in the 2009 financial year do not include the write-up of the other receivable from MEMC Electronic Materials, Inc. in the amount of EUR 34.2 million. Accordingly, the writedown of the receivable in 2008 by EUR 42.1 million is not included either.

The fair value of the trade accounts receivable at the balance sheet date constitutes the maximum exposure to lending risks at such date.

23. Grants received

During the 2009 reporting period, Conergy Group companies received a total of EUR 0.2 million in non-reimbursable government grants and supplements (actual inflow of funds). In addition, Conergy also obtained binding promises of grants for a total of EUR 0.5 million (subsidy notifications) in 2009. Government grants are tied to specific projects subject to certain requirements and conditions. For instance, Conergy is obligated to leave subsidised assets in the subsidised plant for a period of five years (from the project's completion date) and/or to guarantee jobs for specific plants during the same period. During the period presented and until the time the consolidated financial statements were prepared, these requirements had been met; Conergy expects these requirements to be met in future as well.

The following subsidies were disbursed in the reporting period:

EUR million	2009	2008
Investment subsidy	0.2	2.0
Investment grants	–	22.1
	0.2	**24.1**

The subsidies and supplements in the 2008 and 2009 financial years were granted in connection with the construction of a factory in Frankfurt (Oder), the construction of an operation in Zweibrücken and the expansion of the existing production facility in Rangsdorf.

24. Derivative financial instruments

The Group held the following derivative financial instruments at the balance sheet date:

	31.12.2009		31.12.2008	
EUR million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps fair value recognised in profit or loss	–	6.1	–	5.8
Forward foreign exchange contracts fair value recognised in equity	–	–	–	–
Forward foreign exchange contracts fair value recognised in profit or loss	0.0	0.1	–	–
	0.0	**6.2**	**–**	**5.8**

The negative market value of the interest rate swaps has been recognised as a liability.

The fair value of the derivative financial instruments at the balance sheet date constitutes the Company's maximum exposure to lending risks at such date.

25. Cash and cash equivalents

EUR million	31.12.2009	31.12.2008
Cash on hand / checks	1.0	2.1
Bank balances	51.1	25.6
	52.1	**27.7**

Cash and cash equivalents include checks, cash on hand and bank credit balances. As a rule, this item also contains financial instruments with initial maturities of up to three months. In a deviation from

the presentation in the consolidated balance sheet, the cash holdings shown in the statement of cash flows as at 31 December 2009 contain EUR 2.3 million in cash and cash equivalents attributable to discontinued operations.

26. Equity

The individual components of equity as well as their development in 2008 and 2009 follow from the statement of changes in equity of the Conergy Group.

Capital stock

The subscribed capital (capital stock) of Conergy AG in the 2008 financial year was increased by resolution of the General Shareholders' Meeting on 28 August 2008 from EUR 35,088,928 by EUR 363,000,000 to currently EUR 398,088,928. It is denominated in 398,088,928 no-par bearer shares with a pro rata interest in capital of EUR 1 per no-par share. Each share grants identical rights and one vote at the General Shareholders' Meeting. New shares are issued as bearer shares unless the General Shareholders' Meeting resolves otherwise.

Pursuant to the resolution of the General Shareholders' Meeting dated 10 June 2009, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's capital stock until 9 June 2014 by a total of up to EUR 100,000,000 by once or repeatedly issuing up to 100,000,000 new no-par bearer shares in return for contributions in cash and/or in kind ("Authorised Capital 2009").

Furthermore, the General Shareholders' Meeting on 10 June 2009 resolved a contingent increase of the Company's capital stock until 9 June 2014 by up to EUR 199,044,464 by issuing up to 199,044,464 new no-par shares ("Contingent Capital 2009").

For further details, please see the disclosures in the section of the management reports discussing acquisitions.

Capital reserves

The capital reserves comprise the excess of the issue price over the par value of the Conergy shares issued. They are not normally available to the shareholders for distribution. In addition, the excess of the amounts paid or received in connection with the buyback or sale of treasury shares over their par value is also recognised in this item.

After deducting the capital acquisition cost plus taxes thereon, the capital reserves climbed by EUR 14.6 million to EUR 321.8 million as a result of the capital increases in the 2008 financial year.

Other reserves

Aside from appropriations from cumulative prior-period net income/losses, the expense and income items to be recognised directly in equity from the fair value measurement of the available-for-sale financial instruments, the effective portion of changes in the value of hedging instruments in a cash flow hedge and the reconciling items from currency translation are also recognised in other reserves. The cumulative prior-period net income/losses contain the undistributed net income generated by both Conergy and the consolidated companies that were not allocated to capital reserves.

Non-controlling interests

Non-controlling interests are held in EPURON Project Financing Solutions E.P.E. (Greece), Conergy Česká Republika s.r.o. (Czech Republic), Forturon S.r.l. (Italy) and Compagnie des Énergies Renouvelables S.A.R.L. (France).

27. Provisions

The provisions developed as follows in the financial year:

EUR million	Warranties	Restructuring	Legal disputes	Other	Total
As at 01.01.2009	**19.9**	**6.5**	**3.1**	**14.6**	**44.1**
Thereof non-current	19.9	–	–	12.2	32.1
Change in the basis of consolidation	−1.0	–	–	−0.2	−1.2
Addition	11.7	1.7	0.7	10.3	24.4
Use	−4.4	−3.1	−1.6	−2.5	−11.6
Reversal	−4.6	−2.6	−0.2	−0.1	−7.5
Interest cost	0.4	–	–	0.7	1.1
Reclassification to current liabilities	0.0	–	−0.4	−0.1	−0.5
Currency changes	0.1	–	0.0	0.0	0.1
As at 31.12.2009	**22.1**	**2.5**	**1.6**	**22.7**	**48.9**
Thereof non-current	20.1	–	–	15.6	35.7

Provisions for warranties were recognised for expected follow-up work in connection with major projects previously concluded and warranties under product and performance guarantees for the Company's own products and for merchandise. The other provisions basically contain expected losses from service contracts.

The line item, reclassification to current liabilities, shows the relevant disposals of the liabilities attributable to discontinued operations pursuant to IFRS 5.

Obligations to personnel, such as, for example, charges for variable and individual one-off payments, vacation claims as well as other personnel expenses are recognised under other liabilities.

28. Stock options programme

Effective 15 November 2007, one member of the Management Board was permitted to participate in a share-based payment system based on a stock appreciation right (Phantom Stock Options). These phantom options are divided into three tranches with terms of one, two and three years. In each case, they may be exercised within a fixed time window of 21 days in the first quarter of the financial year that follows the expiration of the service period. Unexercised options may be carried over to the next scheduled tranche. At the time the Phantom Stock Options are exercised, Conergy AG is obligated to pay the difference between the base price that is fixed at the inception of the stock option programme and the volume-weighted average share price during the last 85 trading days prior to the end of the relevant service period. The difference will be increased or decreased by 10 to 20 percent depending on the development of Conergy's share relative to the Öko-Dax reference index.

As in the previous year, the options outstanding at the end of the reporting period have the following maturities and exercise prices:

	Exercise price EUR	2009 shares	2008 shares
Maturity date 14.11.2009	–	–	56,000
Maturity date 14.11.2010	–	84,000	28,000
As at 31.12.	**–**	**84,000**	**84,000**

None of the 84,000 Phantom Stock Options outstanding were exercised by 31 December 2009.

The fair values of the Phantom Stock Options were determined using the Black Scholes Option Pricing Model, subject to the following measurement parameters:

	2009	2008
Risk-free interest rate (term dependent) in percent	**1.2**	**3.9–4.0**
Dividend yield in percent	**0.0**	**0.0**
Volatility of the Conergy AG share (historical, 220 days) in percent	**139.7**	**150.0**
Beta factor of the Conergy AG in relation to the Öko-Dax	**1.1**	**1.1**

The fair values of the options outstanding at the balance sheet date were as follows:

	Number as at 31.12.2009 shares	Intrinsic value per option (= payment amount) EUR	Fair value per option EUR	Payment obligation TEUR	Provision as at 31.12.2009 TEUR
Tranche 2007	84,000	–	0.002	–	0.2

The total amount of the three tranches as at 31 December 2009 was EUR 166. Income of TEUR 8 (previous year: EUR 0.2 million) was recognised under personnel expenses in connection with this stock option programme for the financial year just ended. Regarding the options granted, please also see note 3.

Another member of the Management Board was invited to participate in stock appreciation rights in the 2008 financial year.

The stock appreciation rights are divided into tranche 1 (with a waiting period ending on 1 March 2009) and tranche 2 (with a waiting period ending on 1 March 2010). Stock appreciation rights are options which, in this case, entitle the owner to a claim against Conergy AG for payment in cash of an amount corresponding to the difference between the share price of Conergy AG and the base price.

The exercise price is EUR 1.27 pursuant to the conditions of the stock appreciation rights. Because the relevant share price at the exercise date may not exceed EUR 16.27, the ability of the stock appreciation rights to go up is capped, thus reducing their value.

The essential parameters of the stock appreciation rights are as follows:

Long call option

Parameters	1 Tranche	2 Tranche
Measurement date	**31.12.2009**	**31.12.2009**
Type of option	Call option	Call option
Base price	Conergy AG	Conergy AG
Expiry	01.09.11	01.09.11
End of waiting period	01.03.09	01.03.10
Share price in EUR	0.66	0.66
Exercise price in EUR	1.27	1.27
Interest rate in percent	1.88	1.88
Volatility in percent	146.56	146.56
Dividend yield in percent	0.00	0.00
Option price in EUR	**0.358**	**0.358**

Short call option

Parameters	1 Tranche	2 Tranche
Measurement date	**31.12.2009**	**31.12.2009**
Type of option	Call option	Call option
Base price	Conergy AG	Conergy AG
Expiry	01.09.11	01.09.11
End of waiting period	01.03.09	01.03.10
Share price in EUR	0.66	0.66
Exercise price in EUR	16.27	16.27
Interest rate in percent	1.88	1.88
Volatility in percent	146.56	146.56
Dividend yield in percent	0.00	0.00
Option price in EUR	**0.085**	**0.085**

Due to the cap on their upward potential, the value of stock appreciation rights thus consists of the value of a long call option with an exercise price of EUR 1.27 less the value of a short call option with an exercise price of EUR 16.27.

The Black Scholes Option Pricing Model was used to measure the options.

The historical volatility of Conergy's share was used to determine volatility because the implicit volatility shown by Bloomberg is calculated using short-term options. The measurement of the stock appreciation rights was based on their historical volatility over a period of 420 days in order to take into account that the stock appreciation rights still had a remaining term of approximately 420 trading days as at 31 December 2009 – assuming that they will be held for the maximum term and will be exercised at maturity on 1 September 2011.

SAR measurement	Tranche 1	Tranche 2	Total
Option price at exercise price EUR 1.27	Call option	Call option	–
Option price at exercise price EUR 16.27	Call option	Call option	–
SAR value in EUR	**0.274**	**0.274**	–
Number of SARs granted	300,000	300,000	–
Value per tranche in EUR	**82,070**	**82,070**	**164,140**

The aggregate value for tranches 1 and 2 as at 31 December 2009 was TEUR 164.

Income of TEUR 40 (previous year: expenses of TEUR 33) was recognised under personnel expenses in connection with this stock option programme for the financial year just ended.

29. Borrowings

Both the carrying amounts and the fair values of the financial assets allocated to different classes and measurement categories follow from the overview below:

EUR million	Borrowings measured at amortised cost	Derivatives with a hedging relationship	Liabilities held for trading	Carrying amount	Fair value
As at 31.12.2009					
Liabilities					
Non-current borrowings	85.9	–	2.9	88.8	88.8
Current portion of non-current borrowings	18.8	–	–	18.8	18.8
Current borrowings	182.7	–	3.3	186.0	186.0
Total borrowings	**287.4**		**6.2**	**293.6**	**293.6**
Trade payables	116.5	–	-	116.5	116.5
	403.9	**–**	**6.2**	**410.1**	**410.1**
As at 31.12.2008					
Liabilities					
Non-current borrowings	86.5	–	–	86.5	86.5
Current portion of non-current borrowings	37.5	–	–	37.5	37.5
Current borrowings	187.4	–	5.8	193.2	193.2
Total borrowings	**311.4**		**5.8**	**317.2**	**317.2**
Trade payables	111.2	–	–	111.2	111.2
	422.6	**–**	**5.8**	**428.4**	**428.4**

Trade accounts payable as well as current financial liabilities generally have short residual lives. Their carrying amounts thus correspond to their fair values.

The fair value of non-current borrowings with a residual life of more than one year corresponds to the present value of the payments related to the liabilities based on current interest rate parameters.

The liabilities held for trading concern the negative fair values of the derivative financial instruments (interest rate swaps). A total of EUR 3.3 million of these liabilities in the amount of EUR 6.2 million are due within 12 months.

The nominal and carrying amounts of liabilities to banks subject to variable interest rates are in the following currencies:

	31.12.2009		31.12.2009	31.12.2008
	Nominal value EUR million	Effective interest rate percent	Carrying amount EUR million	Carrying amount EUR million
Liabilities to banks	275.7	5.26	275.7	311.4

The maturities of liabilities to banks subject to variable and fixed interest rates are as follows:

	31.12.2009			31.12.2008		
	Total liabilities subject to variable interest rates EUR million	**Total liabilities subject to fixed interest rates EUR million**	**Weighted interest rate (fixed-interest loan) percent**	**Total liabilities subject to variable interest rates EUR million**	**Total liabilities subject to fixed interest rates EUR million**	**Weighted interest rate (fixed-interest loan) percent**
Up to 1 year	200.7	–	–	224.9	–	–
1 to 5 years	75.0	–	–	86.5	–	–
More than 5 years	–	–	–	-	–	–
Carrying amount total	**275.7**	**–**	**–**	**311.4**	**–**	**–**
Fair values	**275.7**	**–**	**–**	**311.4**	**–**	**–**

In contrast to the recognition of liabilities to financial institutions, the borrowings shown in the consolidated balance sheet also include liabilities from the negative fair value of derivative financial instruments and liabilities from other borrowings.

Conergy's interests in several fully consolidated subsidiaries were pledged as security for the loan liabilities.

The syndicated loan agreement for originally EUR 600 million that was signed in 2007 is comprised as follows:

The loan is divided into two tranches and will provide funding for the construction of the production facility in Frankfurt (Oder) (Tranche A) as well as enable the Conergy Group to refinance its existing credit facilities and finance its working capital and guarantee requirements (Tranche B with a revolving facility of EUR 250 million and a guarantee and documentary credit facility of EUR 200 million). Tranche A, amounting to EUR 150 million, was to be repaid by 31 December 2011, in half-yearly installments starting on 30 June 2008. A total of EUR 37.5 million and EUR 18.8 million were repaid in the 2008 and 2009 financial years, respectively. The EUR 18.8 million payment of Tranche A was suspended effective 31 December 2009 with the banks' consent. The corresponding payment was made once the out-of-court settlement with MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant was executed in mid-February 2010. Tranche B, amounting to EUR 450 million was due for repayment on 31 July 2010. On 29 July 2010 Conergy reached an agreement with its financing banks to extend its loans to the end of 2011. In addition, the parties have agreed to postpone payments of the three remaining instalments of the term loan (Tranche A), also to the end of 2011.

The syndicated loan was initially collateralised by pledging absolutely all interests in Conergy SolarModule GmbH & Co. KG and its general partner Conergy SolarModule Verwaltungs GmbH. Liens were created for absolutely all interests in Conergy Deutschland GmbH (which at the time operated under the name SunTechnics GmbH and through Conergy Vertriebs GmbH & Co. KG, which at the time was legally independent and was merged into Conergy Deutschland GmbH effective 1 August 2008), Mounting Systems GmbH (which at the time operated under the name Conergy Vertriebs Verwaltungs GmbH) and EPURON GmbH during the negotiations on additional loans above and beyond the syndicated loan in the light of the development of the Conergy Group's financial situation at the end of 2007 in order to initially collateralise the syndicated loan. In addition, the Conergy Group conveyed, pledged or assigned all material assets which initially served as senior collateral for the bridge facility to the lenders of the syndicated loan and/or an entity holding the collateral in trust as junior collateral in connection with the collateralisation of the bridge financing granted and repaid in.

The individual tranches are subject to interest at a rate corresponding to the sum of the applicable margin, EURIBOR (or LIBOR in case of a foreign currency) for the interest period selected and the regulatory costs (in each case as defined in the loan agreement). The relevant applicable margin is the prevailing margin at the

time the contract was closed, which is either raised or lowered with respect to both tranches upon expiration of a stipulated period in accordance with the defined ratio of consolidated net financial liabilities to consolidated EBITDA. The syndicated loan agreement also provides for an increase in the relevant applicable margin by 1 percent per annum if the debtor fails to make timely payments on amounts that are due and payable.

Under the loan agreement, Conergy is obligated to pay the customary loan commitment fee for any unused amounts under both tranches depending on the relevant applicable margin.

Conergy is also obligated – if it borrows funds on the capital market, sells assets and receives insurance payments – to use its net revenues for early repayment, in full, first of Tranche A and then of Tranche B, provided none of the exceptions set forth in the loan agreement intervene. The loan agreement contains requirements that have an impact on the Conergy Group's ability to exercise discretion in operational terms. Conergy has undertaken thereunder to ensure that the ratio of consolidated net liabilities to consolidated EBITDA (in each case with and without contingent liabilities) does not exceed a specific figure and that the ratio of EBITDA to consolidated net interest expense as well as a certain equity ratio does not fall below a specific figure. The banks did waive compliance with the Financial Covenants for financial years 2008 and 2009, given the development of the Conergy Group's financial situation at the end of 2007. However, compliance with the Covenants must be demonstrated again on 30 June 2010 based on the newly negotiated key financial figures.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case.

For further details on the syndicated loan, please see note 38, "Events after the reporting period".

Certain other requirements apply during the term of the agreement. Among other things, these requirements crimp the ability of the Conergy Group to provide assets as collateral, sell assets, participate in joint ventures, acquire additional companies or business units, incur additional financial liabilities, make loans, provide guarantees, incur leasing liabilities or undertake specific restructuring measures. Any noncompliance with these stipulations and the agreed Financial Covenants triggers an extraordinary right of termination on the lenders' part (in some cases after expiry of a cure period), giving them the right to call the loan immediately. The lenders have other rights to terminate, for example, if covenants stipulated provided under the loan agreement are not (or can not be) truthful, if a German or significant foreign subsidiary files for insolvency, if creditors institute execution proceedings against Conergy for an amount in excess of EUR 5 million in each individual case, if Group companies whose total financial liabilities (of whatsoever nature) are EUR 5 million or more default, or if creditors of such financial liabilities are entitled to call these liabilities early due to the occurrence of a right to terminate (whatever its nature).

Any change of control – i.e. a situation where an individual or a group of people acting in concert with each other (pursuant to an agreement or by other means) gain control over the Company – would give each bank the individually exercisable right to terminate the loan for cause.

30. Trade accounts payable

Trade accounts payable generally have short residual lives. The carrying amounts essentially correspond to the fair values of these liabilities.

EUR million	31.12.2009	31.12.2008
Trade payables	116.5	111.2
Thereof		
Advance payments received	6.7	11.6
	6.7	**11.6**

31. Other liabilities

EUR million	31.12.2009	31.12.2008
Other liabilities	46.0	61.4
Thereof		
Liabilities to the tax office	22.7	7.0
Accrued expenses	9.1	10.0
Liabilities arising from salary for employees	8.9	13.7
Deferred income	2.6	2.0
Liabilities related to social security	0.5	1.3
Purchase price liabilities in connection with the acquisition of companies	0.3	1.7
Miscellaneous other liabilities	1.9	25.7
Non-current	2.5	2.6

Liabilities arising from salary or wage settlement for employees include, among others, obligations to personnel, such as, for example, charges for variable and individual one-off payments, vacation claims as well as other personnel costs.

An amount of EUR 22.7 million (previous year: EUR 7 million) in liabilities to the tax authority primarily concerns VAT liabilities due within one year.

The miscellaneous other liabilities in the amount of EUR 1.9 million (previous year: EUR 25.7 million) cover a multitude of elements in subsidiaries, each of which by itself is immaterial.

Other disclosures

32. In- and outflow of cash and cash equivalents

The consolidated statement of cash flows shows the changes in the Group's cash and cash equivalents resulting from the in- and outflow of funds during the financial year. The consolidated statement of cash flows was prepared in accordance with the requirements of IAS 7. Cash flows are allocated to three areas: operating activities, investing activities and financing activities.

The indirect method is used to show cash flows related to operating activities such that the surplus cash flows from operating activities are determined by adding all non-cash expenses and subtracting all non-cash income from operating income related to continuing operations (EBIT). The cash flow related to investing and financing activities is determined directly on the basis of in- and outflows.

Under IFRS 5, cash flows from operating, investing and financing activities must be disclosed separately according to continuing and discontinued operations. Cash flows related to investing and financing activities in connection with discontinued operations are separately disclosed in note 6.

Operating activities

Based on operating income (EBIT) of EUR - 36.8 million (2008: EUR - 181.9 million) in the the 2009 financial year, adjusted for non-cash items such as depreciation, amortisation and impairment losses, changes in non-current provisions as well as other non-cash income and expenses such as, for instance, portions of the net gain/loss from currency translation, and writedowns of inventories and receivables, the cash outflow from operating activities before changes in net working capital in the 2009 financial year increased by EUR 32.6 million to EUR 37.5 million (2008: EUR 4.9 million) compared to the previous year.

At EUR 53.1 million, the cash flow generated from operating activities related to continuing operations in the 2009 financial year was considerably improved compared to 2008, when a cash outflow of EUR 104.9 million was recognised. As a result, the Company succeeded in generating a positive net cash flow from operating activities in 2009. This was due to the inflow of funds from the reduction in the working capital by EUR 97.9 million (2008: outflow of funds in the amount of EUR 20 million). The relatively large decrease in inventories in the amount of EUR 89.6 million (2008: EUR 74.8 million) was the main reason for the reduction in the working capital. At the same time, trade accounts payable rose by EUR 17.6 million; in 2008, there had been a substantial reduction in trade accounts payable by EUR 194.5 million. In the previous year, trade accounts payable fell by EUR 99.7 million while in 2009, there was an increase in trade accounts payable by EUR 9.3 million. The other net assets decreased by EUR 9.9 million (2008: EUR 82 million). Tax refunds in 2009 were EUR 2.6 million (2008: EUR 2 million), which was slightly more than in the previous year.

The cash flow from operating activities related to the discontinued operations of the EPURON segment – biomass, biogas, wind energy projects and CSP – in the 2009 financial year was EUR 15.4 million (2008:

EUR - 56 million). This figure was shown in a separate item in the statement of cash flows. Operating activities generated a total of EUR 68.5 million in cash inflows for the Group; the previous year, in contrast, operating activities had led to a total of EUR 160.9 million in cash outflows, taking discontinued operations into account. Aside from the improvement in the operating result, this was also due to the fact that the working capital developed along a positive trajectory.

Investing activities:
At EUR 14.9 million, the net cash used for investing activities in the 2009 financial year was EUR 6.3 million lower year on year (2008: EUR 21.2 million). The Group invested a net total of EUR 12.3 million (previous year: EUR 34.5 million) in property, plant and equipment as well as intangible assets. The increased outflow of funds in 2008 stemmed primarily from investments in Frankfurt (Oder). The cash outflow for investments in financial assets amounted to EUR 3.4 million (2008: EUR 0.8 million). Contrast this with cash inflows of EUR 11.3 million from the sale of solar thermal subsidiaries in the 2008 financial year. The Conergy Group received interest payments of EUR 0.8 million (2008: EUR 2.1 million).

Financing activities:
The Conergy Group's net cash flow from financing activities in the 2009 financial was EUR - 27.2 million (2008: EUR 146.4 million). The high inflow of funds in 2008 resulted from the capital increase in December, which generated gross proceeds of approx. EUR 399.3 million for the Conergy Group. Outflows in connection with the capital increase in the 2008 financial year were EUR 32.6 million. Outflows for Group loan payments in 2009 were EUR 55.5 million (2008: EUR 277.5 million). Among other things, this includes a partial payment of EUR 18.8 million under the syndicated loan that was used to finance the solar factory in Frankfurt (Oder). Furthermore, the sale of thin-film photovoltaic systems in Germany also lowered borrowings. Add to that interest payments of EUR 20.4 million – far below the previous year's level (2008: EUR 59.3 million). Contrast this with an inflow of funds of EUR 48.7 million in new borrowings (2008: EUR 116.5 million) as part of the syndicated loan. The change in cash and cash equivalents in the 2009 financial year was EUR 26.4 million, compared to EUR - 35.7 million the previous year.

33. Contingent liabilities and other financial obligations

Contingent liabilities
Contingent liabilities concern potential future events, the occurrence of which would give rise to an obligation. As at the reporting date, their occurrence is considered improbable yet they can not be precluded.

Conergy has assumed a total of EUR 158.2 million in bank guarantees and documentary credits as part of the syndicated credit facility. The Company also had liabilities to other banks from EUR 27.1 million in drawdowns from bilateral guarantee facilities.

Conergy also provides warranties for its products and is exposed to guarantee risks. Appropriate provisions were recognised (see note 27) to the extent that payment obligations are expected to arise from the guarantees issued.

Rental and lease contracts
The Group essentially maintains operating leases for offices and passenger cars. These leases have terms of one month to nine years and do not contain specific extension or purchase options. The monthly lease payments are recognised on a straight-line basis in the income statement under other operating expenses (see note 11).

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

EUR million	31.12.2009	31.12.2008
Up to 1 year	13.2	15.1
1 to 5 years	22.8	28.8
More than 5 years	0.0	0.1
	36.0	**44.0**

Purchase commitment and obligations to accept goods
Conergy has undertaken to purchase solar wafers and solar modules from suppliers. These contracts have original terms of between one and ten years. The Company's obligations to accept goods essentially arise from a delivery contract between MEMC Electronic Material, Inc. and Conergy AG. In this connection, Conergy entered into a ten-year delivery contract with MEMC in October 2007 for the purpose of securing the quantities of silicon it needs in the long term. Conergy's realignment necessitated an adjust-

ment of the contractually agreed supply quantities. The contract with MEMC was adjusted for the first time in July 2008. The adjustment entailed reducing the contract's sales volume over its ten-year term from USD 7 to 8 billion to approximately USD 3.5 to 4 billion. Pursuant to an out-of-court settlement, Conergy and MEMC agreed at the start of 2010 to adjust the wafer delivery contract yet again. The amount to be purchased from MEMC in future was aligned with the needs of the Conergy solar factory in Frankfurt (Oder); it includes a total sales volume of approximately USD 840 million. The wafer prices are based on the prevailing market price. In future, MEMC will cover roughly one half of Conergy's demand, especially for the Frankfurt (Oder) plant. Conergy will obtain the remainder from third parties.

The amount payable will be determined annually based on defined criteria. The prepayments in the amount of USD 26.6 million required thereunder from 2010 have already been made. Except for an amount of USD 4 million, MEMC is supposed to repay to Conergy the payments into the Refundable Capacity Reservation Deposit, which are to be fixed annually, over the term of the agreement. But the amount may be offset against MEMC's receivables if Conergy defaults or fails to perform.

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

EUR million	31.12.2009	31.12.2008
Up to 1 year	170.6	245.2
1 to 5 years	565.7	1,392.9
More than 5 years	397.4	1,750.2
	1,133.7	**3,388.3**

Repurchase obligations

Conergy Services GmbH has undertaken vis-à-vis operators to repurchase installations under the relevant sale and assignment agreements. This will give rise to total financial obligations of EUR 5.9 million (previous year: EUR 5.9 million). However, these repurchase obligations must be fulfilled from 2023 at the earliest.

Other

There are also annual financial obligations of EUR 1.4 million for a term of 99 years in connection with the land at the production sites in Rangsdorf and Frankfurt (Oder). These properties carry hereditary building rights.

Leases and insurance policies with a term of one year give rise to financial obligations in the amount of EUR 3.2 million.

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

EUR million	31.12.2009	31.12.2008
Up to 1 year	4.6	2.5
1 to 5 years	5.5	5.4
More than 5 years	126.2	123.8
	136.3	**131.7**

34. Related parties

The related parties of the Conergy Group include the members of its Management Board and Supervisory Board as well as members of subsidiaries' bodies to the extent that they occupy key positions, in each case including their close relatives. Related parties also include those companies upon which members of the Company's Management Board or Supervisory Board or their close relatives can exercise a significant influence or in which they hold a significant voting share. Furthermore, related parties include non-consolidated companies with which the Company forms a Group or in which it holds a share that enables it to significantly influence the business policies of the investee, as well as major shareholders of the Company and its Group companies.

The Conergy Group maintains several business relationships with related parties, which, in the Company's opinion, were handled at normal market terms. On 5 September 2008, Conergy AG as lessor entered into a sublease with AMMER!PARTNERS GmbH, Hamburg, a company controlled by its managing partner, Mr. Dieter Ammer, as lessee for various offices with a total area of 205.95 m² as well as for two parking spaces in the Berliner Bogen office building at Anckelmannsplatz 1, 20537 Hamburg. The total cost to be borne by AMMER!PARTNERS GmbH until 30 June 2009 was EUR 4,607.81 gross per month. The monthly rent has been EUR 4,740.08 since 1 July 2009.
Commerzbank AG had taken over shares in Conergy AG in connection with its takeover of Dresdner Bank AG. In its capacity as one of the syndicate's lead managing banks, Dresdner Bank, which at the time was legally independent, subscribed and took over the new shares from the cash capital increase in December 2008 with the proviso that it would offer them to the Company's shareholders in accordance

with Section 186 para. 5 German Stock Corporation Act for purchase by means of an indirect subscription right and offer any unsubscribed new shares under the subscription offer to institutional investors in a private placement subject to specified conditions. On 14 January 2009, Commerzbank AG issued a notification in connection with its takeover of Dresdner Bank AG that it was holding 37.01 percent of the voting shares in Conergy AG on 12 January 2009. Commerzbank AG now holds the shares in Conergy AG directly since Dresdner Bank AG was merged into Commerzbank AG on 11 May 2009.

On 31 July 2007 Conergy AG, EPURON GmbH, Conergy Solar-Module GmbH & Co. KG and what is today Conergy Deutschland GmbH closed a syndicated loan for a total of originally EUR 600 million from originally 23 banks under the leadership of Commerzbank AG, Dresdner Bank AG, which at the time was legally independent, and WestLB AG.

Commerzbank Bank AG provides banking services to Conergy as well as to its subsidiaries, Conergy Deutschland GmbH and EPURON GmbH, in connection with their ordinary activities.

In addition, the Company and its French subsidiaries, Conergy S.A.S. and Epuron S.A.R.L., have entered into a general Automated Common Concentration International Service agreement with Commerzbank AG (previously: Dresdner Bank AG) and BNP Paribas Bank SA. Under this agreement, all balances in the respective subaccounts are transferred to the main account of Conergy AG in order to even out its cash flow. Furthermore, Conergy AG and its Spanish subsidiaries – Conergy España S.L.U., SunTechnics Sistemas de Energía S.L.U., Sun Technics Instalaciones y Mantenimiento S.L. and Epuron Spain S.L.U. – have entered into a general Dresdner Cash Concentrating agreement with Commerzbank AG (previously: Dresdner Bank AG). Under this cash concentrating procedure, all balances in the respective subaccounts are transferred to the main account of Conergy AG in order to even out its cash flow.

These transactions are executed in connection with the companies' ordinary activities at prevailing market terms. Business transactions with non-consolidated subsidiaries were also conducted at arm's length.

The compensation report in the Group management report summarises the standards applicable to the determination of the compensation paid to Conergy's Management Board. It also describes the standards applicable to the compensation paid to its Supervisory Board pursuant to the disclosures under Section 314 para. 1 no. 6a sentence 5 through 9 German Commercial Code.

The total compensation paid to the members of the Management Board was TEUR 2,833 (previous year: TEUR 2,267).

The compensation of the Management Board under IFRS does not include the fair value of the newly granted share-based payments; it only includes the share-based payments earned in the current year plus the changes in the value of claims under share-based payments not yet made. No new share-based payments were made in the 2009 financial year.

TEUR	2009	2008
Fixed annual compensation	1,709	1,515
Compensation in kind / other benefits*	381	56
Non-performance-based compensation	**2,090**	**1,571**
Short-term variable compensation	711	733
Directly paid compensation	**2,801**	**2,304**
Fair value of newly granted share-based payment (SAR)	–	297
Total compensation according to HGB	**2,801**	**2,601**
Long-term variable compensation (benefits vested in the current year)	–	33
Change in value of existing benefits	32	–70
Share-based payment	**32**	**–37**
Total directly paid compensation	2,801	2,304
Long-term variable compensation (benefits vested in the current year)	–	33
Change in value of existing benefits	32	–70
Total compensation according to IFRS	**2,833**	**2,267**

* The other compensation components comprise non-cash compensation (e. g. company car, insurance) and allowances for pension insurance (relief fund); they also include noncompete compensation for one member of the Management Board in 2009.

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

The Supervisory Board members received compensation totaling TEUR 208 (previous year: TEUR 148).

No loans were outstanding to members of the Management Board or Supervisory Board as at 31 December 2009.

35. Number of employees

The Group had 1,553 employees (expressed in full time equivalents), including managing directors and Management Board members, as at 31 December 2009 (previous year: 1,764). Of these, 1,429 (previous year: 1,647) were employed in the Company's continuing operations as at 31 December 2009.

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

	2009	2008*
Germany	1,040	1,205
Europe	318	432
Rest of world	311	382
	1,669	**2,019**
Thereof		
Production	372	366
Administrative/technical area	1,297	1,653
	1,669	**2,019**

*Previous year's figures adjusted

Adjusted for the average number of employees in the discontinued operations, in the 2009 financial year 1,561 employees were employed with the Group on average (previous year: 1,820 employees).

The previous year's figures were changed in accordance with the adjustment in continuing operations.

36. Auditing fees

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

EUR million	2009	2008
Audits of financial statements	0.4	0.3
Other confirmation services	0.2	0.4
Tax consultancy services	0.2	0.0
Other services	0.1	0.1
	0.9	**0.8**

These fees primarily include the fees for the audit of the consolidated financial statements as well as for the audit of the annual financial statements of Conergy and its significant domestic subsidiaries. Other expenses for confirmations are related to the review of Conergy AG's interim financial statements. The expenses enumerated above do not contain EUR 0.2 million in expenses related to the audit of the 2008 annual financial statements that were invoiced in 2009.

37. Declaration of compliance

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

38. Events after the reporting period

On 27 April 2009, Conergy AG filed a lawsuit in New York City – the place of jurisdiction pursuant to the Company's ten-year contract with US-based MEMC Electronic Materials, Inc. regarding the delivery of solar wafers for the Frankfurt (Oder) plant that was signed in late 2007 – seeking to invalidate the contract by declaratory judgment. The litigation was based on the fact that the contract contained a number of invalid and, in particular, anti-competitive provisions, which Conergy believed rendered the entire contract invalid. Conergy had already initiated talks with MEMC at the end of 2008 in order to settle the matter out of court. Whilst these negotiations aimed at setting aside the contract did lead to an accord on the economic conditions governing the parties' future collaboration,

they were not implemented with respect to a number of ancillary terms. In the final analysis, Conergy AG felt compelled to file a lawsuit seeking to invalidate the delivery contract by declaratory judgment.

On 24 January 2010, Conergy and MEMC Inc. settled their dispute out of court and agreed to adjust the original USD 8 billion wafer delivery contract once again. The amount to be purchased from MEMC in future will be aligned with the needs of the Conergy solar factory in Frankfurt (Oder). The wafer prices are based on the prevailing market price. In future, MEMC will cover roughly one half of Conergy's demand, especially for the Frankfurt (Oder) plant. Conergy will obtain the remainder from third parties. The settlement also allows Conergy to procure ingots from other suppliers. This means that the Company will be able to continue using its Frankfurt (Oder) wafer sawing facility to capacity and thus to enhance the value chain.

As a result, significant imminent disadvantages in terms of both costs and competition have been eliminated, both procurement and raw material supplies have been made sufficiently flexible and efficient compared to the old agreement, and the supply of raw materials has been secured. In 2010 Conergy will thus be able to continue raising production at its module factory and produce its premium Conergy PowerPlus modules even more cost-efficiently.

The Supervisory Board of Conergy AG appointed Andreas Wilsdorf Chief Sales Officer responsible for sales and marketing on 1 March 2010. He started working on 15 March 2010 and will be responsible for the sales and marketing of the established Conergy brand. Andreas Wilsdorf takes the place of Philip von Schmeling, previously the Chief Sales Officer. Philip von Schmeling resigned from the Management Board effective 23 April 2010.

Eckhard Spoerr resigned from his position as Chairman of the Supervisory Board of Conergy as well as from his Supervisory Board seat at his own volition and for personal reasons effective 19 July 2010. The Company's Supervisory Board elected Norbert Schmelzle as its new chairman and Klaus-Joachim Krauth as his deputy. Given that a new Supervisory Board must be elected at Conergy AG's imminent General Shareholders' Meeting anyway, both the Supervisory Board and the Management Board of Conergy AG waive their right to ask the court to appoint a substitute member for Eckhard Spoerr in the interim.

On 29 July Conergy reached an agreement with its financing banks to extend its loans to the end of 2011. As such, the consortium of banks is continuing to support Conergy in the successful operational development. The company expects to return to an annual operating profit again this year. The loan was basically due on 31 July 2010. In addition, the parties have agreed to postpone payments of the three remaining instalments of the term loan, also to the end of 2011. This will enable the company to realise the growth targets it has set.

Together with the extension, the consortium of banks and the Conergy Management Board have agreed to assign an auditing company to carry out an independent business review. Should the review come to the conclusion that a follow-up financing beyond 31 December 2011 is unlikely to be agreed on without strengthening the company's capital basis, the co-operating parties will examine options for an adjustment of the liabilities side. Conergy and the banks have agreed that, in such a case, the term of the credit will be brought forward to 21 December 2010, as long as the banks do not waive this right. The debt-reduction strategy, if deemed necessary by this process, will then be adopted and implemented as soon as possible. All the relevant banks have already declared their basic willingness to support a restructuring of the company's liabilities in such a case.

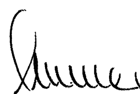
With effect of 1 August 2010, the appointment of Dieter Ammer as Member of the Management Board as well as Chairman of the Board was extended by additional three months until the end of 31 October 2010. One reason for this is that the Supervisory Board has asked Ammer to accompany the 2010 Annual General Meeting. In addition, a shareholder with a more than 25 percent stake in Conergy has proposed to elect him to the Supervisory Board. Should Supervisory Board and shareholders follow this proposal, Ammer will withdraw from the Management Board with the ending of the 2010 Annual General Meeting.

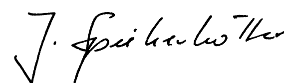
Hamburg, Germany, 3 August 2010
Conergy Aktiengesellschaft
The Management Board

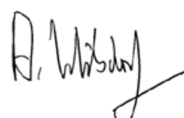
Responsibility statement

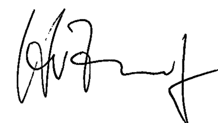
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development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

Hamburg, Germany, 3 August 2010
Conergy Aktiengesellschaft
The Management Board


Dieter Ammer


Dr. Jörg Spiekerkötter


Andreas Wilsdorf


Dr. Andreas von Zitzewitz

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Conergy AG, Hamburg, – comprising the income statement, statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Conergy AG, Hamburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we draw attention to the fact that the existence of Conergy AG and the Group as a going concern might be jeopardised by risks as stated in the section "Financial risks" of the Group management report.

In this section it is stated that the liquidity necessary for the going concern of Conergy AG and the Group until 31 December 2011 is basically ensured by cash flows from operating activities according to the business plan and the prolongation of existing loans, credit lines and guarantees according to a supplement to the syndicated loan agreement dated 29 July 2010.

Precondition for this is that an independent auditing firm confirms the possibility of concluding a follow-up financing agreement for the existing syndicated loan agreement beyond 31 December 2011. If the independent auditing firm concludes that the conclusion of a follow-up financing agreement beyond 31 December 2011 without strengthening the Company's equity position is rather unlikely, the cooperating parties will conjointly examine options for the restructuring of the Company's liabilities. If a mutual consent cannot be reached, the banks may exercise their right to declare final maturity of the existing loans, credit lines and guarantees on 21 December 2010. Consequently, the existence of Conergy AG and the Group as a going concern would be jeopardised.

Additionally, the existence of Conergy AG and the Group as a going concern might be jeopardised if sales, income and cash flows from operating activities fall significantly below the projected figures as far as the consequences cannot be offset by other measures.

According to the business plan in connection with the supplement to the syndicated loan agreement, management assumes that financing is adequately ensured.

Hamburg, 5 August 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(signed Ohlsen)	(signed ppa. Arlitt)
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Disclaimer

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

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

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

Contact

Investor Relations
Christoph Marx
Tel.: +49/40/271-42-1634
Fax: +49/40/271-42-1639
Email: investor@conergy.de

Corporate Communications
Alexander Leinhos
Tel.: +49/40/271-42-1631
Fax: +49/40/271-42-1639
Email: presse@conergy.de

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

2010 Financial calendar

Thursday, 12 August 2010

Publication of the 2009 financial statements

Thursday, 12 August 2010

Publication of the interim report first half 2010

Tuesday, 5 October 2010

General Shareholders' Meeting, CCH in Hamburg

Thursday, 11 November 2010

Publication of the interim report third quarter 2010

Conergy AG
Anckelmannsplatz 1
20537 Hamburg
Germany
www.conergy-group.com