



ANNUAL REPORT 2006



KEY FIGURES 2006 (OF THE COMPANY)

AT A GLANCE: THE GROUP ON 31.12.2006

Profit and Loss		Q1-Q4 2006	Q1-Q4 2005
Turnover	million EUR	62.21	52.58
Gross profit and loss	million EUR	7.90	7.62
EBIT	million EUR	-6.42	4.34
EBITDA	million EUR	-5.29	4.41
Annual deficit / net income	million EUR	-4.43	2.62
Financial statement			
Total assets	million EUR	56.87	44.83
Equity	million EUR	32.39	35.59
Equity ratio	%	56.95	79.40
Subscribed capital	million EUR	4.65	4.65
Balanced goodwill	million EUR	18.84	19.93
Cash flow			
Cash flow from operating activities	million EUR	-3.32	-8.78
Cash flow from investing activities	million EUR	-0.68	-0.54
Cash flow from financing activities	million EUR	14.05	13.26
Cash and cash equivalents as of 31st December	million EUR	14.29	4.23
Number of employees (cut-off date 31st December)	absolute	71	50
Share			
Result per share (undiluted) *	EUR	-0.95	0.87
Share price at start of January (closing price)	EUR	14.00	4.75
Share price at end of December (closing price)	EUR	6.70	13.06
Number of shares	million	4.65	4.65

* Base 2006: 4.65 million shares; Base 2005: 3.01 million shares

KEY DATA OF THE SHARE

WKN / ISIN	525070 / DE0005250708	Type of shares	No-par-value shares
Trading symbol	HRP	Designated Sponsors	VEM Aktienbank AG, München
Common Code	022356658		Close Brothers Seydler AG, Frankfurt am Main
Segment, trade	Prime Standard, Regulated Market in Frankfurt Regulated Market in Düsseldorf	Opening price	December 2000
Number of shares	4,650,000		

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- February** Additional inclusion of company's shares in trading on the Deutsche Börse in Frankfurt.
- March** Publication of annual financial statements for 2005 (revenues of EUR 52.58 million/EBIT EUR 4.34 million).
Conclusion of an exclusive framework agreement for the supply of more than 150 MWp with the largest Thai thin film module manufacturer Bangkok Solar.
- April** Announcement of issue of a convertible bond.
Inclusion in the "Prime Standard" segment of the Deutsche Börse, Frankfurt.
Conclusion of a framework agreement with the American solar module manufacturer First Solar with regard to the long-term supply of at least 140 MW thin film modules until 2012.
Law suit by Meridian Solare Energieprojekte GmbH, Hildburghausen, with regard to the partial amount of an alleged compensation claim totalling approximately EUR 8.45 million before the Regional Court Hamburg due to the supposedly culpable failure to integrate Meridian Solare Energieprojekte GmbH.
Disclosure of the conditions of the convertible bond.
- May** Ordinary General Meeting on 19 May.
Publication of the report for the first quarter 2006.
Completion of the issue of the convertible bond with an earnings volume of EUR 10.4 million.
- June** Conclusion of an agreement with Baoding Tianwei Yingli with regard to the supply of module capacities of up to 162 megawatts until 2010.
- August** Acceptance of a planning order for a 3 megawatt project in South Korea as a long-term market entry.
Inauguration of the world's largest thin film rooftop photovoltaic plant of the disposal company Entsorgungs-Gesellschaft Westmünsterland (EGW) in Gescher/Borken (1.4 MW).
Publication of the half-yearly report.

October	Hermann Müller, the Managing Director of the subsidiary Nastro-Umwelttechnik GmbH, resigns from his office as Managing Director of Nastro for urgent personal reasons with immediate effect.	Financial Calendar / Glossary / Imprint
	Gerd-Jürgen Pohl becomes the new Managing Director of Nastro. For this reason he will have to resign from his seat on the Supervisory Board of RPSE AG.	
	Ms Britta Horney is appointed as the new member of the Supervisory Board of RPSE AG.	
	Withdrawal of the previous turnover and result targets for 2006.	
	After consulting with the Supervisory Board, the Executive Board entrusts the auditors Ernst & Young with investigating the revenue recognition process at the subsidiary Nastro-Umwelttechnik GmbH.	
November	Announcement of the turnover and profit figures for the third quarter 2006. Ernst & Young establishes that EUR 4.9 million too many sales were booked in the second quarter of 2006 due to incorrect entries and accounting errors, which will have to be corrected in the following quarter. Adjustment of performance targets for 2006.	Consolidated Financial Statement
	The Spokesman of the Executive Board, Mr Martin Schulz-Colmant, resigns from his office with immediate effect by mutual agreement with the Supervisory Board.	
	Appointment of Mr Thorsten Preugschas, Managing Director of the RPSE subsidiary Maaß Regenerative Energien GmbH, Wesel, as member of the Executive Board.	Group Management Report
	Preparation of a restructuring plan by the Executive Board.	
	Settlement of the legal dispute with Meridian Solare Energieprojekte GmbH by effecting a composition to avoid years of legal wrangling (settlement sum EUR 600,000).	The Company
	Publication of the report for the third quarter 2006.	
December	Holding of the analysts' conference within the scope of participation in the Shareholders' Equity Forum of Deutsche Börse AG in Frankfurt am Main.	Corporate Governance
	Merger of the subsidiary Reinecke + Pohl Solare Energien GmbH with the holding company Reinecke + Pohl Sun Energy AG with effect as of 1st January 2006.	
	Conclusion of an option agreement for the acquisition of a Spanish project developer.	Letter to Shareholders

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,
DEAR SIR / MADAM,

A very difficult and eventful year is now behind us. After the company was able to make a convincing impression with a successful new start in 2005, the results for the 2006 financial year, unfortunately, are not as anticipated. Despite a 18 percent increase in sales over the previous year, RPSE AG was unable to generate positive results. The reasons for this have to do with the market environment, as well as the company itself. Market corrections in the domestic market, cancellation of large-scale projects and unforeseeable internal problems forced the company into a crisis during the second half of

the year. In the meantime, the crisis has been averted, as the measures immediately introduced by the Executive Board have taken hold.

In November 2006, we issued corrected targets for the reporting year: 58.1 million euros in sales, as well as negative earnings before interest and taxes (EBIT) of 3.8 million euros. While we exceeded the sales forecast with a total of 62.2 million euros, the EBIT, 6.4 million euros, was worse than expected. In addition to the expenses involved in a composition reached in November, which



Left: Patrick Arndt; Right: Thorsten Preugschas

settled the "Meridian" legal dispute, write-offs in particular for module stocks and receivables, which were made for risk-management reasons, had an additional negative impact on earnings.

Amidst all of the disappointment surrounding the 2006 closing, there is still a sufficient financial basis for current and growing business, in spite of the deficit. The development seen over the first couple of months confirms our expectation for continued sales growth and a positive result in the 2007 financial year.

The prospects for the entire industry, as well as for our company, continue to be positive. Climate change is being discussed by everyone, which has generated pressure to take action at the highest political level. Clearly improved demand is also foreseeable in 2007 for the photovoltaic domestic market, with slightly lower prices. Internationally, for the time being, we are active particularly in the growth markets of Spain, Italy and Greece. Especially in Spain, we have managed to enter the market over the past year in a very successful way.

In addition, our assessment regarding the growing importance of thin-film technology, with which higher yields can be achieved, has been confirmed. More and more companies are appreciably expanding their capacities in this sector. Thanks to the long-term supply contracts that we concluded early on, with First Solar among others, we are very well positioned there for the future.

Synergistic effects as the result of the planned consolidation of the operational subsidiary, a consistent brand launch under the name 'colexon' and the development of the sales team are additional bases for the company's future firm footing, which will enable sustainable development.

Gratitude is owed in particular to our employees, who, through their extraordinary commitment and huge personal dedication, have contributed a great deal over the past months to our being on course to healthy growth once again. With this team, we will be able to secure a presence right at the top of this very promising market. Therefore, we expect that we will soon once again be in the position to offer you, our shareholders, greater gratification in terms of your investment.

Yours sincerely,

Patrick Arndt
Executive Board

Thorsten Preugschas
Executive Board

1. REPORT BY THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The Supervisory Board of Reinecke + Pohl Sun Energy AG has carried out all functions they are incumbent on within the framework prescribed by law and the articles of association of the company. They have supervised the management by the Executive Board in 2006 and also supported it in an advisory capacity. Owing to the events in the second half of last year, the intensity of the work of the Supervisory Board increased considerably. Thus, the Supervisory Board met on a total of ten occasions in 2006 - six of them alone in the fourth quarter. Urgent resolutions were also adopted in writing in lieu of a live meeting.

All the members of the Supervisory Board were present at the meetings and various telephone conferences. The Executive Board of Reinecke + Pohl Sun Energy AG informed us at these meetings and telephone conferences on all important business transactions, the state of the company and key financial figures. Outside the formal meetings and discussions the Executive Board also kept us up to date on market and business trends by means of written and also verbal reports. Furthermore, the Chairman of the Supervisory Board was in regular contact with the Executive Board. The Supervisory Board consulted on all issues that need their consent within the framework prescribed by law and the articles of association or Rules of Procedure for the Executive Board. The Supervisory Board was involved in all decisions of major impact. In particular, the Executive Board also agreed the company's strategic orientation with the Supervisory Board.

TOPICS DISCUSSED AT THE INDIVIDUAL SUPERVISORY BOARD MEETINGS:

From the meeting on 27 March 2006

This meeting was also the Balance Sheet Supervisory Board Meeting for the financial year 2005. Other topics were the agenda for the Ordinary General Meeting, the Executive Board contracts, the foundation of the representative office in China, supply and selling agreements and the issue of a convertible bond. The Supervisory Board also concerned itself with the planning for the financial year 2006.

From the meeting on 09 May 2006

The agenda items at this meeting included the preparation of the Annual General Meeting as well as the merger of Reinecke + Pohl Solare Energien GmbH with the parent company Reinecke + Pohl Sun Energy AG and the rules of procedure of the Executive Board. In addition, the Supervisory Board was informed on the development of the business and the current status of the planned placement of the convertible bond.

From the meeting on 05 July 2006

At this meeting the Executive Board reported to the Supervisory Board on the concluded placement of the convertible bond, and the course of business in the first quarter of 2006 as well as the status of the Meridian lawsuit. A detailed discussion took place with the Executive Board on the outlook for the financial year 2006 and the current state of play with regard to possible participations and takeovers as well as selection of suitable companies.

From the meeting on 21 September 2006

This meeting took place at the premises of the subsidiary Nastro-Umwelttechnik GmbH in Meppen. Besides the members of the Executive Board, the Managing Directors of the subsidiaries Nastro-Umwelttechnik GmbH and Maaß Regenerative-Energien GmbH attended the meeting. In addition to the detailed report by the Executive Board on trading experience in the first half of 2006, a new organisational structure was presented to the Supervisory Board. The planned structural changes were aimed at cutting costs significantly and increasing efficiency. The Supervisory Board occupied itself with the current status of the Meridian action. Implementation of the new corporate governance regulations were discussed and information was obtained from the Executive Board on possible M&A projects.

From the meeting on 27 October 2006

This Supervisory Board meeting was marked by the surprising resignation of Hermann Müller the hitherto Managing Director of Nastro-Umwelttechnik GmbH. The Supervisory Board was informed by the Executive Board on the current situation. In order to be able to refill the post of Managing Director of this important subsidiary promptly it was welcomed that Gerd-Jürgen Pohl has switched from the Supervisory Board of Reinecke + Pohl Sun Energy AG to the management of Nastro-Umwelttechnik GmbH. His departure from the Supervisory Board was necessary because, according to the German Stock Corporation Act (AktG), he was not allowed to be the Managing Director of a subsidiary and supervise himself as a member of the Supervisory Board of the parent company at the same time.

From the meeting on 03 November 2006

After appointing Ms Britta Horney, a lawyer from Hamburg, to the Supervisory Board and appointing Gerd-Jürgen Pohl as Managing Director of Nastro, the Supervisory Board concerned itself in detail with documentation from the auditors Ernst & Young and the associated need to correct the annual financial statements for the second quarter. The Supervisory Board also asked for the outlook for the rest of 2006.

From the meeting on 09 November 2006

Once again the auditors' report on the business figures, staff matters and the forecasts for the financial year 2006 were on the agenda.

From the meeting on 10 November 2006

The key topic discussed at this meeting was the appointment of Mr Thorsten Preugschas, Managing Director of the subsidiary Maaß Regenerative Energien GmbH, as the new Executive Director of the Executive Board of Reinecke + Pohl Sun Energy AG. With effect by the end of the day, Mr Martin Schulz-Colmant resigned from this office against the backdrop of the unsatisfactory business development by mutual consent with the Supervisory Board.

From the meeting on 17 November 2006

In this meeting, the Supervisory Board was also informed on the current status at Nastro-Umwelttechnik as well as on reactions on the change in the Executive Board. Against the background of recent company events, the Supervisory Board agreed to try to find a short term solution for the "Meridian" lawsuit by accepting a composition.

From the meeting on 18 December 2006

After the report by the Executive Board on the settlement with Meridian and on the quarterly financial statements as of 20.09.2006 the current status of measures for restructuring the Group, a planned acquisition in Spain and the resolution on a revised declaration of conformity according the new corporate governance regulation were on the agenda.

Corporate Governance Code

The Executive Board and the Supervisory Board dealt with the recommendations and suggestions of the German Corporate Governance Code at several occasions this year. A declaration of conformity according to section 161 AktG was submitted on 18.12.2006 and published on the company's website.

As regards the so-called efficiency monitoring system required according to the German principles of corporate governance, the Supervisory Board decided not to aspire to any further formalisation in terms of its own function. As planned, the current status of recommendation lists drawn up by the Supervisory Board were on the agenda at the individual ordinary meetings. Thus, the evaluation of the work of the Supervisory Board will continue to be carried out through its own internal written investigations.

Explanation to the Group Management Report

The Executive Board informed in accordance with § 289 paragraph 4 and § 315 paragraph 4 of the German Commercial Code in the management report as well as in the group management report, which were subject to the Supervisory Board's audit. According to §171 paragraph 2 clause 2 of German Stock Companies Act, the Supervisory

Board explains this information as follows: The information concerns in particular the composition of the subscribed capital, the authorisation of the Executive Board to increase the registered capital (authorised capital), the authorisation of the Executive Board to issue and acquire company shares and rules regarding the amendment of the articles of association, the appointment and revocation of members of the Executive Board.

The Supervisory Board considers the information according to § 289 paragraph 4 and § 315 paragraph 4 of the German Commercial Code to be correct. In particular, the rules presented concerning the authorisation of the Executive Board to increase the registered capital (authorised capital), the authorisation of the Executive Board to acquire company shares and rules regarding the amendment of the articles of association, the appointment and revocation of members of the Executive Board are rules which are customary at listed companies similar to Reinecke + Pohl Sun Energy AG and do not serve the purpose to hamper eventual take-over trials.

Annual financial statements 2006

At the Ordinary General Meeting on 19 May 2006 in Hamburg the shareholders elected "Treuökonom" Beratungs-, Revisions- und Treuhandgesellschaft mbH, Hamburg as the auditors for the financial year 2006. The Supervisory Board then granted the audit mandate with special reference to the regulations contained in the Corporate Governance Standards relating to the cooperation of the Supervisory Board with the auditors.

The annual financial statements of Reinecke + Pohl Sun Energy AG, the management report of Reinecke + Pohl Sun Energy AG as well as the consolidated annual finan-

cial statements and the summarised management report, including the accounting for the financial year 2006 on which they are based, were audited by "Treuökonom" Beratungs-, Revisions- und Treuhandgesellschaft mbH, Wirtschaftsprüfungsgesellschaft, Hamburg, and certified without qualification. The documents of the financial statements and the audit reports were made available to the Supervisory Board on time. The auditors took part in the balance sheet adoption meeting of the Supervisory Board on 29 March 2007. They reported at length on the key events of the audit and answered numerous questions posed by the Supervisory Board. The result of the audit was discussed and debated in detail. The Supervisory Board acknowledged the result arrived at by the auditors, checked the annual financial statements and the management report, the consolidated annual financial statements and the Group management report for its part within the scope of the statutory provisions and in conclusion did not raise any objections. At its meeting on 29 March 2007 the Supervisory Board approved the annual financial statements and the consolidated annual financial statements prepared by the Executive Board. The annual financial statements were thereby adopted.

Staffing changes to the Executive Board and the Supervisory Board

Owing to the unsatisfactory profit and turnover trend, the Spokesman of the Executive Board of Reinecke + Pohl Sun Energy AG, Mr Schulz-Colmant, resigned from his office on 10 November 2006 with immediate effect by mutual consent with the Supervisory Board. At the same time Mr Thorsten Preugschas was appointed by the Supervisory Board as the company's new Executive Director.

There were also staffing changes to the company's Supervisory Board. As a result of the departure of the Managing Director of the operational subsidiary Nastro-Umwelttechnik GmbH Gerd-Jürgen Pohl took on this position. Therefore he resigned from the Supervisory Board on 24 October 2006. By order of Hamburg Local Court Ms Britta Horney was appointed as the new member of the company's Supervisory Board on 24 October 2006.

Closing comments

After a successful start to the year under review, the company clearly failed to deliver on its previously communicated goals. The Supervisory Board is however convinced that once the initiated restructuring measures have been completed Reinecke + Pohl Sun Energy AG will once again have a good basis for future turnover and profit growth.

We would like to thank Mr Arndt and Mr Preugschas, our two members of the Executive Board, and also Mr Pohl, who accompanied the restructuring of the subsidiary Nastro-Umwelttechnik GmbH, for their high level of commitment. Moreover, we would also like to thank all the employees for their large personal commitment especially in the difficult fourth quarter. Thanks to the considerable dedication of every single person the turnaround could be achieved.

Hamburg, March 2007

Dr. Axel Holtz

Chairman of the Supervisory Board

2. CORPORATE GOVERNANCE REPORT

Corporate governance stands for corporate management and control that is responsible and geared to long-term added value. In this context, the requirements for openness and transparency of corporate communication are emphasised.

The German Corporate Governance Code formulates this claim in order to encourage confidence of investors, customers, staff and general public in the management and supervision of stock market-listed companies. It has been in force since 2002. The Code comprises statutory requirements as well as nationally and internationally recognised standards for the management of stock market-listed companies. It regulates the collaboration of the Executive Board, Supervisory Board and Annual General Meeting according to balanced and transparent specifications. In addition, the Code includes requirements for transparency, accounting and auditing.

General declaration by the Executive Board and Supervisory Board of Reinecke + Pohl Sun Energy AG with regard to the Corporate Governance Code

The Executive and Supervisory Board of Reinecke + Pohl Sun Energy AG (hereinafter referred to as "Company") hereby submit the following declaration of conformity pursuant to section 161 AktG with reference to the recommendations of the "Government Commission of the German Corporate Governance Code":

Declaration of Conformity: Pursuant to § 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards of Reinecke + Pohl Sun Energy AG fundamentally welcome the intention of the Government Commission's German Corporate Governance Code, giving transparent guidelines as a

valuable guide and action assistance for normal management. In future, we will disclose and elucidate any individual deviations to the recommendations of the Code through our Declarations of Conformity.

This said, the Executive and Supervisory Boards of Reinecke + Pohl Sun Energy AG declare that in the future it shall be corresponded to the behavior recommendations of the Code Commission deployed by the German Federal Government regarding management and monitoring under the following conditions.

Deviations to the version of 12 June 2006:

The German Corporate Governance Code recommends for Directors and Officers Liability Insurances (D&O) which the company contracts for its members of the Executive and Supervisory Board to include an excess. The Reinecke + Pohl Sun Energy AG is not of the opinion that such a measure would improve dedication and responsibility of the members of the Executive and Supervisory Board. The D&O Insurance contract therefore does not carry such a provision.

The German Corporate Governance Code recommends the creation of Supervisory Board committees. Due to the size of the company and the fact that the Supervisory Board only consists of three members, Reinecke + Pohl Sun Energy AG refrain from forming special Supervisory Board committees.

Hamburg, 18 December 2006

The Executive Board

The Supervisory Board

3. REMUNERATION REPORT

This remuneration report explains the basis for stipulating the remuneration of the Executive Board and the Supervisory Board of Reinecke + Pohl Sun Energy AG as well as the size of the income of the individual Executive and Supervisory Board members. The remuneration report conforms to the recommendations of the German Corporate Governance Code.

REMUNERATION OF THE EXECUTIVE BOARD IN THE FINANCIAL YEAR 2006

The remuneration of the Executive Board is stipulated by the Supervisory Board. The remuneration of the members of the Executive Board of Reinecke + Pohl Sun Energy AG is geared to the size of the company, its economic situation and the size and structure of the remuneration of the Executive Board at comparable companies. The tasks and contribution of each member of the Executive Board is also taken into account. The individual remuneration of the Executive Board is made up of the following key components:

- a fixed basic annual salary, of which a partial amount is paid on a monthly basis after deducting the statutory levies.

- an annual bonus as a variable performance-based component. In the financial year 2006 the annual bonus was linked to the attainment of the turnover and performance targets for the financial year 2006 pursuant to the corporate plan approved by the Executive Board and the Supervisory Board. Thus, it is guaranteed that a bonus is only earned in the case of a positive business result. An annual bonus will not be paid for 2006.

In the financial year 2006 the members of the Executive Board received the remuneration (gross, without statutory deductions), according to the table below.

The members of the Executive Board did not receive any additional payments apart from the stated remuneration components.

The company maintains Group third-party consequential loss insurance for officers of the Group. The insurance covers the personal liability risk in the event that claims are asserted against officers when carrying out their tasks. An excess was not agreed.

Member	Payment in 12 monthly instalments (€)	Bonus for the financial year 2006	Settlements (€)	Total remuneration (€)
Patrick Arndt	128,497.56	-	-	128,497.56
Martin Schulz-Colmant	143,958.14	-	150,000	293,958.14
Thorsten Preugschas	10,655.85	-	-	10,655.85

REMUNERATION OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2006

The remuneration of the Supervisory Board is stipulated in section 13 of the company's Articles of Association. According to these Articles of Association, members of the Supervisory Board receive a fixed payment of EUR 10,000.00 plus statutory value added tax for each full financial year payable at the end of the financial year. The remuneration increases to double this amount for the Chairman of the Supervisory Board and to one and a half times this amount for his or her deputy. Members of the Supervisory Board who have only belonged to the Supervisory Board for part of the financial year receive a pro rata payment according to the duration of their time spent on the Supervisory Board. The members of the Supervisory Board also receive reimbursement of all cash expenses and any value added tax accrued thereon. The individual members of the Supervisory Board received the following net remuneration (plus any value added tax accrued thereon) for the financial year 2006:

Name	Function	Entry/ Departure	Net Amount (€)
Hr. Dr. Holtz	chairman		20.000,00
Hr. Bartling	deputy		15.000,00
Hr. Pohl		until 24.10.2006	8.109,59
Fr. Horney		from 24.10.2006	1.890,41

4. INTERVIEW WITH THE EXECUTIVE BOARD



Mr Arndt, Mr Preugschas, you have experienced an extraordinarily eventful year. The result is unsatisfactory for all concerned - can you explain how it came about?

The performance targets were not achieved for various reasons. After the disproportionately long and hard winter in Germany changes in the market occurred earlier than expected. We did not react quickly enough to these changes. In addition, we had to accept a shortfall of customers for several major projects of the subsidiary Nastro-Umwelttechnik GmbH at the same time as projects were no longer realisable for various reasons. This resulted in the need to write off projects which had already been planned. All this led to the set goals not being achieved. In addition, there were unforeseeable internal problems in the last quarter of 2006 marked by the loss of a key Managing Director. We took the appropriate action as a result of all these occurrences, in order to lead RPSE AG back on to a growth course in the financial year 2007.

Why did the company fall well short of the profit target for the financial year 2006, which had already been corrected downwards?

RPSE AG generated a turnover of EUR 62.2 million in the previous financial year and growth of around 18 percent compared to the corresponding period last year. Owing to the market changes and the internal events in the previous financial year, the EBIT however fell to EUR -6.4 million according to provisional figures and was therefore well below the forecasted EBIT of EUR -3.8 million. When the financial statements were prepared especially write-offs carried out from risk provisioning totalling EUR 2.7 million also had a negative effect on the result. There were also additional costs from special effects, such as the settlement with Meridian and increased legal and consulting fees due to restructuring.

What market changes occurred and how can they be explained?

2005 was marked by a large surplus demand in the photovoltaic module sector. The sharp increase in demand for solar modules could not be sufficiently satisfied due to the shortage of the raw material silicon. Consequently the demand for modules exceeded supply and the prices for PV systems increased. In the course of 2006 system prices for silicon-based crystalline systems were reached, which, with a simultaneous fall in feed-in remuneration according to the German Renewable Energy Law (EEG), made investment in a PV system less lucrative. As the profit situation for buyers of solar power plants worsened considerably as a result, a significant fall in demand took place in the course of 2006. Current estimates indicate approximately 30 percent less market volume compared to 2005. The price reductions for silicon modules, which were registered from mid summer 2006 as a reaction to the fall in demand and were up to 20 percent by the end of the year, then improved the profit situation for buyers again. This could, however, only slowly stimulate demand for crystalline solar power systems initially, as there was speculation that prices could drop further. Buying interest only rose again towards the end of the year due to a further fall in prices. The demand for thin film systems was pleasingly strong over the year as a whole.

What effects did market changes have?

Compared to original plans for the financial year, 11 MWp less projects than planned were realised by RPSE. Especially customers from the agricultural sector, who

have up to now represented the company's largest customer segment, reacted to the price increases in the first half of 2006 with clear demand restraint. A switch to higher yielding thin film projects was not possible on an adequate scale due to the lack of availability of suitable module quotas. The drastic price cuts occurring in the second half of the year led to a situation where the module stocks of RPSE AG had to be marked down at the end of the year. There were also contractual shortfalls in the case of large projects due to improved yield alternatives after the fall in prices as well as financing problems.

Why could the written off large projects not be realised?

Nastro-Umwelttechnik GmbH had to give up the realisation of several orders at the same time. In spite of secured planning contracts in the region of over EUR 27 million, construction of the systems could not start, as customers could not comply with the contracts. The background to the losses are financing problems experienced by customers due to the changed yield expectations after the market changes. The rendered preliminary project services therefore had to be written off. The company is attempting to gain compensation and is already involved in a dispute with one customer in this connection. In future the customer's preliminary contracts will also be included in the contractual inspection for large projects with respect to financing and legal prerequisites, in order to be able to estimate risks clearly.

How did the loss of a key Managing Director come about?

The resignation of Mr Hermann Müller as Managing Director of Nastro-Umwelttechnik GmbH took us completely by surprise. Mr Müller's resignation is connected with the beginning of a prison sentence. We were informed about it on 12.10.2006 by Mr Müller's lawyer when Mr Müller was already in prison. We would like to stress once again that the reasons for Mr Müller's imprisonment go back to a time well before he took up his post with Nastro-Umwelttechnik GmbH or the RPSE Group and are not connected with the company. Therefore we didn't have the faintest idea that a prison sentence that he had obviously kept secret from even his closest relatives was imminent.

What immediate measures did you take after the loss?

The two Executive Directors of RPSE AG, Martin Schulz-Colmant, and Patrick Arndt immediately assumed operational management of the Meppen subsidiary. As Executive Directors of the holding we at the same time are Managing Directors of Nastro. As you can well imagine, we were at the site in Meppen almost non-stop during this period. Mr Gerd-Jürgen Pohl also took on the Managing Directorship of Nastro-Umwelttechnik GmbH. We owe Mr Pohl a big debt of thanks for standing by the company in this situation. He has many years of experience in the field of regenerative energies and this know-how was a huge help to us when restructuring Nastro.

In the meantime we have found an outstanding colleague in Mr Thomas Sanders, as an additional member of the management of Nastro, who was able to swiftly stabilise the situation in cooperation with us. The circumstances surrounding the departure of Mr Müller were also a real shock to Nastro staff. Nastro is back on track again with a restructured workforce.

Why did Mr Pohl leave the Supervisory Board?

His departure from the Supervisory Board was a mandatory requirement, as the German Stock Corporation Act stipulates that an Executive Director or Managing Director of a subsidiary is not allowed to be represented on the Supervisory Board of the parent company at the same time.

Ms Britta Horney, a lawyer from Hamburg, was appointed as the new member of the Supervisory Board. Ms Horney will in future contribute her experience from years of working at an auditors and tax consultancy to her work as a member of the Supervisory Board.

Were other measures taken?

After an initial analysis of the business trend at Nastro, we consulted with the Supervisory Board and decided to entrust a firm of auditors with examining the process leading to revenue recognition.



Left: Thorsten Preugschas; Right: Patrick Arndt

What was the result of the auditor's investigation?

The investigation revealed that at the subsidiary Nastro Umwelttechnik internal procedures were not followed by staff or bypassed. These irregularities led to a situation where the revenues reported in the bi-annual financial statements for 2006 on a scale of EUR 4.1 million were too high. The written report by the auditors was sent to us on 10.11.2006. Unfortunately it took until late into the night before the effects of the necessary corrections on the quarterly financial statements for the period ended 30.09.2006 could be determined. We then published the provisional figures immediately.

What action has the Executive Board taken?

Against the backdrop of the unsatisfactory turnover and profit situation in the financial year, the Spokesman of the company's Executive Board, Mr Schulz-Colmant, resigned from his office on 10.11.2006 by mutual con-

sent with the Supervisory Board. He therefore took responsibility for the failure to reach the company's targets. On no account is Mr Schulz-Colmant to blame for the events regarding Mr Müller or the mid-year accounting errors. These things only went wrong at the subsidiary Nastro. At the same time as the departure of Mr Schulz-Colmant Mr Thorsten Preugschas, Managing Director of the RPSE subsidiary Maaß Regenerative Energien GmbH, Wesel, was appointed as an additional Executive Director by the Supervisory Board.

How does the new Executive Board divide up their work?

Thorsten Preugschas is responsible for the operational business and international expansion in the Executive Board; these areas therefore also have a higher weighting at this level. Patrick Arndt will continue to be a director responsible for finance and personnel and will also take on the IR/PR portfolio. As a new additional Managing Director will not be appointed for Maaß Regenerative Energien GmbH, the streamlining of the company will also be taken into account at management level through these measures.

What measures were taken to prevent these discrepancies reoccurring?

The Executive Board revised the existing risk management system directly after analysing the events, in order to be able to recognise, measure and control internal and external risks at an early stage. The strict implementation of the security principle was carried out as an

immediate measure. Thus, when an order is received by the sales department the project manager first has to contact the customer to clarify the order. Received orders are not booked until this has taken place.

The introduction of the new ERP system will make a fundamental contribution to ensuring that regulations are followed. Special attention will be paid when introducing the system to ensure that conscious or unconscious bypassing of defined processes can be excluded as far as possible.

We emphasise that a risk management system has, of course, already existed in the company since 2005, which includes the definition of procedural directives for core processes (and also for revenue recognition). However, the effectiveness of such regulations always depends on the persons taking the action. Following the departure of the former Managing Director of Nastro and staff changes in the commercial management of the company, we are now in the process of creating a team-oriented corporate culture. Within the scope of task and procedure descriptions the personal responsibility of individual members of staff will be strengthened. The new member of the management team of Nastro-Umwelttechnik Mr Thomas Sanders has proven experience in change management processes and is playing a decisive role in this case.

What will happen now at the company?

The restructuring measures already initiated last year will contribute to getting the company back on a stable footing. To reduce costs, it has been agreed to merge

the two subsidiaries Nastro and Maaß. This will lead to a reduction in overheads and considerable synergy potential, ranging from centralised purchasing, human resources and marketing departments to the standardisation of distribution processes. The supply chain has been assigned completely to an external service provider. Responsibilities have been redistributed and a newly introduced ERP system will serve to optimise processes in future and organise them more efficiently. This will be supported by a clearly optimised accounts and controlling operation, in order to be able to avoid project losses in future. Staff needs and costs have already been reduced through these measures.

How will the subsidiaries be merged?

With the merger of the operational subsidiary Reinecke + Pohl Solare Energien GmbH with the parent company in 2006, the first step towards streamlining the company structure had already been taken. This step was logical since the operational business of RPSE GmbH had already been largely carried out by Nastro. A further step towards simplifying the company structure will be the merger of Maaß and Nastro. The companies will shortly be trading under the name "COLEXON". Thus, the Group will now establish a uniform brand appearance for the first time. After RPSE initially pursued a multi-brand strategy after taking over the operational subsidiaries in 2005 and kept to the existing model as regards its external image, the emphasis is now on utilising synergy effects not only in the processes, but also in terms of brand development.

How will you win back investors' confidence in your company?

Initially this is contingent upon the company generating operating profits again soon and reaching its own targets in future. We are well on the way to achieving this. We want to win back the confidence of investors with transparent reporting, open communication and continuous maintenance of existing and new contacts. As an additional confidence-building measure, in future all quarterly and interim financial statements issued by the company will be subject to an audit inspection by the appointed auditors.

Why have not all the financial statements been checked by an auditor?

Up until the incidents which took place at Nastro last year all mid-year Group quarterly financial statements, apart from the quarterly financial statements for the first and second quarter of 2006, were subjected to an audit inspection by the firm of auditors appointed by the Annual General Meeting. The company's and Group's annual financial statements for 2005 were, of course, subjected to an inspection by the auditors, as is required by law. In the financial year 2006 it was decided not to subject the quarterly financial statements to an audit inspection, as this is not required by the Deutsche Börse or by law and would have entailed additional costs for the company.

What is the strategy for the coming years?

The market changes that took place last year have strengthened our resolve to concentrate even more on thin film technology in the future. On the one hand this segment is growing stronger compared to crystalline technology. On the other hand thin film projects offer more attractive margins in Germany and abroad. Measures for expanding sales activities, such as, for example, the establishment of regional sales and service offices for improving market presence, have already started or been implemented.

The basis for the growth strategy are still the existing long-term supply contracts with renowned manufacturers, such as First Solar and Bangkok Solar. This also means that we can supply to large projects.

We are also extending our quality assurance system at various levels. This includes improved supply audits and our own quality testing laboratory for incoming goods inspections for solar modules and extended service and maintenance contracts for solar electricity systems we have installed.

At the same time the internationalisation of the company is to be continued, in order to further reduce our dependency on the German home market after we were already able to generate over 17 percent of our revenues abroad last year. Thus, the business in Spain is to be further expanded and cooperation with various local project developers is to be intensified. RPSE AG also wants to accomplish market entry in other Southern European countries via the trading business initially, so

that it can then gradually increase sales and earnings via the project business in countries such as Italy or Greece by supplying turnkey systems. At the same time we shall expand our sales activities in growth markets in China and South Korea, too. Through the measures taken RPSE AG is optimistic that it can achieve significant growth in the financial year 2007.

How will distribution activities be expanded?

National distribution has mainly taken place from the Meppen, Wesel and Hamburg sites up to now. In order to expand activities nationwide in Germany, it is planned to increase our presence in Southern Germany in particular through regional selling agencies. In addition to the regional offices, a key account distribution operation will be introduced, which will concentrate on large projects.

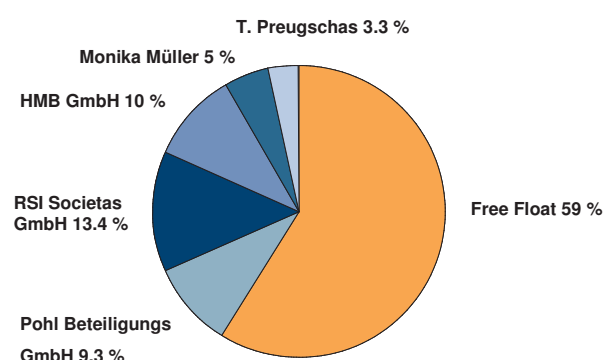
The further expansion of activities abroad will also play an important role in the next few years. In Spain various major projects are at the planning stage, so that an increased on-the-spot presence by our company is a key objective. We also want to establish or increase our presence in the USA, Greece, Italy and France.

We are convinced that we have pursued the right path with our team to achieve our goals.



5. THE SHARE

STRUCTURE OF SHAREHOLDERS (STATUS: 31/12/2006)*



* as per legal WpHG notice

THE STOCK MARKET YEAR 2006: BULLISH LIQUIDITY FOR INDICES

While the German share index (DAX) rose by 22 percent in the course of 2006, the sector index Prime IG Renewable Energies (index of the Deutsche Börse that covers the solar and wind energy sector) even increased by 57 percent. What is however not apparent when examining this and also other indices alone is the extremely varied price and turnover trend of the many smaller joint stock corporations compared to the large stocks with a corresponding market capitalisation. Apart from the odd exception, small companies have suffered from an extre-

me reluctance by institutional investors to invest since mid May 2006.

In addition, the extreme price trend for raw materials, especially for oil, and discussions regarding changes in the basic political conditions for the solar industry especially caused uncertainty in the solar sector. The fact that the sector index nevertheless posted such an impressive plus at the end of 2006 can mainly be attributed to an extremely positive trend in the first half-year and especially the price development of the large sector stocks with their high weighting in the index.

PRICE DEVELOPMENT AND SALES OF THE SHARE

At Reinecke + Pohl Sun Energy AG the financial year 2006 was characterised by a few drastic incidents in the second half of the year, which were unfortunately also reflected in the development of the share price. The price development proved to be correspondingly unsatisfactory with a loss of 49 percent in the course of the year after our share was able to surpass all the indices in the previous year in terms of performance.

In the first quarter of 2006 the share made another hefty gain. With the switch to the Prime Standard of the Deutsche Börse on 21 April 2006 we wanted to lay the foundations for a further increasing awareness level. The second quarter was, however, characterised by a general weakness in international stock markets which our share could not escape. The price also fell sharply.

Reinecke + Pohl Sun Energy AG / Frankfurt from 02.01.2006 to 29.12.2006



In the second half of last year the development of the share price was especially marked by internal events. Since its interim slump at the beginning of December the share has been able to recover again significantly, but this does not change the negative performance of the share overall in the financial year 2006.

Turnover of the Reinecke + Pohl Sun Energy stock came to 14.7 million items last year and therefore doubled compared to the previous year. Turnover was very high especially in the last quarter.

The market capitalisation of Reinecke + Pohl Sun Energy AG was exposed to considerable fluctuations in accordance with the respective price development in the course of the year. It stood at EUR 66 million at the start of 2006 and EUR 31.6 at the end of the year. In the meantime the market valuation reached a peak of EUR 118 million in the first half-year and a low of EUR 18 million in the fourth quarter.

ISSUE OF CONVERTIBLE BOND

In mid April 2006 the Executive Board decided to issue a convertible bond with the approval of the Supervisory Board. It concerned a rights issue of up to 1.55 million fixed-interest fractional debentures made out to the holder each with a nominal amount of EUR 10 and a term from 8 May 2006 to 7 May 2009.

Within the subscription period from 21 April to 5 May 2006 the convertible share was placed at EUR 10.4 million in a difficult stock market environment. If these around 475,000 fractional debentures were converted in full, the capital stock of Reinecke + Pohl Sun Energy AG would increase from EUR 4.65 million to EUR 5.15 million.

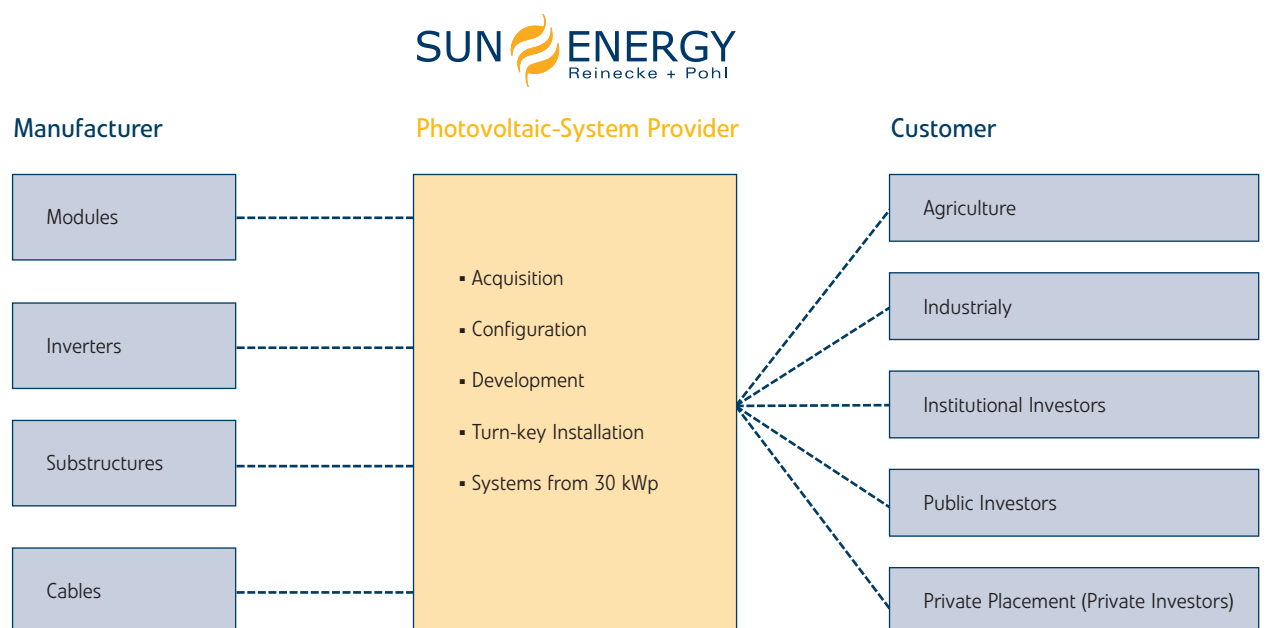
The performance of the convertible bond was also negative comparable to the share price in the second half of the year. Understandably the conversion price on the one hand and the share price itself on the other hand, had a substantial influence on the listing. At its peak the difference between the market price and the repayable amount of the convertible bond in 2007 (EUR 21.9) came to almost 150 percent and at the end of the year the prices stood at EUR 13.

INVESTOR RELATIONS - AN OUTLOOK

There is no doubt that RPSE AG disappointed its shareholders in the year under review. On the occasion of the report for the third quarter the events contributing to the considerable price loss and the measures we took were openly reported. Our key objective for 2007 will be to win back the lost confidence of shareholders and investors. We want to do this with transparent reporting, open communication and continuous maintenance of existing and new contacts. The premise for this can only be that the company generates operational profits again and meets its own expectations in the future. The foundations have been laid for this through the measures we have taken. We are convinced that the return to profitability in 2007 will be reflected in the market price.



1. BUSINESS MODEL



PROFESSIONAL PROJECT DEVELOPMENT FOR SOLAR ENERGY SYSTEMS ON AGRICULTURAL AND COMMERCIAL BUILDINGS

Reinecke + Pohl Sun Energy AG specialises in planning large photovoltaic plants (from 30 kWp) in the regenerative energies sector. The operational subsidiaries plan and construct turnkey solar power systems for building owners and investors from agriculture, industry and the public sector in Germany and abroad.

Our know-how lies especially in the area of the technical planning and construction of solar systems. Components (modules, inverters and substructures) from different manufacturers are planned on a customised basis for the respective project. RPSE above all uses solar modules made from innovative thin film technology, whose availability has been secured through long standing supply agreements. Compared to conventional silicon-based modules, thin film modules in larger systems offer higher profits for our customers as a rule. The aim is to supply an optimised solar system for the respective

property and the building owner or investor. Wide-ranging specialist advice forms the basis for this. The assembly of the planned system is carried out on site by sub-contractors under our supervision.

The company also operates a wholesale business with modules and components of renowned manufacturers, which are purchased worldwide and sold mainly in Germany and Europe. The service ranges from the pure sale of modules and components to the planning and delivery of complete systems. In doing so, we offer advice and support in selecting optimum products for actual properties and also prepare feasibility studies on request.

The business model therefore offers flexible and streamlined corporate structures, which allow swift entry into new geographical markets.

2. THIN FILM TECHNOLOGY



Thin film modules, solar energy plant

MODULE TECHNOLOGIES: FOCUS IS STILL ON THIN FILM

The photovoltaic industry, especially that of crystalline silicon, has achieved a maturity in the last few years that was scarcely conceivable only five years ago, even according to optimistic estimates. The industry is undergoing a transitional phase before becoming an established industry with the character of large-scale production. Economies of scale and new technologies will open up cost-cutting potential in all areas in the coming years.

In addition to the crystalline silicon technology that dominates today, thin film technologies are increasingly emerging. Feed-in remuneration and subsidies have facilitated growth for the PV industry in the grid-connected market that has increased volumes and opened up substantial cost-cutting potential. The shortage of silicon, technological development and cost pressure will however also lead to an increase in investments in thin film technology today and in the near future. The published and initiated increase in capacity alone makes a market share of 20 percent by 2010 appear realistic, which could increase to 30 percent in the grid-connected sector in the following decade. In Germany alone investment decisions for increasing capacity of thin film production of about 300 MWp were taken in 2006.

However, a shortage of silicon is not the only reason for the increasing trend towards thin film technology. Lower temperature coefficients and improved weak light behaviour lead to higher energy yields compared to crystalline silicon. As a result of the high level of automation and efficient thin film processes the production of modules is more cost-effective, which is reflected in lower investment costs. However, the lower levels of module effi-

ciency compared to crystalline silicon lead to a greater need for space and therefore higher installation costs for substructures, for example.

Depending on the application, crystalline modules or thin film modules offer advantages. In the case of high temperatures, low or diffuse solarisation as well as non-optimum system alignments thin film systems are clearly at an advantage. The opposite applies in the case of high solarisation on tracking systems or in the case of limited space.

In the German market thin film technologies have already assumed a leading role where open field systems are concerned for reasons of profitability. The decreasing feed-in remuneration is creating a cost pressure - a welcome one at that - which will ensure the continuation of this trend in the roof and building-integrated sector. This trend will also take place in additional grid-connected export markets in the near future.

Reinecke + Pohl Sun Energy AG is therefore relying heavily on thin film technologies without losing sight of crystalline applications. In both sectors we are actively tracking the technological developments in cooperation with our suppliers, in order to always be able to offer cost-effective, state-of-the-art products in the coming years, too.

3. QUALITY ASSURANCE AND RELATIONS WITH SUPPLIERS



QUALITY ASSURANCE FOR STRATEGIC SUPPLIER RELATIONS

RPSE does not have its own production facilities, but rather concentrates on planning solar energy systems as a pure system integrator. Modules and components are purchased from third parties and can therefore be optimally utilised for each project. In addition to price and availability, quality plays an important role in this case. Therefore the careful choice of suppliers and products is of crucial importance.

Through active quality assurance and cooperation with our suppliers we commit ourselves to quality improvement and the further development of products. In doing so, RPSE concentrates on the PV module sector; in the meantime we mainly cooperate with four manufacturers. Within the scope of this cooperation wide-ranging production documentation has been created, on the basis of which we can offer our customers the best possible advice. Both in the project and in the wholesale section we check - especially in the case of thin film systems - the system configuration, in order, on the one hand, to offer the end customer an optimum system and, on the other hand, to minimise possible warranty expenses.

Active quality assurance includes not only supplier audits on site but rather the measurement of PV modules in our own testing laboratory. For this, a solar simulator is available, which is used for random sample type module characterisation and for verification if any discrepancies arise in the module performance. The short access time to our own laboratory is a decisive advantage compared to weeks of waiting in the case of external service providers.

Systems installed in the field are also integrated into a monitoring system. The continuous observation of energy yields allows swift service deployment if problems arise with systems, in order to minimise lost earnings.

The crystalline PV module sector is very advanced, but new, more efficient module types must be specified and certified in this case. Greater participation by RPSE requires thin film technology. RPSE concentrates on two product lines, namely CdTe and amorphous silicon. The high quality standard of the First Solar CdTe modules allows RPSE to restrict itself to pure quality supervision and participation in the specification of new products. Although the amorphous silicon technology should be the more mature technology historically, developments are taking place in this field at lightning speed. RPSE is actively involved in optimising module production processes for suppliers and in implementing and complying with quality standards. The development from purely amorphous silicon to a combination with micro-crystalline layers will open up new application areas for this basis technology in the near future, with these modules standing side by side with CIGS and CdTe modules as regards their efficiency.

4. HOW DOES ONE PLAN A PHOTOVOLTAIC PLANT?



Jörg Bohlmann

We spoke to Jörg Bohlmann, head of the technical office at Nastro Umwelttechnik GmbH in Meppen.

Mr Bohlmann, when does your work start?

We are responsible for the handling of the entire project. As soon as an order is received by Sales, it is entered in the department's systems. In doing so, the preplanning for the project has already taken place. We then appoint a responsible project manager for the system. Initially he

checks the stocks already reserved for the order and finally assigns these to the order. Then he contacts the customer and arranges an appointment on site. On site the roof is measured again down to the last centimetre and the exact dimensions, that is the measurements, alignment and roof pitch, which were already taken into account in the preplanning, are checked. Structural characteristics, for example, the shade, are noted, if this has not already taken place. This is especially important, as these factors affect the calculated performance of the solar system.

Why is the shade so important?

The modules are connected in a row, e.g. 8 in a so-called "string". The weakest module always determines the overall performance of the "string". Therefore, if in a row of 8 modules a module can render less performance due to shade, the other 7 also only render this performance. Therefore the roof area should be unshaded if possible. If there is partial shade, this has to be taken into account when arranging the strings.

What happens after the on-site inspection?

After planning the modules the final electrical alignment of the system is carried out where the optimum circuitry for the module strings and the inverters is calculated and predefined. At the same time we file the necessary mains feed-in application with the competent ESC (energy supply company).

What factors determine whether feed-in approval is granted?

For systems up to 30 kWp the ESC is obliged to grant this feed-in approval without restrictions. For systems over 30 kWp measures may, be imposed, e.g. the insertion of a transformer, to prevent mains overload. In the case of larger systems we sort this out in advance when preparing the quotation to save the customer any unpleasant surprises due to potential considerable extra costs.

What are the critical factors as regards the design of the system?

One of the points to watch out for is the bearing capacity of the roof. A structural inspection is required that has to be carried out by the client, that is the costs are borne by the client. However, we also commission the inspection at the client's request before the order is placed with us. Another point is, of course, the alignment and pitch of the roof. In the case of crystalline solar modules optimum yields can be obtained if the roof is facing south and the pitch is 30°. Thin film modules can be assembled with more flexibility - they also work if the light is diffuse, can face northwards and still produce good results in some cases even if they are positioned at ground level.

A frequently critical point is the fact that many of the offered roofs are covered with material containing asbestos and can therefore not be built on without difficulty. For those, special permit is required.



Solar park Malsch

What happens after the system has been planned?

Once all the outstanding points have been clarified an assembly team is formed. In addition to the project manager, who plans and supervises construction that team consists of an assembly party and an electrician. These are employees of partner companies with whom we have been cooperating for a long time. Scheduling of the building site is carried out jointly. When the assembly date has been fixed - a certain amount of uncertainty always surrounds planning due to weather conditions - the material is ordered for the required date and delivery to the building site is coordinated with our logistics partner.

How is assembly of the PV plant carried out?

First the substructure is installed on the roof. For crystalline modules this consists of roof hooks with which sections that then hold the modules are fastened to the raf-

ters. As thin film modules are unframed, Z sections are fastened to the roof to reduce surface tension. The "normal" section is then screwed to the Z section. In turn the modules are fastened to this and then wired up. Then the inverters are installed and connected to the whole system. Then the system is put into operation by the hired electrical company with the competent energy supply company. If everything is working properly, we carry out the official handover to the customer. The customer receives full system documentation.

How long does it take to assemble a system?

Of course, this depends on the size of the system and the property. For systems of approximately 30 kWp it takes a team of 3-5 employees a week to carry out assembly and wiring. In the case of our large open land projects installation can take up to several months.

Was there a project last year that was special to you?

Many projects had special peculiarities that posed new challenges for us. Perhaps the open land project that took place last year on the hazardous waste tip in Malsch is worth a special mention. Here we erected an open land solar energy plant with a nominal output of 600 kWp on the site of a hazardous waste tip.

Thin film modules produced by the company First Solar were used for the system. These modules are cheaper to purchase per kWp than conventional crystalline modules due to their technology. They also produce electricity with diffuse light without direct solar radiation. As the

thin film modules still have lower watt output per module than crystalline modules at present, more space is required for the aspired to kWp output. For this reason thin film modules are especially suitable for use on large roofs, in large solar systems and in open spaces.

What was unusual about this project?

When the system was built 144 module tables, each with 64 modules at 65/67.5 watt, were erected on 4 flat-based reinforced concrete foundations, so that the permitted ground pressure was not exceeded. This was necessary to ensure that the film seal of the tip was not damaged. A further special feature in terms of the design and installation of the module tables was that the sheep grazing in the area had to be taken into account - the sheep were supposed to have sufficient green area to graze on and, of course, not be able to damage the modules or cable in the process. In total 9216 modules were built with a surface area of 6,635.5 m². The electricity is fed into the public grid via a station with a transformer and two central inverters. The first section with 241 kWp was put into operation at the end of December 2006 and completion is scheduled for the end of March 2007.

Mr Bohlmann, thank you for this interview.



Solar park Malsch

5. REFERENCE PROJETS



PELSTER GEBKEN

Solar power plant 170 kWp

Solar modules: Aleo, polycrystalline silicon

Inverters: SMA Sunny Boy

Location: Meppen, Emsland

Commissioning: April 2004



Moss

Solar power plant 90 kWp

Solar modules: LCP 150, polycrystalline silicon
Suntech STP 170 S

Inverters: SMA Sunny Boy

Location: Dalum, Emsland

Commissioning: March 2005



GRUTH

Solar power plant 119 kWp

Solar modules: First Solar, FS-Serie, CdS/CdTe semi-conductor

Inverters: SMA Sunny Boy

Location: Meppen, Emsland

Commissioning: September 2005



ALTMEPPEEN

Solar power plant 173 kWp

Solar modules: First Solar, FS-Serie, CdS/CdTe semi-conductor

Inverters: SMA SMC Mini Central

Location: Meppen, Emsland

Commissioning: September 2005



FEHRMANN

Solar power plant 100 kWp

Solar modules: BSC, 44 Wp,
Thin film, amorphous silicon

Inverters: SMA Sunny Boy

Location: Twist, Emsland

Commissioning: March 2006



BRUNS-TWIST

two-axle tracker Solar power plant 59 kWp

Solar modules: Mitsubishi PV-MF 160EB3,
polycrystalline silicon,
24 trackers

Inverters: SMA Sunny Boy

Location: Twist, Emsland

Commissioning: December 2004



GESCHER

Solar power plant 1.430 kWp

Solar modules: First Solar, FS-Serie, CdS/CdTe semi-conductor

Inverters: Fronius central inverter IG-Serie

Location: Gescher

Commissioning: December 2005 / März 2006



MALSCH

Solar power plant 600 kWp

Solar modules: First Solar

Inverters: Sunny Central

Location: SD Malsch

Commissioning: 1. construction stage Dec. 2006
2. construction stage March 2007 (planned)

6. SPAIN

SUCCESSFUL ENTRY INTO THE SPANISH MARKET

High solar radiation and comparatively good feed-in remuneration lend the Spanish solar market high potential. Very favourable conditions have prevailed for photovoltaics since the new feed-in law came into force in March 2004. In 2006 the Spanish market developed very positively as expected with an estimated volume of 29 to 70 MW build-up (source: Dena 2006, Solarpraxis 2007). RPSE was able to establish key long-term business relationships here last year via the trading business and to realise turnover around the two-digit million euro mark with a delivery volume of 3.1 MW. This translates into a market share for RPSE in Spain of between 5 and 10 percent.

In Spain we virtually only supply to major projects. However, in future we also intend to implement our own projects in Spain via RPSE's Spanish subsidiary, RPSE España SL - which will in future be called COLEXON, like all the operational subsidiaries. In doing so, the company is relying on the trend in Spain, which is heading more in the direction of large systems and solar parks than in Germany.

However, to get into the top league of the key solar markets the sun-spoilt country must now urgently remove the red tape associated with its subsidy and licensing practice. The bottleneck in the Spanish solar market are the bureaucratic hurdles. The licensing situation for Spanish solar systems is far more complicated than in Germany: to install a photovoltaic plant investors have to produce a large number of permits and licences, so that between 8 and 14 months can elapse between applying for a system and installing it. This licensing procedure,



which is even to be supported with a financial deposit for the feed-in approval in future, is supposed to stem speculation and abuse and to ensure that only competent and solvent companies are involved in the development of large systems. For this reason, RPSE, as one of the larger German solar companies, is all the more sought after as a partner in this case with its financial clout and project experience.

RPSE already made far-reaching contacts in 2006, which lead to expectations of turnover increases in this national market in 2007 and the following years.

7. ASIA

ACTIVITIES OF THE REINECKE + POHL SUN ENERGY AG SHANGHAI REPRESENTATIVE OFFICE

With the foundation of the RPSE Representative Office in Shanghai in 2006, Reinecke + Pohl was one of the first leading European PV plant integrators to set foot in the Asian-Pacific region. The aim of this step was, on the one hand, to extend the company's presence especially in the Asian purchasing market for PV modules and system components and, on the other hand, to open up new sales markets in the region.

Within the scope of the buying strategy the company's presence on site in Asia serves to maintain contacts with long-term suppliers on the purchasing side. In addition, we can react quicker to developments in the constantly changing PV market. On the sales side Reinecke + Pohl is in talks, via its representative office, with potential investors regarding projects in various countries in the South-East Asian region. After clinching a planning order for a 3 MWp system in Korea in 2006, further deals are expected.

CHINA

The collapse in demand for crystalline modules in the European market in the second half of 2006 not least hit Chinese module producers. This especially applies to small and less well-known manufacturers, who cannot keep up with the level customary in the market in terms of costs and technological development. The company Prim-Sola was also affected by this development. The strategic advantage that would have arisen for RPSE in the competitive purchasing market of 2005 from the

aspired joint venture participation in this company therefore no longer materialised. The Executive Board therefore resolved to no longer aspire to the contractually established 30 percent participation that was applicable according to company law, but not yet effective. It can be assumed that a consolidation will take place in the Chinese PV industry, in which only really efficient companies will be able to hold their own internationally. These competitive manufacturers will however gain increasing importance on the international PV market, as the Chinese solar industry is becoming more and more sophisticated. The aim of Chinese PV manufacturers to integrate themselves vertically in the supply chain via the current level continues to be clearly apparent. The aim of this strategy is to be able to produce more cost-effectively and therefore more competitively. In addition, a number of Chinese module manufacturers obtained the IEC certification last year, so that the products meet internationally required quality criteria.

The country is still in its infancy as a sales market. China approved a renewable energy law in 2005 that came into force on 01.01.2006. For PV plants this law stipulates that the ESCs are obliged to buy PV electricity from the producer at a price fixed by the government. However, the feed-in remuneration has not been approved yet, which is why the market for grid-connected systems has not really taken off yet in China. Market forecasts are correspondingly difficult and vague. Predictions as to when feed-in remuneration will be approved are of a very varied nature. Some insiders say it will happen in 2007, but others anticipate it taking

place in 2008 or even later. However, there are current attempts by potential investors to negotiate feed-in remuneration with the responsible government offices in a project-related manner on the basis of the applicable law. Thus, PV applications in China are currently mainly off-grid projects for the electrification of isolated areas, e.g. the electrification of mobile communication systems or street lighting.

KOREA

In South Korea a state subsidy model for renewable energies applies that is based on the German Renewable Energy Law (EEG) and makes the country an interesting sales market for photovoltaic plants. The government's ambitious goal is to install 1.3 GWp by 2012. The market volume is estimated at 15-20 MWp for 2006 and 25-35 MWp for 2007.

The current feed-in remuneration for systems under 30 kWp built by the end of 2008 is 677.38 Won (approx. EUR 0.55)/kWh and 711.25 Won (EUR 0.58)/kWh for systems over 30 kWp. The feed-in remuneration will fall annually by roughly 5 percent from 2009, similar to the German EEG. The subsidy period is generally 15 years.

There is also a legal provision that 5 percent of the total costs of public buildings with an area of more than 3000 m² have to be spent on using renewable energies in the respective building. This is not restricted to photovoltaics, but it includes photovoltaics.

In Korea the focus is exclusively on conventional crystalline technology at present, but interest in thin film is also

increasing here in line with the worldwide trend. We assume that considerable potential exists in the medium term for trade or projects with thin film modules.

The company is tapping into this promising Korean market by means of strategic cooperation with local partners. In doing so, RPSE will render planning services and supply modules and components; the Korean partner will be responsible for installation and negotiations with the ESC and the customer or, in the case of public tenders, for preparing the tendering documents. In this cooperation model the Korean partner acts as the principal contractor and RPSE as the sub-contractor.

The RPSE representative office in Shanghai also manages an agency in Korea that is trying to acquire projects directly on behalf of RPSE. For implementing projects we especially rely on the construction services of local partners. In these cases RPSE will act as the principal contractor.

8. COLEXON - THE NEW BRAND

CREATION OF A UNIFORM BRAND APPEARANCE

With the increasing maturity of the international photovoltaics market, the professionalism of brand management is becoming more and more important. After RPSE initially pursued a multi-brand strategy following the takeover of the operational subsidiaries in 2005 and kept to the existing model as regards its external image, the emphasis is now on utilising synergy effects for brand development.

Therefore, the operational subsidiaries Nastro-Umwelttechnik and Maaß Regenerative Energien will soon be collectively called COLEXON. Thus, the Group will now establish a uniform brand appearance for the first time. The foreign subsidiaries in Spain and the USA will also trade under the name COLEXON in future.

At the same time the merger of the two German subsidiaries is planned. Thus synergy effects will not only be utilised more in terms of the company's external image, but above all in its organisational processes. This step is the logical further development of the restructuring measures in the Group heralded at the end of 2006.

It is also planned to market solar modules that meet the high in-house quality standard in future under the trademark COLEXON.

With COLEXON a brand is being developed that is also very catchy and easy to understand on international markets. COLEXON derives from the English phrase "collect sun". Thus, the company's name also indicates that customers will be able to "collect money with the sun" by using COLEXON solar systems.

The new COLEXON logo is similar to the logo of the parent company due to a linking graphical element. Thus, the operational subsidiaries are also to move closer to the parent company Reinecke + Pohl Sun Energy AG optically. For the time being there are no plans to rename the parent company.



REINECKE + POHL SUN ENERGY AG, HAMBURG GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2006

1. BUSINESS AND GENERAL CONDITIONS

OVERALL ECONOMY

In 2006, industrialised countries experienced a continuation of the economic upturn. Nevertheless, a distinct reduction in terms of growth rates compared to the previous year was noted, particularly in the U.S. and Japan. As the year progressed, the economic upturn in those countries increasingly slowed down. On the other hand, as the year progressed the economic area of the European Monetary Union proved to be robust in terms of growth, and growth-rate gains were posted. The Eurozone's economic revival, detected as early as the summer of 2005, grew stronger and stronger in 2006. With the strong upswing in Europe, the world economy on the whole was able to offset the flagging economic situation in the U.S. and Japan. The attendant interest rate policies of the central banks appeared similarly differentiated. Inflation fears in the U.S. declined as the result of the stagnant economic situation, and since mid-year, the Federal Reserve has been trying to spur economic revival by means of interest rate reductions. The European Central Bank (ECB), however, continued its moderately restrictive policies, due to restrained price acceleration. The People's Republic of China was able to maintain its high growth rate, even though the boom slowed down a bit over the course of the year. Prices for raw materials also rose further in 2006 as the result of global economic expansion. Despite high stock levels and considerable substitution processes, due to the high price level and expanded production capacities, the price of crude oil was higher towards the end of 2006 than it had been the previous year.

Economic growth in Germany appeared much stronger than in the previous year, and growth rates, also when

compared to the previous year, were once again higher than in the rest of the Eurozone. Exports and the building industry in particular proved to be the drivers for German economic growth. It is expected that the Germany's gross domestic product (GDP) has grown by 2.6 percent in 2006 (source: IfW Kiel, Weltwirtschaft und deutsche Konjunktur im Winter 2006).

INDUSTRY

Photovoltaics

Reinecke + Pohl Sun Energy AG (also referred "Group" or "Company"), with its focussed business model, is active exclusively in the photovoltaics market. Photovoltaic technology employs solar energy to produce electricity. Technologies based on the use of solar energy in other ways, such as transferring and storing heat in order to heat drinking water or support heating, form their own market segments within the solar industry.

The photovoltaic market was marked by rapid growth in 2004 and 2005. Therefore, for 2005, it is estimated that between 800 and 900 MWp of newly-installed capacity from all of the solar electricity facilities have been added to the power grid in Germany this year. The sharp increase in demand for solar modules could not sufficiently be met, due to the resulting shortage of the raw material silicon. Expansion of production capacities for the source material used in crystalline modules will lead to appreciable increases in the amount of silicon by 2007 at the earliest. Consequently, the demand for modules exceeded supply and the prices for PV systems rose. Over the course of 2006, system prices were reached for silicon-based crystalline modules, which, together with

lowered compensation for the electricity fed into the grid, made investment in PV systems less lucrative. As a result, demand weakened and the market declined. Current estimates anticipate a roughly 30 percent decline, compared to 2005. Towards the mid part of 2006, crystalline module prices came under renewed pressure as a reaction to lowered demand. With prices as much as 20 percent lower, we once again anticipate market growth for 2007.

REGULATORY ENVIRONMENT

Meanwhile, solar energies are enjoying state support worldwide. In this regard, the German Renewable Energies Act (EEG), which the Bundestag passed in 2004 with broad approval, is considered the most successful aid model and already serves as a standard for legislation in more than 20 countries. For instance, a similar support model was introduced in Spain.

In Germany, the business concept for constructing a photovoltaic facility essentially is based on the fact that, in accordance with the EEG, electricity produced by the system must be purchased by grid operators at legally defined minimum remuneration, the so-called electricity purchase price. The remuneration for feeding in solar electricity, which is fixed for 20 years beyond the year in which the system was put into operation, offers Reinecke + Pohl Sun Energy AG customers a clear basis for calculating future earnings from such a facility.

The objective of Germany's EEG is to promote the sustainable generation of electricity from renewable energies in the interest of protecting the climate, nature and the

environment, as well as reducing the use of fossil fuels. Therefore, as prescribed by the legislation, the share of renewable energies in electricity consumption should be raised to at least 12.5 percent by 2010 and to at least 20 percent by 2020. The system price increases in 2005 and 2006 run counter to the goals of the EEG, as far as market development is concerned. However, it must be noted that with falling costs, a return to the long-term targeted price corridor will be achieved by the end of 2007. Rapid development of the PV market has been accompanied by strong growth in employment as well.

The EEG calls for the Federal Environment Ministry to issue a progress report by 31 December 2007 as to the status of electricity generation from renewable energies and the development of costs associated with electricity generation. The progress report is to be presented every four years. According to a March 2007 announcement by the Federal Environment Ministry, the review could be completed as early as autumn 2007, as a consequence of current plans calling for environmental law to be revised into an environmental code. Against the backdrop of intensifying environmental discussions, as well as the employment development, RPSE does not expect the scheduled revision of the EEG to lead to any fundamental changes in the electricity purchase price. This, together with the Federal government's environmental policy statements, leads us to anticipate a market which will continue to be safe for investments. The current governing coalition invariably intends to adhere to the support measures laid out in the EEG.

MARKET ENVIRONMENT

The photovoltaic market can be divided into the segments: photovoltaic modules and components manufacturing, commerce, technical planning, delivery and installation of photovoltaic plants, and project development and financing. Reinecke + Pohl Sun Energy focuses on technical planning, the delivery and installation of photovoltaic plants, and commerce. Furthermore, the market for photovoltaic power plants can be broken down into these user areas: network-linked systems (grid) and stand-alone systems (off-grid). Grid-connected photovoltaic systems are connected to the mains supply. Stand-alone systems, on the other hand, produce exclusively for local use by the system operator. Within the framework of its project development business, Reinecke + Pohl Sun Energy AG is active exclusively in the area of grid-connected systems, and it is not planning any substantial activities in the area of stand-alone systems.

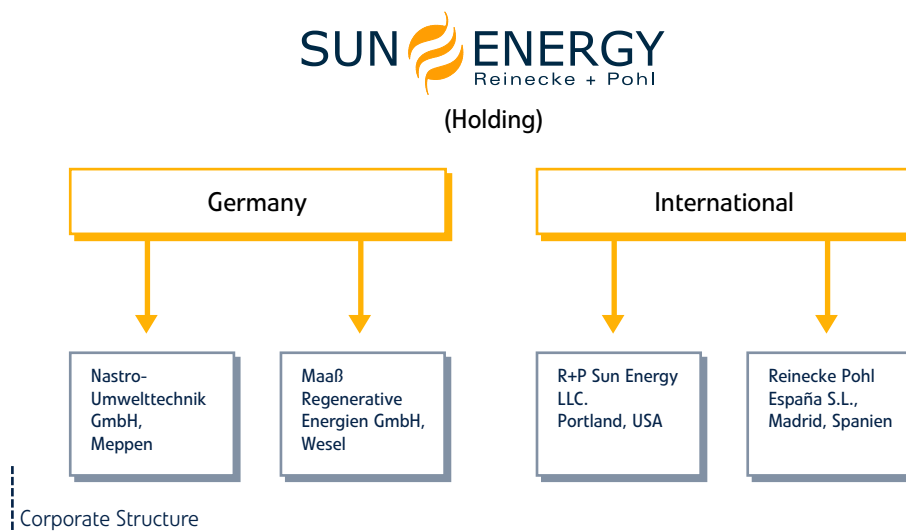
CORPORATE STRUCTURE AND BUSINESS ACTIVITIES

Short Profile

As a manufacturer-independent system provider with its headquarters in Hamburg, Germany, the company plans and constructs photovoltaic power plant and sells these turnkey-ready plants to institutional or private investors. Today, the company is one of the market leaders for photovoltaic power plants in the sectors of industry and agriculture.

Corporate Structure

Reinecke + Pohl Sun Energy AG is the sole shareholder of of Nastro-Umwelttechnik GmbH in Meppen (in future: COLEXON Solar GmbH), of Maass Regenerative Energien GmbH (in future: COLEXON Handel GmbH) in Wesel, of Reinecke Pohl Sun Energy España S.L. (in future: COLEXON España S.L.) in Madrid/Spain and Reinecke + Pohl Sun Energy LLC in Portland/USA. The company holds a



10 percent share of the capital stock of the BK Bau und Grund GmbH i.L. During the course of the 2006 fiscal year the Reinecke + Pohl Solare Energien GmbH, Hamburg, was merged with the Reinecke + Pohl Sun Energy AG, after its operating business had been transferred to Nastro-Umwelttechnik GmbH.

In the Consolidated Financial Statement of December 31, 2006, besides the parent company Reinecke + Pohl Sun Energy AG, Nastro-Umwelttechnik GmbH and Maass Regenerative Energien GmbH as well as Reinecke Pohl Sun Energy España S.L. have been included in the course of full consolidation. The 100 percent subsidiary Reinecke + Pohl Sun Energy LLC in Portland/USA as well as a contractually established but by company law not yet effective share of 30 percent of the stock of Shanghai based Prim-Sola Energy Technology Co. Ltd. have not been included in the consolidated financial statement neither by full consolidation nor as associated company due to their minor importance.

Business Model

As a manufacture-independent system provider, Reinecke + Pohl Sun Energy AG plans and constructs photovoltaic power plants and sells these turnkey plants to institutional and private investors. According to the respective customer agreement, the company performs the following services: Examination of the project's operational efficiency and the technical suitability of installation areas, obtainment of legal permission requirements for the erection and operation of facilities on the respective surfaces, conduction of the flat roof static examinations, and the preparation of yield appraisals. Furthermore, Reinecke + Pohl Sun Energy AG, as a project devel-

oper, also builds photovoltaic power plants for private and institutional investors. In this respect, the company initially identifies the suitable locations, offers these to investors and arranges the required agreements between the space owner and the investor (lease contracts respectively land use contracts). As soon as the prerequisites for the erection of a photovoltaic power plant have been established, the company performs its services as a system provider for the investor. Corresponding to individual location requirements, the company plans the technical arrangement of the facility and commissions a third party with the installation. In this case, it primarily concerns major facilities with output usually over 30 kWp. In individual cases, projects also feature output of several MWp. For the buyer of the photovoltaic power plant, Reinecke + Pohl Sun Energy AG then takes over the delivery and ready-for-use installation of the plant and the creation of the mains connection, generally at a fixed price. The payment of the fixed price to Reinecke + Pohl Sun Energy AG by the buyer, usually takes place in phases (order placement, commencement of construction, final inspection). Whereas the company itself takes over the implementation planning, the erection of the facility is commissioned to subcontractors. In each individual case, the company also takes over the technical operational management for the buyer for a fee.

Reinecke + Pohl Sun Energy AG does not manufacture photovoltaic modules itself. The company procures these through closed delivery agreements required, and through long-term procurement contracts from various suppliers. System components are usually procured short-term on the market. Since Reinecke + Pohl Sun Energy AG does not manufacture photovoltaic

modules or other components itself, the company group owns neither its own manufacturing plants nor operates in the field of research and development.

Besides the system provider business and project business, the trade of photovoltaic and components represents a significant portion of Reinecke + Pohl Sun Energy AG's business activities.

The implementation of the company's business activities is primarily carried out by the operative subsidiaries in Germany. Nastro-Umwelttechnik GmbH as an operative subsidiary is responsible for project installation and monitoring, whereas Maass Regenerative Energien GmbH as well as Reinecke Pohl Sun Energy España S.L. are responsible for the module and component trade as well as the internationalization. Reinecke + Pohl Sun Energy AG as company sells the modules purchased in the scope of long-term delivery contracts only to its group-internal subsidiaries. The company has a representative office in Shanghai / China and thus has excellent access possibilities to the Asian procurement market. Furthermore, international expansion of the existing branch offices in Spain, the USA and China are planned.

Segments

The company's segment-reporting follows internal control and reporting. In this respect, the company is subdivided into the segments "Projects" and "Trade". The "Projects" segment includes the activities of Reinecke + Pohl Sun Energy AG as a system provider of photovoltaic facilities and as a project developer. The business activities of Nastro-Umwelttechnik GmbH is assigned to the segment of "Trade".

In the segment of "Trade", the company's purchasing and buying businesses of photovoltaic modules and components are featured. These activities are primarily carried out by Maass Regenerative Energien GmbH as well as in the fiscal year 2006 for the first time in Spain by Reinecke Pohl Sun Energy S.L. Nastro-Umwelttechnik GmbH is also at low level involved in trade with photovoltaic modules and components, where Nastro-Umwelttechnik GmbH is assigned to Reinecke + Pohl Sun Energy AG's segment of "Projects", due to internal controlling and reporting.

Personnel

At the end of the fiscal year, Reinecke + Pohl Sun Energy AG employed 71 (previous year: 50) permanent full-time staff members (excluding the members of the Executive Board and Management). Currently, 12 employees (previous year: 14) work at the company's Hamburg site. These staff members are primarily responsible for corporate administrative and marketing activities. As of December 31, 2006, 44 employees (previous year: 24) were located in Meppen and 11 employees (previous year: 12) in Wesel. Employees at the later sites are engaged in the planning, realization and sales of photovoltaic facilities as well as the purchasing and trade of components. Abroad, the company had 4 employees (previous year: 1) as of December 31, 2006. The remuneration of staff members employed with RPSE-Group is predominantly based on fixed salaries. In addition, employees in various functions (management, sales, administration) have variable salaries that have been agreed upon, based on the employee's achievement of personal job objectives as well as corporate objectives.

The remuneration of the Executive Board contains both fix and variable salary components. For the fiscal year of 2006, the individual variable salary compensation amounted to 40 TEUR, based on the total overall performance in MWp of photovoltaic facilities sold by the company during the fiscal year. The variable salary is due upon the determination of the annual financial statement. For 2006, no variable salary will be paid.

Objectives and Strategy

As mid-range goal, Reinecke + Pohl Sun Energy AG wants to establish itself as one of the leading European system providers of large-scale photovoltaic power plants. The company observes interesting markets, particularly in those countries where public conditions, comparable to the German EEG, either exist or are expected soon. Diversification into other areas of business will not be pursued: in the future, the company will concentrate on the photovoltaics market.

To realise these objectives, Reinecke + Pohl Sun Energy AG employ the following strategies:

- Implementation of innovative photovoltaic technology (e.g. thin film technology)
- Assurance of the availability of modules at economic conditions through the build-up of long-term delivery relationships with a multitude of module suppliers and presence in the Asian procurement market
- Take over of or investment in other enterprises with synergetic potential

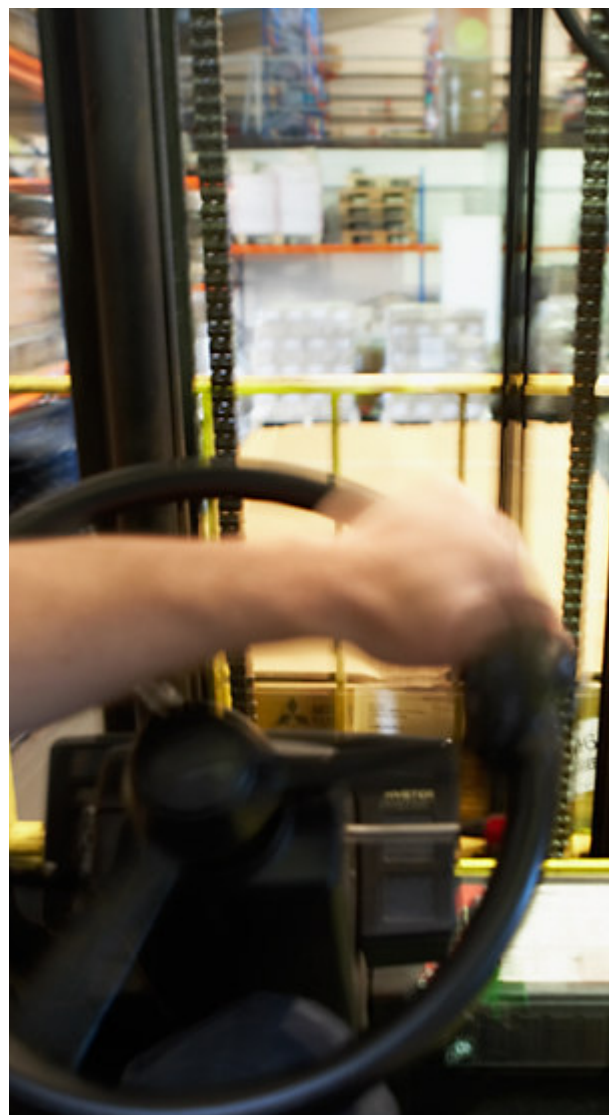
- Consolidation of assignment areas within the Reinecke + Pohl Sun Energy-Group (e.g. procurement of modules, accounting, marketing)
- Outsourcing of installation activities to third party companies
- Expansion and consolidation of customer base, in particular by gaining institutional investors in PV plants in Germany and abroad

Competitive Strengths

It is the company's opinion is that the following primary strengths will contribute to future growth of the company:

- **Experience in major plant projection:**
Before the establishment of the company, the management of Reinecke + Pohl Sun Energy AG collected many years of experience in the projection of major facilities in the field of regenerative energy. Beyond that, a great majority of the Company's employees have relevant specialized knowledge.
- **Concentration on the core competences:**
Reinecke + Pohl Sun Energy AG does not consider constructional services as one of the company's core competences. Therefore, the installation of photovoltaic power plants is commissioned to chosen third party-companies. The outsourcing of constructional services allows for the retention of lean personnel structures and offers flexibility during the completion of orders as well. More over the group does not sell financial products based on solar power plants (xxx)

- **Quick reactions to market changes:**
Due to its business model, Reinecke + Pohl Sun Energy AG is able to react quickly and flexibly to market changes. The company is not tied to any specific photovoltaic technology, because they do not produce photovoltaic modules themselves but instead procure them on the market. Therefore, they can directly adjust to new technological developments and orient their procurement strategy to the appropriate market conditions.
- **Transferability of the business model to foreign markets:**
Due to comparable public conditions in other countries as they exist or are shortly expected the company sees the possibility of fundamentally transferring their business model to new geographic markets and realizing the aspired growth abroad as well.
- **Access to the capital market:**
The procurement of photovoltaic modules must be financed intermediately. A profitable growth of noteworthy amplitude therefore requires a significant investment of capital. In contrast to the majority of competitors in Germany, Reinecke + Pohl Sun Energy AG has direct access to the capital market, due to the company being listed on the stock exchange. This offers the company a large spectrum of financing possibilities. They are also in the position to borrow larger amounts of capital. In addition, Reinecke + Pohl Sun Energy AG can set their shares as cash for growth and thus, implement company takeovers in a manner saving cash liquidity.



2. FINANCIAL POSITION

OVERVIEW

The RPSE AG was founded on 22 January 1999 (at that time still named "B & K Beteiligungs AG", later signing with the firm name "BK Grundbesitz & Beteiligungs AG") and initially operated as a real estate firm. On 12 November 2003, insolvency proceedings were instituted against the assets of the company. The insolvency proceedings were canceled on 07 December 2004. In the Annual General Meeting of 18 March 2005 the continuation of the company was resolved.

The company conducted practically no business activities in the fiscal years 2002 to 2004. In fiscal year 2005, an economical new foundation began for the first time with the present business activities as a system provider and dealer in the field of photovoltaic. Therefore, comparisons to the previous year's figures have only conditional explanatory power.

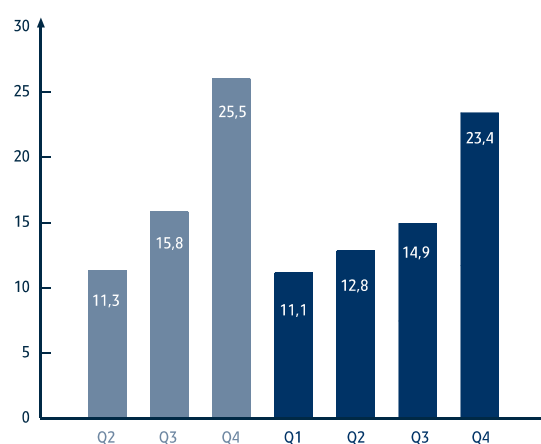
Beginning with the fiscal year of 2005, the Consolidated Financial Statements were prepared in accordance with IFRS. The accounting in the annual financial statement was further affected with accordance to the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Fiscal year 2006 concerns a 12-month period from January 1 to December 31, 2006. The previous year period also included a full fiscal year from January 1 to December 31, 2005.

EARNINGS SITUATION

The RPSE Group's sales revenue during the period of 1 January to 31 December 2006 increased by TEUR 9,627 over the previous year to a total of TEUR 62,208. Therefore, it was possible to increase sales revenue by 18 percent over the previous year. Yet, at approximately 17 MWp, the targeted sales volume of more than 30 MWp was not achieved.

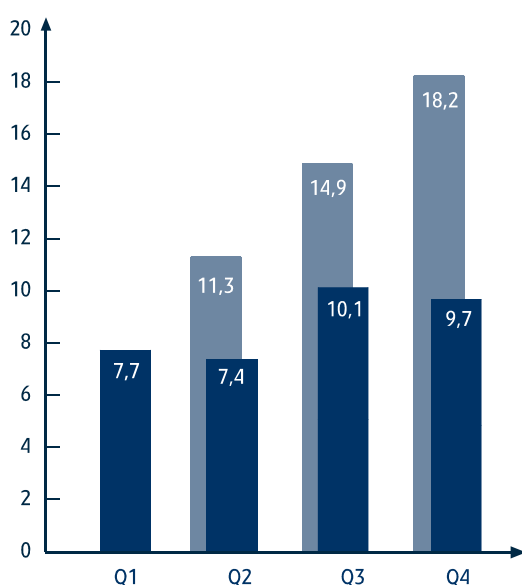
Mio. EUR



Group Sales 2005/2006

In the "Projects" segment, sales revenue totalled TEUR 34,837 for the 2006 fiscal year, which is TEUR 9,511 less than the previous year. Compared to the original plans for the fiscal year, projects yielded 11 MWp less than forecasted. The substantial increases in price for crystalline photovoltaic modules through the mid part of the fiscal year had a negative impact on sales. Particularly

Mio. EUR



Sales of "Projects" segment 2005/2006

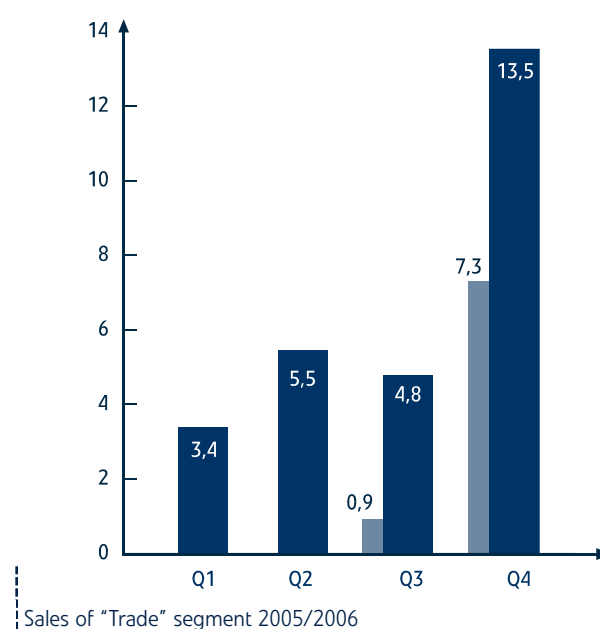
customers in the agricultural sector - thus far the company's largest customer segment - responded to this market development with clearly restrained demand. It was not possible to hedge against this to a sufficient degree with higher-yielding thin-film projects due to a lack of suitable module contingents. On the other hand, price decreases for silicon modules of as much as 20 percent, which began in mid summer and continued through the end of the year, improved the profit situation for customers considerably. This stimulated demand for crystalline solar power plants, although initially only at a slow pace. Towards the end of the year, the price

dropped to an even lower level, which finally stimulated interest on the part of buyers. The demand for thin-film systems was pleasantly strong over the entire fiscal year. In addition to CdTe modules from First Solar, the company introduced amorphous silicon modules from the manufacturers Bangkok Solar and TJS during the fiscal year. The delay in deliveries from the supplier Bangkok Solar, which resulted from the late commissioning of a new assembly line and IEC certification that previously had not been issued, meant that the targeted sales volumes for BSC modules were not achieved. Furthermore, the company was affected by the cancellation of large-scale projects. Consequently, Nastro-Umwelttechnik GmbH had to forgo the fulfilment of several orders. Fixed project planning orders totalling more than 27 million euros notwithstanding, construction of the facility could not be started, as the customers' contracts could not be adhered to. The cancellations were the result of market changes and the subsequent financial problems linked to earnings, which made a future implementation of the corresponding projects unlikely. The preliminary project services provided in this connection, which were shown on the books as future receivables from production orders, therefore had to be written off. The company is seeking compensation for damages and is already engaged in a dispute with one of the customers in this regard. The distribution of sales over the course of the year from the projects segment shows that in the fourth quarter of the fiscal year sales were TEUR 9,663 and thus lower than the previous quarter, Q3 2006. In addition to the circumstances described above, the implications of the internal events at Nastro-Umwelttechnik GmbH could also be felt. The arrest of a manager of the subsidiary as well as the requisite amendments to the already published quarterly reports unsettled both

employees and prospective customers. For this reason as well, the industry's usually strong fourth quarter produced fewer sales in the projects segment in 2006 than expected. Within the segment, sales were made by Nastro GmbH as a result of transferring the business activity of Reinecke + Pohl Solare Energien GmbH to Nastro-Umwelttechnik GmbH the previous year. The company thus was able to complete roughly 450 projects during the fiscal year, which ranged from a few kWp to more than one MWp in output. More than 50 percent of sales were achieved through the implementation of facilities ranging between 10 and 50 kWp. The strongest customer group, as was the case last year, was from the agricultural sector, followed by municipal customers and industrial operators. In the majority of the projects, the facilities were constructed on the customers' own properties. In the 2006 fiscal year, for the first time, RPSE erected more solar electricity facilities with thin-film modules than with crystalline modules.

In the "Trade" segment, sales of modules and components totalled TEUR 27,181 in the 2006 fiscal year. Therefore, sales revenue in this segment increased by TEUR 18,950 over the previous year. In the solar modules trade, approximately 9.3 MWp were sold, which amounted to 6.4 MWp more than the previous year. Because thin-film capacities were developed as a priority in terms of project implementation throughout the Group, the share of crystalline modules dominated the trade segment, equalling two-thirds of the total amount. During the last three months of the reporting period, the commercial segment managed to more than double the amount of sales made up to that point during the fiscal year, which was the result of renewed growth in demand for modules towards the end of 2006. On the

Mio. EUR



whole, approximately 67 percent of the annual volume of trade was realised during the second half of the year.

The development of the company's business abroad was pleasantly strong during the 2006 fiscal year. Foreign revenues totalled TEUR 11,062, and we managed to increase our share of the corporate group's overall sales to nearly 18 percent. Apart from earnings from project planning in South Korea, sales revenue was achieved as the result of business in Spain. In 2006 the Spanish market developed very positively as expected with an estimated volume of 29 to 70 MWp build-up

(source: Dena 2006, Solarpraxis 2007). RPSE was able to establish key long-term business relationships here last year via the trading business and realise turnover around the two-digit million euro mark with a delivery volume of 3.1 MWp. This translates into a market share for RPSE in Spain of between 5 and 10 percent.

In the period from 1 January to 31 December 2006, the group had expenditures totalling TEUR 55,108 (previous year: TEUR 42,379) for purchased goods and services. In the 2006 fiscal year, we managed to increase the gross profit - which is made up of sales revenue and other operational proceeds less changes in stock and expenditures for goods and services - to TEUR 7,899 (previous year: TEUR 7,616). The sales-based gross margin of 12.7 percent (previous year: 14.5 percent) fell compared to the previous year, which is attributable to write-offs for the lower value of stocks, which amounted to TEUR 834, as well as the higher-than-planned share for trade. These write-offs for the module stocks were made by the Executive Board at the end of the year as part of risk management following the drop in prices. In addition to the subsidiaries, RPSE AG also boasts considerable sales gains during the 2006 fiscal year over the previous year: TEUR 14,794 (previous year: TEUR 1,561). RPSE AG's sales revenue resulted primarily from the company's module purchases which were then sold to the operational subsidiaries, and therefore eliminated for the purpose of the group's financial statement.

The group's personnel expenditure quota (personnel expenditure divided by sales revenue) rose to 5.9 percent for the 2006 fiscal year (previous year: 2.6 percent). On the one hand, the increase in the number of employees, from 50 on 31 December 2005 to 71 as of the

reporting date, and, on the other hand, the concurrent rise in sales revenue which was not proportional to the increase in employees played a part in this. The staff reduction initiated at the end of 2006 will result in lower personnel expenditures in the first quarter of the 2007 fiscal year. As a result of the merger with Reinecke + Pohl Solare Energien GmbH, RPSE AG employs a staff of 10 (previous year: 0), not counting the company's Board members, as of the reporting date.

The group's write-offs, on the one hand, involve regular amortisation for intangible and tangible assets amounting to TEUR 208. In RPSE AG's financial statement, this item equals TEUR 44. Furthermore, as part of risk management, extraordinary write-offs were made to the inventories held by Nastro-Umwelttechnik GmbH totalling TEUR 773. This concerned write-offs for defective modules from a German supplier. The company is currently attempting to assert warranty claims.

The procurement costs for the participating interests shown on RPSE AG's financial statement were not value-adjusted.

Other operating expenses for the fiscal year rose to TEUR 9,507, which was disproportionate to the previous year (TEUR 1,820). In particular, value adjustments totalling TEUR 3,306 for receivables proved to be a burden in this regard, which also involved non-paying claims for already completed orders, similar to the preliminary services provided for the aforementioned large-scale projects. In addition, RPSE AG's expenditures for legal, consulting and auditing costs increased to TEUR 1,377 (previous year: TEUR 578) in particular due to higher consulting expenses as a consequence of capital market requirements, M&A

activities and internal processes at Nastro-Umwelttechnik GmbH. In addition, the company incurred TEUR 600 in expenses as the result of settling a legal dispute with Meridian Solare Energieprojekte GmbH. Advertising and marketing expenses amounted to TEUR 1,684 during the reporting year, or 2.7 percent of sales revenue.

The investment and financial result for the fiscal year amounted to TEUR -717, which was encumbered by one-off costs of TEUR 415 for the convertible debenture issued in the early part of 2006. In addition, the company also incurred expenses related to the financing of import credits for the purchase of photovoltaic modules.

Due to the group's deficit situation, an deferred tax asset of TEUR 1,330 arose. In addition, with the resolution of

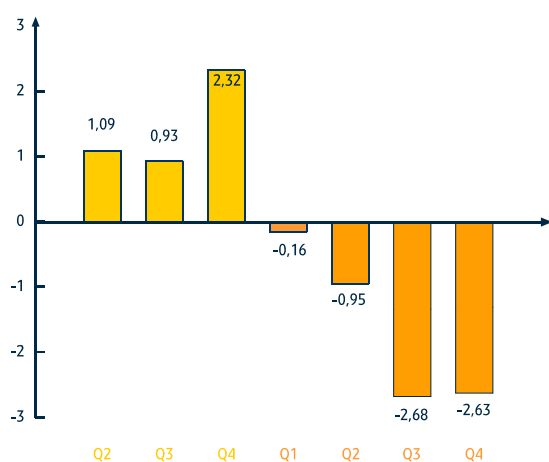
deferred tax liability -the group's books showed tax revenues of TEUR 990. Together with other claims for refund or payment obligations of income tax, there was a positive profits tax of TEUR 2,717 (previous year: TEUR -1.523).

At the Group level, there was an annual deficit of TEUR 4,433 for the 2006 fiscal year, as opposed to a surplus of TEUR 2,623 for the previous year. After calculating this against the profit brought forward from the previous year and calculating the book result against the capital reserve, an accumulated group profit figure shown in the balance sheet of TEUR 3,247 results (previous year: accumulated profit of TEUR 2,748).

The "Trade" and "Projects" segments were not able to close out the 2006 fiscal year with positive results. In the projects segment, there were segment results of TEUR -2,519 (previous year: TEUR 4,491). In addition to the aforementioned circumstances for the entire Group, the segment results were particularly negatively affected by an excessive cost basis relative to the sales achieved and the value adjustments for receivables and modules. The results for the segment "Trade" amounted to TEUR 1,363 in the 2006 fiscal year (previous year: TEUR 711). As far as the commercial segment goes, the write-offs for the lower values of the module stocks made on the reporting date and the high additional expenses for the debut had a particularly negative impact on results.

RPSE AG reports an annual deficit of TEUR 4,932 in its individual financial statement, which resulted primarily from the merger of Reinecke + Pohl Solare Energien GmbH with the parent company Reinecke + Pohl Sun Energy AG as well as from current expenses for legal,

Mio. EUR



Group EBIT 2005/2006

consulting and auditing services, the cost of issuing the convertible bond and the settlement costs in the Meridian lawsuit.

FINANCIAL STATUS

As part of the first consolidation of subsidiary shares, the active balances, e.g. the amounts by which the company's acquisition costs exceed the historically appraised value of the financial equity of the particular company, were reported in full as goodwill. In accordance with IFRS regulations, goodwill will not be systematically written off. Instead, a test to determine depreciation in value will be carried out at least once a year so that any necessary, unscheduled write-offs may be identified. The goodwill on the books decreased to TEUR 18,839, compared to TEUR 19,928 for the previous year. As part of the share acquisition of Nastro-Umwelttechnik GmbH and Maaß Regenerative Energien GmbH, earnings guarantees for the 2005 and 2006 fiscal years were issued by former shareholders of these companies. However, because the targeted results for the 2005 fiscal year were not achieved by Nastro-Umwelttechnik GmbH or Maaß Regenerative Energien GmbH, goodwill was correspondingly reduced. In the case involving earnings guarantees for Maaß Regenerative Energien GmbH, there is a payment claim of TEUR 432 against a board member. The company is currently pursuing settlement of the payment. The impairment test indicated no need for write-offs.

	31.12.2006 T€	31.12.2005 T€
Projects	6.758	7.360
Trade	12.081	12.568
Goodwill	18.839	19.928

The other intangible assets primarily concern IT software, other facilities, and operating and business machinery and equipment such as vehicles, office equipment and IT hardware. From the group's perspective, the identified values are of minor significance.

As of 31 December 2006, the group's financial assets include the subsidiary R+P Sun Energy LLC, Portland, Oregon, USA, which has not been consolidated for materiality reasons. The 30 percent share in the Shanghai Prim-Sola Energy Technology Co. Ltd., Shanghai, PR China (Prim-Sola), which has been contractually substantiated by Maaß GmbH during the 2005 fiscal year but is not yet effective under corporate law, was closed out in the 2006 fiscal year. The company will not continue to pursue the necessary permits required to make the share legally effective. In its individual financial statement RPSE AG reports acquisition costs for the subsidiaries Nastro GmbH and Maaß GmbH and foreign shares totalling TEUR 1,563. The share in Reinecke + Pohl Solare Energien GmbH shown on the previous year's balance sheet was resolved by the merger of the subsidiary with RPSE AG, which was carried out in the 2006 fiscal year. Claims for refund on income tax as well as deferred taxes adding up to a total of TEUR 1,330 are shown as long-term assets.

Photovoltaic-modules and services rendered in conjunction with the planning of photovoltaic plants are shown as work in progress and goods in stock. Balance sheet stocks totalling TEUR 13,834 (previous year: TEUR 7,402) primarily concern the module stocks held on 31 December 2006.

	31.12.2006 T€	31.12.2005 T€
Receivables from goods and services	5.261	8.578
Future receivables from production orders	139	3.646
Receivables	5.400	12.224

As of the reporting date, receivables from goods and services plus future receivables totalled TEUR 5,400. Future receivables include realised partial profits from project planning orders as part of production orders less the collected prepayments for these orders. The TEUR 139 figure solely concerns Nastro GmbH's project planning orders as of 31 December 2006.

The assets belonging to the segment "Projects" amount to TEUR 10,673 as of the reporting date (previous year: TEUR 16,301). The segment "Trade" has assets totalling TEUR 18,716 at the year-end closing (previous year: TEUR 8,440). The shifting of segment assets in favour of the trade area is primarily the result of the increased inventory in the commercial sector at year's end, as well as the decline in outstanding receivables in the projects

area. The value of group's total assets was TEUR 56,874 as of 31 December 2006 (previous year: TEUR 44,829).

RPSE AG's subscribed capital remained unchanged at TEUR 4,650 as of 31 December 2006.

Capital reserve increased by TEUR 1,232 over the previous year as a result of the equity share of the convertible debenture issued in the 2006 fiscal year. To compensate for the deficit of RPSE AG in the fiscal year, TEUR 4,932 were withdrawn from the capital reserve. The balance of the capital reserve thus has decreased by TEUR 3,670.

The long-term debts concern the outstanding liabilities in connection with the convertible debenture issued in the 2006 fiscal year in the amount of TEUR 9,378. Repayment will be made in May 2009 in accordance with the loan conditions. The partial debentures have thus far not been converted into shares. Apart from deferred tax reserves totalling TEUR 32, which essentially resulted from the utilisation of partial profits from production orders, remaining obligations from the settlement of a lawsuit as well as deposits received from subletting are shown as long-term debts.

Reserves were down to TEUR 1,199 in 2006 (previous year: TEUR 2,613) due to dispensable tax reserves in the deficit situation of the company. They include deferred taxes provisions. Further tax provisions in the amount of TEUR 158 (previous year TEUR 301) were established. Other reserves totalling TEUR 1,041 (previous year: TEUR 1,014) largely have to do with guarantee reserves in addition to legal and consulting fees and costs related to preparing the annual financial statement and audit.

The only financial liabilities existing for the RPSE Group as of the reporting dates of 31 December 2006 and 31 December 2005 are in the form of current account liabilities with credit institutions. Due to the short-term utilisation of an import line of credit, there was a liability of TEUR 4,297 (previous year: 587) as of the reporting date. The trade liabilities include, for the most part, accounts payable for the purchase of photovoltaic modules and services within the context of system provider and project business. Other liabilities total at TEUR 1.026 (previous year TEUR 1,182) and concern mainly import turnover tax to be paid for module import.

The segment debts for "Projects" amounted to TEUR 10,456 as of the reporting date (previous year: TEUR 15,962). Debts for "trade" were TEUR 18,523 (previous year: TEUR 7,224). As of 31 December 2005, the group's total debts amounted to TEUR 24,482.



FINANCIAL POSITION

Principles and objectives of RPSE AG's financial business management are oriented toward ensuring the financing of the group's operational business and solvency at all times. Group equity amounts to TEUR 32,392 as of 31 December 2006 (previous year: TEUR 35,594), and the equity ratio is 57 percent (previous year: 79 percent). The fixed assets are completely covered, the short-range assets are 32 percent covered by equity. After deducting the goodwill shown on the balance sheet as of 31 December 2006, a calculated equity of TEUR 13,554 remains (previous year: TEUR 15,666). By issuing a convertible debenture, the company was able to realise TEUR 10,400 in liquid funds in May. The holders of the convertible bonds have the option to convert it into a share similar to a partial debenture during the period of 1 January 2007 to 7 May 2009. A corresponding amount of conditional capital is available for this purpose. So far, the conversion option has not been exercised. In the event that the conversion option is not exercised for the partial debenture, the unit issue price of the convertible debenture of EUR 21.90 is to be repaid on 7 May 2009. There are 474,886 partial debentures that have been issued. Further financing from borrowed capital available to the company is in the form of short-term current account lines of credit for the current business and carried a balance of TEUR 4,297 as of the reporting date. At year's end, the company had liquid financial capital amounting to TEUR 14,290 (previous year: 4,225), which in part was set aside on the reporting date as term money in the form of a financing reserve.

Cash flow from normal business operations for the 2006 fiscal year amounted to TEUR -3,315 (previous year: TEUR 8,775) and, apart from the deficit situation, was marked by an increase of stocks on hand, along with reduced receivables to approximately the same amount, as well as by an increase in short-term payables.

In the 2006 fiscal year, RPSE AG made investments in tangible and intangible assets, the volume of which was of minor significance. As of the date on which the annual financial statement was prepared, no further major investments were made. Based on the RPSE business model, no significant investments in tangible and intangible assets will be necessary, nor are any planned.



3. ANNUAL REVIEW

February

- Additional inclusion of company's shares in trading on the Deutsche Börse in Frankfurt.

March

- Publication of annual financial statements for 2005.
- Conclusion of an exclusive framework agreement for the supply of more than 150 MWp with the largest Thai thin film module manufacturer Bangkok Solar.

April

- Announcement of issue of a convertible bond.
- Inclusion in the "Prime Standard" segment of the Deutsche Börse, Frankfurt.
- Conclusion of a framework agreement with an American solar module manufacturer First Solar with regard to the long-term supply of at least 140 MW thin film modules until 2012.
- Law suit by Meridian Solare Energieprojekte GmbH, Hildburghausen, with regard to the partial amount of an alleged compensation claim totalling approximately EUR 8.45 million before the Regional Court Hamburg due to the supposedly culpable failure to integrate Meridian Solare Energieprojekte GmbH.
- Disclosure of the conditions of the convertible bond.

May

- Ordinary General Meeting on 19 May.
- VPublication of the report for the first quarter 2006.
- Completion of the issue of the convertible bond with an earnings volume of EUR 10.4 million.

June

- Conclusion of an agreement with Baoding Tianwei Yingli with regard to the supply of module capacities of up to 162 megawatts until 2010.

August

- Acceptance of a planning order for a 3 megawatt project in South Korea as a long-term market entry.
- Inauguration of the world's largest thin film on-roof photovoltaic plant of the disposal company Westmünsterland (EGW) in Gescher/Borken (1.4 MW).
- Publication of the half-yearly report.

Oktober

- Hermann Müller, the Managing Director of the subsidiary Nastro-Umwelttechnik GmbH, resigns from his office as Managing Director of Nastro for urgent personal reasons with immediate effect.
- Gerd-Jürgen Pohl becomes the new managing director of Nastro. For this reason he will have to resign from his seat on the Supervisory Board of RPSE AG.

- Ms Britta Horney is appointed as the new member of the Supervisory Board of RPSE AG.
- Withdrawal of the previous turnover and result targets for 2006.
- After consulting with the Supervisory Board the Executive Board entrusts the auditors Ernst & Young with investigating the revenue recognition process at the subsidiary Nastro-Umwelttechnik GmbH.
- Settlement of the legal dispute with Meridian Solare Energieprojekte GmbH by effecting a composition to avoid years of legal wrangling (settlement sum EUR 600,000).
- Publication of the report for the third quarter 2006.
- Holding of the analysts' conference within the scope of participation in the Shareholders' Equity Forum of Deutsche Börse AG in Frankfurt am Main.

November

- Announcement of the turnover and profit figures for the third quarter 2006. Ernst & Young establishes that EUR 4.9 million too many sales were booked in the second quarter of 2006 due to incorrect entries and accounting errors, which will have to be corrected in the following quarter. Adjustment of performance targets for 2006 .
- The Spokesman of the Executive Board, Mr Martin Schulz-Colmant, resigns from his office with immediate effect by mutual agreement with the Supervisory Board.
- Appointment of Mr Thorsten Preugschas, Managing Director of the RPSE subsidiary Maaß Regenerative Energien GmbH, Wesel, as member of the Executive Board.
- Preparation of a restructuring plan by the Executive Board.

Dezember

- Merger of the subsidiary Reinecke + Pohl Solare Energien GmbH to form holding Reinecke + Pohl Sun Energy AG with effect as of 1st January 2006.
- Conclusion of an option agreement for the acquisition of a Spanish project developer.

4. SUPPLEMENTARY REPORT

The following events which took place after the conclusion of the 2006 fiscal year can be mentioned as occurrences of special significance:

Staff reduction in Meppen

As part of restructuring measures, the number of Nastro-Umwelttechnik employees was reduced from 44 at the end of the 2006 fiscal year to 25 as of 1 March 2007. The staff reduction was achieved in part by transferring the employer-employee relationships to a logistics company, which will handle inventory control on behalf of the company in future. Employees were also laid off as part of group organisational consolidations, or they simply left the company.

Creation of a uniform brand name

With its decision to establish a uniform market presence in the future for all of the operational subsidiaries under the new name 'COLEXON', the Executive Board has laid the basis for taking advantage of synergy effects in terms of brand development. With the name COLEXON - which should evoke the words collect and sun - it will be possible to develop a brand that is easy to remember and easily understood in international markets. By means of the logo, which shows the same sun as on the RPSE logo, COLEXON will continue to be associated with the parent company. Shareholder decisions have already been made calling for the renaming of Nastro-Umwelttechnik GmbH to COLEXON Solar GmbH and Maaß Regenerative Energien GmbH to COLEXON Handels GmbH. The decisions will take effect once entries have been made in the commercial register. A renaming of RPSE AG is not planned for the moment.

Introduction of an ERP system

In order to optimise operational processes, a project aimed at introducing a group-wide Enterprise Resource Planning (ERP) system was initiated in the first quarter of the 2007 fiscal year. Once the corresponding software has been applied, all corporate areas will function on a uniform, comprehensive platform in future. In addition to this being a further step towards the group's integration, the introduction of the system will simplify the company's risk controlling.

Outsourcing of logistics chain management

To further reduce the corporate structure and increase efficiency, the company has handed over all warehouse and logistics activities to an outside company commissioned to handle those tasks. The car pool and its personnel were sourced out in addition to the warehouse spaces. Essentially, in future, the company will incur only transaction-based expenses for those services.

Business development in Spain

In future, the company's business strategy in the Spanish market will increasingly be more strictly focused on developing large-scale projects. For this reason, we will examine various projects throughout the country which could be implemented by RPSE. In order to implement this strategy in a flexible and risk-optimised manner, an option to purchase a Spanish company, which had been worked out in December 2006, was not exercised.

5. DISCLOSURE OF TAKE-OVER BARRIERS



1. The company's subscribed capital as of the end of the 2006 fiscal year amounted to EUR 4,650,000.00. It is divided into 4,650,000 no-par stocks bearing the name of the holder. The rights and obligations connected with these common shares are derived in particular from §§ 12, 53a ff, 118 ff, 186 of the Stock Corporation Act.
2. Direct or indirect shares in the share capital which exceed a 10 percent stake are held by RSI Societas GmbH, Hamburg (13.4 percent share), and HMB GmbH, Meppen (more than a 10 percent share in the company's share capital). To the company's knowledge, there are no other direct or indirect shares in capital that exceed more than 10 percent of the voting rights.

3. Rules concerning the appointment and dismissal of the Executive Board are stipulated in the Stock Corporation Act (§ 84), as well as the company's articles of association. The Executive Board shall consist of at least two members. Apart from this, the Supervisory Board shall approve the number of members on the Executive Board. The Supervisory Board can appoint a Chairman and Vice Chairman of the Executive Board. Deputy Executive Board members may also be appointed. The Supervisory Board can issue rules of procedure for the Executive Board. The schedule of responsibilities for the Executive Board is subject to its approval.
4. In accordance with the resolutions of the shareholders' meeting on 19 May 2006, the Executive Board is authorised to increase the share capital in accordance with § 4 Paragraph 6 of the articles of association by up to and including EUR 2,325,000.00 by means of a one-time or multiple issue of new shares bearing the name of the holder in exchange for cash or non-cash contribution (authorised capital) during the period extending to 18 May 2011, subject to the approval of the Supervisory Board.

In addition, in accordance with the resolutions of the shareholders' meeting of 7 May 2005, there is conditional capital. The company's share capital is conditionally increased in accordance with § 4 Paragraph 7 to as much as EUR 1,550,000.00, by means of issuing as many as 1,550,000 new shares bearing the name of the holder (conditional capital).

The Executive Board is further authorised, in accordance with the resolution of the shareholders' meeting on 19 May 2006, to acquire company shares between 20

May 2006 until the end of 18 November 2007 amounting to as much as a 10 percent stake of the share capital existing at the time of the resolution. In doing so, at no point in time may the stake in the company's existing share capital exceed 10 percent as a result of the shares purchased under this authorisation combined with other shares already acquired and still held by the company. The company may exercise this authorisation in whole or in partial amounts, in a one-time transaction or as part of several transactions.

5. The articles of association for Reinecke + Pohl Sun Energy AG may only be altered by a resolution of the shareholders' meeting in accordance with §§ 133 and 179 of the Stock Corporation Act. Resolutions of the shareholders' meeting shall be passed with a simple majority of votes, provided no contradictory provisions are prescribed in the articles of association or by any other mandatory provision of the law. In the event that the law prescribes a capital majority in addition to the majority vote, then in such a case it shall be a simple majority of the share capital represented at the time that the resolution is taken. The authority to alter the articles of association, which only pertains to the wording, has been assigned to the Supervisory Board in accordance with § 14 of the articles of association, in conformity with § 179 Paragraph 1 Item 2 of the Stock Corporation Act.

6. RISK REPORT

In accordance with Reinecke + Pohl Sun Energy AG's entrepreneurial objectives, the company endeavours not to take any unreasonable risks. However, within the course of its business activity, both the company itself, as well as its subsidiaries, are exposed to various risks, not only in connection with the current operational business but also in connection with changes in the market or business environment, which are deemed justified or could be justified.



The existing risk management system was further developed during the fiscal year in order to control these risks, yet also to be simultaneously in the position to take advantage of opportunities arising for the company. To this end, the Executive Board maintains a risk manual in which major risks are identified and classified on the basis of a so-called risk map. Furthermore, within an extended management circle, risk officers have been assigned to individual risks and tasked with monitoring them on an ongoing basis. Therefore, the risk monitoring system developed on that basis also represents an important management and control tool for the Executive Board. On the whole, the risk management system should ensure that possible risks can be identified, classified and monitored on an ongoing basis. In doing so, it is especially important to minimise or avoid possible risks, e.g. only take risks which are unavoidable in terms of creating value.

The Executive Board of Reinecke + Pohl Sun Energy AG is convinced that the company thus has a comprehensive and comprehensible system which enables and guarantees a systematic and permanent approach on the basis of a defined risk strategy. The current risk management system will be subjected to further practical testing, and it will gradually be adapted to reflect the new insight gained and changes stemming from the operational business.

In each of its meetings during the 2006 fiscal year the Executive Board discussed in detail the company's individual risks within the expanded management circle, and the Board made various decisions about how to handle the possible risks. During the year, the management circle was particularly concerned with general

market risks which emerged during the first half of the year, due to rising market prices for modules and the market changes accompanying this. Reinecke + Pohl Sun Energy AG is reacting to this with its strategy of backing more intensive use of innovative and cost-effective thin-film technology, so that its targeted margins may be achieved. Parallel to this, the company has a presence in the Asian procurement market via a representative office in China.

In addition, following the incidents at Nastro-Umwelttechnik GmbH, the risks connected with the loss of key management functions have been identified and their prevention has been discussed. Risks with regard to the company's accounting that could arise from irregularities or intended or unintended breaches of procedural directives have also been minimised through various measures. In addition to the new appointment of business and commercial managers at Nastro-Umwelttechnik GmbH, a newly developed documentation system has been developed for storing project files, which ensures that a standard filing system is used. Furthermore, the strict documentation of the security principle for all accepted project orders has been ordered and additional and immediate reporting on all received orders to the Executive Board of the parent company has been implemented. In the course of hiring a firm of auditors changes were made to various operational processes, in order to make improvements with regard to various risks. The initiated introduction of integrated corporate software (ERP system) will extend the company's risk management.

One risk for the company's business activity has to do with the possibility of state support for renewable ener-

gy sources being curtailed. In Germany, the EEG currently promotes photovoltaic technology in particular, which comprises the focus of RPSE business activity. This form of electricity generation will be competitive in the area of grid-connected facilities, as opposed to other energy sources, for the foreseeable future in Germany only with state-approved financial support of photovoltaic-generated electricity. Therefore, particularly in Germany, these state-supporting measures are a necessary condition for RPSE business success. Consequently, the management of RPSE is anxious to establish itself in foreign markets in order to reduce dependence on the German market. To this end, the initial steps have already been taken, particularly in Spain, during the 2006 fiscal year.

Another risk that was observed and discussed involves supply shortfalls or delayed deliveries as well as deliveries of defective modules. Because the company itself does not produce photovoltaic modules or any other system parts for photovoltaic facilities, but instead procures them on the market, it is dependent on timely deliveries of high-grade products. Reinecke + Pohl Sun Energy AG is facing this dependence with a broad diversification of its supplier relationships and manufacturer independence based upon that. In the thin-film technology sector, the company is backing quality controls in suppliers' production and regular information about the production process in order to minimise risk. In addition, the company installed a module test lab of its own, including a module testing facility, so that it will be in the position to conduct quality tests.

In addition, risks could also emerge in the competitive environment, for instance through technological innovations or even through consolidation in the photovoltaic

sector. Reinecke + Pohl Sun Energy AG is facing these possible risks in the market and sector with a consistent positioning of the company as a manufacturer-independent system provider, a clearly -focussed business model, and continuous and intensive monitoring of competition.

Furthermore, another possible risk could be sales financing for municipal customers. Because their pre-financing periods are considerably longer than those of private investors, a higher demand on liquidity generally exists for orders placed by public authorities. The company has reacted to this by endeavouring to set up additional short-term lines of credit with banks to cover the financing requirements of defined projects.

A quantification of risk categories of financial instruments as well as the respective sensitivity analysis, as required by IFRS 7.36-42, is waived for material reasons in accordance with IAS 1.31.

Receivables for goods and services will be assessed continuously in terms of the likelihood of collection and, in conspicuous cases, value adjustments will be made.

The liquidity risk will be minimised by maintaining sufficient financial funds and through financial management and access to borrowed capital and equity capital.

Risks from current agreements or new customer agreements to be concluded will also be permanently monitored and assessed.

In the area of legal risks or amendments resulting from regulatory requirements, impairments to business could

result. As a listed public company, the RPSE Group is also subject to growing risks, which could have the result that the company may no longer be in the position to observe the numerous regulations and increasing legal amendments. Reinecke + Pohl Sun Energy AG is facing this risk with appropriate adjustments, and by defining processes within the company's organisation. In addition, the company employs experienced consulting firms who are assuming responsibility for risk-monitoring functions.

Business, funding and development of results could be impaired by the aforementioned risks, or even other risks. In addition to those risks, there are also other risks that are presently unknown or perhaps even undetected, which likewise could have a negative impact on our business. Therefore, Reinecke + Pohl Sun Energy AG will continue to continuously monitor risks and evaluate the efficacy of individual countermeasures. Despite constant adjustments to the risk management system, the identified risks cannot be completely quantified with regard to the likelihood of their occurrence or repercussions expressed in terms of a monetary amount.

7. FORECAST REPORT

It is assumed that strong growth in the global photovoltaic market will continue during 2007 and 2008 following the price-related consolidation phase of 2006. The growing public discussion about global warming further raises acceptance, as well as political pressure for a stronger development of renewable energies and, in particular, photovoltaic electricity.

RPSE will be able to attain the lowest share of annual sales during the first quarter of 2007, which is normal in the industry, due to weather conditions and other factors. The growing market in southern Europe permits us to anticipate a certain levelling of the seasonal sales volumes in future.

Despite falling sales prices in the crystalline projects area, the Executive Board expects that the projects division will maintain or even be able to increase its margins during the 2007 fiscal year, due to the higher share of thin-film projects.

In the trade segment, RPSE expects higher sales compared to last year. The increasing share of thin film modules will also lead to an improvement of the raw margin in trade as well.

Because the availability of thin-film resources is currently limited, sales of crystalline modules will also be made during the 2007 fiscal year as well. However, the margin for crystalline module transactions is lower than that for thin-film modules, not only for the RPSE Group but also for the respective customers.

Nevertheless, it is the Executive Board's view that projects will continue to be implemented in the future in which the use of crystalline technology is more advantageous than thin-film technology. Therefore, the deployment of tracking solar electricity systems (so-called trackers) with crystalline technology is more economical to implement. High rental prices per square metre for areas being used are also an indicator for a crystalline PV system.

In particular, the current volume of incoming orders, compared to the volume during the same period last year leads one to expect an increase in sales for 2007. In conjunction with the strong development of sales structures in both the domestic and international market, the Group's management expects a further increase in sales for 2008 as well.

The merging of the subsidiaries Nastro-Umwelttechnik GmbH and Maaß Regenerative Energien GmbH, which is to be carried out during the 2007 fiscal year, will provide synergies and positive economies of scale. The uniform company presence under the qualitative label 'COLEXON', which was implemented prior to the merger, thus forms the basis for the long-term national and international positioning.

Hamburg, 21 March 2007

The Executive Board



REINECKE + POHL SUN ENERGY AG, HAMBURG
CONSOLIDATED ACCOUNTS AS OF 31 DECEMBER 2006

BALANCE SHEET

ASSETS	(annex)	31.12.2006 EUR	31.12.2005 EUR
A. Long-term Assents			
I. Goodwill	5, 6	18,838,765.63	19,927,732.80
II. Other intangible assets	5, 6	53,072.44	20,630.00
III. Tangible assets			
Other equipment, factory and office equipment	5, 7	706,309.37	282,139.00
IV. Financial assets			
Investments	5, 8	2,475.66	207,101.25
V. Other long-term assets	9	105,984.18	5,572.50
VI. Deferred tax assets	10	1,330,416.42	0.00
Total of Long-term Assets		21,037,023.70	20,443,175.55
B. Short-term Assets			
I. Stock value	11		
1. Work in process		381,346.06	40,375.01
2. Finished goods and merchandise		13,067,480.28	4,900,845.35
3. Advances paid		385,034.42	2,460,753.96
II. Trade receivables	12	5,261,050.84	8,577,885.03
III. Receivables from prodction orders	13	139,459.83	3,646,232.70
IV. Cash and Cash equivalents	14	14,289,798.15	4,224,889.60
V. Other assets	15	1,929,754.81	503,194.65
VI. Claims for tax refund	16	383,519.61	31,757.06
Total of Short-term Assets		35,837,444.00	24,385,933.36
C. Balance Sheet Total		56,874,467.70	44,829,108.91

EQUITY AND LIABILITIES	(annex)	31.12.2006 EUR	31.12.2005 EUR
A. Equity			
I. Subscribed capital	17	4,650,000.00	4,650,000.00
II. Capital reserves	17	24,495,900.27	28,195,483.19
III. Company Balance Profit		3,246,585.84	2,748,354.49
Total Equity		32,392,486.11	35,593,837.68
B. Liabilities			
I. Long-term liabilities			
1. Convertible Bond	18	9,377,716.63	0.00
Deferred Taxes	18	31,553.37	1,298,423.58
Other long-term liabilities	18	255,661.20	472,500.00
Total long-term liabilities		9,664,931.20	1,770,923.58
II. Short-term liabilities			
1. Provisions for taxation	19	157,875.30	300,954.99
2. Other Reserves	20	1,041,418.34	1,013,717.30
3. Financial liabilities	21	4,296,810.04	587,379.87
4. Customer advances	22	194,573.66	617,698.11
5. Trade payables	23	8,100,644.47	3,762,495.22
6. Other liabilities	24	1,025,728.58	1,182,102.16
Total short-term liabilities		14,817,050.39	7,464,347.65
Total liabilities		24,481,981.59	9,235,271.23
C. Balance Sheet Total		56,874,467.70	44,829,108.91

REINECKE + POHL SUN ENERGY AG, HAMBURG
CONSOLIDATED ACCOUNTS AS OF 31 DECEMBER 2006

PROFIT AND LOSS STATEMENT

	(annex)	
1. Sales	26	
2. Other operating income	27	
3. Increase in inventories		
4. Cost of raw materials, supplies and merchandise	28	
5. Cost of purchased services	28	
6. Gross Profit or Loss		
7. Personnel expenses	29	
8. Amortization and depreciation	30	
9. Other operating expenses	31	
10. Earnings before Interest and Taxes before goodwill amortisation (EBIT)		
11. Interest and other similar income	32	
12. Write-offs of long-term financial assets	33	
13. Other Interest and similar expenses	34	
14. Investment- and Financial-Results		
15. Taxes on income	35	
16. Other taxes	36	
17. Net loss for the year (previous year: Profit)		
18. Profit brought forward		
19. Withdrawals from capital reserves		
20. Amount of Balance Sheet Loss (previous year: Profit)		
Results per Share in acc. with IAS 33 (undiluted)	37	
(31.12.2006: Base 4.65 million shares; 31.12.2005: Base 3.01 million shares)		

	Q1-Q4 2006	Q1-Q4 2005	Q4 2006	Q4 2005
	01.01.- 31.12.2006 EUR	01.01.- 31.12.2005 EUR	01.10.- 31.12.2006 EUR	01.10.- 31.12.2005 EUR
	62,208,161.79 446,918.80 350,276.45 -52,299,751.68 -2,806,932.28 7,898,673.08	52,581,604.64 17,910.74 -2,603,784.20 -41,160,431.46 -1,219,034.60 7,616,265.12	23,376,182.54 -84,910.67 220,622.27 -20,049,833.82 -1,022,036.27 2,440,024.05	25,530,232.88 5,665.01 -627,711.03 -19,167,493.37 -1,812,898.18 3,927,795.31
	-3,685,496.04 -1,124,722.92 -9,506,679.15	-1,382,728.46 -71,020.29 -1,819,974.89	-1,105,667.69 -373,002.48 -3,591,161.88	-814,220.98 -39,102.41 -752,873.62
	-6,418,225.03 155,126.93 -23,717.76 -848,708.82 -717,299.65 2,716,746.63 -14,711.59	4,342,541.48 41,643.29 -130,000.00 -106,021.84 -194,378.55 -1,523,412.39 -1,624.44	-2,629,808.00 55,564.39 -23,717.76 -170,084.97 -138,238.34 1,010,100.22 -3,147.28	2,321,598.30 32,958.85 -130,000.00 -16,775.33 -113,816.48 -758,370.88 -429.58
	-4,433,489.64	2,623,126.10	-1,761,093.40	1,448,981.36
	2,748,354.49 4,931,720.99	-2,412,862.05 2,538,090.44		
	3,246,585.84	2,748,354.49		

-0.95

0.56

REINECKE + POHL SUN ENERGY AG, HAMBURG
CONSOLIDATED ACCOUNTS AS OF 31 DECEMBER 2006

CHANGE OF EQUITY

FROM 31.12.2005 - 31.12.2006	(annex)	
I. Status 31 December 2005		
1. Equity of vertible bond in acc. with IAS 32	17	
2. Net Loss to the 31.12.2006		
3. Withdrawal from the capital reserves for the transfer to the balance sheet		
II. Status 31 December 2006		

FROM 31.12.2004 - 31.12.2005	(annex)	
I. Status 31 December 2004		
1. Investment of RPSE GmbH as extra payment in equity		
2. Loss offset towards capital reserves		
3. Increase in capital against cash investments I		
4. Agio		
5. Increase in capital against investment in kind Nastro-Umwelttechnik GmbH		
6. Agio		
7. Increase in capital against cash investments II		
8. Agio		
9. Increase in capital against investment in kind Maaß Regenerative Energien GmbH		
10. Agio		
11. Net Income to the 31.12.2005		
12. Withdrawal from the capital reserves for the transfer to the balance sheet		
II. Status 31 December 2005		

	Subscribed capital EUR	Capital Reserve EUR	Retained earnings 2005 EUR	acc. Results EUR	Total EUR
	4,650,000.00	28,195,483.19	2,748,354.49	0.00	35,593,837.68
		1,232,138.07			1,232,138.07
				-4,433,489.64	-4,433,489.64
		-4,931,720.99	498,231.35	4,433,489.64	
	4,650,000.00	24,495,900.27	3,246,585.84	0.00	32,392,486.11

	Subscribed capital EUR	Capital Reserve EUR	Retained earnings 2005 EUR	acc. Results EUR	Total EUR
	2,400,000.00	0.00	-2,412,862.05	0.00	-12,862.05
		2,500,000.00			2,500,000.00
		-2,412,862.05	2,412,862.05		0.00
	240,000.00				240,000.00
		2,157,734.48			2,157,734.48
	460,000.00				460,000.00
		4,090,156.20			4,090,156.20
	750,000.00				750,000.00
		9,871,152.65			9,871,152.65
	800,000.00				800,000.00
		12,114,530.30			12,114,530.30
				2,623,126.10	2,623,126.10
		-125,228.39		125,228.39	0.00
	4,650,000.00	28,195,483.19	0.00	2,748,354.49	35,593,837.68

REINECKE + POHL SUN ENERGY AG, HAMBURG
CONSOLIDATED ACCOUNTS AS OF 31 DECEMBER 2006

CASH FLOW STATEMENT 01.01. - 31.12.2006

	(annex)	01.01.- 31.12.2006 EUR	01.01.- 31.12.2005 EUR
Net loss for the year (previous year: income)		-4,433,489.64	2,623,126.10
+ Depreciationon and amortisation fixed assets	30	231,515.60	201,020.29
+ Loss from the disposal of fixed assets	5, 6	191,555.81	0.00
+ Goodwill amortisation	6	1,088,967.17	0.00
-/+ Reduction/Increase of reserves	19, 2	-1,382,248.86	706,360.41
- Increase of stock	11	-6,431,886.44	-174,669.16
+/- Reduction/Increase of trade receivables	12, 13	6,823,607.06	-10,594,687.33
-/+ Increase/Reduction of other fixed assets	15, 16	-3,209,150.81	115,156.74
+/- Increase/Reduction of liabilities	22-24	3,806,041.39	-1,651,341.62
Cash flow from operating activities		-3,315,088.72	-8,775,034.57
- Payments for fixed intangible assets	5	-46,163.68	-17,871.55
- Payments for tangible assets	5	-675,210.12	-202,643.40
- Payments for financial assets	5	0.00	-323,332.99
+ Proceeds on disposal of non-current assets	5	46,315.17	0.00
Cash flow from investing activities		-675,058.63	-543,847.94
+ Proceeds from issuance of convertible bond	18	10,345,625.73	0.00
+ Proceeds from increase in capital		0.00	12,827,573.63
+ Proceeds from shareholder's loan		0.00	0.00
+ Increase in bank liabilities	21	3,709,430.17	429,987.40
Cash flow from financing activities		14,055,055.90	13,257,561.03
Cash and cash equivalents at beginning of period		4,224,889.60	17,786.78
+ Transfer of cash and cash equivalents from subsidiary companies		0.00	268,424.30
+ Change in cash and cash equivalents		10,064,908.55	3,938,678.52
= Cash and cash equivalents at end of period	14	14,289,798.15	4,224,889.60

REINECKE + POHL SUN ENERGY AG, HAMBURG
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
AS OF 31 DEZEMBER 2006

ACCOUNTING PRINCIPLES

1. BASIC PRINCIPLES OF ITEMISATION OF THE CONSOLIDATED FINANCIAL STATEMENT

As of 31 December 2006, the Consolidated Financial Statement (CFS) of Reinecke + Pohl Sun Energy AG in Hamburg (hereafter abbreviated as "RPSE AG" or in connection with the Group "RPSE Group") has been adopted and publicised in accordance with Regulation (EC) No 1606/2002 of the European Parliament and Council of 19 July 2002 and prepared to the closing date, as regards the International Financial Reporting Standards (IFRS) as well as its interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The requirements of the applied standards have been fulfilled and lead to the procurement of actual relations of the RPSE Group's financial position.

The statement in hand concerns a fully fledged CFS for the period between 1 January and 31 December 2006 with comparative figures for the period between 1 January and 31 December 2005.

The submitted fiscal year concerns a twelve-month period from 1 January to 31 December 2006. The previous year's period also includes a full fiscal year from 1 January to 31 December 2005.

Reinecke + Pohl Sun Energy AG, entered in the Commercial Registry of the District Court of Hamburg under the Commercial Registry Number (HRB) 93828, is domiciled in 22767 Hamburg, in the Grosse Elbstrasse 45, Germany. In accordance with the Articles of Association, the company's purpose is the activity of a managerial holding, i.e., particularly the purchase, sales, the holding and administration of holdings of companies, primarily in the field of solar energy and their consolidation under uniform management.

The Consolidated Balance Sheet is outlined in accordance with maturities. The cost of production method form was chosen for the Consolidated Balance Sheet. The Group reporting currency is the euro (EUR). For simplification purposes, thousand euro is reported as TEUR.

The CFS at hand will be approved for publication subsequent to the plenary session of the Supervisory Board scheduled to take place on 29 March 2007.

2. INDIVIDUAL PRINCIPLES OF REPORTING AND VALUATION

Goodwill

Asset debit differences, resulting from the consolidation of investments, will be accounted as Goodwill. Goodwill, pursuant to the Principles of IFRS 3 in contrast to IAS 36 and IAS 38, will not be written off according to schedule. At least once a year it will be examined, within the framework of an impairment test, to which extent unscheduled depreciations shall take place.

Other intangible assets

Other intangible assets will be put to acquisition costs, reduced by scheduled, depreciable asset life and if necessary, unscheduled depreciation. The scheduled depreciation takes place in accordance with the linear method for a usual useful life of three to five years.

Tangible assets (other equipment, factory and office equipment)

Tangible assets of the tangible fixed assets are activated by the procurement costs and cost of manufacture, and depreciated by scheduled, linear write-off in accordance with anticipated useful economic life. As far as necessary, unscheduled depreciation will also be implemented. The scheduled depreciation of tangible fixed assets is primarily based on a useful asset life of between three and 15 years.

Financial assets

In accordance with IAS 39, other investments as well as securities, stocks and bonds shall be entered in the balance sheet as assets available for sale with the correlative current value of the closing date. Profits and losses resulting from the alteration of the current value will be set off from the equity, resulting in neither profit nor loss. Depreciation through unscheduled depreciation and a realised profit or loss through sales will be directly entered into the period result.

Stocks

Stocks will be entered into the balance sheet in accordance with IAS 2, at their cost of procurement or manufacture or with the anticipated lower net sales value. The evaluation of stocks will take place under the aspect of materiality with the direct attributable expenses.

Production orders

Production orders will be entered into the balance sheet in accordance with IAS 11 within the framework of partial realisation of profits and pursuant to the Percentage of Completion Method. Anticipated loss of orders

in the full amount will be taken into immediate consideration. Profit will only then be realised, if the results of the production orders may be dependably estimated.

The degree of completion to be set will therefore be determined upon the completion of and in accordance with the fixed defined project milestone method. According to this degree of completion, sales and expenditures will be entered and realised as partial profits. As far as the cumulative (order sales and expenditures) exceed the customer advances in individual cases, the production orders will be shown on the asset-side under the future receivables from production orders. Should a negative balance remain after deduction of the customer advances, these will be shown on the liability-side as a liability from production orders.

Receivables and other short-term assets

Receivables and other short-term assets will be entered into the balance sheet with par value, respectively with the acquisition costs after deduction of appropriate value adjustments.

Cash and cash equivalents

The accounting of current cash in banks and cash balance (means of payment liquid assets respectively) takes place at the respective nominal value.

Long-term assets available-for-sale

In accordance with IFRS 5, long-term assets available-for-sale are to be set at a lower value from the book value and current value that can be settled less the sales costs.

Long-term liabilities

Convertible bonds are broken down into composite financial instruments in accordance with IAS 32 comprised of equity and outside capital components. The outside capital component corresponds to the cash value of a similar bond without a conversion right, evaluated with a standard interest rate, set at 8 percent p.a. The equity capital component is determined as the residual from the market value of the conversion bond at the time of issue (total inflow of funds) minus the calculated outside capital component.

As of 31 December 2006, the equity capital component remained unchanged, as no conversion rights were able to be exercised. The market interest rate was added to the outside capital component. The costs associated with the issuing of the conversion bond were split according to the ratio of the equity capital to the outside capital component. If the costs were attributed to the equity capital component, they were reduced in order to deduct related income tax advantages from the cash inflow in capital provisions. The costs attributed to the outside capital component were recorded as expenses.

Provisions

In accordance with IAS 37, provisions are to be set aside, if legal or factual obligations exist from past occurrences and the outflow of resources for the fulfilment and a dependable estimation is possible. Provisions are set at the amount that present the best possible estimation of the expenditure required for the fulfilment of the current obligation as of the balance sheet date.

Other liabilities

The remaining liabilities (financial obligations, received advance payments, accounts payable and other obligations) are set at their redemption amount.

Deferred taxes

For the temporary differences between IFRS and Tax Balance Sheets, deferred taxes are formed through the reversal of the differences from presumably arising valid tax rates. This also applies for temporary differences from consolidation entries affecting income. Deferred tax assets are balanced as loss carryovers not yet realised if it is likely, that future taxable earnings accrue in the corresponding amount.

Currency conversion

All transactions in foreign currency will be set at the exchange rate of the current value of the accounting transaction. On the respective balance sheet key date, an evaluation takes place according to the exchange rate on reporting date. Conversion differences will be recognised as income in the Consolidated Income Statement.

Use of assumptions and estimates

Within the framework of the preparation of the CFS, assumptions are made and estimates form a basis that influence the approach, the information shown, the evaluation of assets entered in the balance sheet, liabilities, profits and expenditures. The assumptions and estimates that have been used as a foundation are primarily based on the specification of normal operating utilisation durations of long-term assets, the determination of degree of a project's completion and the evaluation of reserves. In individual cases, the actual values of the made assumptions and estimations may differ.

3. SCOPE AND PRINCIPLES OF CONSOLIDATION

In the CFS as of 31 December 2006, all companies are included, of which RPSE AG has the direct or indirect majority of voting rights. The companies have been included in the CFS in the period where RPSE AG achieved the possibility of control. From the company's point of view, the subsidiary companies are of minor significance and will be balanced as financial instruments in accordance with IAS 39.

In addition to the parent company RPSE AG, the following subsidiary companies have been included in the CFS as of 31 December 2006, in the course of the full consolidation:

	Stake %
NASTRO-Umwelttechnik GmbH, Meppen	100
Maaß Regenerative Energien GmbH, Wesel	100
Reinecke Pohl Sun Energy España S.L., Madrid	100

The wholly-owned subsidiaries R+P Sun Energy LLC, Portland/OR, USA, and the contractually justified but under corporate law not yet legal holding of 30 percent of the capital share of Shanghai Prim-Sola Energy Technology Co. Ltd. in Shanghai, China, have been included neither as affiliated company in the CFS nor in course of full consolidation, due to minor significance.

As of 31 December 2006, a 10 percent share of BK Bau und Grund GmbH i.L. in Munich also exists. Due to the intended sale of the shares, which have already been completely written-off, the information is shown under long-term assets available-for-sale.

The financial statements in the Consolidated Financial Statement of the companies included in RPSE AG's CFS are consolidated in accordance with the uniform company balance and evaluation methods. The balance sheet date for all consolidated companies is the same, as the parent company's date.

The capital consolidation shall be conducted in accordance with the procurement methods pursuant to IFRS 3. Investment book value of the subsidiary companies at the time of their purchase, are set off with their share of newly evaluated equity. Accrued debit differences are shown as goodwill.

Income and expenditure, receivables and payables and provisions between the fully consolidated companies will be eliminated. Interim results from company internal account payables, which have not been realised through sales to third parties, are calculated separately, as long as they are not of minor significance.

4. SIGNIFICANT DIFFERENCES BETWEEN THE GERMAN COMMERCIAL CODE (HGB) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Through accountancy adjustments from the recent balance sheet entries in accordance with German Commercial Code (HGB) to IFRS, significant differences may occur in the following areas:

Goodwill (IFRS 3)

Goodwill, resulting from the acquisition of subsidiary companies liable to consolidation, is to be reported as assets with the acquisition costs on the date of the company's acquisition. In accordance with the IFRS, no scheduled amortisation shall take place.

Instead, an Impairment Test of goodwill will take place at least once a year and if necessary, amortised on schedule. In contrast, in accordance with the regulations of the German Commercial Code (HGB), goodwill is to be regularly amortised or openly charged against the reserves.

Long-term assets available for sale (IFRS 5)

Long-term assets available for sale will be set at the lower value from book value and current value to be settled less the sales costs. In accordance with commercial law, no special valuation regulations exist; general principles apply.

Production orders (IAS 11)

If the result of a production cost is estimated as dependable, then revenues from the order including order expenses in connection with this production cost are to be entered as income and expenses respectively according to the performance rate, on the balance sheet date. In accordance with the HGB, partial profit realisation is generally not permitted.

Deferred taxes (IAS 12)

For the temporary differences between IFRS and Tax Balance Sheets, deferred taxes are calculated by which those tax rates are used which probably arise during the period of difference reversal.

Equity transactions (IAS 32 compared to SIC 17)

Costs of equity transactions, reduced by all connected income tax advantages, will be entered in the balance sheet as a deduction from equity and charged against the equity reserves. In accordance with commercial law, the costs will be entered as full expenditures.

Other Investments and Long-term Securities (IAS 39)

Other investments and long-term securities are entered in the balance sheet as long-term assets available-for-sale with the correlative current value as of the balance sheet date. Profits and losses through the alteration of the market value will be accounted as success neutral within the equity. Depreciation through unscheduled depreciation and through sales realised as profit or loss would be directly entered in the period's results. In accordance with commercial law, the accounting of acquisition costs takes place less the required unscheduled depreciation.

NOTES TO THE BALANCE SHEET

5. DEVELOPMENT OF LONG-TERM ASSETS

The development of the long-term assets can be seen in the following assets analysis.

Acquisition and Manufacture Expenses				
	Status Begin of fiscal year T€	Additions T€	Disposals T€	Status End of fiscal year T€
Goodwill	19.928	-1.089	0	18.839
Other intangible assets	24	46	0	70
Other equipment	0	55	0	55
Factory and office equipment	364	620	145	839
Investments	337	0	335	2
	20.653	-368	480	19.805

Write-Offs					Book Value
	Status Begin of fiscal year T€	Additions T€	Disposals T€	Status End of fiscal year T€	End of fiscal year T€
Goodwill	0	0	0	0	18.839
Other intangible assets	3	14	0	17	53
Other equipment	0	6	0	6	49
Factory and office equipment	83	187	89	181	658
Investments	130	24	154	0	2
	216	231	243	204	19.601

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Compared with the previous year, goodwill developed in the year under review accordingly:

	T€
Initial status at 1 January 2006	19.928
Changes in cost of acquisition Nastro-Umwelttechnik GmbH as a result of failed guarantee of performance	-452
Changes in cost of acquisition Nastro-Umwelttechnik GmbH from breach of warranty by senior shareholders	-150
Changes in cost of acquisition Maaß Regenerative Energien GmbH as a result of failed guarantee of performance	-433
Changes in cost of acquisition Maaß Regenerative Energien GmbH from breach of warranty by senior shareholders	-75
Goodwill Reinecke Pohl Sun Energy España S.L. (first-time consolidation)	21
Final status at 31 December 2006	18.839

Within the scope of the acquisition of shares in Nastro-Umwelttechnik GmbH and in Maaß Regenerative Energien GmbH, performance guarantees were submitted for the 2005 and 2006 fiscal years.

As the performance targets for the 2006 financial year were not met, the goodwill was reduced accordingly.

Goodwill was not amortised in the fiscal year 2005. Scheduled amortisations exclusively took place under other tangible assets, which primarily concerned IT software.

At least once a year, within the framework of an impairment test it shall be examined to which extent an unscheduled depreciation of goodwill should take place. For this, cash-generating units have been identified within the company, which follow internal controlling and reporting. Therefore, the cash-generating units correlate to the "Projects" and "Trade" segments, which are described in detail in the explanatory notes to the segment report. The book value of the allocated goodwill for the "Projects" segment amounts to 6,758 TEUR, for the "Trade" segment, the book value of goodwill amounts to 12,081 TEUR.

The basis of the utility value for the "Projects" and "Trade" segments are assumptions concerning market development, module availability, financing and company development, which result from the company's long-term corporate planning. Expectations on price development of PV plants and -modules as well as the presumed development of the regulatory framework are key assumptions in the planning period. For this purpose, a five-year plan for each cash-generating unit has been prepared up to 2011, which is based on the Board of Management's market and company estimations, which are partially supported by market studies.

Sales revenue, expenses for purchased good and services as well as personnel and other expenses are also derived from this. In addition, investment expenditures have been determined from the investment plan for the respective area. The rates of growth determined for the individual areas within the planning period, have been separately determined for the individual years of the planning period. The calculation of the utility value for the "Projects" and "Trade" segments were effected solely upon the respective discounting of payment flows with a discount rate that is equivalent to the average cost of capital rate. Moreover, the impacts of a variety of market developments on the use-value were determined in various scenarios. The discounted interest rate used within the scope of the company valuation is determined on the basis of market data and is 11.9 percent. For the extrapolation of cash flows beyond the detailed planning period, a constant growth of 1.25 percent was used in order to account for anticipated inflation. The growth rates are taken from experience and future expectations and each do not exceed market growth rates in which the units operate.

No amortisation necessity for goodwill was identified from the Impairment Test.

7. TANGIBLE ASSETS

Tangible assets primarily concern motor vehicles, plant and equipment and IT hardware. In the fiscal year 2006, only scheduled depreciation took place.

8. FINANCIAL ASSETS

The financial assets concern the following listed items:

	31.12.2006 T€	31.12.2005 T€
R+P Sun Energy LLC, Portland, Oregon, USA	2	2
Prim-Sola Energy Technology Co. Ltd., Shanghai, China	0	181
Reinecke Pohl Sun Energy España S.L., Madrid, Spain	0	24
Financial assets	2	207

The Executive Board will not pursue the entry of the acquired contractually justified but under corporate law not yet legal holding of 30 percent of the capital share of Shanghai Prim-Sola Energy Technology Co. Ltd. in Shanghai, China, within the scope of the investment in Maaß Regenerative Energien GmbH.

As of the balance sheet date, the company held a 100 percent stake in R+P Sun Energy LLC, Portland, Oregon, USA, which did not show a significant operating income. These shares are balanced in accordance with IAS 39 as "assets available for sale" along with their attached value on the consolidated balance sheet reporting date. The stake in Reinecke Pohl Sun Energy España S. L. was fully consolidated in the 2006 fiscal year and therefore no longer needs to be recorded under financial assets.

9. OTHER LONG-TERMS ASSETS

Other long-term assets consist primarily of deposits for rented office space.

10. DEFERRED TAX ASSETS

Deferred tax assets result for the most part from the capitalisation of tax claims for losses.

11. INVENTORY ASSETS

The unfinished goods, merchandise and work in process as well as finished goods and merchandise are concerned with those acquisition and manufacture expenses valuated company stocks, which are primarily photovoltaic modules and services connected to the projection.

Those inventories listed as expenses in the Consolidated Income Statement under the items changes to inventory and expenses for purchased goods and non-cash benefits and services, amount to 55,107 TEUR in fiscal year 2006 (previous year: 42,379 TEUR). In connection with the acquisition of inventory assets, currency gains and losses were achieved making up 45 TEUR (previous year TEUR 19).

In the fiscal year 2006, depreciation of inventories amounting to 1,666 TEUR (previous year 192 TEUR) was entered under expenditures.

12. ACCOUNTS RECEIVABLE

All accounts receivable have maturity of up to one year. In the fiscal year 2006, depreciation of accounts receivable amounting to 3,198 TEUR (previous year: 195 TEUR) was carried out.

13. FUTURE RECEIVABLES FROM PRODUCTION ORDERS

This item includes realised earnings resulting from the application of the partial realisation of earnings for production orders less related advance payments received.

The significant factors which have an impact on the financial situation and position as well as the results situation (excluding deferred tax effects) from long-term production orders can be seen from the following overview:

	31.12.2006 T€	31.12.2005 T€
Earnings from orders	395	16.587
Order expenses	-315	-13.271
Realised earnings	80	3.316
Goods delivered	315	477
Advance payments received	-256	-146
Future receivables from production orders	139	3.646

14. CASH AND CASH EQUIVALENTS

The item includes the bank balances of 14,285 TEUR (previous year: 4,192 TEUR) and cash balance of 5 TEUR (previous year: 32 TEUR).

15. OTHER ASSETS

Other assets all have maturity of up to one year and are broken down as follows:

	31.12.2006 T€	31.12.2005 T€
Receivables from shareholders	968	0
Short-term loans	624	282
Prepaid expenses	163	99
Deposits	10	0
Turnover tax receivables	30	22
Other	135	100
	1.930	503

In the 2006 fiscal year, unscheduled amortisation on other short-term assets occurred amounting to 80 TEUR (previous year: 51 TEUR).

Receivables from shareholders of TEUR 535 exist against one member of the Executive Board. These receivables are interest-free.

16. CLAIMS FOR REFUND ON INCOME TAX

Claims for refund on income tax result from deposits income tax for the year 2006 as well as from carrying back the loss of Maaß Regenerative Energien GmbH.

17. EQUITY

The separately presented equity development can be seen in the in the equity change calculation.

The company's subscribed capital (authorised capital), as of the company's balance sheet date amounts to 4,650 TEUR (previous year 4,650 TEUR) and is divided amongst 4,650,000 no-par shares. The stock concerns bearer shares.

The Executive Board is authorised pursuant to the proviso of the resolution from the AGM on 19.05.2006, to increase the authorised capital by up to 2,325 TEUR for the period up to 18 May 2011 with consent of the Supervisory Board in accordance with Section 4 Paragraph 6 of the Articles of Association through one-off or repeated issue of new shares made out to the bearer against cash or material capital invested (authorised capital).

In addition, pursuant to the proviso of the resolution from the AGM on 7.05.2006, the company has contingent capital. The authorised capital of the company has been contingently increased by 1,550 TEUR through the issue of 1,550,000 new individual share certificates issued to the bearer in accordance with Section 4 Paragraph 7 (contingent capital).

In the fiscal year, TEUR 1,232 from equity of the convertible bond issued were entered at the capital reserve. To compensate for the deficit of the fiscal year 2006, TEUR 4,932 were withdrawn from the capital reserve.

18. LONG-TERM LIABILITIES

RPSE AG issued a convertible bond in May 2006. In total, 474,886 bonds at a price of EUR 21.90 per unit were issued. Thus liquid funds amounting to 10,400 TEUR flowed into RPSE AG. The maturity of the convertible bond is three years (8 May 2006 until 7 May 2009), the interest is 3.5 percent p.a. on the issue price. The bearers are entitled to a conversion right in the period from 1 January 2007 to 7 May 2009. Each bond may be converted in a new share in the company. For this commensurate contingent capital is available. So long as the conversion right is not exercised, the conversion bond is to be repurchased at the issue price on 7 May 2009. Balanced outside capital components under long-term liabilities amounts to 9.378 TEUR (please see "2. Individual Principles of Reporting and Valuation").

Deferred tax obligations are determined by the use of realisation of partial earnings in accordance with IAS 11.

Other long-term liabilities are on the one hand related to the obligation from the settlement agreement with Meridian Solare Energieprojekte GmbH and deposits for sublet office space on the other hand.

19. TAX

The development of provisions for taxes is shown as follows:

	31.12.2006 T€	31.12.2005 T€
Status 1 January	301	21
Release	50	0
Use	115	0
Addition	22	280
	158	301

20. OTHER PROVISIONS

All other provisions have a maturity period of up to one year and are comprised as follows:

	31.12.2006 T€	31.12.2005 T€
Legal and consultant costs	284	33
Warranties	319	169
Costs of financial statements and audits	108	105
Outstanding invoices	102	108
Remaining leave	91	70
Legal and consultant costs for security prospectus	0	200
Compensation	0	197
Bonuses	0	59
Other	137	73
	1.041	1.014

The development of other provisions is shown as follows:

	31.12.2006 T€	31.12.2005 T€
Status 1 January	1.014	8
Release	53	0
Use	943	-8
Addition	1.023	1.014
	1.041	1.014

21. FINANCIAL LIABILITIES

All Financial liabilities (liabilities due to credit institutes) have maturities of up to one year. Liabilities with maturity of up to one year are presented as short-term liabilities.

The liabilities due to credit institutes concern current accounts.

Liabilities due to credit institutes concern current accounts. RPSE has secured liabilities by Maaß Regenerative Energien GmbH due to credit institutes by comfort letters and subordination statements.

22. ADVANCE PAYMENTS RECEIVED

Effected advance payments for orders, which are not connected to production orders up to the balance sheet date are listed under this item.

23. ACCOUNTS PAYABLE

All accounts payable have a maturity of up to one year. Trade liabilities of TEUR 5,000 are secured by bank guarantees.

24. OTHER LIABILITIES

All other liabilities have a maturity of up to one year. This item is comprised as follows:

	31.12.2006 T€	31.12.2005 T€
Turnover tax on imports	486	0
Obligations from settlements	225	
Prepaid income	20	0
Other	295	1.182
	1.026	1.182

25. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No contingent liabilities exist as of the Consolidated Balance Sheet reporting date (previous year 0 TEUR).

Other financial obligations exist in the form, amongst other things, of module supply contracts with maturities of up to one year of 27,456 TEUR (previous year 42,613 TEUR) and with maturities of more than one and up to five years at 252,678 TEUR (previous year: 238 TEUR).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

26. SALES REVENUE

Please refer to the Group Segment Report for the composition of sales revenue.

27. OTHER OPERATING EARNINGS

Other operating earnings are comprised in the majority of items as follows:

	31.12.2006 T€	31.12.2005 T€
Charges from non-cash remuneration	139	0
Earnings from write-downs of value adjustments	108	0
Cost transfers	60	0
Earnings from release of provisions	53	0
Insurance compensation	47	15
Other	40	3
	447	18

28. CHANGES TO INVENTORY, EXPENSES FOR PURCHASED GOODS AND NON-CASH BENEFITS AND SERVICES

Material expenditure concerns the use of inventory, sold goods and balanced inventories in the fiscal year as well as services rendered by the RPSE Group in this connection.

29. PERSONNEL EXPENSES

Personnel expenses are subdivided as follows:

	31.12.2006 T€	31.12.2005 T€
Salaries and wages	3.130	1.231
Social Security contributions and expenses for pension schemes	515	148
Expenses for pension schemes	40	4
	3.685	1.383

30. DEPRECIATION

Depreciation in the year under review is attributed to planned depreciation of other intangible assets and tangible assets (208 TEUR) as well as the usual high depreciation of inventories (1,029 TEUR) and other assets (80 TEUR).

31. OTHER OPERATING EXPENSES

Other operating expenses are comprised in the majority of items as follows:

	31.12.2006 T€	31.12.2005 T€
Depreciation on liabilities	3.306	138
Legal, consultancy and auditing expenses	1.377	578
Sales costs	978	263
Advertising and travelling expenses	706	348
Costs connected to the "Meridian" settlement	600	0
Office and space costs	516	214
Motor vehicle expenses	499	175
Insurances	394	0
Repairs/Maintenance	150	29
Self-balancing items	142	0
Stock exchange quotation costs	138	0
Expenses relating to other periods	88	0
Costs for the representative office in Shanghai	50	0
Supervisory Board compensation	45	13
Costs for module certification	44	0
Costs related to the Annual General Meeting	35	39
Expenses for industrial/waste reclamations	33	0
Cost of operation	21	0
Office supplies	13	0
Facility rental	12	0
Further training costs	360	23
	9.507	1.820

The expenses of 67 TEUR for the auditor are included in the legal, consultancy and examination expenses. Of these, 58 TEUR are attributable to audits as well as 9 TEUR to other consulting services provided by the auditor.

32. INTEREST AND SIMILAR INCOME

This item primarily concerns interest of cash in banks.

33. AMORTISATION OF FINANCIAL ASSETS

This item concerns the amortisation of the current value to be settled on the contractually justified but in accordance with commercial law not yet effective investment of 30 percent of the capital of Shanghai PrimSola Energy Technology Co. Ltd. in Shanghai, China.

34. OTHER INTEREST AND SIMILAR EXPENSES

The interest and similar expenses primarily result from the interest calculation of the current bank accounts.

	31.12.2006 T€	31.12.2005 T€
Costs of convertible bonds	385	0
Interest expenses of the convertible bond	264	0
Interest on short-term liabilities	182	86
Interest accrued on long-term liabilities	0	20
Other financing costs	17	0
	849	106

35. TAX ON INCOME

Taxes on income and earnings are comprised of the following:

	31.12.2006 T€	31.12.2005 T€
Actual tax obligation for the current fiscal year	0	-225
Actual tax obligation for the previous year	-15	0
Actual tax refunds for the previous year	135	0
Deferred taxes	2.597	-1.371
	2.717	-1.523

The offsetting and reconciliation from theoretical to the actual tax result is displayed as follows. The theoretical tax result is calculated as a product from the earnings before tax on profit of -7,136 TEUR (previous year: 4,277 TEUR) valued with the theoretical tax rate of 39.4 percent.

	31.12.2006 T€	31.12.2005 T€
Theoretical tax results	2.812	-1.638
Other	-95	115
Actual Tax Result (effective tax rate 25.16 percent)	2.717	-1.523

The national theoretical tax rate is calculated as follows:

	31.12.2006 %	31.12.2005 %
corporate income tax (effektive)	22,27	22,27
Solidarity surcharge (effective)	1,22	1,22
Trade tax	15,91	15,91
Total	39,40	39,40

36. OTHER TAXES

Other taxes primarily concern motor vehicle taxes.

37. EARNINGS PER SHARE

Earnings per share are calculated by the division of the company interim results by the weighted number of issued shares. The undiluted result per share in accordance with IAS 33 is presented as follows:

	31.12.2006	31.12.2005
Company result (in EUR)	-4.433.489,64	2.623.126,10
Weighted number of shares (in units)	4.650.000	4.650.000
Undiluted earning per share (in EUR)	-0,95	0,56

A quotation for diluted earnings per share did not take place due to the convertible bond issued on 8 May 2006 in accordance with IAS 33.41. Potential ordinary shares can be considered diluted if their conversion in ordinary shares decreases the earning per share or the loss per share is increased.

NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7, the Cash Flow Statement shows the changes of RPSE AG's funding during the course of the reported year. It is differentiated between cash flow from usual operational activities, cash flow from investment activities, and cash flow from the financing activities.

The following cash flows are included in the cash flow statement:

	31.12.2006 T€	31.12.2005 T€
Received interest	102	42
Paid interest	198	-85
Paid taxes on income	339	-59

NOTES ON SEGMENT REPORTING

The segment report of the RPSE Group follows internal controlling and reporting. Therefore, the company is subdivided into the "Projects" and "Trade" segments.

The "Projects" segment includes the activities as a system provider of photovoltaic facilities as well as project developer. As a system provider, the RPSE Group plans, delivers, and installs large-scale photovoltaic facilities, particularly on commercial, public, or agricultural roof tops. In accordance with individual agreements with the respective customers, the following services shall be taken over:

- Examination of the project's operational efficiency as well as the technical suitability of the installation space (usually roof space on buildings in the fields of commercial, public or agricultural),
- The obtaining of the legally permissible requirements for the erection and operation of the facilities upon respective spaces,
- The statistical examination of roof spaces,
- Preparation of expert opinion on earnings.

The RPSE Group also erects photovoltaic facilities as a project developer for private and institutional investors. In this case, suitable facility locations are identified, offered to investors and the required agreement between the space owner and the investor (lease and/or land use contracts) made. As soon as the prerequisites for the erection of a photovoltaic facility have been created, the RPSE Group performs their services as a system provider for the investor. The segment has been allocated to the business activities of Nastro-Umwelttechnik GmbH.

The company's purchasing and sales businesses of photovoltaic modules as well as photovoltaic components are represented in the "Trade" segment. These activities are particularly carried out by Maass Regenerative Energien GmbH and Reinecke Pohl Sun Energy España S.L.. Maass Regenerative Energien GmbH coordinates the procurement of photovoltaic modules for the entire company, at home and abroad. In this case, the modules are procured through intermediaries as well as directly from the manufacturer. Nastro-Umwelttechnik GmbH is also active in the trade of photovoltaic modules and components, whereas this company is allocated to the segment of "Projects", due to its internal controlling and reporting.

The segment reporting as of 31 December 2006 is presented in the following table.

Primary segment information	Segment Projects T€	Segment Trade T€	Transition T€	Company T€
External sales previous year	34.837 44.349	27.181 8.231	190 2	62.208 52.582
Intercompany sales previous year	3.676 0	1.934 78	-5.610 -78	0 0
Net sales previous year	38.514 44.349	29.115 8.309	670 -76	62.208 52.582
Segment Results previous year	-2.519 4.491	-1.363 711	-551 -2.578	-4.433 2.623
- thereof interest payable previous year	-146 -141	-497 -80	-206 -115	-849 -106
- thereof interest earned previous year	2 4	9 12	144 26	155 42
- thereof write offs previous year	-892 -53	-213 -11	-44 -137	-1.148 -201
Segment Assets previous year	10.673 16.302	18.716 8.440	27.485 20.088	56.874 44.829
Segment Liabilities previous year	10.456 15.962	18.523 7.724	-4.497 -15.583	24.482 8.103
Segment Investements previous year	358 135	118 43	-844 365	-368 544

The Column "Transition" includes Group-wide transactions, holding expenses as well as tax on income items which pursuant to IAS 14 are not to be considered. The figure for earnings before taxes on income (EBIT) is given as the earnings for the segment.

With secondary segments (geographical region) external revenues are based on the domicile of the customer. According to internal controlling, the regions Germany, Spain and other regions have been defined. Due to materiality considerations only sales have been allocated to the secondary segments.

Segmentinformation nach Regionen	Germany T€	Spain T€	Other Regions T€	company T€
External sales	51.146	10.972	90	62.208
previous year	52.253	329	0	52.582

OTHER INFORMATION

38. RELATIONSHIPS TO CLOSE-STANDING PERSONS

Besides the subsidiary companies included in the CFS, RPSE AG, whilst exercising their normal business activities, stands directly or indirectly in close relationship with persons and companies.

Within the framework of usual business activities, all delivery and service relations that took place with the following companies and persons were conducted on usual market terms and conditions, as is generally done with third parties outside of the group.

Fiscal year 2006

- Maaß Regenerative Energien GmbH supplied Mr Thorsten Preugschas with modules and components for a photovoltaic system with a delivery value of 30 TEUR for the year under review.
- The Company concluded a joint sublease contract for space in Hamburg with the main shareholder of RSI Societas GmbH, whose main shareholder is Mr Jörn Reinecke, the main shareholder of Pohl Beteiligungs GmbH, whose main shareholder is Mr Gerd-Jürgen Pohl as well as the with the main shareholders of the affiliated company RUPAG Grundbesitz & Beteiligungen AG, which it rented from 1 May 2006. The sublet space amounts to ca. 360 sq m; the monthly rent including incidental expenses is approximately 11 TEUR.
- Reinecke + Pohl Sun Energy AG commissioned RUPAG Grundbesitz & Beteiligungen AG, whose main shareholders are Mr Gerd-Jürgen Pohl and Mr Jörn Reinecke, for consulting services in connection with acquisition projects in the financial year. The contract volume amounted to 66 TEUR.

39. WORKFORCE

As of 31 December 2006, 71 individuals (previous year: 50) were employed.

40. SUPERVISORY BOARD

In accordance with Section 8 of the Articles of Association, the company's Supervisory Board includes three members that, as of 31 December 2006, are comprised as follows:

- Dr Axel Holtz, Hamburg, Attorney (Chairman),
Supervisory Board mandates and memberships in comparable control committee in accordance with Section 285 No. 10 of the German Commercial Code (HGB): none
- Mr Thomas Bartling, Hamburg, Certified Public Accountant (Vice-Chairman)
Supervisory Board mandates and memberships in comparable control committee in accordance with Section 285 No. 10 of the German Commercial Code (HGB):
· RUPAG Grundbesitz und Beteiligungen AG, Hamburg
- Ms Britta Horney, Tangstedt, Attorney (since 24 October 2006)
Supervisory Board mandates and memberships in comparable control committee in accordance with Section 285 No. 10 of the German Commercial Code (HGB): none
- Mr Gerd-Jürgen Pohl was member of the Supervisory Board until 24 October 2006. Supervisory Board mandates and memberships in comparable control committee in accordance with Section 285 No. 10 of the German Commercial Code (HGB):
· HII Hanseatischen Immobilien Invest AG, Hamburg
· Kimon Beteiligungen AG, München
· BKN Biokraftstoff Nord AG, Sprakensehl
· RUPAG Grundbesitz und Beteiligungen AG, Hamburg
· KWG Kommunale Wohnen AG, Bremerhaven
· AVW Immobilien AG, Buxtehude
· NEAG Norddeutsche Event AG, Hamburg
· Payom AG (zukünftig "Payom Solar AG"), München (zukünftig Burgoberbach)

The company's Articles of Association grant the members of the Supervisory Board a remuneration of 45 TEUR (previous year: 16 TEUR),

41. BOARD OF MANAGEMENT

The following members were appointed to the Board of Management during the fiscal year.

- Mr Martin Schulz-Colmant, Graduate Economist, Hamburg (until 10 November 2006)
- Mr Patrick Arndt, Graduate Economist, Hamburg
- Mr Thorsten Preugschas, Graduate Engineer, Kamp-Lintfort (since 10 November 2006)

In accordance with Section 6 of the Articles of Association, the company shall be represented by two members of the Board of Management or by one member of the Board of Management together with an authorised signatory ("Prokurist"). The Supervisory Board may determine that members of the Board of Management be given individual power of representation.

The members of the Board of Management are entitled to remuneration for the period from 1 January to 31 December 2006 of the following amounts, respectively:

	Patrick Arndt T€	Martin Schulz-Colmant T€	Thorsten Preugschas T€	Total T€
Fixed remuneration (incl. non-cash remuneration)	128	144	11	283
Bonus entitlements for 2006	0	0	0	0
Severance pay entitlement	0	150	0	150
Total	128	294	11	433

42. COMPLIANCE STATEMENT

The submission of the statement, pursuant to Section 161, of to which extent the recommended practices of the "Governmental Commission on the German Corporate Governance Code" have been conformed to, will be publicised on the company's website and made accessible for the shareholders.

Hamburg, 21 March 2007
(The Executive Board)

THE CERTIFICATION NOTIFICATION FROM THE COMPANY CERTIFIED PUBLIC ACCOUNTANT



We have audited the Consolidated Financial Statements prepared by Reinecke + Pohl Sun Energy AG in Hamburg, comprising the balance sheet, profit and loss calculations, accumulated other comprehensive income statement, cash flow statement and notes, and the Group Management Report for the fiscal year from 01 January to 31 December 2006. The preparation of the Consolidated Financial Statement and Group Management Report in accordance with the IFRS, as applied by the E.U. and the additional requirements of German commercial law pursuant to §315a, section 1 of the HGB ("Handelsgesetzbuch": German Commercial Code) as well as the supplementary regulations of the Articles of Association, lie with the responsibility of the company's legal representative. Our responsibility is to express our 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 Institute of Public Auditors in Germany ("IDW": Institut der Wirtschaftsprüfer). Those standards require that audit is planned and performed 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 the audit process. 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 the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the company's legal representatives, and evaluating the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with the IFRS as adopted by the E.U., the additional requirements of German commercial law pursuant to §315a, section 1 of the 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, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 28 March 2007

Treuökonom

Beratungs-, Revisions- und Treuhandgesellschaft mbH, Wirtschaftsprüfungsgesellschaft

by:

Dierk Lemmermann
Certified Public Accountant

Anja Hornow
Certified Public Accountant

Publicizing and/or forwarding of the annual financial statement and/or the management report in a form deviating from the original version requires our renewed statement, in the case that our certification notification is quoted or our examination is referred to, we particularly refer to §328 of the HGB.

FINANCIAL CALENDAR 2007

25 April 2007	Analyst conference - Close Brothers Seydler AG - Small & Mid Cap Conference, Frankfurt a. M.
24 May 2007	Annual General Meeting, Hamburg
24 May 2007	Quarterly Report for the First Quarter
30 August 2007	Interim Report
12-14 November 2007	Analyst conference - Eigenkapitalforum Deutsche Börse AG, Frankfurt a. M.
29 November 2007	Quarterly Report for the Third Quarter

GLOSSARY

RPSE	Reinecke + Pohl Sun Energy AG
Nastro	Nastro-Umwelttechnik GmbH
Maaß	Maaß Regenerative-Energien GmbH
PV	Photovoltaics (Use of solar energy to generate electricity)
MW / MWp	Megawatt / Megawatt-peak
kw / kwp	kilowatt / kilowatt-peak
CdTe	Cadmium Tellurid
CIGS	Copper Indium Gallium Diselenid
CIS	Copper Indium Diselenid
EEG	"Energieeinspeisegesetz" / German Renewable Energies Act
EVU	Energy Supply Company

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This report is available as a download on our website in both the German and English languages. Further copies as well as additional information about Reinecke + Pohl Sun Energy AG can be sent to you upon request. Should you be interested, we would be more than pleased to add you to our shareholders distribution list, which ensures the regular receipt of our updated news via email.

DISCLAIMER

The report in hand includes future directive statements, based on the beliefs of the Executive Board of Reinecke + Pohl Sun Energy AG and reflects their actual assumptions and estimates. These forward-looking statements are subject to risks and uncertainties. The unpredictability of factors presented could result in different actual performance and results of Reinecke + Pohl Sun Energy AG. Possible causes could include, amongst other things, the non-acceptance of newly introduced products or services, changes in the general economic or business situation, shortfall of efficiency or expenditure reduction targets or an alteration of the business strategy.

The Executive Board is confident, that the expectations of these projected statements are sound and realistic. Should however, the aforementioned or any other unexpected conditions arise, Reinecke + Pohl Sun Energy AG cannot guarantee that the expressed forecasts will be proven correct.

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