colexon

SOLAR POWER PLANTS

ANNUAL REPORT 2008

2008

YOUR PLUS WITH THE SUN.

KEY FIGURES OF COLEXON ENERGY AG

The Group as of 31 December 2008

EUR MILLION	2008	2007	+/– IN %
INCOME STATEMENT			
Revenue	142.75	85.37	+ 67
Gross profit	28.02	12.91	+ 117
EBIT	12.15	0.22	+ 5,519
Net profit / loss	7.24	– 0.67	+ 1,179
BALANCE SHEET			
Total assets	78.52	55.56	+ 41
Equity	39.23	32.17	+ 22
Equity ratio	49.95	57.91	– 14
Subscribed capital	5.12	5.12	0
Goodwill	15.09	15.09	0
CASH FLOW			
Cash flow from operating activities	1.51	–12.50	+ 828
Cash flow from investing activities	– 0.34	– 0.37	+ 8
Cash flow from financing activities	– 3.30	3.31	– 200
Cash and cash equivalents as of 31 December	2.61	4.74	– 45
THE SHARE			
Earnings per share (basic) in EUR	1.42	– 0.14	+ 1,114
Share price, beginning of January (closing price) in EUR	12.88	7.41	+ 74
Share price, end of December (closing price) in EUR	4.05	12.88	– 69
Number of shares	5,115,000	5,155,000	0
Number of employees (as of 31 December)	77	78	0

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SOLAR POWER PLANTS

PROFESSIONAL DEVELOPMENT OF SOLAR POWER PLANTS

COLEXON specializes in developing major, professionally operated solar power plants larger than 100 kWp. The Company's experience from more than 1,300 completed projects ensures that its installations will be professionally planned and designed to optimize yields. COLEXON's special expertise is in the application of innovative thin film technology. The Company's shares are traded in the Prime Standard of the Frankfurt Stock Exchange.

OUR CORE PRINCIPLES:

- Excellent supplier relations: secure competitive advantage through long-term contracts with First Solar for example
- Innovative technologies: specialization in cutting-edge thin film modules
- Internationalization: more than 1,300 installed solar power plants in Germany, the United States, Spain, South Korea, France and the Czech Republic

THE WORLD'S LARGEST ROOFTOP SOLAR INSTALLATIONS 2006–2008

Implemented by using First Solar thin film modules

1.43 MWp
EGW Gescher • March 2006

2.5 MWp
Ramstein • August 2007

4.64 MWp
Hassleben • December 2008

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Dear Shareholders,
Ladies and Gentlemen,

The financial year just ended was the COLEXON Group's most successful ever in its history. Revenue rose substantially by more than 67 percent to EUR 142.8 million over the previous year despite the current economic and financial crisis, thus permitting COLEXON to increase its profitability many times over. Earnings before interest and taxes (EBIT) of EUR 12.1 million substantially surpassed the previous year's adjusted result by EUR 11.9 million. Net profit for the period was EUR 7.2 million. In our view, these numbers clearly indicate that our strategy, which is aimed at maintaining sustainable growth, is indeed succeeding.

Thorsten Preugschas • Henrik Christiansen

Unfortunately, however, the Company's share price shed much of its value during the year as a result of the depth of the global crisis in the financial markets and the looming economic crisis, thus tracking the fundamental downturn in the world's stock markets. We believe that this development does not reflect our operating performance and hence that it does not give a fair view of COLEXON's growth in value. Hence we will do everything in our power to realign the Company's share price performance with its operating performance through open and transparent communications.

ATTRACTIVE PROJECTS AND NEW STRATEGIC PARTNERS

The Company installed photovoltaics units with a total output of 24 MWp in the 2008 financial year, setting two new records: In Hassleben, State of Brandenburg, we implemented the world's largest 4.64 MWp rooftop solar power plant using thin film solar modules. In South Korea, we built the country's largest 0.64 MWp building-integrated PV system (BIPV) to date in cooperation with our partners. We are equally pleased with our new strategic alliances. COLEXON has gained two investors – tnp GmbH and DCM AG – that will purchase turnkey solar power plants with an output in excess of 20 MWp. These agreements indicate that investors are increasingly interested in the safe returns from high-yield thin film installations. At the same time, COLEXON entered into an agreement with Wiesenhof, a company belonging to the PHW

Group, on marketing more than 400,000 m² of roof space. These new partnerships have allowed us to secure an attractive portfolio of rooftops and network of investors for major projects, thus laying the groundwork for the success of our project business in 2009.

OUR »CHANGE COLEXON 2012« STRATEGY

We already achieved important milestones in 2008 as a result of our »Change COLEXON 2012« strategy that will help us to continue enhancing efficiency and make the Company fit for the future. Both efficiency and quality in project management have improved by a substantial margin due to the centralization of project planning in Hamburg. We also combined our offices in Wesel and Meppen into a single office based in Wesel, in turn generating cost and efficiency gains. Critical progress has been made in regards to the legal process. Both the expansion of the staff and the restructuring of work processes has led to pivotal improvements in quality, ensuring timely acceptance and transfer of important projects. This strategy will provide COLEXON with the necessary tools for succeeding even in difficult times.

OUTLOOK FOR 2009

Our momentum will not subside in the 2009 financial year. The steadily growing number of customers who invest in solar power plants will have a positive impact on order levels in 2009 as well. We will also continue to push COLEXON's internationalization, turning our attention especially to France, Italy and the United States in 2009. We also plan to place our business model on a broader base, specifically, by establishing operation of solar power plants as a third source of revenue. This step serves to enhance the stability of our operating business in the consistent strategic pursuit of sustained and forward-looking development. In the medium term, we want to establish ourselves as an independent producer of solar power (IPP) in the market. The plan is to accelerate this development by merging with Renewagy A/S, the Danish system operator that also is COLEXON's major shareholder. We believe that the two companies ideally complement each other. While COLEXON is one of the market leaders in the planning and development of solar power plants, Renewagy A/S is a market leader in plant operation.

We are confident that COLEXON will continue to do well, as are both the Supervisory Board and our employees – whose great commitment and expertise have made our growth possible in the first place. What unites us all is our aim to ensure that solar energy can compete with other sources of energy in the medium term. We believe that we are well on the right path to move this development along. We would be pleased if you would accompany us on this journey.

Sincerely,

Thorsten Preugschas
Chief Executive Officer

Henrik Christiansen
Chief Financial Officer

THE 2008 FINANCIAL YEAR

01

JANUARY • On 23 January 2008, the renaming from Reinecke + Pohl Sun Energy AG to COLEXON Energy AG is entered in the commercial register. •

02

FEBRUARY • Agreement with Danish investor Renewagy A/S calls for an aggregate project volume of about 5.6 MWp. •

03

MARCH • Publication of the 2007 consolidated financial statements: revenue growth of 37 percent and good prospects for the solar market in 2008. •

04

APRIL • Construction start of the first solar power plant under a major order for EUR 21 million. The project is part of the agreement signed with Renewagy A/S in February. The agreement covers further solar power plants on roofs in Saxony, Bavaria and Rhineland-Palatinate, the construction of which began in April. Both thin film modules from First Solar and crystalline modules from Bangkok Solar are used in these projects. •

05

MAY • Annual General Meeting on 28 May 2008 with a resolution to expand the Supervisory Board. •

• Start of construction of the world's largest rooftop thin film PV installation using First Solar modules with an output of 4.64 MWp. •

06

JUNE • Closing of a master agreement with Moser Baer Photo Voltaic Ltd. for the supply of solar modules for more than 130 MWp until 2012. •

JULY • First meeting of the newly expanded Supervisory Board. The expansion to six members was resolved at the Annual General Meeting in order to strengthen the Board's expertise given the dynamic growth of the Company. •

AUGUST • Publication of the interim results for the first half-year: significant increase in revenue and earnings. •

SEPTEMBER • The merger of the Group's German operating subsidiary, COLEXON GmbH, into COLEXON Energy AG is entered into the Commercial Register. •

OCTOBER • H. Christiansen takes over as Chief Financial Officer and T. Larsen takes over as Chairman of the Supervisory Board. •

NOVEMBER • COLEXON holds an analyst conference at the Equity Forum in Frankfurt. •

DECEMBER • Commissioning of the world's largest rooftop solar power plant made of thin film modules with an output of 4.64 MWp following a construction period of six months in Hassleben, State of Brandenburg. •

• COLEXON Energy AG secures the largest continuous roof portfolio for PV installations in Germany by signing a marketing agreement with poultry producer Wiesenhof for more than 400,000 m² of roof space. •

A CONVERSATION BETWEEN THE MEMBERS OF COLEXON'S MANAGEMENT BOARD

The year 2008 was the most successful in COLEXON's history. Management Board members Thorsten Preugschas and Henrik Christiansen explain the reasons for the Company's record profits and present their strategy for its continued development.

COLEXON posted EBIT of EUR 12.1 million, its highest ever. How do you explain this success?

Henrik Christiansen: The numbers are an unmistakable sign. We finally proved our critics wrong by showing that COLEXON's growth is not just dynamic but sustainable too. We demonstrated our positive growth four quarters in a row and substantially surpassed our targets for 2008. Both our results in 2008 and our forward-looking growth policies have prepared the ground for COLEXON's ongoing development. I am convinced that we are on track for success in 2009 as well.

You're talking of continuing the growth trajectory of COLEXON. Yet forecasts have the solar industry facing difficult times. Why are you so confident anyway?

Thorsten Preugschas: One cannot measure all companies in the industry by the same yardstick. Unfortunately, the media reports are often highly subjective and fail to distinguish between manufacturers and developers or the technologies employed. The fact is that COLEXON adopted an anticyclical position early on, placing its bets on innovative thin layer technology. While the prices for crystalline modules are crumbling right now, the market for thin film solar modules is remaining relatively stable. This means that we made the right decision back then – one that we are profiting from today.

The global financial crisis has not spared the solar industry either. Surely, this must be having an effect on your business too?

T. P.: It goes without saying that we're also suffering from the global financial crisis. Our share price does not even begin to reflect COLEXON's operating performance and actual enterprise value. That hurts, naturally, both us and our shareholders. Our performance in 2008 was impressive, and we've already been able to gain important strategic partners for 2009. I am sure that we will be able to continue our positive development in 2009 as well.

The way you're talking about the financial crisis makes it sound as if it were an opportunity for your Company.

H. C.: The global financial crisis has made investors tread more carefully. Stable and sustainable yields are becoming increasingly important – and this is where we have an edge. What other industry can offer its investors guaranteed income for the next 20 years?

Of course, you can invest in real estate but experience shows that supposedly attractive investments also entail high risks. Our contracts with investors such as DCM and tnp show that growing numbers of investors are discovering that solar power plants are attractive and safe high-yield investments.

What is your corporate strategy for 2009?

T. P.: We have three strategic goals in mind. For starters, we will focus on our major thin film solar technology client business. We will also continue to push the Company's internationalization in growth markets, in cooperation with experienced partners. Finally, we will establish ourselves as an independent and capable provider of solar power. The goal to achieve grid parity – that is, the ability of solar power to compete with electricity from oil and natural gas – is what unifies us all in this respect. We believe that we are well on the way toward achieving this goal in the medium term.

Why do you want to expand your business model by plant operation precisely at this point in time? After all, your numbers would seem to suggest that continuing the current strategy is the way to go.

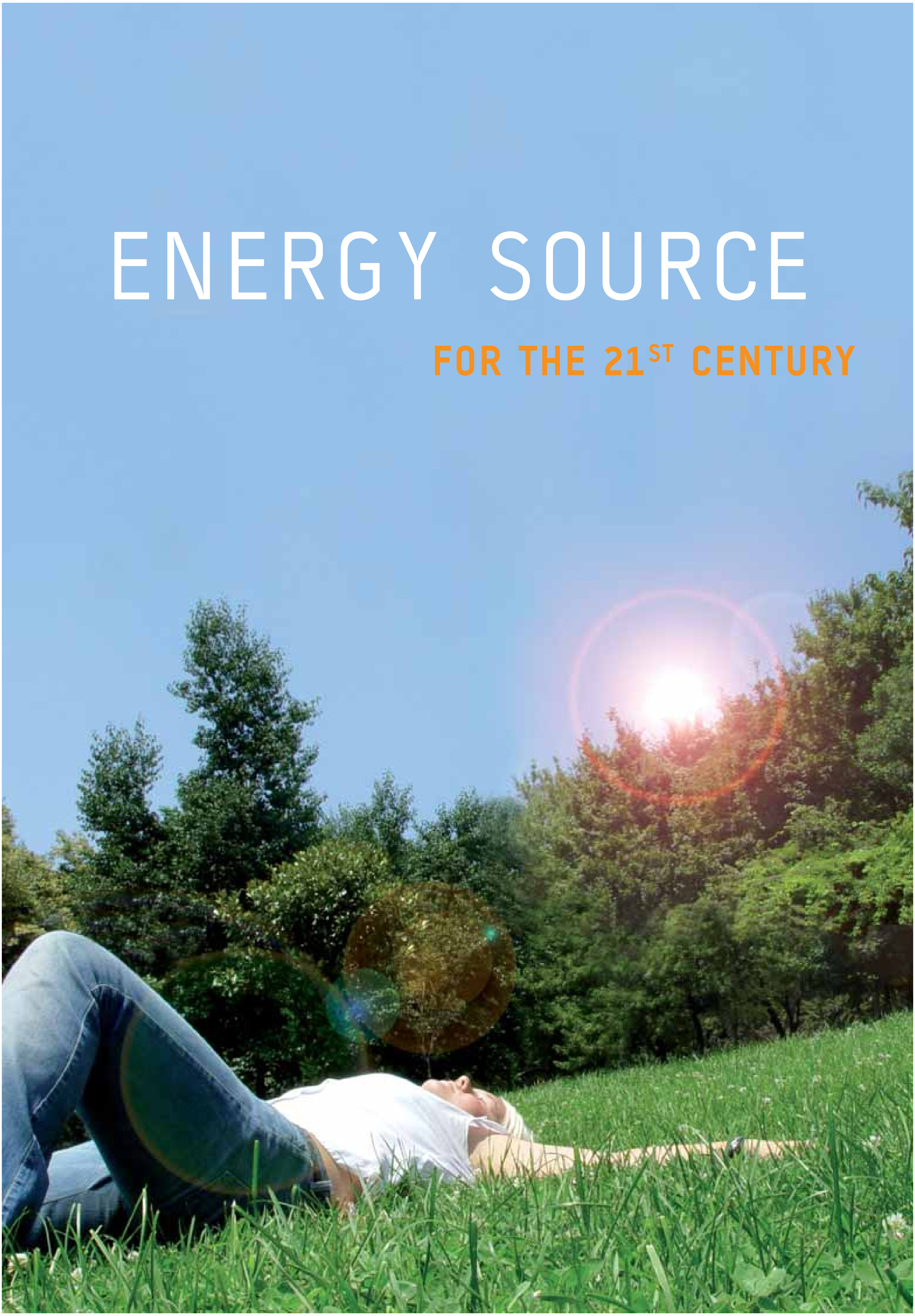
H. C.: We cannot afford to bask in the glory of our achievements. The solar industry is a dynamic and hotly contested market. Those who want to prevail in this market environment must be able to see the writing on the wall and respond rapidly. Generating power from solar energy will add continuous and predictable cash flows to our current business model, enhancing both its security and its growth prospects. It thus represents a logical step in the evolution of our forward-looking development as a Company.

How does the planned merger with Renewagy fit in with this strategy?

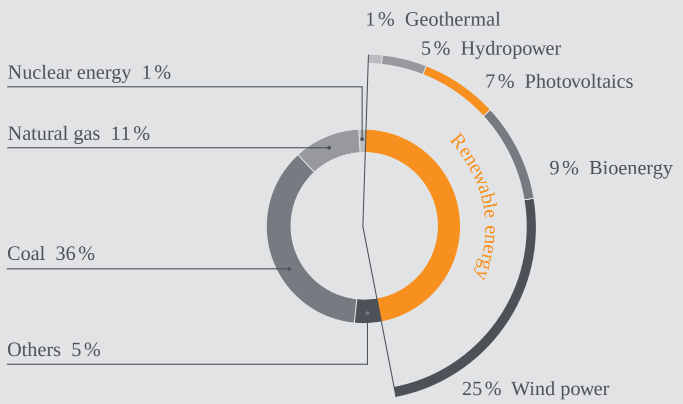
T. P.: The merger will permit COLEXON and Renewagy to play a pioneering role in the solar industry. Combining our strengths would make our existing business model even more stable and competitive. Above all, however, it would allow us to achieve our growth targets much sooner. We expect the merger to give us a jump of approximately three years. But this plan still needs to be approved by both companies' annual general meetings.

Why should I as a shareholder vote for the merger at the annual general meeting?

H. C.: Our shareholders will undoubtedly recognize that the merger will strengthen the Company in the long term. It will create one of the largest European companies in the solar electricity market. That would also benefit our shareholders. In our view, the merger is synonymous with greater stability, better development perspectives and increased security.


ENERGY SOURCE
FOR THE 21ST CENTURY

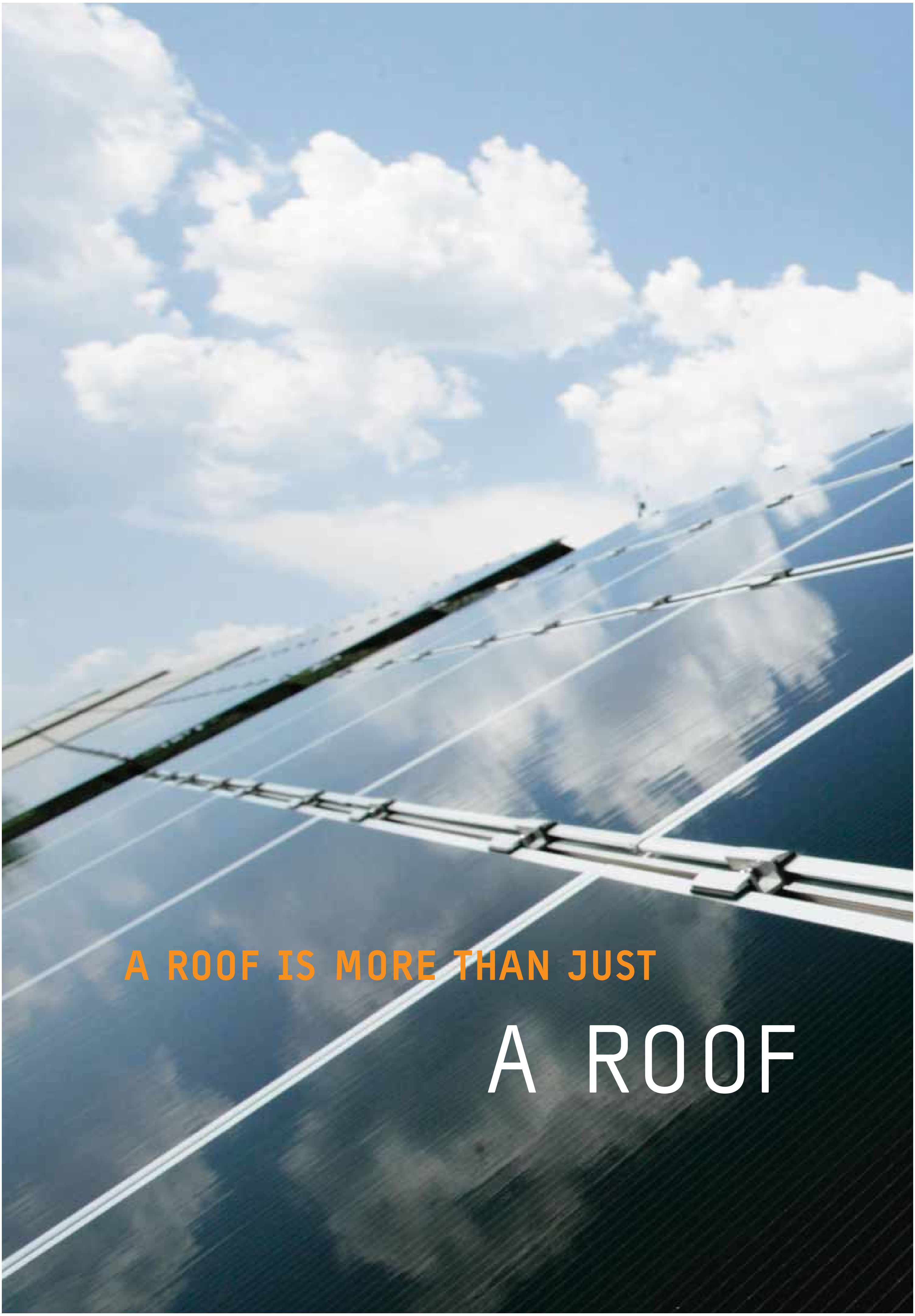
THE ELECTRICITY MIX IN 2020



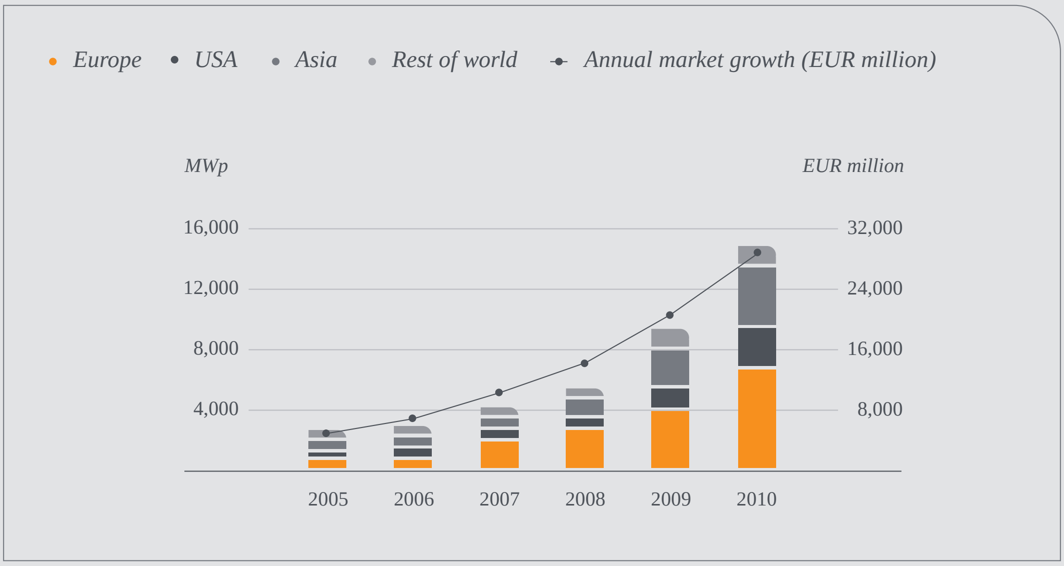
THE SUN PROVIDES US WITH 219,000 TRILLION KILOWATT HOURS OF ENERGY FOR FREE – YEAR AND YEAR OUT.

LIFE WITHOUT THE SUN IS UNTHINKABLE • It gives us light and heat, it controls the weather and the climate. The sun radiates enough energy to the earth in a single hour to cover the world's total demand for an entire year. If we were to succeed in utilizing just a fraction of this energy in meaningful ways, some of our most urgent problems such as global warming, air pollution and limited resources would cease being an issue in the near future. •

SOLAR POWER OFFERS EXCELLENT OPPORTUNITIES • While oil, gas and coal reserves continue to decline, solar power is evolving from a niche application into a global alternative to conventional modes of generating energy. Experts believe that in the long run solar electricity will carry seven percent of the world's total power supplies. •


A ROOF IS MORE THAN JUST
A ROOF

DEVELOPMENT OF THE PHOTOVOLTAICS MARKET



5,000 SQUARE KILOMETERS OF SOLAR SURFACES WOULD BE NECESSARY TO COVER GERMANY'S POWER REQUIREMENTS.

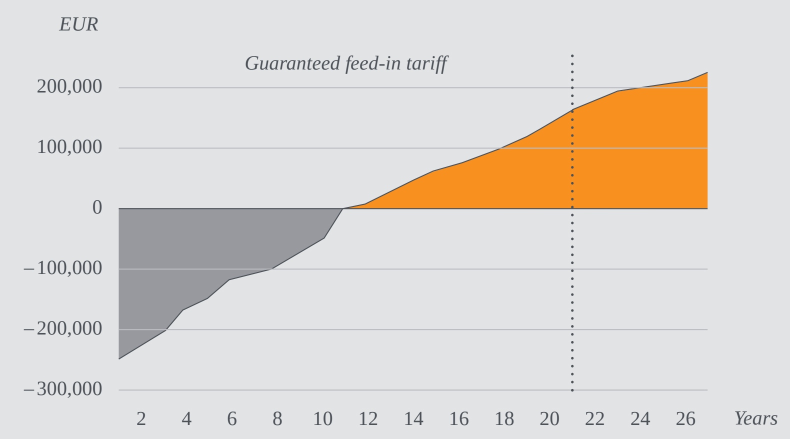
ROOFTOPS ARE HIGHYIELD PROPERTIES • People have been building roofs for thousands of years to protect themselves from the forces of nature. Yet a roof offers more than just protection and security. As a platform for solar power plants, rooftops can be used in an ecologically meaningful way and provide a lucrative source of income at the same time. The German Renewable Energy Sources Act focuses particularly on rooftop photovoltaics units. •

SUCCESS IS DETERMINED BY MANY FACTORS • Comprehensive know-how and experience are required for optimally exploiting the sun. Where is the right site? Which technology is best for me? How should the modules be designed? We have an answer to all of your questions and thus will find the best solution for your roof. •

IMPROVE RETURNS

ON INVESTMENTS

ECONOMIC DEVELOPMENT



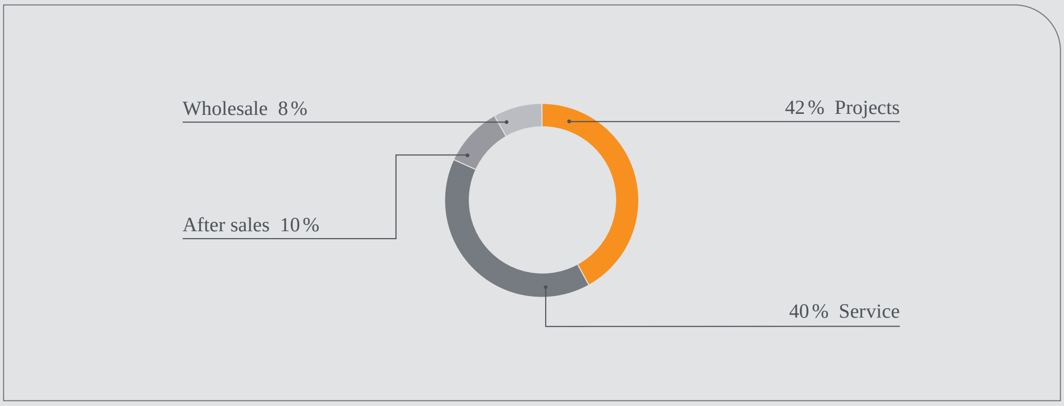
WE OFFER OUR INVESTORS RETURNS THAT ARE GUARANTEED BY STATUTE FOR 20 YEARS.

SOLAR ENERGY: A SAFE INVESTMENT • Being able to plan a solar power plant, not just technically but also economically, requires reliable terms governing the use of the electricity it generates. Germany's Renewable Energy Sources Act has been in effect since 2000. •

RAPID DECISIONS PAY OFF • The Renewable Energy Sources Act provides for an annual degression of the feed-in tariff. Because the amount of the feed-in tariff in the year of the system's operational launch applies to the next 20 years, an early decision guarantees a higher return throughout its life cycle. •

PROGRESS THROUGH TEAMWORK

DISTRIBUTION OF COLEXON EMPLOYEES BY BUSINESS UNIT



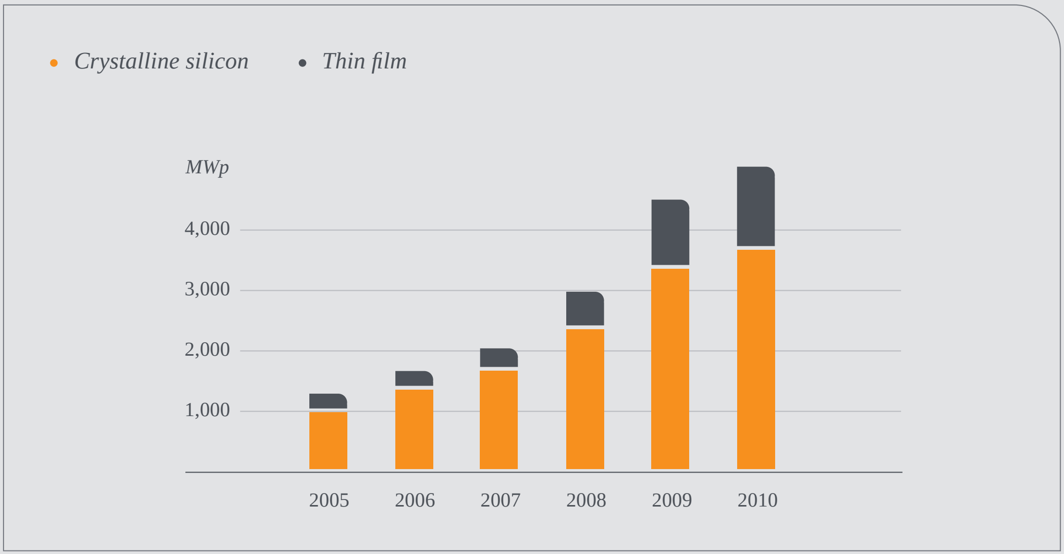
AT COLEXON, EXPERTISE MEANS MORE THAN 1,300 INSTALLED SOLAR POWER PLANTS.

OUR EMPLOYEES DEFINE OUR EXCELLENCE • The Company depends on the performance, skills and commitment of each and every one of its employees for it to be successful in the innovative solar power market. COLEXON's activities both as a professional developer of major PV systems and as a specialized wholesaler particularly require extensive know-how and expertise in facilitating joint, customer-focused action coupled with high quality standards. All divisions closely dovetail with one another and engage in a continuous exchange of knowledge. •

INTERNATIONAL NETWORK SPELLS GLOBAL SUCCESS • A long-term international focus, an open mind vis-à-vis technological developments and consistent independence from manufacturers have always been the cornerstones of our corporate strategy. Hence we have managed more than 1,300 projects throughout the world from our offices in Germany, Spain, China, France and the Czech Republic. •

FOCUSED ON THE FUTURE

PRODUCTION AND MARKET POTENTIAL OF DIFFERENT SOLAR MODULE TECHNOLOGIES



EFFICIENCY OF PAPERTHIN SOLAR CELLS: 20 PERCENT.

WE BANK ON THE TECHNOLOGY OF THE FUTURE • This clear strategic focus has enabled COLEXON to gain extensive experience in the early stages of this technology's development and build up its in-depth expertise. It is a focus that is paying dividends as demand for thin film technologies and, specifically, for solutions using products manufactured by the market leader First Solar is growing much more dynamically than demand for crystalline solar technologies. •

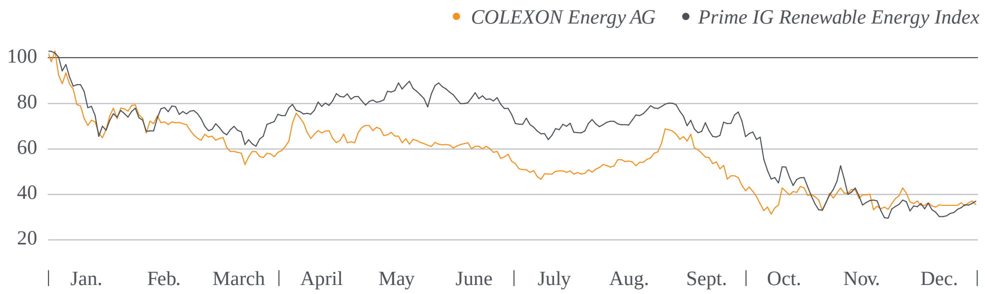
JOINT SUCCESS THROUGH LONG-TERM PARTNERSHIPS • COLEXON maintains forward-looking alliances with First Solar and other strategic partners. As a result, it is one of the big winners in terms of applying this innovative, evolving technology, which can now absorb sufficient sunlight to produce energy using just one tenth of its initial thickness. •

THE COLEXON SHARE

SHARE PRICE PERFORMANCE

The German stock market has been under severe pressure since the start of 2008. Share prices continued to tumble across the board throughout the year as a result of the maelstrom of the financial market crisis; the DAX closed the year 40 percent below its opening in January 2008. Solar companies' share prices also dropped

Performance of the COLEXON share



Key share figures for COLEXON Energy AG

WKN / ISIN	525070 / DE0005250708
Ticker symbol	HRP
Common code	22356658
Trading segment	Prime Standard, Regulated Market in Frankfurt / M.
Stock exchanges	Xetra, Berlin, Dusseldorf, Frankfurt, Munich, Stuttgart, Lang & Schwarz
Type of share	No-par value shares
Designated sponsor	until 31 Dec 08: VEM Aktienbank AG, Munich; since 1 Jan 09: ICF Kursmakler AG, Frankfurt / M.
Initial listing	December 2000

	2008	2007
Number of shares (at year's end)	5,115,000	5,115,000
Market capitalization (at year-end price) in EUR million	20.72	65.88
High (Xetra) in EUR	12.88	19.95
Low (Xetra) in EUR	3.50	5.50
Year-end price (Xetra) in EUR	4.05	12.88
Daily average trading volume (Xetra), number of shares	14,883	51,575

at a pace heretofore unknown. The Prime IG Renewable Energy Index shed more than 68 percent of its value as the year wore on, closing at 430 points, down from 1,305 points at the start of 2008. This downward slide was triggered by the US mortgage crisis, which already began to make itself felt in the summer of 2007. It evolved into a crisis of the financial markets, subsequently dragging down the real economy too and leading to looming recessionary trends worldwide.

COLEXON's share was unable to extricate itself from this negative market environment and lost more than two thirds of its value in the course of the year. It fell to EUR 7.89 by 21 January 2008, down from an opening price of EUR 12.88 in XETRA trading, which was also its high for the year. This loss of roughly 29 percent corresponded more or less to the decline of the sector index. The share price climbed again substantially toward the end of January, reaching EUR 9.60 on 29 January 2008. Subsequently, it began a considerable downward slide from this level (which was largely mirrored in the performance of the sector index), closing at EUR 6.35 on 18 March 2008. It recovered for a short time, settling at EUR 9.30 on 9 April 2008, only to drop again within four days to EUR 7.85 on 15 April 2008. The entire sector's next downward slide set in at that level, pushing COLEXON's share to EUR 5.50 by 11 July 2008.

But it rose again to EUR 8.40 by 28 August 2008, substantially outperforming the sector index especially toward the end of the month, and hovered around EUR 8 until the second week of September 2008. The steep decline that started on 8 September 2008 sent COLEXON's share reeling until it found its footing at a price of EUR 3.50 on 8 October 2008. Toward the close of the year, it developed along a fairly volatile lateral trajectory (just as the sector index), fluctuating around EUR 4 in December 2008. COLEXON's share closed the year on 30 December 2008 at EUR 4.05, down 69 percent from the opening share price of 2008. The Prime IG Renewable Energy Index closed at 430 points on 30 December 2008, having also shed more than two thirds of its value since the start of the year. The average trading volume fell to 14,883 per day (previous year: 51,575 shares). Based on the year-end share price, the Company's market capitalization fell to about EUR 20.72 million.

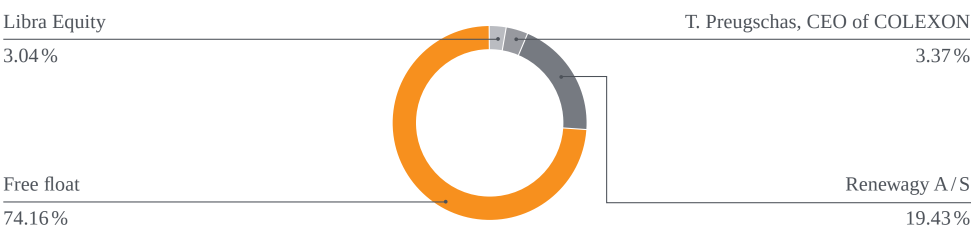
CONVERTIBLE BOND ISSUE

The bonds were discounted at a rate of 3.5 percent relative to the subscription price of EUR 21.90. This translates into a yield of 7.665 percent relative to the EUR 10.00 par value of the convertible bond. Each bond entitles its owner to subscribe to one COLEXON share at a par value of EUR 10.00. The coupon date is 8 May of each year. The convertible bond matures on 8 May 2009. Investors that have not decided to convert their bonds into shares within the conversion period will be paid EUR 21.90 on this date. The Company has sufficient cash on hand to repay the convertible bond. At the same time, the Management Board of COLEXON Energy AG is reviewing other funding options such as follow-up financing once the convertible bond matures.

SHAREHOLDER STRUCTURE

Pursuant to the reports filed in accordance with Section 15a German Securities Trading Act, COLEXON's shareholders comprise the following as of the 31 December 2008 reporting date:

Shareholder structure 2008



CORPORATE GOVERNANCE

Joint Declaration of Compliance regarding the German Corporate Governance Code by the Management Board and the Supervisory Board in the 2009 financial year

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

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

Now, therefore, the Management Board and the Supervisory Board of COLEXON declare that the Company has complied with the recommendations of the Government Commission of the German Corporate Governance Code, as amended 14 June 2007 and published by the Federal Ministry of Justice, since its most recent Declaration of Compliance and has also complied with the recommendations as amended 6 June 2008 from their effective date and will comply with them in the future. However, the following exceptions have applied or still apply:

The German Corporate Governance Code recommends:

- sending notification of the convening of the Annual General Meeting including the convention documents by electronic means if the approval requirements are fulfilled. The Company believes that publishing the convention documents for the Annual General Meeting on its website constitutes sending them by electronic means.
- prescribing a deductible in connection with the liability insurance that a company purchases on behalf of the members of its Management Board and Supervisory Board (Directors' and Officers' Liability Insurance – D&O). COLEXON generally does not believe that such a measure would enhance the commitment and responsibility that inform the activities of the members of the Company's Management and Supervisory Boards. Hence the D&O insurance policies for members of COLEXON Energy AG's Management Board and Supervisory Board did and do not contain such a provision.
- designing director's contracts such that payments to a Management Board member in the event that his or her contract is terminated early do not exceed the value of two years' remuneration including fringe benefits (severance pay cap) and not compensate more than the relevant employment contract's remaining term. The director's contracts with the members of the Management Board of COLEXON did and do not provide for severance pay caps. Such a provision would contradict the underlying principle that, as a rule, a director's contract is entered into for the term of the relevant director's appointment and generally can only be terminated for cause.
- preparing a remuneration report as part of the corporate governance report. COLEXON prepares the remuneration report as part of the management report. The German Corporate Governance Code also recommends disclosing the nature of the fringe benefits in the remuneration report. COLEXON has not followed this recommendation to date but will do so in the future. Furthermore, the German Corporate Governance Code recommends separately disclosing in the corporate governance report all remuneration that the Company has paid to the members of the Supervisory Board for personal services. COLEXON did not abide by this recommendation because these agreements were of secondary significance to the Company.
- constituting Supervisory Board committees. COLEXON did not create separate Supervisory Board committees given the Company's size and the fact that the Supervisory Board comprised merely three members until the middle of 2008. On 24 March 2009, however, the Supervisory Board established an Audit Committee, a Nomination Committee and a Strategy Committee. The German Corporate Governance Code recommends considering committee chairmanships and memberships in the remuneration paid to Supervisory Board members. The Company intends to propose a corresponding change to the remuneration of the Supervisory Board to the next Annual General Meeting.
- establishing an age limit for Supervisory Board members in its proposals concerning their election. COLEXON did and does not prescribe age limits for Supervisory Board members. Given the age of its Supervisory Board members, past and present, the Company has seen no need for doing so.
- making interim reports publicly available within 45 days of the end of the relevant reporting period. COLEXON publishes its interim reports within statutory deadlines. The Management Board and the Supervisory Board are of the view that this ensures sufficiently timely information of the public.

Hamburg, Germany, 24 March 2009

The Management Board The Supervisory Board

PERSONNEL OF COLEXON ENERGY AG

Qualified and committed employees are instrumental to the Company's viability in the long term and a basic requirement for its sustained success. The human resources (HR) policies of COLEXON Energy AG thus look to the future. Our extensive education and training opportunities set standards for proactive HR policies based on five pillars:

A climate of appreciation creates trust at COLEXON.

Responsibility: We trust in the ability of our personnel to take on responsibility both for themselves and for the Company. This provides the basis for the holistic responsibility that COLEXON in turn takes on vis-à-vis society at large in order to make an important contribution to a clean future.

Openness: We expect our employees to welcome the ongoing process of change in the solar energy industry with an open mind and to adapt to this dynamic by continuing to evolve as professionals. COLEXON supports its staff in this process, individually and by setting targets.

Fairness: Fair dealings between staff and the Company are key to the achievement of our goals. We must be able to rely on and trust each other if we are to master the daily challenges.

Development: We want our employees to grow with the Company. Individual measures aimed at fostering them through education and training are essential to this end. There is no other way to create optimal conditions for staff development within the Company.

Passion: We reward our employees' passion and commitment in facing major challenges through a broadly graduated development program that is aimed at enhancing both professional and social skills.

ONGOING TRAINING SECURES THE COMPANY'S FUTURE

Our reliability, quality and professionalism justify the trust that our customers place in us. It is important to our mid-size Company therefore that all its employees are highly qualified and closely collaborate with each other.

Personnel development at COLEXON thus is aimed at continuous enhancement of employees' qualifications. The need to adapt staff skills to rapidly changing technical and economic conditions is a central entrepreneurial challenge. Our holistic approach to human resources serves among other things to refine COLEXON Energy AG's personnel development system and integrate new ideas into the tried and true. Continued education and training courses are part of our personnel development package. Rapidly changing technologies, new ways of working efficiently and the need for professional qualifications are reason enough to take the actions appropriate for regularly giving employees the opportunity to expand their capacities and hone their skills.

MODERNIZATION OF THE REMUNERATION SYSTEMS

COLEXON continued to refine its personnel management system in the year just ended. In particular, this entailed introducing a modern remuneration system with variable components in sales.

But goal setting processes intended to link variable salary components to individual goals and qualitative performance are not limited to this area alone. Sharing in the Company's profits is tied to achievement of the relevant goals. This goal setting system is being gradually introduced throughout the Company, enhancing COLEXON's attractiveness as an employer for particularly qualified personnel.

Challenging tasks and targeted professional development enhance employees' competence.

CORPORATE COMMUNICATIONS

External and internal communication are equally important at COLEXON.

TRANSPARENT CORPORATE COMMUNICATIONS

Our corporate communications face a major challenge. The performance of the Company's share does not reflect the actual development of the Company's operating business. Our central goal is thus to close this gap with the help of transparent and proactive corporate communications. We place great store in maintaining open and intensive communications with analysts, investors and small shareholders alike. We also aim to convince the actors in the capital market that COLEXON's development is successful and that its growth is sustainable. The realignment in corporate communications is reflected in the Company's new investor and public relations team, among other things.

Relaunching the Company's website is a milestone in COLEXON's corporate communications. It will be brought online simultaneously with the publication of the 2008 Annual Report. The Company's old website still reflected the growing together of COLEXON Energy AG's subsidiaries. In our view, the relaunch is necessary for presenting the Group as a unit externally and showcasing its forward-looking, international alignment.

INVESTOR RELATIONS

Detailed information concerning the Company's shares, current developments, strategy, as well as financial results, are available at *www.colexon.com* as part of COLEXON's ongoing investor relations activities. The financial calendar includes all finance-related events, such as the Annual General Meeting or analyst conferences in which COLEXON will participate. All data relevant to the financial markets may also be downloaded from the Company's website.

Besides attending national and international investor conferences, the Company regularly organizes road shows for institutional investors in Germany as well as in other European countries. We also intensified our contacts to analysts in recent months. The establishment of the newsletter as a regular communication tool and the relaunch of the website embody this approach.

CONSOLIDATED MANAGEMENT REPORT OF COLEXON ENERGY AG

1. MARKET ENVIRONMENT

1.1 MACROECONOMIC DEVELOPMENTS

The year 2008 saw the end of a period of robust expansion in the global economy. The financial market crisis and a pronounced economic downturn are having an impact worldwide, not only in the economic heavyweights of North America, Western Europe and Asia, but also in Central and Eastern Europe, Russia, Latin America and Australia. Economic researchers are expecting the ongoing crisis and impending recession in the United States to put considerable pressure on both the German and the global economy. The worldwide downswing increasingly picked up speed after mid-2008. Although concrete data on 2008 is not yet available, according to estimates by the International Monetary Fund (IMF) global economic growth stood at 3.8 percent in 2008, falling substantially short of the 5.2 percent recorded in the previous year. Experts are forecasting global production to increase by just 0.5 percent in 2009. This macroeconomic downtrend is reflected in all of COLEXON's core markets.

Germany

The worldwide financial crisis and the onset of the recession also put a major damper on economic growth in Germany compared with the previous year. According to information supplied by the IMF, gross domestic product (GDP) edged up a mere 1.85 percent in 2008, compared with an increase of 2.5 percent in 2007. The higher economic output in the past twelve months is mainly attributable to the strong first quarter. The economy took a substantial hit towards the end of the year.

Spain

While the Spanish economy had consistently recorded above-average growth rates in past years – 3.7 percent in 2007, for example – it, too, decelerated in 2008. The IMF expects this economy to expand by just 1.4 percent, a similar figure to that for Germany.

Czech Republic

The Czech Republic also recorded losses as a result of the economic downturn, even though it still enjoys a relatively high growth rate compared with other European countries. While the Czech economy underwent a growth spurt in the past three years, with economic output rising by over 6 percent each year, the country's economic performance in 2008 was the weakest since 2004. The IMF is forecasting that the Czech economy will have expanded by 4 percent in 2008 as a whole.

France

According to preliminary figures published by the IMF, growth of just 0.8 percent is expected for the whole of 2008, compared with 2.1 percent in 2007. If the downward trend continues, France will consequently follow many other countries such as Germany, the United States and Japan into recession.

Italy

According to figures issued by the Italian Statistical Office Istat, Italy's economic output already slipped 1 percent in 2008. The IMF anticipates a further contraction of 2.1 percent in 2009. The Italian economy is thus already in recession.

United States

The fallout from the subprime crisis, plummeting consumer spending and rising unemployment are applying the brakes to the US economy. The lack of available credit owing to the financial crisis is also checking growth. According to estimates by the IMF, this pushed down economic expansion to 1.6 percent in 2008 as against 2.0 percent the year before.

South Korea

The South Korean economy is also slackening progressively. Economic growth came to just 4.1 percent for 2008 as a whole, the lowest rate in ten years. According to data provided by the IMF's office in Seoul, GDP in the fourth quarter of 2008 was down 3.4 percent on the year-earlier period. There is also a possibility that the economy may shrink in 2009 for the first time in ten years.

China

The Chinese economy was also unable to escape the worldwide slowdown. While the Republic had posted double-digit growth rates for five years, which turned it into the third-largest economy in the world after the United States and Japan, the IMF reported that Chinese output had climbed 9.7 percent in 2008. Compared with the rest of the world, this is still a very respectable increase. The main reason China's economy has lost some of its momentum can be found in the country's heavy dependence on global demand for the products it exports.

1.2 GENERAL CONDITIONS IN THE PHOTOVOLTAIC MARKET

The solar industry is one of the few sectors that invests in times of financial crisis and creates jobs. Also, in the eyes of politicians, rapid development of renewable energies constitutes a gargantuan economic stimulus package. The breathtaking growth of the solar market since 2004 continued unabated in 2008. Estimates by Sarasin Bank put newly installed output at over 4 GW worldwide for 2008, which would be equivalent to growth of as much as 73 percent in global photovoltaic (PV) output. The global market had already expanded by over 50 percent in 2007. The German Solar Industry Association (BSW-Solar) also predicts sustained growth in the industry in 2009 and rising demand in spite of the financial crisis and cutbacks in subsidies. The industry can even be expected to benefit from the capital expenditure on material assets usual in times of crisis.

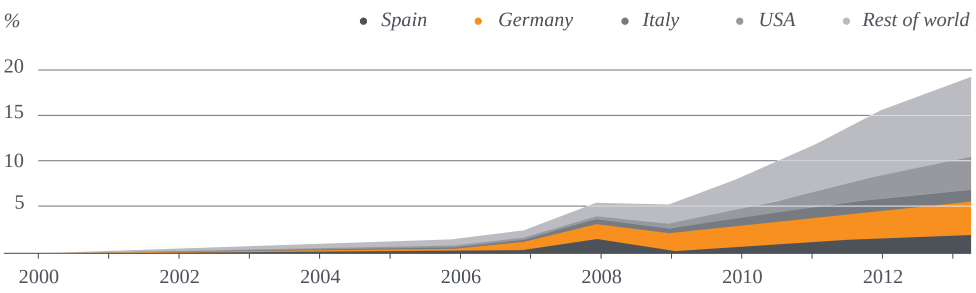
The development programs that are now in place worldwide will undoubtedly have a stabilizing effect in the PV industry in connection with the use of renewable energies. In this context, the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz – EEG) passed in 2004 with widespread approval in the German parliament is considered a successful sponsorship model and already serves as a prototype for legislation in over twenty other countries. Similar models have since been introduced in Spain, Greece, Italy, France and South Korea, for example. These kinds of laws help to prop up the economy in the sector and serve as collateral for the extension of loans in the project business.

Accordingly, the European Parliament, the EU Commission and the European Council will further lend their support to the renewable energy industry in the future: the Renewable Energy Directive of December 2008 provides for a sizeable increase in the use of renewable energy sources from 8.5 percent at present to 20 percent by 2020. Virtually unchecked technological progress and falling production costs provide hope that the solar market will continue its positive trend. The solar industry's broader goal of generating energy at competitive prices – without state support, in fact – seems to be within reach. This would achieve grid parity and the demand would make enormous growth rates possible.

1.3 PHOTOVOLTAIC SALES MARKET

The global photovoltaic market has witnessed rapid growth exceeding 20 percent per year since 2004. Germany is still the market leader, followed by Spain, Japan and the United States. According to estimates by Sarasin Bank, the market will grow at a slower pace in 2009, though it will pick up a lot of speed in the coming years.

Photovoltaic sales market



Source: 2009 Lux Research Inc.

The German sales market

In 2008, Germany was still the world's largest photovoltaic market with an estimated global market share of over 40 percent, followed by Spain, Japan and the United States. According to the German Solar Industry Association, the market in Germany grew by an estimated 36.4 percent in 2008, with newly installed output of around 1.5 GW, up from 1.1 GW in the previous year. Photovoltaics thus contributed 4.3 billion kWh to German power generation.

Driven by strong domestic demand and exports to Spain, Germany generated record revenue in excess of EUR 7 billion, according to estimates by the German Solar Industry Association. Almost half of this stems from the international business alone (according to the German Solar Industry Association, photovoltaic exports currently account for 46 percent). This extremely healthy market development is mainly due to investments being brought forward in the year under review owing to the announced reductions in subsidies in Germany and Spain.

The rapid growth of the PV market has also given rise to substantial job creation. According to the German Solar Industry Association, 48,000 people are currently working in Germany's solar power industry at producers, suppliers and project developers, in wholesale and at technical companies. More and more countries are providing attractive sales markets for solar technology made in Germany. Over the next twelve years, the German Solar Industry Association expects the export ratio for photovoltaics to increase from 46 percent at present to 75 percent. In addition to new markets such as Italy and the Czech Republic, German export-oriented solar companies are increasingly setting their sights on the United States.

The Spanish sales market

Spain, currently the second-largest PV market after Germany, experienced another spurt of construction in 2008. According to estimates by Sarasin Bank, new solar installations with an output of 1 GW were connected to the grid last year – propelled by the imminent reduction of subsidies. This represents a growth rate of over 100 percent.

Sales prospects for 2009 are dwindling significantly, however. At the end of September 2008, the Spanish government enacted the royal decree RD 1578/2008, which provides for a significant reduction in the feed-in tariff as of 2009. Total production volumes to be subsidized were also capped at 450 MW. It will therefore be impossible to sustain the strong growth of the Spanish market at the same rate in 2009. There are fears that the market will contract by over 50 percent compared with 2008.

The French sales market

Solar power installers expect the French program for building-integrated photovoltaics in this segment to be expanded further. Nevertheless, the future of general large-scale facility operation is still uncertain. France, as estimated by the experts from Lux Research Inc. in February 2009, will raise total output from around 44 MW in 2008 to approximately 153 MW in 2009, an increase of almost 348 percent. Experts are also predicting that overall capacity of at least 2 GW will be achieved in France in the next three to four years.

The Czech sales market

In the Czech Republic, particularly attractive funding conditions were created in early 2008 compared with other European countries, which has roughly quadrupled newly installed PV output in this market in the course of the year. When pan-European targets were being set with European heads of state and government in Brussels, the Czech government agreed to double its total output from renewable energies for power generation by 2010.

The Italian sales market

Italy recorded newly installed PV output of 246 MW in 2008. Compared to 70 MW in the previous year, this constitutes a further substantial increase in total output. Lower growth rates are anticipated in 2009 as a consequence of bureaucratic impediments. Nevertheless, further annual growth is forecast at around 75 percent, which is equivalent to newly installed PV output of 430 MW.

The US sales market

The solar industry will sharpen its focus on the United States in 2009 on the strength of this country's considerable potential for development. In October 2008, the most important nationwide measure for providing financial assistance to solar power plants – tax relief in the form of investment tax credits (ITCs) – was extended by eight years. At the same time, the existing monetary cap was removed and utilities were allowed to claim the solar investment tax credits. The election of Barack Obama as US President creates hope that renewable energies will be subsidized to an even greater extent in the future. The US solar market boasted newly installed PV output of an estimated 341 MW in 2008, corresponding to growth of 65 percent over the previous year (207 MW). In its most recent study for 2009, US research institute Lux Research assumes that installed output will increase to 495 MW in 2009.

The South Korean sales market

South Korea has set itself ambitious goals in energy policy matters. With its »green growth strategy«, this country aims to lift the proportion of the national energy supply generated by renewable energies by a factor of more than four over the coming two decades. South Korea already recorded encouraging photovoltaic growth last year and expects this form of energy to become increasingly significant in the future. Overall output from the new photovoltaic systems installed in 2008 has already risen by a factor of seven to 350 MW compared with 2007. Installed solar output is set to grow to 1.3 GW in the next two years.

In its ambitious expansion plans for renewable energies, South Korea is increasingly relying on international cooperation. Particularly in the PV segment, the country intends to remain a boom market and steadily continue the trend facilitated in the previous year by new legal regulations and subsidies. As a solar power location, South Korea offers an attractive feed-in tariff that is on a par with Europe. The use of solar power is subsidized by around EUR 0.48 per kilowatt hour.

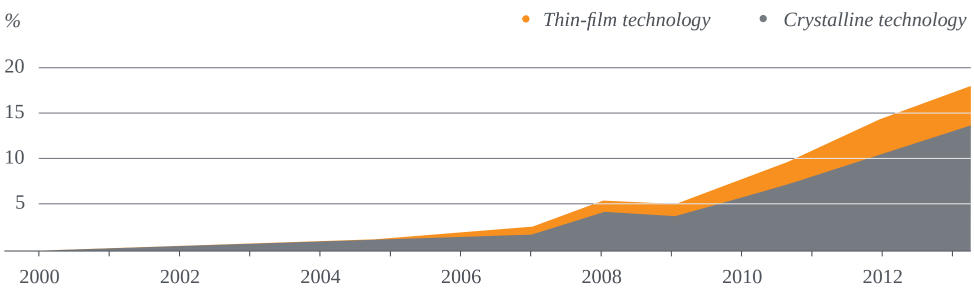
1.4 PHOTOVOLTAIC PROCUREMENT MARKET

In the area of photovoltaics, a distinction is usually made between crystalline technology and thin-film technology. Crystalline modules are produced from wafer-thin disks sliced off silicon crystals. This technology is relatively expensive to produce though it is currently more efficient than thin-film modules. In thin-film modules, highly pure semi-conducting materials are vapor-coated onto a carrying medium and provided with contacts. It takes much less energy and fewer raw materials to manufacture thin-film modules, which makes them more environmentally friendly and cheaper to produce than crystalline modules.

Due to their considerable efficiency, crystalline modules are particularly suitable for installations at locations with limited available space. Thin-film technology, on the other hand, is more suited to large areas as it requires more space to produce the same output, though production is more cost-effective on the whole. Thin-film technology also performs better in diffused light or at higher temperatures.

The two technologies used to produce PV modules are experiencing highly disparate trends. While traditional crystalline technology clearly dominates the photovoltaic market with a market share of around 80 percent, the more innovative thin-film technology is gaining ground. Its market share is rising rapidly, climbing from 5.8 percent in 2005 to 8 percent in 2006 and reaching a substantial 14 percent in 2007. In the year under review, this technology was used to produce nearly 20 percent of photovoltaic modules worldwide. Experts are predicting that its market share will increase further on account of the fact that additional efficiency potential is being tapped in the production process, the efficiency of existing thin-film technologies is continually growing and new technological approaches are being developed.

Photovoltaic procurement market



Source: 2009 Lux Research Inc.

The crystalline procurement market

Solar modules remained expensive and in short supply during the first nine months of 2008, a trend which tailed off toward the end of the year. A supply surplus of crystalline modules is anticipated for the first quarter of 2009, which will push prices down substantially. Module manufacturers’ ambitious expansion plans brought about a threefold increase in production capacity worldwide in the past three years. Forecasts predict that German module producers alone will again double their production output to 2.5 GW by 2010. In fall 2008, after months in which there was a shortage of modules, wholesalers’ inventories began to increase once more, including modules produced in Germany in addition to mass goods from Asia. Exacerbated by the financial crisis, there is currently a lack of new boom markets to swallow the surplus production of crystalline modules. Germany, with its guaranteed feed-in tariff, still has the best prospects.

The thin-film procurement market

A quite different picture can be seen on the procurement market for thin-film modules. While purchase prices for thin-film modules have fallen to the extent projected, the availability of thin-film modules still trails far behind demand. Industry observers are predicting an upsurge in thin-film technology. The Prometheus Institute expects the production of thin-film modules to increase to around 4 GW in 2010 and 9.6 GW in 2012. This would mean that the sales volume would double each year on average. Its still low efficiency of between 7 and 11 percent is expected to be compensated by lower costs and a steeper learning curve.

2. STRATEGY, ORGANIZATION AND MANAGEMENT

2.1 STRATEGIC POSITIONING

COLEXON is a leading project developer of large-scale photovoltaic systems. As part of its long-term, forward-looking corporate development, COLEXON is also seeking to establish itself on the market as an independent provider of solar power (IPP). The Company's paramount goal is to offer solar energy at competitive prices. COLEXON is pursuing a strategy of purposeful and risk-optimized growth in this and related areas in which value can be created, focusing squarely on thin-film technology in each case.

The value chain in the photovoltaic market can be roughly divided into four areas: manufacturers of solar components, specialized wholesale, project development and PV system operation.

COLEXON has successfully positioned itself in the project development area with large-scale photovoltaic installations and rooftop systems. Focusing on large-scale, high-yield solar power plants, COLEXON is a professional partner to a multitude of institutional investors, fund management companies and owners of large roof portfolios and roof areas. COLEXON now draws on a wealth of experience gained from over 1,300 solar power installations worldwide – most of them on rooftops – and is therefore able to install photovoltaic systems on virtually any type of roof. The Company also has technical expertise in ground-mounted systems and building-integrated photovoltaics (BIPV).

COLEXON's position in the photovoltaic industry's value chain

Furthermore, COLEXON has established itself on the international market in the specialized wholesale segment with modules and components as well as complete systems. Its wholesale activities ensure ongoing and constant placement of orders with manufacturers, thereby affording the Company a higher degree of planning reliability by compensating revenue fluctuations from the project business.

Strategic positioning in the sales markets

Similar to previous years, COLEXON's core sales market in 2008 was Germany. As the largest photovoltaic market worldwide, Germany will also remain the Company's most important sales market in the medium and long term. Here, thanks to its specialization in profitable large-scale thin-film installations, COLEXON will continue to provide its investors with attractive yields that can be calculated on a long-term basis. Given the strong momentum in the solar industry and the ever-changing general conditions, COLEXON is expanding in a controlled manner and with minimized risk exposure into international growth markets as well.

In 2008, COLEXON benefited from the upswing on the Spanish PV market. In spite of the bleaker economic outlook for 2009, COLEXON Iberia will be able to continue its positive development. On the basis of its lean structures and close ties to local subcontractors, this foreign branch is in a position to offer investors projects at attractive conditions in spite of the strained situation on the markets.

COLEXON is developing other interesting European sales markets with its establishment of new foreign branches in France and the Czech Republic, part of which was carried out in the fourth quarter of 2008 and part of which is still in the final stages of completion. The Company is also well positioned to cope with upcoming developments in the market through its market entry activities in Italy.

COLEXON has taken account of the enormous potential for development that the US solar industry offers by opening a subsidiary in Tempe, Arizona, in the first quarter of the year under review. During 2008, COLEXON Corp. built up an extensive network of partners, thus creating strong structures for the successful, efficient implementation of PV projects in 2009.

In the South Korean PV market, COLEXON achieved two records in 2008. In Seoul, it installed the largest connected building-integrated photovoltaic (BIPV) system in the country with a total output of 607.5 kWp together with local partners. The Company also connected First Solar's first installation in South Korea to the grid.

Strategic positioning in the procurement markets

From the outset, COLEXON positioned itself anticyclically with a clear focus on innovative thin-film technology and, in contrast to the majority of its competitors, did not enter into any long-term supply contracts for crystalline modules. This enables COLEXON to react flexibly to the sharp price fluctuations in the crystalline market. The rapid decline in purchase prices for crystalline modules at the moment is therefore generating a positive effect for the Company.

Developments in the market show that by concentrating on thin-film modules COLEXON is pursuing a successful, future-oriented purchasing policy. COLEXON has taken a forward-looking position with strategic partners such as the thin-film manufacturer and global market leader First Solar and is one of the big winners of this technology's encouraging trend. Thin-film modules currently account for over 85 percent of COLEXON's revenue.

2.2 BUSINESS MODEL

The successful growth of the COLEXON Group in 2008 is based on two divisions, Project Development and Specialized Wholesale.

Project Development division

As a manufacturer-independent system provider, COLEXON plans and constructs turnkey solar energy facilities, selling them to institutional, commercial and private investors. Most of these are large-scale installations with outputs generally exceeding 100 kWp. Many projects, especially those for institutional investors, have an output of several MWp. For institutional investors, COLEXON takes charge of the entire project implementation including the acquisition of suitable locations. For owners of roof areas, it installs solar power systems as turnkey facilities on the roof. In this context, the Company offers the following services depending on the arrangement with the customer in question:

1. Preliminary work on PV projects for institutional investors:
   - Identification of suitable locations for solar power facilities (roofs / open space)
   - Marketing of the locations to investors
   - Brokering the necessary agreements between the owners of the areas and investors (leases or land use contracts)

2. Examination of the structural and contractual requirements:
   - Evaluation of the project's profitability as well as the technical suitability of the areas for PV installation
   - Compliance with the requirements for official approval for the construction and operation of the facilities on the relevant areas
   - Organization of the structural test of roof areas
   - Arrangement of the preparation of expert reports on output

3. Planning, design and turnkey installation of the solar power plant:
   - Planning of the system's technical design in line with the requirements of the individual location
   - Site management and commissioning of third parties to install the plant, including Quality assurance
   - Delivery and turnkey installation of the plant
   - Arrangement of the connection to the grid
   - Technical and legal acceptance of the completed installation

4. Plant monitoring, servicing and maintenance:

   Once the plant is in operation, COLEXON offers to take over its technical management for a fee. This involves monitoring as well as servicing and maintenance. Monitoring means supervising the plant's power output around the clock so as to be able to react quickly in the event of aberrations and immediately resolve any problems that arise. The supervision of the plant is carried out completely online and can also be performed by the customer over the Internet at any time.

Specialized Wholesale division

COLEXON's specialized wholesale operations include the provision of modules and components for photovoltaic systems as well as made-to-measure one-stop solutions. COLEXON gives its customers detailed advice when purchasing these PV components as well as professional help with their individual questions. Customers of the Wholesale division include resellers, installers and specialized solar power businesses. Aside from its work as a system provider and project developer, COLEXON focuses on the important area of wholesale. Its wholesale activities ensure ongoing and constant placement of orders with manufacturers, thereby affording the Company a higher degree of planning reliability by compensating revenue fluctuations from the project business. The Company also uses wholesale as a tool for developing new markets. Foreign contractors gained as customers through wholesale are often later hired as subcontractors for the construction of projects abroad. COLEXON establishes long-term partnerships in this way.

Expanded business model of the COLEXON Group

Further development of the business model – the PV System Operation division

Sustainable corporate success requires a forward-looking, strategic focus and ongoing development of the business model. With this end in mind, the Management Board decided to add stability and momentum to the Company's development by creating a third mainstay.

In addition to its Project Development and Specialized Wholesale divisions, COLEXON is planning to create a new division in the future based on its own PV system operation. The Company regards this expansion of the value chain as a vital step in its development, a move that will enhance its profitability and provide it with further opportunities for growth. The Company generates a continuous cash flow from the operation of solar power plants. The fee guaranteed by the state for power fed into the grid can be predicted in the long term, enabling the Company to compensate for revenue fluctuations from the project business.

At the end of the 2008 financial year, COLEXON announced the plan to enter into a merger with Renewagy A/S, the Danish plant operator and the Company's major shareholder. The Company is currently reviewing the best possible way to combine the two companies and is exploring whether combinations other than a merger could be suitable. COLEXON hopes that the transaction will accelerate its development into a plant operator and thus an independent power provider.

The Danish company Renewagy A / S is a leading operator of solar power plants and wind parks. The solar power plants run by Renewagy worldwide have an aggregate output of over 50 MWp. Renewagy is a major shareholder of COLEXON Energy AG with an interest of 19.43 percent and has already been a partner of the Company for some time. Renewagy is listed on Nasdaq OMX Copenhagen and operates from its headquarters in Virum, Denmark.

COLEXON's Management Board believes that the two companies' business models ideally complement one another: while COLEXON is one of the leaders in the planning and development of solar power plants, Renewagy has mainly specialized in their operation. The business combination will enable COLEXON to cover more parts of the value chain in the solar market and become less dependent on developments in individual segments of the market. The combination of COLEXON's powerful partners on the supply side (e. g. First Solar) with Renewagy's established sales network consolidates key competitive strengths of both companies. The same is true for the many years of experience and the proven expertise gained in planning, implementing and operating solar power plants in Europe, the United States and Asia. The size of the new company would also give it greater leverage for negotiating with banks and suppliers. The transaction will thus supplement the existing business perfectly. COLEXON's core business to date, project development for solar power plants, will also remain a focal point of business activities in the future.

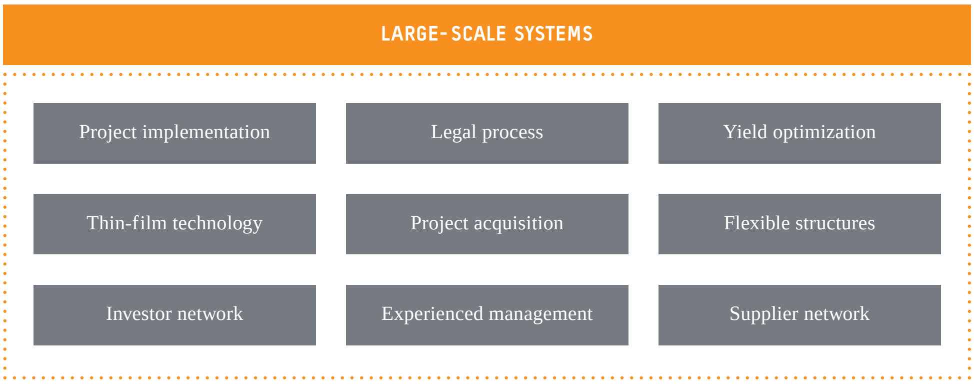
COLEXON expects this deal to give it an advantage of two to three years in pursuing its goal of becoming an independent solar power producer. The combination of both companies' divisions will allow potential synergies to be realized with which the Company can meet the challenges the market presents even more effectively. COLEXON and Renewagy will therefore be trendsetters in the market's consolidation process and create a strong launch pad for accelerated growth.

The closing of the deal is subject to the approval of the shareholders. The Management Boards of the two companies are convinced that consolidating their activities is in the best interests of both the companies and the shareholders. The transaction will create an even stronger player in the photovoltaics market.

2.3 CORE EXPERTISE AND COMPETITIVE STRENGTHS

The successful development of the COLEXON Group is based on a clear focus on the Company's core expertise and competitive strengths. The Company's main strengths from its own perspective are presented below:

Core expertise of the COLEXON Group



Thin-film technology growth market

As an established expert in the field of thin-film technology, COLEXON is in a good position to benefit directly from this technology's forecast growth. Experts anticipate production to be expanded to around 1 GW in 2008 and 5.6 GW in 2012. This would correspond to an average annual growth rate of 65 percent. COLEXON, one of the leading market players in thin-film technology, is able to address the growing demand with its services portfolio and thus proactively help to shape the growth of the Company and the market.

Experienced, professional management

COLEXON has an experienced, professional management team. All decision-makers at Management Board and management level have longstanding experience in their chosen careers and in the industry, with a whole range of different contacts to customers and decision-makers. Based on its management's expertise and high degree of commitment, COLEXON can create and expand new divisions such as PV system operation. COLEXON's employees also distinguish themselves through their outstanding knowledge of processes and production methods.

Efficient, flexible structures

In the project development services it offers, COLEXON focuses primarily on planning and engineering services, while standardizable services such as the assembly are outsourced to established partners. COLEXON is the project manager and coordinates the services to be provided for the customers, and also serves as the central contact in the interest of a full-service approach. COLEXON's flexible structures enable it to leverage its expertise and synergy effects from the different divisions and to efficiently pass this on to other sections of the Company. In this way, new technical, economic and regulatory developments are recognized early on and turned into a benefit for the Company.

Project acquisition

Germany has over 800 km² of roofing that is suitable for solar power installations. In addition to this, there are large areas that cannot be used for agriculture or forestry such as abandoned landfills or industrial wasteland. COLEXON has set up an efficient sales network for the acquisition of PV project locations. The Company concentrates on the marketing of roof areas because rooftop projects are generally the most attractive investments on account of the higher feed-in tariff for investors. COLEXON has concluded leases for particularly high-output roof areas with well-known corporations such as the PHW group, which owns Germany's leading poultry brand, Wiesenhof. Securing locations for open ground projects is another key aspect of project acquisition. Thanks to its extensive portfolio, COLEXON is able to offer all investors the right location for them.

Legal process

COLEXON is very familiar with the requirements of financing banks regarding the legal side of the project process in the construction of solar power installations. These include leases, purchase agreements and maintenance agreements drawn up in conjunction with banks and investors, as well as approved processes for rapid legal and technical acceptance. COLEXON's expertise and experience thus enables it to make a decisive contribution to the orderly payment of the chosen financing.

Optimization of output

COLEXON considers itself a professional partner to commercial and institutional investors for solar power plants worldwide with optimized output. Optimizing output for the customer is a top priority. Innovative technologies are as important to that process as is a consistent focus on efficiency and profitability, utilizing the potentials of the relevant site.

Supplier network

As a partner to well-known producers of modules, such as thin-film module manufacturer First Solar, we are able to offer what is currently the most innovative technology in the photovoltaic sector. Experts assume that the market share of thin-film technology will increase to around 23 percent by 2012 and that this technology will become steadily more efficient and therefore more economical. We can guarantee our investors maximum planning reliability through guaranteed delivery volumes.

Project implementation

COLEXON has sound technical knowledge and many years of experience in the planning and design of large-scale photovoltaic systems. Last year in particular, the Company significantly added to this expertise in all relevant areas of the Company (project development, procurement, logistics, sales, marketing, controlling).

Investor network

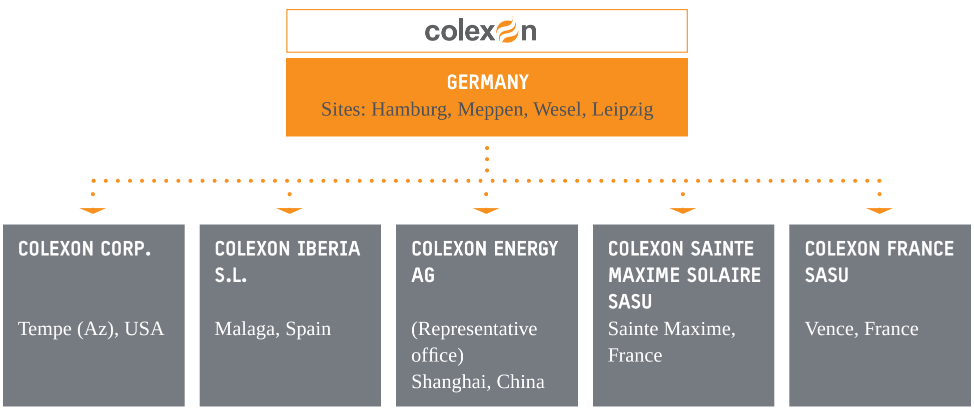
On request, COLEXON prepares an individual project portfolio tailored to the needs of each individual investor supported by a feasibility study. COLEXON's investor network spans all key photovoltaic growth markets. COLEXON maintains partnership-based, trusting relationships with its investors.

2.4 STRUCTURE AND MANAGEMENT

Group structure

COLEXON Energy AG is an internationally positioned group with headquarters in Hamburg. The functions of Group management, administration and the coordination of the national and international project business are performed at this location. In Germany, the Company was represented at its Meppen, Wesel and Leipzig sites until 31 December 2008. COLEXON's international operations are conducted by subsidiaries in France, Spain and the United States, as well as a representative office in the People's Republic of China. The US subsidiary was founded on 2 January 2008, while the French subsidiary was established on 19 December 2008.

Structure of the COLEXON Group as of 31 December 2008



Changes in the Group structure

The structures of the COLEXON Group must be tailored to the general conditions prevailing in the photovoltaic sector. Only by doing this can the Company effectively take on the challenges posed by the market and keep the Group on its strategic course. The key to successfully adapting to changes in the market, e.g. increasing efficiency by centralizing or localizing corporate processes, lies in gradual, balanced action. One example of this is the »Change COLEXON 2012« strategy concept whose structural measures are already being implemented and pushed systematically at all levels of management.

As part of this strategy concept, the Meppen site's project business was successively moved to Hamburg and Wesel during the reporting period with the aim of giving a further boost to the Company's efficiency. The integration of the new structures was completed on 31 January 2009. In addition, COLEXON systematically pursued its international expansion strategy and established subsidiaries in attractive growth markets. The operating company Sainte Maxime Solaire was founded in France in December 2008. In the Czech Republic, the Company is currently in the process of registering COLEXON Energy s. r. o., in which the Company will hold an 80 percent interest.

Group management

The Management Board has introduced an internal management system that includes Group-wide planning, managing and reporting processes in order to safeguard the Company's strategic goals. Actual and target forecasts for the Projects and Specialized Wholesale divisions are a material part of this system. The forecasts cover a period of five years and are continuously updated in keeping with the general conditions on the market.

In addition to the corporate strategy communicated, earnings before interest and taxes (EBIT), the safeguarding of the operating cash flow, and revenue were the key performance indicators for the Company's growth. COLEXON measures the performance of its divisions using EBIT or EBITDA, though the profits generated in the Wholesale segment are primarily used to compensate for revenue fluctuations from the project business.

In addition to its financial performance indicators, COLEXON relies on »soft factors« to ensure the Company's sustainable, future-oriented development. These non-financial performance indicators include, in particular, personnel development, a customer-oriented policy and outsourcing efficiency.

Personnel development

Employees' dedication, expertise and motivation provide a vital platform for COLEXON's successful development. COLEXON therefore attaches considerable importance to a well-developed team spirit and a pleasant working atmosphere. Executives discuss professional and personal development with their employees within the framework of performance reviews at which the employees' strengths and areas needing development are defined and measures agreed. This shows that COLEXON cares about providing its staff with individually relevant, realistic career prospects in the Company.

Customer-oriented policy

All of COLEXON's activities center on its customers. COLEXON's customer-oriented policy and customer service are monitored on the basis of ongoing dialog with clients and adapted to their individual needs. The main focus is placed on the quality of advice, with top priority being given to personal and professional guidance and care of the customers. In this context, the Company gives its sales team ample assistance so that it can make a decisive contribution to customer- and service-oriented support. The customer-oriented focus is also reflected in the after sales and service area, e. g. in the wide variety of additional services offered.

Outsourcing efficiency

In order to be able to continue its positive development in an environment experiencing stiffer competition, COLEXON focuses on its own core expertise, systematically outsourcing services that could inhibit the Company's growth. In this connection, the Company has implemented a selective outsourcing model for the construction of solar power plants, drawing on the know-how of subcontractors for installation work. COLEXON takes charge of project and construction management even during assembly so as to consistently guarantee the high quality standards to which the Company has committed itself. This concept has enabled COLEXON to drive up the Group's efficiency and profitability.

3. BUSINESS PERFORMANCE IN 2008

The year just ended was the most successful in COLEXON's history. The Company ended the year with significant revenue and EBIT gains. Revenue was up 67 percent year-on-year to EUR 143 million. The improvement in earnings before interest and taxes (EBIT) was even more marked, from EUR 216 thousand in 2007 to EUR 12.15 million in the year under review. COLEXON has thus established itself in the market and now has a firm footing despite the mounting recessionary risks worldwide. The Company's share price performance did not mirror its operating performance. Under the general pressure, COLEXON shares lost considerable ground on the capital markets in the course of 2008.

PV systems with a total output of around 24 MW were implemented within the scope of project development. Among the projects implemented by COLEXON are two particularly noteworthy ones that underline the Company's market positioning as a leading PV system integrator.

- At the end of 2008, COLEXON beat the record for the largest rooftop solar power installation from First Solar thin-film technology for the third time in succession, using this technology to connect output of 4.64 MWp to the grid in Hassleben, Brandenburg.
- In South Korea, COLEXON implemented the largest building-integrated photovoltaic project (BIPV) in the country with total output of 0.68 MWp.

The Company also ramped up its business volume in the wholesale business. Overall, modules with total output of approximately 32 MW were sold.

The global financial crisis left the solar industry relatively unscathed in 2008, though this sector was still affected by the large-scale uncertainty on the capital markets. This was particularly apparent in the reluctance of banks to provide funding for projects. However, thanks to the relationships of trust that COLEXON has built up with its financing banks, the Company secured bridging finance in these difficult times for its major ventures such as the 1.9 MW Michelin project and the 3.0 MW Waldeck project, whose aggregate volume tops EUR 18 million.

Over the year it could also be observed that as the crisis worsened, investors increasingly turned to PV systems, which provide a comparatively assured return. COLEXON identified the opportunities afforded by this trend early on and will continue to leverage them in the future. The Company further expanded its network of investors and partners in 2008, which means that COLEXON's order books have already been filled for 2009. In the last quarter of 2008, when the financial crisis was already in full swing, COLEXON succeeded in acquiring two key strategic partners: tnp Mitteldeutsche Fonds Beteiligungs GmbH as an investor for PV power plants and PHW group (Wiesenhof brand), from which the Company secured what is currently the largest continuous roof portfolio in Germany.

COLEXON's focus on the innovative, efficient thin-film modules produced by market leader First Solar proved to be a beneficial approach under these market conditions. COLEXON was able to increase the acceptance volume in the year under review for the coming years in the double-digit MW range and received further country approval for South Korea, France and Italy. First Solar is therefore pivotal in the Company's internationalization strategy.

Important milestones for strengthening and optimizing the Group's structures were also implemented in 2008. By centralizing project planning and consolidating the geographically near sites of Meppen and Wesel, the Company became much more efficient and ensured higher-quality work. The expansion of the Legal Process division – which involved at the same time integrating and thereby intensifying the ties with the sales department at corporate headquarters in Hamburg – substantially reduced the risks inherent in the legal acceptance of projects.

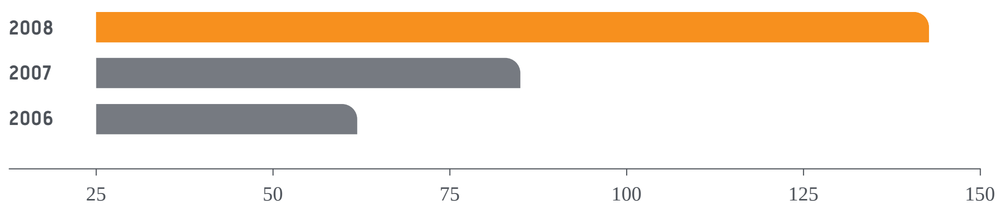
Another key component of the strategy concept is the Company's controlled international expansion into new growth markets. The following companies were established: COLEXON Corp., USA (January 2008), Sainte Maxime Solaire, France (December 2008) and COLEXON France (December 2008). In the Czech Republic, the subsidiary COLEXON Energy s. r. o. was in the process of registration at the end of 2008.

4. ASSETS, LIABILITIES, CASH FLOWS AND PROFIT OR LOSS

4.1 PROFIT OR LOSS

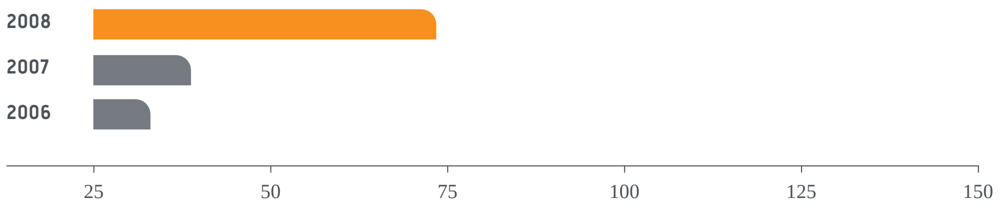
The sales revenue generated by the COLEXON Group in the period from 1 January to 31 December 2008 increased by EUR 57,385 thousand year on year, or 67.2 percent, to EUR 142,755 thousand. At approximately 56 MWp, the Company outstripped the 2007 sales volume of approximately 21 MWp.

Consolidated revenue in EUR million



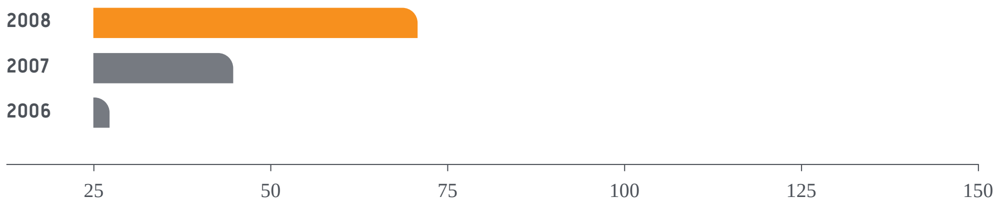
In the Projects segment, sales revenue totaled EUR 72,726 thousand for the 2008 financial year, an increase of EUR 32,789 thousand or 82.1 percent on the previous year. When implementing projects, the installation of thin-film capacities takes priority throughout the Group.

Consolidated revenue, Projects segment in EUR million



In the Wholesale segment, sales of modules and components totaled EUR 70,029 thousand in the 2008 financial year, up EUR 24,748 thousand or 54.7 percent year-on-year.

Consolidated revenue, Wholesale segment in EUR million



International sales came in at EUR 6,219 thousand (previous year: EUR 6,098 thousand), thus accounting for just under 4.4 percent (previous year: 7.1 percent) of the Group's total sales. Apart from sales from project development activities in South Korea, international revenue was generated from transactions in the United States and Spain.

In financial year 2008, gross profit – which is made up of sales revenue and other operating income less changes in inventories and expenditures for goods and services – was lifted to EUR 28,018 thousand (previous year: EUR 12,912 thousand). At 19.6 percent (previous year: 15.1 percent), the gross profit margin as a percentage of sales improved substantially compared with the previous year.

The Group's employee expenses ratio (employee expenses divided by sales revenue) fell to 3.7 percent in 2008 (previous year: 5.1 percent) due to the sharp rise in the business volume. Further synergy effects were leveraged by merging the Meppen and Wesel sites. Amounting to 80 at the balance sheet date compared with 78 in the previous year, the average headcount made a positive contribution to the above-average improvement in revenue. The increase of EUR 1,004 thousand to EUR 5,330 thousand in 2008 can be attributed to the nonrecurring effect for the retirement of the former CFO as well as the addition of experienced executives to management level.

Depreciation and amortization in the Group relates to amortization of intangible assets and depreciation of property, plant and equipment amounting to EUR 286 thousand (previous year: EUR 244 thousand).

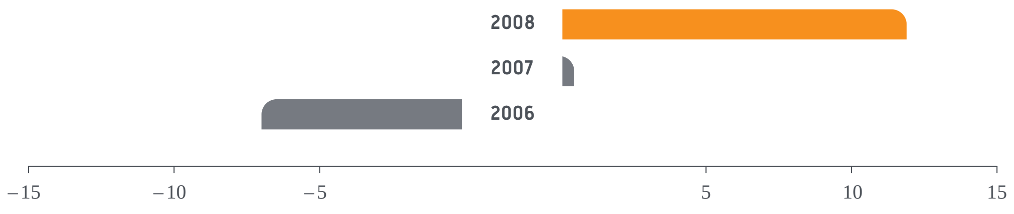
Other operating expenses in the financial year rose by EUR 2,127 thousand from EUR 8,126 thousand to EUR 10,253 thousand. The ratio of other operating expenses to revenue decreased substantially from 9.5 percent to 7.2 percent.

EBIT in the financial year just ended was boosted to EUR 12,149 thousand (previous year: EUR 216 thousand).

The loss from investments and the financial result in the financial year increased from EUR 769 thousand to EUR 1,316 thousand. This corresponds to an increase of 71.2 percent, attributable to the higher funding needed to expand the project business. The ratio of interest expense to sales revenue thus rose slightly from 1.2 percent to 1.3 percent.

The Group therefore recorded net profit of EUR 7,239 thousand for financial year 2008, following a loss of EUR 671 thousand the year before. This improvement was mainly driven by the substantial increase in the business volume coupled with a higher gross profit margin. The major expense items, other operating expenses and staff costs, also rose at a lower-than-average level.

Consolidated EBIT in EUR million



4.2 ASSETS, LIABILITIES AND CASH FLOWS

Non-current assets

Non-current assets fell by EUR 1,972 thousand to EUR 22,571 thousand.

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
Projects	3,866	3,866
Wholesale	11,227	11,227
Goodwill	**15,093**	**15,093**

Current assets

By contrast, current assets almost doubled, rising by EUR 24,933 thousand from EUR 31,019 thousand to EUR 55,952 thousand. This increase is attributable in particular to the higher inventories, trade receivables and an increase in other current assets. At EUR 18,431 thousand (31 December 2007: EUR 7,844 thousand), inventories mainly result from goods in transit for modules. Trade receivables rose to EUR 22,048 thousand (31 December 2007: EUR 2,423 thousand), due for the most part to the completion and billing of the Waldeck portfolio. Future receivables from construction contracts fell by EUR 3,892 thousand to EUR 6,493 thousand. Cash and cash equivalents decreased to EUR 2,607 thousand as of 31 December 2008 (31 December 2007: EUR 4,736 thousand).

Non-current liabilities

Non-current liabilities declined by EUR 9,330 thousand to EUR 865 thousand on account of reclassifying the convertible bond to current liabilities.

Current liabilities

Current liabilities rose by EUR 25,241 thousand from EUR 13,191 thousand to EUR 38,432 thousand. In addition to the reclassification of the convertible bond, this increase primarily results from the increase in other provisions of EUR 1,617 thousand to EUR 4,034 thousand, the increase in advances received of EUR 4,200 thousand to EUR 5,647 thousand, and the increase in trade payables of EUR 5,046 thousand to EUR 8,853 thousand. Other liabilities rose by EUR 6,291 thousand to EUR 8,251 thousand on account of VAT liabilities for solar power plants that were completed on time at year end and were finally settled. Current financial liabilities to banks were reduced by EUR 3,298 thousand to EUR 236 thousand. Working capital (= inventories incl. advances paid + trade receivables + receivables from affiliated companies – trade liabilities – liabilities to affiliated companies – advances received) thus rose by EUR 17,066 thousand to EUR 33,777 thousand compared with the previous year.

The liabilities from the convertible bond are due on 8 May 2009. The bond is not expected to be converted into shares for the time being. Meetings have already been held with different banks to discuss the refinancing of the convertible bond so that the upper limit of assessment is spread among all parties involved through a consortium.

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
Trade receivables	22,048	2,423
Future receivables from construction contracts	6,493	10,385
Receivables (total)	**28,542**	**12,808**

Cash flow statement

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

Project financing, lines of guarantee and current account credit lines amounting to EUR 32,863 thousand are available to finance the Company's growth. Of this figure, EUR 18,569 thousand had been drawn down at the balance sheet date exclusively for guarantees. EUR 26,000 thousand is subject to a time limit and will be restructured with the Company's principal banks in the first half of 2009 as a result of COLEXON's positive development so that sufficient quantities of cash and cash equivalents are available for further growth. Meetings to discuss this have already been instigated.

As of 31 December 2008, cash flows from operating activities amounted to EUR 1,508 thousand (previous year: EUR – 12,496 thousand). The positive cash flow is based on the net profit for the year and the increase in advances received, offset by higher trade receivables. This is attributable to the final settlement of the Waldeck portfolio.

Cash flows from investing activities of EUR – 339 thousand were close to the prior-year figure of EUR – 367 thousand.

Cash flows from financing activities declined to EUR – 3,298 thousand (previous year: EUR 3,309 thousand).

5. OTHER DISCLOSURES

5.1 REPORT PURSUANT TO SECTIONS 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE

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

Composition of the subscribed capital

The Company's subscribed capital amounts to EUR 5,115 thousand. It is divided into 5,115,000 no-par value ordinary bearer shares (no-par value shares). The rights and obligations associated with these ordinary shares are derived in particular from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act. As the Company has issued only one class of shares, no particular voting disadvantages or limitations arise for individual shareholders.

Direct or indirect interest in the share capital

The only company with a direct or indirect interest in the share capital exceeding 10 percent of voting rights is Renewagy A / S, Virum, Denmark, which holds 26.13 percent of the Company's share capital. Renewagy A / S notified the Company on 28 November 2008 in accordance with Section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that it had increased its voting share to 26.13 percent. Renewagy A / S stated that 6.70 percent of this figure were attributable to it in accordance with Section 22 (1) sentence 1 no. 6 of the German Securities Trading Act. Renewagy was allocated voting rights from the following shareholder whose voting share in COLEXON amounted to 3 percent or more: Thorsten Preugschas, 3.37 percent. As far as the Company is aware, there are no other direct or indirect interests in the share capital exceeding 10 percent of the voting rights. The shareholders known to the Company on the basis of notifications pursuant to Sections 21 et seq. of the German Securities Trading Act each have voting shares of less than 10 percent of the total voting rights.

Appointment and dismissal of Management Board members

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

Capital increase

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

Disclosures on options for excluding subscription rights

Creating authorized capital will enable the Company to react quickly and flexibly to growth opportunities and opportunities on the capital market. In 2007, two capital increases totaling EUR 465 thousand were implemented against cash contributions with partial use of authorized capital. The remaining authorized capital amounts to EUR 1,860 thousand.

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

In accordance with Article 4 (7) of the Articles of Association, the Company's share capital is contingently increased by up to EUR 1,550 thousand to service conversion rights from convertible bonds and bonds with warrants issued on the basis of the above-mentioned authorization, through the issue of a maximum of 1,550,000 new no-par value bearer shares (contingent capital).

On 18 April 2006, the Management Board resolved, subject to the approval of the Supervisory Board, to issue a 3.5 percent convertible bond with a total face value of up to EUR 15,500 thousand (divided into a maximum of 1,550 thousand bearer bonds with a face value of EUR 10 each).

The bond issue comprised 474,886 bonds, each costing EUR 21.90. This generated cash of EUR 10.4 million for the Company. The convertible bond has a three-year term (8 May 2006 to 8 May 2009) and interest of 3.5 percent is paid from the subscription price. Based on the bond's nominal value of EUR 10.00, the interest rate is 7.67 percent.

The bondholders have a conversion right that can be exercised between 1 January 2007 and 8 May 2009. Each bond can be converted into one new share of the Company. If the conversion right is not exercised, the convertible bond must be repaid on 8 May 2009 at the issue price.

Purchase of treasury shares

The Management Board is further authorized, in accordance with the resolution passed at the Annual General Meeting on 24 May 2007, to purchase shares of the Company between 25 May 2007 and midnight on 23 November 2008 in the amount of up to 10 percent of the share capital existing at the time of the resolution. At no point in time may the shares acquired on the basis of this authorization together with other shares of the Company already acquired and still held by the Company exceed 10 percent of the share capital existing in each case. The Company may exercise this authorization in whole or in part, on one or several occasions. The authorization to purchase and use treasury shares enables the Company to offer treasury shares in particular to institutional or other investors, to offer shares of the Company for sale and / or to extend the Company's group of shareholders, and to issue the purchased treasury shares as consideration for the acquisition of companies, equity interests in such companies or within the framework of business combinations. These rules are common to comparable listed companies and do not serve to impede any takeover bids that may be made.

Amendments to the Articles of Association

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

5.2 REMUNERATION REPORT

This remuneration report explains the basis for stipulating the remuneration of the Management Board and the Supervisory Board of COLEXON as well as the amount of income received by the individual Board members. The remuneration report conforms to the recommendations of the German Corporate Governance Code.

Remuneration of the Management Board in the 2008 financial year

The remuneration of the Management Board is determined by the Supervisory Board. The remuneration of the members of the Management Board is based on the size of the Company, its economic situation and the amount and structure of management board remuneration at comparable companies. The tasks and the contribution of each member of the Management Board are also taken into account. The individual remuneration of the Management Board is made up of the following key components:

- A fixed annual base salary, of which part is paid on a monthly basis after deducting statutory taxes.
- An annual bonus in the form of a variable, performance-related component. In 2008, the annual bonus was tied to the achievement of the revenue and earnings targets for the 2008 financial year pursuant to the corporate planning approved by the Management Board and the Supervisory Board. This ensures that a bonus is only earned in the event of a positive business result. The annual bonus is paid after the end of the financial year and following the approval of the consolidated financial statements by the Supervisory Board.

The members of the Management Board received the following remuneration (gross, not including statutory deductions) in the 2008 financial year:

	HENRIK CHRISTIANSEN EUR '000	THORSTEN PREUGSCHAS EUR '000	DR. VOLKER WINGEFELD EUR '000	TOTAL EUR '000
Fixed remuneration (incl. benefits in kind)	42	294	245	581
Royalty entitlement for 2008	44	200	0	244
Termination benefit entitlement	0	0	425	425
Total	**86**	**494**	**670**	**1,250**

The members of the Management Board did not receive any additional fringe benefits apart from the stated remuneration components.

The Company purchases group financial loss liability insurance for officers of the Group. The policy covers personal liability risk in the event that claims are asserted against officers when discharging their duties. A deductible has not been agreed.

Remuneration of the Supervisory Board in the 2008 financial year

In accordance with the Company's Articles of Association, the members of the Supervisory Board received remuneration totaling EUR 109 thousand (previous year: EUR 45 thousand). Supervisory Board members receive fixed and variable remuneration for each full financial year. The Chairman receives EUR 30 thousand, the Deputy Chairman EUR 22.5 thousand, and regular members receive EUR 15 thousand in fixed remuneration. These amounts are payable after the end of the financial year. The variable component of the annual remuneration amounts to EUR 0.5 thousand for each EUR 1 million of positive earnings before interest and taxes (EBIT) reported in the consolidated financial statements for the current financial year.

NAME	POSITION	FROM / TO
Dr. Karl Freiherr von Hahn	Member Deputy Chairman Chairman	18 Dec 07 – 17 Oct 08 17 Jul 08 – 17 Oct 08 18 Dec 07 – 17 Jul 08
Michael Brag	Member Deputy Chairman	18 Dec 07 – 28 May 08 18 Dec 07 – 28 May 08
Tom Larsen	Member Chairman	since 18 Dec 07 since 17 Oct 08
Dr. Hans-Joachim Reh	Member Chairman	28 May 08 – 17 Oct 08 17 Jul 08 – 17 Oct 08
Dr. Alexandra von Bernstorff	Member	since 19 Jun 08
Lasse Lindblad	Member	since 19 Jun 08
Pieter Wasmuth	Member	19 Jun 08 – 17 Oct 08

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

	FIXED REMUNERATION IN EUR '000					
NAME	CHAIRMAN	DEPUTY CHAIRMAN	MEMBER	TRAVEL EXPENSES EUR '000	VARIABLE REMUNER-ATION EUR '000	TOTAL EUR '000
Dr. Karl Freiherr von Hahn	16.2	5.7		1.4	4.8	28.0
Michael Brag		9.1		1.3	2.4	12.8
Tom Larsen	6.2		11.9	2.1	6.0	26.2
Dr. Hans-Joachim Reh	7.6		2.0	0.5	2.3	12.4
Dr. Alexandra von Bernstorff			8.0		3.2	11.2
Lasse Lindblad			8.0		3.2	11.2
Pieter Wasmuth			4.9	0.0	2.0	7.0
Total	**30.0**	**14.8**	**34.8**	**5.4**	**23.9**	**108.9**

6. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

On 27 January 2009, COLEXON signed a master agreement with tnp Mitteldeutsche Fonds Beteiligungs GmbH for the construction and acceptance of turnkey solar installations with a maximum total output of 15 MWp. The master agreement sets out that COLEXON will build solar power plants with a total output of at least 10 MWp for fund management companies of tnp MFB GmbH by the end of 2010. Under the master agreement, the two parties also agree on the further acceptance of 5 MWp from the Wiesenhof roof portfolio secured in December. COLEXON will thus place around one-quarter of the roof areas of the PHW group secured in December 2008 at the beginning of 2009.

The main topic in the »Change COLEXON 2012« (CC2012) strategy concept is the optimization of the Group's structures in order to increase the efficiency of the Company's processes. In this context, the Meppen site's project business was integrated into the structures of the Hamburg headquarters and the Wesel site with effect from 31 January 2009. This helped to centralize important divisions and merge geographically close business locations. In addition, the Company pushed ahead with its international expansion by establishing a foreign entity, COLEXON Energy s. r. o. in the Czech Republic. COLEXON expects the Czech company to be officially registered in the first quarter of 2009. The partnership agreement was already signed in January 2009.

On 3 March 2009, COLEXON signed a master agreement with DCM ENERGY AG for the construction and acceptance of turnkey solar installations with a total output of at least 12 MWp by 2010. COLEXON will also take over the servicing, maintenance and operation of these installations for a ten-year period. Both parties have also expressed an interest in possibly implementing further projects together after the cooperation period ends. COLEXON thus placed around half of the roofs in the Wiesenhof roof portfolio on the capital market in March.

On 6 March 2009 COLEXON added three new members to its Supervisory Board, increasing its number to six. Dr. Eric Veulliet, Dr. Carl Graf Hardenberg and Dr. Peter Dill were appointed to the Company's Supervisory Board by Hamburg Mitte Registry Court. The constitutive Supervisory Board meeting took place on 20 March 2009.

No further events took place after the balance sheet date that could have had a material impact on COLEXON's assets, liabilities, cash flows and profit or loss.

7. OPPORTUNITIES AND RISK REPORT

7.1 RISK MANAGEMENT

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

The economic benefit of the RMS lies not only in the fact that it provides transparency and ensures an early-warning function, but also in that it increases planning reliability and reduces risk costs.

COLEXON's management refuses to take any unreasonable risks within the scope of its business activities. However, management believes that many potential risks also provide opportunities. For this reason, as part of an organic and forward-looking company policy, COLEXON consciously exposes itself to a variety of risks that its management believes could have positive effects on its operating business.

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

- Defining the corporate objectives and strategies as well as the risk management objectives derived from these
- Promoting risk awareness within the Company (establishing a culture of risk awareness)
- Ensuring compliance with the risk management system
- Laying down standards and rules for analyzing, assessing and managing risks
- Keeping the Supervisory Board informed of the risk map at regular intervals

7.2 OPPORTUNITIES AND RISKS

Project financing

Safeguarding the financing of working capital and the interim financing of projects will remain a critical success factor for the Company. Furthermore, in May 2009 additional capital will be required when the convertible bond matures. Here, the Management Board is following a clear strategy for the repayment of the convertible bond that will have a minimal effect on the operating cash flow. The final concept for refinancing the convertible bond will be defined and communicated by April 2009.

Mergers & acquisitions

Investing in partner companies or taking over related enterprises would provide new impetus for COLEXON's business and could give the Group time advantages in its development process. Risks could arise if the integration of different corporate cultures and employees should fail or if the planned cooperative ventures require additional financing at the beginning.

Capital market

The global financial crisis led to considerable uncertainty on the capital market, which did not leave the solar market untouched. COLEXON experienced this first hand when arranging project financing, though it appears that banks are still very interested in financing commercially attractive solar projects. Here, COLEXON is in a comfortable situation thanks to the long-term supply contracts it has concluded with efficient module manufacturers such as First Solar. The Company is also able to offer investors an assured return for 20 years with the feed-in tariff guaranteed by the state on the basis of the Renewable Energy Sources Act. This has generated investment growth from other sectors for the solar industry. Nevertheless, aggravated conditions on the capital markets could make it more difficult to procure project finance.

Internationalization

A key pillar in COLEXON's strategic development is the internationalization of its business activities. Compared with the Company's business activities in Germany, international expansion harbors much higher risks from a legal and political perspective. These are often very difficult to assess and can lead to unplanned cost burdens. At the same time, however, international growth markets like the United States, France, the Czech Republic and Italy provide huge potential for the Company.

COLEXON works with lean, flexible foreign units and frequently hires local subcontractors to minimize the above-mentioned risks.

Personnel

The Company's growth requires it to augment its workforce with highly qualified, motivated employees. Because competition in the photovoltaic industry for specialized employees and managers is growing, procuring staff can prove difficult. In this context there is also a risk that competitors will poach employees who have longstanding experience in the photovoltaic industry and in the Company. This is why COLEXON banks on employee satisfaction by systematically nurturing each employee in a specific direction and by maintaining a consistently balanced, harmonious working environment.

Interfaces

During the 2008 financial year, the Company's processes were made more efficient and in some cases realigned. COLEXON must leverage further potential for efficiency enhancements and optimize its interfaces if it is to meet the changed conditions on the market. To this end, the IT system Navision must be fully integrated into all of the Company's processes. Coordinating operations with the international locations also gives rise to frictional losses.

Sales market

The feed-in tariff under the German Renewable Energy Sources Act is the vital incentive for the development of Germany's PV industry, which up to now has been exceedingly positive and swift. Experts therefore assume that the lowering of the feed-in tariff from 2009 will have negative consequences for the German market, slowing down growth at the very least. Since the German market accounts for around 80 percent of the revenue generated by the COLEXON Group, this constitutes a latent risk. Increasing the share of revenue generated by its international entities will reduce the Company's dependence on the German market.

Procurement market

COLEXON is not negatively impacted by the current slump in prices for crystalline modules on the procurement market because the Company has not entered into any contracts stipulating the purchase of fixed volumes of modules produced using this technology. The Company has concluded a master agreement with the current market leader for thin-film modules that provides for fixed delivery volumes and prices for 324 MWp up to 2012. Here, too, there is a risk that the market prices for these modules could fall more dramatically than expected. Experts assume, however, that there will be no extraordinary price decreases for thin-film modules this year. Given this assumption, we consider the First Solar contract to be an important asset for the Company.

Technological development

Technological development on the photovoltaic market is extremely dynamic. COLEXON reacted to the growing scarcity of silicon at an early stage. Unlike its competitors, the Company positioned itself anticyclically with supply contracts for innovative thin-film modules, thus creating an important base for taking on future challenges. It cannot be ruled out that new types of modules and module technologies will come on the market. For this reason, COLEXON keeps a close eye on developments in the procurement market so that it can react to changes as quickly as possible. A special area – research and development – is currently being set up in the Company for this.

Competition

In the project development area, COLEXON has focused squarely on the niche market for large-scale thin-film rooftop systems. Because this market segment requires highly technical expertise and experience, the Company expects little increase in competition. By contrast, the specialized wholesale of modules and system components is characterized by relative low barriers to market entry. Here, competitive pressure is expected to rise. Its supply contract with First Solar in particular will enable the Company to set itself apart from the competition.

Product quality

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

Interest rate and currency risks

The Company’s international expansion, both in the Projects and the Wholesale segment, expose COLEXON to increased interest rate and currency risks. When taking out loans, the Company is also subject to market interest rate fluctuations. A continuous monitoring of the capital markets as part of the risk management system ensures that financial risks are recognized early on and appropriate hedging strategies and principles are determined.

Default risk

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

7.3 MEASURES TAKEN TO MANAGE RISK

Strengthening of internal structures

The organizational structure is being revised with the support of external consulting firms. This is based on the strategy concept CC2012 aimed at ensuring efficient, sustainable growth in the Company. In the course of this work, interfaces are identified, processes optimized and new rules drawn up for responsibilities.

Personnel structure

The Company’s personnel structure was significantly improved in almost all relevant fields of business, particularly in the fourth quarter of 2008, with the workforce being expanded in some cases. Experienced, highly competent individuals were taken on in the areas of accounting, controlling, investor relations, legal affairs, purchasing, wholesale, office management and projects. Hiring new employees substantially improved the quality of work by reducing the burden on existing staff. In addition, employees are being specifically trained and nurtured in an effort to promote individual expertise and motivation to work.

Provisions

Several actions are pending or could be brought against the Group. The Management Board believes that most of these are lawsuits typical of the Company's sector and business. COLEXON recognizes appropriate provisions for litigation as part of its risk management system.

Inventory control system

The integrated inventory control system Navision was deployed as a key tool for optimizing work processes and enhancing process reliability. Emphasis was placed on efficient reporting structures and a fully integrated inventory management system. In the ramp-up process, the IT system was adapted further to the Company's specific requirements. Risk management in the IT area was improved in the second half of the year.

Project controlling

The project controlling area is creating a detailed system for professional tracking of costs throughout all stages of a project's development from the preparation of the contract to the acceptance of the project. A systematic assessment of the risks by likelihood of occurrence and loss category is performed early on so that timely measures can be taken to manage the risks efficiently and effectively.

Overall risk

As things stand today, risks that could jeopardize the Company's continued existence on their own or in combination with other risks are limited and manageable. There are currently no risks to the Company as a going concern.

8. REPORT ON ANTICIPATED DEVELOPMENTS

The pace of global economic expansion has slowed considerably as a result of the financial crisis. According to forecasts by the International Monetary Fund, growth worldwide will amount to as little as 2.2 percent in 2009, down from 3.8 percent in the previous year. Nevertheless, experts are predicting sustained growth in the industry in 2009 as well as rising demand on the photovoltaic market. The solar industry is one of the few sectors that invests in times of financial crisis and creates jobs. It is able to benefit from the capital expenditure on material assets customary during crises and, with guaranteed output in the long term, provides weighty arguments for investors in times of turmoil on the financial markets.

The consequences of the climate change caused by the rise in CO_2 emissions and the growing importance of renewable energies as a driver of job creation are increasingly pushing solar energy into the consciousness of political decision-makers. In many countries, the foundations for expansion of solar power generation are being created or reinforced through legal regulations. The Lux Research institute expects the global market volume to reach 5.3 GW in 2009 and 7 GW in 2010.

The forecasts for the German PV market are also encouraging. In spite of the degression in the feed-in tariff for rooftop and ground-mounted systems, the photovoltaic industry will continue its positive development in Germany during 2009. This market is expected to grow by approximately 2.1 GW, an increase of just under 20 percent. The solar industry will continue to focus on international growth markets such as the United States, France, Italy and the Czech Republic in the coming year. COLEXON positioned itself in these markets in 2008 and early 2009 with flexible business units, thus creating a solid platform for strengthening the Group's international business.

The procurement market is currently changing from a seller's into a buyer's market. This trend will continue in 2009 and cause prices – especially at manufacturers of crystalline modules – to fall further. Industry experts are assuming that crystalline modules will cost EUR 2.50 / Wp in 2009. Compared with EUR 3.10 in 2008, this would correspond to a decline of 25 percent. The Prometheus Institute expects the production of thin-film modules to increase to around 4 GW in 2010 and 9.6 GW in 2012. Given that the share of thin-film technologies will increase substantially, experts forecast relatively stable prices for thin-film modules.

COLEXON positioned itself early on among the specialists in the field of thin-film technology and secured quotas of 324 MW up to 2012 through long-term supply contracts for thin-film modules, mainly with the market leader, First Solar. As thin-film resources are still relatively limited, the Company is planning this year to increase the proportion of projects in which the use of crystalline technologies is more beneficial from a technical and financial perspective. This will enable the Company to benefit from falling purchase prices for crystalline modules and offer its investors higher returns.

COLEXON's main target group will continue to be institutional investors for large-scale projects of over 100 kWp who invest not just in projects in Germany but also in international solar projects. Nevertheless, investors who invest their own capital such as property companies, chains of companies or retail chains as well as agricultural enterprises are also an important target group for the Company's large-scale projects.

Given the tough economic situation, the virtual impossibility of forecasting trends in our key foreign markets and the planned transaction with the Danish company Renewagy A / S, it is difficult to predict how business will develop in the current year. The Management Board therefore feels that it is more appropriate to provide an updated forecast for the 2009 financial year later on in the year, though it expects the Company to continue growing in 2009 and 2010.

CONSOLIDATED FINANCIAL STATEMENTS OF COLEXON ENERGY AG

CONSOLIDATED BALANCE SHEET

from 1 January to 31 December 2008

ASSETS	NOTES	31 DEC 2008 EUR	31 DEC 2007* EUR
A. Non-current assets			
I. Goodwill	7.1 / 7.2	15,092,955	15,092,955
II. Other intangible assets	7.1 / 7.2	380,196	282,819
III. Property, plant and equipment	7.1 / 7.3	593,923	583,436
IV. Financial assets, equity investments	7.1 / 7.4	0	2,476
V. Other non-current assets	7.5	6,503,861	6,805,215
VI. Deferred tax assets	7.6	0	1,775,789
Total non-current assets		**22,570,935**	**24,542,689**
B. Current assets			
I. Inventories	7.7		
1. Modules		16,814,749	7,680,920
2. Production supplies		626,618	163,173
3. Work in progress		772,753	0
4. Goods		217,242	0
II. Advances paid		1,304,116	1,311,623
III. Trade receivables	7.8	22,048,487	2,423,200
IV. Future receivables from construction contracts	7.9	6,492,661	10,385,135
V. Cash	7.12	2,606,705	4,735,866
VI. Other current assets	7.10	4,964,198	3,934,986
VII. Tax refund claims	7.11	104,606	383,937
Total current assets		**55,952,136**	**31,018,840**
Total assets		**78,523,071**	**55,561,529**

** Adjusted values*

EQUITY AND LIABILITIES	NOTES	31 DEC 2008 EUR	31 DEC 2007* EUR
A. Equity	7.13		
I. Subscribed capital		5,115,000	5,115,000
II. Capital reserves		24,635,940	24,795,578
III. Retained earnings		–221,825	–7,460,423
IV. Other changes in equity		9,724,811	9,724,811
V. Currency translation reserve		–27,873	0
Total equity		**39,226,054**	**32,174,967**
B. Liabilities			
I. Non-current liabilities			
1. Convertible bond	7.17	0	9,648,796
2. Deferred tax liabilities		864,660	515,685
3. Other non-current liabilities		0	30,661
Total non-current liabilities	7.14	**864,660**	**10,195,142**
II. Current liabilities			
1. Tax provision	7.15	1,204,423	27,106
2. Other provisions	7.16	4,033,561	2,416,514
3. Convertible bond	7.17	10,207,166	0
4. Financial liabilities	7.18	236,351	3,534,707
5. Advances received	7.19	5,646,609	1,446,182
6. Trade payables	7.20	8,853,330	3,806,858
7. Other liabilities	7.21	8,250,919	1,960,053
Total current liabilities		**38,432,358**	**13,191,420**
Total liabilities		**39,297,017**	**23,386,562**
Total equity and liabilities		**78,523,071**	**55,561,529**

** Adjusted values*

CONSOLIDATED INCOME STATEMENT

from 1 January to 31 December 2008

	NOTES	Q1–Q4 2008 EUR	Q1–Q4 2007* EUR
1. Revenue	8.1	**142,754,934**	**85,370,257**
2. Other operating income	8.2	809,571	2,258,073
3. Increase in inventories of work in progress		772,753	–296,346
4. Cost of purchased goods	8.3	–103,750,722	–67,262,664
5. Cost of purchased services	8.3	–12,568,953	–7,157,535
6. Gross profit		**28,017,583**	**12,911,785**
7. Staff costs	8.4	–5,329,902	–4,325,559
8. Depreciation, amortization and impairment losses	8.5	–285,935	–244,361
9. Other operating expenses	8.6	–10,252,885	–8,125,642
10. Operating profit (EBIT)		**12,148,860**	**216,223**
11. Interest and similar income	8.7	493,669	224,360
12. Other interest and similar expenses	8.8	–1,806,933	–992,885
13. Impairment losses on financial assets		–2,476	0
14. Result from investments and financial result		–1,315,740	–768,525
15. Taxes on income	8.9	–3,586,399	–110,714
16. Other taxes	8.10	–8,122	–7,727
17. Net profit/loss		**7,238,599**	**–670,743**
Earnings per share (basic) Basis: 5.115 million (previous year: 4.837million) shares acc. to IAS 33	8.11	**1.42**	**–0.14**

** Adjusted values*

STATEMENTS OF CHANGES IN EQUITY

from 1 January to 31 December 2008

	SUBSCRIBED CAPITAL EUR	CAPITAL RESERVE EUR	RETAINED EARNINGS EUR	OTHER CHANGE IN EQUITY EUR	ACCUMULATED RESULTS EUR	TOTAL EUR
I. 31 Dec 2006	**4,650,000**	**20,952,821**	**–6,789,680**	**9,724,811**	**0**	**28,537,952**
1. Capital increase for cash contributions	465,000					465,000
2. Premium		3,945,400				3,945,400
3. Reclassification of the costs of the capital increase		–102,642				–102,642
4. Net profit/loss			–670,743			–670,743
II. 31 Dec 2007	**5,115,000**	**24,795,579**	**–7,460,423**	**9,724,811**	**0**	**32,174,967**
I. 31 Dec 2007	**5,115,000**	**24,795,579**	**–7,460,423**	**9,724,811**	**0**	**32,174,967**
1. Net profit/loss			7,238,599			7,238,599
2. Currency translation reserve					–27,873	–27,873
3. Reclassification of the costs of the capital increase		–159,639				–159,639
II. 31 Dec 2008	**5,115,000**	**24,635,940**	**–221,825**	**9,724,811**	**–27,873**	**39,226,054**

CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 31 December 2008

		NOTES	1 JAN – 31 DEC 2008 EUR	1 JAN – 31 DEC 2007* EUR
	Net profit / loss		**7,238,599**	**–670,743**
+	Depreciation, amortization and impairment losses	8.5	285,935	243,527
–/+	Gain / loss from the disposal of fixed assets	7.1–7.3	–52,365	16,533
–	Non-cash reclassification to capital reserves		–159,639	0
+	Adjustments of goodwill		0	0
–/+	Decrease / increase in provisions	7.15–7.16	2,794,363	1,244,326
+/–	Increase / decrease in inventories	7.7	–10,587,269	4,678,145
+/–	Increase / decrease in trade receivables	7.8–7.9	–15,725,307	–7,407,824
+	Decrease in other assets	7.5 / 7.6 / 7.10 / 7.11	1,327,262	–9,150,252
+/–	Increase / decrease in liabilities	7.14 / 7.19–7.21	16,414,449	–1,968,697
+/–	Other non-cash items		–27,873	518,682
	Cash flows from operating activities		**–1,508,155**	**–12,496,304**
–	Acquisition of intangible assets	7.1 / 7.2	–213,173	–290,757
–	Acquisition of property, plant and equipment	7.1 / 7.3	–342,991	–111,218
+	Cash receipts from the disposal of fixed assets	7.1 / 7.3	217,204	35,043
	Cash flows from investing activities		**–338,960**	**–366,932**
+	Cash receipts from issuing a convertible bond		0	0
+	Cash receipts from capital increases		0	4,307,758
+/–	Increase / decrease in liabilities to banks		–3,298,357	–998,454
	Cash flows from financing activities	7.18	**3,298,357**	**3,309,304**
	Cash and cash equivalents at beginning of period		4,735,867	14,289,798
+	Net change in cash and cash equivalents		–2,129,162	–9,553,932
=	**Cash and cash equivalents at end of period**	7.12	**2,606,705**	**4,735,866**

* *Adjusted values*

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL DISCLOSURES

COLEXON is a group of companies with an international focus. The parent company is COLEXON Energy AG, with subsidiaries in Spain, France and the United States. COLEXON Energy AG is a listed stock corporation under German law that is entered in the commercial register of Hamburg Local Court under No. HRB 93828. The Company's registered office is in Grosse Elbstrasse 45, 22767 Hamburg, Germany. What used to be Reinecke + Pohl Sun Energy AG was renamed COLEXON Energy AG upon its entry in the commercial register on 25 January 2008. The Company has an Official Market listing on the Frankfurt Stock Exchange with German Securities Identification Number 525070 and is also listed on other stock markets in Germany.

In accordance with a notarized merger agreement dated 26 June 2008, COLEXON GmbH, Hamburg, was retroactively merged in its entirety into COLEXON Energy AG (hereinafter abbreviated to »COLEXON AG«) as of 1 January 2008 through the transfer of its assets by way of dissolution without liquidation. The merger took place applying predecessor accounting in accordance with Section 24 of the German Reorganization and Transformation Act (Umwandlungsgesetz – UmWG) and was entered in the commercial register of COLEXON AG on 10 September 2008. Mainly operational reasons were behind the merger, which also simplifies the preparation of the interim and annual financial statements.

Renewagy A/S, Denmark, holds an interest of 19.43 percent in COLEXON Energy AG and has 26.13 percent of the voting rights. Based on its actual voting share at the last annual general meetings and resulting influence on the composition of the Supervisory Board as well as on financial and business policy, Renewagy A/S is a shareholder with significant influence.

In the area of renewable energy, the COLEXON Group has specialized both in the distribution of solar modules and in the project development of large-scale solar power plants. The Group companies plan and build turnkey solar power installations for constructors and investors from agriculture, industry and the public sector in and outside Germany.

These consolidated financial statements were approved for publication by the Management Board on 20 March 2009 (scheduled date of the Supervisory Board meeting).

The annual financial statements of COLEXON Energy AG issued with an unqualified audit opinion by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and the consolidated financial statements are published in the Electronic Federal Gazette.

2. ACCOUNTING PRINCIPLES

2.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of COLEXON Energy AG, Hamburg, Germany (hereinafter also: COLEXON AG or, if used in connection with the Group: COLEXON Group) for the financial year ended 31 December 2008 were prepared in accordance with the accounting regulations of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) as applicable in the European Union following the adoption by the European Commission, as well as the supplementary provisions that are applicable under Section 315a (1) German Commercial Code (HGB). The term IFRS also includes the applicable International Accounting Standards (IAS). All interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – previously the Standing Interpretations Committee (SIC) – that were mandatory as of 31 December 2008 were also applied. Unless indicated otherwise, the policies described were applied consistently to the reporting periods covered by these notes.

These financial statements are consolidated financial statements for the period from 1 January to 31 December 2008 with comparative figures for the period from 1 January to 31 December 2007.

The consolidated balance sheet is divided into current and non-current items. Current assets are expected to be utilized and current liabilities repaid within twelve months of the balance sheet date. All other assets and liabilities are deemed non-current. The consolidated income statement has been prepared based on the nature of expense format.

The consolidated financial statements have been prepared in euros, which is the functional currency of the consolidated subsidiaries in Spain and France and the Group's reporting currency. The functional currency of the US subsidiary is the US dollar. Unless indicated otherwise, all amounts are shown in thousands of euros (EUR thousand).

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

Preparing IFRS consolidated financial statements requires the use of estimates. Furthermore, the application of Group-wide accounting policies requires assessments by management. Areas that permit greater leeway in terms of assessments or exhibit greater complexity, or where assumptions and estimates are of critical significance to the consolidated financial statements, are discussed in note 5.15.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE ADOPTION WAS MANDATORY IN 2008

The following table shows the new or amended IFRSs and IFRICs that must be applied in the European Union from 2008:

Amendments to IAS 39	Financial Instruments: Recognition and Measurement
Amendments to IFRS 7	Financial Instruments: Disclosures
IFRIC 11	Group and treasury share transactions

These standards, interpretations and amendments which have to be applied for the first time did not have a significant effect on the consolidated financial statements of COLEXON Energy AG.

2.3 EARLY APPLICATION OF STANDARDS

IFRS 8, Business Segments (must be applied to annual periods beginning on or after 1 January 2009) was adopted early in 2008. IFRS 8 replaces the previous IAS 14 and introduces the »management approach« to segment reporting. According to this approach, the required disclosures are made based on internal accounting and measurement rules. This does not have an effect on the number of reportable segments.

2.4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS WHOSE ADOPTION WAS NOT YET MANDATORY IN 2008

The following table shows the new or revised standards, whose application was not yet mandatory from 2008 and which were not adopted early by the Group:

IFRS 1 (rev.)	First-time Adoption of International Financial Reporting Standards
Amendments to IFRS 1 and IAS 27	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2	Share-based Payments: Vesting Conditions and Cancellations
IFRS 3 (rev.) and IAS 27 (rev.)	Business Combinations
Amendments to IFRS 5 and IFRS 1	Non-current Assets Held for Sale and Discontinued Operations
IAS 1 (rev.)	Presentation of Financial Statements
Amendments to IAS 19	Employee Benefits
Amendments to IAS 23	Borrowing Costs
Amendments to IAS 28, IAS 32 and IFRS 7	Investments in Associates
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 36	Impairment of Assets
Amendment to IAS 38	Intangible Assets
Amendment to IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 12	Service Concession Arrangements
IFRIC 13	Group and Treasury Share Transactions
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

These standards, interpretations and amendments which have to be applied in the future are not expected to have a significant effect on the consolidated financial statements of COLEXON Energy AG. However, they are expected to have an effect on the disclosures to be made. In some cases, the effects cannot be assessed at this time because they depend on the type and scope of future transactions. There are also some insignificant amendments which were published as part of the IASB improvement process in May 2008. It is also highly unlikely that these amendments will have a significant effect on the consolidated financial statements.

3. CONSOLIDATION

3.1 BASIS OF CONSOLIDATION

The consolidated financial statements for the year ended 31 December 2008 include COLEXON Energy AG and all companies whose financial and business policy are controlled by the COLEXON Group. Subsidiaries are fully consolidated from the date at which the Group assumes control over them. Conversely, they are deconsolidated at the date the Group's control over the respective company ends. Insignificant subsidiaries from the Group's perspective are not consolidated (see note 7.4).

In addition to the parent company, COLEXON Energy AG, the following subsidiaries were fully consolidated in the consolidated financial statements as of 31 December 2008:

	SHARE %	EQUITY 31 DEC 2008 EUR '000	NET PROFIT 2008 EUR '000
COLEXON Iberia S.L., Madrid (Spain)	100	3	315
COLEXON Corp., Tempe / Az. (USA)	100	40	15
SASU COLEXON FRANCE, Nice (France)	100	100	0
SASU SAINTE MAXIME SOLAIRE, Sainte Maxime (France)	100	50	0

The merger of COLEXON GmbH, the transferring entity, into COLEXON Energy AG, the acquiring entity, removed COLEXON GmbH from the basis of consolidation. In 2008, the wholly owned subsidiary R+P Sun Energy LLC, Portland / OR, USA, was liquidated and a new – also wholly owned – subsidiary, COLEXON Corp., Tempe / AZ, USA, founded and fully consolidated in the consolidated financial statements. This move was motivated in part by proximity to suppliers so as to ensure better personal contact. The liquidated subsidiary was not consolidated on account of its insignificance. Please refer to note 7.4 for further information.

In addition, two subsidiaries – SASU COLEXON FRANCE and SASU SAINTE MAXIME SOLAIRE – were established in Nice, France, and consolidated in full. COLEXON FRANCE acts as the headquarters for the recently commenced French operations, while SAINTE MAXIME SOLAIRE is one of the first project companies.

3.2 CONSOLIDATION PRINCIPLES

The annual financial statements of the companies included in the consolidated financial statements of COLEXON Energy AG are consolidated in accordance with uniform accounting policies. All consolidated companies have the same balance sheet date as the parent company. The reporting currency is also identical, with the exception of the subsidiary in the United States, which uses the US dollar as its functional currency. The modified closing rate method is used for currency translation of the foreign financial statements. Currency translation differences are recognized directly in equity as the currency translation reserve.

Acquisition accounting uses the purchase method in accordance with IFRS 3 by deducting the purchase cost of the investment from the fair value of the subsidiary's proportionate equity at the acquisition date. Goodwill is created if the cost of the acquisition is higher than the Group's share in the net assets carried at fair value.

Income and expenses as well as receivables and liabilities between the fully consolidated companies and intragroup provisions are eliminated. Profits from intercompany transactions that are not generated through a sale to a third party are eliminated where not insignificant.

4. CURRENCY TRANSLATION

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

5. SELECTED ACCOUNTING POLICIES

5.1 INTANGIBLE ASSETS

5.1.1 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net assets of the acquired company at the acquisition date. Goodwill arising from the acquisition of a company is recognized as an intangible asset. It is subjected to an annual impairment test and measured at historical cost less accumulated impairments. Reversals of impairment losses are prohibited.

Goodwill is divided into cash generating units (CGUs) for the purpose of impairment testing.

5.1.2 OTHER INTANGIBLE ASSETS

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

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

Items of property, plant and equipment are carried at cost and reduced by straight-line depreciation over their probable economic useful life. Borrowing costs are not capitalized for qualifying assets. Costs comprise the expenses directly attributable to the respective acquisition. Depreciation on property, plant and equipment is essentially based on the following useful lives:

Motor vehicles	5 years
IT-Hardware	3 years
Operating and office equipment	3 to 15 years

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

5.3 IMPAIRMENT OF NON-MONETARY ASSETS

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

5.4 INVENTORIES

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

5.5 CONSTRUCTION CONTRACTS

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

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

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

5.6 RECEIVABLES AND OTHER CURRENT ASSETS

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

5.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to cash and demand deposits.

5.8 CONVERTIBLE BOND

In accordance with IAS 32, the convertible bond as a compound financial instrument is divided into an equity component and a liability component. The liability component corresponds to the present value of a bond of the same type without a conversion right, measured at a standard market effective interest rate at the date of issue, which was carried at 8 percent per year. The equity component is calculated as the residual amount after deducting from the fair value of the convertible bond at the time of issue (total cash inflow) the amount separately determined for the liability component.

The liability component was added to the carrying amount in accordance with the effective interest method. The costs of issuing the convertible bond were divided in the proportion of the equity and liability components to one another. Costs attributable to the equity component were reduced by associated income tax advantages and deducted from the cash transferred to the share premium. The costs attributable to the liability component were recognized as an expense. The interest payments for the convertible bond reduce the liability component.

5.9 PROVISIONS

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

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

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

5.10 BORROWING COSTS

Borrowing costs are recognized in profit or loss during the period in which they are incurred.

5.11 CURRENT AND DEFERRED TAXES

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

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

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

5.12 REVENUE RECOGNITION

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

5.12.1 SALE OF GOODS

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

5.12.2 SERVICES

Revenue from construction contracts is recognized in accordance with the stage of completion. The Group's accounting policy is described in note 5.5.

5.12.3 INTEREST

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

5.13 LEASES

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

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

5.14 FINANCIAL INSTRUMENTS

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

5.14.1 FINANCIAL ASSETS

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

a) Loans and receivables

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

b) Available-for-sale financial assets

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

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

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

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

5.14.2 FINANCIAL LIABILITIES

Financial liabilities are assigned to the »financial liabilities measured at amortized cost« category. They comprise non-derivative financial liabilities.

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

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

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

5.15 USE OF ASSUMPTIONS AND ESTIMATES

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

5.15.1 USEFUL LIFE OF NONCURRENT ASSETS

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

5.15.2 GOODWILL

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

5.15.3 RECOGNITION OF REVENUE FROM CONSTRUCTION CONTRACTS

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

5.15.4 MEASUREMENT OF PROVISIONS

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

6. RESTATEMENTS IN ACCORDANCE WITH IAS 8.32 ET SEQ.

PROVISIONS FOR WARRANTY OBLIGATIONS

COLEXON gives its customers a variety of warranties. Whether or not these will actually be claimed cannot be forecast precisely at the time of revenue recognition and is therefore based on an estimate. For this estimate, assumptions must be made that affect the amount of these provisions. Future changes in productivity levels, materials and employee expenses as well as quality enhancement programs influence this estimate.

As of 30 June 2008, the adequacy of the provisions for warranty obligations was examined on the basis of more recent findings, which resulted in these provisions being increased by EUR 628 thousand at this date in accordance with IAS 8.32 (e).

SUPPLEMENTARY AUDIT

A supplementary audit was conducted of the consolidated financial statements for 2006 and 2007. The corrections in the financial statements for the first six months of 2008 as well as in the interim report for the third quarter of 2008 in accordance with IAS 8.41–8.49 were taken into account in these supplementary audits.

7. BALANCE SHEET DISCLOSURES

7.1 DEVELOPMENT OF NONCURRENT ASSETS

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

	COST			
	AS OF 1 JAN 2008 EUR	ADDITIONS EUR	DISPOSALS EUR	AS OF 31 DEC 2008 EUR
Goodwill	15,092,955	0	0	15,092,955
Previous year	15,092,955	0	0	15,092,955
Other intangible assets	361,085	213,173	4,547	569,711
Previous year	70,328	290,757	0	361,085
Operating and office equipment	885,377	342,991	214,735	1,013,633
Previous year	894,017	111,218	119,857	885,377
Financial assets	2,476	0	2,476	0
Previous year	2,476	0	0	2,476
Total	**16,341,893**	**556,164**	**221,758**	**16,676,299**
Total	**16,059,775**	**401,975**	**119,857**	**16,341,893**

	AMORTIZATION / DEPRECIATION / IMPAIRMENT LOSSES					
	AS OF 1 JAN 2008 EUR	ADDITIONS EUR	DISPOSALS EUR	AS OF 31 DEC 2008 EUR	CARRYING AMOUNT 31 DEC 2008 EUR	CARRYING AMOUNT PREVIOUS YEAR EUR
Goodwill	0	0	0	0	15,092,955	15,092,955
Previous year	0	0	0	0	15,092,955	15,092,955
Other intangible assets	78,267	111,600	352	189,515	380,196	282,819
Previous year	17,256	61,011	0	78,267	282,819	53,072
Operating and office equipment	301,942	174,335	56,523	419,753	593,880	583,436
Previous year	187,707	182,516	68,282	301,942	583,436	706,309
Financial assets	0	2,476	2,476	0	0	2,476
Previous year	0	0	0	0	2,476	2,476
Total	**380,208**	**288,411**	**59,351**	**609,268**	**16,067,031**	**15,961,685**
Total	**204,963**	**243,527**	**68,282**	**380,208**	**15,961,685**	**15,854,812**

7.2 GOODWILL AND OTHER INTANGIBLE ASSETS

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

For this, cash-generating units were identified in the Group along the lines of internal management and reporting. The cash-generating units therefore correspond to the Projects and Wholesale segments, which are described in more detail in the disclosures on segment reporting. As in the previous year, the carrying amount of the allocated goodwill was EUR 3,866 thousand for the Projects segment and EUR 11,227 thousand for the Wholesale segment.

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

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

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

The fair values less costs to sell of the Projects and Wholesale CGUs were each calculated by discounting the payment flows using a discount rate that corresponds to the weighted average cost of capital (WACC). This was derived from the special risk structure of the cash-generating units using market data and amounts to approximately 9.96 percent. With respect to the capitalization rate, a discount of 1.0 percent was assumed in the perpetual annuity on the basis of growth assumptions. This discount is based on experience and future expectations and does not exceed the long-term average growth rate for the markets in which the Company is active.

In addition, the effects of different significant assumptions on the fair value less costs to sell were determined for the Wholesale CGU. The fair value less costs to sell of the Wholesale CGU exceeds its carrying amount by EUR 536 thousand. The table below provides an overview of the sensitivities of material assumptions for the Wholesale CGU, which would separately lead to an impairment of goodwill:

	SENSITIVITY
EBIT	3 %
Growth rate in the perpetual annuity	11 %

Impairment testing in 2008 led to the conclusion that the allocated goodwill did not need to be impaired.

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

7.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment principally relates to motor vehicles, operating and office equipment, as well as IT-Hardware. This item was solely depreciated in the 2008 financial year.

7.4 INVESTMENTS IN AFFILIATED COMPANIES

The financial assets concern the items shown in the table below:

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
R+P Sun Energy LLC, Portland, Oregon, USA	0	2
Investments in affiliated companies	0	2

The wholly owned subsidiary R+P Sun Energy LLC, Portland, Oregon, USA, was liquidated in the course of the establishment of COLEXON Corp., New York, USA (see also note 3.1). This gave rise to a liquidation loss of EUR 2 thousand. Due to its lack of significant operations, this investment was not consolidated and was reported at cost as an available-for-sale financial asset in accordance with IAS 39 because it was not possible to calculate the fair value at the time owing to the fact that there was no active market.

7.5 OTHER NONCURRENT ASSETS

In the year under review, other non-current assets primarily comprised guarantee deposits subject to disposal restrictions in the amount of EUR 5,515 thousand (previous year: EUR 6,156 thousand) as well as retention money withheld by customers in the amount of EUR 989 thousand (previous year: EUR 649 thousand). This retention money is customary in the industry and amounts to 5 percent of the contract amount from the project business. It is paid after two years on condition that the projects function flawlessly.

7.6 DEFERRED TAX ASSETS

Deferred tax assets principally result from the capitalization of claims for tax losses. See note 5.11.

7.7 INVENTORIES

Goods mainly relate to photovoltaic modules for the wholesale and project business. This item includes floating goods with a value of EUR 9,203 thousand (previous year: EUR 713 thousand). Raw materials also relate to photovoltaic modules destined for the project business. Advances were paid for the projects under construction.

Inventory impairments in the amount of EUR 320 thousand were recognized in profit or loss in financial year 2008 (previous year: EUR 656 thousand). The inventories recognized as an expense in the consolidated income statement under »Cost of purchased goods, non-cash benefits and services« amounted to EUR 116,320 thousand in the year under review (previous year: EUR 74,420 thousand).

7.8 TRADE RECEIVABLES

All trade receivables are due in less than one year.

The following impairment losses were recognized in the reporting year:

	2008 EUR '000	2007 EUR '000
As of 1 January	1,237	835
Use	–492	–2
Reversal	–269	–268
Addition	1,342	672
As of 31 December	1,818	1,237

Specific valuation allowances were recognized based on the Management Board's assumption of each individual trade receivable. Furthermore, portfolio-based valuation allowances amounting to EUR 23 thousand (previous year: EUR 10 thousand) were recognized.

The receivables are derecognized as soon as they become irrecoverable.

7.9 FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

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

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

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
Contract revenue	15,191	14,449
Contract costs	–12,966	–12,964
Realized gains	2,225	1,485
Actual contract costs	12,966	12,964
Advances received	–8,698	–4,064
Future receivables from construction contracts	**6,493**	**10,385**

At the end of the financial year, a large number of projects had already been completed and connected to the public grid. Only legal acceptance was still outstanding. Under the contractual arrangements, construction contracts cannot be finally billed to customers until technical and legal acceptance has been received. This is why future receivables from construction contracts have decreased.

7.10 OTHER CURRENT ASSETS

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

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
VAT receivables	0	2,297
Receivables from shareholders	0	109
Claims for damages, module supply	0	874
Prepaid expenses	444	142
Current loans	0	207
Receivables TJS	728	0
Receivables DKA Consult A/S	2,505	0
Rent receivables Renewagy A/S	912	0
Other	375	305
Total	**4,964**	**3,935**

7.11 TAX REFUND CLAIMS

The tax refund claims result from the income tax prepayments for 2006 and capital gains taxes for 2007.

7.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank balances of EUR 2,604 thousand (31 December 2007: EUR 4,734 thousand) and cash-in-hand of EUR 3 thousand (31 December 2007: EUR 2 thousand).

7.13 EQUITY

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

The »Retained earnings« column in the statement of changes in equity contains the profits and losses brought forward and the profit or loss for the period in question. The »Other changes in equity« column comprises all withdrawals from the capital reserve, which were used in the past to compensate for a net loss or a loss brought forward.

The Company's subscribed capital (share capital) amounts to EUR 5,115 thousand at the Group's balance sheet date (previous year: EUR 5,115 thousand) and is divided into 5,115,000 (previous year: 5,115,000) no-par value shares. These shares are bearer shares. All no-par value shares are fully paid in.

In accordance with the resolutions passed by the Annual General Meeting on 19 May 2006, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital in accordance with Article 4 (6) of the Articles of Association by up a total of EUR 2,325 thousand by 18 May 2011 through the issue of new bearer shares against cash or non-cash contributions on one or several occasions (authorized capital). The Management Board and the Supervisory Board resolved a capital increase on 14 May 2007 and 27 September 2007, respectively, with partial use of authorized capital. Authorized capital amounted to EUR 1,860 thousand as of 31 December 2008.

COLEXON also has contingent capital limited up to 7 June 2010 in accordance with resolutions passed by the Annual General Meeting on 7 May 2005. In accordance with Article 4 (7) of the Articles of Association, the Company's share capital is contingently increased by up to EUR 1,550 thousand through the issue of up to 1,550,000 new no-par value bearer shares (contingent capital). A convertible bond was issued (see note 7.17) based on contingent capital in the amount of EUR 474,886. The Company also has contingent capital of EUR 1,075,114.

7.14 NONCURRENT LIABILITIES

The deferred tax liabilities result from the application of the percentage of completion method in accordance with IAS 11.

As the convertible bond is due to mature in 2009, it is reported under current liabilities, as opposed to under non-current liabilities in the 2007 consolidated financial statements. The other non-current liabilities recognized in 2007 were settled ahead of schedule.

7.15 TAX PROVISIONS

The development of tax provisions is shown below:

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
As of 1 January	27	158
Reversal	0	21
Use	0	110
Addition	1,177	0
As of 31 December	**1,204**	**27**

7.16 OTHER PROVISIONS

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

	AS OF 1 JAN 2008 EUR '000	USE EUR '000	REVERSAL EUR '000	ADDITION EUR '000	AS OF 31 DEC 2008 EUR '000
Warranties	481	–308	0	1,164	1,337
Sun energy funds	1,602	0	0	387	1,989
Litigation costs	212	–206	–6	355	355
Rental obligations	69	0	–69	0	0
Vacancy costs	38	–30	–8	0	0
Penalties	0	0	0	32	32
Closing of the Meppen site	0	0	0	270	270
Other	15	0	0	36	51
Total	**2,417**	**–544**	**–83**	**2,244**	**4,034**

	AS OF 1 JAN 2007 EUR '000	USE EUR '000	REVERSAL EUR '000	ADDITION EUR '000	AS OF 31 DEC 2007 EUR '000
Warranties (incl. sun energy funds)	319	–100	–41	1,905	2,083
Litigation costs	5	0	0	207	212
Costs for preparing and auditing the annual financial statements	108	–90	–6	–12	0
Rental obligations	0	0	0	69	69
Vacancy costs	0	0	0	38	38
Legal and consulting	284	–224	–1	–59	0
Invoices outstanding	102	–182	0	80	0
Vacation not taken / overtime	91	–91	0	0	0
Royalties / commissions	0	–10	0	10	0
Other	132	–11	0	–106	15
Total	**1,041**	**–708**	**–48**	**2,132**	**2,417**

The provision for the sun energy fund was recognized for warranty claims for deliveries of faulty modules.

The provision for penalties comprises anticipated costs in connection with reduced output and delayed completion of photovoltaic systems.

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

The provisions for warranty obligations due in more than one year amount to EUR 219 thousand.

Since 31 December 2007, legal and consulting costs, costs for preparing and auditing the annual financial statements as well as the costs for outstanding invoices have been reported under trade payables.

7.17 CONVERTIBLE BOND

COLEXON AG issued a convertible bond in May 2006. The bond issue comprised 474,886 bonds, each costing EUR 21.90. This generated cash of EUR 10.4 million for COLEXON AG. The convertible bond has a three-year term (8 May 2006 to 8 May 2009) and interest of 3.5 percent p. a. based on the issue price. The holders of the convertible bond have a conversion right that can be exercised between 1 January 2007 and 7 May 2009. Each bond can be converted into one new share of the Company. A corresponding amount of contingent capital has been set aside for this. If the conversion right is not exercised, the convertible bond must be repaid on 8 May 2009 at the issue price. The liability component (see »Accounting policies« above) reported under current (31 December 2007: non-current) liabilities is EUR 10,207 thousand (31 December 2007: EUR 9,649 thousand). On 8 May 2008, interest of EUR 364 thousand was paid for the convertible bond.

7.18 FINANCIAL LIABILITIES

All financial liabilities are due in less than one year and are presented as current liabilities.

Financial liabilities relate to accrued interest payments on the convertible bond for the period May to December 2008.

7.19 ADVANCES RECEIVED

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

7.20 TRADE PAYABLES

All trade payables are due in less than one year. The trade payables to a supplier are secured by bank guarantees in the amount of EUR 15,000 thousand. In turn, EUR 7,500 thousand was deposited for these bank guarantees (see note 7.5), of which EUR 2,500 thousand indirectly through DKA Consult A / S.

7.21 OTHER LIABILITIES

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

This item is comprised as follows:

	31 DEC 2008 EUR ’000	31 DEC 2007 EUR ’000
Import sales tax	1,206	511
VAT	4,330	381
Bonus / termination benefits / continued salary payments	476	302
Obligation under settlement	225	225
Wage tax	94	196
Vacation	107	101
Other	1,813	244
Total	**8,251**	**1,960**

7.22 CONTINGENT LIABILITIES AND OTHER FINANCIAL LIABILITIES

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

Under rental agreements and leases, of which all material agreements qualify as operating leases, the Group leases office space, warehouses, vehicles, parking spaces, as well as operating and office equipment, among other things. This gives rise to net expense reported in the income statement of EUR 561 thousand (previous year: EUR 293 thousand), relating exclusively to minimum lease payments (under »Other operating expenses«, office and occupancy costs contain an additional EUR 208 thousand in connection with the closure of the Meppen site, see note 8.6).

There are also long-term supply contracts with purchase obligations, mainly for modules. The prices are fixed.

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

	2008 EUR '000	2007 EUR '000
Rental and lease obligations		
of which due in less than one year	476	543
of which due after more than one and in less than five years	995	1,122
of which due after more than five years	0	0
Total	**1,471**	**1,665**

	2008 EUR '000	2007 EUR '000
Supply and purchase obligations		
of which due in less than one year	93,640	56,712
of which due after more than one and in less than five years	325,540	204,419
of which due after more than five years	0	0
Total	**419,180**	**261,131**

	2008 EUR '000	2007 EUR '000
Total		
of which due in less than one year	94,116	57,255
of which due after more than one and in less than five years	326,535	205,541
of which due after more than five years	0	0
Total	**420,651**	**262,796**

8. INCOME STATEMENT DISCLOSURES

8.1 REVENUE

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

8.2 OTHER OPERATING INCOME

Other operating income is essentially comprised as follows:

	2008 EUR '000	2007 EUR '000
Income from the reduction of valuation allowances	76	268
Income from exchange differences	9	188
Claims for damages, module supplies	0	1,602
Offsetting of non-cash compensation	0	154
Costs passed on	9	15
Income from the reversal of provisions	82	7
Insurance payments	57	3
Income not related to the accounting period	282	0
Other	295	21
Total	**810**	**2,258**

8.3 COST OF PURCHASED GOODS AND SERVICES

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

8.4 STAFF COSTS

Staff costs are comprised as follows:

	2008 EUR '000	2007 EUR '000
Wages and salaries	4,746	3,809
Social security costs	572	501
Pension expenses	12	16
Total	**5,330**	**4,326**

Pension expenses relate to contributions for direct insurance policies under defined contributions plans in the form of deferred compensation. The Group's only obligation under these plans is to pay these fixed contributions.

8.5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation and amortization in the financial year relates to amortization of other intangible assets and depreciation of property, plant and equipment totaling EUR 286 thousand (previous year: EUR 243 thousand), as well as impairment losses on financial assets in the amount of EUR 2 thousand (previous year: EUR 0 thousand).

8.6 OTHER OPERATING EXPENSES

The other operating expenses are essentially comprised as follows:

	2008 EUR '000	2007 EUR '000
Distribution costs	1,535	1,404
Warranty costs	1,027	0
Legal, consulting and audit costs	2,756	2,243
Impairment of receivables	1,727	1,746
Office and occupancy costs	757	576
Vehicle costs	566	502
Advertising and travel expenses	432	435
Listing costs	43	66
Insurance	233	287
Repairs / maintenance	142	149
Costs passed on	23	136
Further education costs	34	123
Costs for the Shanghai office	71	69
Annual General Meeting costs	27	47
Expenses for the discounting of receivables	0	58
Remuneration of the Supervisory Board	109	45
Currency exchange losses	1	243
Expenses for waste disposal	6	23
Trade fair costs	45	18
Rent for facilities	21	19
Other	697	236
Total	**10,252**	**8,125**

The increase in other operating expenses is largely due to the first-time recognition of expenses for the general warranty risk.

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

	2008 EUR '000	2007 EUR '000
Audit of annual financial statements	200	143
Other auditing and consulting services	284	47
Other services	1	5
Total	**485**	**195**

A supplementary audit of the financial statements for 2006 and 2007 was also carried out by the auditor of the previous year's financial statements (EUR 25 thousand).

8.7 OTHER INTEREST AND SIMILAR INCOME

This item essentially concerns interest on bank balances.

8.8 OTHER INTEREST AND SIMILAR EXPENSES

Interest and other expenses are comprised as follows:

	2008 EUR '000	2007 EUR '000
Interest expense for the convertible bond	922	883
Interest on non-current liabilities	0	76
Interest on current liabilities	801	34
Other finance costs	84	0
Total	**1,807**	**993**

8.9 TAXES ON INCOME

Taxes on income are comprised as follows:

	2008 EUR '000	2007 EUR '000
Actual tax expense		
Current year	1,391	134
Previous years	0	–9
Tax neutrality of capital increase costs	71	0
Deferred taxes	2,124	–14
Total	**3,586**	**111**

Current tax expense amounting to EUR 144 thousand was incurred for the foreign subsidiaries.

Deferred tax expense primarily relates to temporary differences from the recognition and measurement of assets and liabilities under IFRSs and tax law regulations. It also arises from the elimination of intercompany transactions. Deferred taxes are determined on the basis of the tax rates which, based on the current legal situation, apply or are expected to apply in the individual countries at the time of realization. Group companies in Germany pay income tax at a rate of 30.875 percent. The tax rate in Spain is 30.0 percent (previous year: 32.5 percent).

The deferred tax assets and liabilities developed as follows:

2007	AS OF 1 JAN EUR '000	EXPENSE / INCOME INCOME STATEMENT EUR '000	RECOGNIZED DIRECTLY IN EQUITY EUR '000	AS OF 31 DEC EUR '000
Difference between consolidated balance sheet and tax accounts				
Loss carryforwards	1,328	–381	–67	1,776
Other	0	0	0	0
Consolidation	2	2	0	0
Deferred tax assets	**1,330**	**–379**	**–67**	**1,776**
Consolidation	0	3	0	3
Intangible assets	0	0	0	0
Convertible bond	120	–66	0	54
Measurement PoC receivable	32	427	0	459
Other	0	0	0	0
Deferred tax liabilities	**152**	**364**	**0**	**516**
Deferred taxes, net	**1,482**	**–15**	**–67**	**1,260**
2008				
Difference between consolidated balance sheet and tax accounts				
Loss carryforwards	1,776	1,776	0	0
Other	0	0	0	0
Consolidation	0	0	0	0
Deferred tax assets	**1,776**	**1,776**	**0**	**0**
Consolidation	3	–3	0	0
Inventories	0	121	0	121
Convertible bond	54	–40	0	14
Measurement PoC receivable	459	227	0	686
Other	0	43	0	43
Deferred tax liabilities	**516**	**348**	**0**	**864**
Deferred taxes, net	**1,260**	**2,124**	**0**	**–864**

Of the amount recognized for deferred taxes, deferred tax liabilities of EUR 864 thousand will be realized within twelve months. Deferred tax assets of EUR 1,776 thousand on domestic loss carryforwards were fully used up as there were no more domestic loss carryforwards available.

The loss carryforwards for which we have not recognized any deferred tax assets relate to corporate income tax (EUR 0 thousand; previous year: EUR 4 thousand) and to trade tax (EUR 0 thousand; previous year: EUR 667 thousand.

RECONCILIATION FROM EXPECTED TO CURRENT TAX EXPENSE

The reconciliation statement from expected to reported tax expense is presented below. Expected tax expense is calculated as the pre-tax profit of EUR 10,833 thousand (previous year: loss of EUR 559 thousand) multiplied by the theoretical Group tax rate of 30.875 percent.

	2008 EUR '000	2007 EUR '000
Pre-tax profit / loss	**10,833**	**–559**
Taxes determined on the basis of national tax rates which are applicable to the profit / loss in the respective countries	**3,345**	**–220**
Average weighted tax rate	**30.9 %**	**39.4 %**
Change in the tax loss carryforward	96	0
Realization of tax losses previously not recognized	0	–149
Tax losses for which no deferred tax assets were recognized or which had already been recognized by way of a tax loss carryback	0	104
Tax effects from tax rate changes	0	284
Effects of different tax rates for subsidiaries in other jurisdictions	0	–31
Effects of the unwinding of the discount for the convertible bond (permanent difference regarding equity)	139	138
Other	6	–15
Income taxes	**3,586**	**111**

Deferred taxes are calculated for the Group as a whole using the tax rate of 30.875 percent applicable for 2009. Applying an average trade tax assessment rate of 430 percent for the individual operating establishments, this is calculated from a trade tax rate of 15.05 percent and a corporate income tax rate plus solidarity surcharge of 15.825 percent.

8.10 OTHER TAXES

The other taxes essentially concern vehicle taxes.

8.11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the consolidated net profit attributable to ordinary equity holders by the average number of ordinary shares. The basic earnings per share as defined by IAS 33 were as follows:

	31 DEC 2008	31 DEC 2007
Consolidated profit or loss (in EUR)	7,238,599	–670,743
Weighted number of shares	5,115,000	4,837,795
Basic earnings per share (in EUR)	1.42	–0.14

The weighted number of shares is calculated as follows:

	DAYS NUMBER	31 DEC 2008 NUMBER	31 DEC 2007 NUMBER
As of 1 January 2007	164	5,115,000	4,650,000
14 June 2007	140	5,115,000	4,937,000
11 October 2007	61	5,115,000	5,115,000
Total	**365**	**5,115,000**	**4,837,795**

Potential ordinary shares are treated as dilutive if, and only if, their conversion into ordinary shares would decrease earnings per share or increase loss per share. As in the previous year, earnings per share were not diluted on account of the convertible bond issued on 8 May 2006 in accordance with IAS 33.41.

9. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

9.1 FINANCIAL INSTRUMENTS BY CATEGORY

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

AS OF 31 DEC 2008 AS OF 31 DEC 2007	LOANS AND RECEIVABLES EUR '000	AVAILABLE-FOR-SALE FINANCIAL ASSETS – AT COST EUR '000	TOTAL FINANCIAL INSTRUMENTS EUR '000	NOT SUBJECT TO IFRS 7 EUR '000	CARRYING AMOUNTS ACCORDING TO BALANCE SHEET EUR '000	FAIR VALUE OF FINANCIAL INSTRUMENTS EUR '000
Financial assets recognized						
Trade receivables	22,048	0	22,048	0	22,048	22,048
Previous year	2,423	0	2,423	0	2,423	2,423
Future receivables from construction contracts	6,493	0	6,493	0	6,493	6,493
Previous year	10,385	0	10,385	0	10,385	10,385
Cash in hand and bank balances	2,607	0	2,607	0	2,607	2,607
Previous year	4,736	0	4,736	0	4,736	4,736
Other assets	3,580	0	3,580	1,384	4,964	4,964
Previous year	500	0	500	3,435	3,935	3,935
Financial assets/ equity investments	0	0	0	0	0	0
Previous year	0	2	2	0	2	—*
Other non-current assets	6,504	0	6,504		6,504	6,504
Previous year	6,077	0	6,077	728	6,805	6,805
Total	**41,232**	**0**	**41,232**	**1,384**	**42,616**	**42,616**
Previous year	**24,121**	**2**	**24,123**	**4,163**	**28,286**	**28,284**
Total fair value of the category	**41,232**	**0**	**41,232**			
Previous year	**24,121**	**—***	**24,121**			

** Fair value cannot be determined for lack of a market.*

AS OF 31 DEC 2008 AS OF 31 DEC 2007	FINANCIAL LIABILITIES MEASURED AT COST EUR '000	TOTAL FINANCIAL INSTRUMENTS EUR '000	NOT SUBJECT TO IFRS 7 EUR '000	TOTAL EUR '000	FAIR VALUE OF FINANCIAL INSTRUMENTS EUR '000
Liabilities					
Financial liabilities	236	236	0	236	236
Previous year	3,535	3,535	0	3,535	3,535
Trade payables	8,853	8,853	0	8,853	8,853
Previous year	3,807	3,807	0	3,807	3,807
Other liabilities	2,618	2,618	5,633	8,251	2,618
Previous year	1,757	1,757	203	1,960	1,960
Convertible bond	10,207	10,207	0	10,207	8,785
Previous year	9,649	9,649	0	9,649	9,023
Other non-current liabilities	0	0	0	0	0
Previous year	31	31	0	31	31
Total	**21,914**	**21,914**	**5,633**	**27,547**	**20,492**
Previous year	**18,779**	**18,779**	**203**	**18,982**	**18,356**
Total fair value of the category	**20,492**	**21,914**			
Previous year	**18,153**	**18,779**			

The fair values of financial instruments are calculated on the basis of their quoted price on an active market at the balance sheet date. If a market for a financial instrument is not active, the fair value is established on the basis of comparable transactions, where these exist, otherwise using appropriate valuation techniques such as a discounted cash flow method. If the fair value cannot be reliably determined, the asset is carried at amortized cost. This was the case in 2007 for the interests in R+P Sun Energy LLC, Portland/OR, USA, with a carrying amount of EUR 2 thousand that was not written down (see also note 7.4).

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

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

9.2 NET RESULT BASED ON MEASUREMENT CATEGORIES

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

AS OF 31 DEC 2008 AS OF 31 DEC 2007	SUBSEQUENT MEASUREMENT: FAIR VALUE CHANGES EUR '000	SUBSEQUENT MEASUREMENT: CURRENCY TRANSLATION EUR '000	SUBSEQUENT MEASUREMENT: VALUATION ADJUSTMENTS EUR '000	DISPOSAL EUR '000	INTEREST RESULT EUR '000	NET RESULT 2008 EUR '000
Loans and receivables	0	0	1,828	0	494	2,322
Previous year	0	0	1,813	0	224	2,038
Available-for-sale financial assets	0	0	0	0	0	0
Previous year	0	0	0	0	0	0
Financial liabilities measured at cost	0	0	0	0	1,807	1,807
Previous year	0	0	0	0	993	993
Total	**0**	**0**	**1,828**	**0**	**2,301**	**4,129**
Total	**0**	**0**	**1,813**	**0**	**1,217**	**3,031**

10. DISCLOSURES ON THE CASH FLOW STATEMENT

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

The cash flow statement includes the following cash flows:

	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
Interest received	372	531
Interest paid	1,807	357
Income taxes refunded	240	150
Income taxes paid	60	282

11. DISCLOSURES ON SEGMENT REPORTING

The Group voluntarily adopted IFRS 8 »Operating Segments« ahead of time in 2008. IFRS 8 replaces IAS 14 »Segment Reporting«. The new Standard stipulates the »management approach«, according to which segment information is presented externally on the same basis as used by the Company for internal management. EBIT, earnings before interest and taxes, is used for internal management and as an indicator of the long-term earnings capacity of an operating segment.

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

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

The Management Board assesses the Company from a sales market-based perspective. The »Wholesale« and »Projects« segments are distinguished in accordance with IAS 14.

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

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

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

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

Management allocated goodwill to the cash-generating units at segment level. This led to goodwill being divided between the »Wholesale« and the »Projects« segments in the respective amounts of EUR 11,227 thousand and EUR 3,866 thousand. Even after this allocation, goodwill was not impaired (see also note 7.2). The measurement of the Company's assets and liabilities also remained unaffected. The comparatives for 2007 were adjusted.

The segment information provided to the Management Board for the reportable segments in 2008 comprises:

AS OF 31 DEC 2008 AS OF 31 DEC 2007	WHOLESALE EUR '000	PROJECTS EUR '000	RECONCILIATION EUR '000	TOTAL EUR '000
Segment revenue	70,029	72,726	0	142,755
Previous year	45,281	39,937	152	85,370
Changes in inventories	0	3,302	0	3,302
Previous year	0	–296	0	–296
Cost of materials	51,789	67,060	0	118,849
Previous year	35,740	38,680	0	74,420
Other income	0	810	0	810
Previous year	0	2,258	0	2,258
Staff costs	623	2,133	2,574	5,330
Previous year	506	1,731	2,089	4,326
Amortization / depreciation	146	135	6	286
Previous year	140	83	22	244
Other expenses	5,030	5,223	0	10,253
Previous year	4,310	3,801	14	8,126
EBIT	12,441	2,287	–2,579	12,149
Previous year	4,585	–2,396	–1,973	216
Total segment assets	**24,134**	**50,849**	**3,540**	**78,523**
Previous year	**21,725**	**26,517**	**7,320**	**55,562**

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

Revenue breakdown by division:

REVENUE	2008 EUR '000	2007 EUR '000
Wholesale	70,029	45,281
Projects	72,726	39,937
Other	0	0
Total	**142,755**	**85,218**

The Company is domiciled in Germany. Its earnings (EBIT) from transactions with non-Group customers in Germany amounts to EUR 11,740 thousand (2007: loss of EUR 277 thousand). The breakdown of the main components of the total revenue from transactions with customers outside the Group from other countries is presented below.

Non-current assets excluding financial instruments and deferred tax assets (no rights exist on the basis of insurance policies) in Germany amount to EUR 22,550 thousand (2007: EUR 24,540 thousand). The sum of the respective non-current assets in other countries is EUR 21 thousand (2007: EUR 3 thousand).

Revenue of EUR 35,620 thousand and EUR 17,761 thousand stems from transactions with two important customers. In 2007, revenue of EUR 8,600 thousand was generated from one major customer. This revenue is attributable to the »Projects« segment.

The reporting of the information by region to the Management Board is based on the customers' registered offices. In line with internal management, the regions of Germany (revenue of EUR 136,536 thousand; 2007: EUR 79,272 thousand), Europe (revenue of EUR 4,175 thousand; 2007: EUR 3,990 thousand) and other regions (revenue of EUR 2,043 thousand; 2007: EUR 2,108 thousand) were defined.

OTHER DISCLOSURES

12. RELATED PARTIES

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

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

RELATIONSHIPS WITH RELATED PARTIES	COMPANIES WITH A MATERIAL INFLUENCE EUR '000	MANAGEMENT BOARD EUR '000	SUPERVISORY BOARD MEMBERS EUR '000	OTHER RELATED ENTITIES EUR '000
Services and products provided	46,754	0	0	10,177
Previous year (2007)	7,638	315	0	4,413
Receivables and other assets	27,820	0	0	60
Previous year (31 Dec 2007)	5,987	110	0	0
Impairment losses on receivables	0	0	0	0
Previous year (2007)	0	359	0	0
Interest rate p. a.	0 %	0 %	0 %	0 %
Previous year (2007)	0 %	7.70 %	0 %	0 %
Services and products received	0	51	313	0
Previous year (2007)	0	45	292	1,687
Liabilities	0	2	2	0
Previous year (31 Dec 2007)	0	0	30	0
Advances received	0	0	0	611
Previous year (31 Dec 2007)	0	0	0	240

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

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

Companies with a material influence

The deliveries and services provided for companies with a material influence relate to the construction of large-scale projects. The receivables relate to trade receivables and future receivables from construction contracts.

Management Board members

One Management Board member has an interest of one-third in the leasing partnership. The lease price is in the lower range of the usual market price.

Supervisory Board members

The services received from a former Supervisory Board member concern legal and consulting fees.

Related party entities

The related party entity is owned by family members of one of the Management Board members. The deliveries and services provided and received are on an arm's length basis.

13. WORKFORCE

The Group had a total of 77 employees as of 31 December 2008 (31 December 2007: 78). All are salaried employees.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 27 January 2009, COLEXON Energy AG signed a master agreement with tnp Mitteldeutsche Fonds Beteiligungs GmbH for the construction and acceptance of turnkey solar installations with a maximum total output of 15 MWp. The master agreement sets out that COLEXON will build solar power plants with a total output of at least 10 MWp for fund management companies of tnp MFB GmbH by the end of 2010. Under the master agreement, the two parties also agree on the further acceptance of 5 MWp from the Wiesenhof roof portfolio secured in December.

Furthermore, COLEXON has acquired another strategic partner for the Wiesenhof roof portfolio in DCM ENERGY AG. On 3 March 2009, both companies signed a master agreement for the construction and acceptance of turnkey solar installations with a total output of at least 12 MWp by the end of 2010.

In connection with the »Change COLEXON 2012« strategy concept aimed at making the Company's processes more efficient, the Meppen site's project business was integrated into the structures of the Hamburg headquarters and the Wesel site with effect from 31 January 2009. This helped to centralize important divisions and merge geographically close business locations.

In addition, the Company pushed ahead with its international expansion by establishing COLEXON Energy s. r. o. in the Czech Republic. COLEXON Energy AG holds 80 percent of the interests in this company and expects the Czech company to be officially registered in the first quarter of 2009. The partnership agreement was already signed in January 2009. By setting up a new company, COLEXON is looking to move into the production and distribution of electricity from solar energy in the Czech market with attractive feed-in tariffs.

15. LITIGATION

There was no litigation underway at the balance sheet date that could expose the Group to a major risk.

16. RISK MANAGEMENT

16.1 MANAGEMENT OF CAPITAL MARKET RISKS

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

The Group's capital structure consists of liabilities, including the borrowed capital specified under note 7.18 and cash and cash equivalents, as well as the equity to which the equity suppliers of the parent company are entitled. This consists of share capital, the capital reserve, the profit brought forward and the net profit/loss for the period.

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

NET DEBTTOEQUITY RATIO	31 DEC 2008 EUR '000	31 DEC 2007 EUR '000
Liabilities	10,443	13,184
Cash and cash equivalents	–2,607	–4,736
Net liabilities	**7,836**	**8,448**
Equity	39,277	32,175
Net debt-to-equity ratio	20 %	26 %

16.2 MANAGEMENT OF FINANCIAL RISKS

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

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

16.2.1 CREDIT RISK

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

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

Identifiable credit risks are covered by recognizing specific valuation allowances and global valuation allowances. Please refer to note 7.8 for changes in valuation allowances.

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

			PAST DUE BUT NOT IMPAIRED			
AS OF 31 DEC 2008 AS OF 31 DEC 2007	CARRYING AMOUNT EUR '000	OF WHICH NEITHER PAST DUE NOR IMPAIRED EUR '000	< 30 DAYS EUR '000	31–60 EUR '000	61–90 EUR '000	> 90 EUR '000
Financial assets						
Trade receivables	22,048	18,093	1,687	1,038	287	60
Previous year	2,423	1,833	–25	12	1	31
Future receivables from construction contracts	6,493	6,493	0	0	0	0
Previous year	10,385	10,385	0	0	0	0
Other assets	4,964	4,964	0	0	0	0
Previous year	3,935	3,872	0	0	0	0
Other non-current assets	6,504	6,504	0	0	0	0
Previous year	6,805	6,805	0	0	0	0
Total	**40,009**	**36,054**	**1,687**	**1,038**	**287**	**60**
Total	**23,549**	**23,895**	**–25**	**12**	**1**	**31**

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

16.2.2 LIQUIDITY RISK

Liquidity risks arise from potential financial bottlenecks and may increase the cost of funding. In its project business, COLEXON is exposed to a concentration risk in the form of a substantial pre-financing requirement because customers do not make most of the payments until the technical and legal acceptance of the projects. In addition, other special financing requirements arise in the case of deliveries of modules from Asia and the United States, as payments are usually due shortly after the modules have been shipped. The wholesale business, on the other hand, supplies liquidity through the above-mentioned prepayments by customers, the majority of which are necessary.

The Group plans its liquidity for a one-year period with the aim of maintaining an adequate liquidity reserve. The open-ended credit lines totaling EUR 200 thousand (2007: EUR 200 thousand) available to the Group had been drawn down in the amount of EUR 0 thousand (2007: EUR 200 thousand) at the balance sheet date. The Group also has open-ended lines of guarantee in the amount of EUR 3,763 thousand (2007: EUR 1,500 thousand), EUR 1,763 thousand of which had been utilized (2007: EUR 766 thousand) at the end of the reporting period.

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

	WITHIN ONE YEAR EUR '000	1–2 YEARS EUR '000	2–5 YEARS EUR '000	MORE THAN FIVE YEARS EUR '000
Financial liabilities	236*	0	0	0
Previous year	3,323	0	0	0
Trade payables	8,853	0	0	0
Previous year	3,806	0	0	0
Other liabilities	8,251	0	0	0
Previous year	1,960	0	0	0
Convertible bond	10,528	0	0	0
Previous year	364	10,764	0	0
Other non-current liabilities	0	0	0	0
Previous year	31	0	0	0
Total	**27,868**	**0**	**0**	**0**
Total	**9,484**	**10,764**	**0**	**0**

** This is the accrued interest on the convertible bond from 2008.*

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

At the time this report was being prepared, the Group was in negotiations with its principal banks on funding the convertible bond that is due to mature in May 2009. This will not generate an additional risk because the bond can be repaid and temporarily funded from current cash flow.

16.2.3 INTEREST RATE RISK

The Group does not have any material interest-bearing assets. Its consolidated profit and cash flow are therefore largely unaffected by changes in market interest rates.

The Group is principally exposed to interest rate risk in the context of project financing, and only in Germany. Liabilities with variable interest rates give rise to an interest rate-related cash flow risk. As of 31 December 2008, the balance of variable-interest bank financing was EUR 0 thousand (31 December 2007: EUR 3,009 thousand). Liabilities with a fixed interest rate give rise to an interest rate-related risk from changes in the fair value. This may only be recognized in profit or loss, however, if the liabilities are actually measured at fair value. The fixed-interest liabilities measured at amortized cost are consequently not exposed to interest rate risk within the meaning of IFRS 7.

The scope of variable-interest or short-term financing had been small in the previous year. Even a substantial change in the interest rate would have had only an insignificant effect on the Group's results of operations. For materiality reasons, it was therefore unnecessary to carry out a sensitivity analysis in the previous year.

If the convertible bond is funded through debt, there is a risk that the market interest rate charged at this time will exceed the interest level of the convertible bond.

In the course of the expansion of business during the year under review, the project financing volume also rose substantially, which increased the significance of interest expense for the Group's profit or loss. The interest rate risk is therefore also illustrated in a sensitivity analysis for 2008.

The following table shows the effect of an assumed change in the interest rate of +/– 100 basis points on the consolidated profit / loss assuming that all other variables remain constant:

	31 DEC 2008 IN EUR '000		31 DEC 2007 IN EUR '000	
	+ 100 BASIS POINTS	– 100 BASIS POINTS	+ 100 BASIS POINTS	– 100 BASIS POINTS
Interest rate level	26	– 26	14	– 14

16.2.4 EXCHANGE RATE RISK

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

16.2.5 PRICE RISK

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

The price risk for the Company is limited insofar as there is a long-term procurement contract with the main supplier wherein fixed prices are agreed up to 2012, reduced in tandem with the feed-in tariffs. For 2009, the purchase volume from the main supplier, secured as regards price and quantity, stands at over EUR 70,000 thousand (previous year: EUR 37,360 thousand).

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

17. SUPERVISORY BOARD

Up to 19 June 2008, the Company's Supervisory Board comprised three members. On this date, an amendment of the Articles of Association to enlarge the Supervisory Board to six members took effect (in accordance with Article 8 of the Articles of Association).

IN 2008, THE SUPERVISORY BOARD HAD THE FOLLOWING MEMBERS:

TOM LARSEN (CHAIRMAN)

CFO of several companies

Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):

- Tellusborgvägen Holding A/S (Chairman)
- Timotejen Holding A/S (Chairman)
- XSIS ApS (Chairman)
- DKA Consult A/S
- Daintel ApS
- TLMS Invest A/S

Supervisory Board of COLEXON Energy AG:

- Member since 18 December 2007
- Chairman since 17 October 2008

DR. ALEXANDRA VON BERNSTORFF

CEO of DKA Renewable Energy A/S

Supervisory Board of COLEXON Energy AG:

- Member since 19 June 2008

LASSE LINDBLAD

CEO of several companies

Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):

- Dansk AMP A/S
- Renewagy A/S
- Capinordic Property Management A/S
- Steffen Rønn Fondsmæglerselskab A/S
- DKA Consult A/S
- FMT A/S
- Capinordic Bank A/S
- Dansk O.T.C. Fondsmæglerselskab A/S

Supervisory Board of COLEXON Energy AG:

- Member since 19 June 2008

DR. KARL FREIHERR VON HAHN (CHAIRMAN)

Tax lawyer, senior partner of the Hamburg law firm of Huth Dietrich Hahn

Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):

- CLUBHAUS AG, Lüdersburg (Deputy Chairman)
- SOEX International AG, Zurich (Chairman)
- SOEX Textil-Vermarktungsgesellschaft mbH, Bad Oldesloe (Chairman)
- Hemro AG, Bachenbülach (Chairman)
- Ditting Maschinen AG, Bachenbülach (Chairman)

Supervisory Board of COLEXON Energy AG:

- Member from 18 December 2007 to 17 October 2008
- Chairman from 18 December 2007 to 17 July 2008
- Deputy Chairman from 17 July 2008 to 17 October 2008

DR. HANS-JOACHIM REH

Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):

- Vattenfall Europe Hamburg AG (until 30 September 2008)
- Vattenfall Europe Berlin AG (until 30 September 2008)

Supervisory Board of COLEXON Energy AG:

- Member from 28 May 2008 to 17 October 2008
- Chairman from 17 July 2008 to 17 October 2008

PIETER WASMUTH

Member of the Executive Board of REpower Systems AG

Supervisory Board of COLEXON Energy AG:

- Member from 19 June 2008 to 17 October 2008

MICHAEL BRAG

CEO Tower Group A / S, Denmark

Supervisory Board positions and memberships in comparable control committees in accordance with Section 285 no. 10 German Commercial Code (HGB):

- Ellegaard A / S (Danish conveyor industry)
- PureH2O A / S (water-purification systems)
- PT Bali Melka (services industry)

Supervisory Board of COLEXON Energy AG:
- Member from 18 December 2007 to 28 May 2008
- Deputy Chairman from 18 December 2007 to 28 May 2008

The members of the Supervisory Board receive remuneration totaling EUR 109 thousand (previous year: EUR 45 thousand). Supervisory Board members receive fixed and variable remuneration for each financial year. The Chairman receives EUR 30 thousand, the Deputy Chairman EUR 22.5 thousand, and regular members receive EUR 15 thousand in fixed remuneration. These amounts are payable after the end of the financial year. The variable component of the annual remuneration amounts to EUR 0.5 thousand for each EUR 1 million of positive earnings before interest and taxes (EBIT).

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

	FIXED REMUNERATION IN EUR '000					
NAME	CHAIRMAN	DEPUTY CHAIRMAN	MEMBER	TRAVEL EXPENSES EUR '000	VARIABLE REMUNERATION EUR '000	TOTAL EUR '000
Dr. Karl Freiherr von Hahn	16.2	5.7		1.4	4.8	28.0
Michael Brag		9.1		1.3	2.4	12.8
Tom Larsen	6.2		11.9	2.1	6.0	26.2
Dr. Hans-Joachim Reh	7.6		2.0	0.5	2.3	12.4
Dr. Alexandra von Bernstorff			8.0		3.2	11.2
Lasse Lindblad			8.0		3.2	11.2
Pieter Wasmuth			4.9	0.0	2.0	7.0
Total	**30.0**	**14.8**	**34.8**	**5.4**	**23.9**	**108.9**

Three further Supervisory Board members were appointed by way of a judicial amendment by the Hamburg Local Court on 6 March 2009.

Since this date, the Supervisory Board has had the following additional members:
- Dr. Eric Veulliet, Managing Director of alpS Zentrum für Naturgefahren- und Risikomanagement GmbH, Innsbruck (Austria)
- Dr. Carl Graf Hardenberg, lawyer, Berlin
- Dr. Peter Dill, Managing Shareholder of Deutsche See GmbH, Bremerhaven

18. MANAGEMENT BOARD

The following individuals were members of the Management Board in the reporting period:

- Henrik Christiansen, holder of a degree in business studies, Ahrensburg (from 17 October 2008)
- Thorsten Preugschas, graduate engineer, Kamp-Lintfort
- Dr. Volker Wingefeld, holder of a degree in business studies, Bruchköbel (until 30 September 2008)

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

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

	HENRIK CHRISTIANSEN EUR '000	THORSTEN PREUGSCHAS EUR '000	DR. VOLKER WINGEFELD EUR '000	TOTAL EUR '000
Fixed remuneration (incl. benefits in kind)	42	294	245	581
Royalty entitlement for 2008	44	200	0	244
Termination benefit entitlement	0	0	425	425
Total	**86**	**494**	**670**	**1,250**

19. DECLARATION OF COMPLIANCE

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

20. RESPONSIBILITY STATEMENT

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

Hamburg, Germany, 18 March 2009

Thorsten Preugschas
Chief Executive Officer

Henrik Christiansen
Chief Financial Officer

AUDITORS' REPORT

Based on the final result of our examination, we have issued the following unqualified auditors' report:

»We have audited the consolidated financial statements of COLEXON Energy AG, Hamburg, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para 1 German Commercial Code (HGB) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Hamburg, Germany, 19 March 2009

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Richard Müllner	ppa. Tobias Hennenberger
Wirtschaftsprüfer	*Wirtschaftsprüfer*
[German Public Auditor]	*[German Public Auditor]*

DEPENDENCY REPORT

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

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

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

During the 2008 financial year, the Supervisory Board performed all its duties in accordance with the law, the Articles of Association and the rules of procedure. In addition to monitoring the Company's management, the Supervisory Board advised the Management Board on its management of the Company. The Supervisory Board of COLEXON Energy AG held a total of seven meetings in the 2008 financial year. All members attended over half of the meetings held during their respective terms of office. Urgent resolutions were also voted on by way of written circular approval memos. The Supervisory Board did not set up any committees in the 2008 financial year.

The Management Board of COLEXON Energy AG through written and oral reports informed the Supervisory Board on a regular, timely and comprehensive basis about all significant transactions, the position and development of the Company and the Group including the key financial indicators, corporate planning, as well as risk management and compliance. These reports and their discussion with the Management Board at the meetings gave the Supervisory Board an insight into the financial situation of the Company and the Group. In addition, the Chairman of the Supervisory Board maintained regular contact with the Management Board. In spite of the changes in the composition of the Supervisory Board, cooperation with the Management Board was smooth and constructive at all times. Following its own examination, the Supervisory Board voted on the measures requiring its approval in accordance with the law, the Articles of Association or the rules of procedure for the Management Board. The Supervisory Board was involved in all decisions of material importance for the Company. Specifically, the Management Board also coordinated the Company's strategic orientation with the Supervisory Board.

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

- the change in the composition of the Management Board,
- the planned business combination with the Danish company Renewagy A / S,
- the Company's reorganization and restructuring,
- the merger of COLEXON GmbH into the Company,
- the »Change COLEXON 2012« strategy concept,
- the approval of commercial and project contracts,
- the correction and supplementary audit of the 2006 and 2007 consolidated financial statements.

The following key resolutions were passed in particular:

- On 27 March 2008, the Supervisory Board approved the 2007 annual and consolidated financial statements as well as the management reports and thus adopted the financial statements for the 2007 financial year.
- On 7 April 2008, the Supervisory Board approved the contract with Biogasanlage Hassleben GmbH for the implementation of the largest rooftop project (4.64 MWp).
- On 21 April 2008, the Supervisory Board approved the master agreements with Agrivis S. p. A., OecoEnergy GmbH and Energye s. r. l.
- Out-of-court settlements were reached in 2008 for court cases still pending in the 2008 financial year between COLEXON Energy AG and Consulting Kontor GmbH as well as HMB Beteiligungs- und Verwaltungsgesellschaft mbH. The Supervisory Board approved each of these settlements.

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

Where the Supervisory Board resolved on a consultancy contract in financial year 2008 with the law firm of a Supervisory Board member, the person in question abstained from voting.

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

The Supervisory Board appointed Henrik Christiansen as the Company's new Chief Financial Officer effective 17 October 2008. Mr. Christiansen succeeds Dr. Volker Wingefeld, whose appointment the Supervisory Board revoked on 30 September 2008 and with whom a termination agreement was concluded.

Supervisory Board

The Deputy Chairman of the Supervisory Board, Michael Brag, stepped down from the Board for personal reasons with effect from the end of the Annual General Meeting on 28 May 2008. By way of a resolution by the Annual General Meeting on 28 May 2008 to amend the Articles of Association, the number of the Company's Supervisory Board members was increased from three to six. The Annual General Meeting on 28 May 2008 elected Dr. Hans-Joachim Reh with effect from 28 May 2008 as well as Dr. Alexandra von Bernstorff, Lasse Lindblad and Pieter Wasmuth with effect from 19 June 2008 as new Supervisory Board members.

On 17 July 2008, Dr. Karl Freiherr von Hahn resigned as Chairman of the Supervisory Board. He was replaced by Dr. Hans-Joachim Reh. Following the resignation of Dr. Hans-Joachim Reh, Dr. Karl Freiherr von Hahn and Pieter Wasmuth from the Company's Supervisory Board effective 17 October 2008, Tom Larsen was elected as the Chairman of the Supervisory Board on 17 October 2008.

By way of a ruling by Hamburg Local Court on 6 March 2009, Dr. Carl Graf Hardenberg, Dr. Eric Veulliet and Dr. Peter Dill were appointed as new members of the Company's Supervisory Board. On 20 March 2009, Tom Larsen stepped down as Chairman of the Supervisory Board. Dr. Carl Graf Hardenberg was elected as the new Chairman and Lasse Lindblad as the new Deputy Chairman.

CORPORATE GOVERNANCE CODE

During the period under review, the Management Board and the Supervisory Board discussed the recommendations of the German Corporate Governance Code in depth. The declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) in financial year 2008 was submitted on 25 February 2008 and published on the Company's website. The declaration of compliance for the 2009 financial year is due to be passed on 24 March 2009.

The Management Board and the Supervisory Board jointly report on the Company's corporate governance in the Corporate Governance Report (see page 22 of the Annual Report).

RESTATED CONSOLIDATED FINANCIAL STATEMENTS FOR 2006 AND 2007

The German Financial Reporting Enforcement Panel, Deutsche Prüfstelle für Rechnungslegung e. V., Berlin, (DPR) reviewed the consolidated financial statements for the year ended 31 December 2007 within the scope of random sampling in 2008 and identified accounting errors, particularly in the recognition of goodwill and the convertible bond issued. The errors identified had already been corrected in the regular reporting of the interim financial statements for the periods ended 30 June 2008 and 30 September 2008. In view of the planned business combination with Renewagy A / S, the Management Board and the Supervisory Board nevertheless resolved to subsequently amend the 2006 and 2007 consolidated financial statements. The errors identified by the DPR were corrected in the process. The Management Board therefore prepared restated consolidated financial statements for the years ended 31 December 2006 and 31 December 2007. These were each subjected to a supplementary audit by the auditor appointed for the 2006 and 2007 financial years, Treuökonom Beratungs- Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Hamburg, and both were issued with an unqualified audit opinion. The Supervisory Board was furnished the restated consolidated financial statements and reports on the supplementary audits in a timely manner. The supplementary auditor attended the Supervisory Board meeting on 20 March 2009 at which the drafts were discussed. The auditor reported in detail on the main findings of the supplementary audits and answered numerous questions from the Supervisory Board. The result of the supplementary audits was discussed and debated at length. The Supervisory Board took note of the findings of the supplementary audits performed by the auditor and conducted its own examination of the restated consolidated financial statements for 2006 and 2007 within the framework of the legal provisions. This did not lead to any objections. The Supervisory Board endorses the findings of the supplementary audits performed by the auditor. At its meeting on 20 March 2009, the Supervisory Board approved the restated consolidated financial statements for 2006 and 2007.

2008 ANNUAL FINANCIAL STATEMENTS

The Annual General Meeting on 28 May 2008 appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, with its Hamburg branch as the auditor of the financial statements for the 2008 financial year. The Supervisory Board then issued the audit mandate, taking particular account of the recommendations of the German Corporate Governance Code concerning the collaboration of the Supervisory Board with the auditors.

The annual financial statements of COLEXON Energy AG, the management report of COLEXON Energy AG, as well as the consolidated financial statements and the Group management report including the underlying bookkeeping for the 2008 financial year were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, with its branch in Hamburg and issued with an unqualified audit opinion in each case. The 2008 consolidated financial statements are based on the restated prior-year figures. The financial statements and audit reports were submitted to the Supervisory Board in a timely manner. The auditor attended the meeting of the Supervisory Board on 20 March 2009 for the adoption of the financial statements. The auditor reported in detail on the main findings of the audit and answered numerous questions from the Supervisory Board. The result of the audit was discussed and debated at length. The Supervisory Board took note of the result of the audit performed by the auditor and conducted its own examination of the annual financial statements and the management report, the consolidated financial statements and the Group management report within the framework of the legal provisions. This did not lead to any objections. The Supervisory Board endorses the findings of the audit performed by the auditor. At its meeting on 20 March 2009, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board. The annual financial statements were thus adopted.

PROPOSAL ON THE APPROPRIATION OF PROFIT

The Supervisory Board debated the accounting policy and financial planning with the Management Board in connection with the Management Board's proposal on the appropriation of accumulated profit. Following the conclusion of its examination, the Supervisory Board adopts the Management Board's proposal on the appropriation of profit.

AFFILIATED COMPANY REPORT

The Management Board's affiliated company report in financial year 2008 was also examined by the Supervisory Board. The auditor issued the following unqualified audit opinion in this respect:

»In accordance with our dutifully performed audit and assessment, we confirm that
1. the factual statements in the report are correct,
2. the consideration paid by the Company for the transactions specified in the report was not unreasonably high and no disadvantages have been compensated.«

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

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

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

Hamburg, Germany, 24 March 2009

Dr. Carl Graf Hardenberg
Chairman of the Supervisory Board

FINANCIAL CALENDAR 2009

Publication 2008 Annual Report	26 March 2009
Publication Interim Report Q1 / 2009	26 May 2009
Annual General Meeting	26 May 2009
Publication Half-yearly Report 2009	27 August 2009
Analyst conference (Equity Forum)	November 2009
Publication Interim Report Q3 / 2009	30 November 2009

GLOSSARY

BIPV	Building-integrated PV systems
BSW-Solar	Bundesverband Solarwirtschaft, Berlin [German Solar Industry Association]
CdTe	Cadmium Telluride
CdS	Cadmium Sulfide
COLEXON	Short form of COLEXON Energy AG
Crystalline silicon	Crystalline modules are made by cutting wafer-thin slices of monocrystalline or polycrystalline silicon and fitting them with contacts. Their efficiency is higher than that of thin-film cells covering the same surface area.
EEG	Erneuerbare-Energien-Gesetz [German Renewable Energy Sources Act]
IPP	Independent (solar) power producer
kW / kWp	Kilowatt / kilowatts-peak
MW / MWp	Megawatt / megawatts-peak
PV	Photovoltaics (Production of power from solar irradiation)
Thin-film technology	Thin-film modules are made by depositing or vapor coating high-purity semiconducting materials such as a-Si or CdTe onto a substrate, and then applying contacts. Since thin-film PV cells are produced using less energy and material, they are more environmentally friendly and cost-efficient than crystalline cells.

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

DISCLAIMER

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

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