

Annual report
2010



Key figures

RENERCO Renewable Energy Concepts AG	2010	2009	2008
Sales Revenues and Gross Performance (€)			
Gross performance incl. other operating income	49,280,589	24,674,091	44,955,186
Sales revenues	41,701,115	18,197,025	47,913,149
Sales by business fields			
Wind Energy	28,119,057	6,580,921	35,844,276
Photovoltaics	13,088,893	10,973,616	11,301,304
Geothermal Energy	239,695	332,300	396,161
Others	253,470	292,188	371,408
Sales by business segments			
Project development	38,846,029	15,366,815	45,055,672
Services	2,854,086	2,383,172	2,572,854
Other	1,000	447,038	284,623
Balance Sheet (€)			
Subscribed Capital	31,852,485	31,852,485	31,852,485
Number of Shares	31,852,485	31,852,485	31,852,485
Equity Capital	47,093,814	41,387,916	37,593,344
Total Assets	87,527,936	54,483,616	52,550,067
Employees			
Personnel as at 31.12.	69	47	46
Personnel Expenses (€)	5,405,938	4,505,974	3,964,266

Content

- 05 Letter to Shareholders
- 09 Report of the Supervisory Board
- 13 Management Report
- 38 Financial Statements
 - 38 Balance Sheet as at 31 December 2010
 - 40 Income Statement
 - 43 Notes
 - 56 Development of Fixed Assets
- 58 Auditor's Report
- 59 Dates, Contact, Imprint

Energy enables people
to change things.

Renewable Energy
enables people
to conserve things.



Letter to Shareholders

Ladies and Gentlemen,

We can look back on a very successful 2010 financial year. With a significant increase in sales revenues compared to the previous year and net income after taxes of € 6.3 million, RENERCO recorded the best result in its history in 2010, despite the partly difficult general conditions in the renewable energies segment. These results are very encouraging and we would like to take this opportunity to thank our colleagues and employees for their support and high levels of commitment.

The financial resources provided by our new main shareholder, BayWa, and our principal banks have significantly contributed to the Company's success. For example, the Neufahrn photovoltaic project was still completed – within a construction period of only six weeks – and started operations before the tariff adjustment as at 30 June 2010. This was accomplished without resorting to project financing.

Further milestones were reached in 2010 as a result of the 20% increase in the shareholding in Süddeutsche Geothermie-Projekte GmbH & Co. KG – the equity investment now stands at 50% – the market entry into Great Britain and the start of operations and the sale of the first wind farm in France, La Benête.

Moreover, we succeeded in completing the two doublet drilling projects in Dürrnhaar and Kirchstockach and in securing the first private sector project financing for the power plant construction in Dürrnhaar. The second power plant in Kirchstockach will also be implemented on the same basis from mid-2011.

In addition to the already developed markets for wind energy in Germany, France and Poland, the market entry into Great Britain was accomplished as a result of the cooperation agreement executed with RWE npower. Starting with two initial projects involving a total capacity of 30 MW, further projects with a capacity of upto 180 MW will be implemented in the coming years.



Matthias Taft (left) and Klaus Kaiser

After extremely high construction rates had been reported for the photovoltaics segment in Germany in 2009 and in the first half of 2010, feed-in tariffs were reduced considerably in mid-2010 with a view to dampening market growth, and arable land projects were completely excluded from promotion. As a consequence, a number of already fully developed projects had to be written down. Another significant decrease in the EEG [Renewable Energy Sources Act] tariffs in Germany is planned for mid-2011. In addition to Germany, France, Italy, the Czech Republic and Great Britain also reduced their photovoltaic promotion policies considerably in order to counteract excessive subsidies in conjunction with further decreasing module prices. The reasoning behind these legislative cuts can thus be partly understood, but the cuts are being implemented too abruptly and make sustainable corporate planning more difficult.

Despite the negative political developments in recent times, there are also positive trends:

Over the medium term, certain renewable energies, such as wind and hydropower, will no longer have to be subsidised when prices for electricity have moved toward grid-parity (market price level).

The tragic catastrophe in Fukushima has led to a political change of mind. However, the extent to which renewable energies as a whole or only individually (e.g. offshore wind) will benefit from this cannot yet be determined.

Thanks to our differentiated business strategy, not focusing on any particular renewable energy segment and being active in other European countries outside of Germany, we were able to successfully deal with market changes in the past and we will continue to be able to do so in the future. Already we are expecting sales revenues to increase considerably in 2011 compared with the previous year, but if earnings will again see such positive growth as seen in 2010, does not only depend on the feed-in tariffs, but also on developments in the financial markets.

We look back on a successful financial year 2010.



Photovoltaic plant Neufahrn, Germany

In agreement with the Supervisory Board, we will propose that a dividend of € 0.02 be paid per share for the 2010 financial year. This reflects continuity with the previous year's dividend distribution and accounts for the positive result achieved. Our dividend proposal also takes into account that a number of further investments are in the offing for which we will also use the authorised capital, among other resources.

We look forward to welcoming you in great numbers at our General Shareholders' Meeting on 22 July 2011 in Munich.

Yours sincerely,



Matthias Taft
Spokesman of the Management Board



Klaus Kaiser
Management Board



Dublett drilling, Kirchstockach, Germany



Wind farm La Benâte, France

Energy makes people
spirited, active, exciting,
and motivated.



Report of the Supervisory Board

Starting from the 2009 financial year, at the end of which BayWa acquired the majority shareholding in RENERCO Renewable Energy Concepts AG and in which the composition of the Supervisory Board saw a change, an entirely positive assessment can be made for the 2010 financial year.

In this context, the Supervisory Board supported the Management Board with respect to its decisions in particular concerning the market entry into Great Britain (Wind Energy) and the acquisition of further shares in Süddeutsche Geothermie-Projekte GmbH und Co. KG – and was closely involved in the processes.

In addition to the five ordinary Board meetings, coordination meetings were held on a continuous basis – in particular between the chairman of the Supervisory Board, Mr Schuler, and the Management Board – with a view to discussing critical project decisions and to arrive at joint decisions.

A number of new wind and PV plants were constructed and started operations in the past year. A total of four projects and companies were placed on the market of which the La Benête wind farm, the Neufahrn solar park and the Hydroel hydropower plant contributed significantly to RENERCO's overall financial result. As in the previous years, the „Services“ segment also contributed to the Company's success with several new clients being acquired. Owing to the Company's overall sound financial base, a number of additional projects in the wind and solar sectors were also secured, in particular in the second half of the year. The framework agreement concluded with RWE npower in Great Britain requires particular mention in this

context. However, several new projects are also expected to be realised in Germany over the next couple of years, which will contribute to further growth and a stabilisation of the Company's earnings and sales development.

Particularly worthy of note is that Management succeeded in arranging full (100%) non-course project financing for the Dürnrhaar geothermal project. We are very pleased about this accomplishment since it not only provides liquidity for new projects, but also contributes to the Company's overall profitability.

Sales revenues reported in the annual financial statements for the 2010 financial year came to approximately € 41.7 million, while net income after taxes stood at € 6.3 million. The presented results are very encouraging and lead us to expect a similar development during 2011. However, the Supervisory Board is also aware of the influence of the statutory framework, increasing prices and higher refinancing costs, and it therefore cannot rule out that individual projects might suffer setbacks or delays.

The Supervisory Board unanimously approved the Management Board's request to make use of the authorised capital. It is imperative to have sufficient equity capital and liquidity at our disposal in all business segments for the upcoming investment pipeline, in order to not only grow organically, but also to be able to broaden our market position as required by means of acquisitions in the project and service segment.

Audit Report of the Supervisory Board

The annual financial statements for the financial year from 1 January to 31 December 2010, prepared by the Management Board in accordance with German Commercial Code provisions, the management report of RENERCO Renewable Energy Concepts AG and the report on relationships with affiliated companies were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft in Munich. The audit engagement was awarded by the Supervisory Board in accordance with a resolution passed by the Shareholders' Meeting on 26 July 2010. The annual auditor issued an unqualified auditors' report in each case.

The results of the audit of the annual financial statements and the report on relationships with affiliated companies were discussed intensively with both the Management Board and the annual auditor at the Supervisory Board meeting held on 30 May 2011. Following our own audit of the annual financial statements and the report on relationships with affiliated companies, we concurred with the results of the audit performed by the annual auditor and approved the annual financial statements on 30 May 2011.

The annual financial statements are thus endorsed. The audit report, the financial statements documentation and the report on relationships with affiliated companies were submitted to all Supervisory Board members in good time.

The auditor issues the following audit opinion on the report respecting relationships with affiliated companies:

"In accordance with our statutory audit and assessment we certify that

1. The factual disclosures provided in the report are correct,
2. The Company's consideration concerning the legal transactions referred to in the report was not unduly high,
3. The measures listed in the report do not include any circumstances that would lead to a significantly different assessment by the Management Board."



Wind farm La Muela, Spain

Based on the final result of our audit, no objections are raised to the statement made by the Management Board at the end of the report on relationships with affiliated companies.

Munich, 30 May 2011



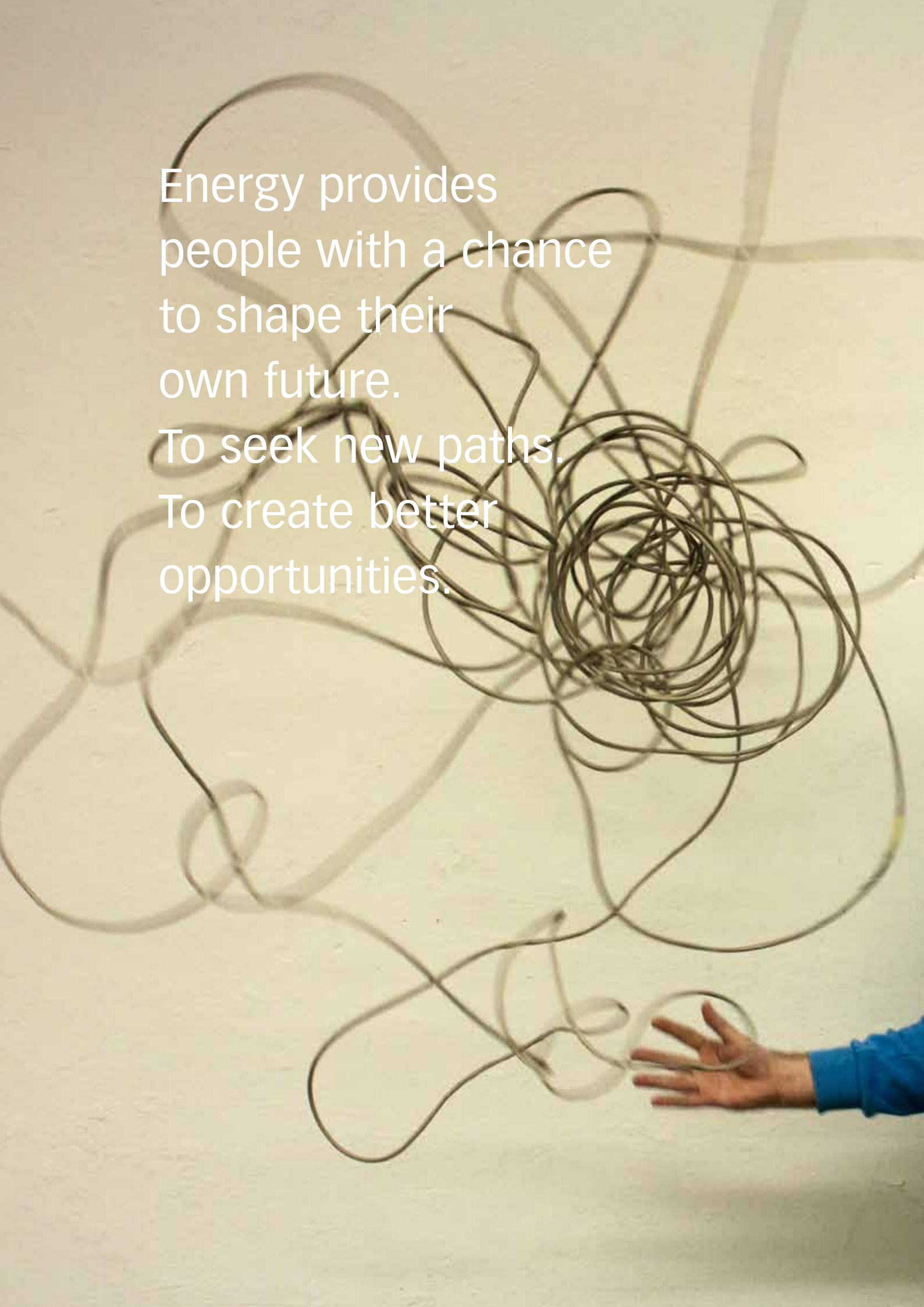
R. Schuler
Chairman of the Supervisory Board



Photovoltaic plant Leiwien, Germany



Dublett drilling in Kirchstockach, Germany

A hand in a blue sleeve is shown from the right, holding a tangled mass of thin, light-colored string against a plain, light-colored wall. The string is coiled and looped in a complex, chaotic pattern, with some strands extending across the frame. The lighting is soft and even, highlighting the texture of the string and the wall.

Energy provides
people with a chance
to shape their
own future.

To seek new paths.
To create better
opportunities.

Management Report 2010

A Business and General Conditions

1 Presentation of the General Course of Business

RENERCO Renewable Energy Concepts AG (hereinafter: RENERCO) succeeded during 2010 in continuing the course of growth experienced in recent years, and achieved the most successful business year in the Company's history. At € 6.3 million, RENERCO generated the best result after taxes since its foundation (previous year: € 3.8 million). Once again, the 2008 record high of € 5.0 million was clearly surpassed. Sales as well as the aggregate performance reflect the positive development of the company: While sales stood at € 41.7 million in 2010 (previous year: € 18.2 million), aggregate performance came to € 42.9 million (previous year: € 21.9 million).

Due to the change in the majority shareholding to BayWa at the end of 2009, the uncertainties that had temporarily hampered RENERCO's corporate growth in the previous year were eliminated. RENERCO's strategic orientation and its international positioning in the three business segments: Project Development, Services and Energy Generation in the Wind Energy, Photovoltaics, Geothermal Energy and Bioenergy technology fields were approved by the new shareholder, BayWa. RENERCO'S diversification strategy also proved to be resilient under the changing general market conditions. Increased levels of capital resource in 2010, secured from majority shareholder BayWa via shareholder loans and through numerous new bank credit facilities, also contributed significantly to the return of RENERCO to a course of growth.

In 2010, realisation of the La Benâte, Everswinkel, Neufahrn, Namborn, and Hydroel projects contributed significantly to sales and earnings.

RENERCO's first French wind project was successfully realised with the sale of the La Benâte (12 MW) wind farm. This project had been developed by RENERCO internally beginning in 2007. In 2009, the French subsidiary, RENERCO Energies SAS, began construction of the wind farm. Commissioning and final acceptance took place in 2010 and the project was sold to a Luxembourg energy provider in the second quarter. RENERCO continues to service the company within the scope of plant management contracts.

Construction of the Everswinkel (6 MW) wind farm also commenced in 2009. The project was completed and commissioned in 2010, however the sale of the project had to be postponed to the year 2011 as not all requirements necessary for achieving the systems service bonus had been met by the wind turbine manufacturer.

After significant reductions in tariff rates for photovoltaic installations on undeveloped land, and their complete abolishment for installations on arable farmland by the Federal Government in the Renewable Energies Act (EEG) as at 30 June 2006, only one German arable land project could be implemented by RENERCO in 2010. The Neufahrn (2.3 MWp) solar park was built within only a few weeks and was commissioned on schedule on 30 June 2010. Project financing was arranged subsequently and the project was sold in the fourth quarter.

Construction of the Namborn (2 MW) wind farm was commenced in the second quarter. The single installation was completed and passed final acceptance in the fourth quarter. Sale of the wind farm is scheduled for 2011.

The fourth quarter also saw the sale of the Italian hydropower plant, Hydroel, to an Italian provider. The sales proceeds confirmed RENERCO's policy of selling projects in keeping with market requirements.

In addition to the projects stated above, realisation of the Saint Fraise (12 MW/France) and Kamionka (30 MW/Poland) wind farm projects was started in 2010. In its capacity as general contractor RENERCO completed and commissioned the Landsberg (1.1 MWp) solar park on schedule shortly before the turn of the year. The investment in Gehrlicher Solar Management GmbH & Co. Solarpark 2006 KG was sold at the turn of the year.

Alongside these activities numerous other projects were implemented or implementation was started in 2010, and the well-filled project pipeline was further extended through inclusion of a large number of new projects in the core markets, Germany (wind, solar, geothermic), France (wind, solar), Italy (wind, solar), and Poland (wind). In the future, RENERCO will also engage in operations in Great Britain (wind). A general agreement covering a total of 200 MW wind projects in Great Britain was concluded with "RWE Npower Renewables" shortly before the year-end. The first project, Earls Hall Farm (9 MW), was already been taken over during February 2011.

The geothermal long-term pumping test at Kirchstockach was completed successfully in 2010 and drilling at the two geothermal projects, Dürrnhaar and Kirchstockach, is thus completed. With a view to achieving higher yields, the project partners decided not to sell the project before construction of the power plant had been completed. Preparatory activities for building the power plant have already been started and project financing was arranged with BayernLB, which resulted in a return flow of funds in 2011 within the course of an initial loan extension.



Wind farm Namborn, Germany

The investment in the geothermal project company was further extended in the third quarter through the acquisition of shares in SachsenFonds GmbH (20%). The acquisition also included the transfer of all receivables of SachsenFonds GmbH vis à vis the project company, making RENERCO and Hochtief equal partners, each of whom holds a 50% stake in the company.

The services segment was further extended and various new clients were acquired. In addition to dividend pay-outs and withdrawals from RENERCO investments, the regular income from numerous long term clients contributes towards stabilising our current business. With respect to equity investments, RENERCO's share of the installed output of renewable energy plants of majority and minority holdings totalled around 83 MW.

Due to the expansion of business segments and ongoing international growth, RENERCO has an increasing demand for qualified and international staff. In 2010, the core staff rose to 61 employees (previous year: 48, excluding the Management Board).

In retrospect, 2010 was a special year for RENERCO in two ways: Firstly, RENERCO achieved the best result in its entire history. Secondly, numerous courses were set for successful further growth and for increasing internationalisation. The entry of BayWa as a new majority shareholder and capital provider had a decisive and positive impact on corporate development. We want the shareholders of RENERCO to participate in this positive development. The Management Board and Supervisory Board propose to the General Meeting that, as in the previous year, a dividend in the amount of 2 euro cents per share be paid out.



Visual inspection of a wind turbine

We advise, develop, realise.
Competent and reliable.
With new energy.
Efficient, safe and
sustainable.

2 Development of the Economy as a whole and the Renewable Energy Sector

2.1 Development of the overall Economy

In 2010, the global economy recovered from the financial crisis sooner than expected. Global economic output increased by ca. 3.9% in real terms. Economic growth in Europe differed greatly from country to country. GDP (gross domestic product) in the EU 27 changed by a total of +1.8% in 2010 (previous year: -4.2%). At +3.6% (previous year: -4.7%), Germany contributed above average to this growth and has acted as the economic growth driver in Europe. GDP in RENERCO's European core markets also developed positively without exceptions, compared to the previous year: France +1.6% (previous year: -2.6%), Poland +3.8% (previous year: +1.7%), Italy +1.3% (previous year: -5.2%), and the UK +1.3% (previous year: -4.9%).

Price developments on the commodity markets picked up again significantly in 2010. The oil price continued its course of recovery and, in 2010, was at the level of the year 2007. Primary energy consumption in Germany also was 5% up on the previous year. At 9.4% the proportion of renewable energies was significantly up from the previous year's level of 8.9%. Reliable data for 2010 on primary energy consumption in other EU countries was not yet in place at the time this report was prepared.

The unemployment rate dropped to a seasonally-adjusted 6.6% in Germany (December 2010). In the EU, the unemployment rate remained at a constant level of 9.6%.

2.2 Development in the Renewable Energy Sector

As in previous years, the trend towards the expansion of renewable energies continued in Europe¹. The proportion of renewable energies in gross domestic energy consumption in Europe rose from 5% in 1999 to 9% in 2009. The expansion of renewable energies was pushed forward in all countries of the European Union, with Germany being among the group of countries that recorded the highest rise during the stated period.

The Directive of the European Parliament and the Council on promoting the use of energy from renewable sources serves as the political and legal basis for promoting renewable energies in the EU: In accordance with this directive, the EU member states are required to increase their proportion of renewable energies in gross final energy consumption to 20% by the year 2020². This objective is subdivided into national targets. The following values have been defined for the RENERCO core markets: for Germany 18% (2005: 6%), for France 23% (2005: 10%), for Italy 17% (2005: 5%), for Poland 15% (2005: 7%) and for Spain 20% (2005: 9%).

In the year 2010 the proportion of renewable energies in final energy consumption in Germany was 11%. The 2010 figures for the other European countries were not available at the time this management report was prepared.

The proportion of renewable energies in total energy consumption in the EU amounted to ca. 17% (year 2008). Significant contributions to power generation were made by hydropower (60%), wind energy (21%), and biomass (17%). Germany's share of renewable energies in total power consumption was 16.8% in 2010 (previous year: 16.3%) with wind energy contributing 36%, biomass 27%, hydropower 19%, and photovoltaic 12%.

1 For Europe or the EU, respectively, only statistical values are available until 2009.

2 GL 2009/28 EG of the European Parliament and Council.

Around 912,000 people were employed in the renewable energies sector Europe-wide (in 2009). The number of workplaces in Germany rose 8% to ca. 366,000 in 2010.

In 2010, the photovoltaic segment accounted for the majority of the investment made in Europe. In Germany, a total of € 25.5 billion was spent on renewable energy plants, thereof € 18.5 billion on photovoltaic installations alone. Investments in other renewable energies were slightly lower, probably as an aftermath of the economic crisis. In addition to companies engaged in the renewable energies sector, traditional branches of industry such as machine construction and plant engineering also profited from the expansion of renewable energies by acquiring new contracts.

Wind energy continued its course of growth on a Europe-wide scale. Spain was a forerunner in the construction of wind energy installations with 2,459 MW (2009), followed by Germany with 1,880 MW (2009), and Italy with 1,114 MW (2009). Compared to the previous year, turbine construction in Germany declined marginally to 1,551 MW in 2010. The major portion continued to originate from the onshore segment (1,443 MW). At 27,215 MW of the total installed output, Germany continues to be the front runner in Europe. Installations with 2 MW and more dominated among the WTGS built. The trend in 2010 is towards installations with more than 2 MW.

In the field of kWh generated from wind energy, however, Germany lost its top position to Spain in 2009. Given the low volume of wind energy produced due to the weather conditions prevailing in Germany in 2010, this is likely to be only temporary. Nevertheless, wind energy continued to be the major source of energy among the renewable energies in Germany, providing some 6% of total energy consumption and accounting for 36% of power generation from renewable energies.

The photovoltaic segment in Europe grew at an impressive pace in recent years. Total installed output picked up by about 57% to 16,071 MWp from 2008 to 2009 alone. Germany was the forerunner with respect to both new installations and total installed output. In 2009, the total installed output increased by 3,811 MWp from 9,830 MWp. 2010 saw another 7,000 MWp increase, leading to a rise in total installed output to ca. 16,914 MWp. With respect to installed output, headed by Germany, Spain generated 3,520 MWp (year 2009), and Italy 1,182 MWp (year 2009). Growth in Spain was probably very low in 2010 and Italy now most likely takes second place in installed output after Germany.

The proportion of German gross energy consumption from photovoltaic plants almost doubled in 2010 and accounted for 2% of total energy consumption. The proportion of photovoltaic in electricity generation from renewable energies amounted to ca. 12%.

Owing to high growth rates and still clearly higher per MW power generation costs when compared to other renewable energies, almost all European countries reviewed their promotional funding regulations concerning electricity from photovoltaic and, in so doing, curtailed promotional funding in some cases quite dramatically. Spain had already introduced new laws on compensation for photovoltaic electricity as early as in 2008. In Germany, too, the Federal Government defined new regulations governing the compensation for photovoltaic electricity within the scope of the EEG [Renewables Energy Law] in the spring of 2010. In this context the feed-in tariff with respect to installations on undeveloped land was reduced significantly, and was abolished completely in the case of arable land, as at 30 June 2010. The aim was to reduce the pace of new photovoltaic installations massively and to adjust it to the declining market prices for modules and components. As a consequence, the German mar-

ket experienced a slump after the 30 June 2010 cut-off date, further exacerbated as demand for modules from other markets kept prices stable. At the end of 2010 however, there were indications that similar political developments would also be seen in France and Italy. Meanwhile, it is certain that the new feed-in tariff in France must be secured through a tendering procedure, and expectations are for tariff rates that are below the original regulations. The structure of the tendering procedure is still unclear. New, and clearly less favourable conditions, will also be introduced in Italy. As a result of these developments, the construction of new photovoltaic installations has temporarily almost come to a standstill. It is to be assumed, however, that this development is temporary and that growth in the solar segment will again pick up slightly during the coming 12 to 24 months as uncertainty reduces.

3 Development of Business Segments and Business Fields

RENERCO is engaged in the business fields: Wind Energy, Photovoltaics, Geothermal Energy, and Bioenergy. The focus of activities is on the following three business segments:

- Project development (site development and turnkey construction)
- Services (consulting and operations management)
- Power generation (contribution to earnings at RENERCO through interest and equity investment income from power plant investments)

3.1 Project Development

The project development segment reflects RENERCO's entire range of services from the acquisition of suitable sites through to the construction and operation of renewable energy plants. RENERCO acts as a general contractor and constructs renewable energy plants on a turnkey basis by order of the project company. Most of the project companies are owned by RENERCO and are sold to external parties or held in the Company's own portfolio following the start of operations and final acceptance of the installations. The focus of project development activities was on the wind and solar business fields. Project development in the technology field of geothermal energy was the responsibility of Süddeutsche Geothermie-Projekte GmbH & Co. KG, a RENERCO project company, together with joint venture partner Hochtief.

In 2010, the project development segment earned sales revenues through its general contractor activities, specifically the construction of turnkey wind and solar farms. In some cases, business was performed through the French subsidiary, RENERCO Energies SAS. RENERCO acts as sub-supplier for partial services vis à vis RENERCO Energies SAS. In addition income was earned from the sale of shares in RENERCO subsidiaries and involved fully developed renewable energy plants. Independently developed or acquired project rights³ were utilised only internally or are earmarked for utilisation by the Company. Sales were also achieved from the sale of solar modules.

Project development sales accounted for 93% (previous year: 84%) of RENERCO's total sales earned in financial year 2010.

³ Project rights include all approvals and rights of use required for setting up wind farms. They can be sold independently.

3.1.1 Project Development in the Wind Business Field

In 2010 the wind business field still profited from general conditions that were clearly more advantageous than in the previous years. Market conditions for purchasing wind turbines were still clearly better than in the years prior to 2010, due to market adjustment effects associated with the economic crisis. Financing conditions also contributed to the profitability of projects due to historically low interest levels.

The wind farm, La Benâte, France (12 MW with 6 Enercon E82) was realised in 2010, with RENERCO Energies SAS as the general contractor and was sold by RENERCO to a Luxembourg-based energy supply company.

In addition, RENERCO, as general contractor realised the following wind farms with the aim of selling them in 2011:

- Everswinkel (6 MW, 3 Vestas V90) wind farm
- Namborn (2 MW, 1 Enercon E82) wind farm.

RENERCO commenced construction of the Saint Fraigne (12 MW with 6 Enercon E82) wind farm in 2010, with RENERCO Energies SAS acting as general contractor in France. Commissioning and final acceptance is scheduled for the second half of 2011.

Other building projects concerning the wind farms, Kamionka, Poland (30 MW with 12 Nordex N100) and Voyennes, France (16 MW with 8 Vestas V90), were in the preparation stage in 2010.

A general agreement covering 200 MW wind projects in Great Britain was concluded with RWE Npower Renewables shortly before the turn of the year. The purchase price amounted to € 17 million for the two developed projects, Earls Hall Farm, England (9 MW) and Kildrummy, Scotland (18.4 MW) and includes an option for eight further wind farms (180 MW). However the preconditions for mutual provision of services to the two developed projects had not yet been fulfilled in 2010 and the general agreement consequently had no impact on the annual financial statements for 2010. The Earls Hall Farm project was acquired in the first quarter of 2011. Preparatory building activities have already been started.



Wind farm La Benâte, France

First French wind project (La Benâte) sold.

In addition to preparing for market entry in the UK, a number of projects were also included or further developed in the other core markets of Germany, France, and Poland. The projects: Gunzenhausen (18 MW with Vestas V90), Everswinkel II (10 MW with Vestas V90), Selmsdorf II (2,3 MW), and Parstein (6 MW) are notable in this respect. Realisation should commence in 2011.

The Wind technology field accounted for 67% (previous year: 31%) of total sales in the project development segment.

3.1.2 Project Development in the Solar Energy Business Field

In 2010, general conditions in the solar business field continued to deteriorate significantly in Germany as a result of the curtailments in the EEG concerning installations on undeveloped land. However, the curtailments did not impact on the demand for modules due to the good market conditions that still prevailed in France and Italy at that time and the module price development remained almost unaffected. As a consequence of the EEG amendment, all project

developments in Germany were temporarily discontinued after 30 June 2010 due to lack of financial viability. The Neufahrn (2.3 MWp) solar park was realised within a few weeks prior to 30 June 2010 and was sold in the fourth quarter of 2010 and was the sole solar project.

Some of the modules that were secured by RENERCO on the basis of general agreements were sold on the market, and some of the models in stock were downwardly adjusted to account for market price developments.

Another project, the Landsberg (1,1 MWp) solar park, was set up by RENERCO as general contractor and was ready for final acceptance in January 2011.

In late 2010 funding regulations in the field of solar energy were also reviewed in France and it has been determined that future feed-in tariffs for solar projects must be secured on the basis of tendering procedures. The ensuing uncertainties in this respect also led to downward adjustments of the French solar projects that are currently in the development phase in the annual financial statements 2010.

The promotion of solar energy has been carefully examined throughout Europe.



Photovoltaic plant Landsberg, Germany

A substantial reduction in promotional funding for solar projects is also expected for Italy. A draft prepared by the Department for Economic Development on the promotion of solar energy was still in the preparation phase at the time this management report was drawn up, however a significant reduction in tariff rates is considered to be certain.

At the time this management report was drawn up there were indications of a price drop for modules due to a Europe-wide decline in demand in the solar sector.

In addition to the projects stated above, project development and the acquisition of numerous other photovoltaic projects were only selectively pushed forward as a result of the deteriorating market conditions. In Germany and France in particular a few solar projects (including some large scale projects) have been developed to the implementation stage but cannot be realised economically given the current market situation. These projects will be implemented as soon as profitability can be achieved due to lower investment costs resulting from expected lower purchase prices.

The solar business field accounted for 33% (previous year: 69%) of total sales in the project development segment. 14% thereof (previous year: 0%) relate to revenue from the sale of modules.

3.1.3 Project Development in the Geothermal Energy Business Field

RENERCO did not conduct its own project development activities with respect to geothermal energy in 2010. These activities are carried out by a separate company, Süddeutsche Geothermie-Projekte GmbH & Co. KG (hereinafter: SGG), which is a joint venture between RENERCO (50% shareholding) and Hochtief (50% shareholding). RENERCO AG employees were involved significantly in the project development activities of SGG in 2010. In 2010 it was decided that SGG should only sell the projects after power plant construction and not, as originally planned, after completion of drilling work. As a result of this project financing for both projects was secured from BayernLB and initial cash returns were received by the shareholders in 2011.



Bit for dublett drilling

Completion of the first geothermal power plant project financing in Germany.

3.2 Services

RENERCO offers consulting and plant management services in the wind, solar, geothermal energy and bioenergy business fields. The range of services on offer is outlined briefly below:

- Plant management
 - Technical plant management
 - Commercial plant management
- Technical consulting services
 - Project-related consulting services (during the project development phase)
 - Technical-business controlling (during the operational phase)

The majority of agreements are long-term with multi-year maturities, with the exception of project-related consulting services.

In 2010, the services business segment contributed about 7% (previous year: 13%) to RENERCO's total sales.

3.2.1 Services in the Wind Business Field

As in previous years, the wind business field represented a focal point of activities in the services business segment in 2010. The wind business accounted for 68% (previous year: 69%) of sales generated by services.

3.2.2 Services in the Solar Business Field

RENERCO succeeded in acquiring further clients in the solar business field and in further extending the existing plant management and consulting business. About 15% (previous year: 9%) of sales were earned by Services in the Solar business field.

It was possible to win further service mandates.



Visual inspection of a wind turbine

3.2.3 Services in the Geothermal Energy Business Field

In 2010 consultancy services in the field of geothermal energy were provided only for SGG. In addition to project development activities carried out for the various geothermal energy sites, consultancy services related to technical control during the drilling phase were carried out. Additional services were provided within the scope of the commencement of power plant construction.

The geothermal energy business field accounted for ca. 8% (previous year: 14%) of sales earned by the Services segment.

3.2.4 Services in the Bioenergy Business Field

Consulting and plant management activities in the field of bioenergy or other segments such as commercial plant management, transformation sites or administrative companies contributed 9% (previous year: 8%) to the total sales generated in the services segment.

3.3 Power Generation (formerly Equity Investments)

RENERCO operates renewable energy plants for power generation via its own companies and minority investments that generate revenue and profits from the sale of electricity. Country-specific feed-in regulations determine the achievable electricity price (e.g., the EEG in Germany) or in some circumstances prices are linked to the wider market price. Profits earned or liquidity surpluses generated in this way can be transferred or paid out to the shareholders. RENERCO discloses these pay-outs or withdrawals as income from equity investments. Liquidity pay-outs increase the liquidity at RENERCO but are generally neutral in their effect on earnings.

The power generating companies (operating companies) contributed significantly to RENERCO's net income for 2010 also, generating 62% of interest and equity investment income (previous year: 96%).

Two of the operating companies held in the portfolio were sold in 2010:

- Hydroel S.r.l (hydropower plant, Italy)
- Gehrlicher Solar Management GmbH & Co. Solarpark 2006 KG (solar roof installation, Germany)

The operating company sales are confirmation of RENERCO's business policy to dispose of projects in line with the most advantageous market conditions. In addition the sales led to a portfolio adjustment as both projects are not part of RENERCO's actual core business.

The operating capacities attributable to RENERCO amounted to ca. 83MW as at the reporting date. This figure also includes the Everswinkel and Namborn wind farms, which are temporarily included as operating companies. They are scheduled for sale in 2011. No other projects were included in RENERCO's own portfolio and no operating companies were acquired.

4 Investments / Divestments

Larger-scale investments related mainly to the acquisition of shares in project companies with (in some cases) fully developed projects:

All shares (100%) in Les Eoliennes de Saint Fraigne SAS (Strasbourg, France) were acquired in the second quarter of 2010 and an equity injection was carried out. The company comprised of a fully developed project which enabled the commencement of construction of the Saint Fraigne (12 MW with Enercon E82) wind farm in 2010.

The share holding in Voyennes Energies SAS (Strasbourg, France) was increased by 30% to 100% in the fourth quarter of 2010. In the course of this acquisition the Seller also supplied fully developed project rights for two further turbines to the project company. As a result, the Voyennes project now encompasses a total of 8.2 MW Vestas V90 turbines. The developed project is expected to be realised in 2011 and to come on stream in early 2012. Initial preparatory building activities were already started in 2010.

The newly founded Kamionka GmbH (Grünwald) wind farm was injected with equity capital in the fourth quarter of 2010 and was thus able to acquire 54% of the shares in the Polish FW Kamionka Sp. z o.o. (Kamionka, Poland) in accordance with the executed project development agreement. The Polish company includes fully developed project rights for the Kamionka wind farm (30 MW with Nordex N100 turbines). Preparatory building works in respect of this wind farm were already started in 2010.

Additionally 20% of the shares in Süddeutsche Geothermie-Projekte GmbH & Co. KG (Munich) and in Süddeutsche Geothermie-Projekte Verwaltungs GmbH (Munich) were acquired from the withdrawing project partner, SachsenFonds GmbH. In so doing all shares, loans, and interest receivables (with discounts) were also acquired. The project now only comprises of shareholders Hochtief and RENERCO, each holding a share of 50%. This structure facilitates further coordination between the project partners and creates the basis for successful project implementation. In this context it has now been decided not to sell the projects immediately after drilling, as was initially planned, but to postpone the sale of the respective project until construction of the power plant has been completed. The related project financing has already been arranged, resulting in tied-up equity capital being returned to the shareholders in 2011.

Additional investments relate to the grid connection and construction of new projects. Equity investments involving the installation of wind or solar farms were injected with capital in the form of capital increases or equity capital replacing shareholder loans. The amount of the funds injected is generally aligned to the equity capital requirements of each of the respective project financings.

Some companies were sold in 2010, which enabled the release of tied-up capital. In the case of La Benête Energies S.à r.l. (Strasbourg, France) this amounted to € 4.6 million, with respect to Hydroel S.r.l. (Brixen, Italy) € 1.3 million, and ca. € 0.3 million from Gehrlicher Solar Management GmbH & Co. KG (Munich).

5 Personnel

The number of personnel increased to 69 employees⁴ as at the reporting date. Numerous new workplaces were created and staffed in 2010, due to substantially increased manpower requirements to support RENERCO's future course of growth. This strategy will continue to be pursued in 2011. Both the extension of business segments and internationalisation increasingly require inter-cultural competence in addition to high technical and commercial know-how. RENERCO already has numerous employees with various cultural and language backgrounds and their numbers will continue to grow due to international growth. In addition to building up a permanent, qualified workforce in Munich, local structures must also be created in future in order to establish RENERCO more firmly in the respective regions.

⁴ Excluding Management Board, and employees on parental leave; including temporary staff.

B Presentation of Net Assets, Financial Position and Results of Operations

1 Net Assets

1.1 Overview of RENERCO Balance Sheet Indicators

	2010 € '000	2009 € '000	Change € '000
Fixed assets	58,169	39,960	18,209
Current assets	28,854	14,508	14,346
Prepaid expenses	214	16	198
Deferred tax assets	291	0	291
Shareholders' equity (equity capital)	47,094	41,388	5,706
Accruals	2,713	4,073	-1,360
Liabilities	37,696	9,023	28,673
Deferred income	25	0	25
Total assets	87,528	54,484	33,044

1.2 Fixed Assets

In 2010, fixed assets increased by € 18,209k to € 58,169k.

Corporate growth required investments to be made in software licenses and in operating and business equipment. Intangible assets increased by € 30k and tangible assets by € 21k, net of amortisation/depreciation.

Financial assets were up by € 18,158k to € 57,832k, year on year. Shares in affiliated companies increased by € 6,349k, due mainly to the share acquisition and the capital resources at Les Eoliennes de Saint Fraigne SAS (€ 1,054k), and Windpark Kamionka GmbH, which were used for the acquisition of shares in

FW Kamionka Sp. z o.o. (€ 4,380k). Loans to affiliated companies declined by € 4,593k, mainly as a consequence of the sale of La Benête Energies S.à r.l., which enabled the repayment of shareholder loans (€ 4,579k).

Equity investments saw only an insignificant reduction of € -163k due to a capital reduction measure. Loans to affiliates in which an equity investment are held increased by € 11,781k. This increase includes € 11,900k which relates to the transfer of receivables from Sachsen-Fonds that was associated with the acquisition of an additional 20% stake in Süddeutsche Geothermie-Projekte GmbH & Co. KG. Moreover, loans totalling € 4,860k were extended in order to provide interim financing within the course of projects processing through to sale.

1.3 Current Assets

Current assets increased strongly by € 14,346k, compared to the previous year.

Raw materials and supplies increased by € 2,289k as a result of the purchase of photovoltaic modules and converters.

The work in progress inventory rose € 1,151k in 2010 due to the realisation of unfinished goods at the La Benête wind farm, the Everswinkel wind farm, Neufahrn solar park, and the Namborn wind farm, as well as due to the capitalisation of expenses concerning a large number of new or further developed projects. This includes (total capitalised expenses of € 100k) the following wind parks: Gunzenhausen, Everswinkel II, Voyennes (France), Kamionka (Poland), Earls Hall Farm (UK), Kildrummy (UK), Selmsdorf II, Parstein, Hamwiede, Kotla (Poland) and the Sevignacg (France) solar park.

Prepayments amounting to € 3,128k were made for the acquisition of photovoltaic modules that will be delivered in 2011. Receivables and other assets jumped by € 8,242k to € 14,838k in the reporting period. Trade receivables were up € 99k from the previous year and amounted to € 1,325k.

Receivables from affiliated companies increased by € 3,653k mainly due to a payment obligation amounting to € 2,964k concerning the Voyennes project which had been temporarily assumed for RENERCO Energies SAS (Strasbourg, France).

In addition receivables from general contractor activities, recharges and interest receivables are included in this position. The receivables from Windpark Everswinkel GmbH & Co. KG (Grünwald) amount to ca. € 700k, from Windpark Namborn GmbH & Co. KG (Munich) ca. € 435k, from RENERCO Energies SAS (Strasbourg, France) ca. € 312k, and from Windpark Wegeleben

GmbH & Co. KG (Munich) ca. € 278k. Receivables from BayWa AG (Munich) for the provision of consulting services amount to € 389k, and receivables from Windpark Wegeleben GmbH & Co. KG (Munich) for SDL upgrading came to € 354k.

Receivables from companies in which an equity investment is held increased by € 2,897k: They relate mainly to interest receivables from Süddeutsche Geothermie-Projekte GmbH & Co. KG (Munich) which, among other things, were transferred within the scope of the acquisition of SachsenFond's shares. In addition a reinstatement to original values in the amount of € 975k was carried after the reason for recording the previous adjustment no longer exists.

Other assets increased by € 1,593k which mainly relate to tax receivables.

1.4 Deferred Taxes

Deferred taxes were set up for the first time in the context of initial application of BilMoG. Deferred taxes amounted to € 291k in the financial year.

1.5 Equity Capital

No equity capital measures were taken in 2010. The subscribed capital and the capital reserves remained unchanged.

Equity capital increased by € 5,706k. Net income for 2010 was transferred to the statutory and voluntary reserves after deduction of a proposed distribution pay-out of € 637k.

1.6 Accruals

Accruals declined by € 1,360k to € 2,713k. No tax accruals were recorded. The accruals chiefly concerned various projects (€ 996k), personnel costs (€ 1,286k), and other accruals (€ 326k) that were mainly set up to account for expenses expected in connection with projects already sold (€ 303k).

1.7 Liabilities

Compared to the previous year liabilities increased by € 28,673k to € 37,696k. Liabilities to banks amounted to € 2,842k and resulted from the utilisation of current account facilities. Prepayments received declined by € 1,348k and trade payables increased by € 957k. The major change in liabilities related to liabilities to affiliated companies, which increased by € 26,538k; a decisive factor in this respect was the increase in the BayWa r.e GmbH (Munich) shareholder loan, which amounted to € 28,821k as at the reporting date.

Other liabilities declined by € 316k to € 680k. For the most part, these included an equalisation security amount and a retained reserve concerning the sale of the SachsenFonds shares (€ 300k, respectively), and liabilities concerning wage and church tax (€ 76k).

2 Financial Position

The financial resources of RENERCO are primarily provided through cash flows from the business operations (sale of projects, provision of services) and by interest and equity investment income.

Capital required for major investments within the course of corporate growth was financed, in particular, by an increase in the shareholder

loan from BayWa. Following the change in the shareholder structure, BayWa granted RENERCO a credit facility of € 15 million, which was increased to € 40 million in 2010. The shareholder loan is due to expire on 31 December 2011 and is subject to a variable interest rate based on market conditions. Extension of the shareholder loan beyond 31 December 2011 is intended. The credit facility was drawn down to the amount of € 28,821k as at 31 December 2010.

In addition, RENERCO had current account lines at several banks. Owing to the new shareholder structure and the fact that the financial sector has picked up again after the financial crisis, credit and guaranty credit lines were agreed with several banks and were used for short term interim financing. These loan agreements are extended at annual intervals and bear variable interest rates. At the reporting date liabilities to banks amounted to € 2,842k. No significant changes in terms and conditions are expected for 2011.

Now that RENERCO is utilising borrowed funds (via the shareholder loan granted by BayWa) and current account facilities to a greater extent, it is increasingly dependent on capital market interest levels. No interest hedging measures are planned for the time being, however.

RENERCO had sufficient liquid funds at its disposal at all times and was in a position to meet its current payment obligations and liabilities. Liquid assets as at 31 December 2010 amounted to € 1,469k.

No equity capital measures were undertaken in 2010 and no use was made of the authorised capital approved by the shareholders' meeting on 27 July 2007. This authorised capital permits the Company to carry out a capital increase of up to 50% of the existing nominal capital without a further resolution by the shareholders' meeting being necessary.

3 Results of Operations

3.1 Overview – RENERCO Performance Figures

	2010 € '000	2009 € '000	Change € '000
Sales revenues	41,701	18,197	23,504
Increase/decrease in inventory	1,151	3,714	-2,563
Other operating income	6,428	2,763	3,665
Gross performance	49,280	24,674	24,606
Cost of materials	-37,876	-17,759	-20,117
Personnel expenses	-5,406	-4,506	-900
Other operating expenses, depreciation of fixed and current assets	-2,004	-2,552	548
Operating result	3,994	-143	4,137
Financial result	2,180	3,973	-1,793
Net operating income	6,174	3,830	2,344
Taxes on income	79	-35	114
Net income for the year	6,253	3,795	2,458
Transfer to earnings reserves	-5,616	-3,158	-2,458
Unappropriated retained earnings	637	637	0

Sales by Business Segments

Business segment	2010 € '000	2009 € '000	Change € '000
Project development	38,846	15,367	23,479
Services	2,854	2,383	471
Other	1	447	-446
Total	41,701	18,197	23,504

3.2 Gross Performance

Gross performance in 2010 was up € 20,942k from the previous year, mainly as a result of higher sales earned in the project business € 38,846k). This sales increase was due to sales from general contractor activities

concerning construction of the La Benâte, Everswinkel, and Namborn wind farms, and the Neufahrn solar park. Sales fluctuations (compared to the previous year) are attributable to the nature of a project development business and cannot serve as the sole benchmark for measuring business success.

Due to the inclusion of numerous new projects, inventories were further increased by € 1,151k despite realisation of the projects stated above. Moreover, capital gains associated with the sale of shares in the companies, La Benâte Energies S.à r.l. and Hydroel S.r.l. were achieved: These gains were disclosed under other operating income.

3.3 Cost of Materials and Personnel Expense

Compared to the previous year, cost of materials increased in parallel to the sales and inventory development and stood at € 37,876k.

The € 900k increase in personnel costs (compared to the previous year) is due to the fact that a number of new employees were hired.

3.4 Financial Result

The financial result compared to the previous year declined by € 1,793 to € 2,180k. This is mainly due to lower dividend pay-outs and slightly increased interest expenses.

Investment income of € 1,350k results, in particular, from dividend pay-outs by the Spanish wind park companies, La Carracha and Plana de Jarreta (€ 458k), the Italian hydro-power plant, Hydroel (€ 270k), and infrastructure projects (€491k).

Interest income rose slightly by € 355k to € 1,363k in comparison to the previous year. In addition to interest income from the power generating companies, this is primarily due to interest income from interim financing arrangements during the course of project development.

Interest expenses of € 534k were mainly incurred in the context of shareholder loans and current account lines.

3.5 Result of Ordinary Activities

At € 6,174k, the result of ordinary activities was again significantly higher than in the previous year.

3.6 Net Income for the Year

Net income for the year amounts to € 6,253 k. Tax refunds in the amount of ca. € 79k is expected for 2010.

3.7 Setting up Reserves

Net income for the year is transferred to the statutory reserves (€ 313k) and other earnings reserves (€ 5,303k). Other earnings reserves are set up in conformity with RENERCO's articles of incorporation. Unappropriated retained earnings in the amount of € 637k are available for dividend payments.



Wind farm Campomaggiore, Italy

C Risks of Future Business Development

Risks of future business development must be viewed in the context of the respective business segments (Project Development, Services, Equity Investments), and the respective technology field (Wind Energy, Photovoltaics, Geothermal Energy). In addition, the company is exposed to general risks.

1 Business Segment-specific Risks

1.1 Risks concerning Project Development

The project development business is exposed to risks relating to the acquisition of suitable project sites, the procurement of components required for realisation of a project and the sale of fully developed projects. Moreover, risks may arise from a lack of attractive project financing arrangements, which would require a significantly higher amount of equity capital to be employed.

Availability of suitable project sites is essential for the project development business relating to renewable energies. While the number of attractive sites in Germany is dwindling, the rest of Europe still offers great potential as the respective market development is not yet saturated.

The procurement of components involves price and availability risks. During phases of strong market growth, intensified competition or a regional demand surplus, prices for components may rise, or may not drop to the expected extent (e.g. in the solar segment) and this may impact adversely on a project's profitability. An additional risk may arise from not being appropriately supplied by component manufacturers or dealers if only relatively small volumes of components are procured and this may lead to projects being delayed or becoming unfeasible. The risk associated with

availability of components can be mitigated, for example, by purchasing larger volumes via general agreements. However, this approach involves a risk that volumes not immediately used for project construction may lose value when prices decline and additional costs may be incurred for transport, storage, and the tied-up capital.

A further risk arises from a possible failure to conclude project financing for fully developed projects. Under this circumstance projects would have to proceed on the basis of equity capital alone. However, even in economically difficult times such as the financial crisis in 2008/2009, it has always been possible to arrange project financing if certain preconditions are met.

Fully realised projects are either sold or are temporarily included in the Company's own portfolio. Temporary inclusion in the RENERCO's portfolio covers the risk of not finding a buyer for the project within the short term or having to make considerable price concessions with respect to sales proceeds. However, this approach ties up equity capital that is returned only through later dividend pay-outs or withdrawals.

Unforeseen changes in the underlying legal conditions prevailing in European countries represent a substantial risk. Although the member states are under an obligation to expand renewable energies, experience has repeatedly shown that swiftly implemented strategic changes associated with the promotion of renewable energies aggravate planning and investment security and cause economic losses. Even countries such as Germany and France, which would appear to be politically reliable, cannot escape these developments: The EEG amendment in 2010 failed to give project developers in the photovoltaic segment sufficient time to adjust projects that had already commenced to the new market

conditions. They also failed to take into account the fact that an immediate market adjustment of module prices was not to be expected given the high tariff rates in the neighbouring countries. As a result the market for projects on undeveloped land in Germany virtually came to a standstill in the second half of 2010. An enterprise can counter this risk only through very broad-based positioning across various energy sources and regions.

1.2 Risks concerning Services

Risks in the services business segment are comparatively low; this is due, in particular, to the long-term contract structures in place with clients for which consultancy or support services are provided. Minimum fees are defined in most contracts to ensure that RENERCO AG's expenses associated with the respective commitment are covered, even if flexible compensation models are employed (e.g. based on the amount of energy generated by a wind farm). The services business segment is exposed to a general risk that project companies may find themselves in financial difficulties, which may force RENERCO AG to terminate a long-term contractual relationship or forego part of the compensation.

1.3 Risks relating to Power Generation

Only relatively minor risks arise from the power generation segment. Weather conditions (wind volume, solar radiation) and plant availability represents the major risk.

Weather conditions can be predicted comparatively well with respect to their impact on project income due to expert opinions prepared over the longer term. Nevertheless, compared to an average year, both positive and negative deviations may occur, which in fact may amount to 15–20% with respect to wind energy and

up to a maximum of 5% with respect to solar energy. In 2010, for example, the wind volume in Germany was some 14% below the expected value. However, the equity investment's funding requirements and return flows of funds are relatively easy to as business strategy can be anticipated quite reliably over the medium term. Fixed compensation models (such as EEG) and long-term contracts with business partners of the respective companies (e.g., relating to leases, maintenance etc.) make a significant contribution in this respect. In addition risks are spread due to investments in various energy sources.

Turbine availability depends on the technical reliability of components and the timeliness of the maintenance and repair services. The risk of technical damage can be reduced significantly by selecting proven components produced by established turbine manufacturers. The conclusion of full service maintenance agreements additionally ensures that maintenance and repair work is carried out within the stipulated time periods.

2 Business Field-specific Risks

2.1 Wind Energy

The greatest uncertainty in the wind business segment involves the development of turbine prices and the availability of turbines. In addition to a seller's market, raw material prices, in particular, (e.g. for steel, copper) are largely responsible for the turbine price increases. The market situation continued to be favourable in 2010. As a consequence, the delivery periods for wind turbines levelled off to a current level of approximately 12 months. Significant turbine price increases are not expected at present.

Another risk is the reduced level of new development opportunities in the German on-shore wind market. This calls for increased business

activities in the rest of Europe and for development of the re-powering segment, however the shifting of project development activities to other European countries entails country-specific risks. In addition to political and legal risks overseas projects require increased dependency on local project partners as well as less understood and more extensive approval procedures.

2.2 Photovoltaics

At present, the most significant risk in the solar business field relates to the general legal conditions in respect to feed-in tariffs. The curtailments in the EEG [Renewable Resources Act] amendment in Germany, the adjustment of promotion conditions in France and Italy actually led to a temporary standstill on the market for the development of projects on unoccupied land. Even if, as is foreseeable, module and component prices continue to drop steeply in the course of 2011 because of high stock levels at component manufacturers, it will still take some time until project development recommences and the projects currently on hold again become economically feasible and are realised. In the meantime, due to the structures already established at RENERCO, considerable costs will still be incurred.

Although the strong decline in component prices has a positive effect in that on-hold projects may again become profitable, it also results in a loss in the value of components already purchased. A quick sale on the market is possible only to a certain extent given the prevailing market situation.

Over all current developments in the field of Photovoltaics can be addressed mainly by focusing on regions such as Italy, Spain, and Greece that are more advantageous in meteorological terms, and by increasingly concentrating activities and capacities on roof areas and pre-used unoccupied areas (converted and commercial areas). These measures alone will not suffice to close the gap, however.

2.3 Geothermal Energy

Geothermal projects involve the risk that capital employed for drilling and power plant construction cannot be or will not be fully recovered. The two successfully performed drilling projects at Dürrnhaar and Kirchstockach are no longer exposed to drilling and locality risks. At present technical risks arise from the construction of power plants but these are manageable given the use of established power plant technology. Delays and/or start-up difficulties cannot be ruled out however.

3 Other Risks

3.1 Liquidity Risks

Financial risks may arise when the realisation of projects is delayed, within the scope of project financing, or during the subsequent sale of projects. While delays during project realisation and financing require a temporary increase in the provision of funds for interim financing of investment costs, delays in the sale of projects lead to a later return of tied-up equity capital which, in turn, is required for further project developments. However, since the entry of BayWa as the main shareholder, the availability of funds is very high due to credit lines granted by various banks and shareholder loans.

3.2 Currency Risks

RENERCO AG also engages in business outside the euro area, such as project developments in Poland, the UK, and Romania. These activities may be exposed to currency risks that are mitigated by taking suitable project restructuring measures in order to keep the risk for RENERCO as low as possible.

D Outlook and Opportunities for further Development

Renewable Energy continues to be an up and coming market. A new political and public debate about the use of nuclear power for energy generation was triggered by the Fukushima accident in Japan. Renewable energies are the only environmentally friendly and sustainable alternative. This applies equally to the other conventional energy sources. The expansion of renewable energies, in particular in countries with functioning promotional frameworks such as the EEG in Germany, is progressing at a fast pace. Technological developments have kept the profitability of projects at least constant in recent years despite declining feed in tariffs. In the wind sector we envisage development to hub heights of 130–140 m and individual Wind Turbine outputs of between 5–6 MW. An efficiency ratio of 20% is also projected for photovoltaics. Grid parity, the generation of power from renewable energies at the same price as when purchased from a grid provider, is increasingly coming into view. In this respect rushed legislative framework corrections put developments at risk, as was most recently seen in the solar segment.



Wind farm Everswinkel in Germany, rotor blade assembly

Nevertheless the solar market will recover as photovoltaics are an indispensable part of the energy mix.

The market adjustment in the wind and solar segment that commenced in the context of the economic crisis primarily impacts upon companies which lack sustainable business models, that have grown too quickly in the past, or have operated at the edge of profitability even in more favourable economic conditions. This was intensified in 2010 through the market setback in the solar segment. RENERCO, although impacted itself, anticipates a generally positive effect due to further professionalization within the industry. Moreover, attractive options may arise from the acquisition of projects or distressed firms.

In light of current developments it is expected that the market growth experienced in recent years in the Renewable Energy industry will continue. However the demand for renewable energy plants tends to undergo a regional shift: Markets such as the UK or the USA, which pre-

viously did not play a major role in renewable energies, are increasingly gaining importance. This provides RENERCO, with a large Europe-wide network focused on the acquisition and sale of projects, with an opportunity to profit from the trend. The installations developed and set up by RENERCO are purchased by institutional, industrial, and private investors, depending on size and country. While it is apparent that yield expectations are increasing somewhat, well-structured projects offered by professional developers will continue to achieve attractive sales prices in the future. Factors such as close to grid-parity prices and the option of later re-powering play an important role in valuation, in particular with respect to wind farm projects. RENERCO thus has every possibility to acquire projects at different stages, to sell projects, or to selectively integrate them into its own portfolio. Traditionally market fluctuations affect the services business only to a limited extent due to long-term contract structures. The demand for technical consultancy services may grow as a result of an increase in business transactions.

The change to the new majority shareholder has had an overall positive impact on RENERCO's business development. Owing to its financial strength and the operative efficiency that has resulted from the provision of shareholder loans, corresponding corporate financing and by increasing personnel capacities and know-how, RENERCO will be able to implement more projects than has been the case in the past. Given unchanged generally positive market conditions and despite continued investment activity and internationalisation, RENERCO will generate net income in line with 2010 for the next two years., Sales development in the coming years will depend strongly on whether business activities are increasingly processed via country specific operating companies such as RENERCO Energies SAS (France). In such a case RENERCO itself will then generate fewer sales compared to the

Market growth of past years will be continued in the renewable energy segment.

country specific operating company, but will increasingly benefit from investment income and also from the sales proceeds of project companies that involved in overseas projects. Given the fact that several far advanced project developments are currently being driven forward in Germany, sales earned by RENERCO will approximate the levels achieved in 2009 and 2010.

Beside the general growth-directed efforts undertaken by RENERCO in the form of on-going internationalisation and the expansion of existing technology fields, a further option is provided by vertical development in other markets and business segments. With respect to wind power, the focus will be on professional service and maintenance activities, whereas activities in the solar segment will concentrate on systems integration and individual components. This broad-based approach will strengthen RENERCO's business model when counteracting crises and individual country risks. Parallel to the increase in corporate growth RENERCO will gain further importance within the Renewable Energy market.

The RENERCO share price developed positively over the past year and currently stands at ca. € 2.50 per share. The envisaged dividend pay-out for financial year 2010 is aimed at allowing shareholders to benefit from this positive business development.

This development can be – and should be – continued, provided that the general political conditions in RENERCO AG's core markets do not alter as abruptly as was most recently experienced in the solar segment.



Roof-top plant Bergsionschule, Germany



Dublett drilling in Kirchstockach, Germany

E Dependent Company Report

Pursuant to Section 17 of the AktG (German Stock Corporation Act), a dependent relationship has existed between RENERCO and BayWa r.e GmbH, Munich since 16 December 2009.

A Dependent Company Report was prepared in accordance with the provisions of Section 312 AktG, which contains the following declaration: We hereby declare that RENERCO Renewable Energy Concepts AG received adequate consideration for each legal transaction under the circumstances known at the time when the legal transactions were concluded and that RENERCO was not disadvantaged as a result of taking or omitting measures under the circumstances known at the time when these measures were taken or omitted.

Munich, 31 March 2011

RENERCO Renewable Energy Concepts AG

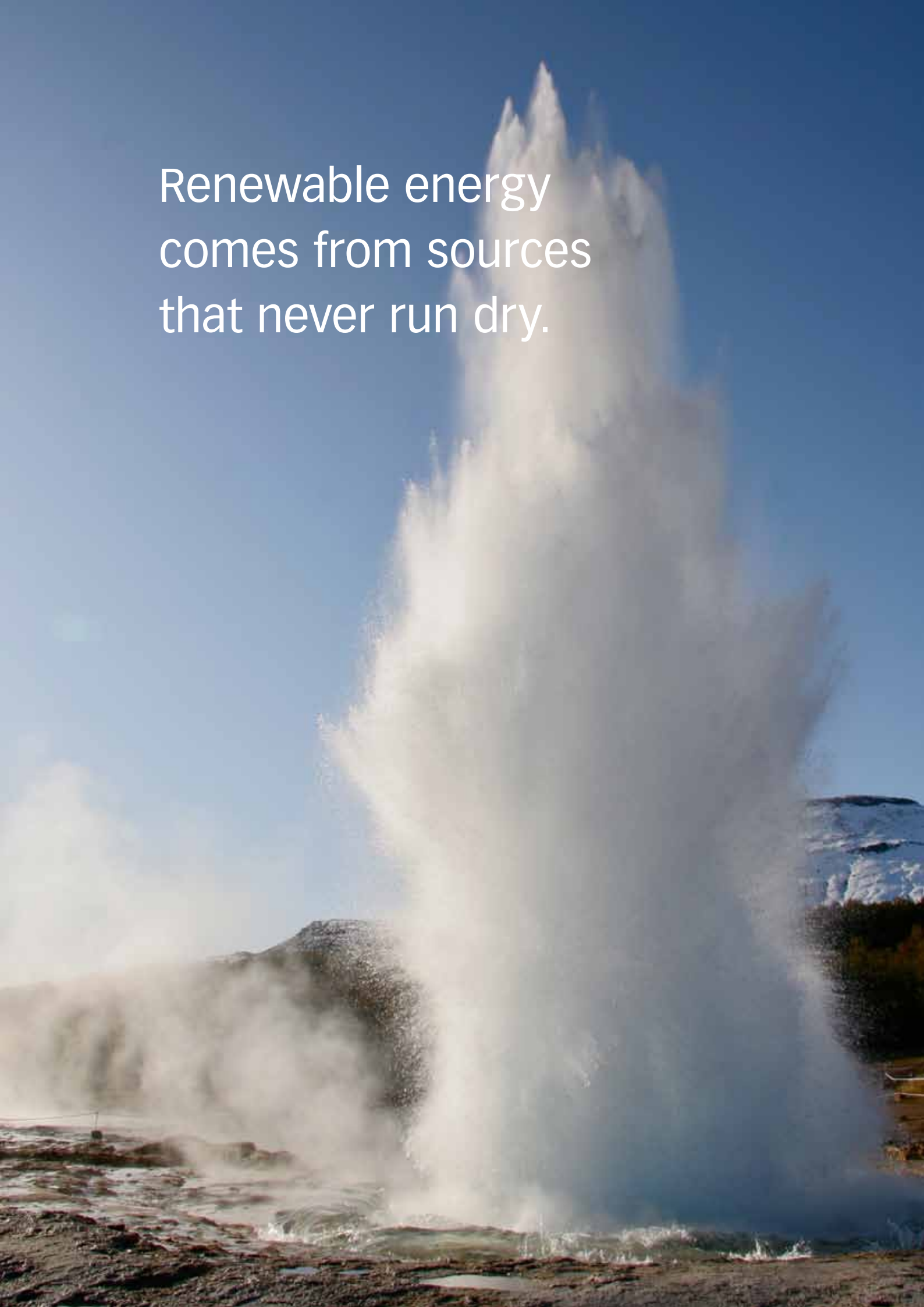


Matthias Taft
Spokesman of the Management Board



Klaus Kaiser
Management Board

Renewable energy
comes from sources
that never run dry.



Financial Statements

Balance Sheet

ASSETS	€	2010 €	2009 €
A. Fixed assets			
I. Intangible assets			
Acquired concessions, industrial property rights and similar rights and assets and licenses in such rights and assets		57,620.00	27,836.00
II. Tangible assets			
1. Other equipment, operating and office equipment		279,210.00	257,904.00
III. Financial assets			
1. Shares in affiliated companies	15,555,187.64		9,206,097.08
2. Loans to affiliated companies	4,165,441.07		8,758,156.59
3. Equity investments	3,628,393.70		3,791,877.74
4. Loans to companies in which an equity investment is held	29,622,893.01		17,842,181.44
5. Other loans	4,860,000.00		75,500.00
		57,831,915.42	39,673,812.85
B. Current assets			
I. Inventories			
1. Raw materials and supplies	2,307,443.85		18,434.50
2. Work in progress	7,110,068.48		5,958,611.48
3. Prepayments made	3,128,253.87		0.00
		12,545,766.20	5,977,045.98
II. Receivables and other assets			
1. Trade receivables	1,324,956.58		1,225,735.78
2. Receivables from affiliated companies	7,013,966.47		3,360,941.26
3. Receivables from companies in which in equity investment is held	3,438,555.49		541,649.81
4. Other assets	3,060,377.96		1,467,321.15
		14,837,856.50	6,595,648.00
III. Cash in hand, Bundesbank balances, other bank balances and cheques		1,469,047.49	1,935,221.59
C. Prepaid expenses		213,684.00	16,147.33
D. Deferred tax assets		291,000.00	0.00
Other assets		1,836.00	0.00
Total assets		87,527,935.61	54,483,615.75

EQUITY AND LIABILITIES	2010	2009
	€	€
A. Equity capital		
I. Subscribed capital	31,852,485.00	31,852,485.00
II. Capital reserve	1,305,928.01	1,305,928.01
III. Earnings reserves		
1. Statutory reserve	724,135.18	411,475.16
2. Other earnings reserves	12,574,215.89	7,180,978.21
	13,298,351.07	7,592,453.37
IV. Unappropriated retained earnings	637,049.70	637,049.70
B. Accruals		
1. Accruals for pensions and similar obligations	58,831.00	39,426.00
2. Tax accruals	0.00	216,544.50
3. Other accruals	2,654,231.92	3,816,446.00
	2,713,062.92	4,072,416.50
C. Liabilities		
1. Liabilities to banks	2,842,280.17	0.00
2. Pr repayments received on account of orders	2,229,064.00	3,577,050.00
3. Trade payables	1,799,068.95	841,880.16
4. Liabilities to affiliated companies	30,145,209.49	3,606,941.35
5. Liabilities to companies in which an equity investment is held	0.00	1,168.00
6. Other liabilities thereof to equity investments € 527.09	680,436.30	996,243.66
	37,696,058.91	9,023,283.17
D. Deferred income	25,000.00	0.00
Total liabilities	87,527,935.61	54,483,615.75

Income Statement

From 1 January 2010 to 31 December 2010

1. Sales revenues
2. Increase in inventory
3. Gross performance
4. Other operating income
5. Cost of materials
a) Cost of materials and supplies and of purchased merchandise
b) Cost of purchased services
6. Personnel expenses
a) Wages and salaries
b) Social security and other pension costs
7. Amortisation / depreciation of
a) intangible assets and tangible assets
b) current assets to the extent that these exceed the amortisation/depreciation usual in the corporation
8. Other operating expenses
9. Income from equity investments thereof from affiliated companies € 401,774.73 (previous year: (rounded) € 400,500)
10. Other interest and similar income thereof from affiliated companies € 102,507.29 (previous year (rounded) € 405,780)
11. Write-downs of financial assets and marketable securities
12. Interest and similar expenses
13. Result of ordinary activities
14. Taxes on income thereof relating to deferred taxes € -240,000.00 (PY: € 0)
15. Other taxes
16. Net income for the year
17. Transfer to earnings reserves
a) to the statutory reserve
b) to other earnings reserves
18. Unappropriated retained earnings

	2010 €	2009 €
	41,701,115.48	18,197,025.32
	1,151,457.00	3,713,802.86
	42,852,572.48	21,910,828.18
	6,428,016.15	2,763,263.39
	31,997,114.86	12,886,047.29
	5,878,509.77	4,873,247.13
	37,875,624.63	17,759,294.42
	4,794,981.69	4,034,647.79
	610.955,90	471,326.35
	5,405,937.59	4,505,974.14
	141,247.48	114,137.85
	0.00	975,046.00
	141,247.48	1,089,183.85
	1,847,835.26	1,427,263.87
	1,350,471.32	3,083,466.74
	1,363,363.67	1,007,719.81
	15,679.11	35,056.27
	533,555.54	118,473.37
	6,174,544.01	3,830,032.20
	-79,706.34	33,061.82
	1,050.00	2,398.67
	-78,656.34	35,460.49
	6,253,200.35	3,794,571.71
	312,660.02	189,728.59
	5,303,490.63	2,967,793.42
	5,616,150.65	3,157,522.01
	637,049.70	637,049.70

Renewable energy
means motion
and power –
for a secure future.



Notes

1. Accounting and Valuation

The Company's annual financial statements were prepared in accordance with the accounting and valuation provisions stipulated in the German Commercial Code (HGB) in the German Accounting Law Modernisation Act (BilMoG) version, the provisions of the German Stock Corporation Act and the Articles of Incorporation. The amended provisions were applied for the first time for financial year 2010. In accordance with the option provided for under Section 67 (8) Sentence 2 EGHGB (Introductory Act to the German Commercial Code), the previous year's comparative figures were not adjusted during initial preparation of the annual financial statements pursuant to BilMoG. RENERCO Renewable Energy Concepts AG (hereinafter RENERCO AG), is a large corporation within the meaning of Section 267 HGB.

Tangible assets and **EDP software** were stated at acquisition costs net of scheduled depreciation. Depreciation was recorded in accordance with the assets' regular useful lives.

Financial assets include shares in affiliated companies, equity investments in other enterprises, and long term loans. In some cases, the loans also include capitalised interest. Other interest receivables relating to these loans as well as short term loans are disclosed under current assets. Financial assets were stated at acquisition costs or at the lower fair value as at the balance sheet date.

Projects are disclosed as **work in progress**. Work in progress is stated at manufacturing costs net of deductions. Manufacturing costs include, in addition to direct costs, appropriate portions of overheads. Projects were valued in accordance with the method already applied as at 31 December 2008. General valuation

allowances are recorded in accordance with the progress of the respective project and are subsequently reviewed individually with respect to each project and adjusted, as required.

Receivables and **other assets** were recognised at nominal values or at the lower fair value as at the balance sheet date.

Liquid assets are stated at nominal amounts.

Prepaid expenses relate to expenditure incurred prior to the balance sheet date that represent expenses concerning a specified period after this date.

To the extent permitted pursuant to Section 274 HGB, **deferred taxes** are recorded for time differences between commercial and tax-based valuation that will most likely reverse in the future. In accordance with the option provided for under Section 274 (1) Sentence 3 HGB, deferred taxes are disclosed on a netted basis.

Pension obligations were determined in accordance with the accrued value method on the basis of actuarial principles and applying an annual interest rate of 5.15%. The calculation is based on the Prof. Dr. Klaus Heubeck 2005 G Mortality Tables published in 2006.

Other accruals were recorded in accordance with sound business judgment, taking into account all uncertain liabilities and recognisable risks. Accruals with maturities of more than one year are discounted on the basis of interest rates determined by Deutsche Bundesbank [German Federal Reserve Bank] in line with matching maturities.

Liabilities are stated at the respective repayment amounts.

The **income statement** was prepared in accordance with the type-of-expenditure format. Sales revenues were recognised after the services were provided or after the transfer of opportunities and risks in the event that project companies were sold.

2. Notes to Individual Balance Sheet Items

The development of individual **fixed asset** items including amortisation/depreciation for the financial year is presented in the attached Schedule of Fixed Assets. Depreciation recorded on financial assets amounted to € 15,679 in the financial year, while losses recognised from the disposal of fixed assets came to € 15,600.

Receivables from affiliated companies amounted to € 7,013,966; they include trade receivables in the amount of € 4,940,820, interest receivables of € 936,739, and receivables from short term loans in the amount € 1,136,407. The receivables have a residual term of up to one year.

Receivables from companies in which an equity investment is held amounted to € 3,438,556; they include interest receivables of € 2,430,090, trade receivables of € 781,392, and receivables from short term loans in the amount of € 227,074. The receivables have a residual term of up to one year. The value adjustment of € 975,046 recorded in the previous year was reinstated during the financial year as the basis for recognition no longer applied.

Other assets amounting to € 3,060,378 mainly concern the agreed-upon purchase price retention of € 260,000 from the sale of limited partnership interests in Windpark Selmsdorf-Sülsdorf GmbH & Co. KG, the agreed-upon purchase price retention of € 700,000 from the sale of limited partnership interests in Hydroel S.r.l.,

a receivable from Rouy-le-Petit S.à r.l. in the amount of € 58,104, input tax receivables amounting to € 875,883, and corporation tax refunds in the amount of € 1,114,000.

Prepaid expenses include the capitalisation of costs (€ 203,693) incurred for the SDL (plant upgrade eligible for a systems service bonus), upgrading at the Selmsdorf I wind farm, rent paid in advance, and incidental costs for January 2011 concerning the offices at Nussbaumstrasse (€ 4,022), and the stock management costs attributable to 2011 (€ 4,500).

Deferred tax assets (€ 291k) mainly relate to unutilised tax losses carried forward concerning trade tax (€ 245k). Valuation of the tax losses carried forward that are eligible for offsetting within the next five years is based on the trade tax rate of 17.15% applicable for the financial year.

The fully paid-in **share capital** remains unchanged at € 31,852,485. It is split into 31,852,485 no-par registered shares. The premium that was achieved in excess of the nominal amount (€ 105,928) when the new shares of stock were issued on the basis of a capital increase (subscription price of the new share: € 1.01; nominal amount value: € 1.00) – in accordance with a resolution adopted on 18 December 2006 – is disclosed under capital reserves.

Since 16 December 2009, BayWa r.e GmbH, with registered head office in Munich (HRB 160344/ Munich local court), has held the majority of the shares.

Capital reserves also include the premium from the merger carried out in 2003, specifically the difference between the sum total of the book values of the net assets acquired from the predecessor in title and the subscribed capital (€ 1,200,000). Arbitration proceedings filed by

shareholders of one of the legal predecessors against the merger agreement, in particular against the conversion ratio, were settled through an out of court compromise in mid-2005. The additional payments, which were due on 30 June 2006, concern subsequent premium reductions resulting from the merger.

In a resolution passed on 27 July 2007, the generation of **authorised capital** was agreed upon. Consequently, the Management Board, with the approval of the Supervisory Board, is authorised to increase the share capital once or repeatedly by a total of up to € 15,926,000 up to 26 December 2012. No capital increases were carried out in 2010.

As at 31 December 2010, the **statutory reserve** was increased by € 312,660 (5% of net income for the year) in accordance with Section 150 (2) AktG, and now amounts to € 724,135.

Other earnings reserves were increased by € 5,303,491 in accordance with Article 21 of the Articles of Incorporation. The transferred amount corresponds to the net income for the year after deduction of the statutory reserve and the proposed distributable amount.

The generally freely available equity is subject to a **distribution freeze** corresponding to the amount of the capitalised deferred taxes (€ 291k) pursuant to Section 268 (8) HGB.

Pension accruals were recorded in the amount of € 58,831 in compliance with recognised actuarial procedures. Income from the release of pension accruals (€ 39k) due to the initial application of BilMoG provisions was directly offset against earnings reserves.

The Company was not required to, and consequently did not, set up **tax accruals**. Owing to high prepayments made, corporation tax receivables in the amount of € 612,000 for 2009 and

in the amount of € 486,000 for 2010 were recorded. They are stated under other assets.

Other accruals mainly concern personnel costs (€ 1,286,200) and the cost of purchased services relating to projects (€ 1,095,532).

Liabilities to affiliated companies in the amount of € 30,145,210 mainly relate to a loan extended by BayWa r.e GmbH (€ 28,820,815), including pertaining interest in the amount of € 178,900, and to withdrawals effected at Windpark Wegeleben GmbH & Co. KG (€ 537,633), and Umspannwerk Gürtelkopf GmbH & Co. KG (€ 598,791).

Other liabilities in the amount of € 680k include liabilities arising from wage and church taxes (€ 76k) and social security-related liabilities (€ 1k).

The BayWa r.e GmbH **shareholder loan** is due to expire on 31 December 2011. All other receivables and liabilities in the reporting year and in the previous year also have a residual term of up to one year.

3. Notes to Individual Income Statement Items

Sales revenues generated in 2010 totalled € 41,701,115 and are allocated as follows:

Country	As a %	Sales in €
Germany	51	21,258,196
France	35	14,560,808
Austria	13	5,434,871
Spain	1	267,368
Italy	0	137,666
Other	0	42,206

Business field	As a %	Sales in €
Wind Energy	67	28,119,057
Photovoltaics	31	13,088,893
Geothermics	1	239,695
Other	1	253,470

Business segment	As a %	Sales in €
Project development (incl. traded modules)	93	38,846,029
Services	7	2,854,086
Other	0	1,000

Annual audit expenses incurred in the reporting year amounted to € 40,340. Since the accrual stated in the previous year proved to be too low, an additional amount of € 13,340 was recorded in the past financial year for annual auditing services.

Off-period expenses in the amount of € 25,509 mainly include license fees for 2009 (€ 6,630), subsequent payments concerning input tax deductions (€ 6,984) that were not accepted by the tax office, and telephone costs (€ 3,678).

Off-period income included in other operating income at the amount of € 11,596 is primarily attributable to the correction of liabilities arising from pension provisioning.

The result from ordinary activities is not reduced by **income taxes**.

Interest and similar expenses include the amount of € 11k arising from the compounding of accruals for outstanding expense accounts, and € 3k relating to the compounding of pension accruals.

Incomes taxes include the addition of deferred taxes in the amount of € 240k.

4. Other Disclosures

The average number of staff during the financial year (excluding the Management Board and excluding employees on parental leave) was 57.4. This number also includes temporary staff.

As at 31 December 2010, 69 people (excluding the Management Board and excluding employees on parental leave) worked for RENERCO AG in the following segments:

Employees by business segment	As a %	Number of staff
Project development	41	28
Services	22	15
Administration (incl. 11 temporary staff members)	37	26
Total		69



Wind farm Selmsdorf. Germany, obstruction lights

Development of Fixed Assets	Share in capital (%)	Business year	Currency	Equity capital	Net income/loss for the year
BVT Technische Anlagen GmbH & Co. Blockheizkraftwerke KG, Munich	34.7	2010*	€ '000	93	397
Capella Energies SAS, Strasbourg, France	93.0	2010	€ '000	-6	-8
Celieno Energies SAS, Strasbourg, France	93.0	2010	€ '000	-1	-3
CRE Project S.r.l., Matera, Italy	49.0	2010*	€ '000	5,806	977
EAV Energietechnische Anlagen Verwaltungs-GmbH, Strassfurt	49.0	2009	€ '000	142	881
EEV Beteiligungs GmbH, Grünwald	49.0	2010	€ '000	13	2
Eoliennes de la Benâte S.à r.l., Strasbourg, France	100.0	2010	€ '000	-10	-4
Felis Energies SAS, Strasbourg, France	93.0	2010	€ '000	-1	-3
FW Kamionka Sp. Z o.o., Kamionka, Poland	54.0**	2010*	PLN '000	10	3
GEM WIND FARM 1 Ltd., Manchester, UK	100.0**	n.a.****	GBP '000	n.a.	n.a.
GEM WIND FARM 2 Ltd., Manchester, UK	100.0**	n.a.****	GBP '000	n.a.	n.a.
Genam Energies SAS, Strasbourg, France	93.0	2010	€ '000	0	-2
HKW Cottbus Verwaltungs GmbH, Cottbus	33.3	2009	€ '000	394	638
HKW-Pool Verwaltungs-GmbH, Munich	33.3	2009	€ '000	93	744
Les Eoliennes de Saint Fraigne SAS, Strasbourg, France	24.5	2010	€ '000	3,633	-153
Livas 1 Energeiaki EPE, Kalamata, Greece	94.0	2010*	€ '000	-317	-358
Menka Energies SAS, Strasbourg, France	93.0	2010	€ '000	0	-2
Neuilly St. Front Energies SAS, Bègles, France	70.0	2010	€ '000	-142	-16
Parco Solare Citrino S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3
ParcoSolare Eliodoro S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3

Parco Solare Rubino S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3
Parco Solare Smeraldo S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3
Parco Solare Tobazio S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3
Parco Solare Zaffiro S.r.l., Brixen, Italy	100.0	2010*	€ '000	7	-3
Parque Eólico La Carracha S.L., Zaragoza, Spain	33.1	2010	€ '000	1,097	1,946
Parque Eólico Plana de Jarreta S.L., Zaragoza, Spain	32.2	2010	€ '000	572	1,387
Polaris Energies SAS, Strasbourg, France	93.0	2010	€ '000	-6	-8
Prokyon Energies SAS, Strasbourg, France	93.0	2010	€ '000	-3	-5
Pyxis Energies SAS, Strasbourg, France	93.0	2010	€ '000	-6	-8
RENERCO Beteiligungs GmbH, Munich	100.0	2010	€ '000	126	9
RENERCO Energies SAS, Strasbourg, France	100.0	2010	€ '000	-55	-44
RENERCO GEM 1 GmbH, Munich	100.0	2010	€ '000	24	-1
RENERCO GEM 2 GmbH, Munich	100.0	2010	€ '000	24	-1
RENERCO Sud-Est S.R.L., Bucharest, Romania	100.0	2010	RON	0	0
Renewable Energy Harvest Nine GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-1	-1
Saint Solis Energies SAS, Strasbourg, France	93.0	2010	€ '000	-1	-3
Solarpark Lepus GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-2	-1
Solarpark Lupus GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-1	-1
Solarpark Scorpius GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-2	-1
Solarpark Taurus GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-1	-1
Spica Energies SAS, Strasbourg, France	93.0	2010	€ '000	-8	-10

Süddeutsche Geothermie-Projekte GmbH & Co. KG, Munich	50.0	2010*	€ '000	-8.037	-1.552
Süddeutsche Geothermie-Projekte Verwaltungs GmbH, Munich	50.0	2010*	€ '000	46	1
Syrma Energies SAS, Strasbourg, France	93.0	2010	€ '000	0	-2
Talita Energies SAS, Strasbourg, France	93.0	2010	€ '000	-28	-30
Tierceline Energies S.à r.l., Strasbourg, France	100.0	2010	€ '000	28	-5
Umspannwerk Gürtelkopf GmbH & Co. KG, Munich	100.0	2010	€ '000	16	40
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Munich	100.0	2010	€ '000	699	-45
Ventus Vorpommern GmbH & Co. Windpark 1 KG, Munich	100.0	2010	€ '000	-4	-1
Voyennes Energies SAS, Strasbourg, France	100.0	2010	€ '000	6	-7
Wind am Speckberg GmbH, Munich	100.0	2010	€ '000	2.415	-665
Wind Park Belzyce Sp. Z o.o., Warsaw, Poland	50.0	n.a.****	PLN '000	n.a.	n.a.
Wind Park Kotla Sp. Z.o.o., Warsaw, Poland	100.0	2009	PLN '000	6	-44
Wind Park Lipnica Sp. Z o.o., Nowy Targ, Poland	100.0	n.a.****	PLN '000	n.a.	n.a.
Windpark Everswinkel GmbH & Co. KG, Grünwald	25.0	2010	€ '000	1.500	83
Windpark Everswinkel II GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-2	-3
Windpark GHN GmbH & Co. KG, Grünwald	100.0	2010	€ '000	-2	-2
Windpark Kamionka GmbH, Grünwald	100.0	2010	€ '000	4.375	-5
Windpark Namborn GmbH & Co. KG, Munich	25.0	2010	€ '000	873	5
Windpark Selmsdorf II GmbH & Co. KG, Munich	100.0	2010	€ '000	-3	-1
Windpark Wegeleben GmbH & Co. KG, Munich	100.0	2010	€ '000	-1.726	-778
WP EWL Infrastruktur GmbH & Co. KG, Munich	70,0***	2010	€ '000	-11	-7

RENERCO AG acts as limited partner for the following companies as at the balance sheet date:

	Liabe capital in €
BVT Technische Anlagen GmbH & Co. Blockheizkraftwerke KG, Munich	940,077
Renewable Energy Harvest Nine GmbH & Co. KG, Grünwald	1,000
Solarpark Lepus GmbH & Co. KG, Grünwald	100
Solarpark Lupus GmbH & Co. KG, Grünwald	100
Solarpark Scorpius GmbH & Co. KG, Grünwald	100
Solarpark Taurus GmbH & Co. KG, Grünwald	100
Süddeutsche Geothermie-Projekte GmbH & Co. KG, Haar	5,000
Umspannwerk Gürtelkopf GmbH & Co. KG, Munich	100
Umspannwerk Klein Bünsdorf GmbH & Co. KG, Munich	100
Ventus Vorpommern GmbH & Co. Windpark 1 KG, Munich	100
Windpark Everswinkel GmbH & Co. KG, Grünwald	25
Windpark Everswinkel II GmbH & Co. KG, Grünwald	100
Windpark GHN GmbH & Co. KG, Grünwald	100
Windpark Namborn GmbH & Co. KG, Munich	25
Windpark Selmsdorf II GmbH & Co. KG, Munich	100
Windpark Wegeleben GmbH & Co. KG, Munich	100
WP EWL Infrastruktur GmbH & Co. KG (formerly Ventus Vorpommern GmbH & Co. Windpark 2 KG), Munich	70

* Disclosures from preliminary annual financial statements as at 31 December 2010

** Indirect investment

*** 30% hold by Windpark Everswinkel GmbH & Co. KG

**** No annual financial statements available as at 31.12.2010; mostly in case of incorporation almost at the end of financial year 2010

Profit appropriation

The Management Board proposes to the Supervisory Board that net income for the year amounting to € 6,253,201 as at 31 December 2010 be appropriated as follows:

- Allocation to statutory reserves: € 312,660
- Allocation to other earnings reserves: € 5,303,491
- Distribution to the shareholders: € 637,050 (€ 0.02 per share)

Contingencies in Terms of Section 251 HGB

Bank credit balances were pledged in the amount of € 1,310,402 to cover contract performance guarantees for diverse projects constructed by RENERCO as general contractor, and rental deposits for offices and obligations to restore original conditions concerning the Speckberg project.

It is not expected that contract performance guarantees will be made use of since RENERCO will be meeting its payment obligations.

Other Financial Obligations

As at the balance sheet date, **other financial obligations related to rental agreements** respecting the offices at Herzog-Heinrich-Strasse and at Nussbaumstrasse. Financial obligations arising from the rental agreement concerning Herzog-Heinrich-Strasse amount to € 24,800 per month. The rental agreement expires on 31 January 2018. The rental obligation concerning

the offices at Nussbaumstrasse amounts to € 3,642 per month. This rental agreement matures on 31 January 2011. Due to the rental agreements capital is not tied up and the investment risk remains with the owner or lessor. These transactions carry no risks as the obligations arising from the rental agreements can be met at all times.

A **tender agreement** with RENERCO Solarpark Lacerta GmbH & Co. KG, which was sold in 2008, was concluded on 31 January 2008. In accordance with the agreement, the company has the right to offer the solar park to RENERCO AG for sale for € 1 on 1 January 2028.

As stipulated in an agreement concluded with Yingli Green Energy Greece Sales GmbH dated 4 February 2010 concerning the **commitment to purchase solar modules involving a total output of 10 MWp**, RENERCO still has purchase commitment for 2,995.6 kWp as at 31 December 2010. The price of € 1.30 per Wp is subject to a price adjustment clause, depending on the market price development. Based on a price of € 1.30 per Wp, this would correspond to the maximum amount of € 3,894,280.00 for the volume still to be purchased. In view of the status of current negotiations between RENERCO and Yingli, it is expected that RENERCO will not be required to purchase the remaining modules.

Loans granted to C.R.E. Project S.r.l., Italy, in the amount of € 945k are non-interest-bearing. Moreover, RENERCO has a **residual payment obligation** respecting this company that results from the financing agreement concluded with San Paolo IMI in the amount of € 165k, which matures upon complete repayment of the funds from project financing.

Consolidated Financial Statements

The Company is included in the consolidated financial statements of BayWa AG, Munich. The consolidated financial statements of BayWa AG are deposited with Deutsche Börse AG, Frankfurt, and were prepared in accordance with International Financial Reporting Standards (IFRS). The Company makes use of the exemption provision under Section 291 in conjunction with Section 292 HGB and does not prepare its own consolidated financial statements.

The accounting, valuation, and consolidation methods that deviate from German accounting law in the exempting consolidated financial statements are commented on as follows, pursuant to Section 2 (4) of the Ordinance Governing Exempting Consolidated Financial Statements (KonBerfV):

Interest rate swaps concluded by subsidiaries are measured at market value in accordance with IAS 39 in conjunction with IFRS 7, and are disclosed as an asset, liability, or provision.

In accordance with IAS 16, the **regular useful lives** of energy generation plants of subsidiaries are stated at a higher amount in expectation of a longer service period, whereas HGB is oriented towards official tax depreciation tables (AfA), applying the prudence concept.



5. Corporate Bodies

The Management Board of RENERCO AG included the following members during the reporting year:

Mr Matthias Florian Taft,

Spokesman of the Management Board
Certified Engineer, Industrial Engineer,
Steinebach am Wörthsee

Mr Klaus Kaiser,

MBA, Electrical Engineering Technician, Mittelstetten

The Supervisory Board of RENERCO AG included the following members during the reporting year:

Mr Roland Schuler, Ammerbuch

Vice chairman
Managing Director of Babcock & Brown GmbH, Munich

Mr Martin Rey, Weßling

Vice chairman
Managing Director of Babcock & Brown GmbH, Munich

Mr Josef Lutz, Munich

Chairman of the Board at BayWa AG, Munich

Supervisory Board compensation totalling € 22,500 was paid in the reporting year.

Munich, 31 March 2011

RENERCO Renewable Energy Concepts AG



Matthias Taft



Klaus Kaiser



Development of Fixed Assets
Financial Year 2010

	Acquisition costs			
	01/01/2010 €	Additions €	Disposals €	31/12/2010 €
Intangible assets				
IT-software	80,827	51,918	0	132,745
	80,827	51,918	0	132,745
Tangible assets				
Operating and office equipment	513,823	140,420	0	654,243
	513,823	140,420	0	654,243
Financial assets				
Shares in affiliated companies	12,264,347	15,206,439	8,857,348	18,613,438
Loans to affiliated companies	8,869,836	324,594	4,979,769	4,214,661
Equity investments	3,791,878	10,976	159,420	3,643,434
Loans to companies in which an equity investment is held	17,842,181	11,900,592	119,880	29,622,893
Other loans	75,500	4,860,000	75,500	4,860,000
	42,843,742	32,302,601	14,191,917	60,954,426
	43,438,392	32,494,939	14,191,917	61,741,414

Amortisation / depreciation					Book value	Book value
01/01/2010	Additions	Disposals	Write-ups	31/12/2010	31/12/2010	31/12/2009
€	€	€	€	€	€	€
52,991	22,134	0	0	75,125	57,620	27,836
52,991	22,134	0	0	75,125	57,620	27,836
255,919	119,114	0	0	375,033	279,210	257,904
255,919	119,114	0	0	375,033	279,210	257,904
3,058,250	0	0	0	3,058,250	15,555,188	9,206,097
111,679	638	0	63,097	49,220	4,165,441	8,758,157
0	15,041	0	0	15,041	3,628,393	3,791,878
0	0	0	0	0	29,622,893	17,842,181
0	0	0	0	0	4,860,000	75,500
3,169,929	15,679	0	63,097	3,122,511	57,831,915	39,673,813
3,478,839	156,927	0	63,097	3,572,669	58,168,745	39,959,553

Auditor's Report

We audited the annual financial statements, comprising the balance sheet, income statement and the notes to the financial statements, together with the accounting system, and the management report of RENERCO Renewable Energy Concepts AG, Munich, for the financial year from 1 January 2010 to 31 December 2010. Maintenance of the books and records and preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the accounting system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch – German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting disclosures

in the books and records, the annual financial statements and the management report, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board as well as evaluating the overall presentation of the annual financial statements and the 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 and based on the findings of our audit, the annual financial statements of RENERCO Renewable Energy Concepts AG, Munich, comply with the legal requirements and provide a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 6 May 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Götz
Wirtschaftsprüfer

ppa. Mainka-Klein
Wirtschaftsprüfer

We advise, develop, construct.
Competent and reliable.
With new energy.
Efficient, safe, sustainable.



RENERCO Renewable Energy Concepts AG

Herzog-Heinrich-Strasse 9
80336 Munich, Germany

T +49 89 383932-0
F +49 89 383932-32

energy@renerco.com
www.renerco.com

Trade register Munich HRB 149 809
VAT DE 813850191

Member of the BayWa r.e Group

This edition of our financial report is prepared
for the convenience of our Englishspeaking readers.
It is based on the German original, which takes
precedence in all legal aspects.