pv crystalox solar

THE KEY TO SOLAR POWER

PV CRYSTALOX SOLAR PLC
Annual Report and Accounts 2010

WHO WE ARE

PV Crystalox Solar is a highly specialised supplier to the world's leading solar cell manufacturers, producing multicrystalline silicon wafers for use in solar electricity generation systems.

Our customers, the world's leading solar cell producers, combine these wafers into solar modules to harness the clean, silent and renewable power from the sun. We are playing a central role in making solar power cost competitive with conventional hydrocarbon power generation and, as such, continue to seek to drive down the cost of production whilst increasing solar cell efficiency.

GROUP OPERATING STRUCTURE

PV CRYSTALOX SOLAR PLC
Abingdon, UK

- **PV Crystalox Solar Silicon GmbH** – Bitterfeld, Germany
- **Crystalox Ltd** – Abingdon, UK
- **PV Crystalox Japan KK** – Tokyo, Japan
- **PV Silicon GmbH** – Erfurt, Germany

Finished blocks

HIGHLIGHTS

MARKET OVERVIEW

- 2010 global module installations estimated at 16.5GW
  - Major markets in Germany and Italy
  - 80% installations in Europe

HIGHLIGHTS

- Wafer shipments 378MW (rebased using 16% cell efficiency)
  - Up 48% on 2009 (255MW at 16% previously 239MW at 15%)
  - Operating at full capacity in the second half of 2010
- Revenues grew 6% as volumes outperformed price falls
  - Pricing stabilised in the second half of 2010
- Strong progress on cost reductions
  - 20% reduction in average wafer production cost in 2010
- Polysilicon production ramping up in Bitterfeld
  - Bitterfeld polysilicon costs below average contracted costs since August 2010
  - Annualised output averaging 1,450MT during January and February 2011
- Customer base increased and expanded geographically
- Ingot production capacity increasing
  - From 430MW (in 2010) to 535MW by end of the first quarter in 2011

CASH (CASH LESS EXTERNAL LOANS)

€54.8m

OPERATING CASH FLOW

€11.3m

REVENUES

€252.6m

EBIT (EARNINGS BEFORE INTEREST AND TAXATION)

€33.3m

VISIT US ONLINE
www.pvcrystalox.com

The Directors' Report on pages 20 to 23 and the Directors' Remuneration Report on pages 31 to 37 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to PV Crystalox Solar PLC.

The directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2010. Pages 6 to 38, including the Chairman's Statement, Business Review, Directors and Advisors, Directors' Report, Principal Risks and Uncertainties, Corporate Social Responsibility, Corporate Governance Statement, Directors' Remuneration Report and the Statement of Directors' Responsibilities form part of the Report of the Directors.

ENHANCING OUR LEADERSHIP

Our long standing partnerships with customers and co-operation with research institutions promotes innovation.

STRENGTHENING OUR POSITION AS A LEADING PURE-PLAY SOLAR WAFER MANUFACTURER.

Read more on our key strategy points in the Business Review on pages 10 to 12

Continued focus on operating cost reduction

WHAT WE HAVE BEEN DOING?

- average wafer production costs 20% down in 2010;
- Bitterfeld polysilicon annualised output averaging 1,450MT during the first two months of 2011; and
- internal production costs of Bitterfeld polysilicon lower than average contracted costs since August 2010.

WHAT'S NEXT?

- 10–15% average wafer production costs reduction target in 2011;
- operating Bitterfeld polysilicon facility at full capacity;
- further reduction in Bitterfeld polysilicon costs expected during 2011;
- continued production efficiencies; and
- higher yields.

Retain flexibility of production

WHAT WE HAVE BEEN DOING?

- ingot production 100% in-house;
- polysilicon – mix of internal production and external suppliers;
- polysilicon – new five-year contract with existing supplier signed in 2010; and
- wafering – internal wafering in Germany and external subcontractors in Japan.

WHAT'S NEXT?

- planned capacity expansion in ingot production:
  - Q1 2011–530MW;
  - Q4 2011–670MW; and
  - Q4 2012–855MW.

Continued focus on major PV companies

WHAT WE HAVE BEEN DOING?

- Taiwan – 11% revenue share in 2010 (2009: 3%);
- China – 31% revenue share in 2010 (2009: 9%); and
- supply tier one solar cell producers.

WHAT'S NEXT?

- enhanced relationships with existing customers;
- new customers in the major markets of Taiwan and Korea; and
- Taiwan share to increase significantly in 2011.

Focus on further development of the leading silicon processing technology

WHAT WE HAVE BEEN DOING?

- working with customers to increase product quality; and
- increasing efficiency of cells from our wafers.

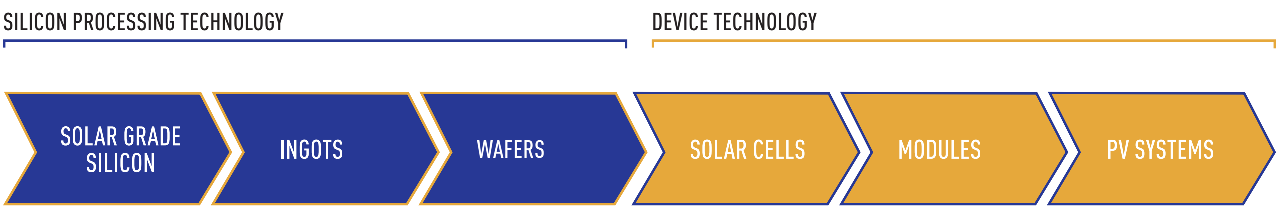
WHAT'S NEXT?

- working with customers to increase product quality and develop the next generation of wafer technology.

READ MORE ABOUT WHAT WE DO
AT www.pvcrystalox.com

THE PHOTOVOLTAIC PROCESS CHAIN

PV Crystalox focuses on the first three major stages concerned with silicon processing technologies, areas in which we posses extensive expertise and experience.



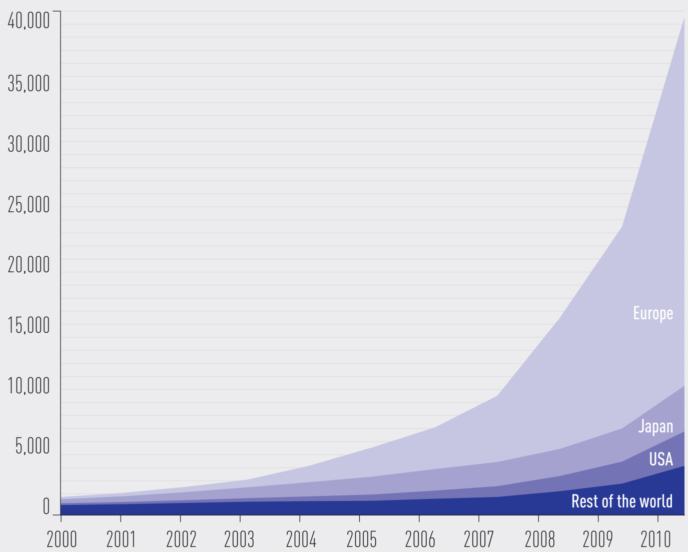
THE SOLAR POWER MARKET

The growth of the global PV market in 2010 has been significant with indications that installations will have reached approximately 16.5GW, which is twice the level achieved in the previous year. Germany, the largest market, nearly doubled in size and accounted for 40–50% of the total global demand. The market in Italy grew at least fourfold and may even have reached levels of 4GW.

STRONG MARKET DEMAND
2010 EXPECTED GLOBAL PV INSTALLATIONS

16.5GW
+129%

HISTORICAL DEVELOPMENT OF GLOBAL CUMULATIVE PV POWER INSTALLED BY REGION (EPIA)



Source: EPIA

GLOBAL MARKET GROWTH

PV Crystalox Solar is committed to systematically enhancing its leadership by focusing on developing strong relationships with solar cell producers. It is our intention to remain one of the PV industry leaders and to supply the highest quality wafers.

ENHANCING EXISTING RELATIONSHIPS

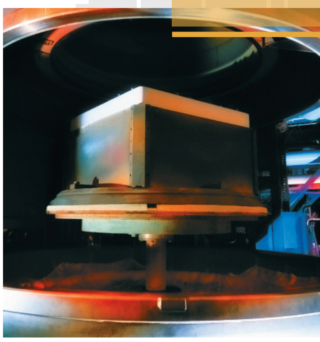
Strong customer relationships with leading producers in Japan, Germany, Taiwan and China

- China now the second largest market at 30.7% of revenues
- Our top four customers accounted for 74% of revenues

JAPAN

Japan remains the major market for the Group's wafers and Japanese installations are increasing following last year's reintroduction of subsidies together with the introduction of a feed in tariff 'FIT'.

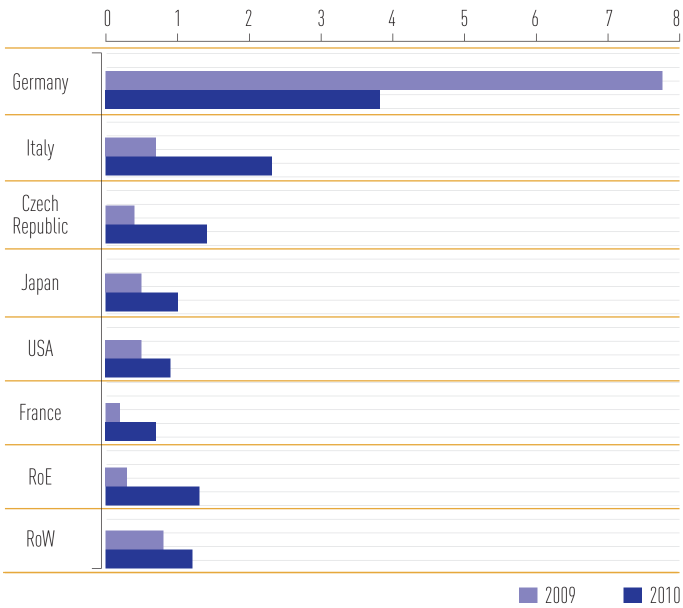
MARKET OUTLOOK
We have long established relationships with solar cell producers in Japan and these companies continue to represent the Group's major customer base.



JAPAN: REVENUE CONTRIBUTION
31.1%
€78.5m (2009: €133.7m)

2009–2010 GLOBAL ANNUAL PV NEW INSTALLATIONS

2009: 7.2GW 2010: 16.5GW



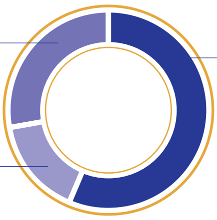
CHINA

China is the world's largest manufacturing centre and our shipments to China are growing rapidly as demand from our established customer base increases. China has now become our second largest geographic market and accounts for 30.7% of revenues.

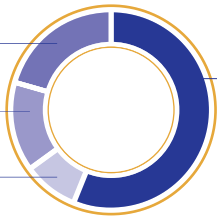
MARKET OUTLOOK
China now accounts for half of global PV production.

READ MORE ABOUT WHAT WE DO
AT www.pvcrystalox.com

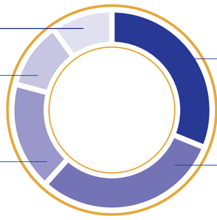
2008 REVENUE CONTRIBUTION



2009 REVENUE CONTRIBUTION



2010 REVENUE CONTRIBUTION

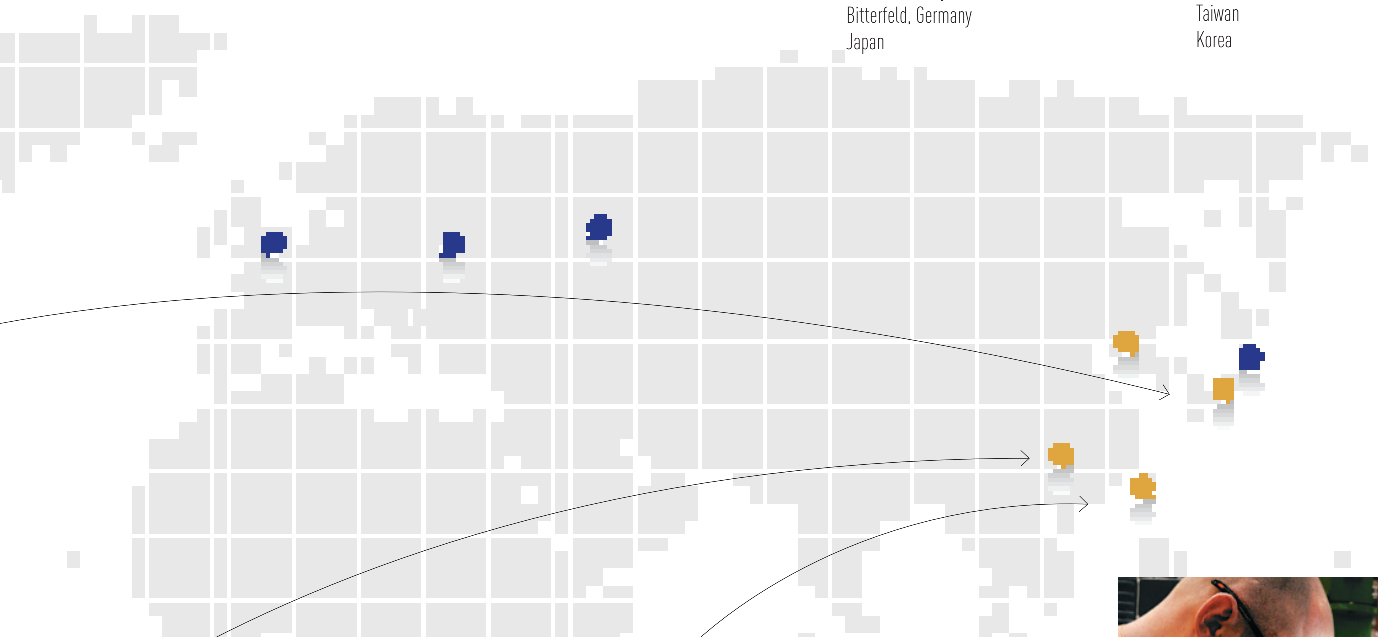


Manufacturing facilities

Oxfordshire, UK
Erfurt, Germany
Bitterfeld, Germany
Japan

Key growth markets

China
Japan
Taiwan
Korea



REST OF ASIA

Strong sales growth was also achieved in Taiwan where volumes increased fourfold over the previous year and which represented 11% of our revenues (2009: 2.9%). Taiwan is becoming an increasingly important PV manufacturing centre as it builds on its long heritage in the semiconductor sector and is expected to have overtaken Germany and Japan to become the world's second largest in 2010.

MARKET OUTLOOK

During 2011 we expect Taiwan to become an increasingly significant regional customer base for the Group and anticipate that its share will increase significantly from current levels.

REST OF ASIA:
REVENUE CONTRIBUTION

12.9%

€32.6m (2009: €14.1m)

CHINA: REVENUE CONTRIBUTION

30.7%

€77.6m (2009: €21.1m)

MAARTEN HENDERSON
CHAIRMAN

"We expect to remain a significant profitable long-term player in one of the most exciting industries in the world."

SUMMARY OF CHAIRMAN'S STATEMENT

- **I am pleased to report on another strong performance by the Group.**
- **Growth in the global PV market in 2010 was significantly above industry expectations.**
- **The Board has recommended a final dividend of €0.02 per share.**
- **We remain well placed to grow and prosper.**

I am pleased to announce the results for the year ended 31 December 2010 and to report on another strong performance by the Group.

Growth in the global PV market in 2010 was significantly above industry expectations, with demand driven by the 40% price fall in module prices seen in the previous year and the continuing market incentive programmes in Europe. The European Photovoltaic Industry Association (EPIA) estimates that global installations reached around 16.5GW in 2010 which represents a twofold increase over the previous year. In response to this strong market demand, we operated at full capacity in the second half of 2010 and full year shipment volumes grew by 48% to reach 378MW (2009: 255MW after rebasing assuming 16% cell efficiency, described in the Business Review on page 9). Group revenues were 6.4% higher at €252.6 million with the impact of higher volumes being largely offset by lower average selling prices. Our EBIT performance, excluding currency losses, was €34.5 million representing a margin of 13.7%. Earnings after taxes were €23.3 million equating to earnings per share of 5.7 Euro cents. The Group retained its strong net cash position with €54.8 million at the year end.

The Board continues to be aware of the importance of dividends for shareholders and, in determining the level of dividend payments in any year, takes into account the Group's performance, cash flow, current balance sheet and planned growth strategy.

BROADENING OUR CUSTOMER BASE

Moving into new markets China and Taiwan

In 2010 the Group has seen a significant expansion and broadening of its geographical customer base of leading PV companies.

- China, Japan and Taiwan are now the world's largest PV manufacturing centres and the region accounts for 85% of global cell production.
- Group shipments to China and Taiwan accounted for 41.7% of Group revenues in 2010, up from 8.9% in 2009.

As a result the Board is recommending a final dividend of €0.02 per share, giving a total dividend for the year of €0.03 (covered 1.9 times by the earnings per share for the year) compared with €0.04 in 2009. The dividend is payable on 8 June 2011 to shareholders on the register on 13 May 2011.

We continue to pursue our strategy of solid controlled growth with a focus on low production cost and production flexibility. Following the successful expansion and geographical broadening of our customer base in China and Taiwan, we are progressively increasing our ingot manufacturing capacity. Starting from a capacity of 430MW at the end of 2010, we expect to reach 535MW by the end of the first quarter and 670MW by the end of 2011, which will represent a 56% year on year increase in capacity.

In expanding our production capacity in 2010 we have seen further increases in employee numbers. Staff numbers in the UK, Germany and Japan rose from 350 at the start of the year to 400 at the end and will continue to rise in 2011. Our employees are one of the Group's key strengths and I would like to thank them for their continuing outstanding commitment and contribution. In particular I would like to congratulate our employees for the way they maintain excellent product quality while significantly increasing production volumes and incorporating new members of staff into high performing teams.

Given the importance of Japan, the Group has undertaken an initial appraisal of the effects related to the earthquake and tsunami and has found no impact on our customers, suppliers, sub-contractors and our own operations. In line with the recommendations of the UK Corporate Governance Code June 2010 concerning the annual re-election of directors, I confirm that all directors are standing for re-election at this year's Annual General Meeting (AGM).

The Board believes that renewable electricity production will become ever more important. Therefore the Board remains committed to the solar electricity industry and, with our strategy of controlled growth, we expect to remain a significant profitable long-term player in one of the most exciting industries in the world. Trading in the first quarter of 2011 is strong, although there continues to remain some limited visibility in the second half of the year due to a number of anticipated major changes to feed-in tariffs (FIT) in Germany and Italy. On balance, we remain cautiously optimistic with regards to the outcome for the year. In summary, with our sound financial footing, low-cost basis and strong customer relationships with major international companies, we remain well placed to grow and prosper along with the industry.

MAARTEN HENDERSON
CHAIRMAN
23 March 2011

> "**We continue to pursue our strategy of solid controlled growth** with a focus on low production cost and production flexibility."

Ingot production systems

REVENUES TO CUSTOMERS IN CHINA AND TAIWAN

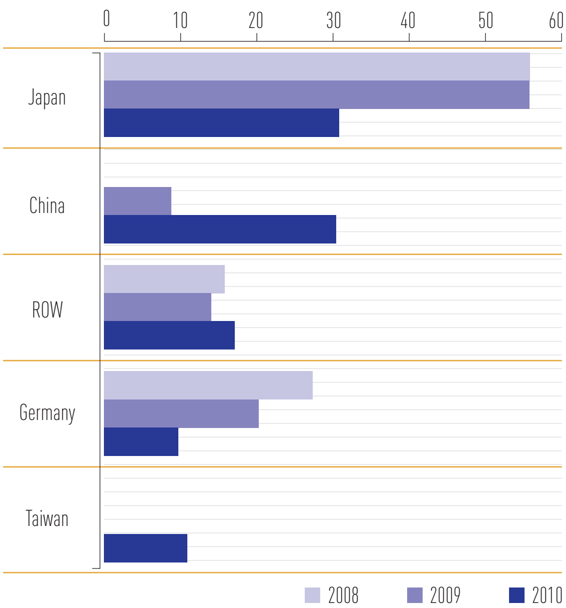
41.7%

(2009: 8.9%)

INCREASE IN SHIPMENT VOLUMES

48%

LOCATION OF REVENUES



DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER

DR PETER FINNEGAN
CHIEF FINANCIAL OFFICER

SUMMARY OF BUSINESS REVIEW

- The growth of the global PV market in 2010 has been significant.
- Installations in Japan and the USA, the two largest markets outside Europe, both more than doubled for the second successive year.
- Our production operated at full capacity during the second half of the year.

> "The Group has seen a significant expansion and broadening of its geographical customer base of leading PV companies."

INCREASED PRODUCTION CAPACITY

Ingot production capacity set to increase from 430MW to 855MW by end of 2012

In view of the forecast market growth and the anticipated requirements of our growing customer base, we have also decided to expand capacity to reach 855MW at the end of 2012.

In order to secure the additional volume of raw materials necessary to meet these expansion plans, the Group has recently agreed a new five-year contract with one of its external polysilicon suppliers.

MARKET OVERVIEW

The growth of global PV market in 2010 has been significant and the EPIA has indicated that installations will have reached approximately 16.5GW, which is twice the level achieved in the previous year. Time delays in reporting new installations vary from country to country and so it is difficult to provide definitive figures at this stage but it is clear that Germany, which has been the largest market for the last ten years (with the sole exception of 2008), nearly doubled in size and accounted for 40–50% of the total global demand. The market in Italy grew at least fourfold and may even have reached levels of 4GW. Overall Europe, where the widely implemented FIT market incentive programmes have provided significant stimulus, is expected to account for 80% of global installations in 2010.

Installations in Japan and the USA, the two largest markets outside Europe, both more than doubled for the second successive year. 992MW were installed in Japan according to the Japanese Photovoltaic Association. This growth follows the reintroduction of investment grants coupled with the advent of a FIT in 2009. The Solar Energy Industry Association (SEIA) in the USA reported that installations reached 956MW and that growth was helped by the US Treasury Grant program which reimburses 30% of the installation costs. A further doubling of the market in 2011 in the US is anticipated by the SEIA.

OPERATIONAL REVIEW

Historically the Group has reported its production output and capacity in MW on the basis that wafers produced would be processed into cells of 15% cell efficiency. In these results we have assumed conversion of wafers to 16% efficient cells and have restated historical data on a consistent basis. This is in recognition of the technological improvements obtained in cell processing where average efficiencies of 16–16.5% are routinely achieved by our customers and in common with the practice of many other wafer companies. Consequently our output of 239MW in 2009 is now restated as 255MW to reflect the increased cell output.

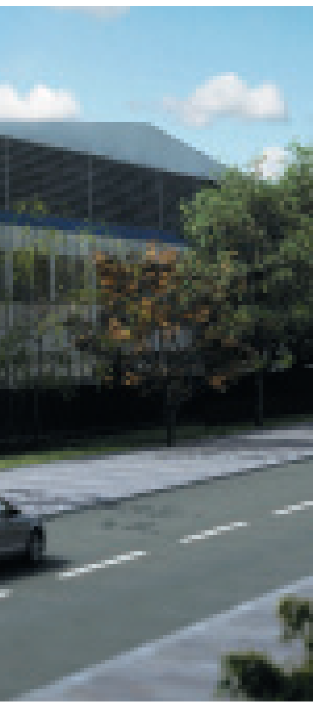
During 2010 the Group saw strengthening demand for its wafers and our production operated at full capacity during the second half of the year. The full year shipment volumes grew by 48% in comparison with 2009 to reach 378MW, a new record for the Group.

In 2010 the Group has seen a significant expansion and broadening of its geographical customer base of leading PV companies. Increasing volumes have been shipped to China which accounted for 30.7% of our revenues (2009: 8.9%). Japan remained our largest customer base but its share of sales fell to 31.1% (2009: 56.3%) reflecting both the decline in Japan as a global PV manufacturing centre and the corresponding growth of China which it is estimated now accounts for half of global PV production. Indeed the strengthening Japanese Yen and the growth of high quality competitively priced manufacturing in Taiwan has increasingly led Japanese PV companies to outsource cell production there.

Strong sales growth was achieved in Taiwan where volumes increased fourfold over the previous year and which represented 11% of revenues (2009: 2.9%). Taiwan is becoming an increasingly important PV manufacturing centre as it builds on its long heritage in the semiconductor sector and is expected to have overtaken Germany and Japan to become the world's second largest PV manufacturing centre in 2010 after China. During 2011 we expect Taiwan to become an increasingly significant regional customer base for the Group and anticipate that its share will increase two to threefold from current levels.

Overall shipments to Asia accounted for 74.7% of revenues reflecting the geographical shift in cell manufacturing to Asia and that region's reported 85% global share of cell production.

The Group continues to supply the leading PV companies in Europe and the USA, and sales to these regions accounted for the remaining 25.3% of revenues.



Artist's impression of proposed factory at Milton Park

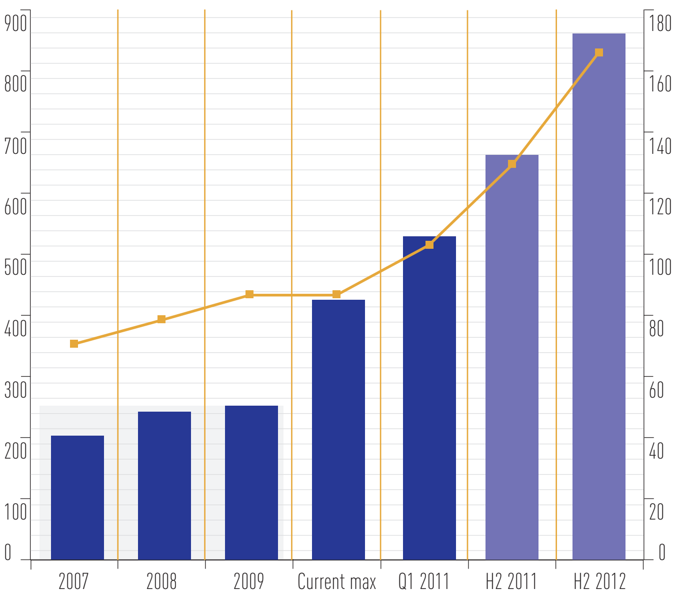
INGOT PRODUCTION CAPACITY 2010

430MW

INCREASE IN INGOT PRODUCTION CAPACITY (2010 TO 2012)

99%

INGOT PRODUCTION CAPACITY INCREASE



FINANCIAL REVIEW

In 2010 the Group revenues increased by 6.4% to €252.6 million (2009: €237.3 million) although total wafer shipments were up 48% to 378MW (2009: 255MW). This increase in revenues was due to the net effect of a 48% increase in wafer shipment volumes offset by a 28% decrease in average selling prices.

In 2010 the Group generated underlying earnings before interest and taxation (EBIT) currency losses of €34.5 million (2009: €50.0 million). Actual EBIT (including currency losses) was €33.3 million (2009: €41.7 million). This reduction in underlying profitability was driven primarily by the anticipated decline in average selling prices although this was partially offset by reductions in average wafer costs. The relatively strong Japanese Yen had a negative impact on Group EBIT in 2010 due to the adverse effect on raw material and subcontracting costs in Japan.

Net interest income of €0.4 million (2009: €0.8 million) was lower than the previous year due to lower net cash balances and low global interest rates. The Group's net cash position at the year end was €54.8 million (2009: €70.2 million). The main impact on the net cash position was the planned capital expenditure to grow the business and an advance payment to an external supplier of polysilicon in respect of the additional material required for this increase in volume.

Earnings after tax were €23.3 million (2009: €29.6 million) and earnings per share were €0.057 (2009: €0.072).

These financial results generated net operating cash flows of €11.3 million (2009: €3.5 million) and free cash outflow of €6.3 million (2009: inflow of €3.3 million). Free cash flow is defined as net cash from operating activities plus cash from/(used in) investing activities less interest received. The net operating cash flow was impacted by the absorption of €23.5 million into working capital (2009: €2.8 million). Strong business growth in the second half of the year led to cash being absorbed into higher inventories, although this was offset to some extend by a reduction in debtors due to improved payment terms resulting from the change in the geographical mix of customers.

Capital expenditure in the year of €19.9 million (2009: €20.8 million) was offset by grants received of €3.3 million (2009: €22.0 million) giving a net cash outflow of €16.5 million (2009: net cash inflow €1.3 million). Grants received were lower in 2010 than the previous year as grants in respect of Bitterfeld had been largely received and a larger part of capital expenditure was in the UK where grants are not available.

As part of its currency hedging strategy, the Group increased its Japanese Yen loans by a net €11.1 million (2009: €15.1 million). Dividends totalling €12.1 million were paid in the year (2009: €24.6 million).

Although market conditions remain highly competitive, the Group continues to generate profits and a positive operational cash flow and retains its solid balance sheet. The Group has adequate cash resources to fund its planned capacity expansion. In addition, the polysilicon facility at Bitterfeld continues to ramp-up to full capacity during 2011 and is expected to generate a positive result and cash flow for the year.

STRATEGIC DEVELOPMENTS

The Group remains committed to systematically enhancing its position in the PV industry as an independent producer of multicrystalline silicon wafers. By focusing on the wafer and not competing with our customers in cell production, we are able to develop strong relationships with solar cell producers. It is our intention to remain one of the PV industry's cost leaders and to supply quality wafers at competitive prices whilst retaining attractive margins. The Board feels that this is best achieved through solid controlled growth.

The strategy we have been following for a number of years seeks to combine low costs with production flexibility.

REDUCTION IN AVERAGE WAFER PRODUCTION COST

20%

COST REDUCTION TARGET IN 2011

10–15%

Quality control on blocks

"The Group continues to make good progress with its internal polysilicon production facility in Bitterfeld."

This involves four key areas of focus which we believe will strengthen our position as a leading pure-play solar wafer manufacturer:

- Continued focus on operating cost reductions through:
  - operating Bitterfeld polysilicon facility at full capacity;
  - production efficiencies; and
  - higher yields.
- Retain flexibility of production:
  - diversity in sourcing polysilicon supply; and
  - diversity in wafer production.
- Continued focus on major PV companies through:
  - enhanced relationships with existing customers; and
  - new customers in the major markets of Taiwan and Korea.
- Focus on further developments of the leading silicon processing technology:
  - working with customers to increase product quality and develop the next generation of wafer technology.

BITTERFELD

The Group continues to make good progress with its internal polysilicon production facility in Bitterfeld. Production has ramped up steadily since operation started in July 2009 and we achieved an annualised output averaging 1,450MT during the first two months of 2011. The facility is now expected to operate at its nameplate capacity of 1,800MT during the second half of 2011. At the same time production costs have been falling and, since August 2010, the fully loaded production cost has been below the average price of our contracted polysilicon from external suppliers. Increasingly, our internal polysilicon will become a significant driver of our future profitability as a further reduction in cost is expected during 2011 when we reach full capacity.

COSTS

The Group has made excellent progress on its cost reduction programmes which have enabled average wafer production costs to decrease by 20% during 2010, ahead of our 10–15% target for the 2010 financial year. The largest contribution was obtained through lower blocking and wafering costs. Operating costs at Bitterfeld were reduced in comparison to 2009 when operation started and contributed to lower silicon costs. Improvements were also made in wafer yields which led to more effective silicon utilisation. This progress has been achieved despite the strengthening of the Japanese Yen which has had an adverse effect on wafering and some material costs. The Group is targeting a further 10–15% reduction in 2011 when the lower polysilicon cost from our internal production plant in Bitterfeld will be a key contributor.

CONTINUED FOCUS ON COSTS

Reduction achieved in 2010, further reductions targeted in 2011

The Group has made excellent progress on its cost reduction programmes which have enabled average wafer production costs to decrease by 20% during 2010, ahead of our 10–15% target for the 2010 financial year.

The Group is targeting a further 10–15% reduction in 2011 when the lower polysilicon cost from our internal production plant in Bitterfeld will be a key contributor.


Harvesting polysilicon

FLEXIBILITY IN PRODUCTION

The Group maintains its strategic focus on its core technology and undertakes all ingot production in-house but retains flexibility with regard to polysilicon and wafering. The Group has invested in the Bitterfeld facility to produce its own polysilicon but also retains relationships with external polysilicon suppliers and obtains significant quantities of polysilicon from them. The Group wafers its ingots through a combination of its in house wafering facility at Erfurt, Germany and by using wafering sub-contractors in Japan.

CAPACITY EXPANSION

In March 2010 we announced the expansion of our Milton Park ingot production facility to increase capacity from 430MW to 535MW and this programme is currently scheduled to be completed by the end of the first quarter of 2011. These ingot production systems, which are designed and constructed in-house at a significantly lower cost than sourcing equivalent equipment from external companies, remain one of the Group's core strengths and we continue to benefit both from the lower capital cost and our extensive operational experience.

In view of the forecast market growth and the anticipated requirements of our growing customer base, we have also decided to carry out the next phase of capacity expansion which will enable us to reach 670MW at the end of 2011. Furthermore we are actively planning the next stage which would necessitate the construction of a new 50,000sq ft building at Milton Park to provide the space to enable us to reach 855MW at the end of 2012. We expect to make the decision to proceed during the next few months. In order to secure the additional volume of raw materials necessary to meet these expansion plans, the Group has recently agreed a new five-year contract with one of its external polysilicon suppliers.

OUTLOOK

The Group has seen continued demand for its products during the first two months of the year with pricing broadly maintained at levels seen in the second half of 2010. This demand is expected to continue into the second quarter as consumers pull forward module installations ahead of the impending cuts in FIT in Germany and Italy, the two major global PV markets which are scheduled for 1 July and 1 June respectively; pricing however may come under some pressure. Accordingly the Group expects H1 shipment volumes to be in the range 225MW–240MW.

POLYSILICON PRODUCTION RAMPING UP

Production costs below average price of contracted polysilicon

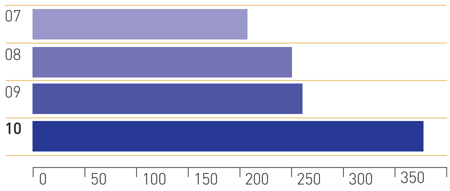
Increasingly, our internal polysilicon will become a significant driver of our future profitability as a further reduction in cost is expected during 2011 when we reach full capacity.

- We achieved an annualised output averaging 1,450MT during the first two months of 2011.
- The facility is now expected to operate at its nameplate capacity of 1,800MT during the second half of 2011.

WAFER SHIPMENT VOLUMES

378MW

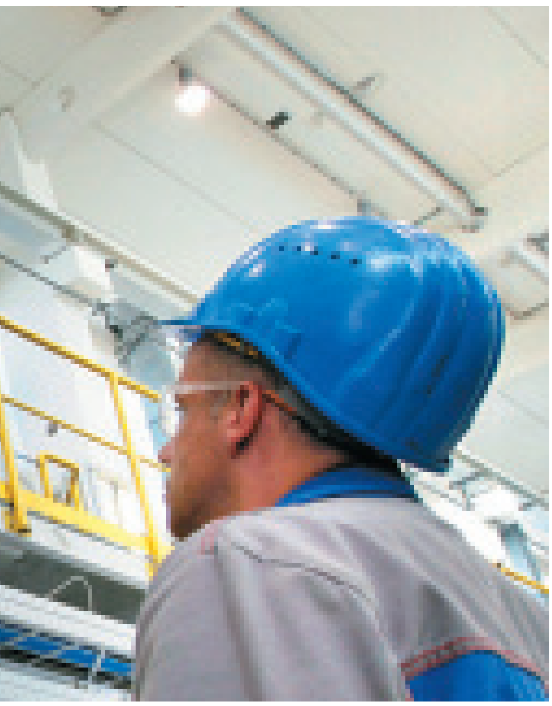
+48%



The size of the FIT cut in Germany will be between 3–15% depending on the level of installations during the three-month period of March to May whereas the size of the FIT cut in Italy will be announced before April. In both cases the magnitude of the cut will be critical in influencing the level of demand in these locations in the second half of the 2011. Nevertheless the Group remains cautiously optimistic about market prospects for 2011 and expects double digit growth in global PV installations in the year. The Group's strong customer relationships with leading PV companies in the major geographical manufacturing locations, continuing production cost efficiencies and strong balance sheet give the Board confidence that the Group will continue to grow profitably throughout the course of 2011 and beyond.

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER
23 March 2011

"**The Group remains committed to systematically enhancing its position** in the PV industry as an independent producer of multicrystalline silicon wafers."



BITTERFELD NAMEPLATE CAPACITY

1,800MT

Start of polysilicon production process

PRINCIPAL RISKS AND UNCERTAINTIES

The Group might be affected by a number of risks, which may have a material adverse effect on our reputation, operations and/or financial performance. The risks associated with the Group's financial instruments are detailed in note 30 in the Notes to the Consolidated Financial Statements.

The Group is exposed to a number of other risks, some of which may have a material impact on its results. It is not possible to identify or anticipate every risk that may affect the Group, some of which may not be known or may not have been assessed. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political environments and manage and mitigate such risks.

PRINCIPAL RISKS	DESCRIPTION AND EXAMPLE OF MITIGATING ACTIVITY
The loss of a major customer might adversely impact the Group's financial performance	**Nature of risk** Sales to a small number of customers represent a substantial portion of the Group's revenues and the loss of any major customer either to a competitor or through its own business circumstances might impact significantly on the Group's financial condition. **Mitigating actions** ➤ Wherever possible we enter into long-term contracts, although some flexibility around the terms of such contracts is possible in current market conditions. ➤ We concentrate on customers that are financially strong with a clear strategic vision for the PV industry, and accordingly have the potential to be long-term major players in the industry. ➤ We work with our customers to ensure that the quality, specifications and efficiency of our wafers are suitable for their current and future needs. ➤ We are working actively to broaden our customer base.
The success of our polysilicon facility at Bitterfeld is critical for the Group's long-term profitability and to enhance corporate knowledge	**Nature of risk** The polysilicon facility at Bitterfeld represents a new technology area for the Group. The success of the facility will give the Group access to significant quantities of solar grade polysilicon at costs below those obtainable from third party suppliers and will give the Group the knowledge, experience and ability to build similar facilities in the future should such be required. **Mitigating actions** ➤ We have already succeeded in ramping-up the polysilicon facility at Bitterfeld facility to a current run-rate of circa 80% of design capacity providing good quality output. Accordingly, the remaining risk is to achieve the run-rate for the designed capacity of 1,800 tonnes by the end of 2011 as this will minimise the cost of production. ➤ We have located next to Evonik, the world's largest manufacturer of chlorosilanes, from whom we purchase, rather than manufacture, the input gas silicon tetrachloride. ➤ We have engineering contracts with Evonik to improve processes and decrease production cost.
Our reliance on key suppliers could adversely impact our financial performance	**Nature of risk** The Group is reliant on certain key suppliers. Evonik is integral to our production facility at Bitterfeld where they supply silicon tetrachloride in a fence to fence operation. Polysilicon feedstock is purchased from two suppliers and we sub-contract the wafering of 70% of our output in Japan. **Mitigating actions** ➤ We have a long-term contract in place with Evonik for the supply of silicon tetrachloride. ➤ Long-term contracts were negotiated with the suppliers of polysilicon. ➤ We have built our own polysilicon production facility at Bitterfeld to give the Group its own source of polysilicon feedstock. ➤ We have a long-term contract with our major wafering sub-contractor. ➤ We have agreements with additional wafering sub-contractors to reduce our reliance on individual suppliers.
Government incentives and support are crucial to stimulate the take up of solar electricity	**Nature of risk** Until such time as grid parity is reached, the solar industry is dependent on the support of individual governments to encourage the installation and use of solar electricity within their territories. Without such support the increased uptake of solar electricity may be slow to develop. **Mitigating actions** ➤ We work with various PV industry bodies which seek to encourage governments to support solar electricity generation. ➤ We focus on supplying those major PV companies with superior market shares and operating efficiencies, which are better equipped, therefore, to sell product into their markets. ➤ We ensure that the Group operates internationally thus spreading risk among several markets. ➤ We focus on cost reduction and efficiency enhancement strategies to reduce the need for Government support in the long-term.

PRINCIPAL RISKS	DESCRIPTION AND EXAMPLE OF MITIGATING ACTIVITY
Over capacity in the PV industry reduces wafer prices and adversely impacts on profitability	**Nature of risk** Over capacity in the PV industry has caused significant reductions in module prices during 2010. This reduction in module prices has led to a reduction in wafer prices. Further capacity is still coming on stream and it could be several years before the supply/demand capacity comes into balance. The reduction in price has led to reduced profitability across the value chain resulting in the governments of Germany and France reducing levels of support for solar electricity generation by cutting their FITs. **Mitigating actions** ➤ We have worked with our customers to maintain contract volumes. ➤ We have invested in the silicon production facility at Bitterfeld to enable the Group in the long-term to obtain polysilicon feedstock at costs lower than can be obtained from third party suppliers. ➤ We focus on cost reduction and efficiency enhancement strategies. ➤ We have a strong balance sheet which gives the Group the strength to weather any medium-term price squeeze.
Exchange rate fluctuations might create earnings and balance sheet fluctuations	**Nature of risk** The Group reports in Euros, but trades internationally and has operating subsidiaries reporting in Sterling, Euros and Yen, and is therefore subject to currency fluctuations arising on transactional foreign currency exposures and the translation of subsidiaries' balance sheets. **Mitigating actions** ➤ We strive for a natural hedging position at operating level by sourcing raw materials and other direct materials and services (where possible) in the same currencies as sales revenues are derived. ➤ We have been working to balance exposure to currency amounts receivable by matching these with equivalent liabilities in the same currencies. The Group has large balances receivable in Yen in respect of accounts receivable and has taken out accounts receivable and borrowings in Yen to reduce the impact of any changes in the Yen exchange rate.
Loss of a key production facility could disrupt our ability to deliver contracted wafer volumes	**Nature of risk** The Group only sells wafers but has operations at different stages in the value chain. The loss of a facility at any stage would impact the Group's ability to fulfil contracted wafer volumes thereby reducing sales. **Mitigating actions** ➤ We use two different polysilicon feedstock suppliers and have built our own polysilicon factory in Bitterfeld, Germany. ➤ Ingot manufacturing is carried out in the UK in four separate facilities. ➤ We have our own wafering operation in Germany and sub-contractors to process our ingots into wafers in Japan. ➤ We have health and safety, fire prevention and security procedures in place at all facilities. ➤ We have comprehensive property damage and business interruption insurance in place.
We rely on our employees and the recruitment and retention of key personnel for our success	**Nature of risk** The success of the Group relies on the performance and knowledge of its employees in the UK, Germany and Japan. The Group is mindful of the need to attract, retain and train the personnel capable of delivering its strategic and operational objectives. The performance of the Group might be disrupted should it fail in this respect or inadequately plans for succession. **Mitigating actions** ➤ The Group annually reviews succession planning and is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise. ➤ The Group has introduced a single Group-wide performance management process for senior managers. ➤ The Group has commissioned a review of equity incentive arrangements to support better the Group's business objectives.
Failure to act safely, to observe our environmental responsibilities and to maintain the continued safe operation of our facilities might have a detrimental impact on the Group's operations	**Nature of risk** The safety of the Group's employees, contractors, suppliers, the communities in which it operates and the consumers of its products, is of paramount importance to the Group. Around the world the Group is subject to laws, regulations, rules and ordinances relating to health and safety and the environment, including pollution. The Group's revenues depend on the continued operation of its various manufacturing facilities and the consistent production of finished products that meet customers' specifications. The operation of the Group's plants involves many risks, including the failure or sub-standard performance of equipment, the improper installation or operation of equipment and natural disasters. **Mitigating actions** ➤ We have health and safety policies and procedures in place at all our facilities and employ dedicated staff at all locations to ensure that these policies are understood, measured and embedded. ➤ Our commitment to environmental performance runs throughout the Group. We maintain environmental management systems at our production facilities, we employ specialist consultants when required and we work closely with local environmental agencies to ensure we meet all requisite standards.

CORPORATE SOCIAL RESPONSIBILITY

THE ENVIRONMENT

The Group is a major producer of silicon wafers for incorporation into solar cells which are used for the production of electricity from sunlight. A silicon solar system will produce renewable electricity with a lifetime in excess of 25 years. It is passive, silent, visually unobtrusive and generates emission free renewable energy from the sun. As technology increases the efficiency of solar cells, it is expected that the lifespan of the solar modules will lengthen, providing electricity for a known starting cost and little maintenance. It has been estimated that all the energy used in the production of a silicon solar system will be repaid within two to three years of use when situated in a relatively sunny location. As the Group produces silicon wafers as the core component in devices for the generation of carbon free renewable power, its focus on its environmental responsibilities is evident. It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests while continuing to produce high quality products to meet its customers' requirements. During the year the Group has been working on its process for treating ingots before wafering. The new process involves grinding rather than acid etching thus reducing the negative environmental impact of producing wafers.

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. Furthermore, it is the Group's policy to foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times. The Group has effective environmental management and health and safety systems in place, in support of, and to complement, its quality assurance system. Across all its sites in the United Kingdom and Germany a proactive approach is taken to the pre-treatment of waste as required by the EU Landfill Directive. The purpose of the treatment requirement is to reduce the impact of waste that has to be sent to landfill and to increase the amount of waste that is recycled. Direct silicon waste generated by the processes of ingot production, blocking and wafering is recycled in a way to ensure zero loss of silicon. Thus, for example, all carbide used in the sawing of blocks and wafers is continually treated and recovered for reuse. Crystalox Ltd in the United Kingdom is a member of compliance schemes which fulfil local legislation requirements such as The Producer Responsibility Obligations (Packaging Waste) Regulations 2007. This scheme sets targets for British industry for the recovery and recycling of packaging waste seeking to ensure that discarded products are environmentally treated through recycling and recovery rather than being disposed of to landfill. A similar scheme exists in Germany where we received an award from the State of Thuringia for participating successfully in the sustainability programme "Öko Profit", a voluntary programme carried out by industrial companies that first analyses the impact of their industrial production on the environment and then reduces waste materials, packing materials, consumption of water, use of energy and emissions. In 2010 we were particularly successful by reducing our packaging materials by 30%. Thus all plastics, wood, paper, polythene, cardboard, metals, etc. are recycled, either by being sold to recycling companies for them to recycle or under local council arrangements removed for recycling. The Group does all it can to recycle all recyclable packaging materials, to conform to current packaging legislation and, thereby, minimise waste to landfill across all its sites.

We recognise the need to establish, formalise and apply an environmental management system at each of our manufacturing sites. Therefore, in order to further enhance its already effective environmental and health and safety management systems, Crystalox Ltd has made a good start on its programme to achieve environment and health and safety accreditations. These standards will not only complement but also consolidate the Company's DIN EN ISO 9001 status and enable fulfilment of our responsibilities to the environment and health and safety, with even greater effect. In Germany projects are planned to apply for ISO 14001 International Environmental Management System at the Bitterfeld site in Germany. The site in Erfurt, Germany, has been carrying out an environmental audit for the last five years, focusing on the consumption of water, electricity and on the emission of waste materials. In November 2010 we received the Certificate for DIN EN ISO 9001: 2008 quality standard for our wafering operation in Erfurt.

For the construction and commencement of operation at the Bitterfeld plant, the requirements of the German Emissions Control Act had to be fulfilled. The consequence with regard to the environmental impact means that every emission source has to be identified and the emissions will be monitored periodically by the authorities. Waste, energy and water consumption has to be minimised; waste is recycled or recovered, the excess energy from the production process is used for heating and warm water in the office building,

LEFT:
Three apprentices from Erfurt with staff and children from an orphanage in Mali.

cooling water is reused in the process. An environmental compatibility study was performed and we were able to reduce electric power consumption for solar-grade silicon production by around 22% compared to 2009. This was achieved mainly through improvements to the high-temperature processes for silicon deposition and hydrogenation of Chlorosilanes. Working with a chemical processing plant nearby we were able to utilise a more energy efficient waste water treatment.

OUR STAFF

TRAINING

The Group recognises that a key factor in its successful operations is its personnel. The continued expansion of operations and the parallel increase in the workforce, has meant that management's top priority has been to provide a safe and secure work environment for its personnel. To this end, health and safety training has been of paramount importance.

Initial in-house health and safety induction training for all personnel joining is supported by external specialist trainers being invited in to undertake occupation specific training. During 2010 Crystalox Ltd undertook company-wide fire safety training for all staff and comprehensive fire marshals training for selected staff at each site. A number of staff were externally trained as first aiders thereby helping the Company in its aim to ensure maximum first aid cover to all its staff. As part of its ongoing responsibility to comply with health and safety legislation, refresher training was provided to all Company forklift operators.

In Bitterfeld we introduced a special web based training tool for all personnel to improve further the safety record at the plant where there were no chemical processing related accidents recorded during 2010.

In Erfurt we introduced a voluntary health management programme for the entire staff.

The Group is committed to the ongoing training and development of its personnel. Particular skills-based training is provided to individuals when identified and seen as beneficial to the overall operation of the Group. Introduction of new technologies and new and efficient working methods, have resulted in personnel being trained to both develop and hone their knowledge and skills. A flexible work environment has meant that personnel are given the chance to work in different departments, thereby helping them maximise their potential and sense of fulfilment.

In Germany we run an apprenticeship programme where we currently have 15 young people enrolled in technical and administrative jobs. The intention is that after a three-year period these apprentices have the chance to become permanent members of staff. We are running programmes for some of the apprentices enabling them to continue with their studies to obtain a degree in engineering.

HEALTH AND SAFETY

The Group recognises its responsibilities under health and safety legislation in each country of operation for ensuring, so far as it is reasonably practicable, the health, safety and welfare of all its employees. The Group attaches the greatest importance to health and safety considering this to be a management responsibility ranking equally with other management functions within the organisation. It is the policy of the Group to take all reasonable practicable precautions for the prevention of accidents and dangerous occurrences and for the creation of working conditions which safeguard employees. To this end the Group will allocate the necessary resources and enlist the active support of all employees upon whom duties are also imposed by health and safety legislation. The Group regards the standards set by the various relevant statutory provisions as the minimum standards which must be achieved and endeavours to improve upon these standards where reasonably practicable.

At Bitterfeld requirements concerning health and safety follow as a result of the construction and commencement of operation at the solar-grade silicon plant. Before the production could start Hazard and Operability Studies (HAZOP) were performed and a safety report was written. To ensure continuous improvement, regular HAZOP meetings are organised by the management together with an external safety expert, where safety issues are discussed and improvements defined.

OUR COMMUNITY

During the year staff numbers have increased at each of our sites and by the year end the Group employed more than 400 staff including 113 at Bitterfeld. A large number of the personnel at Bitterfeld were previously unemployed and, in addition to those directly employed by the Company, a number of new jobs have been created in our supplier's companies.

We have been running events with school children in Erfurt for several years to demonstrate the possibilities of solar electricity. During 2010 we organised two events at primary school level as well as a solar powered car race for high school students. PV Silicon has engaged in a joint programme with a local utility company working with local high schools to carry out a competition using solar electricity. Every student participating gets two solar cells and a small electric motor. The student then participates in the solar car race where the goal is to build a vehicle, using the solar cells on a movable platform. The aim is to cover the distance as quickly as possible to the finish line.

Three of our apprentices in Erfurt built a small solar home system consisting of two multicrystalline modules containing our wafers, a battery system, an inverter and a charge regulator that was installed in an orphanage in Mali for 17 children aged between six and twelve. The solar home system will provide electric light and power for a radio which will mean that for the first time the children will be able to study and play outside of daylight hours. As well as bringing electricity to the orphanage, it also gives our apprentices the chance to install our products where they are needed the most.

The money we receive from our solar modules in front of the building in Erfurt (30 KW) which feeds electricity directly into the local grid finances these projects.

The Group is an initiator and participant in the five year long project "SolarValley Mitteldeutschland". This is a research and development cluster in the German States of Thuringia, Sachsen-Anhalt and Saxony. Dr Hubert Aulich, the Group's Director of German operations, is the chairman of the project. It involves 35 companies, five universities and nine research institutes working on the entire crystalline silicon value chain with the aim of reducing the cost of solar electricity to below that of conventional power. This is the largest worldwide PV cluster with 98 projects and an overall €150 million budget over five years which is funded 50% by the Government and 50% by industry. In January 2011 the cluster presented its results of the first two years and was given the green light to continue its activities into the second phase of the project.

DIRECTORS AND ADVISORS

FROM LEFT TO RIGHT: MICHAEL PARKER, IAIN DORRITY, MAARTEN HENDERSON, HUBERT AULICH, PETER FINNEGAN AND JOHN SLEEMAN

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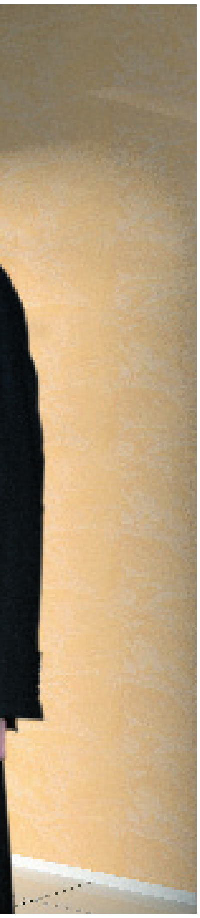

MAARTEN HENDERSON
CHAIRMAN
Maarten Henderson, a Dutch national, graduated in economics from Hamburg University. He started his career at multinational electronics company Philips in 1972, where he held various commercial and financial positions, ending as member of the board of management and chief financial officer of Philips Kommunikations Industrie AG in 1996. After that, he was chief financial officer and member of the board of management of Schmalbach Lubeca AG an international packaging company listed in Germany, from 1996 to 1999, of KPN N.V., the Dutch telecommunications incumbent listed in Amsterdam and New York from 2000 to 2004, and of Nuon N.V., a Dutch energy company, from 2004 to 2006. In 2006 and early 2007, he worked for mobile service provider debitel AG as interim chief financial officer and head of the divestment team. From April 2007 to October 2007 he worked as member of the board of management and chief financial officer for Getronics N.V., an international ICT services company listed in Amsterdam. In 2008 he also worked as a "B" director on the management board of Hagemeyer NV, a company then listed in Amsterdam. In July 2009 Maarten Henderson was appointed as a member of the supervisory board of freenet AG, the biggest network-independent telecommunications provider in Germany.

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER
Iain Dorrity has a PhD in Physical Chemistry from Exeter University. Dr Dorrity joined the Company in 1986 and became responsible for sales and marketing in 1988. He was a member of the MBO team that acquired the Crystalox business in 1994 and was appointed to the Boards of both Crystalox Ltd and Crystalox Solar Ltd at that time. Subsequently, following the merger of PV Silicon GmbH and Crystalox Ltd, he became a member of the Board of PV Crystalox Solar GmbH in 2002 and a Director of the Company on its formation in December 2006. Dr Dorrity has over 25 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox, Dr Dorrity spent eight years working in research and in industry with General Electric Company.

DR PETER J FINNEGAN (DBA, MBA, FCMA)
CHIEF FINANCIAL OFFICER
Peter Finnegan has a Doctorate in Corporate Finance from Henley Management College, an MBA from Manchester Business School and is a Fellow of the Chartered Institute of Management Accountants. He has been involved in the Group's management since 1985 when he became Company Secretary of Crystalox whilst he was Financial Director of its holding company at that time, Elkem (Holdings) Ltd. He was appointed to the Board of Crystalox Solar Ltd in 1994 and was a director of Crystalox Ltd from 1994 to 2009. He was appointed as a director of the Company on its formation in December 2006. Dr Finnegan has overall Group responsibility for finance, accounting, planning, financial control, legal matters and investor relations. Prior to joining the Group he held a number of senior managerial positions in large international manufacturing companies.

DR HUBERT AULICH
EXECUTIVE DIRECTOR, GERMAN OPERATIONS
Hubert Aulich has a PhD in Physical Chemistry from NYU, New York City, USA. Dr Aulich founded PV Silicon GmbH in 1997 with his partner Dr Friedrich Wilhelm Schulze. In 2002 he became a member of the Board of PV Crystalox Solar GmbH where he had responsibility for the German operations including the production and sales of wafers and was appointed as a director of the Company on 21 May 2007. Prior to founding PV Silicon GmbH, Dr Aulich worked for Siemens Solar Group. Dr Aulich joined the Central Research Laboratories of Siemens AG in Munich, Germany, in 1974 where he worked in various positions in the field of optical fibre communication and photovoltaics. From 1988 to 1991 he was managing director at PV Electric, a joint venture of Siemens Solar GmbH, Germany, and Arco Solar, USA, where he was responsible for the commercialisation of amorphous silicon thin film technology. In 1992 he became managing director at Siemens Solar GmbH where he was responsible for technology of thin film and crystalline silicon solar cells. He was senior vice president for technology and research for the Siemens Solar Group responsible for research and development in thin film and crystalline silicon solar cells as well as for systems application for Germany, USA and Japan.

MICHAEL D PARKER CBE
NON-EXECUTIVE DIRECTOR
Mike Parker was born in Liverpool and has a Bachelor's degree in Chemical Engineering from the University of Manchester and an MBA from the Manchester Business School. He began his career with Dow in 1968 and became president and chief executive officer of The Dow Chemical Company in Midland, Michigan, USA from November 2000 to December 2002 and a member of the Company's board of directors from 1995 to February 2003. During his time at Dow he gained extensive international experience with over 30 years of living and working in the USA, UK, Switzerland and Hong Kong. He was appointed as group chief executive of British Nuclear Fuels Ltd on 1 August 2003; at the end of June 2009 he finished this role following the successful dismantling and privatisation of the business. He joined the Invensys plc board as a non-executive director in May 2006 and subsequently became the senior independent director in December 2006. In April 2008 he became chairman of Liverpool's new economic development and regeneration company, Liverpool Vision, having been appointed as chairman designate in October 2007. He joined the Board at the Royal Society for the Prevention of Accidents as a trustee in December 2009. In September 2010 he was appointed to the board of directors of the Canadian based SNC-Lavalin Group.

JOHN SLEEMAN
NON-EXECUTIVE DIRECTOR
John Sleeman graduated in physics from the University of Durham and started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving in 1975 to Samuel Montagu where he qualified as a Chartered Banker and held various corporate and project finance advisory roles, becoming a director in 1989. Following its acquisition by HSBC, John held directorships with a number of companies within the HSBC Group, and from 2000 to 2003 was managing director, head of international team, corporate finance. After that, John Sleeman was an independent director of OSJC Power Machines (from 2003 to 2008) the Russian power generation equipment manufacturer 25% owned by Siemens AG, an independent director of JSC Open Investments (from 2005 to 2009), the Russian real estate group, and was an adviser for two years to Emerging Markets Group, specialising in structured financial solutions and strategic advice. Since 2006 John Sleeman has been a founding partner of S.P. Angel Corporate Finance LLP.

DIRECTORS' REPORT

The directors are pleased to present the Annual Report together with the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the production and supply of multicrystalline silicon wafers to the worldwide photovoltaic market. The Group supplies multicrystalline silicon wafers to some of the major photovoltaic cell makers in the world. The Chairman's Statement and Business Review contain a review of these activities and comments on the future outlook.

RESULTS FOR THE YEAR

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2010 is shown on page 40. The movement in the Group reserves during the year is shown on page 42 and segmental information is shown in note 8 on pages 54 and 55.

PROPOSED DIVIDEND

An interim dividend of €0.01 per ordinary share was paid on 20 October 2010. The directors have recommended a final dividend in respect of the current financial year of €0.02 per ordinary share to be paid on 8 June 2011 to shareholders on the register on 13 May 2011. This dividend is payable in cash in Sterling and will be converted from Euros into Sterling at the forward exchange quoted by the Royal Bank of Scotland Group at 11am BST on 31 May 2011. This has not been included within creditors as it was not approved before the year end. The total dividend for the year is €0.03 per ordinary share (2009: €0.04).

BUSINESS REVIEW

The Group is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2010 and of the position of the Group at the end of the year (Business Review) and a description of the Principal Risks and Uncertainties facing the Group. The information concerning the Business Review can be found on pages 8 to 13 and the description of the Principal Risks and Uncertainties on pages 14 to 15. The Business Review also includes details of expected future developments in the business of the Group.

FUTURE DEVELOPMENTS FOR THE BUSINESS/OUTLOOK

The Board's assessment and evaluation of future development and the outlook for the business is discussed in the Business Review which can be found on pages 8 to 13.

SUMMARY OF KEY PERFORMANCE INDICATORS

The Group monitors the performance of each of its business units through detailed monthly operational and financial reporting, with comparisons to plan. Updated business forecasts are regularly made. In addition, the Group maintains regular reviews and dialogue with each of the Group's operational business units. At Board level, the most important key performance measures are:

- megawatts peak output equivalent from wafers produced;
- revenue;
- EBIT;
- net cash from operating activities;
- free cash flow, defined using the cash flow statement as net cash from operating activities less cash used in investing activities less interest received;
- EBIT excluding currency gains and losses as a percentage of revenue (EBIT margin excluding currency gains); and
- basic earnings per share.

Comparative performance in the current year and prior year is summarised as follows:

	2010	2009
Megawatt peak output equivalent	**378MW**	255MW
Revenue	**€252.6m**	€237.3m
EBIT	**€33.3m**	€41.7m
Net cash from operating activities	**€8.4m**	€3.5m
Free cash flow*	**€(6.3)m**	€3.3m
EBIT margin (excluding currency gains)	**13.7%**	21.1%
Basic earnings per share (EPS) (Euro cents)	**5.7**	7.2

* Free cash flow is defined using net cash from operating activities less cash used in investment activities less interest received.

ENVIRONMENTAL POLICY

The environmental policy is discussed in the Corporate Social Responsibility Statement which can be found on pages 16 and 17.

DIRECTORS

The names of the directors who served during any part of the year from 1 January 2010 to 31 December 2010 are:

Dr Hubert Aulich	Executive Director, German Operations
Dr Iain Dorrity	Chief Executive Officer and Executive Director
Dr Peter Finnegan	Chief Financial Officer and Executive Director
Maarten Henderson*	Chairman
	Chairman of the nomination committee
	Member of the remuneration committee
	Member of the audit committee
Michael Parker*	Member of the nomination committee
	Member of the remuneration committee
	Member of the audit committee
John Sleeman*	Senior Independent Director
	Chairman of the audit committee
	Chairman of the remuneration committee
	Member of the nomination committee

* Non-executive directors.

Biographical details of the directors are set out on page 19. All the directors served throughout the year.

KEY APPOINTMENT

Michael Parker was appointed as a Non-executive Director effective from 1 January 2010 and was appointed as a member of the audit committee, the nomination committee and the remuneration committee at the Board meeting on 28 January 2010. His biographical details are set on page 19.

RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board of Directors have approved the early adoption of the UK Corporate Governance Code June 2010 concerning the annual re-election of directors. Accordingly, at the 2011 AGM all directors will retire and, being eligible, will offer themselves for re-election.

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors has a material interest in any contract of significance to which the Group or any of its subsidiaries were party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 10 March 2011 the Group had been notified, or is aware, of the following shareholdings amounting to 3% or more of the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issued ordinary shares
Schroder Investment Management Ltd	60,144,758	14.43
Dr Iain Dorrity	44,085,974	10.58
Barry Garrard	41,881,642	10.05
Stuart Oldham	26,718,750	6.41
Graham Young	14,037,110	3.37

SHARE CAPITAL

The authorised share capital and allotted, called up and fully paid share capital of the Company is shown in note 28. There were no changes to the number of shares during the year and up to the date of this report. As at the date of this report, 416.7 million ordinary shares of 2 pence each were allotted, called up and fully paid with an aggregate nominal value of €12.3 million.

The Company has a single class of share capital, which are ordinary shares of 2 pence each and full details of rights accorded to the holders of these ordinary shares are set out in the Articles of Association. Holders of ordinary shares have the rights accorded to them under UK Company law, including the right to receive the Company's Annual Report and Accounts, attend and speak at general meetings, appoint proxies and exercise voting rights.

The Company operates an employee benefit trust to hold shares pending employees becoming entitled to them under the Company's employee share plans. The trust has an independent trustee which waives its rights to dividends on the shareholding. Details of employee share schemes and shares held by the PV Crystalox Solar PLC Employee Benefit Trust are set out in note 29.

In respect of the Company's share capital there are no restrictions on the transfer of shares, no limitations are placed on the holding of shares and prior approval is not required from the Company or from other holders of shares for a transfer.

Subject to the provisions of the Companies Act 2006 and of the Articles of Association, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

The Board may declare and pay such interim dividends as appears to the Board to be justified by the profits of the Company available for distribution. All dividends shall be apportioned and paid pro rata according to the amount paid up on the shares.

The Company was given authority at the 2010 AGM to allot further shares up to a maximum of £2,778,169, which was approximately 33% of the issued share capital on 23 April 2010 and to allot an additional number of ordinary shares up to a maximum of £2,778,169 which is approximately a further 33% of the issued share capital on 23 April 2010 by way of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. No ordinary shares were allocated during the period from the AGM to the date of this report. This authority will expire at the 2011 AGM and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

The Company was given authority at the 2010 AGM to make market purchases of up to 41,672,533 of its own ordinary shares. This authority will expire at the 2011 AGM and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year. The Company did not make any purchases of its own ordinary shares during the period from the AGM to the date of this report. However, as is disclosed in note 29, the Company's Employee Benefit Trust purchased 5,000,000 ordinary shares in January 2010. Approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

DIRECTORS' INTERESTS

Listed below are the directors at 31 December 2010 together with their notifiable interests in the share capital of the Company:

	Number
Hubert Aulich	11,355,469
Iain Dorrity	44,085,974
Peter Finnegan	2,671,912
Maarten Henderson	Nil
Michael Parker	Nil
John Sleeman	Nil

DIRECTORS' INDEMNITY AND INSURANCE

In accordance with the Articles of Association, the Company has provided to all the directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office, and the Company has taken out an insurance policy in respect of those liabilities. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are described in note 30.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully in the current economic climate.

GOING CONCERN CONTINUED

Taking these factors into consideration the directors expectation is that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

POLICY ON THE PAYMENT OF CREDITORS

Individual companies within the Group operate different creditor payment policies. In Germany it is policy to take advantage of prompt payment discounts where offered, which are typically discounts of 2% or 3% for payment within ten days, otherwise standard terms are an average of 30 days net. In the United Kingdom and Japan payment is made in line with standard terms, which are an average of 45 days.

EMPLOYEES

The Group's policy is to provide equal opportunities to all existing and prospective employees. The Group recognises that its operation and reputation depends upon the skill and effectiveness of its employees and is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of age, sex, religion, sexual orientation, race, nationality or ethnic origin.

DISABLED EMPLOYEES

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons. In the event that a person became disabled he or she would continue to be employed, wherever possible, in the same job. If the degree of disablement made this impractical, every effort would be made to find suitable alternative employment and to give any appropriate training. The Group's policy on training and career progression applies equally to everyone within the Group whether or not disabled.

DONATIONS

During the period under review the Group made charitable donations of €11,841 (2009: €5,930). It is the Group's policy not to make general political donations. No political donations were made in the period (2009: €nil).

RESEARCH AND DEVELOPMENT

The Group spent €11.1 million (2009: €8.4 million) on research and development during the year in the field of continuous production process optimisation and improvement and adaptation of products to market requirements.

CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of one of the Group subsidiary companies such as commercial supplier and customer contracts. There is no individual contractual arrangement that is considered to be essential to the continuing operation of the Group.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

Grant Thornton UK LLP do not intend to offer themselves for re-appointment as auditor. In accordance with Section 489(4) of the Companies Act 2006 a resolution to appoint PricewaterhouseCoopers LLP as auditor will be proposed at the AGM to be held 26 May 2011.

ANNUAL GENERAL MEETING

The AGM will be held at 20 Moorgate, London EC2R 2HA on Thursday 26 May 2011 at 2.00pm. The Letter from the Chairman and Notice of Meeting document give full details of the AGM and the resolutions to be proposed.

By order of the Board

MATTHEW WETHEY
GROUP SECRETARY
23 March 2011

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE

The Board is firmly committed to ensuring that high standards of corporate governance are maintained by the Group. Throughout the year ended 31 December 2010, the Group complied with the provisions set out in Section 1 of the Combined Code 2008 (Principles of Good Governance and Code of Best Practice) except that the Group did not comply with provisions A.3.2. and C.3.1. during the year.

Section A.3.2 states that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Board recognises that during the year, the Group, having three executive directors and three non-executive directors including the Chairman, did not have a majority of independent non-executive directors. The appointment of Michael Parker as non-executive director on 1 January 2010 improved the balance of the Board from its previous composition. The directors consider the current structure appropriate having regard to the size of the organisational structure of the Group and its current stage of development. The Chairman is a non-executive director and was deemed independent on appointment in 2007.

Section C.3.1. states that the audit committee should have at least three independent non-executive directors. Michael Parker was appointed to the committee at the first Board meeting in 2010 which increased the membership of the committee to all three non-executive directors of which two are considered independent under the Combined Code. The Chairman is one of the members and was considered to be independent on appointment but is not considered to be independent thereafter under the Combined Code. The directors at present consider the current structure appropriate having regard to the size of the organisational structure of the Group and its current stage of development.

BOARD OF DIRECTORS

The Board is primarily responsible for the success of the Group by providing leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board has a formal schedule of matters reserved to it for its decision. This schedule is reviewed annually and includes approval of:

- Group objectives, strategy and policies;
- business planning;
- substantial transactions, contracts and commitments;
- review of performance;
- risk assessment;
- dividends;
- appointments to the Board and as Group Secretary; and
- senior management appointments and succession plans.

Other specific responsibilities are delegated to Board committees, which operate within clearly defined terms of reference. Details of the responsibilities delegated to Board committees are given on pages 26 to 37.

The Board meets at least six times per annum. The Board has reviewed the number of meetings it holds each year and, in light of the increased maturity of the Group and the improved levels of governance, has decided to reduce the minimum number of meetings to six per annum. Meetings are held in central London and at the Group's operating subsidiaries: at Abingdon in the United Kingdom; and at Erfurt and Bitterfeld in Germany. When the Board meets at the Group's operating subsidiaries the Board will have a detailed presentation from the subsidiary directors at that location and an opportunity to review the operation and to meet local management. During 2010 the number of Board and committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Hubert Aulich	10	—	—	—
Iain Dorrity	10	—	—	—
Peter Finnegan	10	3	—	—
Maarten Henderson*	10	3	5	2
Michael Parker*	10	3	5	2
John Sleeman*	10	3	5	2

* Non-executive directors.

In addition to the meetings detailed above the Board met offsite over two days in June 2010 to consider the Group's strategy and to review key business issues.

The Board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Group Secretary and independent professionals at the Group's expense. Appropriate training is available for new directors and other directors as necessary. The Group Secretary was responsible for advising the Board on all governance matters, ensuring Board procedures were followed and applicable rules and regulations were complied with.

BOARD OF DIRECTORS CONTINUED

The Board comprises the non-executive Chairman, two independent non-executive directors and three executive directors. Brief biographical details of all members of the Board are set out on page 19 and further information concerning the appointments is set out in the Directors' Report. John Sleeman is the recognised Senior Independent Director who is available to shareholders if they have any relevant issues or concerns.

The non-executive directors bring a wide range of commercial and financial experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of their judgement. This provides a balance whereby an individual or small group cannot dominate the Board's decision-making.

Maarten Henderson and John Sleeman entered into an arrangement for an initial three year period from the date of listing on the London Stock Exchange (11 June 2007) subject to six months' notice in writing from either party. Following the completion of their initial three year period and their re-election at the 2010 AGM their appointments continue subject to six months' notice in writing from either party. Michael Parker has entered into an arrangement for an initial three year period commencing 1 January 2010 subject to six months' notice in writing from either party.

The Board has established a separate nomination committee, comprising the non-executive directors, which is responsible for making recommendations for appointments to the Board and to senior management positions.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and Chief Executive Officer are separated and their responsibilities are clearly established. The Chairman is responsible for the leadership and workings of the Board and ensuring its effectiveness, and the Chief Executive Officer together with the executive directors are responsible for the implementation of strategy and policies and the day-to-day decision-making and administration.

Other significant commitments of the Chairman, Maarten Henderson, are set out in the Directors and Advisors section on page 19. The Board is satisfied that these commitments do not restrict him from carrying out his duties as Chairman effectively.

PERFORMANCE EVALUATION

The directors believe that an effective Board is vital to the success of the Group and, as a result, undertake a thorough evaluation each year in order to assess how well the Board, its committees, the directors and the Chairman are performing. The aim is to improve the effectiveness of the Board, its committees and ultimately the Group's performance. The process is led by the Chairman and is supported by the Group Secretary and the Senior Independent Director. The Board believes that a combination of external reviews every third year with internal reviews in the other two years is the most appropriate method for evaluating effectiveness. The Board conducted an external evaluation for the 2008 Annual Report and will look to conduct an external annual review for the 2011 Annual Report.

The performance of individual directors was evaluated by the Chairman, the Chief Executive Officer and the other non-executive directors. Following the review process, the Chairman concluded that each director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's businesses and that their commitment to the role remains strong.

The Senior Independent Director together with Michael Parker and the Chief Executive Officer evaluated the performance of the Chairman and concluded that the Chairman operated effectively in his role.

The Board carried out an internal evaluation of its effectiveness during January and February 2011. The process was led by the Chairman with the assistance of the Group Secretary. A detailed questionnaire focusing on: the Board's roles and responsibilities; the Board's culture and dynamics; the Board's processes; and the role of the Chairman, was circulated to individual Board members. The responses were collated by the Group Secretary and the results were presented to the Board as a whole for discussion in February 2011. The review concluded that the Board was operating in an effective manner. It identified a number of significant strengths and it also identified some areas where changes could be made to improve longer-term effectiveness. These areas identified in the review are to be addressed in 2011 by an action plan developed by the Board.

The audit, nomination and remuneration committees carried out internal evaluations of their effectiveness during January, February and March 2011. The process for each review was similar to that used for the Board's effectiveness review. A detailed questionnaire covering activities of each committee was circulated to each director. The responses were collated by the Group Secretary and the results were presented to each committee for discussion in February and March 2011. The reviews concluded that each committee was operating in an effective manner. Each review identified a number of strengths and some areas where changes could be made to improve longer-term effectiveness.

RELATIONS WITH SHAREHOLDERS

The Board values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management.

The AGM is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The Chief Executive makes a presentation there on the Group's progress. The Chairman, Chief Executive, Chief Financial Officer and the chairmen of the audit committee and remuneration committee are available to answer relevant questions. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration and there is a resolution to receive and consider the Annual Report and financial statements. The Group counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The totals of proxy votes on each resolution, including details of any votes withheld, are announced at the meeting after each resolution has been dealt with on a show of hands and the full proxy voting results are announced through a regulatory news service and on the Company's website. In the event of a close result as indicated by the proxies held by the chairman of the meeting, the chairman would call a poll but this has not proved necessary at any of the AGMs to date. The Board believes that the immediacy of voting on a show of hands with the proxy votes immediately being announced, rather than a laborious process of conducting a formal poll on every resolution, is appreciated by the shareholders who attend the meeting.

During the year the Chief Executive Officer and the Chief Financial Officer maintained a regular programme of visits and presentations to major institutional shareholders both in the United Kingdom and overseas. The Chairman and Dr Aulich are also involved in the programme.

There were formal presentations following the preliminary and interim results. The Group hosted a Capital Markets day for analysts and investors in November 2010 which included: a presentation on the highlights from the interim management statement announced on 19 November 2010; further details on the Company's operations; a PV market update; strategy; expansion plans including capital expenditure; and cost reduction measures announced at that time.

Key announcements, financial reports, the presentations referred to above and other information about the Group can be found on the Group's website at www.pvcrystalox.com.

ACCOUNTABILITY

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in all reports and other price sensitive disclosures, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 38 and that of the auditor on page 39. A statement on going concern appears on pages 22 and 23.

REMUNERATION COMMITTEE

The Directors' Remuneration Report and details of the activities of the remuneration committee are on pages 31 to 37. It sets out the Group's policy and the full details of all elements of the remuneration package of each individual director.

NOMINATION COMMITTEE

The nomination committee of the Board is chaired by Maarten Henderson. It is appointed by the Board and is made up of at least three members, a majority of whom should be independent non-executive directors. Michael Parker was appointed to the committee at the first Board meeting of 2010. The Chief Executive Officer, the Chief Financial Officer, other directors and external advisors may be invited to attend meetings as and when appropriate. The Group Secretary acts as the Secretary of the committee. The terms of reference of the nomination committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com. The nomination committee meets not less than twice a year and is required to report formally to the Board on its proceedings.

The main responsibilities of the nomination committee are to:

- review regularly the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Group and what skills and expertise are therefore needed on the Board in the future;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- before appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates;
- review annually the time required from non-executive directors. Performance evaluation is used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
- ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

NOMINATION COMMITTEE CONTINUED

The nomination committee is also required to make recommendations to the Board concerning:

- the formulation of plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive Officer;
- suitable candidates for the role of Senior Independent Director;
- membership of the audit and remuneration committees, in consultation with the chairmen of those committees;
- the re-appointment of any non-executive director having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
- the appointment of any director to executive or other office other than to the positions of Chairman and Chief Executive Officer.

The nomination committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 24.

During the year the main items considered were:

- review of the structure, size and composition of the Board;
- organisational changes and senior appointments within the Group;
- succession planning for directors and senior managers within the Group;
- the nomination committee effectiveness review;
- a review and recommendation of changes to the terms of reference of the nomination committee to the Board;
- a proposal to adopt the UK Corporate Governance Code recommendations concerning the annual re-election of directors; and
- a review of the knowledge, skills and experience of the directors proposed for re-election at the AGM.

AUDIT COMMITTEE

The audit committee of the Board is chaired by John Sleeman and is to be made up of a minimum of two members where a majority of the members shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience. Following the appointment of Michael Parker to the committee at the first Board meeting in 2010, the committee is made up of three members, the two independent non-executive directors and Maarten Henderson, the Chairman of the Board, who was considered to be independent on appointment. John Sleeman is a Chartered Accountant and a Chartered Banker who since 2006 has been a founding partner of S.P. Angel Corporate Finance LLP. Maarten Henderson is a finance professional who has held several CFO roles. He is currently chairman of the audit committee of freenet AG and his most recent executive role as a CFO ended in October 2007. The Board considers that these two members have recent and relevant financial experience. Michael Parker, a former CEO of both The Dow Chemical Company and BNFL, was appointed to the committee at the first Board meeting of 2010 and brings many years of international commercial experience to the committee. The Board believes that this combination of professional experience is appropriate to fulfil the duties of the committee.

The Chief Financial Officer, the other directors and the external auditor may be invited to attend audit committee meetings as and when appropriate. The Group Secretary acts as the Secretary of the committee. The terms of reference of the audit committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com. The audit committee meets not less than three times a year and is required to report formally to the Board on its proceedings.

AUDIT COMMITTEE CONTINUED

The main responsibilities of the audit committee are to:

FINANCIAL REPORTING

- review the scope and findings of the auditor's work on audit and non-audit issues;
- monitor the integrity of the financial statements of the Group including the Interim and Annual Reports prior to their publication; and
- review and challenge, where necessary, the application of the Group's accounting policies and any changes to the financial reporting requirements.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

- keep under review the effectiveness of the Group's internal controls and risk management systems; and
- review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

WHISTLEBLOWING

- review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The audit committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

INTERNAL AUDIT

- for so long as the Group does not have an internal audit function, consider annually whether there should be one and make recommendations to the Board accordingly. The absence of such a function to be explained in the Annual Report.

EXTERNAL AUDIT

- consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor including (but not limited to):
  - approval of their remuneration, whether fees for audit or non-audit services, and determine whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - approval of non-audit services in advance, with the requirement that on an annual basis the total fees for non-audit services do not exceed the total annual fees for audit services;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner;
  - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit; and
  - review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement,
- review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - a discussion of any major issues which arose during the audit;
  - any accounting and audit judgements; and
  - levels of errors identified during the audit.

AUDIT COMMITTEE CONTINUED

EXTERNAL AUDIT CONTINUED

The committee shall:

- review the effectiveness of the audit;
- review any representation letters requested by the external auditor before they are signed by management;
- review the management letter and management's response to the auditor's findings and recommendations; and
- develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

The audit committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 24.

During the year the main items considered were:

- discussions with the auditor on the audit approach and strategy, the audit process, key issues arising out of the audit and discussions on the audit report;
- approval of the audit fees and the auditor's letter of engagement;
- considering the independence and objectivity of the external auditor;
- an update on corporate governance developments, presented by Grant Thornton UK LLP;
- consideration of the requirement for the Group to have an internal audit function;
- detailed reviews of the Group's preliminary announcement, Annual Report, Interim Reports and interim management statements;
- the audit committee effectiveness review;
- a review and recommendation of changes to the terms of reference of the audit committee to the Board; and
- carrying out a selection process and making a recommendation on the appointment of the external auditor for the audit of the Company and its subsidiaries for the year ending 31 December 2011.

The audit committee conducted a rigorous, competitive selection process involving three audit firms: Grant Thornton UK LLP; PricewaterhouseCoopers LLP; and another "big four" firm. The process involved:

- sending out a formal invitation to tender and information pack;
- allowing the tendering firms to have access to management in the United Kingdom, Germany and Japan;
- reviewing the written proposals from the tendering firms;
- an oral presentation with a question and answer session to the audit committee, the Chief Financial Officer and the Group's UK and German financial controllers; and
- the audit committee discussing the merits of the tendering firms and making a recommendation to the Board.

The key selection criteria used by the committee in arriving at its recommendation included: understanding of the business and industry; quality of the team proposed for the Group's account; the strength of the firms in each country where the Group operates; and the added value that each of the firms would be able to provide to the Group. The recommendation of the audit committee was that PricewaterhouseCoopers LLP be appointed as the Group's external auditor for the financial year ending 31 December 2011. The Board approved the recommendation and a resolution to appoint PricewaterhouseCoopers LLP as auditors will be proposed at the AGM to be held on 26 May 2011.

The committee was grateful to all three firms involved in the selection process, and particularly to Grant Thornton who have served the Group with diligence and skill since their appointment as Group auditor in 2007 and for many years as auditor of Crystalox Ltd.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board has overall responsibly for the Group's system of internal control and risk management systems and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the systems and the maintenance of effective internal control in each of the Group's operating subsidiaries. The internal controls and risk management systems are designed to meet the particular needs of the Group and the risks to which it is exposed and are designed to manage rather than eliminate risk. Accordingly they can provide only reasonable and not absolute assurance against material misstatement, losses, fraud or breaches of laws or regulations.

Executive management is responsible for establishing and maintaining adequate internal control and risk management systems relating to the financial reporting process. The systems and controls in place include policies and procedures that relate to the maintenance of records that accurately and fairly reflect transactions and accurately record and control the Group's assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS); require representatives of the operating subsidiaries to confirm that their reported information gives a true and fair view of the state of affairs of the subsidiary and the results for the period; and review and reconcile reported results.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS CONTINUED

The internal controls and risk management systems were in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal controls and risk management systems was reviewed during the year. The Group Secretary, who is a Chartered Accountant, led the review. This review involved visits to the German sites in Erfurt and Bitterfeld and the United Kingdom site at Abingdon and discussions with the finance directors of each of the subsidiaries about the controls and risk management systems in operation. The review was summarised into a report which was discussed by the audit committee in March 2011.

The key procedures, which exist to provide effective internal controls and risk management systems, are as follows:

- clear limits of authority;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of management accounts and capital expenditure reported to the Board and monthly comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for the authorisation of significant transactions including capital expenditure and disposals under defined levels of authority;
- regular meetings of the executive directors;
- an audit committee, which approves audit plans and published financial information and reviews reports from external auditors arising from the audit and deals with significant control matters raised;
- regular Board meetings to monitor continuously any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the Combined Code.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify it at present. The Board will keep the decision under annual review.

The Board has reviewed the operation and effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management for the financial year ended 31 December 2010 and the period up to the date of approval of the financial statements.

By order of the Board

MATTHEW WETHEY
GROUP SECRETARY
23 March 2011

DIRECTORS' REMUNERATION REPORT

This report contains the information required by the Companies Act 2006 and the relevant parts of the Listing Rules of the UK Listing Authority and Schedule B to the Combined Code on Corporate Governance.

The information contained in this report is not subject to audit except where specified.

In accordance with the requirements of the Companies Act 2006, a resolution to approve this report will be proposed at the AGM to be held on 26 May 2011.

COMPOSITION OF THE REMUNERATION COMMITTEE

The remuneration committee of the Board is chaired by John Sleeman and is to be made up of a minimum of two non-executive directors. Following Michael Parker's appointment to the committee at the first Board meeting in 2010, the committee is made up of the three non-executive directors. The Chief Executive Officer, the Chief Financial Officer, other directors and external advisors may be invited to attend meetings as and when appropriate. The Group Secretary acts as the Secretary to the remuneration committee. The terms of reference of the remuneration committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com. The remuneration committee meets not less than twice a year and is required to report formally to the Board on its proceedings. None of the members of the committee has any personal financial interest in the matters to be decided, potential conflicts of interest or any day-to-day involvement in running the business. No director takes part in discussions relating to his own remuneration and benefits.

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

The main duties of the remuneration committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive Officer, the Chairman, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- review the ongoing appropriateness and relevance of the remuneration policy;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- within the terms of the agreed policy and in consultation with the Chairman and/or the Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- review and note annually the remuneration trends across the Company or Group;
- oversee any major changes in employee benefits structures throughout the Company or Group;
- agree the policy for authorising claims for expenses from the Chief Executive Officer and the Chairman;
- ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code, are fulfilled;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and
- to obtain reliable, up-to-date information about remuneration in other companies. The committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

REMUNERATION COMMITTEE PROCESS

The remuneration committee met five times during the year. Details of attendance are shown in the Corporate Governance Statement on page 24.

During the year the main items considered were:

- discussions concerning the introduction of a performance share plan, working with KPMG LLP as consultants to the committee;
- the alignment of salary reviews of the executive directors with the Group's employees from January 2011;
- to review and approve awards made under the employee share schemes;
- the annual bonus scheme for executive directors;
- the annual bonus schemes for Group employees;
- a review of directors' fees and remuneration;
- the remuneration packages for those executive managers who were recruited or promoted during the year;
- to approve the remuneration proposals for salary rises and bonus payments to employees across the Group;
- the introduction of a formalised performance appraisal process for directors and senior managers within the Group;
- remuneration committee effectiveness review;
- the development of an action plan to improve the areas identified in the remuneration committee review; and
- to review and recommend changes to the terms of reference of the remuneration committee to the Board.

TERMS OF EMPLOYMENT

Each executive director's employment is terminable on twelve months' notice by the executive director or twelve months' notice by the Company. The Company may elect to terminate the employment of an executive director by making a payment equal to Twelve months' basic salary, Company pension contributions and contractual benefits. No payment is due to be made in these circumstances for any element of bonus not declared before notice of termination of employment is given.

The Company does not have a minimum shareholding guideline for executive directors as the current executive directors all have shareholdings many times in excess of their annual salary which aligns the executives' and shareholders' interests. The committee intends to review the need for a formal guideline for executive directors in the future.

Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the AGM to be held on 26 May 2011.

REMUNERATION POLICY

The Company's remuneration policy is to provide executive remuneration packages that attract, motivate and retain high-calibre individuals needed to maintain the Group's position as a market leader, to deliver outstanding operational performance, to deliver excellent financial performance and to enhance shareholder value. To achieve this policy the packages must:

- be competitive;
- encourage a focus on long-term, sustained performance;
- be fair and transparent;
- be consistent across the Group; and
- be aligned to shareholders' interests.

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the committee.

There are five elements of the current remuneration package for executive directors and senior management:

- basic annual salary;
- benefits-in-kind;
- annual bonus payments, which cannot exceed 100% of salary;
- share incentives; and
- pension arrangements.

The committee takes into account the general pay and employment conditions of other employees of the Group when determining executive directors' remuneration for the relevant financial year. This includes taking account of the levels of base salary increase for employees below executive level when reviewing executive base salaries and ensuring that the same principles apply in setting performance targets for executive's incentives as for other employees of the Group.

REMUNERATION POLICY CONTINUED

The committee believes that it is appropriate for the Group to introduce a long-term incentive scheme in 2011, which incentivises executives and senior management to deliver long-term sustained improvement in financial performance and shareholders' returns. Such schemes are typical in other quoted companies and the remuneration committee believes that the introduction of such a scheme is required to achieve the objectives of the remuneration policy. The committee engaged KPMG LLP as consultants during 2010 to assist in the creation of such a scheme. The outcome of this collaboration is a proposed performance share plan under which conditional awards of whole free shares are to be granted which vest three years after grant and are subject to continued employment and performance conditions. The performance conditions proposed are Total Shareholder Return (TSR) and EPS growth.

The Board approved the recommendation of the remuneration committee concerning the introduction of a long term incentive plan (LTIP) and a resolution to approve its adoption will be proposed at the AGM to be held on 26 May 2011.

BASIC SALARY

An executive director's basic salary reflects the market value of the individual, his or her skills, experience and performance. Basic salaries are reviewed by the committee annually prior to the start of the salary year, and on the occasion when an individual changes position or responsibility. In deciding appropriate remuneration levels, the committee considers the Group as a whole and relies on objective research which gives up to date information on a comparator group of listed companies of similar size and complexity.

During 2010 basic salaries of the executive directors were reviewed twice: for changes effective from 1 July 2010; and for changes effective from 1 January 2011. This second review was to align the salary reviews of the executive directors with the salary reviews of all other Group employees. The next review is scheduled to take place for changes effective 1 January 2012.

The remuneration committee discussed the reviews for the executive directors and were mindful of the large increases in 2008 following the benchmarking exercise undertaken in that year and the general mood of the investor community towards directors' remuneration. As a result of these discussions, the committee agreed to recommend to the Board that there would be no increase in the remuneration of the executive directors. On the recommendation of the remuneration committee, the Board decided to maintain the salaries that have been effective since 1 July 2008. Salaries agreed in Sterling and Euros are shown below.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Maarten Henderson and John Sleeman were appointed as directors for an initial three year period from the date of listing on the London Stock Exchange (11 June 2007) and these appointments are subject to six months' notice in writing from either party. Following the completion of their initial three year periods and their re-election at the 2010 AGM these appointments continue subject to six months' notice in writing from either party. Michael Parker was appointed as a director for an initial three year period commencing 1 January 2010 subject to six months' notice in writing from either party.

Fees payable to the Chairman and the non-executive directors are reviewed annually by the Board and are set at a level to retain individuals with the necessary experience and ability to make a substantial contribution to the Group. The fees are intended to reflect the time commitment and responsibilities of the roles of the individual non-executive directors. The Chairman and non-executive directors do not receive any other benefits in addition to their fees and they do not participate in the Group's bonus schemes, pension schemes or share incentives.

During 2010 fees of the Chairman and non-executive directors were reviewed twice: for changes effective from 1 July 2010; and for changes effective from 1 January 2011. This change was to align the fee reviews of the non-executive directors with the salary reviews of all Group employees. The next review is scheduled to take place for changes effective 1 January 2012.

The Board discussed the reviews for the Chairman and non-executive directors and were mindful of the large increases in 2008 following the benchmarking exercise undertaken in that year and the general mood of the investor community towards directors' remuneration. As a result of these discussions the Board agreed that there would be no increase in the fees of the Chairman and non-executive directors. The Board decided to maintain the fees that have been effective since 1 July 2008. Fees agreed in Sterling are shown below:

ANNUAL BASIC SALARIES AND FEES OF THE DIRECTORS

Payable in Sterling	**2011 annual rate £**	2010 annual rate £
Iain Dorrity	**300,000**	300,000
Peter Finnegan	**250,000**	250,000
John Sleeman	**50,000**	50,000
Maarten Henderson	**100,000**	100,000
Michael Parker	**40,000**	—

Payable in Euros	**€**	€
Hubert Aulich*	**219,095**	219,095

* Hubert Aulich sacrifices part of his salary to allow for higher levels of pension contribution. His basic salary here is stated after the salary sacrifice.

BENEFITS-IN-KIND

Executive directors receive either a Company expensed motor vehicle commensurate with their seniority or a monthly car allowance. All other benefits-in-kind are available to all employees dependent upon local conditions in their country of employment.

ANNUAL BONUS PAYMENT

An executive director may receive by way of further remuneration a bonus in accordance with their contract of service. There is no contractual right to receive a bonus until it is declared in writing in respect of the financial year to which it relates and such bonus whether declared or not shall not be payable unless the executive director is employed on the date of payment.

At the AGM on 28 May 2009 a new bonus plan (with deferred share element) for executive directors was approved by the Company's shareholders in the context of bringing the arrangements more in line with market practice and aligning executive directors' pay more closely with the interests of the Company's shareholders.

For bonus purposes an "Adjusted Base Salary" is used which is the annual basic salary of the executive director with the exception of Hubert Aulich. His annual basic salary is deemed to be the same as that of Peter Finnegan. This adjustment is required as Hubert Aulich sacrifices part of his basic salary to allow for higher level of pension contributions.

The bonus scheme allows the executive directors to receive a maximum bonus of 100% of Adjusted Base Salary, based:

- upon the Group's earnings, subject to a maximum of 50% of Adjusted Base Salary; and
- upon an increase in earnings per share, subject to a maximum of 50% of Adjusted Base Salary.

Half of each bonus will be payable in cash and the other half deferred and payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date.

Awards of deferred shares under the Executive Directors' Deferred Share Plan will be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust. The trust has already acquired and will, from time to time, continue to acquire shares that will be available for award to employees (including executive directors).

GROUP EARNINGS TARGET

BONUS IN RESPECT OF 2009 PERFORMANCE PAYABLE IN 2010

During 2009 the bonus scheme based on the Group's earnings allowed a bonus of up to a maximum of 50% of the Adjusted Base Salary to be paid to the executive. The following formula was used to calculate the bonus based on the Group's earnings (profit attributable to equity holders of the parent) in 2009 which was payable following the release of the Group's audited results in 2010:

	Net profit up to first €50 million Rate %	Net profit in excess of €50 million Rate %
Chief Executive Officer	0.084	0.42
Other executive directors	0.070	0.35

BONUS IN RESPECT OF 2010 PERFORMANCE PAYABLE IN 2011

The annual bonus scheme based on the Group's earnings allowed a bonus of up to a maximum of 50% of the Adjusted Base Salary to be paid to the executive directors. The following conditions used to calculate the bonus based on the Group's earnings (profit attributable to equity holders of the parent) in 2010 which was payable following the release of the Group's audited results in 2011:

- a bonus of 30% of Adjusted Base Salary for achieving a target of €16.3 million;
- a maximum payout of 50% of Adjusted Base Salary for achieving a target of €21.3 million;
- no payout for a performance of less than €16.3 million; and
- payout between earnings of €16.3 million and €21.3 million to be in the proportion 0.4% of Adjusted Base Salary for bonus purposes per €100,000 of additional earnings over €16.3 million.

EPS TARGET

The other part of the annual bonus scheme allowed a bonus of up to a maximum of 50% of the Adjusted Base Salary to be paid to the executive based on the Group's earnings per share growth. The payout is calculated according to the following formula:

Earnings per share growth % over prior year	Bonus % of salary
>10%	50%
>9% to 10%	45%
>8% to 9%	40%
>7% to 8%	35%
>6% to 7%	30%
>5% to 6%	25%
>4% to 5%	20%
>3% to 4%	15%
>2% to 3%	10%
>1% to 2%	5%
>0% to 1%	0%

This scheme was the same for the bonus payable in 2011 in respect of performance in 2010 and for the bonus payable in 2010 in respect of performance in 2009. There was no payout in relation to this target for either year.

PENSION ARRANGEMENTS

The executive directors' contracts of service set out their basic salaries from which contributions can be made into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Iain Dorrity and Peter Finnegan are entitled to a Company contribution of 6% of basic salary and paid directly to a defined contribution scheme (the Crystalox Group Personal Pension Scheme). Hubert Aulich has a proportion of his salary paid into a defined benefit scheme as set out below.

DIRECTORS' REMUNERATION PAYABLE (AUDITED)

Hubert Aulich has a proportion of salary paid into his pension scheme and his bonus is capped at 50% of his salary including the amount sacrificed for pension. The payment was subject to currency movements.

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses (in respect of 2010 payable in cash 2011)[1] €	Annual bonuses (in respect of 2010 payable in deferred shares in 2011)[1] €	**Total 2010 €**	Total 2009 €
Maarten Henderson	116,605	—	—	—	**116,605**	112,297
Hubert Aulich	228,259	7,195	72,878	72,878	**381,210**	270,471
Iain Dorrity	349,815	9,222	87,454	87,454	**533,945**	368,713
Peter Finnegan	302,007	1,027	72,878	72,878	**448,790**	307,685
Michael Parker	46,642	—	—	—	**46,642**	—
John Sleeman	58,303	—	—	—	**58,303**	56,149
	1,101,631	17,444	233,210	233,210	**1,585,495**	1,115,315

[1] The annual bonus amount reflects both the cash element of the bonus which is to be paid in 2011 and represents 50% of the value of the bonus and the remaining 50% which is payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date.

The above amounts were subject to social security taxes paid by the Group as follows:

	Total 2010 €	Total 2009 €
Fees, salaries, bonuses and benefits	**1,585,495**	1,115,315
Social security	**158,678**	104,730
	1,744,173	1,220,045

DIRECTORS' SHARE GRANTS (AUDITED)

In accordance with the Group's policy since 2010, 50% of a participant's gross bonus is payable in deferred shares under the Executive Directors' Deferred Share Plan. Under the rules of this plan the number of shares is calculated by reference to 50% of a participant's gross bonus divided by the average of the middle market quotations on the five consecutive dealing days immediately following the date on which the results are announced. The shares granted in the year relate to the 2009 bonus.

DEFERRED SHARES AWARDED DUE TO 2009 PERFORMANCE

	Date of grant	Normal vesting date	Number of shares awarded	Price at grant p	Value at grant €
Maarten Henderson	—	—	—	—	—
Hubert Aulich	25.03.10	25.03.13	19,108	48.45	9,258
Iain Dorrity	25.03.10	25.03.13	22,929	48.45	11,109
Peter Finnegan	25.03.10	25.03.13	19,108	48.45	9,258
Michael Parker	—	—	—	—	—
John Sleeman	—	—	—	—	—
			61,145		29,625

DEFERRED SHARES TO BE AWARDED DUE TO 2010 PERFORMANCE

	Date of grant	Normal vesting date	Number of shares awarded[1]	Price at grant[2] p	Value at grant €
Maarten Henderson	—	—	—	—	—
Hubert Aulich	24.03.11	24.03.14	—	—	72,878
Iain Dorrity	24.03.11	24.03.14	—	—	87,454
Peter Finnegan	24.03.11	24.03.14	—	—	72,878
Michael Parker	—	—	—	—	—
John Sleeman	—	—	—	—	—
					233,210

[1] The number of shares to be awarded is dependent on the price at grant.

[2] The price is based on the average of the middle market quotations on the five consecutive dealing days immediately following the date on which the results are announced.

Shares with a value of €233,210 are expected to be grated in 2011 in respect of the 2010 bonus.

DIRECTORS' PENSION (AUDITED)

	Contributions to defined contribution scheme €	Contributions to defined benefit scheme €	**Total 2010 €**	Total 2009 €
Maarten Henderson	—	—	**—**	—
Hubert Aulich	—	72,741	**72,741**	67,864
Iain Dorrity	20,989	—	**20,989**	20,214
Peter Finnegan	17,490	—	**17,490**	17,330
Michael Parker	—	—	**—**	—
John Sleeman	—	—	**—**	—
	38,479	72,741	**110,220**	105,408

The transfer value of the defined benefit scheme in respect of Hubert Aulich is €765,485 (2009: €618,000).

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The non-executive directors have specific terms of engagement and their remuneration is determined by the Board based on independent surveys of fees paid to non-executive directors of similar companies. Non-executive directors are not eligible to join the Company's share schemes or pension schemes.

SHAREHOLDER RETURN

PERFORMANCE GRAPH (UNAUDITED)

The graph below shows the TSR performance from 6 June 2007 when the Group listed on the London Stock Exchange to 31 December 2010. This is compared against the TSR performance of the FTSE 250 index. The graph is based upon £100 being invested in the shares of PV Crystalox Solar PLC in June 2007 if all dividends had been reinvested and the comparative figures for the FTSE 250 Index again assuming that dividends were reinvested. The data has been sourced from Thomson Datastream.

JOHN SLEEMAN
CHAIRMAN OF THE REMUNERATION COMMITTEE
23 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group's auditor are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

P Finnegan

DR PETER FINNEGAN
CHIEF FINANCIAL OFFICER
23 March 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR
As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on pages 22 and 23, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

OTHER MATTER
We have reported separately on the parent company financial statements of PV Crystalox Solar PLC for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

TRACEY JAMES
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
OXFORD
23 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 €'000	2009 €'000
Revenues	8	**252,559**	237,320
Other income	2	**3,459**	3,034
Cost of material and services			
Cost of material	3	**(162,272)**	(141,508)
Cost of services	3	**(20,479)**	(13,742)
Personnel expenses			
Wages and salaries	4	**(13,660)**	(12,304)
Social security costs	4	**(2,090)**	(1,711)
Pension costs	4	**(476)**	(451)
Employee share schemes	4	**(1,047)**	(984)
Depreciation on property, plant and equipment and intangible assets		**(13,096)**	(9,796)
Other expenses	5	**(8,373)**	(9,821)
Currency gains and losses	30	**(1,176)**	(8,297)
Earnings before interest and taxes (EBIT)		**33,349**	41,740
Interest income	6	**1,061**	1,449
Interest expense	6	**(684)**	(673)
Earnings before taxes (EBT)		**33,726**	42,516
Income taxes	7	**(10,462)**	(12,957)
Profit attributable to equity holders of the parent		**23,264**	29,559
Other comprehensive income			
Exchange differences on translating foreign operations		**12,551**	9,473
Total comprehensive income			
Attributable to equity holders of the parent		**35,815**	39,032
Earnings per share on continuing activities			
Basic in Euro cents	9	**5.7**	7.2
Diluted in Euro cents	9	**5.7**	7.2

All of the activities of the Group are classed as continuing.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	**2010 €'000**	2009 €'000	2008 €'000
Cash and cash equivalents	10	**101,300**	100,404	96,820
Accounts receivable	11	**55,807**	56,393	76,294
Inventories	12	**50,813**	34,103	24,017
Prepaid expenses and other assets	13	**24,929**	21,273	35,873
Current tax assets	14	**—**	3,945	1,346
Total current assets		**232,849**	216,118	234,350
Intangible assets	15	**668**	788	635
Property, plant and equipment	16	**129,509**	122,232	110,930
Other long-term assets	17	**36,757**	19,752	22,979
Deferred tax asset	18	**12,080**	8,763	5,022
Total non-current assets		**179,014**	151,535	139,566
Total assets		**411,863**	367,653	373,916
Loans payable short-term	19	**46,462**	30,254	15,703
Accounts payable	20	**23,129**	15,047	29,753
Deferred revenue	26	**10,084**	7,889	2,692
Accrued expenses	21	**4,837**	3,929	8,630
Provisions	22	**315**	414	449
Deferred grants and subsidies	23	**2,867**	2,695	2,052
Income tax payable	24	**6,764**	5,207	26,271
Other current liabilities	25	**900**	1,590	772
Total current liabilities		**95,358**	67,025	86,322
Deferred revenue	26	**10,562**	14,142	19,016
Accrued expenses	21	**98**	58	166
Pension benefit obligation	27	**62**	191	335
Deferred grants and subsidies	23	**24,156**	24,964	22,199
Deferred tax liability	18	**825**	310	374
Other long-term liabilities		**42**	803	851
Total non-current liabilities		**35,745**	40,468	42,941
Total liabilities		**131,103**	107,493	129,263
Share capital	28	**12,332**	12,332	12,332
Share premium		**75,607**	75,607	75,607
Investment in own shares		**(8,640)**	(5,642)	(5,642)
Share-based payment reserve		**262**	2,021	968
Reverse acquisition reserve		**(3,601)**	(3,601)	(3,601)
Retained earnings		**227,107**	214,301	209,320
Currency translation adjustment		**(22,307)**	(34,858)	(44,331)
Total shareholders' equity		**280,760**	260,160	244,653
Total liabilities and shareholders' equity		**411,863**	367,653	373,916

The accompanying notes form an integral part of these statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

DR PETER FINNEGAN
CHIEF FINANCIAL OFFICER
23 March 2011

COMPANY NUMBER
06019466

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital €'000	Share premium €'000	Investment in own shares (EBT) €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Retained profit €'000	Currency translation adjustment €'000	Total equity €'000
As at 1 January 2008	12,332	75,607	(5,642)	—	(3,601)	124,559	(11,780)	191,475
Dividends paid in period	—	—	—	—	—	(18,433)	—	(18,433)
Share-based payment charge	—	—	—	968	—	—	—	968
Transactions with owners	—	—	—	968	—	(18,433)	—	(17,465)
Profit for the period	—	—	—	—	—	103,194	—	103,194
Currency translation adjustment	—	—	—	—	—	—	(32,551)	(32,551)
Total comprehensive income	—	—	—	—	—	103,194	(32,551)	70,643
As at 31 December 2008	12,332	75,607	(5,642)	968	(3,601)	209,320	(44,331)	244,653
As at 1 January 2009	12,332	75,607	(5,642)	968	(3,601)	209,320	(44,331)	244,653
Dividends paid in period	—	—	—	—	—	(24,578)	—	(24,578)
Share-based payment charge	—	—	—	1,053	—	—	—	1,053
Transactions with owners	—	—	—	1,053	—	(24,578)	—	(23,525)
Profit for the period	—	—	—	—	—	29,559	—	29,559
Currency translation adjustment	—	—	—	—	—	—	9,473	9,473
Total comprehensive income	—	—	—	—	—	29,559	9,473	39,032
As at 31 December 2009	12,332	75,607	(5,642)	2,021	(3,601)	214,301	(34,858)	260,160
As at 1 January 2010	12,332	75,607	(5,642)	2,021	(3,601)	214,301	(34,858)	260,160
Dividends paid in period	—	—	—	—	—	(12,139)	—	(12,139)
Share-based payment charge	—	—	842	(1,759)	—	1,681	—	764
Investment in own shares	—	—	(3,840)	—	—	—	—	(3,840)
Transactions with owners	—	—	(2,998)	(1,759)	—	(10,458)	—	(15,215)
Profit for the period	—	—	—	—	—	23,264	—	23,264
Currency translation adjustment	—	—	—	—	—	—	12,551	12,551
Total comprehensive income	—	—	—	—	—	23,264	12,551	35,815
As at 31 December 2010	**12,332**	**75,607**	**(8,640)**	**262**	**(3,601)**	**227,107**	**(22,307)**	**280,760**

Further information on equity is presented in note 28. The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 €'000	2009 €'000	2008 €'000
Earnings before taxes	**33,726**	42,516	147,223
Adjustments for:			
Interest	**(377)**	(776)	(4,442)
Depreciation and amortisation	**13,096**	9,796	3,962
Change in pension accruals	**(129)**	(144)	(141)
Change in other accruals	**849**	(4,844)	5,484
Loss/(profit) from the disposal of property, plant and equipment	**60**	(17)	26
Unrealised (gain)/losses in foreign currency exchange	**(2,938)**	868	(8,298)
Deferred income	**(2,755)**	(2,089)	(818)
	41,532	45,310	142,996
Changes in working capital			
Increase in inventories	**(12,633)**	(10,086)	(3,364)
Decrease in accounts receivables	**6,349**	18,146	684
Increase/(decrease) in accounts payables and advance payments	**4,863**	(14,066)	16,388
(Increase)/decrease in other assets	**(21,846)**	1,333	(21,901)
(Decrease)/increase in other liabilities	**(260)**	1,824	573
	18,005	42,461	135,376
Income taxes paid	**(7,762)**	(40,389)	(32,678)
Interest received	**1,061**	1,449	5,130
Net cash from operating activities	**11,304**	3,521	107,828
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**24**	24	11
Proceeds from investment grants and subsidies	**3,304**	21,992	222
Payments to acquire property, plant and equipment	**(19,871)**	(20,766)	(80,071)
Net cash (used in)/from investing activities	**(16,543)**	1,250	(79,838)
Cash flow from financing activities			
Receipt/(repayment) of bank and other borrowings	**11,141**	15,120	(27,530)
Dividends paid	**(12,139)**	(24,578)	(18,433)
Interest paid	**(684)**	(673)	(688)
Investment in own shares	**(4,266)**	—	—
Net cash used in financing activities	**(5,948)**	(10,131)	(46,651)
Net change in cash and cash equivalents available	**(11,184)**	(5,360)	(18,661)
Effects of foreign exchange rate changes on cash and cash equivalents	**12,083**	8,944	(32,411)
Cash and equivalents at beginning of period	**100,404**	96,820	147,892
Cash and equivalents at end of period	**101,300**	100,404	96,820

The accompanying notes form an integral part of these financial statements.

1. GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION

The Consolidated Financial Statements of the Group have been prepared in accordance and are compliant with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information has also been prepared under the historical cost convention except that it has been modified to include certain financial assets and liabilities (including derivatives) at their fair value through the profit and loss.

PV Crystalox Solar PLC is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 23 March 2011.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial information has been presented in Euros, which is the Group's presentational currency. The Euro has been selected as the Group's presentational currency as this is the currency used in its significant contracts. The functional currency of the parent company is Sterling. The financial statements are presented in round thousands.

USE OF ESTIMATES AND JUDGEMENTS – OVERVIEW

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cash flows used in impairment testing and the establishing of provisions for litigation, pensions and other benefits, taxes, inventory valuations and guarantees. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. Actual values may vary from the estimates. The estimates and the assumptions are under continuous review with particular attention paid to the life of material plant.

Critical accounting and valuation policies and methods are those that are both most important to the depiction of the Group's financial position, results of operations and cash flows and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that we disclose will not necessarily result in material changes to our financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the Group are outlined in the following notes. While not all of the significant accounting policies require subjective or complex judgements, the Group considers that the following accounting policies should be considered critical accounting policies.

USE OF ESTIMATES – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. The carrying amount of the Group's assets, other than inventories and deferred tax assets, are subject to regular impairment testing and are reviewed annually and upon indication of impairment. Having considered the impairment indicators relating to the assets of PV Crystalox Solar Silicon GmbH, there is no indication of impairment and therefore a detailed review has not been performed.

Although we believe that our estimates of the relevant expected useful lives, our assumptions concerning the business environment and developments in our industry and our estimations of the discounted future cash flows, are appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges or allowances in the future or to valuation write backs should the expected trends reverse.

Seventy of the Group's ingot production systems in use, with a historical cost of €13 million, are fully depreciated.

USE OF ESTIMATES – DEFERRED TAXES

To compute provisions for taxes, estimates have to be applied. These estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset taxable income.

Deferred tax assets at 31 December 2010 totalled €12.08 million (see note 18).

USE OF ESTIMATES – PENSION COSTS

The defined benefit plans are partly unfunded and partly funded through pension insurance contracts. Statistical and actuarial methods are used to anticipate future events in calculating the expenses and liabilities related to the plans. These calculations include assumptions about the discount rate, expected return on plan assets and rate of future pension increases. Statistical information such as withdrawal and mortality rates is also used in estimating the expenses and liabilities under the plans. Due to changing market and economic conditions, the expenses and liabilities actually arising from these plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions.

1. GROUP ACCOUNTING POLICIES CONTINUED

USE OF ESTIMATES – PROVISIONS

Provisions include solely amounts recognised for warranties. The cost is estimated based on management's past experience.

USE OF ESTIMATES – SHARE-BASED PAYMENTS

The fair value of shares and share options granted was calculated using a standard methodology called the Black-Scholes model, which requires the input of highly subjective assumptions, including volatility of share price.

Details of the inputs and how they were derived are included in note 29.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The results of any subsidiary sold or acquired are included in the Consolidated Statement of Comprehensive Income up to, or from, the date control passes. Unrealised gains and losses on intra-group transactions are eliminated fully on consolidation.

Consolidation is conducted by eliminating the investment in the subsidiary with the parent's share of the net equity of the subsidiary.

The Group owns 100% of the voting rights in PV Crystalox Solar Kabushiki Kaisha. Minority interests in equity of €43,400 are related to non-redeemable preferred stock, subject to a guaranteed annual dividend payment of €2,000. As the fair value of the resulting dividend liabilities reduces the equity portion to marginal amounts, all minority interest has been reclassified as liabilities.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair value reflecting their condition at that date. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. So far no acquisitions have taken place since inception of the Group.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. All intra-group transactions, balances, income and expenses are eliminated upon consolidation.

On 5 January 2007, PV Crystalox Solar PLC became the legal parent company of PV Crystalox Solar AG (and its subsidiary companies) in a share for share transaction. The former PV Crystalox Solar AG shareholders became the shareholders of PV Crystalox Solar PLC. Following the transaction the Group's continuing operations and executive management were those of PV Crystalox Solar AG. Accordingly, the substance of the combination was that PV Crystalox Solar AG acquired PV Crystalox Solar PLC in a reverse acquisition.

GOING CONCERN

The directors are confident, having reviewed management accounts, forecasts and customer contracts and after making appropriate enquiries at the time of approving the financial statements, that the Company and the Group have adequate resources to continue in operation for the foreseeable future and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the accounts.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 8 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are described in note 30.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully in the current economic climate.

Taking these factors into consideration the directors' expectation is that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. GROUP ACCOUNTING POLICIES CONTINUED

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

Accounting standards in effect or applied for the first time in 2010

- IAS 27 (Consolidated and Separate Financial Statements) has been revised to extend the application of IAS 39 (Financial Instruments: Recognition and Measurement) to investments in subsidiaries which are classified as held for sale in the parent's separate financial statements. The revised standard has to be applied to accounting periods beginning on or after 1 July 2009.
- IFRIC 17 (Distribution of Non-cash Assets to Owners (effective 1 July 2009). This interpretation provides guidance on the treatment of distributions of assets other than cash to its shareholders as dividends.
- Group Cash-settled Share-based Payment Transactions – amendment to IFRS 2 (effective 1 January 2010).
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010).
- IFRIC 18 (Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)).

In issue, but not yet effective

The following interpretations are in issue, but not yet effective. The Group does not believe that any will have a material impact on the Group's financial positions, results of operations or cash flows.

- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010).
- IAS 24 (Revised 2009) (Related Party Disclosures (effective 1 January 2011).
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011).
- Amendment to IAS 32 (Classification of Rights Issues (effective 1 February 2010).

CAPITAL STRUCTURE

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Cash and cash equivalents (see note 10)	**101,300**	100,404	96,820
Loans payable (see note 19)	**(46,462)**	(30,254)	(15,703)
Equity (see Consolidated Statement of Changes in Equity)	**280,760**	260,160	244,653
	335,598	330,310	325,770

We define capital as equity plus cash less debt (as above) and our financial strategy in the medium-term is to manage a level of debt that balances the risks of the business while optimising the return on equity by the use of gearing. The Group is currently cash positive following our IPO in June 2007, although these funds will be mainly utilised for capital investment and in the expansion of our existing business. The only borrowings in the Group are in Japan and the UK. In Japan we take advantage of the relatively low Japanese Yen interest rate to finance our business in Japan. These borrowings have attached covenants and are secured against our Japanese Yen receivables book. The terms of the covenants have been and will continue to be adhered to. In the UK, the loans are for hedging purposes and are secured by sterling cash cover.

The Japanese receivables book and our ongoing sales in Japanese Yen will continue to generate a strong forward cash inflow and accordingly we are not carrying exchange rate risk in respect of these borrowings.

The weighted average rate of interest in 2010 was 1.0% (2009: 1.0%), our gearing ratio was 17% (2009: 12%) and debt to capital ratio was 14% (2009: 9%).

INTANGIBLE ASSETS

Intangible assets are capitalised at cost and amortised over their useful life. Amortisation of intangible assets is recorded under 'Depreciation on fixed and intangible assets' in the profit or loss.

Acquired computer software licences are capitalised at the costs that were necessary to purchase the licences and make the software usable.

The capitalised costs are written down using the straight-line method over the expected economic life of the patents (five years) or software licences (three to five years).

1. GROUP ACCOUNTING POLICIES CONTINUED

INTERNALLY GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the profit or loss as an expense when incurred.

Internal development expenditure is charged to profit/loss in the year in which it is incurred unless it meets the recognition criteria of IAS 38 (Intangible Assets). Technical and other uncertainties generally have the effect that such criteria are not met. However, expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of services and materials, direct labour and an appropriate proportion of overheads. Otherwise, development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Intangible assets relating to products in development (both internally and externally acquired) are subject to impairment testing upon indication of impairment. Any impairment losses are written off immediately to the profit or loss.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit of the specific asset to which it relates. All other expenditure is expensed as it occurs.

Only patents have been capitalised as development costs to date, as the future utilisation of other developments is not sufficiently determinable or certain.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or construction cost, net of depreciation and comprises any provision for impairment. No depreciation is charged during the period of construction. The cost of own work capitalised is comprised of direct costs of material and manufacturing and directly attributable costs of manufacturing overheads. All allowable costs up until the point at which the asset is physically able to operate as intended by management are capitalised. The capitalised costs are written down using the straight-line method.

The Group's policy is to write off the difference between the cost of property, plant and equipment and its residual value systematically over its estimated useful life. Reviews of the estimated remaining lives and residual values of individual productive assets are made annually, taking commercial and technological obsolescence as well as normal wear and tear into account.

The total useful lives range from approximately 25 to 33 years for buildings, five to ten years for plant and equipment, up to 15 years for fixtures and fittings and three to four years for motor vehicles. No depreciation is provided on freehold land. Property, plant and equipment are reviewed for impairment at each balance sheet date or upon existence of indications that the carrying value may not be recoverable.

The gain or loss arising on disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the profit or loss.

IMPAIRMENT

The carrying amount of the Group's assets, other than inventories and deferred tax assets, is subject to impairment testing upon indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use based on an internal discounted cash flow evaluation.

LEASED ASSETS

Leases are categorised as per the requirements of IAS17. Where risks and rewards are transferred to the lessee, the lease is classified as a finance lease. All other leases are classed as operating leases.

Rentals under operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives are spread over the total period of the lease.

The obligations from lease contracts are disclosed among financial obligations. For the reporting period, no assets were recorded under finance leases.

1. GROUP ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recorded initially at fair value net of transaction costs if changes in value are not charged directly to the profit or loss. Subsequent measurement depends on the designation of the instrument, as follows:

Amortised cost

- fixed deposits, generally funds held with banks and short-term borrowings and overdrafts are classified as receivables and loans and held at amortised cost;
- long-term loans are held at amortised cost; and
- accounts payable are not interest bearing and are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

Held for trading

- derivatives, if any, comprising interest rate swaps and foreign exchange contracts, are classified as held for trading. They are included at fair value, upon the valuation of the local bank.

Loans and receivables

- non-interest bearing accounts receivable are initially recorded at fair value and subsequently valued at amortised cost, less provisions for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss; and
- cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest and other income resulting from financial assets are recognised in profit or loss when receivable, regardless of how the related carrying amount of the financial assets is measured.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value.

Acquisition costs for raw materials are usually determined by the weighted average method. For finished goods and work in progress, cost of production includes directly attributable costs for material and manufacturing and an attributable proportion of manufacturing overhead expenses (including depreciation) based on normal levels of activity. Selling expenses and other overhead expenses are excluded. Interest is expensed as incurred and therefore not included. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

INCOME TAXES

Current tax is the tax currently payable based on taxable profit for the year, including any under or over provisions from prior years.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

1. GROUP ACCOUNTING POLICIES CONTINUED

PUBLIC GRANTS AND SUBSIDIES

As the German operations are located in a region designated for economic development, the Group receives both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure are credited to the "Deferred income" account and are released to the profit or loss by equal annual instalments over the expected useful lives of the relevant assets under 'Other income'.

Government grants of a revenue nature, mainly for research and development purposes, are credited to the profit or loss in the same period as the related expenditure. All required conditions of these grants have been and will continue to be met.

PROVISIONS

Provisions are formed where a third party obligation exists, which will lead to a probable future outflow of resources and where this outflow can be reliably estimated. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

ACCRUALS

Accruals are recognised when an obligation to meet an outflow of economic benefit in the future arises at the balance sheet date.

Accruals are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

CONTINGENT LIABILITIES

Provisions are made for legal disputes where there is an obligation at the balance sheet date, an adverse outcome is probable and associated costs can be estimated reliably. Where no obligation is present at the balance sheet date no provision is made, although the contingent liability will be disclosed in a note.

REVENUE RECOGNITION

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. Ownership is considered to have transferred once the silicon products have been received by the customer unless shipping terms dictate any different. Revenues exclude intragroup sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

The Group has outsourced some elements of production to external companies. In cases in which the Group retains power of disposal over the product or product element, a sale is only recognised under IFRS when the final product is sold. The final product is deemed to have been sold when the risks and rewards of ownership have been transferred to a third party.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in.

Transactions of the included entities in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency (Euros), at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on transactions are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the date the fair value was determined.

Exchange gains and losses on monetary items are taken to EBIT. In the Consolidated Financial Statements exchange rate differences arising on consolidation of the net investments in subsidiaries are recognised in other comprehensive income under "Currency translation adjustment".

INTEREST INCOME AND EXPENSES

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and dividend income and gains.

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

The interest expense component of finance lease payments is recognised in the profit or loss using the effective interest rate method.

1. GROUP ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

The Group operates a number of pension schemes. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans.

DEFINED BENEFIT PENSION PLAN

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the profit or loss in the period in which they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

DEFINED CONTRIBUTION PLAN

For defined contribution plans, the Group pays contributions to pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

EMPLOYEE BENEFIT TRUST ACCOUNTING POLICY

All assets and liabilities of the Employee Benefit Trust (EBT) have been consolidated in these financial statements as the Group has de facto control over the trust's net assets as the parent of its sponsoring company.

DEFERRED REVENUE AND OTHER LONG-TERM ASSETS

As is common practice within the sector, the Group, where appropriate, both seeks to receive deposits from customers in advance of shipment and makes deposits in advance of supplies of silicon tetrachloride and polysilicon feedstock.

These deposits are held on the Balance Sheet and matched against revenue/cost as appropriate.

Deposits received from customers are not discounted, as the effect is not considered to be material.

See also note 26.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 (Share-based Payments). The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of the grant and are expensed over the vesting period, based, where necessary, on the Group's estimate of the number of shares that will eventually vest. Grants of shares made during 2008 and 2007 are not subject to performance criteria and were valued at the date of the grant at market value. During 2009 the Group granted share options to employees. The share options granted are subject to performance criteria required for the option to vest and are considered in the method of measuring fair value. Fair value is measured using the Black-Scholes option pricing model.

Charges made to the profit or loss in respect of share-based payments are credited to the share-based payment reserve.

1. GROUP ACCOUNTING POLICIES CONTINUED

SHAREHOLDERS' EQUITY

Shareholders' equity is comprised of the following balances:

- share capital is comprised of 416,725,335 ordinary shares of 2 pence each, see note 28;
- share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issue;
- investment in own shares is the Group's shares held by the EBT that are held in Trust for the benefit of employees;
- share-based payment reserve is the amount charged to the profit or loss account in respect of shares already granted or options outstanding relative to the vesting date or option exercise date;
- reverse acquisition reserve is the difference between the value of the assets acquired and the consideration paid by way of a share for share exchange on 5 January 2007;
- retained earnings is the cumulative profit retained by the Group; and
- currency translation adjustment represents the differences arising from the currency translation of the net assets in subsidiaries.

2. OTHER INCOME

	2010 €'000	2009 €'000
Recognition of accrued grants and subsidies for investments	**2,755**	2,089
Research and development grants	**211**	256
Release of accruals	**243**	113
Other income	**250**	576
	3,459	3,034

3. COST OF MATERIAL AND SERVICES

The cost of materials is attributable to the consumption of silicon, ingots, wafers, chemicals and other consumables as well as the purchase of merchandise.

	2010 €'000	2009 €'000
Cost of raw materials, supplies and purchased merchandise	**167,081**	155,618
Change in finished goods and work in progress	**(2,807)**	(12,514)
Own work capitalised	**(2,002)**	(1,596)
Cost of materials	**162,272**	141,508

	2010 €'000	2009 €'000
Cost of purchased services	**20,479**	13,742
Cost of services	**20,479**	13,742

Own work capitalised relates to the construction of production equipment including in particular crystallisation systems.

The cost of materials and services ratio (cost of materials and services including changes in inventories and own work capitalised as a percentage of the aggregate operating performance) is 72% (2009: 65%).

4. PERSONNEL EXPENSES

	2010 €'000	2009 €'000
Wages and salaries	**13,660**	12,304
Social security	**2,090**	1,711
Pension costs (see below)	**476**	451
Employee share schemes	**1,047**	984
	17,273	15,450

PENSION COSTS

	2010 €'000	2009 €'000
Appropriation to pension accruals for defined benefit schemes	**120**	100
Early retirement settlements and pay	**(8)**	(2)
Contributions to defined contribution pension plans	**364**	353
	476	451

EMPLOYEES

The Group employed an average of 355 employees during the year ended 31 December 2010 (2009: 333).

	2010 Number	2009 Number
Germany	**232**	224
United Kingdom	**115**	102
Japan	**8**	7
	355	333

	2010 Number	2009 Number
Production	**250**	236
Administration	**105**	97
	355	333

The remuneration of the Board of Directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 31 to 37.

5. OTHER EXPENSES

	2010 €'000	2009 €'000
Property rental and rates	**2,531**	2,191
Repairs and maintenance	**249**	199
Selling expenses	**54**	283
Technical consulting, research and development	**576**	2,444
External professional services	**1,793**	1,692
Insurance premiums	**780**	758
Travel and advertising expenses	**581**	610
Staff related costs	**840**	571
Other	**969**	1,073
	8,373	9,821

Selling expenses mainly include delivery costs and warranty provisions.

Technical consulting and research and development costs relate to expenditure in connection with silicon wafers and ingots.

In addition to those disclosed above, the Group undertakes considerable research and development in the field of continuous production process optimisation and improvement and adaptation of products to market requirements. These costs are an integral part of a highly technical production process.

The directors have estimated, on the basis of directly attributable costs and a general proportion of production and personnel costs, that the cost of research and development is approximately €11,075,000 for the year ended 31 December 2010 (2009: €8,423,000).

5. OTHER EXPENSES CONTINUED

Included within other expenses are the following amounts which were paid to the Group's auditor:

	2010 €'000	2009 €'000
Fees payable to the Company's auditor for the audit of the Group's financial statements	**74**	71
Plc audit costs	**15**	14
Other services pursuant to legislation	**16**	34
The audit of the Company's subsidiaries pursuant to legislation	**212**	213
Tax services	**47**	23
	364	355

6. INTEREST INCOME AND EXPENSES

Interest income and expense is derived/incurred on financial assets/liabilities and recognised under the effective interest method.

7. INCOME TAXES

Tax expenses can be broken down as follows:

	2010 €'000	2009 €'000
Income taxes in the United Kingdom	**8,219**	10,858
Income taxes in Germany	**1,241**	3,670
Income taxes in Japan	**3,735**	2,192
Income taxes total	**13,195**	16,720
Deferred taxes in the United Kingdom	**737**	1,528
Deferred taxes in Germany	**(3,415)**	(4,624)
Deferred taxes in Japan	**(55)**	(667)
Deferred taxes total	**(2,733)**	(3,763)
Total taxes	**10,462**	12,957

Income taxes include taxes on income paid or due in the individual countries as well as deferred taxes. Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements and those carried in the tax accounts, affected by consolidation transactions and realisable tax loss carry forwards.

The total tax rate for the German companies is 30.525% (2009: 29.825%) in Erfurt and 28.425% in Bitterfeld. The total tax rate of Crystalox Ltd in the United Kingdom was 28%, and the total tax rate in Japan was 42.05%. These rates are always based on the legal regulations applicable or adopted at the balance sheet date.

The Erfurt tax rate increased by 0.7% due to an increase in local town tax rate. All other tax rates are unchanged from 2009.

The following table shows the tax reconciliation account of the tax expense expected in the respective financial year and the actual tax expense reported:

	2010 €'000	2009 €'000
Profit before tax	**33,726**	42,516
Expected income tax expense at effective tax rate 33.2% (2009: 26.7%)	**11,188**	11,352
Taxation for inter-company dividends	**—**	447
Tax reduction due to non-taxable income	**(602)**	(154)
Tax for profit in stock eliminations	**(451)**	1,192
Deferred tax movement on share-based payments	**—**	(25)
Movement in prior year deferred balances	**—**	224
Tax on non-deductible expenses	**236**	228
Tax for timing differences in depreciation	**276**	—
Adjustments to tax charge in respect of prior periods	**(176)**	(240)
Other tax effects	**(9)**	(67)
Total tax expense	**10,462**	12,957

8. SEGMENT REPORTING

The segments are defined by the financial information reported internally to the chief operating decision maker.

Trading and equipment revenue represented <0.05% of revenue in 2010 and is therefore no longer disclosed as a separate operating segment. All remaining revenue is derived from the production and supply of multicrystalline silicon wafers. IFRS 8 requires entity wide disclosures to be made about the countries in which it earns its revenues and holds its assets which are shown below:

SEGMENT INFORMATION 2010

	Japan €'000	China €'000	Rest of Asia €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	USA €'000	Group €'000
Revenues								
By entity's country of domicile	**85,463**	—	—	**67,694**	**99,402**	—	—	**252,559**
By country from which derived	**78,502**	**77,605**	**32,573**	**24,834**	**29**	**481**	**38,535**	**252,559**
Non-current assets*								
By entity's country of domicile	**705**	—	—	**117,736**	**48,493**	—	—	**166,934**

* Excludes: financial instruments, deferred tax assets and post-employment benefit assets.

Four customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):

1. 74,888 (China);
2. 39,397 (Japan);
3. 38,633 (Japan); and
4. 33,040 (USA).

SEGMENT INFORMATION 2009

	Japan €'000	China €'000	Rest of Asia €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	USA €'000	Group €'000
Revenues								
By entity's country of domicile	133,759	—	—	82,219	21,342	—	—	237,320
By country from which derived	133,726	21,113	14,071	48,737	7	19,527	139	237,320
Non-current assets*								
By entity's country of domicile	626	—	—	118,342	23,804	—	—	142,772

* Excludes: financial instruments, deferred tax assets and post-employment benefit assets.

Two customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):

1. 83,334 (Japan); and
2. 49,786 (Japan).

8. SEGMENT REPORTING CONTINUED
SEGMENT INFORMATION 2008

	Japan €'000	China '000	Rest of Asia €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	USA €'000	Group €'000
Revenues								
By entity's country of domicile	154,673	—	—	85,600	33,822	—	—	274,095
By country from which derived	154,607	17	30,896	75,554	22	5,920	7,079	274,095
Non-current assets*								
By entity's country of domicile	584	—	—	109,160	24,800	—	—	134,544

* Excludes: financial instruments, deferred tax assets and post-employment benefit assets.

Three customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):

1. 100,977 (Japan);
2. 53,202 (Japan); and
3. 34,127 (Germany).

9. EARNINGS PER SHARE

EPS is calculated by dividing the net profit for the year (as per the profit or loss) by the weighted average number of shares outstanding during the financial year.

	2010	2009
Basic shares (average)	**404,939,862**	409,637,335
Basic earnings per share (Euro cents)	**5.7**	7.2
Diluted shares (average)	**405,029,507**	411,695,335
Diluted earnings per share (Euro cents)	**5.7**	7.2

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares, see note 28, as follows:

	2010	2009
Shares in issue (see note 28)	**416,725,335**	416,725,335
Weighted average number of EBT shares held	**(11,785,473)**	(7,088,000)
Weighted average number of shares for basic EPS calculation	**404,939,862**	409,637,335
2,025,000 EBT shares, granted but not vested until 2010	**—**	2,025,000
28,500 EBT shares, granted but not vested (33,000 in 2009)	**28,500**	33,000
61,145 EBT shares, granted but not vested	**61,145**	—
Weighted average number of shares for fully diluted EPS calculation	**405,029,507**	411,695,335

10. CASH AND CASH EQUIVALENTS

All short-term deposits are interest bearing at the various rates applicable in the business locations of the Group.

11. ACCOUNTS RECEIVABLE

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Japan	**31,567**	46,604	70,684
Germany	**8,546**	9,293	5,574
United Kingdom	**15,694**	496	36
	55,807	56,393	76,294

All receivables have short-term maturity. No significant bad debt allowances were necessary during the reporting period.

Some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

	2010 €'000	2009 €'000	2008 €'000
Not more than three months	**4,058**	112	1,303

These amounts represent the Group's maximum credit risk at the year end.

Of the €4.058 million, €0.871 million remained outstanding at end of February 2010, although no bad allowance is deemed necessary due to cash deposits held.

12. INVENTORIES

Inventories include finished goods and work in progress (ingots and blocks), as well as production supplies. The change in inventories is included in the profit or loss in the line 'Cost of materials and services'.

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Finished products	**2,550**	13,351	6,408
Work in progress	**25,409**	11,800	6,229
Raw materials	**22,854**	8,952	11,380
	50,813	34,103	24,017

13. PREPAID EXPENSES AND OTHER ASSETS

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Subsidies and grants due relating to Bitterfeld	**3,259**	4,618	21,388
Other subsidies due	**1,065**	891	616
VAT	**9,187**	4,647	5,215
Prepaid expenses	**10,165**	10,313	8,022
Other current assets	**1,253**	804	632
	24,929	21,273	35,873

14. CURRENT TAX ASSETS

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Recoverable capital gains tax	—	3,072	1,346
Prepaid income tax	—	873	—
	—	3,945	1,346

Recoverable capital gains tax relates to tax paid on internal dividend payments. No such asset existed at the end of 2010.

Prepaid income tax relates to an overpayment of income tax. No such asset existed at the end of 2010.

15. INTANGIBLE ASSETS

	Patents and licences €'000	**Software under development €'000**	**Total €'000**
Cost			
At 1 January 2010	1,375	4	1,379
Additions	100	4	104
Reclassification	4	(4)	—
Disposals	(5)	—	(5)
Net effect of foreign currency movements	47	—	47
At 31 December 2010	**1,521**	**4**	**1,525**
Depreciation			
At 1 January 2010	591	—	591
Charge for the year	271	—	271
Disposals	(5)		(5)
At 31 December 2010	**857**	—	**857**
Net book value			
At 31 December 2010	**664**	**4**	**668**
At 31 December 2009	784	4	788

	Patents and licences €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2009	871	127	998
Additions	302	80	382
Reclassification	203	(203)	—
Net effect of foreign currency movements	(1)	—	(1)
At 31 December 2009	1,375	4	1,379
Depreciation			
At 1 January 2009	363	—	363
Charge for the year	228	—	228
At 31 December 2009	591	—	591
Net book value			
At 31 December 2009	784	4	788
At 31 December 2008	508	127	635

15. INTANGIBLE ASSETS CONTINUED

	Patents and licences €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2008	426	157	583
Additions	290	127	417
Reclassification	157	(157)	—
Disposals	(1)	—	(1)
Net effect of foreign currency movements	(1)	—	(1)
At 31 December 2008	871	127	998
Depreciation			
At 1 January 2008	205	—	205
Charge for the year	159	—	159
On disposals	(1)	—	(1)
At 31 December 2008	363	—	363
Net book value			
At 31 December 2008	508	127	635
At 31 December 2007	221	157	378

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
Cost					
At 1 January 2010	12,490	142,308	4,752	823	160,373
Additions	369	5,814	1,595	11,989	19,767
Reclassification	21	734	38	(793)	—
Disposals	—	(194)	(86)	(40)	(320)
Net effect of foreign currency movements	15	1,273	81	35	1,404
At 31 December 2010	**12,895**	**149,935**	**6,380**	**12,014**	**181,224**
Depreciation					
At 1 January 2010	540	35,659	1,942	—	38,141
Charge for the year	406	11,779	650	—	12,835
On disposals	—	(159)	(78)	—	(237)
Net effect of foreign currency movements	6	930	40	—	976
At 31 December 2010	**952**	**48,209**	**2,554**	**—**	**51,715**
Net book value					
At 31 December 2010	**11,943**	**101,726**	**3,826**	**12,014**	**129,509**
At 31 December 2009	11,950	106,649	2,810	823	122,232

Assets under construction relate to future plant and machinery. Capital commitments at 31 December 2010 relating to this amounted to €17.48 million.

16. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
Cost					
At 1 January 2009	12,239	37,289	3,936	85,333	138,797
Additions	—	18,868	807	710	20,385
Reclassification	229	85,083	164	(85,476)	—
Disposals	—	(428)	(174)	(7)	(609)
Net effect of foreign currency movements	22	1,496	19	263	1,800
At 31 December 2009	12,490	142,308	4,752	823	160,373
Depreciation					
At 1 January 2009	144	26,151	1,572	—	27,867
Charge for the year	387	8,665	516	—	9,568
On disposals	—	(434)	(159)	—	(593)
Net effect of foreign currency movements	9	1,277	13	—	1,299
At 31 December 2009	540	35,659	1,942	—	38,141
Net book value					
At 31 December 2009	11,950	106,649	2,810	823	122,232
At 31 December 2008	12,095	11,138	2,364	85,333	110,930

Assets under construction related to future plant and machinery. Capital commitments at 31 December 2009 relating to this amounted to €1.10 million.

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
Cost					
At 1 January 2008	763	38,360	2,425	22,765	64,313
Additions	5,709	4,106	1,700	68,753	80,268
Reclassification	5,850	290	—	(6,140)	—
Disposals	—	(8)	(71)	(45)	(124)
Net effect of foreign currency movements	(83)	(5,459)	(118)	—	(5,660)
At 31 December 2008	12,239	37,289	3,936	85,333	138,797
Depreciation					
At 1 January 2008	128	27,717	1,353	—	29,198
Charge for the year	49	3,394	360	—	3,803
On disposals	—	(8)	(80)	—	(88)
Net effect of foreign currency movements	(33)	(4,952)	(61)	—	(5,046)
At 31 December 2008	144	26,151	1,572	—	27,867
Net book value					
At 31 December 2008	12,095	11,138	2,364	85,333	110,930
At 31 December 2007	635	10,643	1,072	22,765	35,115

Assets under construction related to the polysilicon facility in Bitterfeld. Capital commitments at 31 December 2008 relating to this amounted to €9.47 million.

17. OTHER LONG-TERM ASSETS

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Other assets	**344**	282	326
Prepaid expenses	**40**	17	307
Silicon tetrachloride (for Bitterfeld)	**2,583**	3,248	3,593
Polysilicon feedstock deposits	**33,790**	16,205	18,753
	36,757	19,752	22,979

18. DEFERRED TAXES

Deferred taxes are calculated at the local rates in accordance with IAS 12 (Income Taxes).

Deferred tax assets and liabilities are attributable to the following accounting and valuation differences of the book value of assets and liabilities between the IFRS balance sheet and the tax balance sheet and tax losses carried forward.

	2010 €'000	2009 €'000	2008 €'000
Elimination of inter-company gains	**2,610**	2,159	3,351
Tax loss carried forward	**9,090**	5,790	592
Property, plant and equipment	**—**	—	453
Enterprise tax	**246**	186	411
Pension plans	**76**	67	69
Share-based reserve	**—**	144	105
Inventory	**—**	401	—
Other	**58**	16	41
Deferred tax asset	**12,080**	8,763	5,022
General allowance on accounts receivables	**(174)**	(221)	(303)
Property, plant and equipment	**(649)**	(86)	(71)
Other	**(2)**	(3)	—
Deferred tax liability	**(825)**	(310)	(374)
Total deferred taxes	**11,255**	8,453	4,648

There are no deductible temporary differences, unused tax losses or unused tax credits for which deferred tax has not been recognised.

Deferred tax assets arising as a result of losses are recognised as, based on the Group's budget, they are expected to be realised in the foreseeable future.

19. LOANS PAYABLE

	As at 31 December				
Underwriter	**2010 €'000**	2009 €'000	2008 €'000	Maturity	Interest rate
Sumitomo Mitsui Banking Corporation (SMBC)	**18,505**	22,691	11,772	01/11	0.78–0.85%
Mizuho Bank	**9,253**	7,563	3,924	02–03/11	0.78–0.87%
Barclays Bank	**18,704**	—	—	02/11	1.20%
Other loans	**—**	—	7	09/08	4.84%
	46,462	30,254	15,703		

All current loans are in Japanese Yen.

Security for the loans with SMBC and Mizuho, is provided by the Japanese accounts receivable, details of which can be found in note 11.

Security for the loans with Barclays Bank, is provided by sterling cash cover.

20. ACCOUNTS PAYABLE

Accounts payable are obligations arising from normal business transactions.

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Japan	**10,045**	8,404	14,474
United Kingdom	**8,295**	1,921	3,369
Germany	**4,789**	4,722	11,910
	23,129	15,047	29,753

The book value of these payables is materially the same as the fair value.

21. ACCRUALS

The accruals of the Group are as follows:

	2010 €'000	2009 €'000	2008 €'000
Rents and ancillary rent costs	**638**	127	127
Cost of material	**—**	—	3,826
Services invoiced post year end	**2,347**	1,875	2,940
Bonuses	**1,028**	1,124	840
Other payroll accruals	**466**	364	390
Year end costs	**320**	246	333
Other	**38**	193	174
Current accruals	**4,837**	3,929	8,630
Rents and ancillary rent costs	**—**	—	117
Other	**98**	58	49
Non-current accruals	**98**	58	166
Total accruals	**4,935**	3,987	8,796

The cost of material accrual related to an agreement with a key customer to supply higher than normal value wafers from higher than normal cost polysilicon, supplied by the same customer. The accrual relates to a timing difference between material received and supply invoiced.

22. PROVISIONS

Movement in warranty provisions is shown below:

	2010 €'000	2009 €'000	2008 €'000
Provision brought forward	**414**	449	396
Addition	**—**	—	73
Utilised	**(99)**	(35)	(20)
Provision carried forward	**315**	414	449

Warranty provisions unwind over a twelve month period from the date of sale, per the terms of the warranty agreement with customers.

23. DEFERRED GRANTS AND SUBSIDIES

The grants from governmental institutions are bound to specific terms and conditions. The Group is obliged to observe retention periods of five years for the respective assets in the case of investment subsidies as well as of five years for assets under investment grants, and to retain a certain number of jobs created in conjunction with the underlying assets. In cases of breach of the terms, the grants received must be repaid. In the past, the grants received were subject to periodic audits, which were concluded without significant findings or adjustments.

The deferred subsidies in the period under review consist of the following:

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Investment subsidies	**13,500**	13,684	12,649
Investment grants	**13,516**	13,970	11,596
Other grants and subsidies	**7**	5	6
	27,023	27,659	24,251
Current portion	**2,867**	2,695	2,052
Non-current portion	**24,156**	24,964	22,199
	27,023	27,659	24,251

24. INCOME TAX PAYABLE

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
United Kingdom	**3,708**	2,984	18,070
Germany	**355**	458	3,712
Japan	**2,701**	1,765	4,489
	6,764	5,207	26,271

Income tax liabilities comprise both corporation and other non-VAT tax liabilities, calculated or estimated by the Group companies as well as corresponding taxes payable abroad due to local tax laws, including probable amounts arising on completed or current tax audits.

25. OTHER CURRENT LIABILITIES

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
VAT liability	**—**	1,095	—
Payroll liabilities	**499**	191	339
Other liabilities	**401**	304	433
	900	1,590	772

26. DEFERRED REVENUE

Where suitable the Group enters into long-term contracts with its customers and may request payment deposits from them ahead of the supply of goods. At 31 December 2010, such deposits amounted to €20.646 million from four customers (2009: €22.031 million from four customers; 2008: €21.708 million from three customers.)

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Short-term element	**10,084**	7,889	2,692
Long-term element	**10,562**	14,142	19,016
	20,646	22,031	21,708

27. PENSION BENEFIT OBLIGATION

The obligation relates to fixed post retirement payments for two employees and includes benefits for surviving spouses granted in 2005. The plan will be fully funded upon retirement of the employees by insurance contracts held and paid in by the Group. In case of insolvency the benefits have been ceded to the employees directly. Therefore the fair value of the insurance contracts has been treated as a plan asset.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the profit or loss in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Group contributions are paid directly to the asset holding insurance company, thereby guaranteeing the value of the scheme which is deemed wholly funded.

	As at 31 December		
	2010 €'000	2009 €'000	2008 €'000
Pension benefits			
Present value of defined benefit obligations	**(1,644)**	(1,469)	(1,354)
Fair value of plan assets	**1,582**	1,278	1,019
Total employee benefits	**(62)**	(191)	(335)
Movements in the balance sheet			
Present value of defined benefit obligations 1 January	**(1,469)**	(1,354)	(1,241)
Current service cost	**(115)**	(116)	(116)
Interest cost	**(70)**	(68)	(62)
Actuarial gains	**10**	69	65
Present value of defined benefit obligations 31 December	**(1,644)**	(1,469)	(1,354)
Fair value of plan assets 1 January	**1,278**	1,019	765
Contribution (Company only)	**256**	256	256
Expected return of plan assets	**63**	52	40
Actuarial losses	**(15)**	(49)	(42)
Fair value of plan assets 31 December	**1,582**	1,278	1,019
Amounts recognised in the income statement			
Interest cost	**(70)**	(68)	(62)
Expected return of plan assets	**63**	52	40
Current service cost	**(115)**	(116)	(116)
Actuarial gains	**(5)**	20	23
	(127)	(112)	(115)

27. PENSION BENEFIT OBLIGATION CONTINUED

The principal actuarial assumptions used were as follows:

	2010 %	2009 %	2008 %
Discount rate	**4.25**	4.75	5.00
Expected return of plan assets	**4.50**	4.50	4.50
Future salary increases	**—**	—	—
Future pension increases	**0.25**	0.90	2.00

The expected service expenses for 2011 are €32,929, the contributions to plan assets are estimated at €255,717.

28. EQUITY

	2010 €'000	2009 €'000	2008 €'000
Authorised share capital			
600,000,000 ordinary shares of 2 pence each	**17,756**	17,756	17,756
Allotted, called up and fully paid			
416,725,335 ordinary shares of 2 pence each	**12,332**	12,332	12,332

SUMMARY OF RIGHTS OF SHARE CAPITAL

The ordinary shares are entitled to receipt of dividends. On winding up, their rights are restricted to a repayment of the amount paid up to their share in any surplus assets arising. The ordinary shares have full voting rights.

29. SHARE-BASED PAYMENT PLANS

The Group established the PV Crystalox Solar PLC EBT on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees.

In January 2010 the Trustee of the EBT completed the purchase of 5,000,000 of the Company's ordinary shares of 2 pence each at an average price of 66.7104 pence giving a total holding of 12,087,000 ordinary shares at that time.

The Group currently has two share incentive plans in operation which are satisfied by grants from the EBT.

PV CRYSTALOX SOLAR PLC LONG-TERM INCENTIVE PLAN

This is a long-term incentive scheme under which awards are made to employees consisting of the right to acquire ordinary shares for a nominal price subject to the achievement of specified performance conditions at the end of the vesting period which is not less than three years from the date of grant. Under the LTIP it is possible for awards to be granted which are designated as a Performance Share Award, a Market Value Option or a Nil Cost Option. To date Performance Share Awards and Market Value Options have been granted.

Performance Share Award (PSA)

A PSA is a conditional award of a specified number of ordinary shares which may be acquired for nil consideration. The PSAs granted to date have all been initial awards where there is no specified performance condition. The vesting period of each award is three years from the date of grant.

On 17 December 2007 awards over 2,175,000 ordinary shares of 2 pence were granted to key employees. In 2008 two employees that had been granted an aggregate amount of 150,000 shares each left the Group and in December 2010 one employee who had been granted an award of 50,000 shares left the Group and in accordance with the rules of the LTIP these grants were cancelled and the shares remain available within the EBT. On 17 December 2010 the options over the remaining 1,926,500 shares were exercised.

On 26 February 2008 awards were granted to employees of 500 shares each over a total of 33,000 ordinary shares of 2 pence each. During 2010 awards over 3,000 shares were forfeited by employees leaving the Group and awards over 1,500 shares were exercised by Group employees retiring. After the year end on 26 February 2011, the options over the remaining 28,500 shares were exercised.

29. SHARE-BASED PAYMENT PLANS CONTINUED

PV CRYSTALOX SOLAR PLC LONG-TERM INCENTIVE PLAN (LTIP) CONTINUED

Market Value Option (MVO)

An MVO is an option with an exercise price per share equal to the market value of a share on the date of grant. The vesting period of each award is three years from the date of grant and the award must be exercised no later than ten years following the date of grant.

On 24 November 2008 an MVO over 200,000 ordinary shares of 2 pence each was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to an agreed performance criteria.

On 26 March 2009 an MVO over 200,000 ordinary shares of 2 pence each was granted to a senior employee and this option is exercisable from 26 March 2012 at 76 pence per share subject to an agreed performance criteria; and on 25 September 2009 MVO awards over 1,200,000 ordinary shares of 2 pence each were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

PV CRYSTALOX SOLAR PLC SHARE INCENTIVE PLAN (SIP)

The SIP is an employee share scheme approved by HM Revenue and Customs in accordance with the provisions of Schedule 8 to the Finance Act 2000. On 26 February 2008 awards were granted to UK employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP.

The Group recognised total expenses before tax of €1,047,000 (2009: €984,000) related to equity-settled share-based payment transactions during the year.

The number of share options and weighted average exercise price (WAEP) for each of the schemes is set out as follows:

	PSA* Number	MVO Number	MVO WAEP price Pence	SIP* Number
Share grants and options outstanding at 1 January 2010	2,008,000	1,600,000	79.7	37,000
Share grants and options granted during the year	—	—	—	—
Share grants and options forfeited during the year	(53,000)	—	—	—
Share grants vested during the year	(1,926,500)	—	—	—
Options exercised during the year	—	—	—	—
Share grants and options outstanding at 31 December 2010	**28,500**	**1,600,000**	**79.7**	**37,000**
Exercisable at 31 December 2010	**—**	**—**	**—**	**—**
Share grants and options outstanding at 1 January 2009	2,058,000	200,000	100.0	37,000
Share grants and options granted during the year	—	1,400,000	76.8	—
Share grants and options forfeited during the year	(50,000)	—	—	—
Share grants vested and options exercised during the year	—	—	—	—
Share grants and options outstanding at 31 December 2009	2,008,000	1,600,000	79.7	37,000
Exercisable at 31 December 2009	—	—	—	—
Share grants and options outstanding at 1 January 2008	2,175,000	—	—	—
Share grants and options granted during the year	33,000	200,000	100.0	37,000
Share grants and options forfeited during the year	(150,000)	—	—	—
Share grants vested and options exercised during the year	—	—	—	—
Share grants and options outstanding at 31 December 2008	2,058,000	200,000	100.0	37,000
Exercisable at 31 December 2008	—	—	—	—

* The weighted average exercise price for the PSA and SIP options is £nil.

The weighted average PV Crystalox plc share price at the date of exercise for the share options exercised during the year was 51.2 pence, no options were exercised in 2009.

29. SHARE-BASED PAYMENT PLANS CONTINUED

PV CRYSTALOX SOLAR PLC SHARE INCENTIVE PLAN (SIP) CONTINUED

At 31 December 2010 PSA options are exercisable 36 months after the date of grant, up to February 2011. MVO options are exercisable between three years and ten years after the date of grant, up to September 2019. SIP options are exercisable between three and five years after date of grant, up to February 2013.

The remaining weighted average remaining contractual life of options outstanding at 31 December 2010 is 0.16 years for PSA (2009: 1.46 years; 2008: 2.46 years), 8.58 years for MVO (2009: 9.58 years; 2008: 9.99 years) and 2.16 years for SIP (2009: 3.16 years; 2008: 4.16 years).

There were no options granted in the year. The fair value for the options granted during the previous year was determined using the Black-Scholes model with the following input assumptions at their grant date:

	2010 MVO	2009 MVO
Weighted average grant price (pence)	**n/a**	79.7
Expected volatility	**n/a**	30%
Average expected term to exercise (months)	**n/a**	36
Risk-free rate	**n/a**	5.0%

In determining the risk-free rate, the Group uses the yield on long-term UK Government bonds rounded to the nearest full number. In 2009 the yield on UK Government bonds was 4.67% and the Group used 5.0%.

The expected volatility rate was estimated by reference to the Bloomberg calculated twelve month volatility for the Electronic and Electrical Equipment Index.

30. RISK MANAGEMENT

The main risks arising from the Group's financial instruments are credit risks, interest rate risks and exchange rate fluctuation risks. The Board reviews and determines policies for managing each of these risks and are, as such, summarised below. These policies have been consistently applied throughout the period.

CREDIT RISK

The main credit risk arises from accounts receivable. All trade receivables are of a short-term nature, with maximum payment terms of 150 days. In order to manage credit risk, local management defines limits for customers based on a combination of payment history and customer reputation. Credit limits are reviewed by local management on a regular basis. As a supplier to some of the leading manufacturers of solar cells, the Group has a limited number of customers. In 2010 29.7% of the sales are related to the largest customer (2009: 35.1%). The number of customers accounting for approximately 95% of the annual revenue increased from eight in 2009 to ten in 2010. Where appropriate, the Group requests payment or part payment in advance of shipment, which generally covers the cost of the goods. Different forms of retention of title are used for security depending on local restrictions prevalent on the respective markets. The maximum credit risk to the Group is the total of accounts receivable, details of which can be seen in note 11.

Cash is not considered to be a high credit risk due to the consideration given to the institution in which it is deposited and the setting of counterparty limits.

EXCHANGE RATE FLUCTUATION RISKS

A large portion of sales revenue is invoiced in foreign currencies, potentially exposing the Group to exchange rate risks. In the financial year 2010, about €78.0 million (2009: €133.7 million) of the Group's sales was generated in Japanese Yen. Expenses of €88.0 million (2009: €89.0 million) invoiced in Japanese Yen were allocated to cost of materials.

Significant cash funds are denominated in currencies other than the presentational currency of the Group. Excess cash funds not needed for local sourcing are exposed to exchange rate and associated interest fluctuation risks, particularly so in the United Kingdom. The exchange rate risk is based on assets held in currencies other than Euros.

The Group sells its products in a number of currencies (mainly Euros and Japanese Yen and to a lesser extent US Dollars) and also purchases in a number of currencies (mainly Euros, Japanese Yen, Sterling and US Dollars).

The following exchange rates were used to translate individual companies' financial information into the Group's presentational currency:

	Average rate	Year end rate
Euro: Japanese Yen	116.576	108.078
Sterling: Euro	1.1661	1.1675

30. RISK MANAGEMENT CONTINUED

HEDGING STRATEGY

The Group is largely naturally hedged at an operating level because it buys a significant proportion of its raw materials in Euros and Japanese Yen, operates its wafering factory within the Euro zone and pays for the sub-contracting of wafer production in Japan in Japanese Yen. However, the ingot manufacturing operation is within the United Kingdom and therefore a part of Group costs are in Sterling. In addition, the Group has a relatively large debtor book in Japan denominated in Japanese Yen and this is subjected to exchange rate fluctuation of that currency. The Group has Japanese Yen borrowings to hedge against downwards movement in the Japanese Yen/Euro exchange rate. This process continues to be under review.

After careful consideration and due to the satisfactory natural operating hedging position coupled with its policy of matching borrowings in Japanese Yen with Japanese Yen assets, the directors have adopted a long-term policy of setting off any downside risks of currency fluctuation against the associated upside risks.

During 2010 the Japanese Yen/Euro exchange rate increased 18.2% (2009: decreased 3.8%). The impact of this increase on the profit or loss was to increase sales revenues by approximately 5.6% and increase the cost of materials and services by approximately 12.1% (2009: 2.2%).

For each 1% increase in the Japanese Yen/Euro exchange rate, profits would decrease by approximately €431,000 (2009: increase by €408,000). The effect of the movement in the Japanese Yen/Euro exchange rate on assets held in Japanese Yen has been considered. Group management has increased borrowings in Japanese Yen so that these largely offset asset balances held in that currency. Therefore, based on Japanese Yen asset balances on 31 December 2010, each 1% movement in the Japanese Yen/Euro exchange rate would have an immaterial effect on the currency translation adjustment.

During 2010 the net loss on foreign currency adjustments was a loss of €1.2 million (2009: loss of €8.3 million). This loss was mainly related to the conversion of currency balances in respect of Group advances or loans, currency debtor/creditor balances, currency advance payments to raw material suppliers and currency cash balances. These can be broken down into the following broad categories:

	2010 million	2009 million
Revaluation of cash balances	**0.6**	(2.7)
Revaluation of Group loans	**(2.1)**	(1.3)
Revaluation of Group raw material deposits	**(1.7)**	(1.9)
Debtor revaluation	**(0.4)**	(2.8)
Revaluation of customer/suppliers deposits	**2.4**	0.4
Total currency loss	**(1.2)**	(8.3)

In addition to the above, upon translation of net assets in the consolidation, there was a positive impact in 2010 of €12.6 million (2009: €9.5 million) recording as a currency translation adjustment which is shown in the Consolidated Statement of Comprehensive Income as other comprehensive income.

30. RISK MANAGEMENT CONTINUED

INTEREST RATE RISK

The Group is exposed to interest rate fluctuation risks, since the Group's loan agreements largely are subject to variable interest rates. All variable interest rate loans are of a short-term nature with a maturity of less than twelve months. A longer term credit line expired in September 2009. The borrowings of €46.5 million at the end of 2010 are in Japanese Yen (2009: €30.3 million almost 100%). Accordingly, there is a downside risk that Japanese Yen interest rates may increase substantially from the current relatively low levels. However, the Group has a regular strong Japanese Yen income sufficient to repay the loans (if Group management wished to do so) within a twelve month time scale.

On 31 December 2010 the Group had borrowings in Japanese Yen of €46.5 million (2009: €30.3 million) at an average interest rate of approximately 0.97% (2009: 0.964%). For each 1% rise in the Japanese Yen interest rates Group interest costs would increase by approximately €465,000 (2009: €303,000). Accordingly, Group profits and equity would fall or rise (after corporation tax in Japan) by approximately €233,000 (2009: €151,000).

Further sensitivity analysis of the accruals and loans outstanding at the year end has not been disclosed as these are virtually all current and paid in line with standard payment terms.

The Group's borrowings in Japanese Yen are also current and have no set repayment plan being secured on the Japanese receivables book. The interest on this loan is paid monthly in arrears.

FINANCIAL ASSETS AND LIABILITIES

	Book value €'000	Loan and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2008					
Assets:					
Cash and cash equivalents	96,820	96,820	—	—	96,820
Accounts receivable	76,294	76,294	—	—	76,294
Prepaid expenses and other assets	35,873	22,636	—	13,237	35,873
Other non-financial assets	164,929	—	—	164,929	164,929
Total	373,916	195,750	—	178,166	373,916
Liabilities:					
Loans payable short-term	(15,703)	—	(15,703)	—	(15,703)
Accounts payable trade	(29,753)	—	(29,753)	—	(29,753)
Accrued expenses	(8,796)	—	(8,796)	—	(8,796)
Provisions	(449)	—	—	(449)	(449)
Other current liabilities	(772)	—	(772)	—	(772)
Other long-term liabilities	(851)	—	(851)	—	(851)
Other non-financial liabilities	(72,939)	—	—	(72,939)	(72,939)
Total	(129,263)	—	(55,875)	(73,388)	(129,263)

30. RISK MANAGEMENT CONTINUED
FINANCIAL ASSETS AND LIABILITIES CONTINUED

	Book value €'000	Loan and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2009					
Assets:					
Cash and cash equivalents	100,404	100,404	—	—	100,404
Accounts receivable	56,393	56,393	—	—	56,393
Prepaid expenses and other assets	21,273	10,960	—	10,313	21,273
Other non-financial assets	189,583	—	—	189,583	189,583
Total	367,653	167,757	—	199,896	367,653
Liabilities:					
Loans payable short-term	(30,254)	—	(30,254)	—	(30,254)
Accounts payable trade	(15,047)	—	(15,047)	—	(15,047)
Accrued expenses	(3,987)	—	(3,987)	—	(3,987)
Provisions	(414)	—	—	(414)	(414)
Other current liabilities	(1,590)	—	(1,590)	—	(1,590)
Other long-term liabilities	(803)	—	(803)	—	(803)
Other non-financial liabilities	(55,398)	—	—	(55,398)	(55,398)
Total	(107,493)	—	(51,681)	(55,812)	(107,493)
2010					
Assets:					
Cash and cash equivalents	**101,300**	**101,300**	**—**	**—**	**101,300**
Accounts receivable	**55,807**	**55,807**	**—**	**—**	**55,807**
Prepaid expenses and other assets	**24,929**	**14,764**	**—**	**10,165**	**24,929**
Other non-financial assets	**229,827**	**—**	**—**	**229,827**	**229,827**
Total	**411,863**	**171,870**	**—**	**239,993**	**411,863**
Liabilities:					
Loans payable short-term	**(46,462)**	**—**	**(46,462)**	**—**	**(46,462)**
Accounts payable trade	**(23,129)**	**—**	**(23,129)**	**—**	**(23,129)**
Accrued expenses	**(4,935)**	**—**	**(4,935)**	**—**	**(4,935)**
Provisions	**(315)**	**—**	**—**	**(315)**	**(315)**
Other current liabilities	**(900)**	**—**	**(900)**	**—**	**(900)**
Other long-term liabilities	**(42)**	**—**	**(42)**	**—**	**(42)**
Other non-financial liabilities	**(55,320)**	**—**	**—**	**(55,320)**	**(55,320)**
Total	**(131,103)**	**—**	**(75,468)**	**(55,635)**	**(131,103)**

31. CALCULATION OF FAIR VALUE
There are no publicly traded financial instruments (e.g. publicly traded derivatives and securities held for trading and available for sale securities) nor any other financial instruments.

32. CONTINGENT LIABILITIES
The Group did not assume any contingent liabilities for third parties. No material litigation or risks from violation of third parties' rights or laws that could materialise in 2010 or beyond are pending at the current time.

33. OTHER FINANCIAL OBLIGATIONS
LEASE AGREEMENTS (OPERATING LEASES)
The leases primarily relate to rented buildings and have terms of no more than ten years. Financial obligations resulting from operating leases become due as follows:

	As at 31 December	
	2010 €'000	2009 €'000
Less than one year	**1,716**	1,409
Two to five years	**4,939**	3,718
Longer than five years	**2,504**	386
	9,159	5,513

The land and buildings used by the Group, with the exception of land with an area of approximately 31,000m^2 in the Chemical Park at Bitterfeld, are rented. The contracts have durations of up to ten years. In some cases there are options to extend the rental period.

EQUIPMENT PURCHASE COMMITMENTS
Orders to the amount of €17.5 million had been made on 31 December 2010 (2009: €1.1 million).

34. RELATED PARTY DISCLOSURES
The Group defines related parties as the senior executives of the Group and also companies that these persons could have a material influence on as related parties. During the reporting period, none of the shareholders had control over or a material influence in the parent Company. All future transactions with such related parties will be conducted under normal market conditions.

The remuneration of the directors, who are the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 31 to 37.

35. POST BALANCE SHEET EVENTS
There are no significant post balance sheet events.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditor are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

P Finnegan

DR PETER FINNEGAN
DIRECTOR
23 March 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the financial statements of PV Crystalox Solar PLC for the year ended 31 December 2010 which comprise the parent company Balance Sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the parent company's affairs as at 31 December 2010;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2010.

TRACEY JAMES
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
OXFORD
23 March 2011

ACCOUNTING POLICIES

BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has taken advantage of Section 408 of the Companies Act 2006, excluding it from preparing a company only Income Statement on the basis that a Consolidated Statement of Comprehensive Income is included in the Group financial statements.

The Group accounts have complied with the statutory obligation to disclose non-audit remuneration.

INVESTMENTS
Investments are included at cost and reviewed annually for impairment.

EMPLOYMENT BENEFIT TRUST (EBT)
All assets and liabilities of the EBT have been included in these financial statements as the Company has de facto control over the Trust's net assets as its sponsoring company.

FINANCIAL INSTRUMENTS – CLASSIFICATION AS EQUITY OR FINANCIAL LIABILITY
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit or loss. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

DEFERRED TAXATION
Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

FOREIGN CURRENCIES
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at the foreign exchange rate ruling at that date.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	1	**54,908,350**	54,908,350
Current assets			
Debtors	2	**18,276,676**	31,655,742
Cash at bank		**—**	5,671
Creditors: amounts falling due within one year	4	**(365,692)**	(266,576)
Net current assets		**17,910,984**	31,394,837
Total assets less current liability		**72,819,334**	86,303,187
Capital and reserves			
Called up equity share capital	6	**8,334,507**	8,334,507
Share premium account		**51,248,197**	51,248,197
Investment in own shares		**(6,349,644)**	(3,705,000)
Share-based payment reserve		**224,548**	1,818,912
Profit and loss account	7	**19,361,726**	28,606,571
Shareholders' funds	8	**72,819,334**	86,303,187

These financial statements were approved and authorised for issue by the directors on 23 March 2011 and are signed on their behalf by:

DR PETER FINNEGAN
DIRECTOR

COMPANY NUMBER
06019466

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. INVESTMENTS
SHARES IN SUBSIDIARY UNDERTAKINGS

	£
Cost	
At 1 January 2010	54,908,350
At 31 December 2010	**54,908,350**

At 31 December 2010 the Company held more than 20% of the allotted share capital of the following undertakings:

Subsidiary	Country of incorporation	Class of share capital held	Proportion held %
PV Crystalox Solar GmbH	Germany	Ordinary	100
PV Silicon Forschungs und Produktions GmbH	Germany	Ordinary	100
Crystalox Solar Ltd	UK	Ordinary	100
Crystalox Ltd	UK	Ordinary	100
PV Crystalox Solar KK	Japan	Ordinary	90.90
PV Crystalox Solar Silicon GmbH	Germany	Ordinary	100

These subsidiaries are consolidated in the Group financial statements included in this document.

2. DEBTORS

	2010 £	2009 £
Amounts owed by Group undertakings	**18,268,188**	31,623,224
Other debtors	**4,311**	27,203
Prepayments and accrued income	**4,177**	5,315
	18,276,676	31,655,742

3. EMPLOYEE BENEFIT TRUST
The Company established the EBT, a Jersey-based employee benefit Trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. A number of share grants were made to key employees on 17 December 2007. A share incentive plan has been established to enable the grant of 500 shares each to all employees in January 2008.

	2010 £	2009 £
Shares held by the EBT	**6,349,644**	3,705,000

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Taxation and social security	**26,785**	27,703
Accrual for directors' bonuses	**209,258**	50,909
Bank	**28,034**	—
Other accruals and deferred income	**101,615**	187,964
	365,692	266,576

5. RELATED PARTY TRANSACTIONS
As the Company produces publicly available Group accounts, the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of its Group.

Transactions with key management personnel are included in the Group accounts.

6. SHARE CAPITAL

	2010 £	2009 £
Authorised share capital		
600,000,000 ordinary shares of 2 pence each	**12,000,000**	12,000,000
Allotted, called up and fully paid		
416,725,335 ordinary shares of 2 pence each	**8,334,507**	8,334,507

7. PROFIT AND LOSS ACCOUNT

	2010 £	2009 £
Balance brought forward	**28,606,571**	27,044,503
(Loss)/profit for the financial year	**(327,127)**	23,457,184
Gain on sale of EBT shares	**1,426,785**	—
Equity dividends paid	**(10,344,503)**	(21,895,116)
Balance carried forward	**19,361,726**	28,606,571

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Profit for the financial year	**1,099,208**	23,457,184
Equity dividends paid	**(10,344,503)**	(21,895,116)
Share-based payment reserve	**(4,238,558)**	876,576
Net addition to shareholders' funds	**(13,483,853)**	2,438,644
Opening shareholders' funds	**86,303,187**	83,864,543
Closing shareholders' funds	**72,819,334**	86,303,187

9. CAPITAL COMMITMENTS

There were no amounts contracted for but not provided in the financial statements.

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