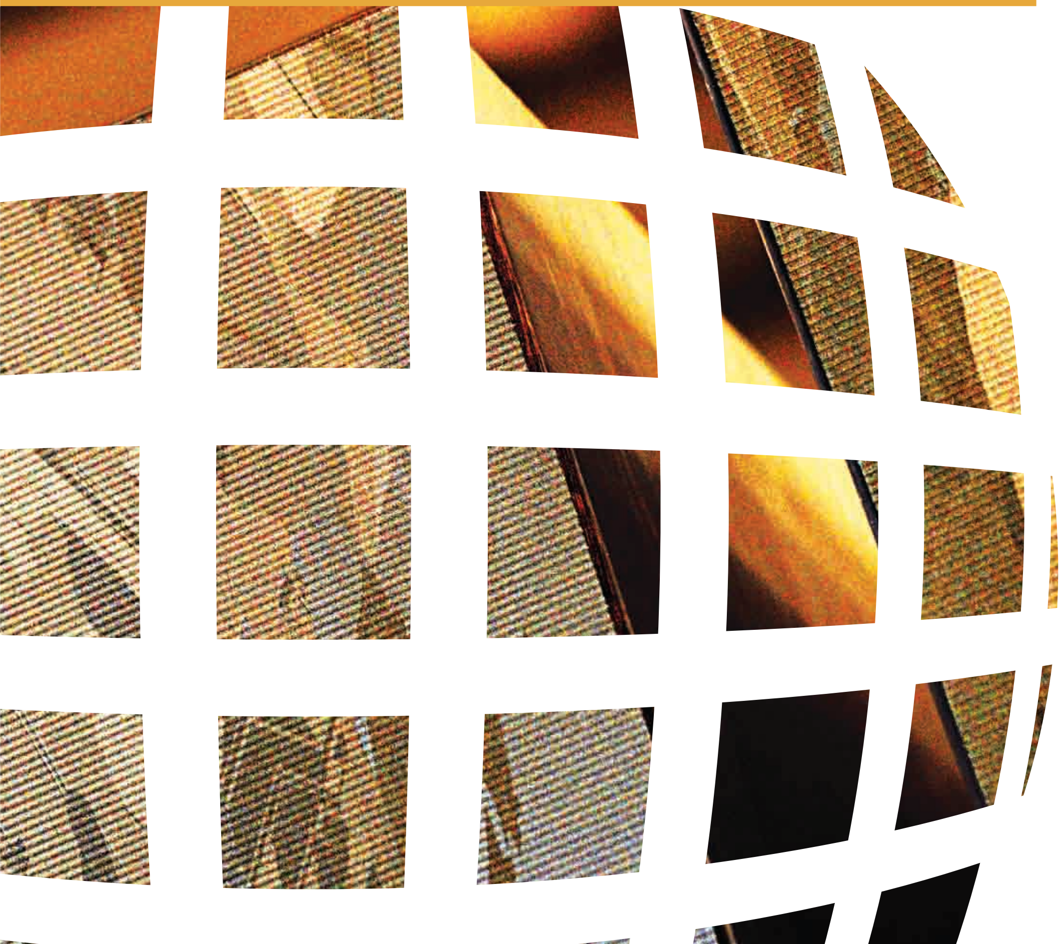
PV Crystalox Solar PLC Interim Report 2012

The key to solar power



About PV Crystalox Solar PLC

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

Our customers process these wafers into solar modules to harness the clean, silent and renewable power from the sun. Together with our customers we seek to make solar power competitive with conventional fossil fuel electricity generation, by continuing to drive down production costs and increasing solar cell efficiency.

We focus on the first stages of the solar value chain and utilise our extensive expertise and experience in silicon processing technology. The Group's own polysilicon plant is in Bitterfeld, Germany. We manufacture silicon ingots in Oxfordshire, United Kingdom, and carry out wafer production for European customers at our facility in Erfurt, Germany. Wafers for customers in Asia are produced in Japan.

Market overview

- Industry oversupply primarily from China leading to intense pressure on pricing
- Wafer spot pricing down 70% during twelve months to April 2012, and are continuing to fall
- Formal antidumping investigations in USA and Europe into unfair trade practices from Chinese PV companies

Overview of results

- Wafer shipments 61MW (H1 2011: 204MW)
- Revenues €32.6m (H1 2011: €129.6m)
- EBIT loss of €12.2m (H1 2011: profit of €24.3m)
- Cash settlement on termination of long term contract of c. €90m leading to net cash of €122.4m at the period end (31 December 2011: €22.6m)

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"Trading conditions during the first half of 2012 have been extremely challenging and this has had a significant impact on our trading performance. However, the settlement that we reached in May for early termination of a long term contract has resulted in a strong net cash position at the period end."

Summary

- The Board remains committed to the cash conservation strategy which was announced in October 2011.
- The Group's management continues to review all possible options in connection with the polysilicon plant at Bitterfeld and will make a decision in this respect in H2 2012.
- The Group had a net positive cash balance of €122.4 million which was a significant increase on the €22.6 million at the end of 2011.

Overview and strategic update

Trading conditions during the first half of 2012 have been extremely challenging due to vast overcapacity in the PV industry. The oversupply, which primarily originates in China, has maintained the intense pressure on prices that has developed across the value chain during the last twelve months. Spot wafer prices, which fell by 70% during the twelve months from April 2011, have continued to fall albeit at a slower rate and continue to remain below industry production costs.

In light of these continuing difficult market conditions the Board remains committed to the cash conservation strategy which was announced in October 2011. Accordingly, the Group continues to operate at significantly reduced wafer production levels and to focus on sales to long-term contract customers where it is possible to negotiate prices at a premium to spot prices.

We have not been able to reach agreement on acceptable wafer prices and volumes with all our long-term contract customers. Consequently, shipment volumes during the first half of the year were 61MW, in line with the range of 55MW to 70MW indicated in our IMS of 19 May 2012 but below our earlier expectation of 80MW to 100MW and significantly less than the 204MW achieved in the same period last year.

The combined impact of lower volumes and lower prices resulted in markedly lower revenues of €32.6 million (H1 2011: €129.6 million).

As previously disclosed, the Group had been negotiating compensation from a former customer for the termination of a long-term wafer supply contract. A satisfactory agreement was reached in May 2012 and this resulted in a cash settlement of approximately €90 million. This payment together with the successful implementation of our cash conservation strategy has considerably strengthened the Group's net cash position which was €122.4 million at the end of H1 2012 (31 December 2011: €22.6 million).

We have been unable to reach a satisfactory agreement with two long-term contract customers who have been amongst the industry leaders in recent years and we are seeking resolution under the jurisdiction of the International Court of Arbitration. While successful judgements in the Group's favour are anticipated there is increasing uncertainty as to whether one of these companies will have the financial resources to fully settle its claim.

Operational update

On account of the depressed market prices and our cash conservation strategy, production output is currently running at a significantly

John Sleeman

Dr Iain Dorrity

reduced level, equivalent to 20-25% of our maximum 750MW capacity.

Polysilicon production remains suspended at the Group's facility at Bitterfeld. Any decision to restart will require either an improvement in polysilicon market pricing or a significant increase in the Group's internal polysilicon requirements. The Group's management continues to review all possible options in connection with the polysilicon plant at Bitterfeld and will make a decision in this respect in H2 2012.

The Group has long-term contractual commitments for the purchase of polysilicon but has been successful in negotiating significantly reduced pricing for deliveries in 2012. As a consequence of the reduced wafer production levels the Group has needed to trade excess polysilicon during the first half of the year in order to avoid excess inventory levels.

Price reductions have been negotiated also with other suppliers, including wafer subcontractors, and overall we expect direct wafer costs to be reduced by more than 20% in 2012.

Financial review and position

The Group suffered an EBIT loss of €12.2 million on reduced revenues of €32.6 million (H1 2011: €129.6 million); a significant fall from the EBIT profit for H1 2011 of €24.3 million. Although the Group recognised customer settlements of €98.7 million (inclusive of advance payments), management wrote down inventories by €14.2 million (to equate inventory valuations with market price expectation for Q3 2012), increased the onerous contract provision in respect of contracts with external suppliers of polysilicon by €37.1 million and further impaired the Group's polysilicon plant by €44.7 million.

This further impairment of Bitterfeld followed the Board's assessment of the carrying values of the Group's property, plant and equipment as at 30 June 2012. As a result of this assessment, an impairment charge has been recognised to write down the carrying value of its polysilicon plant at Bitterfeld by €44.7 million. The estimated recoverable value of the plant is based on its value in use and is derived from a forecast of potential future cash flows from the plant. The main change to the cash flow model is that management has revised downwards its expectations for polysilicon prices in the short to medium-term as a result of further reductions in market prices in H1 2012. This is consistent with the methodology used for the impairment test as at 31 December 2011 which is described on pages 14 and 15 in the 2011 Annual Report.

The Group had a net positive cash balance of €122.4 million which was a significant increase on the €22.6 million at the end of 2011. The main reason for this increase is the cash settlement from a customer mentioned above. Cash released from working capital was slightly higher than that absorbed by operating losses. The Group had invested €0.9 million in capital equipment in H1 2012. Working capital decreased by €11.1 million, mainly due to a lower debtor balance following low sales volumes and a change in the geographical mix of customers. In addition the Company has a number of contractual liabilities in various Group legal entities that may require cash resources at some stage in the future.

This strong cash position remains an advantage to the Group and despite the anticipated difficult trading conditions the Group expects to retain a healthy financial position through the year end.

Board and Committee appointments

Maarten Henderson the former Chairman did not seek re-election at the AGM held on 24 May and John Sleeman was subsequently appointed Interim Chairman.

At the Board meeting held on 14 August 2012 the Directors reviewed the structure, size and composition of the Board and its committees. John Sleeman was

"Looking forward, the intensely competitive market conditions are not expected to improve in the short term and so we continue with our cash conservation strategy. The Board will make the necessary decisions during the remainder of the year to serve the best interests of shareholders."

Board and Committee appointments continued

appointed Chairman of the Board and Michael Parker was appointed Senior Independent Director. Consequent to these decisions the Board approved changes to its committees. John Sleeman was appointed to the vacant position of chairman of the Nomination Committee and remains chairman of the Audit Committee. Michael Parker replaced John Sleeman as chairman of the Remuneration Committee.

Dividend

In view of the currently challenging market conditions, the Board has decided to continue to suspend dividend payments in line with its current strategy of cash conservation. The Board continues to recognise the importance of dividends to shareholders and the directors will review the potential to re-instate dividends based on the future performance of and on the prospects for the Group.

Risk factors

The principal risks and uncertainties affecting the business activities of the Group were identified under the heading 'Principal Risks and Uncertainties' in the Directors' Report on pages 16 to 17 of the 2011 Annual Report, a copy of which is available on the Group's website www.pvcrystalox.com. In the view of the Board the key risks and uncertainties for the remaining six months of the financial year continue to be those set out in the 2011 Annual Report.

Market drivers

The irrational pricing in the PV industry has led to increasing tensions between major PV manufacturers throughout the value chain and has prompted formal pricing investigations in the USA, China and most recently Europe. Following a complaint filed in October 2011 by a group of US PV companies, the US Department of Commerce announced in mid-May the imposition of anti-dumping duties ranging from 31-250% on imports of crystalline silicon photovoltaic cells from China.

Subsequently on 20 July 2012, China's Ministry of Commerce, announced that it was launching an anti-dumping investigation into imports of polysilicon from both the USA and South Korea.

In late July 2012 the German environment minister, Peter Altmaier, indicated that he would consider government support to German solar companies in their efforts to launch anti-dumping proceedings in the EU against Chinese PV manufacturers. A few days later a group of 20 European PV companies led by Solarworld filed a complaint in the European Commission accusing Chinese competitors of unfair trade practices and seeking anti-dumping and countervailing duty relief. The initiation of the case will occur 45 days from the filing of the complaint.

According to the European Photovoltaic Industries Association ("EPIA"), Europe accounted for 74% of global PV installations in 2011. However the strong growth in the two key markets in Germany and Italy has prompted governments to reduce incentive levels in 2012 in order to dampen demand.

After many months of discussions in Germany between the Federal and state governments, further reductions in feed in tariffs ("FIT"s) have been agreed and brought forward by three months to 1 April 2012. Monthly tariff degressions will also be introduced with the aim of regulating new PV installations to between 2.5GW to 3.5GW per year which is less than half of the 7.5GW installed in 2011. In addition incentives will be eliminated totally once installed capacity reaches 52GW from the 27GW installed at the end of 2011. Delays in agreeing the incentive cuts caused a surge in installations which reached 4.4GW in the six months to June 2012, the highest level ever recorded in the first half of a year.

In Italy the budget available for Italy's Conto Energia PV incentive programme might be cut to less than half of the originally intended amount and this is expected to limit installations in 2012 to 3.5GW, which is around half the 2011 level.

China has already taken steps to support domestic PV companies and compensate for the reduced demand in Europe. In July the Chinese National Development and Reform Commission announced that the country's target for installed solar energy had been increased from 15GW to 21GW by 2015. More recently it has been reported that the target has been further raised to 50GW by 2020 in order to restore confidence amongst its substantial PV manufacturing base. 4GW is expected to be installed in the second half of 2012 alone.

Japan has now finalised incentives for renewable energy that will help the world's third biggest economy shift away from a reliance on nuclear power after the Fukushima disaster. The introduction of a FIT scheme for PV on 1 July 2012 with a tariff of ¥42 fixed for 20 years, which is more than twice the rate in Germany and three times that in China, is expected to lead to Japan becoming the world's second largest market.

Outlook

The global PV market is now at a transition in its development with growth of installations in China, Japan and the USA expected to compensate for the reduced demand following policy adjustments in key markets in Europe. Consequently, little global market growth is forecast in 2012/2013 and the pressure on pricing and the intensely competitive market are expected to continue.

The Board expects that the difficult trading conditions will persist and that the Group will incur an operating loss in the second half. Cash conservation measures will continue with significantly reduced production levels and customer shipments. Full year shipment volumes are expected to be in the range 100MW to 120MW. The Group's average selling prices are expected to be maintained significantly above spot levels.

While the Group continues to believe in the positive long-term outlook for PV, it is mindful of the intensely competitive environment which is likely to persist in the short to medium-term and which has already led to many companies exiting the industry, either voluntarily or through insolvency. The Group has a strong net cash balance and the Board will make the necessary decisions during the remainder of the year to serve the best interests of shareholders.

John Sleeman
Chairman

Dr Iain Dorrity
Chief Executive Officer
15 August 2012

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2012

		Six months ended 30 June 2012		
	Notes	Before exceptional items €'000	Exceptional items €'000	Total €'000
Revenues	4	32,632	—	**32,632**
Other income		2,074	98,700	**100,774**
Cost of material	5,10	(27,394)	(51,339)	**(78,733)**
Cost of services		(2,764)	(395)	**(3,159)**
Personnel expenses				
Wages and salaries		(6,155)	—	**(6,155)**
Social security costs		(1,007)	—	**(1,007)**
Pension costs		(188)	—	**(188)**
Employee share schemes	6	(198)	—	**(198)**
Depreciation and impairment on property, plant and equipment and intangible assets	9	(7,104)	(44,700)	**(51,804)**
Other expenses		(4,908)	(272)	**(5,180)**
Currency gains		850	—	**850**
Earnings before interest and taxes (EBIT)		(14,162)	1,994	**(12,168)**
Interest income		348	—	**348**
Interest expense		(93)	—	**(93)**
Earnings before taxes (EBT)		(13,907)	1,994	**(11,913)**
Income taxes	7	(9,761)	(6,270)	**(16,031)**
(Loss)/profit attributable to equity holders of the parent		(23,668)	(4,276)	**(27,944)**
Other comprehensive income				
Exchange differences on translating foreign operations		2,578	—	**2,578**
Total comprehensive income				
Attributable to equity holders of the parent		(21,090)	(4,276)	**(25,366)**
Earnings per share on continuing activities				
Basic and diluted in Euro cents	8			**(6.9)**

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

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

Six months ended 30 June 2011			Year ended 31 December 2011		
Before exceptional items €'000	Exceptional items €'000	Total €'000	Before exceptional items €'000	Exceptional items €'000	Total €'000
129,593	—	129,593	210,400	—	210,400
2,582	—	2,582	5,605	—	5,605
(74,831)	(4,449)	(79,280)	(149,415)	(43,735)	(193,150)
(10,383)	—	(10,383)	(18,699)	—	(18,699)
(7,344)	—	(7,344)	(14,805)	—	(14,805)
(1,210)	—	(1,210)	(2,295)	—	(2,295)
(262)	—	(262)	(527)	—	(527)
(311)	—	(311)	(238)	—	(238)
(7,580)	—	(7,580)	(16,107)	(27,874)	(43,981)
(5,181)	—	(5,181)	(11,284)	—	(11,284)
3,719	—	3,719	1,438	—	1,438
28,792	(4,449)	24,343	4,073	(71,609)	(67,536)
452	—	452	855	—	855
(190)	—	(190)	(404)	—	(404)
29,054	(4,449)	24,605	4,524	(71,609)	(67,085)
(7,321)	1,121	(6,200)	(13,598)	19,790	6,192
21,733	(3,328)	18,405	(9,074)	(51,819)	(60,893)
(10,396)	—	(10,396)	5,206	—	5,206
11,337	(3,328)	8,009	(3,868)	(51,819)	(55,687)
		4.5			(15.0)

Condensed consolidated balance sheet
as at 30 June 2012

	Notes	**As at 30 June 2012 €'000**	As at 30 June 2011 €'000	As at 31 December 2011 €'000
Intangible assets		**420**	593	508
Property, plant and equipment	9	**58,238**	138,481	107,914
Pension surplus		**216**	21	157
Other long-term assets		**31,121**	42,322	32,797
Deferred tax asset	7	**580**	15,087	19,320
Total non-current assets		**90,575**	196,504	160,696
Cash and cash equivalents		**126,924**	83,856	71,664
Accounts receivable		**8,149**	46,679	32,319
Inventories	5	**46,563**	66,993	48,497
Prepaid expenses and other assets		**13,947**	17,736	29,620
Current tax assets		**10,210**	—	9,815
Total current assets		**205,793**	215,264	191,915
Total assets		**296,368**	411,768	352,611
Loans payable short-term		**4,498**	42,534	49,046
Accounts payable		**7,644**	25,512	8,803
Deferred revenue		**3,369**	20,006	10,082
Accrued expenses		**7,224**	5,613	6,589
Provisions	10	**12,681**	301	7,973
Deferred grants and subsidies		**2,839**	2,798	2,831
Income tax payable		**5,398**	9,070	399
Other current liabilities		**182**	1,037	753
Total current liabilities		**43,835**	106,871	86,476
Deferred revenue		**—**	—	8,039
Accrued expenses		**149**	108	131
Deferred grants and subsidies		**21,007**	23,169	22,426
Deferred tax liability		**10**	640	8,183
Provisions	10	**39,267**	—	10,122
Other long-term liabilities		**43**	43	43
Total non-current liabilities		**60,476**	23,960	48,944
Share capital		**12,332**	12,332	12,332
Share premium		**75,607**	75,607	75,607
Investment in own shares		**(8,640)**	(8,640)	(8,640)
Share-based payment reserve		**732**	550	500
Reverse acquisition reserve		**(3,601)**	(3,601)	(3,601)
Retained earnings		**130,150**	237,392	158,094
Currency translation adjustment		**(14,523)**	(32,703)	(17,101)
Total shareholders' equity		**192,057**	280,937	217,191
Total liabilities and shareholders' equity		**296,368**	411,768	352,611

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2012

	Share capital €'000	Share premium €'000	Shares held by the 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 2012	**12,332**	**75,607**	**(8,640)**	**500**	**(3,601)**	**158,094**	**(17,101)**	**217,191**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share-based payment charge	**—**	**—**	**—**	**232**	**—**	**—**	**—**	**232**
Transactions with owners	**—**	**—**	**—**	**232**	**—**	**—**	**—**	**232**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(27,944)**	**—**	**(27,944)**
Currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**2,578**	**2,578**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(27,944)**	**2,578**	**(25,366)**
As at 30 June 2012	**12,332**	**75,607**	**(8,640)**	**732**	**(3,601)**	**130,150**	**(14,523)**	**192,057**
As at 1 January 2011	12,332	75,607	(8,640)	262	(3,601)	227,107	(22,307)	280,760
Dividends paid	—	—	—	—	—	(8,120)	—	(8,120)
Share-based payment charge	—	—	—	288	—	—	—	288
Transactions with owners	12,332	75,607	(8,640)	550	(3,601)	218,987	(22,307)	272,928
Profit for the period	—	—	—	—	—	18,405	—	18,405
Currency translation adjustment	—	—	—	—	—	—	(10,396)	(10,396)
Total comprehensive income	—	—	—	—	—	18,405	(10,396)	8,009
As at 30 June 2011	12,332	75,607	(8,640)	550	(3,601)	237,392	(32,703)	280,937

Condensed consolidated cash flow statement
for the six months ended 30 June 2012

	Six months ended 30 June 2012 €'000	Six months ended 30 June 2011 €'000	Year ended 31 December 2011 €'000
Earnings before taxes	**(11,913)**	24,605	(67,085)
Adjustments for:			
Net interest income	**(255)**	(262)	(451)
Depreciation and amortisation	**7,104**	7,580	16,107
Impairment charge	**44,700**	—	27,874
Inventory writedown	**17,777**	4,449	22,866
Change in pension accruals	**173**	(62)	19
Change in other accruals	**30,883**	773	17,019
Profit from the disposal of property, plant and equipment	**2**	3	249
Unrealised losses in foreign currency exchange	**293**	1,170	2,784
Deferred income	**(1,428)**	(1,448)	(2,862)
	87,336	36,808	16,520
Changes in working capital			
Increase in inventories	**(15,039)**	(22,253)	(19,117)
Decrease in accounts receivables	**25,963**	6,833	26,734
(Decrease)/increase in accounts payables and advance payments	**(17,362)**	2,473	(15,197)
Decrease in other assets	**18,758**	455	976
(Decrease)/increase in other liabilities	**(1,165)**	425	(151)
	98,491	24,741	9,765
Income taxes paid	**(65)**	(7,085)	(9,063)
Interest received	**348**	452	855
Net cash from operating activities	**98,774**	18,108	1,557
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**—**	58	60
Proceeds from investment grants and subsidies	**17**	1,543	1,097
Payments to acquire property, plant and equipment	**(964)**	(16,537)	(21,867)
Net cash flow used in investing activities	**(947)**	(14,936)	(20,710)
Cash flow from financing activities			
Repayment of bank and other borrowings	**(44,707)**	(1,910)	(317)
Dividends paid	**—**	(8,120)	(8,120)
Interest paid	**(93)**	(190)	(404)
Losses in foreign currency exchange	**(291)**	—	(2,784)
Net cash flows from financing activities	**(45,091)**	(10,220)	(11,625)
Net change in cash and cash equivalents available	**52,736**	(7,048)	(30,778)
Effects of foreign exchange rate changes on cash and cash equivalents	**2,524**	(10,396)	1,142
Cash and equivalents at beginning of period	**71,664**	101,300	101,300
Cash and equivalents at end of period	**126,924**	83,856	71,664

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

Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2012

1. Basis of preparation
These condensed consolidated interim financial statements are for the six months ended 30 June 2012. They have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

The statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the 2011 financial statements.

2. Basis of consolidation
The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 30 June 2012. 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. Consolidation is conducted by eliminating the investment in the subsidiary with the parent's share of the net equity of the subsidiary.

3. Functional and presentational currency
The financial information has been presented in Euros, which is the Group's presentational currency.

4. Segment reporting
The segments are defined on the basis of the internal organisational and management structure and on the internal reporting to the Board. IFRS 8 requires entity-wide disclosures to be made about the countries in which the Group earns its revenues and holds its assets, which are shown below:

Segment information for the six months ended 30 June 2012

	Japan €'000	China €'000	Taiwan €'000	The rest of Asia €'000	Germany €'000	United Kingdom €'000	The rest of Europe €'000	USA €'000	Group €'000
Revenues									
– by entity's country of domicile	7,027	—	—	—	4,860	20,745	—	—	32,632
– by country from which derived	7,027	13,080	7,182	81	725	8	4,529	—	32,632
Non-current assets*									
– by entity's country of domicile	600	—	—	—	37,285	51,894	—	—	89,779

* Excludes financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

- 12,990 (China);
- 6,984 (Japan); and
- 3,976 (Taiwan).

4. Segment reporting continued

Segment information for the six months ended 30 June 2011

	Japan €'000	China €'000	Taiwan €'000	The rest of Asia €'000	Germany €'000	United Kingdom €'000	The rest of Europe €'000	USA €'000	Group €'000
Revenues									
– by entity's country of domicile	36,959	—	—	—	31,787	60,847	—	—	129,593
– by country from which derived	36,940	33,467	33,416	398	18,154	64	81	7,073	129,593
Non-current assets*									
– by entity's country of domicile	568	—	—	—	118,049	62,779	—	—	181,396

* Excludes financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

- 31,544 (China); and
- 28,072 (Japan).

5. Cost of material

Cost of material includes an inventory write down of €14.2 million (H1 2011: €4.4 million).

The write down represents a reduction in value of inventories to the anticipated sales price in H2 2012 (less future processing costs where applicable) of finished goods, work in progress and traded raw materials.

6. Employee Benefit Trust

The Employee Benefit Trust ("EBT") currently holds 10,834,000 shares (2.6%) of the issued share capital in the Company. It holds these shares in trust for the benefit of employees.

7. Income tax

The average taxation rate shown in the Consolidated Statement of Comprehensive Income is -135% (H1 2011: +25%).

The taxation rate in the current period is distorted due to both a provision in respect of tax due on customer settlements and the writing-off of certain deferred tax assets.

The anticipated long-term average tax rate for the Group, normalised on the basis that the Group returns to profitability, is approximately 24%.

8. Earnings per share

The calculation of earnings per share is based on a loss after tax for the period of €27.9 million (H1 2011: profit of €18.4 million) and the number of shares as set out below:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Number of shares	**416,725,335**	416,725,335
Average number of shares held by the EBT in the period	**(10,834,000)**	(10,849,345)
Weighted average number of shares for basic earnings per share calculation	**405,891,335**	405,875,990
Shares granted but not vested	**—**	27,500
Weighted average number of shares for fully diluted earnings per share calculation	**405,891,335**	405,903,490

9. Property, plant and equipment

Additions to property, plant and equipment in the six months ended 30 June 2012 were €1.0 million (H1 2011: €16.6 million).

Following the Board's assessment of the carrying values of the Group's property, plant and equipment for impairment as at 30 June 2012, an impairment charge has been recognised to write down the carrying value of its polysilicon plant at Bitterfeld by €44.7 million. The recoverable value of the plant is estimated based on its value in use and is derived from a forecast of potential cash flows from the plant. This is consistent with the methodology used for the impairment test as at 31 December 2011 which is described on pages 14 and 15 in the 2011 Annual Report. Management have revised their expectations for polysilicon prices in the short to medium-term downwards as a result of further reductions in market prices in H1 2012. The Group's management continues to review all possible options in connection with the polysilicon plant at Bitterfeld and will make a decision in this respect in H2 2012.

10. Onerous contract provision

Included in provisions is an onerous contract provision of €50.7 million. Following a review of all the latest market information and a review of the inputs to the onerous contract provision, the following movements are reflected in the financial statements.

	As at 30 June 2012	As at 31 December 2011
Onerous contract provision brought forward	**17,859**	—
FX movement	**(840)**	—
Discounting factor adjustment	**682**	—
Utilised	**(4,080)**	—
Additional provision	**37,116**	17,859
Onerous contract provision carried forward	**50,737**	17,859

11. Exceptional items

The following are considered to be exceptional items.

The inventory writedown at 30 June 2011 is included for comparison purposes. This was not reported as an exceptional item at the time.

	Six months ended 30 June 2012	Six months ended 30 June 2011
Onerous contract provision (see also note 10)	**(37,116)**	—
Onerous contract charge	**(395)**	—
Payment by customers for settlement or amendment to contracts	**98,700**	—
Legal fees in relation to above settlements	**(272)**	—
Impairment (see also note 9)	**(44,700)**	—
Inventory writedown (see also note 5)	**(14,223)**	(4,449)
Total exceptional items	**1,994**	(4,449)

12. Changes in contingent assets and liabilities

There were no changes in contingent assets and liabilities.

13. 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 group. All future transactions with such related parties will be conducted under normal market conditions.

14. Material post balance sheet events

There were no material post balance sheet events.

15. Approval of interim financial statements

The unaudited interim financial statements were approved by the Board of Directors on 15 August 2012.

The financial information for the year ended 31 December 2011 set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Statement of directors' responsibilities
to the members of PV Crystalox Solar PLC

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that this Interim Report includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The directors of PV Crystalox Solar PLC are listed at the end of this Interim Report and their biographies are included in the PV Crystalox Solar Annual Report for the year ended 31 December 2011.

By order of the Board

Dr Peter Finnegan
Chief Financial Officer
15 August 2012

Officers

Directors
John Sleeman (Chairman)
Dr Hubert Aulich
Dr Iain Dorrity
Dr Peter Finnegan
Michael Parker

Company Secretary
Matthew Wethey

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