PV Crystalox Solar PLC Annual Report and Accounts 2009

THE KEY TO SOLAR POWER

PV Crystalox Solar, initially established in 1982, is a highly specialised supplier to the world's leading solar cell manufacturers, producing multicrystalline silicon wafers for use in solar electricity generation systems. The Group was one of the first to develop multicrystalline silicon technology on an industrial scale, setting the industry standard for ingot production.

The Group operates its own polysilicon plant in Bitterfeld, Germany which commenced production in July 2009 and expects to achieve optimum output levels in 2011. The Group manufactures silicon ingots in Oxfordshire, United Kingdom, and carries out wafer production for European customers at its facilities in Erfurt, Germany. Wafers for customers in Asia are produced in Japan.

OUR MARKET

- The sun's energy is effectively limitless and we believe this source of energy is set to play a dramatically increasing role in replacing our reliance upon harmful hydrocarbons.
- With a market share of over 80%, crystalline silicon-based technologies dominate the commercial solar energy market.

Review of the year

Corporate governance

Consolidated financial statements

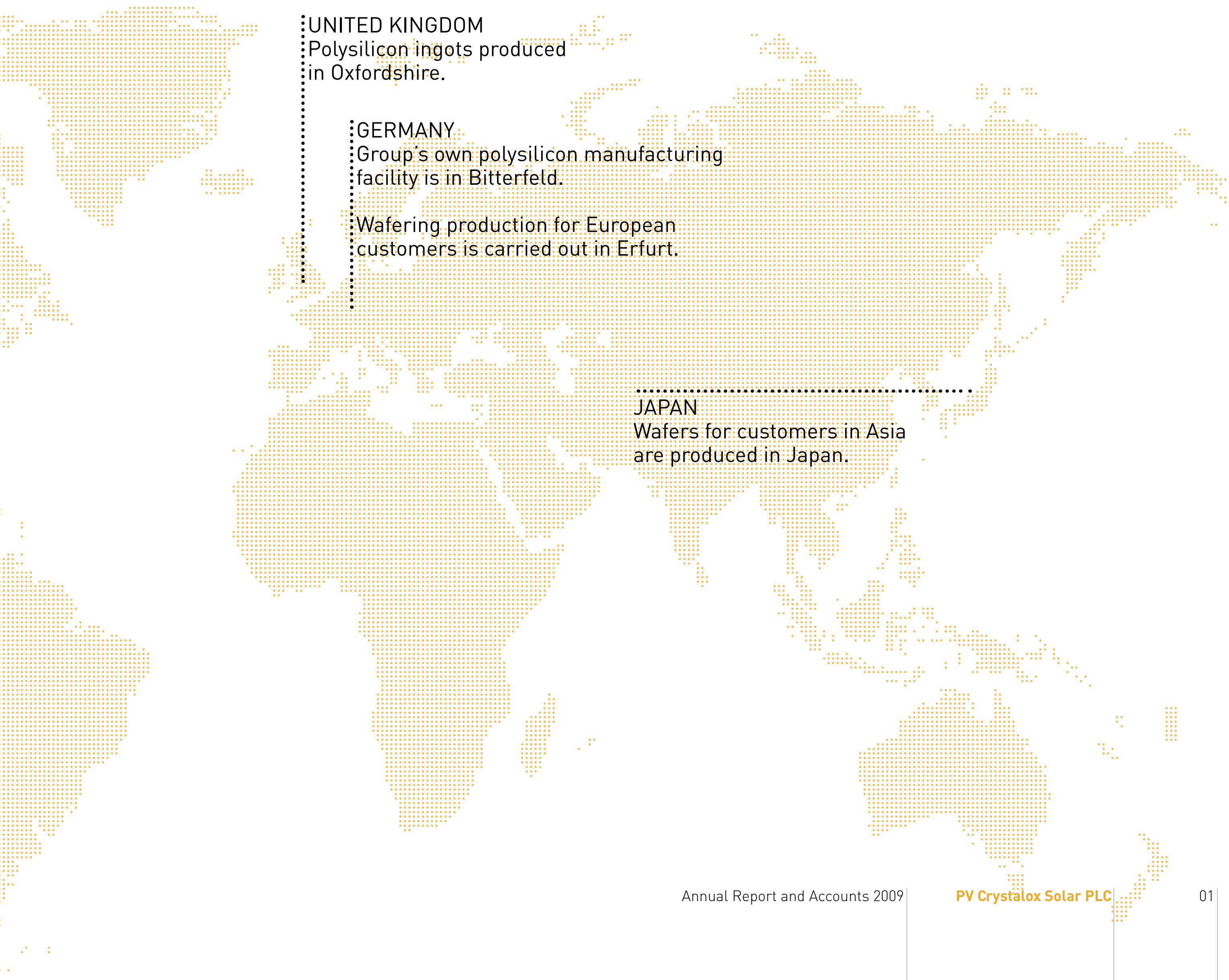
Company financial statements

The Directors' Report on pages 12 to 16 and the Director's Remuneration Report on pages 28 to 32 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 2009. Pages 2 to 33, including the Chairman's Statement, Business Review, Directors and Advisors, Directors' Report, Principal Risks and Uncertainties, Corporate Governance Statement, Corporate Social Responsibility Statement, Directors' Remuneration Report and the Statement of Directors' Responsibilities form part of the Report of the Directors.

Performance Overview

- **Bitterfeld facility started ramp up of polysilicon production** in July 2009
- **Wafer shipment volume up 4%** at 239MW (2008: 230MW)
- **Revenues of €237.3 million**, in line with expectation (2008: €274.1 million)
- **Adjusted EBIT** (excluding currency gains/(losses)) **of €50.0 million** (2008: €106.5 million)
- **EBIT margin** (excluding currency losses) **at 21.1%**
- **Earnings after tax of €29.6 million**
- **Cash flow from operations of €3.5 million**
- **Free cash flow of €3.3 million**
- **Net cash** (cash less external loans) as at 31 December 2009 **of €70.2 million**
- **Final dividend 2.0 Euro cents** (payable in Sterling)



The Group has delivered a resilient operational performance in 2009 despite the challenging market environment.

MAARTEN HENDERSON
CHAIRMAN

SUMMARY OF CHAIRMAN'S STATEMENT

- **Total wafer shipment volume was 4% higher** than in 2008 at 239MW.
- The Board has recommended a **final dividend of €0.02 per share**.
- **Michael Parker appointed** from 1 January 2010 as a **Non-executive Director**.

I am pleased to report that the Group has delivered a resilient operational performance in 2009 despite the challenging market environment, where oversupply in all parts of the value chain has led to strong downwards pressure on prices. Our strong customer relationships and our focus on operating costs and efficiencies have enabled us to maintain profitability and positive cash flows albeit at a much reduced level from the exceptionally good results in 2008.

Total wafer shipment volume was 4% higher than in 2008 at 239MW. Nonetheless the significant reduction in pricing for wafers especially in the second half of the year meant that Group revenues were 13.4% lower at €237.3 million. During the year we continued to reduce unit operating costs in ingot and wafer production. We have gradually developed the polysilicon production process and ramped up volumes at Bitterfeld during the year, incurring higher expenditure as a result in the short term. Our EBIT performance, excluding currency losses, was €50.0 million representing an EBIT margin of 21.1%. Earnings before taxes which included a currency loss of €8.3 million were €42.5 million compared to €147.2 million in 2008. Our net cash from operating activities remained positive at €3.5 million despite income taxes paid of €40.4 million mainly in respect of 2008 profits.

The Board is mindful of the importance of dividends for shareholders and has balanced this importance against the background of the results for 2009, the challenging market conditions facing the Group going forward as well as the necessity to conserve cash to pursue our strategy of solid controlled growth in the medium and longer term. As a result the Board has recommended a final dividend of €0.02 per share to be payable on 9 June 2010 to shareholders on the register on 14 May 2010. This is a reduction from the final dividend of €0.04 per share paid last year.

The Board will monitor the market conditions and will seek to reinstate its progressive dividend policy at the appropriate time.

We recognise that the quality of our employees is one of the Group's key strengths and on behalf of the Board I would like to record our thanks to all of them for their outstanding commitment and contribution over the past year. In particular, I would like to congratulate the team at Bitterfeld in Germany for their excellent work in the construction, commissioning and commencement of production at the Group's polysilicon manufacturing facility.

We are continuing to develop and strengthen our organisation and have employed a number of new personnel in key positions throughout the Group.

At the 2009 Annual General Meeting (AGM) I announced that the Group intended to recruit an additional non-executive director and in November 2009 we announced that Michael Parker would be appointed from 1 January 2010. I am delighted to welcome Mike to the Group. Mike is currently the senior independent director at Invensys plc. He was previously president and chief executive officer of the Dow Chemical Company and latterly chief executive at British Nuclear Fuels plc. Given his extensive experience both as a chief executive and as a non-executive director, I am confident he will make a significant contribution to the Board and the Group.

The continuing market uncertainty causes me to reiterate my comments made last year that we remain cautious about the outlook for 2010. However, our strong customer orientation, our dedicated attention to cost reduction, achieving full production capacity at Bitterfeld and our positive cash position means the Group is able to face the future with confidence.

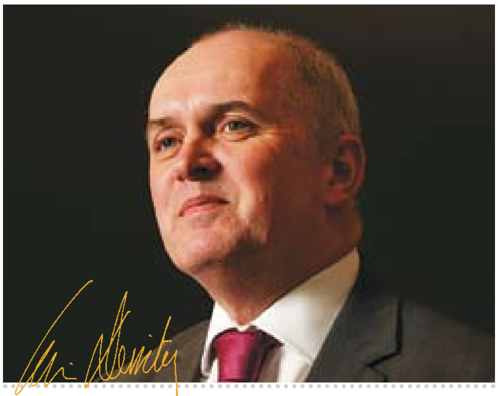
MAARTEN HENDERSON
CHAIRMAN

24 March 2010

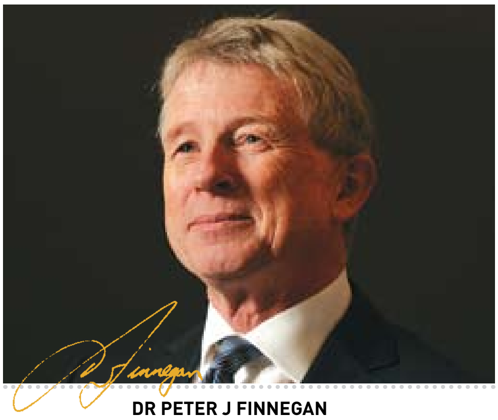
focused strategy

Our strategy seeks to combine cost leadership with production flexibility which we believe will strengthen our position as a leading pure-play solar wafer manufacturer.

The Group has remained profitable and has generated a positive operational cash flow and maintained its strong balance sheet.



DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER



DR PETER J FINNEGAN
CHIEF FINANCIAL OFFICER

SUMMARY OF BUSINESS REVIEW

- **Japan and Germany continue to be the Group's major geographic markets** with 77% (2008: 84%) of our revenues.
- **Global PV installations reached a record high** of 6.4GW in 2009.
- **The UK market is expected to develop** following the introduction of an attractive FIT in April which will provide 8–9% returns on investment.

Introduction

The PV industry is emerging from a challenging market environment in 2009, when module prices fell by more than 40% as overcapacity, coupled with upheaval in financial markets and reduced economic demand slowed growth for renewable energy. The industry oversupply was largely the result of the collapse of the market in Spain in late 2008 which had represented 40% of demand in that year as a result of a generous feed-in tariff (FIT), with installations of 2.5GW in 2008. This led the Spanish Government to curb demand in September 2008 by reducing FITs and also to implement an annual installation cap of 500MW.

The market grew substantially in the second half of 2009 driven primarily by strong demand in Germany fuelled by low module prices and attractive investment returns for the consumer; installations of 2.4GW were recorded by the Federal Network Agency in the year up until November 2009. The surge in demand was dramatic, with installations of 1.8GW carried out in the five months since June 2009 in comparison with 0.55GW in the first half of the year. Total installed capacity is expected to be around 3.0GW up from 1.6GW in 2008.

The reintroduction of investment grants, coupled with the introduction of a FIT, has significantly stimulated PV installations in Japan. Demand had stagnated in Japan in recent years following the withdrawal of subsidies but in 2009 installations almost doubled with domestic shipments reaching 484MW according to the Japanese Photovoltaic Energy Association.

Overall global PV installations reached a record high of 6.4GW in 2009 according to a report from Solarbuzz, the US based PV consultancy. This represents 6% growth over the previous year and is in sharp contrast to the 110% market growth experienced in that year.

Financial review

The Group has delivered a creditable full year performance in a difficult market environment. Revenue was €237.3 million (2008: €274.1 million) with total wafer shipments up 4% to 239MW (2008: 230MW). The weak Japanese Yen had a negative impact on Group sales turnover in the period of approximately 3% (see note 30).

In 2009 the Group generated underlying earnings before interest and taxation (EBIT excluding currency losses/gains) of €50.0 million (2008: €106.5 million). Actual EBIT (including currency losses/gains) was €41.7 million (2008: €142.8 million). The reduction in underlying profitability was driven primarily by severe pricing pressure resulting in lower market prices. However, our volume production increased in the second half of year following higher demand from customers.

Net interest income of €0.8 million (2008: €4.4 million) was significantly lower than last year due to lower global interest rates. The Group maintained its strong cash position at year end with net cash of €70.2 million (2008: €81.1 million). The main impact on the net cash position was relatively high tax payments settled this financial year which related to the high level of profitability in 2008.

Earnings after tax was €29.6 million (2008: €103.2 million) and earnings per share were €0.072 (2008: €0.252).

These financial results generated net operating cash flows of €3.5 million (2008: €107.8 million) and free cash flow of €3.3 million (2008: €22.9 million). Free cash flow is defined using the cash flow statement 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 €2.8 million into working capital (2008: €4.2 million) which was due to the net effect of the restatement of grants receivable, an increase in inventories and by more efficient use of the debtor book. Grants receivable were reallocated from trade payables and advance payments to proceeds from investment grants and subsidies shown under investing activities.

Capital expenditure of €20.8 million was offset by grants received of €22.0 million giving a positive cash flow of €1.2 million compared to 2008 when the net cash outflow was €79.8 million. As part of its hedging strategy the Group took out new Japanese Yen loans of €15.1 million. In February 2010 Japanese Yen loans were increased further by approximately €16 million. Dividends totalling €24.6 million were paid in the year (2008: €18.4 million).

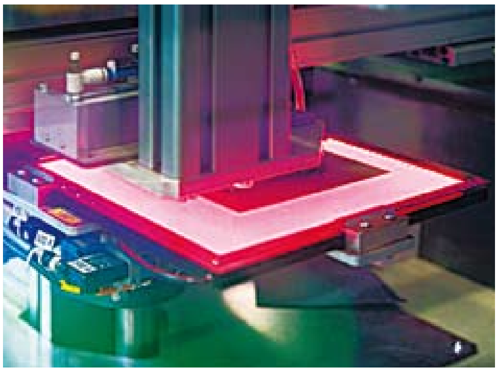
In spite of a difficult market environment the Group has remained profitable and has generated a positive operational cash flow and maintained its strong balance sheet. Accordingly, the Group has a good financial platform for the future.

BELOW
Our solar-grade silicon production facility

success with Bitterfeld

Production at our new solar-grade silicon production facility started in July 2009 and we remain on track to achieve full capacity of 1800MT in 2011. Internal purity targets were reached quickly and we were able to incorporate the material into our standard ingot production at an early stage.

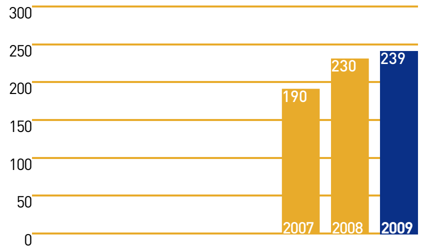
It is our intention to be one of the PV industry's cost leaders and to supply quality wafers at competitive prices whilst retaining attractive margins.



TOP
Wafer quality testing

BOTTOM
Unloading an ingot production furnace

Wafer Shipment Volumes (MW)



239MW

Market overview

Group wafer shipments totalled 239MW in 2009, an increase of 4% on the 230MW shipped the previous year and broadly in line with global market growth.

Japan and Germany continue to represent the Group's major customer base with 77% (2008: 84%) of our revenues obtained in these two countries, where we have long established relationships with major solar cell producers. China, now the world's largest PV manufacturing location, is accounting for an increasing proportion of our revenues and represented 9% in 2009 (2008: 6%). China, Japan and Germany are currently the three leading global PV manufacturing centres, where many of the world's major solar cell producers serving the global market are located.

In terms of outlook, the PV market is expected to grow strongly in the first half of 2010 as demand in Germany is stimulated by expectations that an additional cut in FIT, originally proposed for April, will not be made before July. The German Government has indicated that FITs for roof top installations, which account for 80% of the market, will be reduced by 16% at that time and this is expected to put further pressure on pricing in the second half of the year. Overall installations in Germany are expected to exceed 3GW in 2010.

PV installations in Japan, which was the world's fourth largest market in 2009, are expected to double in 2010 and reach 1GW. We believe the Group is favourably positioned to benefit from this growth because of our strong relationships with local Japanese cell manufacturers and because the Japanese market has so far been less impacted by Chinese competition due to consumer preference for domestic products.

In addition to growth in Japan, growing demand in Italy and the USA is also expected to help reduce the effects of any drop-off in demand from Germany in the second half of the year. Furthermore, the UK market is expected to develop following the introduction of an attractive FIT in April which will provide attractive returns for consumers. The impact in 2010 is likely to be limited given the existing scale of the market, but some forecasts indicate that UK installations could reach 250MW in 2011. As other markets develop and grow, the industry's dependence on a few large markets will decrease and this diversification is expected to bring about a more stable demand environment.

Strategic developments
PV Crystalox Solar 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 be one of the PV industry's cost leaders and to supply quality wafers at competitive prices whilst retaining attractive margins.

As outlined at the interim results, our strategy seeks to combine cost leadership with production flexibility. This involves four key areas of focus which we believe will strengthen our position as a leading pure-play solar wafer manufacturer:

- operate new Bitterfeld polysilicon facility at full capacity;
- enhance relationships with existing customers and retain flexibility of wafer production;
- focus on further development of the leading crystalline silicon processing technology; and
- continued focus on operating cost reduction.

Success with Bitterfeld
Production at our new solar-grade silicon production facility started in July 2009 and a total of 153MT were produced in 2009 while processes were being optimised. The plant is running satisfactorily with design parameters being met for safety, energy consumption, throughput and quality. Output for the first two months in 2010 averaged 65MT per month which is planned to more than double per month by the end of 2010. For 2011 we remain on track to achieve full capacity of 1,800MT.

Internal purity targets were reached quickly and subsequent qualification tests, carried out with our customers who evaluated wafers produced using our solar grade polysilicon, showed that the material gave results which were identical to those from externally purchased high purity polysilicon. Consequently we were able to incorporate the material into our standard ingot production at an early stage.

LEFT
A vacuum handling system for moving ingots

RIGHT
An ingot is removed from a production furnace following crystallisation

production flexibility

Flexibility is underpinned by carrying out wafering at our own facility in Germany and also at subcontractors in Japan. Operating in these two locations enables us to be close to our end customers and respond rapidly to their delivery requirements.

During the year we completed the next phase of the expansion of our ingot production facility at Milton Park in the United Kingdom to bring our overall capacity to 400MW and in anticipation of continued market growth, we have taken the decision to expand our production capacity to 470MW.

The Group's strong cash position, long standing customer relationships, established reputation and competitive manufacturing cost ensure that we are well positioned for growth in the developing global PV markets.

TOP
Maintenance at Bitterfeld

BOTTOM
Crucible preparation

Flexibility in production
Our strategy of cost leadership and flexibility is underpinned by carrying out wafering at our own facility in Germany and also at subcontractors in Japan. Operating in these two locations enables us to be close to our end customers and respond rapidly to their delivery requirements and also to benchmark production yields and costs. In addition, these operations help offset the impact of the influence of Euro/Yen exchange rate variations.

During the year we completed the next phase of the expansion of our ingot production facility at Milton Park in the United Kingdom. This was originally designed to bring our capacity up to 350MW from 290MW; but improvements in yield and productivity across our manufacturing chain have now brought the overall capacity to 400MW. 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 performance.

In anticipation of continued market growth, we have taken the decision to expand our production capacity to 470MW and have leased a 46,000 sq ft building adjacent to our main UK Oxfordshire facility. Following some internal rearrangement of our existing block production we will have sufficient space ultimately to accommodate an additional 200MW of ingot production capacity.

Increased efficiency
Effective silicon utilisation remains a key focus for the Group and is an important element of our internal cost reduction programmes. Whereas customers in Europe have gradually shifted back to 200μm wafers because of the improved wafer availability, our customers in Japan and China continue to process 180μm wafers. 78% of our total wafer shipments in 2009 were supplied at 180μm thickness in comparison with 65% in the previous year.

Kerf losses in wafering have been progressively reduced through the year with the adoption of 120/130μm wire in production both internally and at our subcontractors in Japan. Furthermore the use of wire sawing technology, which was first introduced at our internal ingot cutting operations in the United Kingdom, has been extended to our subcontractor in Japan during 2009. All our ingot production is thus now cut using wire saws and silicon losses during ingot cutting reduced by up to 90% in comparison with the band saws used previously.

Focus on costs and flexibility
Industry overcapacity led to strong downward pricing pressure in all parts of the value chain with momentum increasing during the second half of the year. In view of the challenging market situation and in order to support our customers, we agreed

LEFT
Spools of wire for use in the wire saws

RIGHT
Crucible filled with high purity silicon


increased efficiency

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Kerf losses in wafering have been progressively reduced through the year with the adoption of 120/130µm wire in production. Furthermore the use of wire sawing technology in our ingot production means silicon losses during ingot cutting are reduced by up to 90% in comparison with the band saws used previously.

temporary price flexibility despite the existence of long-term supply agreements. Despite falling sales prices during 2009 our ability to cut costs further in ingot and wafer production meant we were able to achieve profitability.

Outlook

According to analysts' estimates, the market for installed systems in 2010 is expected to be in the region of 8GW to 12GW, up from over 6GW in 2009, with Germany expected to remain the single largest market at over 3GW. The oversupply of wafers in the market, the uncertainty over the impact of the German Government's proposed reduction in feed in tariffs and the recent results of other companies in the industry have all created a lack of clarity about the short-term profitability for the industry. We are, however, experiencing strong demand in the first half of the year and expect shipment volumes to be in the range 145–155MW with average prices down 15–20% on the second half of last year. There is little visibility for the second half of the year but as a result of the Group's proven ability to adjust its cost base and its silicon supply, the Board is confident that the Group can successfully operate in the current highly competitive market and deal with the associated pricing pressure.

Even in the slowest industry growth scenario, Solarbuzz expects the global market to be 2.5 times its current size in 2014 (approximately 16GW). We remain positive about our medium to long-term prospects and believe that the flexibility provided by our internal silicon production positions the PV Crystalox Solar Group well for future growth and enables us to strengthen our position as one of the PV industry's leading multi crystalline wafer producers. Furthermore, the Group's strong cash position, our long standing customer relationships, established reputation for wafer quality and competitive manufacturing cost provide us with a significant advantage in the current environment and ensure that we are well positioned for growth in the developing global PV markets.

DR IAIN DORRITY
CHIEF EXECUTIVE OFFICER

24 March 2010

Directors and Advisors

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 Hagemayer 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 Limited and Crystalox Solar Limited at that time. Subsequently, following the merger of PV Silicon GmbH and Crystalox Limited, 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 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 thirty years of living and working in the USA, Switzerland and Hong Kong. He was appointed as group chief executive of BNFL on 1 August 2003; at the end of June 2009 he finished this role following the successful dismantling of the business. He joined the Invensys plc board as a non-executive director on 24 May 2006 and subsequently became the senior independent director on 7 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.

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. Dr Finnegan became company secretary of Crystalox in 1985 whilst he was financial director of its holding company Elkem (Holdings) Limited. He was appointed to the board of Crystalox Solar Limited in 1994 and was a director of Crystalox Limited 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.

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 advisor 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.

COMPANY NUMBER
06019466

REGISTERED OFFICE
BROOK HOUSE
174 MILTON PARK
ABINGDON
OXFORDSHIRE OX14 4SE

DIRECTORS
MAARTEN HENDERSON
DR HUBERT AULICH
DR IAIN DORRITY
DR PETER FINNEGAN
MICHAEL PARKER
JOHN SLEEMAN

COMPANY SECRETARY
MATTHEW WETHEY

INDEPENDENT AUDITOR
GRANT THORNTON UK LLP
Registered Auditor
Chartered Accountants
1 Westminster Way
Oxford OX2 0PZ

BANKERS
NATIONAL WESTMINSTER BANK PLC
Thames Valley Corporate Office
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

CORPORATE ADVISORS
J. P. MORGAN CAZENOVE
20 Moorgate
London EC2R 6DA

REGISTRARS
EQUINITI REGISTRARS
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

SOLICITORS
NORTON ROSE LLP
3 More London Riverside
London EC2A 2HA

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 2009.

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 2009 is shown on page 35. The movement in the Group reserves during the year is shown on page 37 and segmental information is shown in note 8 on pages 49 and 50.

Proposed dividend
An interim dividend of €0.02 per ordinary share was paid on 21 October 2009. The directors have recommended a final dividend in respect of the current financial year of €0.02 per ordinary share to be paid on 9 June 2010 to shareholders on the register on 14 May 2010. 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 11.00am on 1 June 2010. This has not been included within creditors as it was not approved before the year end. The total dividend for the year is €0.04 per ordinary share (2008: €0.06).

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 2009 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 4 to 9 and the description of the Principal Risks and Uncertainties on pages 17 to 19. The Business Review also includes details of expected future developments in the business of the Group.

Post balance sheet events
As described in note 35 in the Notes to the Consolidated Financial Statements, the Trustees of the PV Crystalox Solar PLC Employee Benefit Trust purchased 5,000,000 of the Company's ordinary shares between 11 January 2010 and 19 January 2010.

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;
- earnings before interest and tax (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:

	2009	2008
Megawatt peak output equivalent	**239MW**	230MW
Revenue	**€237.3m**	€274.1m
EBIT	**€41.7m**	€142.8m
Net cash from operating activities	**€3.5m**	€89.0m
Free cash flow*	**€3.3m**	€22.9m
EBIT margin (excluding currency gains)	**21.1%**	38.8%
Basic earnings per share (euro cents)	**7.2**	25.2

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

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 4 to 9.

Principal risks and uncertainties
The principal risks and uncertainties facing the business are discussed in the Principal Risks and Uncertainties section which can be found on pages 17 to 19.

Financial instruments
Financial instruments comprise borrowings, internal cash resources, trade receivables and trade payables arising from normal trading. The Group's borrowings are in Japan and are utilised to finance the Group's working capital requirement in respect of its business activity in Japan.

Environmental policy
The environmental policy is discussed in the Corporate Social Responsibility Statement which can be found on pages 26 and 27.

Directors
The names of the directors who served during any part of the period from 1 January 2009 to 31 December 2009 are:

Maarten Henderson*	Chairman Chairman of the nomination committee Member of the remuneration committee Member of the audit committee
Dr Iain Dorrity	Chief Executive Officer and Executive Director
Dr Peter Finnegan	Chief Financial Officer and Executive Director
Dr Hubert Aulich	Executive Director, German Operations
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 pages 10 and 11. 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 10.

Retirement and re-election of directors
The rules governing the appointment and retirement of directors are contained in the Company's Articles of Association and they require all directors to seek re-election by shareholders at least once every three years.

At the 2010 AGM, Maarten Henderson, Iain Dorrity, Peter Finnegan, Hubert Aulich and John Sleeman will retire automatically as they have all held office for three years and, being eligible, will offer themselves for re-election. Michael Parker, who was appointed during the year, will retire and offer himself for election.

Beneficial interests in significant contracts
None of the directors had 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 11 March 2010 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	46,368,361	11.13
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 of the Notes to the consolidated financial statements. 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, 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 of the Notes to the consolidated financial statements.

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 2009 AGM to allocate further shares up to a maximum of £2,778,169, which was approximately 33% of the issued share capital on 15 April 2009. No ordinary shares were allocated during the period from the AGM to the date of this report. This authority will expire at the 2010 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 2009 AGM to make market purchases of up to 41,672,533 of its own ordinary shares. This authority will expire at the 2010 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 35, 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.

Articles of Association

Any alteration to the Company's Articles of Association must be approved by shareholders in accordance with applicable UK legislation. As detailed in the Letter from the Chairman and the Notice of Meeting for the AGM the Company is proposing, subject to shareholder approval, certain amendments to the Articles of Association to enable provisions in the Companies Act 2006 and the Shareholder Rights Directive to be included.

Directors' interests

Listed below are the directors at 31 December 2009 together with their notifiable interests in the share capital of the Company:

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

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 €5,930 (2008: €4,330). It is the Group's policy not to make general political donations. No political donations were made in the period (2008: €nil).

Research and development

The Group spent €8.4 million (2008: €6.2 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 have indicated that they are willing to continue in office. A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the AGM.

Annual General Meeting

The AGM will be held at 20 Moorgate, London EC2R 2HA on Thursday 27 May 2010 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

24 March 2010

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 financial performance. The risks associated with the Group's financial instruments are detailed in the 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 to manage and to mitigate such risks.

The loss of a major customer might adversely impact the Group's financial performance
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 the renegotiation of such contracts is possible in difficult 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.

The success of our polysilicon facility at Bitterfeld is critical for the Group's long-term profitability and to enhance corporate know-how
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 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 engaged Evonik as an engineering partner in the design and manufacture of large sections of the facility and it assisted us in commissioning the facility.
- We have ensured the quality of the silicon produced during the ramp up phase so that wafers produced are consistent with standard production using bought-in polysilicon feedstock.
- We used detailed project planning techniques during the building, commissioning and ramp up of the facility and have learnt from all stages of that process.

Our reliance on key suppliers could adversely impact our financial performance
The Group is reliant on certain key suppliers. Evonik are 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 ten year 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.

Principal Risks and Uncertainties continued

Government incentives and support are crucial to stimulate the take up of solar electricity
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.

Over capacity in the PV industry reduces wafer prices and adversely impacts on profitability
Over capacity in the PV industry has caused significant reductions in module prices during 2009. 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 the feed in tariffs.

Mitigating actions
- We have worked with our customers to maintain contract volumes.
- We have negotiated reduced wafering costs with our sub-contractors.
- 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 net cash position which gives the Group the strength to weather the medium-term price squeeze.

Exchange rate fluctuations might create earnings and balance sheet fluctuations
The Group reports in Euros but operates internationally and has operating subsidiaries reporting in Sterling, Euros and Japanese 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 Japanese Yen in respect of accounts receivable and has taken out borrowings in Japanese Yen to reduce the impact of any changes in the Japanese Yen exchange rate.

Loss of a key production facility could disrupt our ability to deliver contracted wafer volumes
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 our 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.
- We operate two ingot manufacturing facilities in the United Kingdom.
- We have our own wafering operation in Germany and two 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
The success of the Group relies on the performance and knowledge of our employees in the United Kingdom, Germany and Japan. We are mindful of the need to attract, retain and train the personnel capable of delivering our strategic and operational objectives. The performance of the Group might be disrupted should we fail in this respect or adequately plan for succession.

Mitigating actions

- The Group's nomination committee 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's remuneration committee has introduced a single Group wide performance management process for senior managers.
- The Group's remuneration committee has commissioned a review of equity incentive arrangements to support better the Group's business objectives.

Failure to act safely and to maintain the continued safe operation of our facilities might have a detrimental impact on the Group's operations
The safety of our employees, contractors, suppliers, the communities in which we operate and the consumers of our products, is of paramount importance to the Group. Around the world the Group is subject to laws, regulations, rules and ordinances relating to health, safety and the environment, including pollution. The Group's revenues depend on the continued operation of our various manufacturing facilities, and the consistent production of finished products that meet our customers' specifications. The operation of our 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.
- We ensure that product quality and safety are monitored at each stage of production, and we have thorough product quality policies and procedures in place. These quality policies and procedures are carefully followed and rigorously enforced.

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 2009, 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 two non-executive directors, did not have a majority of non-executive directors. At the 2009 AGM the Chairman announced that the Group would look to appoint an additional non-executive director. Michael Parker was appointed after an extensive search and selection process led by the Chairman and Senior Independent Director and started in his new position on 1 January 2010. At the date of this report the Board consists of three executive directors and three non-executive directors which is not compliant with the provisions. 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. As there were only two non-executive directors and both are members of the audit committee the Group did not comply with this provision during the year. Michael Parker was appointed to the audit committee at the first Board meeting in 2010. At the date of this report the audit committee consists of three non-executive directors of which two are considered independent. 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 22 to 24.

The Board meets at least ten times per annum. During 2009 the number of Board and committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Maarten Henderson*	11	3	7	5
Hubert Aulich	11	2	6	5
Iain Dorrity	11	2	6	5
Peter Finnegan	11	3	6	5
John Sleeman*	11	3	7	5

* Non-executive directors.

Board of directors continued

In addition to the meetings detailed above the Board met for a dedicated strategy day in June 2009.

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. Matthew Wethey replaced Dr Peter Finnegan as both Group and Company Secretary on 4 February 2009 and was responsible for advising the Board on all governance matters, ensuring Board procedures were followed and applicable rules and regulations were complied with.

At the date of this report the Board comprises the non-executive Chairman, two other non-executive directors and three executive directors. Brief biographical details of all members of the Board are set out on pages 10 and 11 and further information concerning the appointments is set out in the Directors' Report. John Sleeman is the recognised Senior Independent Director to whom concerns may be conveyed.

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

The executive directors have entered into contracts with the Company that may be terminated with twelve months' notice by either party. Maarten Henderson and John Sleeman have 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. Michael Parker has entered into arrangement for a three year period 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 also senior management appointments.

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. The Board is satisfied that they 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 and internal review is the most appropriate method for evaluating effectiveness.

As a result in the year the effectiveness of the Board and the directors was evaluated internally by the Chairman through a performance management process. The performance and effectiveness of the remuneration committee and the nomination committee was evaluated externally by Dr Tracy Long of Boardroom Review.

The performance of individual directors was evaluated by the Chairman. 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 the Chief Executive Officer evaluated the performance of the Chairman, who concluded that the Chairman operated effectively in his role.

In 2008 the Board engaged Dr Tracy Long of Boardroom Review to carry out an external independent Effectiveness Review of the Board and the audit committee to assess the quality of the Board's decision making, its overall contribution and value to the long-term health of the Group, and its preparation for future challenges.

Performance evaluation continued

This review took place during January and February 2009 and Dr Long's report was presented to the Board as a whole for discussion on 27 February 2009. The review concluded that the Board and the audit committee were operating in an effective manner. It identified a number of significant strengths including the directors' good understanding of the Group, its marketplace and external environment. It also identified some areas where improvements could be made to improve longer-term effectiveness. These focus primarily on continued efforts to improve the quality of information provided to the Board; to understand changing internal and external dynamics; to improve the collective decision making process; and develop the governance process which supports the Board. During 2009 the Board developed an action plan to improve the areas identified in the review.

The nomination and remuneration committees were reviewed by Dr Tracy Long of Boardroom Review during the autumn of 2009. The reviews included a confidential overview from all Board members and observation of the October 2009 remuneration committee and nomination committee meetings. Dr Long presented her report to the respective committee chairmen. This report was then discussed at the next remuneration committee and nomination committee meetings. The reviews concluded that each committee was operating in an effective manner. It identified a number of strengths and some areas where improvements 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 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 Chief Executive Officer and Chief Financial Officer maintain 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.

The Group aims to present a balanced and understandable assessment in all its reports to the public and to regulators. Key announcements, financial reports and other information about the Group can be found on the Group's website at www.pvcrystalox.com.

Remuneration committee

The Directors' Remuneration Report and details of the activities of the remuneration committee are on pages 28 to 32. 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 also 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:

- regularly review 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;

Nomination committee continued

- 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 should be 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.

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

- formulating 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 at the conclusion of their specified term of office 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;
- the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's Articles of Association having 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 five times during the year. Details of attendance are shown in the Corporate Governance Statement on page 20.

During the year the main items considered were:

- the search, selection and appointment of an additional non-executive director;
- organisational changes and senior appointments within the Group;
- the introduction of a formalised succession planning process for directors and senior managers within the Group;
- the development of an action plan to improve the areas identified in the nomination committee review;
- a review and recommendation of changes to the terms of reference of the nomination committee to the Board; and
- a review of the knowledge, skills and experience of the directors proposed for re-election at the AGM.

The process of searching for an additional non-executive director involved the nomination committee considering the balance of skills, knowledge and experience on the Board and in light of this preparing a description of the role and the capabilities required for the appointment. The Chairman led the search with the assistance of the Senior Independent Director and the services of an external advisor. Following the compilation of a shortlist of possible candidates and an interview process, the nomination committee selected Michael Parker for the role and recommended his appointment to the Board for approval. The Board approved this nomination and on 20 November 2009 the Company announced that Michael Parker had been appointed as an independent non-executive director with effect from 1 January 2010.

Accountability
The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and other price sensitive public reports, 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 33 and that of the auditor on page 34. A statement on going concern appears on page 15.

Audit committee
The audit committee of the Board comprises the non-executive directors and is chaired by John Sleeman. The Chief Executive Officer, the Chief Financial Officer, other directors and the external auditor may be invited to attend audit committee meetings as and when appropriate. The terms of reference of the audit committee are available to members of the public upon request and are also 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.

The audit committee is responsible for reviewing the scope and findings of the auditor's work on audit and non-audit issues, to monitor the integrity of the financial statements of the Group including the Interim and Annual Reports prior to their publication, to review and challenge where necessary the application of the Group's accounting policies and any changes to the financial reporting requirements. The audit committee also plays an important part in reviewing the Group's systems of internal controls and risk management systems which are described below.

The audit committee is responsible for reviewing 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. As a result the Group publishes the Whistle blowing policy on its website at www.pvcrystalox.com. This policy was reviewed and updated during the year.

The audit committee reviews the terms of engagement with the external auditor and ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and has referenced fees with similar auditors. The audit committee has primary responsibility for making a recommendation on the appointment of the external auditor.

Internal controls and risk management systems
The Board is responsible for establishing and maintaining a sound system of internal controls and risk management systems and for reviewing its effectiveness. 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 by its very nature provide reasonable, but not absolute assurance against material misstatement or loss. 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.

Internal controls and risk management systems continued

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, quarterly and half year revenue comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for capital expenditure and disposals, including defined levels of authority;
- monthly meetings of the executive directors to authorise significant transactions;
- 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 continuously monitor 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. However, it 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 2009 and the period up to date of approval of the financial statements.

By order of the Board

MATTHEW WETHEY
GROUP SECRETARY

24 March 2010

Corporate Social Responsibilty Statement

TOP AND BOTTOM
Community scheme in Erfurt, Germany demonstrating the use of solar electricity

The environment

The Group is a major producer of silicon wafers for incorporation into solar cells that will ultimately be used for the production of electricity from sunlight. A silicon solar system will produce renewable electricity with a lifetime of 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 also 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 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. The etching facility located in Erfurt, Germany will be closed during 2010.

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 it encourages 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 land filled and to increase the amount of waste that is recycled. Direct silicon waste generated by the processes of ingot production, blocking and wafering are 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 Limited 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 called 'Ökoprofit', which requires external environmental audits to be carried out annually, with the aim of ensuring highest standards are achieved in minimising waste to landfill, utilisation of water, electricity, etc. 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, the UK subsidiary company Crystalox Limited has made a good start on its programme to achieve environment and health and safety accreditations through DIN EN ISO 14001 and DIN EN ISO 18001 respectively. 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.

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 controlled 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, cooling water is reused in the process. An environmental compatibility study was performed.

The Group supports long-term strategies to minimise, reuse and recycle packaging wherever possible thereby enhancing its environmental credentials.

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 2009 Crystalox Limited undertook companywide Fire Safety training for all staff and in addition comprehensive Fire Marshall training for selected staff at each site. As part of its ongoing responsibility to comply with Lifting Operations and Lifting Equipment Regulations 1998 and Provision and Use of Work Equipment Regulations 1998 Health and Safety legislation, refresher training was provided to all company forklift operators. 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.

The Group is committed to the ongoing training and development of its personnel in general. 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 and work opportunities has meant that personnel are given the chance to work in different departments, thereby helping them maximise their potential and sense of fulfilment.

Health and safety

The Group recognises its responsibilities under the Health and Safety at Work Act 1974 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 the Health and Safety at Work Act.

The Group regards the standards set by the various relevant statutory provisions as the minimum standard which must be achieved and will endeavour to improve upon these standards where reasonably practicable.

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

A special web based training tool for health and safety has been installed for continuous training of operators with respect to physical or chemical hazards.

Our community

The new plant in Bitterfeld had directly created 103 new jobs by the year end. A large number of these personnel were previously unemployed. In addition to those directly employed by the company a number of new jobs have been created in our suppliers' companies.

For several years at Erfurt in Germany the company 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. In addition the company sponsors a 'sun and movement' competition.

Financing of these projects is done through the money we received from our solar modules in front of the building in Erfurt (30 KW) that are feeding electricity into the local grid.

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.

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. Michael Parker was appointed to the committee by the Board following a recommendation from the nomination committee at the first Board meeting in 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 to the remuneration committee. The terms of reference of the remuneration committee are available to members of the public upon request and are also 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 proceeding. None of the members of the committee have any personal financial interest in the matters to be decided, potential conflicts of interest nor any day to day involvement in running the business. No director takes part in discussions relating to their 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 seven times during the year. Details of attendance are shown in the Corporate Governance Statement on page 20.

During the year the main items considered were:

- the alignment on timing of salary reviews, salary changes and bonus payments across the Group;
- to review and approve awards made under the employee share schemes;
- the new bonus plan (with deferred share element) for executive directors;
- 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;
- the development of an action plan to improve the areas identified in the remuneration committee review;
- to review and recommend changes to the terms of reference of the remuneration committee to the Board; and
- to instruct KPMG as consultants, to develop a new performance share plan which will be available to key executives in all Group locations and a share option scheme which can be rolled out on a broader basis to both management and the wider employee base at all Group locations.

Remuneration policy for executive directors

Executive remuneration packages are designed to attract, motivate and retain directors of the highest calibre needed to maintain the Group's position as a market leader and to reward them for enhancing shareholder value. 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 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.

Basic salary

An executive director's basic salary is reviewed by the committee prior to 1 July, which is the start of the salary year, and should an individual change 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 companies of similar size and complexity. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the AGM. The salaries were reviewed on 1 July 2009.

The remuneration committee discussed the review for the executive directors and were mindful of the large increases in 2008 following the benchmarking exercise 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 effective 1 July 2009. Salaries were agreed in Sterling and Euros as shown below:

Payable in Sterling	**2009/2010 annual rate £**	2008/2009 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

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

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 calculated in accordance with Schedule 1 of 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 in 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.

The existing bonus scheme was replaced by a scheme which allows the executive directors to receive a bonus, based in part upon the Company's earnings and in part upon an increase in earnings per share, subject to a maximum of 100% of base salary. Half of each bonus will be payable in cash and the other half deferred and payable in shares under a new deferred share plan (the Executive Directors' Deferred Share Plan) which will vest after three years.

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).

The following formula is used to calculate the bonus based on the Company's earnings (profit attributable to equity holders of the parent):

	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

During 2008 the bonus scheme allowed a bonus of up to a maximum of 50% of the basic salary (subject to deductions for tax and national insurance) paid to the executive in June each year subject to the Group having achieved growth in its earnings per share over the previous financial year.

The payout in respect of earnings per share growth under both schemes is the same, in 2008 this amount is paid out in cash and under the 2009 scheme half of the amount is paid in cash and the other half deferred and payable in shares under the Executive Directors' Deferred Share Plan. 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%

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. Accordingly, pension contributions made by the Group are included in the basic salary set out in the service contracts.

Directors' remuneration paid (audited)

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses (in respect of 2008 paid in 2009) €	**Total 2009 €**	Total 2008 €
Maarten Henderson	112,297	—	—	**112,297**	110,222
Hubert Aulich*	244,856	7,750	145,795	**398,401**	353,649
Iain Dorrity	336,891	10,383	168,446	**515,720**	459,906
Peter Finnegan	288,828	992	140,371	**430,191**	427,051
John Sleeman	56,149	—	—	**56,149**	55,111
	1,039,021	19,125	454,612	**1,512,758**	1,405,939

* 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.

The bonuses paid to executive directors in 2009 were in respect of performance for the period ended 31 December 2008. Bonuses totalling €57,169 in respect of performance for the period ended 31 December 2009 have been provided for in the accounts for the period to 31 December 2009 and will be paid during the first half of 2010 once the accounts have been approved. The above table has been restated below showing the bonuses provided in respect of 2009 performance and the prior year total (2008) has been restated on the same basis.

Directors' remuneration payable (audited)

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses (in respect of 2009 payable in 2010) €	**Total 2009 €**	Total 2008 €
Maarten Henderson	112,297	—	—	**112,297**	110,222
Hubert Aulich	244,856	7,750	17,865	**270,471**	377,583
Iain Dorrity	336,891	10,383	21,439	**368,713**	515,333
Peter Finnegan	288,828	992	17,865	**307,685**	450,984
John Sleeman	56,149	—	—	**56,149**	55,111
	1,039,021	19,125	57,169	**1,115,315**	1,509,233

Directors' share grants (audited)

	Value 2009 €	Value 2008 €
Maarten Henderson	**—**	—
Hubert Aulich	**—**	—
Iain Dorrity	**—**	—
Peter Finnegan	**—**	—
John Sleeman	**—**	—
	—	—

Under the Executive Directors' Deferred Share 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 2009 results are announced.

Directors' pension (audited)

	Contributions to defined contribution scheme €	Contributions to defined benefit scheme €	**Total 2009 €**	Total 2008 €
Maarten Henderson	—	—	**—**	—
Hubert Aulich	—	67,864	**67,864**	62,712
Iain Dorrity	20,214	—	**20,214**	17,006
Peter Finnegan	17,330	—	**17,330**	16,197
John Sleeman	—	—	**—**	—
	37,544	67,864	**105,408**	95,915

The transfer value of the defined benefit scheme in respect of Hubert Aulich is €618,000 (2008: €493,000).

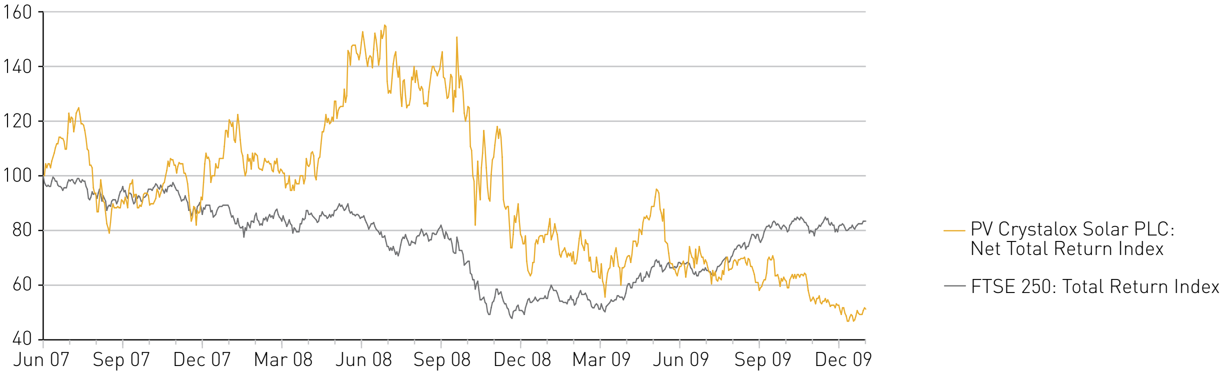
Remuneration policy for non-executive directors

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 total shareholder return performance from 6 June 2007 when the Group listed on the London Stock Exchange to 31 December 2009. This is compared against the total shareholder return 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

24 March 2010

Statement of Directors' Responsibilities
in respect of the Directors' Report and the financial statements

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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 which disclose with reasonable accuracy at any time the financial position of the Group and to 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 the each of the directors is aware:

- there is no relevant audit information of which the Group's auditor is 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 IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation 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 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

24 March 2010

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 2009 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 auditors

As explained more fully in the Statement of Directors' Responsibilities on page 33, 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 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

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 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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 matter 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; and
- the information given in the Corporate Governance Statement set out on pages 20 to 25 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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:

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, on page 15, in relation to going concern; and
- 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.

Other matter

We have reported separately on the parent company financial statements of PV Crystalox Solar PLC for the year ended 31 December 2009 and the information in the Directors' Remuneration Report that is described as having been audited.

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

24 March 2010

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

	Notes	**2009 €'000**	2008 €'000
Revenues	8	**237,320**	274,095
Other income	2	**3,034**	1,475
Cost of material and services			
Cost of material	3	**(141,508)**	(135,700)
Cost of services	3	**(13,742)**	(7,497)
Personnel expenses			
Wages and salaries	4	**(12,304)**	(10,769)
Social security costs	4	**(1,711)**	(1,438)
Pension costs	4	**(451)**	(470)
Employee share schemes	4	**(984)**	(1,134)
Depreciation on property, plant and equipment and intangible assets		**(9,796)**	(3,962)
Other expenses	5	**(9,821)**	(8,134)
Currency gains and losses	30	**(8,297)**	36,315
Earnings before interest and taxes (EBIT)		**41,740**	142,781
Interest income	6	**1,449**	5,130
Interest expense	6	**(673)**	(688)
Earnings before taxes (EBT)		**42,516**	147,223
Income taxes	7	**(12,957)**	(44,029)
Profit attributable to equity holders of the parent		**29,559**	103,194
Other comprehensive income			
Exchange differences on translating foreign operations		**9,473**	(32,550)
Total comprehensive income			
Attributable to equity holders of the parent		**39,032**	70,644
Earnings per share on continuing activities			
Basic in Euro cents	9	**7.2**	25.2
Diluted in Euro cents	9	**7.2**	25.1

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 2009

	Notes	**2009 €'000**	2008 €'000	2007 €'000
Cash and cash equivalents	10	**100,404**	96,820	147,892
Accounts receivable	11	**56,393**	76,294	61,748
Inventories	12	**34,103**	24,017	20,653
Prepaid expenses and other assets	13	**21,273**	35,873	13,564
Current tax assets	14	**3,945**	1,346	18
Total current assets		**216,118**	234,350	243,875
Intangible assets	15	**788**	635	378
Property, plant and equipment	16	**122,232**	110,930	35,115
Other long-term assets	17	**19,752**	22,979	4,597
Deferred tax asset	18	**8,763**	5,022	2,329
Total non-current assets		**151,535**	139,566	42,419
Total assets		**367,653**	373,916	286,294
Loans payable short-term	19	**30,254**	15,703	39,619
Accounts payable	20	**15,047**	29,753	21,747
Deferred revenue	26	**7,889**	2,692	—
Accrued expenses	21	**3,929**	8,630	3,236
Provisions	22	**414**	449	396
Deferred grants and subsidies	23	**2,695**	2,052	860
Income tax payable	24	**5,207**	26,271	10,855
Other current liabilities	25	**1,590**	772	931
Total current liabilities		**67,025**	86,322	77,644
Loans payable long-term	19	**—**	—	7
Deferred revenue	26	**14,142**	19,016	10,000
Accrued expenses	21	**58**	166	128
Pension benefit obligation	27	**191**	335	476
Deferred grants and subsidies	23	**24,964**	22,199	5,196
Deferred tax liability	18	**310**	374	280
Other long-term liabilities		**803**	851	1,088
Total non-current liabilities		**40,468**	42,941	17,175
Total liabilities		**107,493**	129,263	94,819
Share capital	28	**12,332**	12,332	12,332
Share premium		**75,607**	75,607	75,607
Investment in own shares		**(5,642)**	(5,642)	(5,642)
Share-based payment reserve		**2,021**	968	—
Reverse acquisition reserve		**(3,601)**	(3,601)	(3,601)
Retained earnings		**214,301**	209,320	124,559
Currency translation adjustment		**(34,858)**	(44,331)	(11,780)
Total shareholders' equity		**260,160**	244,653	191,475
Total liabilities and shareholders' equity		**367,653**	373,916	286,294

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

24 March 2010

COMPANY NUMBER
06019466

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

	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 2007	7,500	—	—	—	—	77,588	(975)	84,113
Share issue	4,832	75,607	—	—	—	—	—	80,439
Investment in own shares	—	—	(5,642)	—	—	—	—	(5,642)
Reverse acquisition reserve	—	—	—	—	(3,601)	—	—	(3,601)
Transactions with owners	12,332	75,607	(5,642)	—	(3,601)	77,588	(975)	155,309
Profit for the period	—	—	—	—	—	46,971	—	46,971
Currency translation adjustment	—	—	—	—	—	—	(10,805)	(10,805)
Total comprehensive income	—	—	—	—	—	46,971	(10,805)	36,166
As at 31 December 2007	**12,332**	**75,607**	**(5,642)**	**—**	**(3,601)**	**124,559**	**(11,780)**	**191,475**
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	12,332	75,607	(5,642)	968	(3,601)	106,126	(11,780)	174,010
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	12,332	75,607	(5,642)	2,021	(3,601)	184,742	(44,331)	221,128
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**

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 2009

	2009 €'000	2008 €'000	2007 €'000
Earnings before taxes	**42,516**	147,223	70,764
Adjustments for:			
Interest	**(776)**	(4,442)	(3,265)
Depreciation and amortisation	**9,796**	3,962	4,670
Change in pension accruals	**(144)**	(141)	(155)
Change in other accruals	**(4,844)**	5,484	281
(Profit)/loss from the disposal of property, plant and equipment	**(17)**	26	15
Unrealised losses/(gain) in foreign currency exchange	**868**	(8,298)	81
Deferred income	**(2,089)**	(818)	(975)
	45,310	142,996	71,416
Changes in working capital			
Increase in inventories	**(10,086)**	(3,364)	(6,820)
Decrease in accounts receivables	**18,146**	684	10,457
(Decrease)/increase in accounts payables and advance payments	**(14,066)**	16,388	15,800
Decrease/(increase) in other assets	**1,333**	(21,901)	(8,742)
Increase in other liabilities	**1,824**	573	859
	42,461	135,376	82,970
Income taxes paid	**(40,389)**	(32,678)	(21,375)
Interest received	**1,449**	5,130	4,626
Net cash from operating activities	**3,521**	107,828	66,221
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**24**	11	36
Proceeds from investment grants and subsidies	**21,992**	222	478
Payments to acquire property, plant and equipment	**(20,766)**	(80,071)	(26,070)
Net cash from/(used in) investing activities	**1,250**	(79,838)	(25,556)
Cash flow from financing activities			
Receipt/(repayment) of bank and other borrowings	**15,120**	(27,530)	(11,764)
Repayment Microventure	**—**	—	(1,620)
Dividends paid	**(24,578)**	(18,433)	—
Proceeds from IPO	**—**	—	76,838
Interest paid	**(673)**	(688)	(1,361)
Investment in own shares	**—**	—	(5,642)
Net cash flow (used in)/from financing activities	**(10,131)**	(46,651)	56,451
Net change in cash and cash equivalents available	**(5,360)**	(18,661)	97,116
Effects of foreign exchange rate changes on cash and cash equivalents	**8,944**	(32,411)	(10,751)
Cash and equivalents at beginning of period	**96,820**	147,892	61,527
Cash and equivalents at end of period	**100,404**	96,820	147,892

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2009

1. Group accounting policies

Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance 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 2009 were approved by the Board of directors on 24 March 2010.

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

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 amortised 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. A full impairment review has been carried out on all the assets of PV Crystalox Solar Silicon GmbH and no adjustment was necessary (see next section).

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 – Bitterfeld plant
Discounted cash flows were prepared to assess whether there was a requirement for impairment of the carrying value of the Bitterfeld plant at the year ended 31 December 2009.

The work carried out showed that the discounted cash flows generated are in excess of the investment cost of the plant therefore no impairment is required.

A number of assumptions were made in the preparation of the discounted cash flows. The primary input factors comprise sales price, production cost, expected life of the plant and the discount factor.

1. Group accounting policies continued

Use of estimates – Bitterfeld plant continued

Nature of key input assumptions

The sales price has been established as the average rate the Group can achieve for long-term feedstock supply based upon current feedstock contracts. The sales price is agreed as part of supply agreement up to 2014. The longer term price will therefore depend on the continued prices the Group can secure for feedstock.

The long-term production cost worked into the model is based upon normalised production costs per management expectation. The uncertainties over the production cost will be resolved as the plant reaches full capacity and costs stabilise. Since the year end the actual production cost per kg is approximately 20% lower than originally budgeted.

The expected life of the plant is based upon management's expectations and industry averages. Any uncertainty over the life of the plant will be resolved over time.

The discount factor is dependent on a number of inputs. These inputs include the market risk premium, the risk free rate and the long-term beta value for the Group. These inputs are obtained by management from acknowledged market and industry specialists. The inherent nature of these inputs is that they are estimations and hence there is always a level of uncertainty surrounding the values.

Changes in inputs from the prior year

The sales price remains unchanged as it is supported by a long-term sales contract.

The production cost has decreased as a direct result of increased efficiencies at the plant, with unit cost of production 20% ahead of budget in early 2010.

Sensitivity analysis

The sensitivity of the key assumptions detailed above has been considered.

A 1% change in either sales price or production costs would change the net present value of the discounted cash flows by approximately €2.5 million.

Either a 0.1% change in the discount factor, or if the expected life of the plant were changed by one year, would change the net present value of the discounted cash flows by approximately €1.0 million.

The sensitivities discussed above do not result in a negative net present value.

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.

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.

Use of estimates – provisions

Provisions includes 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 at note 28.

Basis of consolidation

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2009. 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.

1. Group accounting policies continued

Basis of consolidation continued

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 intragroup 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.

Effects of new accounting pronouncements

Accounting standards in effect or applied for the first time in 2009

- IFRS 8 (Operating Segments) is mandatory for annual periods beginning on or after 1 January 2009 and supersedes the current standard, IAS 14 (Segment Reporting). IFRS 8 was adopted by the Group early in 2007.
- The adoption of IAS 1 (Revised 2007) (Presentation of Financial Statements) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, namely the exchange differences arising on the translation of foreign operations. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and the income statement which is now incorporated in the Consolidated Statement of Comprehensive Income. The Statement of Changes in Equity has been adapted to disclose the owner changes in equity. The income statement has been expanded to show the comprehensive income for the year.

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.

- 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.
- IAS 24 (Revised 2009) (Related Party Disclosures (effective 1 January 2011)).
- 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)).
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)).
- 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)).

1. Group accounting policies continued

Capital structure

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Cash and cash equivalents (see note 10)	**100,404**	96,820	147,892
Loans payable (see note 19)	**(30,254)**	(15,703)	(39,626)
Equity (see Consolidated Statement of Changes in Equity)	**260,160**	244,653	191,475
	330,310	325,770	299,741

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 with 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 significant borrowings in the Group are in Japan and 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.

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 2009 was 1.0% (2008: 1.1%), our gearing ratio was 12% (2008: 6%) and debt to capital ratio was 9% (2008: 5%).

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 (three to five years).

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 income 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.

1. Group accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, net of depreciation and 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 is 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, are 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

Rentals under operating leases are charged to the 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.

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.

1. Group accounting policies continued

Financial instruments continued

Loans and receivables

- non-interest bearing accounts receivables 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 the 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 the 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 expenses are 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.

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 future arises at the balance sheet date.

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

1. Group accounting policies continued

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

The consolidated financial statements are prepared in Euros, which is the presentational currency of the Group. 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 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 Euros at foreign exchange rates ruling at the date the fair value was determined.

Exchange gains and losses on short-term foreign currency borrowings and deposits are shown as such and taken to EBIT. In the consolidated financial statements exchange rate differences arising on consolidation of the net investments in subsidiaries together with those on relevant foreign currency loans are taken directly to the 'Currency translation adjustment' in equity.

The financial information has been presented in Euros, which is the 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.

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.

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.

1. Group accounting policies continued

Defined benefit pension plan continued

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

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

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.

Other long-term assets

As is common practice with the sector, the Group is required to make deposits in advance for the supply of silicon tetrachloride and polysilicon feedstock.

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

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, and adjusted for any market based conditions. 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.

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.

Currency translation adjustment represents the differences arising from the currency translation of the net assets in subsidiaries.

2. Other income

	2009 €'000	2008 €'000
Recognition of accrued grants and subsidies for investments	**2,089**	818
Research and development grants	**256**	111
Release of accruals	**113**	186
Other income	**576**	360
	3,034	1,475

The Group has received public subsidies for certain assets that will be recognised over the useful life of the subsidised assets. The Group has received grants for research and development activities.

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. Purchased services are allocated to cost of services.

	2009 €'000	2008 €'000
Cost of raw materials, supplies and purchased merchandise	**155,618**	139,725
Change in finished goods and work in progress	**(12,514)**	(384)
Own work capitalised	**(1,596)**	(3,641)
Cost of materials	**141,508**	135,700

	2009 €'000	2008 €'000
Cost of purchased services	**13,742**	7,497
Cost of services	**13,742**	7,497

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 65% (2008: 52%).

4. Personnel expenses

	2009 €'000	2008 €'000
Wages and salaries	**12,304**	10,769
Social security	**1,711**	1,438
Pension costs (see below)	**451**	470
Employee share schemes	**984**	1,134
	15,450	13,811

Pension costs

	2009 €'000	2008 €'000
Appropriation to pension accruals for defined benefit schemes	**100**	93
Early retirement settlements and pay	**(2)**	9
Contributions to defined contribution pension plans	**353**	368
	451	470

Employees

The Group employed an average of 333 employees during the year ended 31 December 2009 (2008: 257).

	2009 Number	2008 Number
Germany	**224**	159
United Kingdom	**102**	92
Japan	**7**	6
	333	257

	2009 Number	2008 Number
Production	**236**	168
Administration	**97**	89
	333	257

The remuneration of the Board of directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 28 to 32.

5. Other expenses

	2009 €'000	2008 €'000
Property rental and rates	**2,191**	2,012
Repairs and maintenance	**199**	1,203
Contribution to supply costs	**—**	673
Selling expenses	**283**	151
Technical consulting, research and development	**2,444**	429
Outside professional services	**1,692**	1,432
Insurance premiums	**758**	469
Travel and advertising expenses	**610**	392
Staff related costs	**571**	441
Other	**1,073**	932
	9,821	8,134

The land and buildings used by the Group, with the exception of land with an area of approximately 31,000m² 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.

Selling expenses mainly include delivery costs and warranty provisions.

Technical consulting and research and development costs relate to the 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 costs that the cost of research and development is approximately €8,423,000 for the year ended 31 December 2009 (2008: €6,150,000).

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

	2009 €'000	2008 €'000
Fees payable to the Company's auditor for the audit of the Group's financial statements	**71**	79
Plc audit costs	**14**	16
Other services pursuant to legislation	**34**	18
The audit of the Company's subsidiaries pursuant to legislation	**213**	177
Tax services	**23**	5
	355	295

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:

	2009 €'000	2008 €'000
Income taxes in the United Kingdom	**10,858**	34,696
Income taxes in Germany	**3,670**	6,864
Income taxes in Japan	**2,192**	5,207
Income taxes total	**16,720**	46,767
Deferred taxes in the United Kingdom	**1,528**	(801)
Deferred taxes in Germany	**(4,624)**	(1,045)
Deferred taxes in Japan	**(667)**	(892)
Deferred taxes total	**(3,763)**	(2,738)
Total taxes	**12,957**	44,029

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.

7. Income taxes continued

The total tax rate for the German companies is 29.825% in Erfurt and 28.425% in Bitterfeld. The total tax rate of Crystalox Limited 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 following table shows the tax reconciliation account of the tax expense expected in the respective financial year and the actual tax expense reported:

	2009 €'000	2008 €'000
Profit before tax	**42,516**	147,223
Expected income tax expense at effective tax rate 26.7% (2008: 30.6%)	**11,362**	45,003
Taxation for inter-company dividends	**447**	447
Tax reduction due to non-taxable income	**(164)**	(145)
Tax for profit in stock eliminations	**1,192**	(2,014)
Deferred tax movement on share-based payments	**(25)**	(129)
Movement in prior year deferred balances	**224**	287
Tax on non-deductible expenses	**228**	233
Tax rate adjustment	**—**	605
Adjustments to tax charge in respect of prior periods	**(240)**	(330)
Other tax effects	**(67)**	72
Total tax expense	**12,957**	44,029

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 2009 and is therefore no longer disclosed as a separate operating segment. 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 2009

	Japan €'000	**The rest of Asia €'000**	**Germany €'000**	**United Kingdom €'000**	**The rest of Europe €'000**	**The rest of World €'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**	**35,184**	**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. Sales 83,334 (Japan 83,334); and

2. Sales 49,786 (Japan 49,786).

Segment information 2008

	Japan €'000	The rest of Asia €'000	Germany €'000	United Kingdom €'000	The rest of Europe €'000	The rest of World €'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	30,913	75,554	22	5,920	7,079	274,095
Non-current assets*							
By entity's country of domicile	584	—	109,160	24,801	—	—	134,545

* 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. Sales 100,977 (Japan 100,977);

2. Sales 53,202 (Japan 53,202); and

3. Sales 34,127 (Germany 34,127).

8. Segment reporting continued

Segment information 2007

	Japan €'000	The rest of Asia €'000	Germany €'000	United Kingdom €'000	The rest of Europe €'000	The rest of World €'000	Group €'000
Revenues							
By entity's country of domicile	163,520	—	76,628	23,296	—	—	263,444
By country from which derived	163,520	40,093	51,397	10	4,287	4,137	263,444
Non-current assets*							
By entity's country of domicile	281	—	36,212	3,597	—	—	40,090

* 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. Sales 127,018 (Japan 127,018);

2. Sales 28,850 (Japan 28,850); and

3. Sales 27,614 (Germany 27,164).

9. Earnings per share

Earnings per share are 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.

	2009	2008
Basic shares (average)	**409,637,335**	409,637,335
Basic earnings per share (Euro cents)	**7.2**	25.2
Diluted shares (average)	**411,695,335**	411,711,184
Diluted earnings per share (Euro cents)	**7.2**	25.1

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

	2009	2008
Shares in issue (as per note 28)	**416,725,335**	416,725,335
EBT shares held	**(7,088,000)**	(7,088,000)
Weighted average number of shares for basic EPS calculation	**409,637,335**	409,637,335
2,025,000 EBT shares, granted but not vested	**2,025,000**	2,025,000
33,000 EBT shares, granted but not exercised (held for 310 days in 2008)	**33,000**	28,027
200,000 EBT shares under option, granted but not exercised (held for 38 days in 2008)	**—**	20,822
Weighted average number of shares for fully diluted EPS calculation	**411,695,335**	411,711,184

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		
	2009 €'000	2008 €'000	2007 €'000
Japan	**46,604**	70,684	51,065
Germany	**9,293**	5,574	6,291
United kingdom	**496**	36	4,392
	56,393	76,294	61,748

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:

	2009 €'000	2008 €'000	2007 €'000
Not more than three months	**112**	1,303	3,391

These amounts represent the Group's maximum credit risk at the year end, however all these amounts had been settled by the end of February 2010.

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		
	2009 €'000	2008 €'000	2007 €'000
Finished products	**13,351**	6,408	2,618
Work in progress	**11,800**	6,229	9,635
Raw materials	**8,952**	11,380	8,400
	34,103	24,017	20,653

Polysilicon produced from the Group's chemical plant in Bitterfeld is valued at the average Group polysilicon cost. No other write downs were necessary on Group inventories in the period under review.

13. Prepaid expenses and other assets

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Subsidies and grants due relating to Bitterfeld	**4,618**	21,388	2,601
Other subsidies due	**891**	616	613
VAT	**4,647**	5,215	3,418
Prepaid expenses	**10,313**	8,022	6,341
Other current assets	**804**	632	591
	21,273	35,873	13,564

14. Current tax assets

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Recoverable capital gains tax	**3,072**	1,346	18
Prepaid income tax	**873**	—	—
	3,945	1,346	18

Recoverable capital gains tax relates to tax paid on internal dividend payments. Repayment is expected in 2010.

Prepaid income tax relates to an overpayment of income tax. Repayment is expected in 2010.

15. Intangible assets

	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

	Patents and licences €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2007	304	7	311
Additions	121	157	278
Reclassification	7	(7)	—
Disposals	(6)	—	(6)
At 31 December 2007	426	157	583
Depreciation			
At 1 January 2007	135	—	135
Charge for the year	76	—	76
On disposals	(6)	—	(6)
At 31 December 2007	205	—	205
Net book value			
At 31 December 2007	221	157	378
At 31 December 2006	169	7	176

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 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

Asset under construction relate 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

Asset under construction related to the polysilicon facility in Bitterfeld. Capital commitments at 31 December 2008 relating to this amounted to €9.47 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 2007	372	35,884	2,087	2,140	40,483
Additions	423	3,228	526	21,827	26,004
Reclassification	—	1,198	—	(1,198)	—
Disposals	—	(1)	(155)	—	(156)
Net effect of foreign currency movements	(32)	(1,949)	(33)	(4)	(2,018)
At 31 December 2007	763	38,360	2,425	22,765	64,313
Depreciation					
At 1 January 2007	130	25,229	1,157	—	26,516
Charge for the year	10	4,250	333	—	4,593
On disposals	—	—	(109)	—	(109)
Net effect of foreign currency movements	(12)	(1,762)	(28)	—	(1,802)
At 31 December 2007	128	27,717	1,353	—	29,198
Net book value					
At 31 December 2007	635	10,643	1,072	22,765	35,115
At 31 December 2006	242	10,655	930	2,140	13,967

Asset under construction related to the polysilicon facility in Bitterfeld. Capital commitments at 31 December 2007 relating to this amounted to €30.65 million.

17. Other long-term assets

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Other assets	**282**	326	246
Prepaid expenses	**17**	307	351
Silicon tetrachloride (for Bitterfeld)	**3,248**	3,593	4,000
Polysilicon feedstock deposits	**16,205**	18,753	—
	19,752	22,979	4,597

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.

	2009 €'000	2008 €'000	2007 €'000
Elimination of inter-company gains	**2,159**	3,351	1,337
Tax loss carried forward	**5,790**	592	—
Property, plant and equipment	**—**	453	632
Enterprise tax	**186**	411	166
Pension plans	**67**	69	75
Share-based reserve	**144**	105	—
Inventory	**401**	—	—
Other	**16**	41	119
Deferred tax asset	**8,763**	5,022	2,329
General allowance on accounts receivables	**(221)**	(303)	(233)
Property, plant and equipment	**(86)**	(71)	(47)
Other	**(3)**	—	—
Deferred tax liability	**(310)**	(374)	(280)
Total deferred taxes	**8,453**	4,648	2,049

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 they are expected to be realised in the foreseeable future.

19. Loans payable

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Syndicated loans	**30,254**	15,696	39,537
Other loans	**—**	7	89
	30,254	15,703	39,626
Current portion	**30,254**	15,703	39,619
Non-current portion	**—**	—	7
	30,254	15,703	39,626

Underwriter	**2009 €'000**	2008 €'000	2007 €'000	Maturity	Interest rate
Sumitomo Mitsui Banking Corporation	**22,691**	11,772	—	07/10	0.87–1.14%
Mizuho bank	**7,563**	3,924	—	11/10	0.71–0.97%
The Bank of Tokyo Mitsubishi UFJ	**—**	—	8,742	Variable	1.48–1.50%
Other syndicated loans	**—**	—	30,191	Variable	1.48–1.50%
The Bank of Mitsubishi Tokyo UFJ	**—**	—	605	Variable	1.96%
Other loans	**—**	7	88	09/08	4.84%
	30,254	15,703	39,626		

The 'Other syndicated loans' had been issued by a syndicate including the following banks: Yokohama bank, Shizuoka bank, Syokoukumiaityuou bank, Hiroshima bank, Ooita bank, Kouginri su, Sinwa bank, Toukyoutomin bank, Tougin ri su, Yamanasityuou bank, Risona bank, Gihu bank, Daiyamondori su, Keiyou bank, Tyukyou bank, Jyuuroku bank, Kouti bank, Daisan bank and Musashino bank.

Security for the loans, all in Japan, is provided by the Japanese accounts receivable, details of which can be found in note 11.

20. Accounts payable

Accounts payable are obligations arising from normal business transactions.

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Japan	**8,404**	14,474	11,647
United Kingdom	**1,921**	3,369	3,774
Germany	**4,722**	11,910	6,326
	15,047	29,753	21,747

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

21. Accruals

The accruals of the Group are as follows:

	2009 €'000	2008 €'000	2007 €'000
Rents and ancillary rent costs	**127**	127	592
Cost of material	**—**	3,826	—
Services invoiced post year end	**1,875**	2,940	1,281
Bonuses	**1,124**	840	524
Other payroll accruals	**364**	390	260
Year end costs	**246**	333	265
Supervisory Board remuneration	**—**	—	38
Other	**193**	174	276
Current accruals	**3,929**	8,630	3,236
Rents and ancillary rent costs	**—**	117	—
Stamp duties	**—**	—	100
Other	**58**	49	28
Non-current accruals	**58**	166	128
Total accruals	**3,987**	8,796	3,364

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:

	2009 €'000	2008 €'000	2007 €'000
Provision brought forward	**449**	396	370
Addition	**—**	73	33
Utilised	**(35)**	(20)	(7)
Provision carried forward	**414**	449	396

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 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 violations 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		
	2009 €'000	2008 €'000	2007 €'000
Investment subsidies	**13,684**	12,649	2,246
Investment grants	**13,970**	11,596	3,809
Other grants and subsidies	**5**	6	1
	27,659	24,251	6,056
Current portion	**2,695**	2,052	860
Non-current portion	**24,964**	22,199	5,196
	27,659	24,251	6,056

24. Income tax payable

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
United Kingdom	**2,984**	18,070	8,516
Germany	**458**	3,712	532
Japan	**1,765**	4,489	1,807
	5,207	26,271	10,855

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		
	2009 €'000	2008 €'000	2007 €'000
VAT liability	**1,095**	—	85
Payroll liabilities	**191**	339	344
Other liabilities	**304**	433	502
	1,590	772	931

26. Deferred revenue

As is the industry norm, where possible and 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 2009, such deposits amounted to €22.031 million from four customers (2008: €21.708 million from three customers; 2007: €10.000 million from one customer).

	As at 31 December		
	2009 €'000	2008 €'000	2007 €'000
Short-term element	**7,889**	2,692	—
Long-term element	**14,142**	19,016	10,000
	22,031	21,708	10,000

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		
	2009 €'000	2008 €'000	2007 €'000
Pension benefits			
Present value of defined benefit obligations	**(1,469)**	(1,354)	(1,241)
Fair value of plan assets	**1,278**	1,019	765
Total employee benefits	**(191)**	(335)	(476)
Movements in the balance sheet			
Present value of defined benefit obligations 1 January	**(1,354)**	(1,241)	(1,145)
Expense recognised	**(116)**	(116)	(118)
Interest cost	**(68)**	(62)	(50)
Actuarial gains	**69**	65	72
Present value of defined benefit obligations 31 December	**(1,469)**	(1,354)	(1,241)
Fair value of plan assets 1 January	**1,019**	765	512
Contribution (Company only)	**256**	256	256
Expected return of plan assets	**52**	40	32
Actuarial losses	**(49)**	(42)	(35)
Fair value of plan assets 31 December	**1,278**	1,019	765
Amounts recognised in the income statement			
Interest cost	**(68)**	(62)	(50)
Expected return of plan assets	**52**	40	32
Current service cost	**(116)**	(116)	(118)
Actuarial gains	**20**	24	36
	(112)	(114)	(100)

The principal actuarial assumptions used were as follows:

	2009 %	2008 %	2007 %
Discount rate	**4.75**	5.00	5.00
Expected return of plan assets	**4.50**	4.50	4.50
Future salary increases	**—**	—	—
Future pension increases	**0.90**	1.50	2.00

The expected service expenses for 2010 are €121,785, the contributions to plan assets are estimated at €255,717.

28. Equity

	2009 €'000	2008 €'000	2007 €'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 and to 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.

After the year end the Group was advised that the Trustee of the EBT had completed the purchase of 5,000,000 of the Company's ordinary shares of 2 pence (see note 35 for further details) giving a total holding of 12,087,000 ordinary shares.

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

PV Crystalox Solar PLC Long-Term Incentive Plan (LTIP)

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 and the award must be exercised no later than 42 months following the date of grant.

On 17 December 2007 awards over 2,175,000 ordinary shares of 2 pence were granted to key employees. On 26 February 2008 awards were granted to employees of 500 shares each over a total of 33,000 ordinary shares of 2 pence. In 2008 two employees that had been granted an aggregate amount of 150,000 shares of 2 pence each on 17 December 2007 left the Group and in accordance with the rules of the LTIP these grants were cancelled and the shares remain available within the EBT.

Market Value Option (MVO)

A 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 a 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.

In the year under review the following awards were made:

- on 26 March 2009 a 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 employee 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.

29. Share-based payment plans continued

PV Crystalox Solar PLC Share Incentive Plan (SIP) continued

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
Option outstanding at 1 January 2009	2,058,000	200,000	100	37,000
Options granted during the year	—	1,400,000	76.8	—
Options forfeited during the year	(50,000)	—	—	—
Options exercised during the year	—	—	—	—
Options outstanding at 31 December 2009	**2,008,000**	**1,600,000**	**79.7**	**37,000**
Exercisable at 31 December 2009	**—**	**—**	**—**	**—**
Option outstanding at 1 January 2008	2,175,000	—	—	—
Options granted during the year	33,000	200,000	100	37,000
Options forfeited during the year	(150,000)	—	—	—
Options exercised during the year	—	—	—	—
Options outstanding at 31 December 2008	2,058,000	200,000	100	37,000
Exercisable at 31 December 2008	—	—	—	—
Option outstanding at 1 January 2007	—	—	—	—
Options granted during the year	2,175,000	—	—	—
Options forfeited during the year	—	—	—	—
Options exercised during the year	—	—	—	—
Options outstanding at 31 December 2007	2,175,000	—	—	—
Exercisable at 31 December 2007	—	—	—	—

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

At 31 December 2009 PSA options are exercisable between 36 months and 42 months after the date of grant, up to August 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 2009 is 1.46 years for PSA (2008: 2.46 years; 2007: 3.46), 9.58 years for MVO (2008: 9.99 years; 2007: n/a) and 3.16 years for SIP (2008: 4.16 years; 2007: n/a).

The fair value for the options granted during the year was determined using the Black-Scholes model with the following input assumptions at their grant date:

	2009 MVO	2008 MVO
Weighted average grant price (pence)	**79.7**	100
Expected volatility	**30%**	30%
Average expected term to exercise (months)	**36**	36
Risk-fee rate	**5.0%**	5.0%

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

The expected volatility rate has been 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, procurement 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 2009 35.1% of the sales are related to the largest customer (2008: 36.8%). The number of customers accounting for approximately 95% of the annual revenue decreased from ten in 2008 to eight in 2009. 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.

30. Risk management continued

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 2009, about €133.7 million (2008: €154.6 million) of the Group's sales was generated in Japanese Yen. Expenses of €89.0 million (2008: €92.9 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 Japanese Yen and Euros and to a lesser extent US Dollars) and also purchases in a number of currencies (mainly Japanese Yen, Euros, 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	130.404	132.213
Sterling: Euro	1.123	1.111

Hedging strategy

The Group is largely naturally hedged at an operating level because it buys a significant proportion of its raw materials in Japanese Yen and Euros, 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 large debtor book in Japan denominated in Japanese Yen and this is subjected to exchange rate fluctuation of that currency. The Group has increased its 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 2009 the Japanese Yen/Euro exchange rate decreased 3.8% (2008: increased 23.0%). The impact of this increase on the profit or loss was to decrease sales revenues by approximately 2% (2008: increase 16%) and to decrease operating profit (EBIT) by approximately 1% (2008: increase 6%).

For each 1% movement in the Japanese Yen/Euro exchange rate profits would increase/decrease by approximately €408,000 (2008: €620,000). The effect of the movement in the Japanese Yen/Euro exchange rate on assets held in Japanese Yen has been considered, although 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 2009, each 1% movement in the Japanese Yen/Euro exchange rate would have a negligible affect on the currency translation adjustment.

During 2009 the net loss on foreign currency adjustments was a loss of €8.3 million (2008: gain of €36.3 million). This loss was largely related to differences between the rate at which sales were booked and the rate on the date that the related currency was received. The remainder of the currency loss related to the conversion of currency balances in respect of Group loans, currency debtor/creditor balances and currency advance payments to feedstock suppliers. These can be broken down into the following broad categories:

	2009 million	2008 million
Revaluation of cash balances	**(2.7)**	16.9
Revaluation of Group loans	**(1.3)**	11.3
Revaluation of Group raw material deposits	**(1.9)**	—
(Debtor)/creditor revaluation	**(2.8)**	0.4
Revaluation of customer/suppliers deposits	**0.4**	7.7
Total currency (loss)/gain	**(8.3)**	36.3

In line with the Group's natural hedging, upon translation of net assets in the consolidation, there was a positive impact in 2009 of €9.5 million recording as a currency translation adjustment.

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. In the past, in Japan swaps have been used to a small extent to hedge against these risks, although these have now been eliminated. 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 vast majority of borrowings €30.3 million (almost 100%) at the end of 2009 are in Japanese Yen (2008: 99.96%). 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.

30. Risk management continued

Interest rate risk continued

On 31 December 2009 the Group had borrowings in Japanese Yen of €30.3 million (2008: €15.7 million) at an average interest rate of approximately 0.964% (2008: 1.135%). For each 1% rise in the Japanese Yen interest rates Group interest costs would increase by approximately €303,000 (2008: €157,000) and for each 1% fall in the Japanese Yen interest rates interest costs would fall by approximately €303,000 (2008: €157,000). Accordingly, Group profits and equity would fall or rise (after corporation tax in Japan) by approximately €151,000 (2008: €80,000).

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	Held for trading €'000	Loan and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2007						
Assets:						
Cash and cash equivalents	147,892	—	147,892	—	—	147,892
Accounts receivable	61,748	—	61,748	—	—	61,748
Prepaid expenses and other assets	24,458	—	3,805	—	20,653	24,458
Derivative	107	107	—	—	—	107
Other non-financial assets	52,089	—	—	—	52,089	52,089
Total	286,294	107	213,445	—	72,742	286,294
Liabilities:						
Loans payable short-term	(39,619)	—	—	(39,619)	—	(39,619)
Accounts payable trade	(21,747)	—	—	(21,747)	—	(21,747)
Accrued expenses	(3,364)	—	—	(3,364)	—	(3,364)
Provisions	(396)	—	—	—	(396)	(396)
Other current liabilities	(931)	—	—	(846)	(85)	(931)
Loans payable long-term	(7)	—	—	(7)	—	(7)
Other long-term liabilities	(1,088)	—	—	(1,088)	—	(1,088)
Other non-financial liabilities	(27,667)	—	—	—	(27,667)	(27,667)
Total	(94,819)	—	—	(66,671)	(28,148)	(94,819)
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	Held for trading €'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)

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 such other financial instruments that are traded in the standard way held by the Group.

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	
	2009 €'000	2008 €'000
Less than one year	**1,409**	1,317
Two to five years	**3,718**	4,142
Longer than five years	**386**	796
	5,513	6,255

Equipment purchase commitments

Orders to the amount of €1.1 million had been made on 31 December 2009 (2008: €9.47 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 group. 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 28 to 32.

35. Post balance sheet events

After the year end the Group was advised that the Trustee of the EBT had completed the purchase of the Company's ordinary shares of 2 pence each; on 15 January 2010 that 4,300,000 ordinary shares had been purchased at an average price of 67.2256 pence per share and; on 19 January 2010 that 700,000 had been purchased at an average price of 63.5453 pence. These purchases were made to provide the EBT with greater capacity to meet potential future conditional obligations in respect of the Group's share-based payment plans.

There are no other 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the 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 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 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 is 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.

DR PETER FINNEGAN
DIRECTOR

24 March 2010

Independent Auditor's Report
to the members of PV Crystalox Solar PLC

We have audited the parent company financial statements of PV Crystalox Solar PLC for the year ended 31 December 2009 which comprise the Parent Company Balance Sheet and notes 1 to 10. The financial reporting framework that has been applied in their preparation 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 parent company 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;
- 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;
- certain disclosures of directors' remuneration specified by law are not made; and
- 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 2009.

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

24 March 2010

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 Group/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.

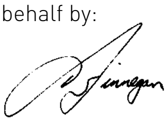
Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

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 2009

	Notes	2009 £	2008 £
Fixed assets			
Investments	1	**54,908,350**	54,908,350
Current assets			
Debtors	2	**31,655,742**	30,719,642
Cash at bank		**5,671**	5,116
Creditors: amounts falling due within one year	5	**(266,576)**	(1,768,565)
Net current assets		**31,394,837**	28,956,193
Total assets less current liability		**86,303,187**	83,864,543
Capital and reserves			
Called up equity share capital	7	**8,334,507**	8,334,507
Share premium account		**51,248,197**	51,248,197
Investment in own shares		**(3,705,000)**	(3,705,000)
Share-based payment reserve		**1,818,912**	942,336
Profit and loss account	8	**28,606,571**	27,044,503
Shareholders' funds	9	**86,303,187**	83,864,543

These financial statements were approved and authorised for issue by the directors on 24 March 2010 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 2009

1. Investments
Shares in subsidiary undertakings

	£
Cost	
At 1 January 2009	7,500,000
Share capital of PV Crystalox Solar Silicon GmbH (€25,000)	19,760
Contribution to reserves of PV Crystalox Solar Silicon GmbH (€59,975,000)	47,388,590
At 31 December 2009	**54,908,350**

At 31 December 2009 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

	Note	**2009 £**	2008 £
Amounts owed by Group undertakings		**31,623,224**	30,692,978
Other debtors		**27,203**	22,023
Prepayments and accrued income		**5,315**	4,641
Deferred taxation	3	**—**	—
		31,655,742	30,719,642

3. Deferred tax
The deferred tax included in the balance sheet is as follows:

	Note	**2009 £**	2008 £
Included in debtors	2	**—**	—

The movement in the deferred taxation account during the year was:

	2009 £	2008 £
Balance brought forward	**—**	220,433
Profit and loss account movement arising during the year	**—**	(220,433)
Balance carried forward	**—**	—

4. Employee Benefit Trust
The Company established the Employee Benefit Trust, 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.

	2009 £	2008 £
Shares held by the Employee Benefit Trust	**3,705,000**	3,705,000

5. Creditors: amounts falling due within one year

	2009 £	2008 £
Corporation tax	—	1,148,123
Other taxation and social security	27,703	121,194
Accrual for directors' bonuses	50,909	400,000
Other accruals and deferred income	187,964	99,248
	266,576	1,768,565

6. 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.

7. Share capital

	2009 £	2008 £
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

8. Profit and loss account

	2009 £	2008 £
Balance brought forward	27,044,503	(2,957,232)
Profit for the financial year	23,457,184	44,595,516
Equity dividends paid	(21,895,116)	(14,593,781)
Balance carried forward	28,606,571	27,044,503

9. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	23,457,184	44,595,516
Equity dividends paid	(21,895,116)	(14,593,781)
Share-based payment reserve	876,576	900,091
Net addition to shareholders' funds	2,438,644	30,901,826
Opening shareholders' funds	83,864,543	52,962,717
Closing shareholders' funds	86,303,187	83,864,543

10. Capital commitments

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

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Brook House
174 Milton Park
Abingdon
Oxfordshire OX14 4SE

Tel: +44(0) 1235 437 160
Fax: +44(0) 1235 437 199

www.pvcrystalox.com