PV Crystalox Solar PLC

21 October 2011

Interim Management Statement

In light of the ongoing difficult market conditions in the solar industry PV Crystalox Solar PLC ("the Group") has brought forward its Interim Management Statement to today's date. This announcement is provided in accordance with the UK Listing Authority's Disclosure and Transparency Rules, for the period from 30 June 2011 to the date of this announcement.

The anticipated recovery in PV end-market demand stimulated by lower module prices has been weaker than expected in the second half of 2011, particularly in Germany, the largest global market. Furthermore, the hitherto expected year-end rally, driven by the pull-in effect of installations in advance of the feed-in tariff cut, does not appear to be materialising.

Since our interim results statement wafer prices on the spot market have decreased by more than 20%, meaning that the overall decline since April is greater than 50%. This decline has been driven by a combination of weak demand coupled with significant over-capacity and high inventories.

Some of our customers have reduced production in response to the weak market conditions and accordingly the Group now expects full year shipment volumes to be in the range 360-390MW. This is broadly flat in comparison with the 378MW shipped the previous year but below the 400-450MW indicated at the time of our interim results on 18 August 2011.

In light of these market conditions the Board has resolved to take appropriate actions to manage the business through these difficult times and to conserve the Group's cash. In the short term the Group intends to reduce production output at its UK ingot and German wafer operations. The Board also intends to suspend production temporarily at its polysilicon facility in Bitterfeld, Germany. Regrettably these actions will lead to significant job losses in the UK and short time working in Germany. In addition the Group will continue to have discussions with its suppliers in order to reduce costs and will continue to seek further methods of achieving greater efficiencies within the Group's operations.

As a result of the lower volumes, the intense pricing pressure, and the associated inventory write-downs the Group now expects to incur an operating loss for the full year. The Group continues to review the carrying value of assets, and the result would be a significant non-cash impairment at the year-end, if market conditions persist.

The Group's cash position remains positive and the above measures have been instigated to minimise cash outflows, and the Group expects to have a healthy cash balance at the end of the year. Whilst the market conditions are currently difficult, the Board's actions are a necessary response, designed to preserve the capabilities within the business. The Group continues to believe that the medium-term outlook for solar installations remains positive and in the importance of protecting the Group's capabilities and cash for the future. The Group continues to review industry conditions on an ongoing basis.

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