

**PV Crystalox Solar PLC**  
Annual report and accounts 2017

PV Crystalox Solar is a long established supplier to the global photovoltaic industry, producing multicrystalline silicon wafers for use in solar electricity generation systems.

## Overview

- ICC arbitration final award rendered in November 2017
- Wafer shipments volumes up 28% at 146MW (2016: 114MW)
- Closure of United Kingdom manufacturing operations during H2 2017
- Look for a buyer or restructure German wafer production operations during 2018

## Strategic report

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### Shareholder information

IBC Advisers

## Revenues

**€26.4m**

2016: €56.7m

## Net cash

**€26.9m**

2016: €28.8m

## Inventories

**€3.9m**

2016: €11.2m

## Net cash (used in)/generated from operating activities

**€(1.2)m**

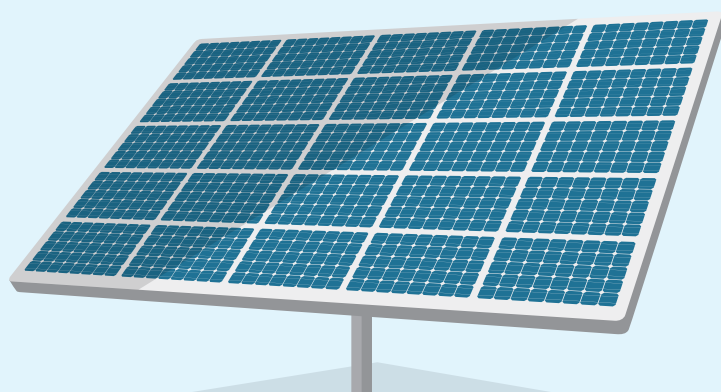
2016: €18.0m

## EBT (earnings before taxation)\*

**€12.0m**

2016: €1.7m

\* Including other income of €23.8m



Find more online at  
[www.pvcrystalox.com](http://www.pvcrystalox.com)

## Chairman's introduction



Following receipt of the funds from the arbitration award, the Group is expected to have a substantial net cash position. In the light of this the Board intends to explore options for the future of the Company in order to maximise shareholder value. These may include a cash return to shareholders, the acquisition of an existing business or a combination of these alternatives.

**John Sleeman**, Chairman

Dear Shareholder,

In view of the difficult industry environment which has persisted since 2011, the Group has been operating under a cash conservation strategy to protect shareholder value whilst preserving the Group's core production capabilities. The Board has been conducting an ongoing strategic review and in July 2017 it made the decision to close the Group's production facilities in the United Kingdom, to source blocks from a third party supplier and process these into wafers from its facility in Germany. As is explained in more detail in the Operational and Financial Review the Board has now decided to seek a buyer who would continue silicon wafering and in parallel to consult with the workers council on restructuring the wafering operations in Germany. A restructure would substantially reduce wafer production output and regrettably this would lead to significant job losses in Germany.

On 8 November 2017 the Group announced that it had received notification of the final award rendered by the International Court of Arbitration of the International Chamber of Commerce ("Court of Arbitration") in the matter filed by the Group in March 2015 and arising from an outstanding long-term wafer supply contract with one of the world's leading PV companies.

The award requires the customer, who has failed to purchase wafers in line with its contractual obligations, to pay the amount of around €36 million including interest to the Group as at 31 December 2017. Once payment has been made the customer has the right to receive the outstanding 22.9 million wafers. After taking account of the cost of supplying the wafers, at 31 December 2017, the Group expected a minimum net income of €20.5 million. On 13 March 2018 the Group was informed, by the Court of Arbitration, that the customer's request for correction had been disallowed meaning that the expected minimum net income is increased by €3.1 million. This will be recognised in the results for the year ended 31 December 2018.

Wafer sales volumes in 2017 of 146MW were 28% higher than the 114W achieved in 2016 but we traded significantly less polysilicon volumes than in 2016. Total revenues of €26.4 million were 54% lower than in the prior year. As a result of recognising €20.5 million in relation to the arbitration award we achieved a profit before tax of €12.0 million. Net cash of €26.9 million at the end of the period was €1.9 million lower than at the beginning of the year, but does not include any settlement from the arbitration award.

The closure of our United Kingdom production operations has resulted in a significant reduction in our staff numbers there. Of the 44 staff employed there when the closure was announced 37 left during 2017 and the remaining 7 employees will leave during H1 2018. Our employees have been vital to the Group's ability to pursue the cash conservation strategy since 2011 and I would like to thank all of them for their commitment and contribution during these challenging times.

The Board remains committed to maintaining governance at their historic levels to ensure that the right people, systems and processes are in place to manage risk and to deliver the Group's agreed strategy. These governance levels are above those required for a company with a standard listing. The Board has again reported against the Quoted Companies Alliance Corporate Governance Code and our internal review found that the Board is operating effectively. I have now been a member of the Board and its committees for ten years and in the normal course of events I would have stood down after serving for nine years and a new non-executive director would have been appointed. The Board believes that given the current circumstances the most appropriate course of action is that I should remain in office. All directors will retire at the 2018 AGM and will offer themselves for re-election. Full details of our governance activities can be found in the Corporate Governance section of the Annual Report.

Following receipt of the funds from the arbitration award mentioned above, the Group is expected to have a substantial net cash position. In the light of this the Board intends to explore options for the future of the Company in order to maximise shareholder value. These may include a cash return to shareholders, the acquisition of an existing business or a combination of these alternatives.

**John Sleeman**  
Chairman  
14 March 2018



After seven years the Board has concluded that there is no real prospect of any change in market conditions which might permit a return to profitability for the Group's wafering operation without further investment.

Iain Dorrity, Chief Executive Officer

### Operational review of 2017

#### Market environment

Market prices continued to decline across all sectors of the PV value chain (except polysilicon) during 2017 although there was a modest and short lived price recovery during a four month period from April to August 2017. Multicrystalline wafer prices remained under acute pressure and fell by around 15%. The impact on wafer manufacturers has been exacerbated by a corresponding increase in polysilicon prices during the period and into 2018 when prices peaked at close to a three-year high in January 2018. Prices essentially remained decoupled from production costs due to industry overcapacity in China which continued to consolidate its dominant position both in manufacturing and end market demand. According to data released by the China PV Industry Association, China accounted for 71% of global PV module production and 68% of solar cells in 2017. The country's position in wafer production was even stronger with a market share of 83% while for polysilicon it was 56%.

#### Group operations in 2017

##### Wafers

Group wafer shipments totalled 146MW in 2017 an increase of 28% on the 114MW shipped in 2016 and were broadly in line with production volumes. A minor increase in wafer dimensions from 156mm to 156.75mm was carried out during Q1 2017 in line with a change in the industry standard. All 156mm inventory was sold during the year and wafers in inventory at the year end are 156.75mm. As in the previous year, the vast majority of the Group's wafers were used in modules for the French PV market where the low carbon footprint obtained by wafering in Germany was beneficial. This special market supported demand but only provided limited insulation from the pricing pressure which was ravaging the PV industry.

France had a cumulative installed PV capacity of around 7.4GW in June 2017 and has set an

ambitious growth target to reach 20GW by the end of 2023. The French government has an ongoing solar energy tender program of 2.5GW per year and the Energy Regulatory Commission requires an official carbon footprint assessment of all modules to be eligible for the auctions. The carbon footprint is the second most important factor taken into consideration after price.

#### Ingot and block production

In March 2017 the Group announced the termination of multicrystalline silicon ingot production in the United Kingdom. It was intended that once these ingot production facilities had been closed that the Group would instead source ingots from external sources. After the announcement the Group continued to produce some of its own ingots and purchased the balance of the required ingots all of which were processed into blocks in the United Kingdom. These blocks were then processed into wafers in our German facility.

The Group advised in July 2017 the closure of all United Kingdom manufacturing operations in order to better align production costs with market prices and further reduce overheads. In addition to the closure of ingot production facilities the Group proposed ceasing block production in the United Kingdom and instead source blocks from an external supplier. Following a consultation process with its United Kingdom workers all production, both ingot and block, ceased at the end of August 2017.

By purchasing blocks directly from an external supplier the Group's intention was to maintain its operational wafer production capabilities in Germany and continue its focus on the niche low carbon footprint wafer market where it has some competitive advantage.

Since August 2017, work in the United Kingdom has focused on clearing the production facilities and the former head office and returning the buildings to the landlord. The programme is now close to a successful conclusion following

the surrender of two leases at the end of 2017 and a further lease at the end of January 2018. Advanced negotiations are ongoing for an agreement to vacate and to terminate the lease on the remaining building on 31 March 2018.

#### Polysilicon contracts and polysilicon revenue

The Group is no longer burdened with purchase obligations under long-term polysilicon contracts following the settlement of the last outstanding contract in September 2016. The legacy of the polysilicon contracts was a significant build up of raw material inventory at the end of 2015 due to annual purchase volumes being considerably in excess of production requirements together with a slowdown in the polysilicon market during 2015. The Group was able to achieve a significant reduction in inventory level by trading surplus volumes in 2016. This trading continued in 2017 albeit at a lower level and outstanding polysilicon inventory was successfully eliminated during Q4 2017.

#### Wafer supply contracts

The Group has a significant outstanding long-term sales contract with one of the world's leading PV companies which has failed to purchase wafers in line with its obligations since 2013. The supply contract was signed in 2008 and related to wafer shipments over a seven-year period with prices which reflected market prices at that time and which are considerably above current levels. Despite extensive negotiations it has not been possible to reach a mutually acceptable agreement and a request for arbitration was filed in March 2015 with the International Court of Arbitration of the International Chamber of Commerce. Subsequently in an attempt to find an amicable solution both parties agreed to follow a mediation process led by an external mediator during December 2016 but without success.

The evidentiary hearing of the arbitral tribunal eventually took place in Frankfurt in late March 2017 and the final award rendered by the International Court of Arbitration of the

## Our business

### Experts in multicrystalline silicon wafers

PV Crystalox Solar continues to contribute to making solar power cost competitive with conventional hydrocarbon power generation and, as such, continues to seek to drive down the cost of production whilst increasing solar cell efficiency.

We are the only remaining pure play wafer manufacturer in Europe and are able to take advantage of any EU specific manufacturing incentives. The Group has focused on the French niche low carbon footprint wafer market, where it has some competitive advantage. The Group exports the vast majority of its wafers to customers around the world.

#### Our production process until August 2017: ▼ Our production process since August 2017:

#### 1 Ingot production



Multicrystalline silicon ingots are directionally solidified, under carefully controlled conditions, from molten, high-purity polysilicon, in production systems designed. These were manufactured internally at the Group's facilities at Crystalox Limited, in the United Kingdom until August 2017.

This is carried out by our external supplier.

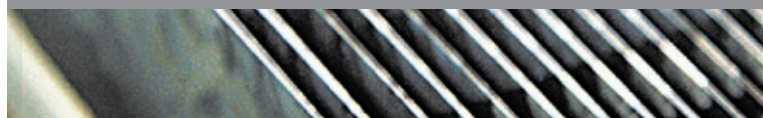
#### 2 Block production



The sectioning of ingots into blocks was carried out at the Group's facilities at Crystalox Limited, in the United Kingdom, until August 2017. Quality control checks were carried out throughout ingot and block production, resulting in consistent, high performance multicrystalline wafers.

This is carried out by our external supplier and the blocks are delivered to our wafering production facility in Germany.

#### 3 Wafer production



Wafering of the blocks takes place using wiresaws at the Group's facility at PV Crystalox Solar Silicon GmbH, in Erfurt, Germany. Wafers are manufactured to meet the highest standards and we work with our customers to increase product quality.

### Delivering to customers worldwide

PV Crystalox Solar supplies multicrystalline silicon wafers to PV companies and also generates revenues through the sale of polysilicon.

We collaborate closely with customers to ensure standards are maintained and that any technological developments are passed on quickly.

International Chamber of Commerce was received on 8 November 2017. The award requires the customer, to pay the amount of around €36 million including interest to the Group. Once payment has been made the customer has the right to receive the outstanding 22.9 million wafers.

No payment has yet been made to the Group despite interest continuing to accrue at a rate of around €180,000 per month. Negotiations have taken place in recent weeks without success as yet to explore whether any agreement could be reached to eliminate the wafer deliveries together with a corresponding reduction in the payment.

As reported previously a partial resolution of the other outstanding wafer supply contract, with a customer which entered insolvency and where shipments stopped in 2012, has been achieved. Claims had been registered with the administrator and an interim settlement of €0.96 million was received during H1 2016. The expected final payment has been increased from €0.375 million to €0.562 million following approval from the insolvency court although the timing remains uncertain.

#### Financial review

In 2017 Group revenues decreased by 53.5% to €26.4 million (2016: €56.7 million). Despite the volume of wafer shipments increasing by 28% the decrease in revenues was mainly due to a decline in sales of excess polysilicon feedstock when compared to 2016.

During 2017 the Group recognised other income of €23.8 million, which was €18.4 million higher than in 2016. €21.8 million of this income was in relation to customer compensations including €20.5 million for the final arbitration award. It should be noted that the Group expects to recognise further income for the arbitration award in 2018 once a final agreement has been reached with the customer over the outstanding wafer obligations.





The Board has concluded that it should seek a buyer who would be willing to develop the silicon wafering operation. In parallel, consultations will take place with the workers' council in Germany to explore the merits of significantly restructuring the operation to focus on the cutting of non-silicon materials such as glass and quartz together with a continued focus on research and development activities.

#### Group operations in 2017 *continued*

##### Financial review *continued*

The positive gross margin in the year was €1.7 million whereas in 2016 there was a gross margin of €8.1 million. Two factors contributed to the positive margin in 2016: sales of excess polysilicon inventory at prices above the 2015 year-end valuation as a result of the rebound in polysilicon spot prices during H1 2016 and stronger wafer sales prices during that period.

Personnel expenses of €8.2 million (2016: €7.6 million) were 8.1% higher than those in 2016 due to termination payments in relation to the closure of United Kingdom production operations partly offset by lower employee numbers there.

Other expenses at €4.7 million were €3.2 million lower than in 2016 mainly due to the €4.3 million cost of cancelling the polysilicon purchase contract, where the Group forfeited a significant portion of its outstanding prepayment in 2016. Partly offsetting this were higher legal costs in 2017 due to pursuing the arbitration award.

The Group's annual depreciation and impairment charge in 2017 at €0.7 million was €0.5 million higher than in 2016 due to an impairment charge of €0.5 million which was recognised following a review of the recoverable value of certain assets. It should be noted that the Group's remaining plant and equipment, was largely written down between 2011 and 2013.

There was a negligible currency gain in 2017 compared to a much larger gain of €3.9 million in 2016. Approximately two thirds of the 2016 gain related to the retranslation of the polysilicon contract deposit, whilst the remainder of the gain mostly related to revaluing foreign currency cash balances held in the UK.

Overall the Group generated a profit before taxes of €12.0 million (2016: profit of €1.7 million). The €10.3 million increase compared to 2016 was driven largely by increases in other income of €18.4 million and reductions in other expenses of €3.2 million. Offsetting this was a €6.4 million reduction in gross margin and €3.9 million in currency gains together with increases in personnel costs (€0.6 million) and depreciation and impairment (€0.5 million).

The Group's cash position at the year end of €26.9 million was €1.9 million lower than the net position of €28.8 million at the start of the year. Net cash outflows of €1.2 million used in operating activities and negative foreign exchange rate changes on cash of €1.0 million were partially offset by €0.3 million of net cash generated from investing activities.

Inventories decreased during the year by €7.3 million from €11.2 million at the end of 2016 to €3.9 million at the end of 2017. Raw materials inventory decreased by €3.6 million compared to 2016. Finished product decreased by €1.5 million as wafer inventory decreased. Work in progress was no longer recognised following the closure of United Kingdom production operations and consequently decreased by €2.1 million. Previously work in progress included ingots and blocks processed at Crystalox Limited.

##### Going concern

The Group's directors are required to make an assessment as to whether it is appropriate to prepare the financial statements on a going concern basis by considering the Group's ability and intention to continue in business.

The Group have been operating a cash conservation strategy to maximise cash held and to enable the Group to manage its operations whilst market conditions remain difficult. A description of the market conditions and the Group's plans to conserve cash is included in the Strategic Report.

On 31 December 2017 there was a net cash balance of €26.9 million, and a cash inflow of at least €20.5 million expected from the arbitration award. As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. The directors, after careful consideration and after making appropriate enquiries, are of the opinion that the levels of net cash outflows remain low such that the Group has sufficient cash to continue in operational existence for at least twelve months from the date of approval of the financial statements, in March 2019.

The Group intends to continuing wafering operations at close to capacity during H1 2018 and has announced in these financial statements an intention to sell or restructure the wafering operation at PV Crystalox Solar Silicon GmbH, in Germany. Under the restructuring option the Group will focus on the cutting of non-silicon materials together with a continued focus on research and development activities.

## KPIs

Wafer shipments

**146MW**

2016: 114MW

Revenue from operations

**€26.4m**

2016: €56.7m

EBT

**€12.0m**

2016: €1.7m

Net cash (used in)/generated from operating activities

**€(1.2)m**

2016: €18.0m

As a result of this assessment the directors have concluded that the Group has the ability and the intention to continue in business. It should be noted that whilst the Group and PV Crystalox Solar Silicon GmbH have been prepared on a going concern basis the operations at Crystalox Limited have not following the announcement on 13 July 2017 that Group intended to cease United Kingdom manufacturing operations in H2 2017.

### Strategy

The Group has been operating in cash conservation mode since 2011 when the PV industry was first impacted by Chinese manufacturing overcapacity and pricing collapsed. During the intervening years the Group has progressively restructured and pursued cost reduction programmes while attempting to maintain key operational capabilities in the expectation that market supply and demand might come into equilibrium and pricing environment become more rational. In addition it has been successful in managing its working capital especially by reducing inventory.

Regrettably no improvement in market conditions has materialised during the intervening seven years. Despite claims of unfair trade practices and anti-dumping investigations in Europe and USA, Chinese players in the PV industry have become totally dominant and the market environment transformed. PV manufacturing in Europe has been virtually eliminated while PV installations in Europe which accounted for around 75% of global demand in 2011 now account for less than 10%. At the same time PV installations in China have grown at an extraordinary rate such that China has been the largest global market since 2013 and accounted for around 50%

of global demand in 2017. It is worth noting that China installed around 50GW in 2017 which exceeded the total global demand in 2014.

After seven years the Board has concluded that there is no real prospect of any change in market conditions which might permit a return to profitability for the Group's wafering operation without further investment. Currently the Group uses slurry wafering technology which has been the dominant technology for multicrystalline wafer production for many years. Fixed abrasive wafering ("FAW") using diamond wire where the abrasive grains are fixed to the wire, offers significant cost reductions through reduced silicon consumption. The technology has been successfully adopted for monocrystalline wafering in recent years and is now being extensively applied to multicrystalline wafer production in China.

Investment in new diamond wire saws should thus improve the Group's competitive position and also enable diversification into production of monocrystalline wafers. However with little prospect of any relaxation in the extreme pricing pressure from Chinese companies the Board does not believe such investment is in shareholders' interests. Instead the Board has concluded that it should instead seek a buyer who would be willing to develop the silicon wafering operation. In parallel, consultations will take place with the workers' council in Germany to explore the merits of significantly restructuring the operation to focus on the cutting of non-silicon materials such as glass and quartz together with a continued focus on research and development activities. The Group has been developing capabilities in cutting of non-silicon materials during the last twelve months and sees interesting opportunities for

growth albeit on a smaller scale than silicon wafering but importantly without the intense price competition.

### Outlook

During the first half of the year our focus will be on completing the clearing of UK facilities and resolving the future of our German wafering facility. Wafering is expected to terminate at the end of June but in the meantime we will decide on two possible alternative options: either finding a buyer for the operation or significantly restructuring to focus on cutting of non-silicon materials.

The Group expects soon to reach an understanding with the customer regarding the arbitration award and will have a substantial cash position following receipt of the funds. As a consequence the Board will explore options for the future which might include return of cash to shareholders or the acquisition of an existing business.



**Iain Dorrity**  
Chief Executive Officer  
14 March 2018

Net cash

**€26.9m**

2016: €28.8m

Inventories

**€3.9m**

2016: €11.2m


Basic profit per share

**€0.069**

2016: €0.011

# Annual worldwide PV installations surpassed the 100GW mark in 2017 for the first time.

2018 could be a challenging year.

 Our key operating locations

## United States

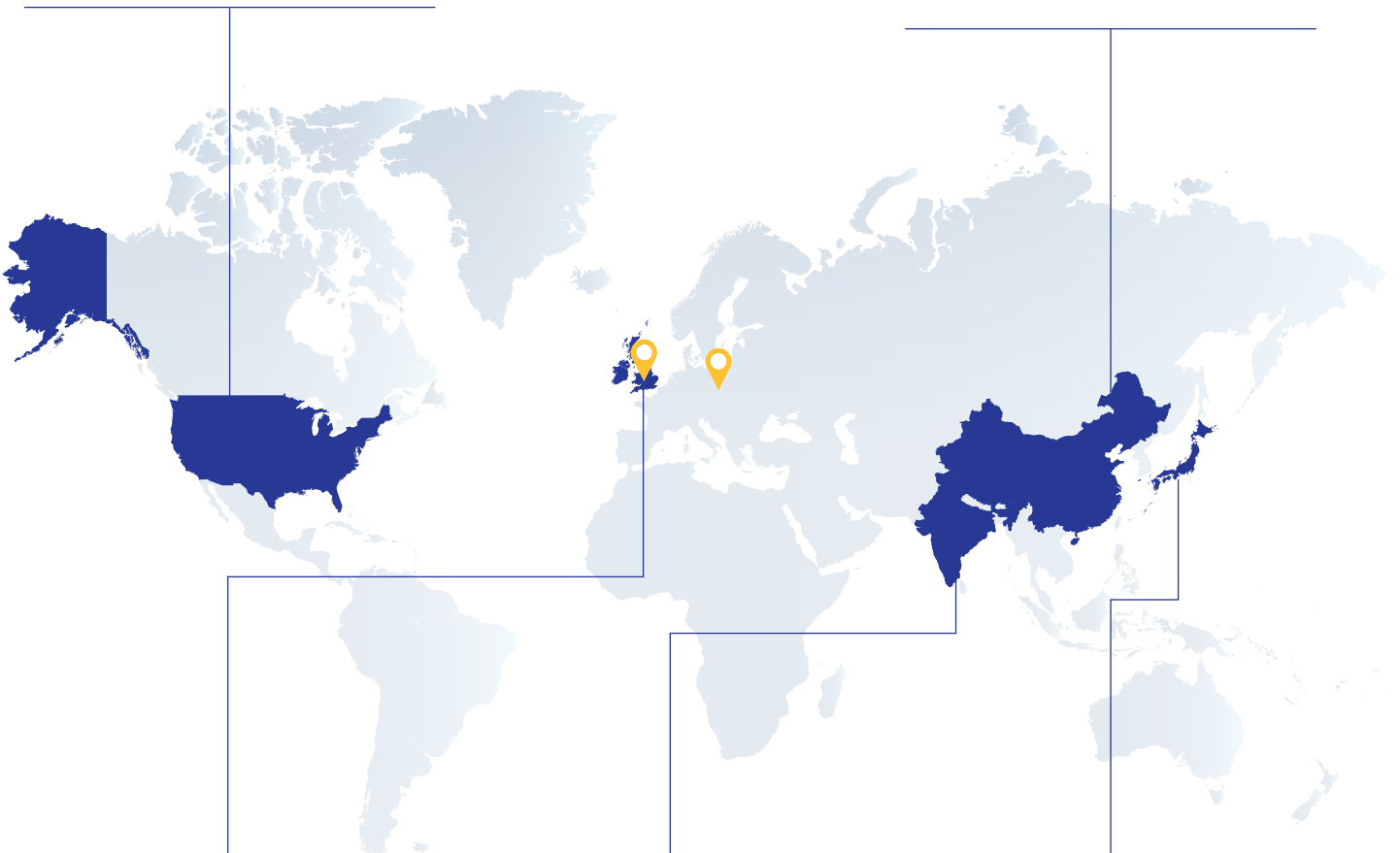
14GW

- Second largest global market in 2016
- 25GW of cumulative installations

## China

34GW

- Largest global market in 2016
- 77GW of cumulative installations, the world's largest



## United Kingdom

2GW

- Largest market in Europe for the third year running
- 11.5GW of cumulative installations

## India

4.5GW

- 10GW of cumulative installations
- Likely to overtake Japan to become third largest market in 2017

## Japan

9GW

- Third largest global market in 2016
- 45GW of cumulative installations by the end of 2016



## Markets

Annual worldwide PV installations surpassed the 100GW mark in 2017 for the first time, largely due to explosive deployment in China, where yearly investment reached a new record. The USA market came in second, with about 12GW according to market analysts Energy Trend, with India overtaking Japan to become the third largest market.

Global deployment rose by 26% year on year in 2017, following a 42.5% year-on-year jump in 2016. The Asia-Pacific region accounted for about 72% of the global PV market last year, primarily due to the ongoing expansion of the Chinese market.

Energy Trend estimates that global solar installations reached 108GW in 2017 and expects little growth in 2018. Its prediction is broadly in line with other recent forecasts for 2018.

### China

2017 was an outstanding year for China's solar industry. The country added an astounding 53.1GW in solar installations which represents a 54% increase on the 34.5GW installed in 2016. According to the latest report released by Asia Europe Clean Energy (Solar) Advisory ("AECEA"), China's cumulative installed capacity had reached 130GW at the end of 2017 and this is expected almost double to 250GW by the end of 2020.

China added a total of 133 GW of power generation capacity in 2017 with solar dominating the energy mix. The 53.1GW of solar added was more than 46.8GW of conventional thermal generating capacity.

### United States

The United States installed 4GW in Q4 2017, its second largest quarterly level according to the latest estimates from GTM Research. This brought 2017 installations to 11.8GW, a 22% decline on 2016 levels which were boosted by a spike in installations from projects scheduled to come online before the expected drop-down of the Investment Tax Credit ("ITC").

GTM Research estimates that cumulative installations reached 54.5GW at the end of 2017 and expects that even with the expected 11% decline in installations over the next four years the United States will install more than 10GW annually through 2022, and reach 115GW in 2022.

### India

According to market analysts Mercom, PV was the fastest growing energy generation source in India in 2017, with 9.6GW installed more than twice the 4.3GW installed in 2016. PV accounted for over 45% of all new power generation capacity whereas coal only accounted for 19%.

Large-scale solar projects accounted for the major share of installations, at around 90%, with the remaining 1GW coming from rooftop solar.

India's cumulative installations reached almost 20GW by the end of 2017. Meanwhile, Mercom finds that approximately 10.6 GW of large-scale solar projects were under construction, and another 4.3 GW of tenders pending auction. Despite last year's record growth, Mercom predicts a decline to 7.5GW in 2018 due to higher module prices and a smaller project pipeline.

### Japan

Japan installed 7GW in 2017 despite government efforts to cancel approvals for projects that were registered under the country's old feed-in tariff ("FIT") program. According to Tokyo based consultants RTS, Japan's Ministry of Economy, Trade and Industry ("METI") has revoked FIT approvals for 260,000 solar projects, totalling 14.6GW of capacity, out of 84.5GW of projects that had been approved under Japan's old FIT scheme. However, about 30GW of PV capacity approved for development under the old program is still waiting to be commissioned.

Japan's cumulative installed solar capacity had reached just below 50GW at the end of 2017 and with 7-8GW expected to be added in 2018, the country appears on track to hit its 2030 solar installation target of 64 GW by as early as 2020.

## International trade disputes

The Chinese Ministry of Commerce ("MOFCOM") imposed duties on polysilicon imported from South Korea and the United States in July 2013, after launching an investigation into alleged anti-dumping of the raw material by US and South Korean producers in the prior year. At the time, MOFCOM set import duties ranging from 2.4% to 48.7% for Korean producers, while US manufacturers were handed duties ranging from 53.3% to 57%, depending on the dumping margin. Following a twelve-month review MOFCOM increased the duties in November 2017 on Korean imports with 4.4% being applied to the largest supplier and a range of levies of up to 113.8% for the other companies. China had spared European polysilicon producers (namely Germany), after Beijing and Berlin reached an agreement on the matter in July 2013.

The EU first imposed trade defence measures on solar cells and solar panels from mainland China in December 2013. The measures were a combination of tariffs (anti-dumping duties ranging from 27.3% to 64.9% and countervailing duties ranging from 0% to 11.5%), and a minimum import price ("MIP"). The European Commission ("EC") accepted a price undertaking,

whereby certain exporting producers from mainland China agreed to sell their solar cells and solar panels to EU customers at a price at or above an MIP. In return for doing so, the anti-dumping and countervailing duties were not levied on their imports into the EU. The trade defence measures were initially imposed for a period of two years and later extended for a period of 18 months in March 2017. As a result, the trade defence measures are now set to expire in September 2018.

In September 2017 the EC introduced a program of progressive quarterly reductions in the MIP from October 2017 which will result in a decline of 20% in the module MIP by July 2018. The decision to reduce and amend the MIP was reached after a vote of the EU Member States' trade representatives on 7 September 2017. While the Commission's proposal was opposed by 13 Member States and actively supported by only one Member State, the remaining 14 Member States abstained. Due to the fact that abstaining votes count as positive in this procedure, the vote failed to block the Commission's proposal, despite resistance from numerous Member States.

The USA has maintained duties on imports of PV modules from China for several years. The first of two anti-dumping and anti-subsidy cases against China was filed in November 2011 and subsequently led to the imposition of steep tariffs on Chinese cells. This led to a widespread use of Taiwanese PV cells, and another complaint was filed in November 2011 against both Chinese cells and modules and Taiwanese cells, which led to more tariffs being imposed. As in Europe the effectiveness of duties was much reduced as many Chinese manufacturers set up manufacturing capacity in South East Asia in an effort to avoid these tariffs altogether.

However, following an US International Trade Commission (ITC) enquiry, President Trump announced in January 2018 that imports of cells and modules from all countries will now face a tariff of 30%. The rate will decline by 5% in each of the three subsequent years and the first 2.5GW of cell imports will be exempt for the four-year duration of the tariffs. The ITC enquiry followed a complaint filed in April 2017 under Section 201 of the Trade Act of 1974 by Suniva, a Georgia-based manufacturer that went into bankruptcy. Suniva had argued that it and other US manufacturers had suffered serious injury because of a surge in imports. The complaint was subsequently supported by Solarworld, a German company with US manufacturing operations, which went into bankruptcy in May.



## Effectively managing the risks the Group faces

During 2017 ingot and block production operations in the United Kingdom were closed. Wafering operations will continue at close to capacity during H1 2018 and will then be sold or restructured. Under the restructuring option the Group will then focus on research and development activities and non-silicon wafering whilst retaining limited silicon wafering capabilities.

The key risks to which the Group is exposed are described below.

The Group might be affected by a number of risks, which may have a material adverse effect on our reputation, operations and/or financial performance. The risks associated with the Group's financial instruments are detailed in note 25 in the Notes to the Consolidated Financial Statements.

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

| Principal risks   | Nature of risk   | Risk status   | Mitigating actions  |
|---|--|---|---|
| <b>Price of wafers on the spot market falls below cash cost of production</b>               | Currently the spot market price marginally exceeds the Group's cash cost of wafer production (excluding labour) but does not allow full recovery of overheads. Should the spot price of polysilicon increase more than the wafer price the Group may be unable to recover the cash cost of production. |  | <ul style="list-style-type: none"> <li>• Focus on producing low carbon wafers for the French PV market which can be sold at a premium to spot price.</li> <li>• Lowering production costs.</li> <li>• Reduction in ingot production output and purchase of ingots from external supplier.</li> <li>• Continuing cash conservation measures.</li> <li>• Maintaining a strong balance sheet which gives the Group the strength to weather the ongoing price squeeze.</li> </ul> |
| <b>Loss of a key production facility could disrupt our ability to deliver wafer volumes</b> | Following the closure of the ingot production and block production operations in the United Kingdom the Group only has operations at the wafering stage. The loss of that facility would impact the Group's ability to manufacture wafers.   |  | <ul style="list-style-type: none"> <li>• We have health and safety, fire prevention and security procedures in place at all facilities.</li> <li>• We have comprehensive property damage and business interruption insurance in place.</li> </ul>   |

### Risk status






Increase in risk level



No change in risk level



Decrease in risk level

| Principal risks                            | Nature of risk   | Risk status   | Mitigating actions  |
|--|--|---|---|
| <b>Our reliance on other key suppliers</b> | The Group is solely reliant on certain key suppliers for some goods and services. Should any of these key suppliers cease supply it might impact the Group's ability to meet production targets.   |    | <ul style="list-style-type: none"> <li>• We have long-term relationships which help protect our access to goods and services provided by our key suppliers.</li> <li>• We look to develop relationships with alternative suppliers such that we could obtain those goods and services, if required.</li> </ul>  |
| <b>Shrinking customer base</b>             | With many companies exiting the PV industry either voluntarily or through insolvency and the increasing dominance of Chinese players the accessible customer base is getting smaller. The Group is dependent on a small number of customers for its sales 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. |  | <ul style="list-style-type: none"> <li>• As a result of our focus on low carbon footprint wafers where possible we concentrate on customers who target the French PV market.</li> <li>• We work in partnership with our customers to ensure that the quality, specifications and efficiency of our wafers are suitable for their current and future needs.</li> </ul>   |
| <b>Foreign exchange exposure</b>           | The majority of sales are invoiced in Euros whilst the purchase of blocks is in US Dollars and other costs are in Euros and Sterling. Significant changes in exchange rates could impact the Group's income statement.   |  | <ul style="list-style-type: none"> <li>• Sales of wafers are negotiated on a monthly basis, with the prices determined by reference to the spot price for wafers, which is quoted in US Dollars.</li> <li>• Blocks are purchased in US Dollars with prices determined on a monthly basis with process influenced by the spot price for polysilicon.</li> <li>• The use of spot prices to guide negotiations and the monthly negotiation mitigates the foreign exchange exposure.</li> </ul> |



## It is Group policy to foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers.

### The environment

#### Our product

The Group is a producer of multicrystalline silicon wafers for the production of solar cells. These cells are processed into solar systems used for the generation of renewable electricity with a lifetime in excess of 25 years, providing electricity for a known starting cost and with minimal maintenance. Depending on the system's location, it has been estimated that the total energy used in the production of a silicon solar system will be recovered within a period of two to three years.

#### Our processes

It is the Group's policy to:

- seek to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of all business interests while continuing to produce high quality products which meet customer requirements;
- comply with all statutory environmental legislation as a minimum, and aim to improve upon the standards set by the local regulatory authorities; and
- foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

#### Waste and recycling

The Group has effective environmental management and health and safety systems in place, in support of, and to complement, its quality assurance systems. 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 this treatment requirement is to reduce the impact of waste sent to landfill and to increase the amount of waste that is recycled.

### Environmental management systems

We recognise the need to establish, formalise and apply an environmental management system at each of our manufacturing sites. Therefore, in order to enhance further its already effective environmental and health and safety management systems:

- Crystalox in the United Kingdom continued on its programme to achieve environment and health and safety accreditations during 2017 until manufacturing operations ceased at the end of August 2017; and
- the site in Erfurt, Germany, has been carrying out an environmental audit for more than ten years, focusing on the consumption of water, electricity and on the emission of waste materials.

These high standards complement and consolidate Crystalox and the Erfurt operation's EN ISO 9001 status; further fulfilling our responsibility to the environment and health and safety.

#### Our staff

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 skills and effectiveness of its employees and is committed to the fair and equitable treatment of all and to prohibit discrimination on the grounds of age, gender, religion, sexual orientation, race, nationality or ethnic origin.

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.

The Group communicates its performance to its employees following the release of the preliminary and interim results each year. In Germany there is a workers' council and in the United Kingdom there is an employee forum at which factors affecting workers' employment is discussed.

#### Training and health and safety

The Group recognises that a key factor in its successful operations is its personnel. At all sites management's top priority has been to provide a safe and secure work environment for all. 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 for occupation specific training. During 2017 fire safety awareness training was undertaken by selected staff at each site as well as first aid training and manual handling training.

A voluntary health management programme was run for all staff in Erfurt in 2017.

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

### Gender diversity

The following table sets out a breakdown by gender showing at 31 December 2017 (i) the number of persons who were directors of the Company; (ii) the number of persons who were senior managers of the Group [other than persons falling within sub-paragraph (i)]; and (iii) the number of persons who were employees of the Group.

|                 | Number of men | %      | Number of women | %     |
|-----------------|---------------|--------|-----------------|-------|
| Directors       | 3             | 100.0% | 0               | 0%    |
| Senior managers | 5             | 100.0% | 0               | 0%    |
| Other employees | 56            | 60.9%  | 36              | 39.1% |

In Germany, the Group has been running an apprenticeship programme for a number of years and in the UK we enrolled our first apprentice during 2014. Currently, there are eight young people in Erfurt enrolled in technical and administrative jobs. The intention of the programme was that after a three-year period these apprentices would have the chance to become permanent members of staff. For some of the apprentices the programme enables them to continue with their studies to obtain a degree in engineering.

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

In the United Kingdom health and safety management was supported by the appointment of health and safety representatives from key departments as well as the Health and Safety Steering Committee which met at monthly intervals throughout the year, until the cessation of manufacturing activities, to monitor performance and promote a safe working environment within the business. In Erfurt five safety representatives are appointed onto the Health and Safety Committee which met for four quarterly meetings in 2017.

#### Human rights

We confirm our commitment to the human rights of our employees across all of our businesses.

We will include a statement concerning slavery and human trafficking on our website, [www.pvcristalox.com](http://www.pvcristalox.com), as is required by the Modern Slavery Act.

### PV Crystalox Solar greenhouse gas emissions

#### Greenhouse gas (GHG) emissions

This greenhouse gas ("GHG") emissions report is in line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

The Group's emissions have been calculated based on the UK Government's Environmental Reporting Guidance. Emissions reported correspond with our financial year. We are reporting the direct emissions from combustion of fuel in PV Crystalox Solar facilities (Scope 1) and indirect emissions resulting from electricity purchased by PV Crystalox Solar (Scope 2). These emissions cover the operation of ingot production, block production and head office activities in the UK and the wafer production activities in Germany.

Emissions are predominantly from gas and oil combustion and electricity use at our manufacturing facilities. We have used conversion factors provided in the "UK Government conversion factors for company reporting" for UK emissions and have taken into account the local electricity mix for the conversion factor for our German operations.

We have used tonnes of CO<sub>2</sub> per MW of wafer shipments as an intensity measurement.

|   | 2017 (tonnes CO <sub>2</sub> equivalent) | 2016 (tonnes CO <sub>2</sub> equivalent) |
|---|--|--|
| Scope 1   |  |  |
| Direct emissions from combustion of fuel in PV Crystalox Solar PLC Group facilities | 194                                      | 234                                      |
| Scope 2   |  |  |
| Indirect emissions resulting from electricity purchased by PV Crystalox Solar       | 5,365                                    | 10,384                                   |
| Scope 1 and Scope 2   | 5,559                                    | 10,618                                   |
| Intensity measurement   |  |  |
| Tonnes CO <sub>2</sub> /MW of wafer shipments*                                      | 38.1                                     | 92.3                                     |

\* It should also be noted that using the revenue figure from the financial statements would include sales of surplus polysilicon in addition to wafer shipments. The management team will continue to monitor and review the appropriateness of the intensity ratio.

#### Directors approval statement

This Strategic Report as set out on pages 1 to 11 has been reviewed and approved by the Board of Directors, and signed on its behalf by:



**Iain Dorrity**  
Chief Executive Officer  
14 March 2018



## The Company is fully compliant with the governance requirements of the QCA Code.

**John Sleeman**, Chairman



Dear Shareholder,

The Board is mindful of its responsibilities to the Company's shareholders and key stakeholders to ensure the Company has the right people, systems and processes in place to manage risk and deliver the Group's agreed strategy. As Chairman, I am responsible for ensuring that the Board operates effectively with well-informed directors asking the right questions and setting the right tone from the top.

This Corporate Governance Statement describes our approach to governance and highlights a number of the actions we have taken during the year.

### **Governance code and compliance**

Since October 2013 the Company has been a standard listed company on the Official List. As a standard listed company the governance levels are lower than those that apply to premium listed companies. When the Company moved to the standard list I declared, in the change of listing circular, "Your Board does not intend to implement any reduction in the standards of reporting and corporate governance which the Company currently maintains."

Following discussions with its advisers, the Board determined that, whilst the Group continues to undertake the same governance activities as in prior years, it would report against the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies 2013 ("QCA Code") and has done so since 2016.

The Company is fully compliant with the governance requirements of the QCA Code.

### **Board balance and independence**

The QCA Code guidance on independence states that it is important for an effective board to foster an attitude of independence of character and judgement. A company should have at least two independent non-executive directors. Small and mid-size quoted companies may find it difficult to meet the 2012 and 2014 United Kingdom Corporate Governance Code (the "Code") requirement of independence and therefore, for those companies, the chairman may count as one of the independent directors, provided he was independent at the time of appointment.

The Nomination Committee found, and the Board agreed, that I demonstrate independence of character and judgement and as a result it is still in the best interest of the Company that I remain on the Board and the Committees.

Throughout the year the Board had two independent non-executive directors and one executive director. The Board believes, given the current circumstances, that this composition is the most appropriate for the time being. Further details are set out on page 13.

### **The Chairman's length of service**

The tenth anniversary of my appointment to the Board occurred in June 2017 during the 2017 financial year. The terms of reference of the Audit, Nomination and Remuneration Committees permit appointments to the respective Committees for nine years (i.e. three periods of three years). In the normal course of events I would have stood down from those Committees in June 2016 and a new non-executive director would have been appointed. The Board believes that given the current circumstances the most appropriate course of action is that I should remain on those Committees.

### **Performance evaluation**

Due to the current scale of operation and the cash conservation strategy, the Board agreed to carry out an internal review. I led this review supported by the Group Secretary. The review found that the Board is operating effectively.

The performance of the individual directors was evaluated and my performance was evaluated by the Senior Independent Director and the Chief Executive Officer.

The performance of the Board, its Committees, the individual directors and the Chairman were all found to be effective. Further details are set out on page 13.

**John Sleeman**  
Chairman  
14 March 2018



## Corporate governance statement

### Compliance

The Board appreciates the benefits of strong corporate governance, which helps to protect long-term shareholder value and maintain a flexible, efficient and effective management framework within an entrepreneurial environment. The QCA Code permits the Chairman to be treated as independent provided that he was independent at the time of appointment. As John Sleeman was independent at the time of his appointment and because the Board considers that he demonstrates independence of character and judgement, the Company is fully compliant with the governance requirements of the QCA Code.

### 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.

### Matters reserved for the Board

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 16 to 26.

### Board balance and independence

During the year the Board consisted of two independent non-executive directors and the Chief Executive Officer. The Chairman was independent on appointment and demonstrates independence of character and judgement; and Michael Parker is deemed to be independent in accordance with the QCA Code.

The Board recognises Michael Parker as the Senior Independent Director who is available to shareholders if they have any relevant issues or concerns. Brief biographical details of all members of the Board are set out on page 15.

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

The non-executive directors entered into arrangements for initial three-year periods and their appointments continue subject to re-election at each AGM or six months' notice in writing from either party. The terms and conditions of appointment of the non-executive directors can be inspected at the Company's registered office and will be available for inspection at the Annual General Meeting. John Sleeman was appointed on 11 June 2007 and Michael Parker was appointed on 1 January 2010.

The Board has established a separate Nomination Committee and details of its responsibilities and activities are on page 16.

### Board meetings

The Board meets at least six times per annum and at other times according to business requirements. During 2017 there were eight Board meetings. Meetings are held in Central London and at the Group's operating subsidiaries: at Abingdon in the United Kingdom; and at Erfurt in Germany. When the Board meets at the Group's operating subsidiaries the Board will have a detailed presentation from the subsidiary directors at that location and an opportunity to review the operation and to meet local management. During 2017 the number of Board and Committee meetings with individual attendances was as follows:

|                 | Board | Audit | Remuneration | Nomination |
|-----------------|-------|-------|--------------|------------|
| Iain Dorrity    | 8/8   | 3/3   | 3/3          | 2/2        |
| Michael Parker* | 8/8   | 3/3   | 3/3          | 2/2        |
| John Sleeman*   | 8/8   | 3/3   | 3/3          | 2/2        |

\* Non-executive directors.

### Board support

All directors have access to advice and services from the Group Secretary. The appointment and removal of the Group Secretary is a matter for the Board as a whole. The Group Secretary is responsible for advising the Board on all governance matters, ensuring Board procedures are followed and applicable rules and regulations are complied with. The directors are free to seek any further information they consider necessary and directors can obtain independent professional advice at the Group's expense.

The Chairman regularly reviews and agrees with each director their training and development needs as part of the succession planning process. Directors receive ongoing training and updates on relevant issues as appropriate, taking into account their individual qualifications and experience. The Group Secretary helps directors undertake any other professional development they consider necessary to assist them in carrying out their duties.

### Information, induction and professional development

The Chairman, assisted by the Group Secretary, is responsible for ensuring that the Board receives appropriate and timely information on all relevant matters.

On appointment to the Board, new directors receive background reading about the Group and details of Board procedures and other governance-related matters. In addition, the directors participate in a comprehensive induction programme, including site visits to the Group's operations and meetings with the executive directors and senior management across the Group.

### Chairman and Chief Executive Officer

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 is responsible for the implementation of strategy and policies and the day-to-day decision making and administration.

Other significant commitments of the Chairman, John Sleeman, are set out in the Directors section on page 15. The Board is satisfied that these commitments do not restrict him from effectively carrying out his duties as Chairman.

### 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. The Board believes that in normal trading circumstances a combination of external reviews every third/ fourth year with internal reviews in the other intervening years is the most appropriate method for evaluating effectiveness. The Board decided that, in view of the cash conservation measures being taken throughout the organisation, the next external review would be postponed until the Group enters a more normal trading environment. As a result an internal evaluation was undertaken this year.

The performance of the Chief Executive Officer was evaluated by the Chairman and the Senior Independent Director. The performance of the Senior Independent Director was evaluated by the Chairman and the Chief Executive Officer. Following the review process, the Chairman concluded that both directors continue to make an effective contribution to the work of the Board, are well prepared and informed concerning items to be considered by the Board, have a good understanding of the Group's businesses and their commitment to the role remains strong.

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

As was highlighted above, the Board carried out an internal evaluation of its effectiveness by a process which involved a structured discussion at a Board meeting in January 2018. The process was led by the Chairman with the assistance of the Group Secretary. The discussion focused on the Board's roles and responsibilities; the Board's culture and dynamics; the Board's processes; and the role of the Chairman. The review concluded that the Board was operating in an effective manner.

The Audit, Nomination and Remuneration Committees carried out internal evaluations of their effectiveness at meetings in January 2018 and March 2018. The process for each review was similar to that used for the Board's effectiveness review. The reviews concluded that each Committee was operating in an effective manner.

### Relations with the shareholders

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

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

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

During the year the Chief Executive Officer maintained a regular programme of visits and presentations to major institutional shareholders in the United Kingdom. All directors receive copies of articles concerning the Group and are updated by the Group's financial advisers on investors' perceptions of PV Crystalox Solar.

There were formal presentations following the preliminary and interim results and, in addition, the Group issued updates on the closure of UK manufacturing operations in July 2017, on the delay on the arbitration judgement in September 2017 and on the details of the arbitration award in November 2017.

Key announcements, financial reports, the presentations referred to above and other information about the Group can be found on the Group's website at [www.pvcystalox.com](http://www.pvcystalox.com).

### Accountability

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in all reports and other price-sensitive disclosures, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 29 and those of the auditors on pages 30 to 33. A statement on going concern appears on pages 4 and 5.

### Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are on pages 17 to 24. The report sets out a summary of the Group's remuneration policy and the full details of all elements of the remuneration package of each individual director.

## The Board of Directors comprises three extremely experienced individuals



**John Sleeman**

Chairman

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, he 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 was an independent director of OSJC Power Machines (from 2003 to 2008), the Russian power generation equipment manufacturer 25% owned by Siemens AG, and an independent director of JSC Open Investments (from 2005 to 2009), the Russian real estate group.

He was appointed as non-executive director and Senior Independent Director at PV Crystalox Solar in June 2007 and became the Chairman in May 2013. He is chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

From 2006 to 2017 John was a founding partner of S.P. Spangel Corporate Finance LLP. In 2014 he was appointed as non-executive director of UCP Plc and in 2018 John became a senior adviser to Herax Partners LLP.



**Iain Dorrity**

Chief Executive Officer

Iain Dorrity has a PhD in Physical Chemistry from Exeter University. He 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 member of the Board and Chief Executive Officer of the Company on its formation in December 2006.

Iain has over 30 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox, he spent eight years working in research and in industry with General Electric Company.



**Michael Parker**

Non-executive director

Mike Parker received a Bachelor's degree in Chemical Engineering from the University of Manchester and an MBA from Manchester Business School. He began his career with Dow in 1968. During his 34 years there he was based in the US, the United Kingdom, Switzerland and Hong Kong. He became president and chief executive officer of The Dow Chemical Company in Midland, Michigan, USA, in 2000 and a member of the company's board of directors from 1995 to 2003.

He was subsequently appointed group chief executive of British Nuclear Fuels (a manufacturer and transporter of nuclear products) from 2003 until 2009.

He joined the PV Crystalox Solar Board as non-executive director in 2010 and he became Senior Independent Director in May 2013. He is chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

He is currently senior independent director of Laird PLC as well as being chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

Mike is involved with a variety of charities and not-for-profit organisations.

Mike was awarded a CBE in the New Year Honours 2009 for services to the energy industry.



## Message from the chairman of the Nomination Committee

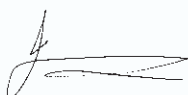
### Dear Shareholder,

During the year the Nomination Committee focused its activities on those governance areas which require annual consideration.

We have a schedule of matters for annual consideration and specific responsibilities should there be a need to recruit a director or chairman, or to make recommendations for appointments to the Board's Committees or for the role of Senior Independent Director.

Full details of the Nomination Committee's roles and responsibilities are contained in the terms of reference which are available to members of the public upon request and are available on the Group's website at [www.pvcristalox.com](http://www.pvcristalox.com).

Further details are described more fully below.



**John Sleeman**  
Chairman of the Nomination Committee

14 March 2018

### Membership

The Nomination Committee comprises both of the independent non-executive directors and is chaired by John Sleeman. The Chief Executive Officer and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary, who is also the Chief Financial Officer, acts as the Secretary of the Nomination Committee.

### Meetings

The Nomination Committee meets at least twice a year and reports to the Board on its proceedings. The Nomination Committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 13.

### Effectiveness

As detailed on page 14, an internal evaluation was conducted during the year which confirmed that the Nomination Committee was operating effectively.

### Role

The Nomination Committee has a number of responsibilities as set out in its terms of reference. In summary the key roles are to:

- review the Board structure, size and composition (including the skills, knowledge, experience and diversity) compared with its current position and make recommendations to the Board with regard to any changes;

- consider succession planning for directors and other senior executives; and
- make recommendations to the Board regarding the appointment, re-appointment and retirement of directors.

### Activities of the Nomination Committee

Set out below are the key matters considered by the Nomination Committee during the year and subsequently.

### Structure, size and composition of the Board

The Nomination Committee regularly reviews the structure, size and composition of the Board compared to its current position.

The Nomination Committee carried out a review in January 2018 and recommended that the structure, size and composition of the Board remained appropriate.

### Succession planning

Succession planning is a key area of discussion and the Nomination Committee reviewed the capability of the senior management and directors and considered the succession plans for the executives.

### Re-election of the directors

The Nomination Committee considered the effectiveness and commitment of each director standing for re-election at the 2018 AGM and, having concluded that their performance continues to be effective, recommends the re-election of each director to shareholders.

### Diversity

The Nomination Committee noted the Board's policy on gender diversity but observed that there had not been any external recruitment at senior management or Board level for several years and that there were no current plans for recruitment at a senior level during 2018.

It noted that the Group had a non-discriminatory recruitment policy; however, with the current recruitment plans, the Committee did not believe that it was appropriate to set measurable objectives on actively seeking gender diversity at this time.

### Terms of reference

The Committee carried out a review of the terms of reference which are available to members of the public upon request and are available on the Group's website at [www.pvcristalox.com](http://www.pvcristalox.com).



## Annual statement by the chairman of the Remuneration Committee

### Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2017, which details a summary of the remuneration policy for the directors of PV Crystalox Solar PLC and provides details of their remuneration in respect of the year ended 31 December 2017.

The remuneration policy was put to shareholders for approval in a binding vote at the 2017 AGM on 18 May 2017. It was approved at the AGM and it was effective from the day following the AGM and may operate for up to three years. No changes are proposed this year. A summary table showing the main aspects of the remuneration policy is set out on pages 18 to 20 and the full remuneration policy can be found on our website at [www.pvcristalox.com](http://www.pvcristalox.com).

The Annual Report on Remuneration set out on pages 20 to 24, which describes how the policy has been implemented in the year under review and how it will be implemented for the year ahead, will be subject to an advisory vote at the AGM.

### 2017 key items considered

#### 2018 remuneration

The Remuneration Committee believes that a significant proportion of remuneration for executive directors should be structured so as to link rewards to corporate and individual performance and that it should be designed to promote the long-term success of the Company.

The following proposals for the Chief Executive Officer's remuneration were proposed by the Remuneration Committee and agreed by the Board:

- the base salary of the Chief Executive Officer to remain at the 2017 level;
- participation in an annual bonus plan for 2018 with performance conditions based on share price increases during the 2018 financial year; and
- there will not be a long-term incentive award for the performance period from 1 January 2018 to 31 December 2020.

The Remuneration Committee approved management's proposal that there be no increase in salaries from 1 January 2018, for any of the Group's employees in the United Kingdom and Germany.

The Remuneration Committee approved management's proposals concerning redundancy payments and bonuses for certain key employees in relation to the closure of the United Kingdom production operations.

Due to the composition of the Remuneration Committee the Board is responsible for determining the fees of the non-executive directors. The Board agreed to leave the fees at the same level as in 2017.

#### Governance

As detailed on page 14, an internal evaluation was conducted during the year which confirmed that the Remuneration Committee was operating effectively.

The Committee carried out a review of the terms of reference which are available to members of the public upon request and are available on the Group's website at [www.pvcristalox.com](http://www.pvcristalox.com).

The Remuneration Committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 13.

**Michael Parker**  
Chairman of the Remuneration Committee  
14 March 2018

## Directors' remuneration report *continued*

### Summary remuneration policy

The Remuneration Policy was approved at the 2017 AGM on 18 May 2017 and may operate for up to three years. No changes are proposed this year. Included in this summary Remuneration Policy section is a table showing the summary remuneration policy and an illustration of application of remuneration policy for the Chief Executive Officer. The full Remuneration Policy can be found on our website at [www.pvcrystalox.com](http://www.pvcrystalox.com). In addition to the sections below the full Remuneration Policy includes the following additional sections: policy overview; consideration of employment conditions elsewhere in the Group; consideration of shareholder views; service contracts for executive directors; approach to recruitment and promotions; and approach to leavers.

#### Executive directors

| Element of remuneration    | Purpose and link to strategy  | Operation  | Maximum   | Performance targets  |
|----------------------------|---|--|---|--|
| <b>Base salary</b>         | <p>To provide competitive fixed remuneration.</p> <p>To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.</p> <p>Intended to reflect that paid to executive management of comparable companies.</p> <p>To reflect the market value of the individual, his or her skills, experience and performance.</p> | <p>In deciding appropriate remuneration levels, the Remuneration Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of listed companies of similar size and complexity.</p> <p>Base salaries are reviewed by the Remuneration Committee annually prior to the start of the salary year and on the occasion when an individual changes position or responsibility.</p>  | <p>The Remuneration Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, a change in the scale, scope or responsibility of the role.</p> <p>Current salary levels are set out on page 20.</p> | Individual and business performance is considered in determining base salary levels.   |
| <b>Benefits in kind</b>    | <p>To provide competitive benefits in kind to ensure overall package is competitive.</p> <p>To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.</p>   | <p>Provision of a range of benefits including some or all of:</p> <ul style="list-style-type: none"> <li>• a company car or car allowance;</li> <li>• private medical insurance;</li> <li>• income protection insurance; and</li> <li>• life assurance.</li> </ul> <p>Other benefits may be payable where appropriate.</p>   | Benefits may include those currently provided as disclosed on page 21; however, the Remuneration Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing business strategy.   | Not performance related.   |
| <b>Annual bonus scheme</b> | <p>Rewards annual achievement of performance targets in order to deliver the business strategy.</p> <p>Compulsory deferral into the Company's shares provides a link to the creation of long-term shareholder value and also retention element.</p>   | <p>Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year end based on performance in the financial year against those targets.</p> <p>Half of each bonus will be payable in cash on the date of payment.</p> <p>The other half of each bonus will be deferred and payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date.</p> <p>Shall not be payable unless the executive director is employed on the date of payment.</p> <p>The annual bonus is not pensionable and there are no claw back or withholding arrangements.</p> | <p>Maximum bonus only payable for achieving demanding targets.</p> <p>A maximum bonus of 100% of base salary.</p>   | <p>Set annually by the Remuneration Committee based on various performance metrics (which will be determined by the Remuneration Committee) measured over the relevant financial year.</p> <p>Pay-out levels are based on:</p> <ul style="list-style-type: none"> <li>• a threshold performance level (the minimum level of performance that results in any payment), of 20% of maximum pay-out;</li> <li>• a mid-performance level, of 60% of maximum pay-out; and</li> <li>• a maximum performance level, of 100% of maximum pay-out.</li> </ul> |



## Executive directors continued

| Element of remuneration                                     | Purpose and link to strategy   | Operation  | Maximum   | Performance targets   |
|---|--|--|---|---|
| <b>Long-term incentive – Performance Share Plan (“PSP”)</b> | <p>Rewards sustained performance against challenging long-term targets which are critical to the realisation of the business strategy.</p> <p>Designed to attract, retain and incentivise executive management over the longer term.</p> <p>To provide an appropriate motivational framework and to align more closely the interests of the executive management with the performance of the business and the interests of shareholders.</p> | <p>The current Performance Share Plan was approved at the 2012 AGM and is governed by the rules of the plan. A summary of the key features is set out below:</p> <ul style="list-style-type: none"> <li>• Conditional share awards or options over a fixed number of shares are granted based on the relevant percentage of a director’s base salary and the closing share price on the date of the award.</li> <li>• Vesting of awards will be subject to a three-year performance period.</li> <li>• The awards will lapse if the participant leaves employment before vesting unless in specific “good leaver” circumstances.</li> <li>• Award levels and performance conditions will be determined each year by the Remuneration Committee.</li> </ul> | <p>Maximum value of awards made to participants in any financial year will not exceed 200% of their remuneration at the relevant date of award.</p> <p>If there are exceptional circumstances, however, that the Remuneration Committee considers justifies making awards in excess of this limit, participants may receive awards with a value of up to 400% of their remuneration at the relevant date of award.</p> <p>The last awards were made in 2011 to the Chief Executive Officer of 125% and to other executive directors of 100% of base salary.</p> | <p>The performance targets are set annually by the Remuneration Committee. Previously these were based on achievement of growth in both total shareholder return and earnings per share over at least a three-year performance period. The pay-out would be based on a matrix with pay-outs from 0% to 100% of maximum.</p> <p>The Remuneration Committee may set different performance conditions for future awards having regard to the Company’s strategic priorities, shareholder expectations and market conditions prevailing at that time.</p> |
| <b>Pension</b>  | <p>To provide retirement benefits to ensure overall package is competitive.</p> <p>To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.</p>   | <p>Defined contribution arrangements into the Crystallox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence.</p> <p>Current contribution levels 8% employer contributions into a defined contribution scheme.</p>   | <p>Pension provision may include those currently provided which are 8%; however, the Remuneration Committee reserves the right to provide such level of pension provision as it considers appropriate to support the ongoing business strategy.</p>   | <p>Not performance related.</p>   |

## Non-executive directors

|                                      |   |   |   |  |
|--------------------------------------|---|---|---|--|
| <b>Non-executive directors’ fees</b> | <p>To reward individuals for fulfilling the relevant role.</p> <p>To reflect the time commitment and responsibilities of the roles of the individual non-executive directors.</p> <p>To attract, retain and motivate individuals with the necessary experience and ability to make a substantial contribution to the Group.</p> | <p>Cash fee paid.</p> <p>Fees are reviewed on an annual basis and are set by the Board.</p> <p>Expenses incurred by the non-executive director in the course of his employment are reimbursed in accordance with the Group’s expenses guidelines.</p> <p>Fees are not subject to claw back or withholding arrangements.</p> | <p>The Board is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.</p> <p>Current fee levels are set out on page 20.</p> | <p>Not applicable.</p> <p>Non-executive directors do not participate in variable pay arrangements.</p> |
|--------------------------------------|---|---|---|--|

## Directors' remuneration report *continued*

Summary remuneration policy continued

### Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Chief Executive Officer's remuneration package for 2018 varies at different levels of performance under the policy, both as a percentage of total remuneration opportunity and as a total value. The figures are in Sterling as this is the currency in which the director is paid.



### Notes

- (1) The value of benefits receivable in 2018 is taken to be the value of benefits received in 2017 (as calculated under the directors' remuneration table, set out on page 21).
- (2) The value of pension is as presented under the directors' remuneration table.
- (3) The on-target level of bonus is taken to be 60% of the maximum bonus opportunity (100% of salary for executive directors).
- (4) The Remuneration Committee has decided that there will not be an LTIP scheme in operation for 2018.
- (5) No share price appreciation has been assumed for the deferred bonus shares.

### Annual report on remuneration

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

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2014 and Rule 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the AGM to be held on 17 May 2018.

### The Remuneration Committee

The Remuneration Committee is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors. The Remuneration Committee comprises the Committee chairman and John Sleeman. The Chief Executive Officer, the Chief Financial Officer and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary acts as the Secretary to the Remuneration Committee. The terms of reference of the Remuneration Committee are available to members of the public upon request and are available on the Group's website at [www.pvcystalox.com](http://www.pvcystalox.com). The Remuneration Committee meets not less than twice a year and is required to report formally to the Board on its proceedings. Details of attendance at each meeting are shown in the Corporate Governance Report on page 13.

### External advisers

The Remuneration Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. During the year the Remuneration Committee did not seek advice from external advisers.

### Implementation of the remuneration policy for the year ended 31 December 2018

A summary of how the directors' remuneration policy will be applied during the year ending 31 December 2018 is set out on the following pages.

### Individual elements of remuneration

#### Annual base salaries and fees of the directors

Base salaries for the individual executive directors are reviewed annually by the Remuneration Committee and are set to reflect the market value of the individual, his or her skills, experience and performance and are intended to reflect those paid to executive management of comparable companies.

The fees for the non-executive directors are reviewed on an annual basis and are set by the Board to reflect the time commitment and responsibilities of the roles of the individual non-executive directors. The non-executive directors do not participate in any annual bonus or long-term incentive plans nor do they receive benefits in kind or pension contributions. There was no change in the level of fees for the non-executive directors for 2017 or 2018.

| Payable in Sterling | 2018<br>annual rate<br>£ | 2017<br>annual rate<br>£ | %<br>change |
|---------------------|--------------------------|--------------------------|-------------|
| Iain Dorrity        | 225,000                  | 225,000                  | 0%          |
| John Sleeman        | 70,000                   | 70,000                   | 0%          |
| Michael Parker      | 40,000                   | 40,000                   | 0%          |

## Individual elements of remuneration continued

### 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

The structure of the annual bonus scheme is as approved by shareholders at the 2017 AGM and as described in the remuneration policy. The maximum award under the annual bonus will remain unchanged at 100% of salary. Threshold performance gives a pay-out of 20% with 60% earned for on-target performance. Half of any bonus will be paid in cash and half will be awarded in deferred shares under the PV Crystalox Solar Executive Directors' Deferred Share Plan which vest after a further three years.

### In 2017

The Remuneration Committee set the performance conditions which were based upon the increase in the Company's share price during 2017. No pay-out would be awarded if the 2017 year-end share price was less than a threshold share price of 27 pence. A threshold pay-out of 20% of base salary would be awarded if the year-end share price was the threshold price of 27 pence. A maximum pay-out would be awarded if the year-end share price was greater than or equal to a maximum threshold price of 37 pence. The pay-out between the threshold price and the maximum threshold price would be determined on a pro-rata basis. Half of any award would be paid in cash in March 2018 and half in deferred shares under the PV Crystalox Solar PLC Executive Directors' Deferred Share Plan.

The year-end share price, based on an average of the five working days up to the year end was 20.75 pence. As this was below the threshold price of 27 pence no bonus is payable.

### In 2018

The performance conditions have been set by the Remuneration Committee and are based upon the increase in the Company's share price during 2018. The structure is the same as in 2017 but with revised share price targets.

Any 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).

## Long-term incentives

### Awards vesting in respect of the financial year

#### Performance Share Plan

No awards have been made under the Performance Share Plan since the initial award in 2011 and no award has been recommended for 2018, for performance in the period from 1 January 2018 to 31 December 2020.

## Pension arrangements

The executive director's contract of service sets out his base salary from which contributions can be made into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Iain Dorrity is entitled to a Company contribution of 8% (2016: 8%) of base salary. It should be noted that Company contributions for UK employees other than the executive directors are 8% provided that the employees contribute at least 4%.

## Single total figure of remuneration (audited)

The table below reports the total remuneration receivable in respect of qualifying services by each director during the year.

|  | Fees/base salary<br>€ | Benefits in kind<br>€ | Annual bonus<br>€ | Long-term incentives<br>€ | Pension related benefits<br>€ | Total<br>€     |
|--|-----------------------|-----------------------|-------------------|---------------------------|-------------------------------|----------------|
| <b>Year ended 31 December 2017</b>       |                       |                       |                   |                           |                               |                |
| Iain Dorrity                             | 256,756               | 11,887                | —                 | —                         | 20,541                        | 289,184        |
| Michael Parker                           | 45,646                | —                     | —                 | —                         | —                             | 45,646         |
| John Sleeman                             | 79,880                | —                     | —                 | —                         | —                             | 79,880         |
| <b>Total year ended 31 December 2017</b> | <b>382,281</b>        | <b>11,887</b>         | <b>—</b>          | <b>—</b>                  | <b>20,541</b>                 | <b>414,710</b> |
| <b>Year ended 31 December 2016</b>       |                       |                       |                   |                           |                               |                |
| Iain Dorrity                             | 275,395               | 12,263                | 275,395           | —                         | 22,032                        | 585,085        |
| Michael Parker                           | 48,959                | —                     | —                 | —                         | —                             | 48,959         |
| John Sleeman                             | 85,679                | —                     | —                 | —                         | —                             | 85,679         |
| <b>Total year ended 31 December 2016</b> | <b>410,033</b>        | <b>12,263</b>         | <b>275,395</b>    | <b>—</b>                  | <b>22,032</b>                 | <b>719,723</b> |

## Notes

(1) The directors' remuneration is payable in Sterling. The differences in fees/base salary reflect changes in the Sterling:Euro average exchange rate.

## Directors' remuneration report *continued*

Annual report on remuneration continued

### Single total figure of remuneration (audited) continued

The figures in the single figure table are derived from the following:

|  |  |
|--|--|
| <b>Fees/base salary</b>                      | The amount of fees/salary received in the period.  |
| <b>Benefits in kind</b>                      | The taxable value of benefits received in the period. These are car, car allowance, private medical insurance, income protection and life insurance. |
| <b>Annual bonus</b>                          | The performance conditions were not achieved in 2017 but were fully achieved in 2016.  |
| <b>Long-term incentives</b>                  | The value of the long-term incentive schemes that vest in respect of the financial year.   |
| <b>PSP: None have vested in 2016 or 2017</b> | No executive director's contract contains additional provisions in respect of change of control.   |
| <b>Pension related benefits</b>              | This includes the Company's contributions to the defined contribution pension scheme.  |

### Additional information on directors' interests (audited)

Details of the executive directors' interests in outstanding share awards under the Executive Directors' Deferred Share Plan ("EDDSP") and the PSP are set out below.

#### Deferred share awards as at 31 December 2017 awarded due to 2016 performance

The outstanding share grants relate to deferred shares issued under the EDDSP. Under the rules of this plan the number of shares is calculated by reference to 50% of a participant's gross bonus, for a particular financial year, divided by the average of the middle market quotations on the five consecutive dealing days immediately following the date on which the results are announced.

|                | Date of grant | Normal vesting date | Number of shares awarded | Price at grant p | Value at grant € |
|----------------|---------------|---------------------|--------------------------|------------------|------------------|
| Iain Dorrity   | 31.03.17      | 31.03.20            | 544,135                  | 20.675           | 128,378          |
| Michael Parker | —             | —                   | —                        | —                | —                |
| John Sleeman   | —             | —                   | —                        | —                | —                |
|                |               |                     | 544,135                  | 20.541           | 128,378          |

A deferred share award is payable to Iain Dorrity in relation to 2016 performance as the performance conditions relating to share price were fully achieved. The award was granted on 31 March 2017 and has a vesting date of 31 March 2020. The value at grant was £112,500 and 544,135 shares were awarded.

#### Deferred shares awarded due to 2017 performance

No bonus is payable in relation to 2017 performance as the performance conditions relating to share price were not achieved. Accordingly no awards of deferred shares are to be made.

#### Performance Share Plan

No awards made under the Performance Share Plan remain outstanding at 31 December 2017.

#### Directors' pension (audited)

|  | Total 2017 € | Total 2016 € |
|--|--------------|--------------|
| Contributions to defined contribution scheme |              |              |
| Iain Dorrity                                 | 20,541       | 22,032       |
| Michael Parker                               | —            | —            |
| John Sleeman                                 | —            | —            |
|  | 20,541       | 22,032       |

#### 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.

### Directors' interests in shares of the Company

The interests in the ordinary share capital of the Company as at 31 December 2017 of those directors, and their connected persons, who were in office during the year are detailed below.

|                | Shares                |  | Options  | Total interests held |
|----------------|-----------------------|--|--|----------------------|
|                | Shares owned outright | Unvested and subject to holding period (EDDSP) | Unvested and subject to performance conditions (PSP) |                      |
| Iain Dorrity   | 17,099,371            | 544,135  | —  | 17,643,506           |
| Michael Parker | —                     | —  | —  | —                    |
| John Sleeman   | —                     | —  | —  | —                    |

The closing mid-market price of a PV Crystalox Solar PLC share on 31 December 2017 was 20.75 pence and the price range during the year was 17.875 pence to 28.375 pence.

Between 1 January 2018 and 28 February 2018 (the latest date for which it was practical to obtain the information) there were no changes to the beneficial interest of the directors in the ordinary shares of the Company.

### Statement of voting at last AGM

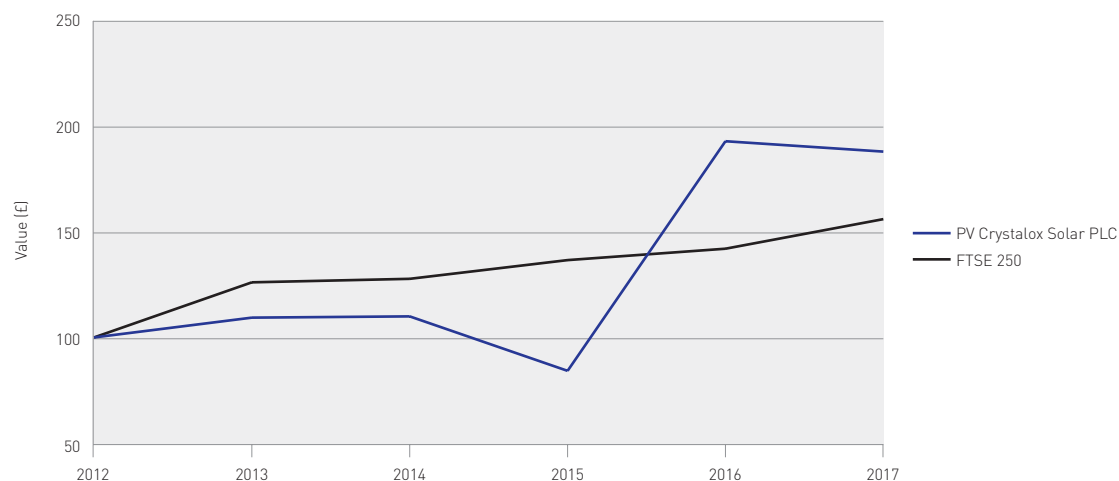
The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 18 May 2017:

|  | Votes for Number | Votes for % | Votes against Number | Votes against % | Votes withheld Number |
|--|------------------|-------------|----------------------|-----------------|-----------------------|
| <b>Resolution</b>  |                  |             |                      |                 |                       |
| To approve the Directors' Remuneration Policy                  | 73,980,261       | 99.96%      | 29,272               | 0.04%           | 162,098               |
| To receive and approve the 2016 Directors' Remuneration Report | 73,980,865       | 99.96%      | 27,129               | 0.04%           | 158,637               |

### Shareholder return

#### Performance graph (unaudited)

The graph below shows the TSR performance from 1 January 2013 to 31 December 2017. This is compared against the TSR performance of the FTSE 250 index. The Group was a member of the FTSE 250 index between September 2007 and March 2010. The graph is based upon £100 being invested in the shares of PV Crystalox Solar PLC on 1 January 2013 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 Bloomberg.



## Directors' remuneration report *continued*

Annual report on remuneration continued

### Shareholder return *continued*

#### Remuneration for the Chief Executive Officer over last five years

The table below shows the single figure remuneration for the Chief Executive Officer during each of the past five financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the maximum.

|                        | 2013    | 2014    | 2015    | 2016    | 2017    |
|------------------------|---------|---------|---------|---------|---------|
| Total remuneration (€) | 386,510 | 314,187 | 348,546 | 585,085 | 289,184 |
| Annual bonus           | —       | 0%      | 0%      | 100%    | 0%      |
| LTIP vesting           | —       | 0%      | —       | —       | —       |

#### Notes

(1) Iain Dorrity, the Chief Executive Officer, is paid in Sterling but disclosure in Euros has contributed to the volatility of the results above.

(2) There were no annual bonus awards in respect of the financial year 2013.

(3) There were no LTIP awards in respect of the financial year, 2013, 2015, 2016 or 2017.

#### Percentage change in the remuneration of the Chief Executive Officer

The table below sets out the increase in the salary, benefits and bonus of the Chief Executive Officer paid in Sterling and that of the PV Crystalox Group management population. This population has been selected for this comparison because it is considered to be the most relevant as these Group's employees have similarly structured remuneration packages.

|          | Chief Executive Officer         | Group management population     |
|----------|---------------------------------|---------------------------------|
|          | Percentage change (2017 v 2016) | Percentage change (2017 v 2016) |
| Salary   | 0%                              | 0%                              |
| Benefits | 0%                              | 0%                              |
| Bonus*   | n/a*                            | 0%                              |

\* The Chief Executive received a 0% bonus based on 2017 performance and 100% in 2016.

#### Relative importance of spend of pay

The table below shows a comparison between overall expenditure on pay and dividends paid to shareholders for 2017 and 2016.

|                             | 2017<br>€'000 | 2016<br>€'000 | Percentage change |
|-----------------------------|---------------|---------------|-------------------|
| Overall expenditure on pay* | 8,231         | 7,611         | 8.1%              |
| Dividend paid in the year   | —             | —             | 0%                |

\* Overall expenditure on pay is total staff costs as per note 4 in the Notes to the Consolidated Financial Statements.

This report contains the information required by the Companies Act 2006 and the relevant parts of the Listing Rules of the United Kingdom Listing Authority.

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

In accordance with the requirements of the Companies Act 2006, a resolution to approve this report will be proposed at the AGM to be held on 17 May 2018.



**Michael Parker**  
Chairman of the Remuneration Committee  
14 March 2018



## Report of the audit committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

### Composition and governance

The Audit Committee is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Audit Committee comprises the Committee chairman and John Sleeman. John Sleeman is a Chartered Accountant and a Chartered Banker who from 2006 to 2017 was a founding partner of S.P. Angel Corporate Finance LLP. The Board considers John Sleeman has recent and relevant financial experience. Michael Parker, a former CEO of both The Dow Chemical Company and BNFL, brings many years of international commercial experience to the Audit Committee. The Board believes that this combination of professional experience is appropriate to fulfil the duties of the Audit Committee.

The Chief Executive, the Chief Financial Officer and the external auditors are invited to attend Audit Committee meetings on a regular basis and other members may be invited to attend all or part of any meeting as and when appropriate. The Group Secretary acts as the Secretary of the Audit Committee. The Audit Committee meets not less than twice a year and is required to report formally to the Board on its proceedings.

The primary role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the financial statements and formal announcements relating to the Group's financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the requirement for an internal audit function;
- the content of the Annual Report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's/Group's performance, business model and strategy;
- the Group's arrangements for whistleblowing, detecting fraud and preventing bribery;
- the external auditors' independence and objectivity and the effectiveness of the audit process; and
- making recommendations to the Board on the appointment or re-appointment of the Group's external auditors.

The terms of reference of the Audit Committee are available to members of the public upon request and are available on the Group's website at [www.pvcrystalox.com](http://www.pvcrystalox.com).

### External auditors

#### Non-audit services

The Group's external auditors are PricewaterhouseCoopers LLP ("PwC") and the Audit Committee operates a policy to safeguard the independence and objectivity of the external auditors. This policy requires approval of non-audit services provided by the external auditors in advance, with the requirement that on an annual basis the total fees for non-audit services do not exceed the total annual fees for audit services; sets out certain disclosure requirements by the external auditors to the Audit Committee; places restrictions on the employment of the external auditors' former employees; and required periodic partner rotation. During the year, the Audit Committee reviewed the processes that the external auditors have in place to safeguard their independence and received a letter from them confirming that, in their opinion, they remained independent.

A breakdown of the fees paid to the external auditors in respect of audit and non-audit related work is included in note 6 in the Notes to the Consolidated Financial Statements.

The performance and effectiveness of the external auditors were formally reviewed by the Committee taking into account the views of directors and senior management on such matters as independence, objectivity, proficiency, resourcing and audit strategy and planning. The Committee concluded that the performance of the external auditors remained satisfactory following the review. The performance of the external auditors will continue to be reviewed annually.

The Audit Committee has provided the Board with its recommendation to the shareholders to re-appoint PwC as external auditors for the year ending 31 December 2018.

#### Work undertaken during the year

The Audit Committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 13.

During the year the main items considered were:

- discussions with the auditors on the audit approach and strategy, the audit process, key issues arising out of the audit and discussions on the Auditors' Report;
- approval of the audit fees and the auditors' letter of engagement;
- approval of non-audit work to be undertaken by the auditors;
- considering the independence and objectivity of the external auditors;
- reviewing the internal controls and risk management systems in operation within the Group;
- consideration of the requirement for the Group to have an internal audit function;

- detailed reviews of the Group's preliminary announcement, Annual Report and Interim Reports;
- the Audit Committee effectiveness review;
- a review of the effectiveness of the external auditors; and
- a review of the terms of reference of the Audit Committee.

### Financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board where requested or required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditors;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid the review, the Audit Committee considers reports from the Chief Financial Officer and Group Financial Controller and also reports from the external auditors on the outcomes of their annual audit. The Audit Committee supports PwC in displaying the necessary independence and objectivity its role requires.

The primary areas of judgement considered by the Audit Committee in relation to the 2017 financial statements and how these have been addressed are listed below. In concluding that the below list represented the primary areas of judgement, the Audit Committee considered a report by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements.

These are also areas of higher audit risk and accordingly PwC reported to the Audit Committee on and the Audit Committee discussed these judgements.

## Financial reporting continued

### Going concern

Management has prepared a paper setting out the going concern position. This included the assumptions behind the continuing operation which will focus on the cutting of non-silicon materials such as glass and quartz together with a continued focus on research and development activities. It also included a cash flow forecast for the Group illustrating the current cash position for each Group company and how management are comfortable that the Group will have sufficient liquidity for the foreseeable future and through at least the twelve-month period following the signing of the accounts. The Audit Committee discussed that paper, challenging the assumptions behind the plan and the sensitivities which could negatively impact trading. Further details on the assumptions within the going concern review are contained in the Operational and Financial Review. The Audit Committee was satisfied that the going concern basis of preparation continues to be appropriate for the Group and for PV Crystalox Solar Silicon GmbH but that Crystalox Limited should not be prepared on a going concern basis.

### Investment in subsidiary undertakings

In the PV Crystalox Solar PLC parent company balance sheet are investments in subsidiaries. These investments have previously been assessed by considering the combined position of the subsidiaries. However, following the decision to close United Kingdom production operations they have been considered as separate investments. In the impairment review management recommended an impairment of €33.1 million with a result that the value of investments in subsidiary undertakings was reduced to €16.6 million. The Audit Committee has reviewed the paper, discussed and challenged the assumptions and is satisfied with management's judgement concerning the impairment.

### Arbitration award

Management has prepared a paper setting out the basis of accounting for the final award rendered by the International Court of Arbitration of the International Chamber of Commerce in the matter filed by the Group in March 2015 and arising from an outstanding long-term wafer supply contract with one of the world's leading PV companies as mentioned in our interim results. The award, which was received on 8 November 2017, requires the customer, who has failed to purchase wafers in line with its contractual obligations, to pay the amount of around €36 million including interest to the Group. Once payment has been made the customer has the right to receive the outstanding 22.9 million wafers. As the award has not been paid and negotiations are ongoing an amount of €20.5 million has been recognised in the 2017 financial statements. This represents the minimum amount that might be payable under the award given the estimated cost of supplying the wafers at the year-end spot price and exchange rate. The Audit Committee has reviewed the paper,

discussed and challenged the assumptions and is satisfied with management's judgement that the basis of accounting is appropriate.

### Internal controls and risk management systems

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

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

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

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

- regular Board meetings to monitor continuously any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the QCA Code.

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 systems which were in place during the financial year ended 31 December 2017 and the period up to the date of approval of the financial statements. The subsidiary company finance directors led the review. The review was summarised into a report which was discussed by the Audit Committee and the Board in March 2018.

The Board confirmed that no significant weaknesses were identified in relation to the review conducted during the year.

The Board confirms that the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is regularly reviewed by the Board in accordance with the Turnbull Guidance on internal control.

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



**Michael Parker**  
Chairman of the Audit Committee  
14 March 2018

## Directors' report

The directors are pleased to present their report together with the consolidated audited financial statements of the Group and Company for the year ended 31 December 2017.

### Results for the year

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2017 is shown on page 34. The Consolidated Statement of Changes in Equity for the year is shown on page 36 and segmental information is shown in note 2 in the Notes to the Consolidated Financial Statements.

### Dividends paid and proposed

The directors have not recommended a final dividend in respect of the current financial year and no interim dividend was paid during 2017. No dividends were paid in respect of 2016.

### Strategic Report

The Group is required by the Companies Act 2006 to set out the development and performance of the business of the Group during the financial year ended 31 December 2017 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group and the Group's policy regarding equal opportunities and employing disabled people. The information concerning the Strategic Report can be found on pages 1 to 11.

### Corporate Governance Statement

As required by the Disclosure and Transparency Rules a Corporate Governance Statement has been made. This is included separately on pages 13 and 14.

### Greenhouse gas reporting

The directors are required to set out in this report the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use. This report is shown on page 11.

### 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 Operational and Financial Review which can be found on pages 2 to 5.

### Environmental policy

The environmental policy is discussed in the Corporate Responsibility Statement which can be found on pages 10 and 11.

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are:

|                 |  |
|-----------------|--|
| Iain Dorrity    | Chief Executive Officer and executive director   |
| Michael Parker* | Senior Independent Director<br>Member of the Nomination Committee<br>Chairman of the Remuneration Committee<br>Chairman of the Audit Committee |
| John Sleeman*   | Chairman<br>Chairman of the Nomination Committee<br>Member of the Remuneration Committee<br>Member of the Audit Committee                      |

\* Non-executive directors.

There have been no changes since the year end. Biographical details of the directors are set out on page 15.

### Retirement and re-election of directors

The Company's Articles of Association require all directors to seek re-election by shareholders at least once every three years. In addition, any directors appointed by the Board must stand for re-election at the first AGM following his or her appointment. Any non-executive directors who have served for more than nine years are subject to annual re-election.

The Board of Directors believes that the annual re-election of directors is in the best interests of the Company. As a result all current directors have stood for annual re-election since the 2011 AGM. Accordingly, at the 2018 AGM all directors will retire and, being eligible, Iain Dorrity, Michael Parker and John Sleeman will offer themselves for re-election.

### Directors' interests and remuneration

The Directors' Remuneration Report, which includes details of service agreements and the directors' interests in PV Crystalox Solar PLC shares, is set out on pages 17 to 24.

### Beneficial interests in significant contracts

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

### Substantial shareholders

As at 28 February 2018 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 Limited | 23,684,301                | 14.78                       |
| Iain Dorrity                           | 17,099,371                | 10.67                       |
| Barry Garrard                          | 16,108,323                | 10.05                       |
| Hawkwood Capital                       | 12,260,815                | 7.65                        |
| Stuart Oldham                          | 10,276,442                | 6.41                        |
| Aldebaran Capital LLC                  | 8,181,672                 | 5.10                        |
| Goldman Sachs International            | 6,021,393                 | 3.76                        |
| Graham Young                           | 5,398,888                 | 3.37                        |
| Interactive Investor                   | 4,867,464                 | 3.04                        |
| Hargreaves Lansdown Asset Mgt          | 4,842,652                 | 3.02                        |

The Company had not been notified of any changes to shareholdings, required under DTR 5.3.1, in the period between 28 February 2018 and the date of signing the financial statements.

### Directors' indemnity and insurance

As at the date of this report and throughout the year under review, the Company has provided to all the directors an indemnity in accordance with the Articles of Association (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. This indemnity is a qualifying third party indemnity provision for the purposes of Sections 232 to 234 of the Companies Act 2006. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

### Share capital

The authorised share capital and allotted, called up and fully paid share capital of the Company is shown in note 24. As at the date of this report, 160.3 million ordinary shares of 5.2 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 5.2 pence each, and full details of rights accorded to the holders of these ordinary shares are set out in the Articles of Association. Holders of ordinary shares have the rights accorded to them under United Kingdom 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 25.

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 2017 AGM to allot further shares up to a maximum of £2,778,169, which was approximately 33% of the issued share capital on 20 April 2017 and to allot an additional number of ordinary shares up to an aggregate nominal amount of £5,556,338, which is approximately 66% of the issued share capital on 19 April 2017 by way of a rights issue in favour of ordinary shareholders. No ordinary shares were allocated during the period from the AGM to the date of this report. This authority will expire at the 2018 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 2017 AGM to make market purchases of up to 16,027,897 of its own ordinary shares of 5.2 pence. This authority will expire at the 2018 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.

### Going concern

Going concern is discussed on pages 4 and 5 within the Operational and Financial Review.

### 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. 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.

### Listing Rule requirements

The applicable requirements of Listing Rule 9.8.4R in respect of long-term incentive schemes (page 21) and contracts of significance with related parties (page 54) are included in this Annual Report where applicable.

### Financial risk management

The Group's financial risk management policy is set out in note 26 in the Notes to the Consolidated Financial Statements.

### Disclosure of information to the auditors

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 auditors are 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 auditors are aware of that information.

### Independent auditors

PricewaterhouseCoopers LLP have indicated that they are willing to continue in office. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the AGM.

### Annual General Meeting

The AGM will be held at 3 More London Riverside, London SE1 2AQ on Thursday 17 May 2018 at 2.00 pm. The Letter from the Chairman and Notice of Meeting document give full details of the AGM and the resolutions to be proposed.



**Matthew Wethey**  
Chief Financial Officer and Group Secretary  
14 March 2018

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors section confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board



**Matthew Wethey**  
Chief Financial Officer and Group Secretary  
14 March 2018

## Independent auditors' report

To the members of PV Crystalox Solar PLC

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- PV Crystalox Solar PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2017; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

#### Our audit approach

##### Overview

- Overall Group materiality: €300,000 (2016: €513,000), based on 0.5% of expected total assets.
- Overall Company materiality: £246,000 (2016: £415,000), based on 1% of total assets, restricted by Group materiality.
- Three of six reporting units have been subject to a full scope substantive audit. Procedures were also performed at the Group level over the Group consolidation process.
- These three units are PV Crystalox Solar PLC (UK), Crystalox Limited (UK) and PV Crystalox Solar Silicon GmbH (Germany).
- These three reporting units accounted for 100% of Group assets, and 100% of Group profit before tax.
- In addition, we perform procedures over the remaining reporting units to identify any unusual or unexpected transactions or balances.
- Going concern (Group and parent).
- Recognition of balances following the arbitration award in respect of a disputed customer contract (Group).
- Risk of impairment of investments in subsidiaries (Parent).



#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.



## Report on the audit of the financial statements continued

### Our audit approach continued

#### Key audit matters continued

Key audit matter

How our audit addressed the key audit matter

#### Going concern

Refer to the directors' assessment in relation to going concern and note 1.

We focused on this area because of the continued pricing pressure faced by the Group and the industry as a whole and the actions taken by the Board Directors to cease manufacturing operations in the UK and restructure the operations in Germany.

The Group has cash resources of €26.9 million at 31 December 2017 and is also expecting to receive more than €20 million in cash receipts as part of the arbitration decision in relation to its dispute with one of the world's leading PV companies.

In addition to demonstrating that the Group has the sufficient ability to operate for a twelve-month period from the date of signing of the financial statements, the Directors are also required to assert that it is their intention to continue operations for the foreseeable future.

Management have prepared detailed cash flow forecasts, based on a number of assumptions including the expected cash receipts as part of the arbitration decision noted above and also the forecast purchase and sales prices for its products.

The going concern assumption is fundamental to the presentation of the financial statements and therefore a change in this assumption would alter their basis of preparation.

#### Group and Company

We obtained management's cash flow forecasts, which covered a period of twelve months and beyond, from the date of approval of the financial statements and confirmed that the forecast indicated that the Group and Company would have sufficient cash to continue in operation for that period.

We have also reviewed the minutes of recent Board meetings to confirm to confirm the current trading plans and strategy for the future following the restructuring of the business in the year and have obtained representation from the Directors that it is still their intent to continue to operate in the sector for the foreseeable future.

We focused on the key assumptions made in those cash flow forecasts, in particular the expected cash receipts as part of the arbitration decision in relation to the dispute with one of the world's leading PV companies and the forecast purchase and sales prices for its products.

We performed sensitivity analysis over the significant assumptions, both individually and collectively to ascertain the extent of change that would be required for the Group and Company to have insufficient cash flows to meet its ongoing liabilities as they fall due. We also considered the likelihood of such a movement arising.

Our testing identified that the combination of circumstances necessary to lead to the Group and Company having insufficient cash to meet their ongoing liabilities as they fall due appears unlikely to occur in the foreseeable future.

Overall we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, this is not a guarantee as to the Group's or Company's ability to continue as a going concern.

#### Recognition of balances following the arbitration award in respect of a disputed customer contract

In November 2017, the International Court of Arbitration of the International Chamber of Commerce concluded on the contract arbitration proceedings between the Group's subsidiary PV Crystalox Solar Silicon GmbH and one of the world's leading PV companies in respect of a long-standing contract for the purchase of silicon wafers.

Whilst the arbitration award indicated an amount payable to the Group, both the customer and the Group have sought clarification on specific points, which have delayed payment being received by the Group.

Management have made an assessment of the amounts in the arbitration award for which clarification is not being sought to determine the minimum amount they believe would have been received at 31 December 2017. They have concluded that the minimum amount of €20.5 million has met the recognition criteria for an asset and have therefore recognised this amount as other income and a receivable at 31 December 2017.

#### Group

We obtained all legal documents in respect of the arbitration and inspected these to confirm the facts and circumstances as presented by management were consistent with the respective communications.

We have also obtained correspondence with the customer in relation to the matters currently in dispute to determine that the minimum amount recognised is appropriate. We have also assessed whether the customer has the financial ability to satisfy the arbitration award as well as reviewing press releases made by the customer to notify its own shareholders of the arbitration outcome.

We have confirmed that the value of the debtor recognised meets the recognition criteria for an asset as at 31 December 2017 and that those amounts not recognised do not.

We have obtained management's assessment of the impact of the income recognition on the current and deferred tax positions and confirmed that the treatment applied is consistent with IAS 12 'Income Taxes'.

We have also reviewed the disclosures made in the financial statements in relation to this matter and have confirmed that these are appropriate.

#### Risk of impairment of investments in subsidiaries

The carrying value of investments in the Company balance sheet is £16.6 million (2016: £49.8 million) at 31 December 2017, following an impairment of £33.1 million.

We focused on this area as it is material to the Company balance sheet and because management have reassessed the investment in subsidiaries based on the future cash flows and balance sheet position of the subsidiary. The future cash flows are inherently subjective and reliant on a number of assumptions, including the future expected losses and the outcome of negotiations on certain customer contracts.

#### Company

We obtained management's assessment of the carrying value of the investments in subsidiaries and reviewed the assumptions over the expected future cash flows.

We challenged and evaluated their assumptions and forecasts regarding the likelihood and magnitude of future cash flows.

We have then reviewed management's assessment of the expected carrying value and agreed that the impairment of £33.1 million is appropriate.

We have also reviewed the disclosures made in the financial statements in relation to this matter and have confirmed that these are appropriate.



## Independent auditors' report *continued*

To the members of PV Crystalox Solar PLC

### Report on the audit of the financial statements *continued*

#### Our audit approach *continued*

##### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has finance functions in two principal locations around the world, being the UK and Germany. One of these is the Group's head office located in the UK where our work on the Group consolidation and UK division of the business was conducted. A local team in Germany audited the primary business component accounted for from that location, with the Group audit team meeting with the Finance Controller from this location during the year. Throughout the year we communicated regularly with the local team in Germany to direct and supervise their work and to make sure we had a full and complete understanding, particularly in so far as it related to the identified areas of focus.

#### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                 | Group financial statements  | Company financial statements  |
|---------------------------------|---|---|
| Overall materiality             | €300,000 (2016: €513,000).  | £246,000 (2016: £415,000).  |
| How we determined it            | 0.5% of total assets.   | 1% of total assets, restricted by Group materiality.  |
| Rationale for benchmark applied | We considered financial metrics which we believed to be relevant and concluded that, consistent with the last year, total assets was the most appropriate benchmark as it best reflected the underlying interests of the Group's members. | We considered financial metrics which we believed to be relevant and concluded that, consistent with the last year, total assets was the most appropriate benchmark as it best reflected the underlying interests of the Company's members. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €180,000 and €280,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €15,000 (Group audit) (2016: €19,200) and £12,300 (Company audit) (2016: £16,360) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

## Report on the audit of the financial statements continued

### Reporting on other information continued

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

#### Appointment

Following the recommendation of the audit committee, we were appointed by the members on 1 January 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2010 to 31 December 2017.

#### Sam Taylor (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

14 March 2018

## Consolidated statement of comprehensive income

For the year ended 31 December 2017

|  | Notes | 2017<br>€'000 | 2016<br>€'000 |
|--|-------|---------------|---------------|
| Revenues   | 2     | 26,364        | 56,732        |
| Cost of materials and services   | 3     | (24,681)      | (48,622)      |
| Personnel expenses   | 4     | (8,231)       | (7,611)       |
| Depreciation and impairment of property, plant and equipment and amortisation of intangible assets |       | (667)         | (226)         |
| Other income   | 5     | 23,800        | 5,376         |
| Other expenses   | 6     | (4,656)       | (7,870)       |
| Currency gains   |       | 33            | 3,860         |
| <b>Profit before interest and taxes ("EBIT")</b>   |       | <b>11,962</b> | 1,639         |
| Finance income   | 7     | 65            | 97            |
| Finance cost   | 7     | (25)          | (36)          |
| <b>Profit before taxes ("EBT")</b>   |       | <b>12,002</b> | 1,700         |
| Income taxes   | 8     | (1,084)       | 44            |
| <b>Profit for the year attributable to owners of the parent</b>                                    |       | <b>10,918</b> | 1,744         |
| <b>Other comprehensive (loss)/income</b>   |       |               |               |
| Items that may be reclassified subsequently to profit or loss:                                     |       |               |               |
| Currency translation adjustment  |       | (1,204)       | (4,887)       |
| Actuarial gains on defined benefit pension scheme  | 9     | 295           | —             |
| <b>Total comprehensive income/(loss)</b>   |       | <b>10,009</b> | (3,143)       |
| Attributable to owners of the parent   |       |               |               |
| Basic and diluted profit per share in Euro cents:  |       |               |               |
| From profit for the year – basic   | 10    | 6.9           | 1.1           |
| From profit for the year – diluted   | 10    | 6.8           | 1.1           |

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

## Consolidated balance sheet

As at 31 December 2017

|                                      | Notes | 2017<br>€'000 | 2016<br>€'000 |
|--------------------------------------|-------|---------------|---------------|
| Intangible assets                    | 11    | 6             | 7             |
| Property, plant and equipment        | 12    | 651           | 1,780         |
| Other non-current assets             | 13    | 429           | —             |
| <b>Total non-current assets</b>      |       | <b>1,086</b>  | 1,787         |
| Cash and cash equivalents            | 14    | 26,881        | 28,827        |
| Trade accounts receivable            | 15    | 1,548         | 2,446         |
| Inventories                          | 16    | 3,914         | 11,217        |
| Assets held for sale                 | 17    | 390           | —             |
| Prepaid expenses and other assets    | 18    | 22,430        | 1,292         |
| <b>Total current assets</b>          |       | <b>55,163</b> | 43,782        |
| <b>Total assets</b>                  |       | <b>56,249</b> | 45,569        |
| Trade accounts payable               | 19    | 1,037         | 2,006         |
| Accrued expenses                     | 20    | 806           | 1,469         |
| Provisions                           | 21    | 1,385         | —             |
| Deferred tax liabilities             | 22    | 1,084         | —             |
| Other current liabilities            | 23    | 167           | 55            |
| <b>Total current liabilities</b>     |       | <b>4,479</b>  | 3,530         |
| Accrued expenses                     |       | —             | 31            |
| Other non-current liabilities        |       | —             | 281           |
| <b>Total non-current liabilities</b> |       | <b>—</b>      | 312           |
| Share capital                        | 24    | 12,332        | 12,332        |
| Share premium                        |       | 50,511        | 50,511        |
| Other reserves                       |       | 25,096        | 25,096        |
| Shares held by the EBT               |       | (372)         | (372)         |
| Share-based payment reserve          |       | 294           | 260           |
| Reverse acquisition reserve          |       | (3,601)       | (3,601)       |
| Accumulated losses                   |       | (8,431)       | (19,644)      |
| Currency translation reserve         |       | (24,059)      | (22,855)      |
| <b>Total equity</b>                  |       | <b>51,770</b> | 41,727        |
| <b>Total liabilities and equity</b>  |       | <b>56,249</b> | 45,569        |

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

The financial statements on pages 34 to 54 were approved by the Board of Directors on 14 March 2018 and signed on its behalf by:



**Iain Dorrity**  
Chief Executive Officer

**Company number**  
06019466

## Consolidated statement of changes in equity

For the year ended 31 December 2017

|  | Share capital<br>€'000 | Share premium<br>€'000 | Other reserves<br>€'000 | Shares held by the EBT<br>€'000 | Share-based payment reserve<br>€'000 | Reverse acquisition reserve<br>€'000 | Accumulated losses<br>€'000 | Currency translation reserve<br>€'000 | Total equity<br>€'000 |
|--|------------------------|------------------------|-------------------------|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|---------------------------------------|-----------------------|
| <b>As at 1 January 2016</b>              | 12,332                 | 50,511                 | 25,096                  | (679)                           | 472                                  | (3,601)                              | (21,388)                    | (17,968)                              | 44,775                |
| Share-based payment credit/(charge)      | —                      | —                      | —                       | 307                             | (212)                                | —                                    | —                           | —                                     | 95                    |
| <b>Transactions with owners</b>          | —                      | —                      | —                       | 307                             | (212)                                | —                                    | —                           | —                                     | 95                    |
| Profit/(loss) for the year               | —                      | —                      | —                       | —                               | —                                    | —                                    | 1,744                       | (4,887)                               | (3,143)               |
| Currency translation adjustment          | —                      | —                      | —                       | —                               | —                                    | —                                    | —                           | —                                     | —                     |
| <b>Total comprehensive profit/(loss)</b> | —                      | —                      | —                       | —                               | —                                    | —                                    | 1,744                       | (4,887)                               | (3,143)               |
| <b>As at 31 December 2016</b>            | 12,332                 | 50,511                 | 25,096                  | (372)                           | 260                                  | (3,601)                              | (19,644)                    | (22,855)                              | 41,727                |
| <b>As at 1 January 2017</b>              | 12,332                 | 50,511                 | 25,096                  | (372)                           | 260                                  | (3,601)                              | (19,644)                    | (22,855)                              | 41,727                |
| Share-based payment credit               | —                      | —                      | —                       | —                               | 34                                   | —                                    | —                           | —                                     | 34                    |
| <b>Transactions with owners</b>          | —                      | —                      | —                       | —                               | 34                                   | —                                    | —                           | —                                     | 34                    |
| Profit for the year                      | —                      | —                      | —                       | —                               | —                                    | —                                    | 10,918                      | —                                     | 10,918                |
| Currency translation adjustment          | —                      | —                      | —                       | —                               | —                                    | —                                    | —                           | (1,204)                               | (1,204)               |
| Actuarial gains                          | —                      | —                      | —                       | —                               | —                                    | —                                    | 295                         | —                                     | 295                   |
| <b>Total comprehensive profit/(loss)</b> | —                      | —                      | —                       | —                               | —                                    | —                                    | 11,213                      | (1,204)                               | 10,009                |
| <b>As at 31 December 2017</b>            | <b>12,332</b>          | <b>50,511</b>          | <b>25,096</b>           | <b>(372)</b>                    | <b>294</b>                           | <b>(3,601)</b>                       | <b>(8,431)</b>              | <b>(24,059)</b>                       | <b>51,770</b>         |

## Consolidated cash flow statement

For the year ended 31 December 2017

|   | 2017<br>€'000   | 2016<br>€'000 |
|---|-----------------|---------------|
| <b>Profit before taxes</b>  | <b>12,002</b>   | 1,700         |
| <b>Adjustments for:</b>   |                 |               |
| Net interest income   | <b>(40)</b>     | (61)          |
| Depreciation and amortisation   | <b>667</b>      | 226           |
| Inventory writedown   | <b>—</b>        | —             |
| Credit for retirement benefit obligation and share-based payments       | <b>48</b>       | 161           |
| Change in provisions  | <b>1,385</b>    | —             |
| Gain from the disposal of property, plant and equipment and intangibles | <b>(254)</b>    | —             |
| Losses in foreign currency exchange                                     | <b>14</b>       | 700           |
| Change in deferred grants and subsidies                                 | <b>—</b>        | (70)          |
|   | <b>13,822</b>   | 2,656         |
| <b>Changes in working capital</b>                                       |                 |               |
| Decrease in inventories   | <b>7,148</b>    | 9,639         |
| Decrease in accounts receivables  | <b>755</b>      | 395           |
| Decrease in accounts payables and deferred income                       | <b>(1,534)</b>  | (1,181)       |
| (Increase)/decrease in other assets                                     | <b>(21,591)</b> | 6,490         |
| Increase/(decrease) in other liabilities                                | <b>112</b>      | (57)          |
|   | <b>(1,288)</b>  | 17,942        |
| Income taxes received/(paid)  | <b>1</b>        | (69)          |
| Interest received   | <b>40</b>       | 97            |
| <b>Net cash (used in)/generated from operating activities</b>           | <b>(1,247)</b>  | 17,970        |
| <b>Cash flow from investing activities</b>                              |                 |               |
| Proceeds from sale of property, plant and equipment                     | <b>431</b>      | —             |
| Payments to acquire property, plant and equipment and intangibles       | <b>(133)</b>    | (131)         |
| <b>Net cash generated from/(used in) investing activities</b>           | <b>298</b>      | (131)         |
| <b>Cash flow from financing activities</b>                              |                 |               |
| Interest paid   | <b>—</b>        | —             |
| <b>Net cash used in financing activities</b>                            | <b>—</b>        | —             |
| <b>Cash (used in)/generated from operations</b>                         | <b>(949)</b>    | 17,839        |
| Effects of foreign exchange rate changes on cash and cash equivalents   | <b>(997)</b>    | (1,703)       |
| <b>Cash and cash equivalents at the beginning of the year</b>           | <b>28,827</b>   | 12,691        |
| <b>Cash and cash equivalents at the end of the year</b>                 | <b>26,881</b>   | 28,827        |

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

## Notes to the consolidated financial statements

For the year ended 31 December 2017

### 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, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. 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 profit and loss. These policies have been consistently applied to all years presented unless otherwise stated.

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

The financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 14 March 2018.

#### Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company is Sterling. The financial information has been presented in Euros, which is the Group's presentational currency. The Euro has been selected as the Group's presentational currency as this is the currency used in its significant contracts. The financial statements are presented in round thousands.

#### Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the date the fair value was determined. Exchange gains and losses on monetary items are charged to the Statement of Comprehensive Income.

The assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in. In the Consolidated Financial Statements exchange rate differences arising on consolidation of the net investments in subsidiaries are recognised in other comprehensive income under "Currency translation adjustment".

#### Non-going concern entities

Subsidiary accounts no longer prepared on a going concern basis include an estimate of all related costs either committed to or incurred in the period. Where the Company continues to trade any losses incurred in so doing are booked in the same period as revenue derived and therefore no accrual is made for these. The preparation of these accounts differ from that of going concern in that:

- non-current assets/liabilities become current;
- assets are written down to a recoverable amount; and
- provision for wind-down costs is charged to the income statement.

#### 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 assets and liabilities. Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cash flows used in impairment testing, taxes, share-based payments and inventory valuations. 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 years. The critical accounting policies that the Group discloses will not necessarily result in material changes to our financial statements in any given year 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 impairment

Property, plant and equipment are depreciated over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. The carrying amount of the Group's non-financial assets, other than inventories, are subject to regular impairment testing and are reviewed annually and upon indication of impairment.

Having considered the current and, lack of certainty of, future profitability of other Group companies, the majority of property, plant and equipment has previously been written down to scrap value.

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.

#### 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 in the future.

Due to the lack of certainty around future profits, all deferred tax assets continue to be unrecognised in the year's balance sheet.

#### Use of estimates – inventory valuation

Given the decline in market prices for silicon wafers to below the Group's cost of production, the carrying amount of inventory is recorded at net realisable value.

Net realisable value has been determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Any improvement in anticipated selling prices would reduce the level of writedown necessary and would be taken as profit in 2018.



## 1. Group accounting policies continued

### Use of estimates – arbitration award

To compute the value of the arbitration award which was recognised during the year, estimates have been applied. Whilst the arbitration award suggested an amount payable to the Group, both customer and the Group have sought clarification on specific points which have delayed payment to the Group. In addition the Group have estimated the cost of supplying the outstanding wafers as at 31 December 2017. The Group have made an assessment of the amounts in the arbitration award for which clarification is not being sought and for supplying the wafers to determine the minimum amount that would have been received at 31 December 2017.

### Basis of consolidation

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2017. 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.

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

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

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

### Going concern

The Group's directors are required to make an assessment as to whether it is appropriate to prepare the financial statements on a going concern basis by considering the Group's ability and intention to continue in business.

The Group have been operating a cash conservation strategy to maximise cash held and to enable the Group to manage its operations whilst market conditions remain difficult. A description of the market conditions and the Group's plans to conserve cash is included in the Strategic Report.

On 31 December 2017 there was a net cash balance of €26.9 million, and a cash inflow of at least €20.5 million expected from the arbitration award. As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. The directors, after careful consideration and after making appropriate enquiries, are of the opinion that the levels of net cash outflows remain low such that Group has sufficient cash to continue in operational existence for at least twelve months from the date of approval of the financial statements, in March 2019.

The Group intends to continuing wafering operations at close to capacity during H1 2018 and has announced in these financial statements an intention to sell or restructure the wafering operation at PV Crystalox Solar Silicon GmbH, in Germany. Under the restructuring option the Group will focus on the cutting of non-silicon materials together with a continued focus on research and development activities.

As a result of this assessment the directors have concluded that the Group has the ability and the intention to continue in business. It should be noted that whilst the Group and PV Crystalox Solar Silicon GmbH have been prepared on a going concern basis the operations at Crystalox Limited have not following the announcement on 13 July 2017 that Group intended to cease United Kingdom manufacturing operations in H2 2017.

### Effects of new accounting pronouncements

#### Accounting standards, IFRICs and other guidance in effect or applied for the first time in 2017

- IFRS 14, 'Regulatory Deferral Accounts'
- Annual improvements 2014
- Amendment to IFRS 11, 'Joint Arrangements' on acquisition of an interest in a joint operation
- Amendment to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets', on depreciation and amortisation
- Amendments to IAS 27, 'Separate Financial Statements' on the equity method
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception
- Amendment to IAS 1, 'Presentation of Financial Statements' on the disclosure initiative
- Amendments to IAS 7, 'Statement of Cash Flows on Disclosure Initiative'
- Amendments to IAS 12, 'Income Taxes' on Recognition of deferred tax assets for unrealised losses

The above have not made a material difference to the financial statements.

#### In issue, but not yet effective

- IFRS 9 'Financial instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- Amendments to IFRS 2, 'Share-based Payments', on clarifying how to account for certain types of share-based payment transactions

The Group does not believe that any of these will have a material impact on the Group's financial positions, results of operations or cash flows, but will complete a full exercise assessing their impact during 2018.

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 1. Group accounting policies *continued*

#### Intangible assets

Intangible assets are stated at cost net of accumulated amortisation. The Group's policy is to write off the difference between the cost of intangible assets and their estimated realisable value systematically over their estimated useful life. Amortisation of intangible assets is recorded under "Depreciation and impairment of property, plant and equipment and amortisation of intangible assets" in the Consolidated Statement of Comprehensive Income.

Acquired computer software licences and patents are capitalised on the basis of the costs incurred to purchase and bring into use the software.

The capitalised costs are written down using the straight-line method over the expected economic life of the patents and licences (five years) or the software under development (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 Consolidated Statement of Comprehensive Income.

#### Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, net of depreciation and 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 five to ten years for plant and machinery and up to 15 years for other furniture and equipment. Property, plant and equipment are reviewed for impairment at each balance sheet date or upon indication 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 Consolidated Statement of Comprehensive Income.

#### Impairment

The carrying amount of the Group's non-financial assets is subject to impairment testing upon indication of impairment.

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

#### Leased assets

Leases are categorised as per the requirements of IAS 17. Where risks and rewards are transferred to the lessee, the lease is classified as a finance lease. All other leases are classed as operating leases.

Rentals under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are spread over the total period of the lease.

The obligations from operating lease contracts are disclosed among financial obligations.

For the reporting year, no assets were recorded under finance leases.

#### Other income

Income other than that from sale of silicon products is recognised at the point of entitlement to receipt and shown as other income.

#### 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. Subsequent measurement depends on the designation of the instrument, as follows:

##### Amortised cost

- short-term borrowing, overdrafts and long-term loans are held at amortised cost; and
- accounts payable which are not interest bearing are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

##### Held for trading

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

##### Loans and receivables

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

Interest and other income resulting from financial assets are recognised in profit or loss on the accruals basis, using the effective interest method.

## 1. Group accounting policies continued

### Inventories

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

Acquisition costs for raw materials are usually determined by the weighted average method.

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

### Contingent liabilities

Provisions are made for contingent liabilities 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, where material, the contingent liability will be disclosed in a note.

### Current and deferred 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 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. 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 Consolidated Statement of Comprehensive Income, 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 wafering operation is located in a region designated for economic development, the Group received both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure were credited to the "Deferred grants and subsidies" account and released to the Consolidated Statement of Comprehensive Income 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, were credited to the Consolidated Statement of Comprehensive Income in the same year as the related expenditure.

All required conditions of these grants have been met and it is the Group's intention that they 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, discounted to present value. The resulting charge upon the discounting being unwound is recorded as a finance cost.

Future expected wind-down costs for Group companies no longer classed as going concern are included within provisions.

### Accruals

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

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

### 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 products have been received by the customer unless shipping terms dictate any different. Revenues exclude intra-group 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.

### Finance income and costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and gains and financial income and costs relating to the defined benefit pension scheme.

Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

### Defined contribution pension 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 incurred.

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 1. Group accounting policies *continued*

#### Defined benefit pension plan

For defined benefit plans, the Group previously made contributions to pension insurance plans in Germany which covered the estimated liability for the two German members. These amounts have historically been shown netted off due to the fact that the gross balances were not deemed to be material to the financial statements. During 2017 the liability was reduced due to the death of the spouse of one of the employees. The insurance asset will continue to pay out to the Group over the next ten years and therefore an asset has been recognised along with a corresponding actuarial gain in the Consolidated Statement of Comprehensive Income. The plans are reviewed annually by an actuary and any actuarial gains or losses are recorded in other comprehensive income.

#### Employee Benefit Trust

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

#### Deferred revenue and other long-term assets

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

These deposits are held on the balance sheet and matched against revenue/cost as appropriate.

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

#### 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 using an appropriate option pricing model and are expensed over the vesting year, based on the Group's estimate of the number of shares that will eventually vest. Grants of shares made during 2008 and 2007 are not subject to performance criteria and were valued at the date of the grant at market value. During 2011 awards were granted under the Performance Share Plan 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 assessed using the Black-Scholes method.

Charges made to the Consolidated Statement of Comprehensive Income 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 160,278,975 ordinary shares of 5.2 pence each;
- share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issue;
- other reserves arising from the issue and redemption of B shares in 2013;
- 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 Consolidated Statement of Comprehensive Income in respect of shares already granted or options outstanding relative to the vesting date or option exercise date;
- the 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;
- accumulated losses is the cumulative loss retained by the Group; and
- currency translation reserve represents the differences arising from the currency translation of the net assets in subsidiaries.

### 2. Segment reporting

The chief operating decision-maker, who is responsible for allocating resources and assessing performance, has been identified as the Group Board. The Group is organised around the production and supply of one product, multicrystalline silicon wafers. Accordingly, the Board reviews the performance of the Group as a whole and there is only one operating segment. Disclosure of reportable segments under IFRS 8 is therefore not made.

#### Geographical information 2017

|                                 | Japan<br>€'000 | Taiwan<br>€'000 | Canada<br>€'000 | Germany<br>€'000 | United<br>Kingdom<br>€'000 | Rest of<br>Europe<br>€'000 | Rest of<br>world<br>€'000 | Group<br>€'000 |
|---------------------------------|----------------|-----------------|-----------------|------------------|----------------------------|----------------------------|---------------------------|----------------|
| <b>Revenues</b>                 |                |                 |                 |                  |                            |                            |                           |                |
| By entity's country of domicile | —              | —               | —               | 3,418            | 22,946**                   | —                          | —                         | 26,364         |
| By country from which derived   | —              | 16,966          | 1,993           | 312              | —                          | 816                        | 6,277                     | 26,364         |
| <b>Non-current assets*</b>      |                |                 |                 |                  |                            |                            |                           |                |
| By entity's country of domicile | —              | —               | —               | 1,086            | —                          | —                          | —                         | 1,086          |

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

\*\* Includes sales of surplus polysilicon feedstock.

One customer in Taiwan accounted for more than 10% of Group revenue, with sales to this customer of €16,720 (figures in €'000).

## 2. Segment reporting continued

### Geographical information 2016

|                                 | Japan<br>€'000 | Taiwan<br>€'000 | Canada<br>€'000 | Germany<br>€'000 | United<br>Kingdom<br>€'000 | Rest of<br>Europe<br>€'000 | Rest of<br>world<br>€'000 | Group<br>€'000 |
|---------------------------------|----------------|-----------------|-----------------|------------------|----------------------------|----------------------------|---------------------------|----------------|
| <b>Revenues</b>                 |                |                 |                 |                  |                            |                            |                           |                |
| By entity's country of domicile | —              | —               | —               | 2,648            | 54,084**                   | —                          | —                         | 56,732         |
| By country from which derived   | 14             | 18,399          | 26,536          | 246              | 15                         | 6,796                      | 4,726                     | 56,732         |
| <b>Non-current assets*</b>      |                |                 |                 |                  |                            |                            |                           |                |
| By entity's country of domicile | —              | —               | —               | 660              | 1,127                      | —                          | —                         | 1,787          |

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

\*\* Includes sales of surplus polysilicon feedstock.

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

1. 26,536 (Canada); and
2. 18,399 (Taiwan).

### 3. Cost of materials 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.

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| Cost of raw materials, supplies and purchased merchandise | 20,681        | 48,971        |
| Change in unfinished and finished goods                   | 1,699         | (4,402)       |
| Purchased services  | 2,301         | 4,053         |
| Cost of materials and services                            | 24,681        | 48,622        |

### 4. Personnel expenses

|  | 2017<br>€'000 | 2016<br>€'000 |
|--|---------------|---------------|
| <b>Staff costs for the Group during the year</b> |               |               |
| Wages and salaries                               | 7,000         | 6,261         |
| Social security costs                            | 843           | 893           |
| Other pension costs                              | 356           | 323           |
| Employee share schemes                           | 32            | 134           |
| Total  | 8,231         | 7,611         |

Included within pension costs is €nil (2016: €87k) relating to actuarial losses on defined benefit pension obligations.

#### Employees

The Group employed a monthly average of 126 employees during the year ended 31 December 2017 (2016: 138).

|                | 2017<br>Number | 2016<br>Number |
|----------------|----------------|----------------|
| Germany        | 89             | 88             |
| United Kingdom | 37             | 50             |
|                | 126            | 138            |
| <b>2017</b>    |                |                |
|                | Number         | 2016<br>Number |
| Production     | 76             | 84             |
| Administration | 50             | 54             |
|                | 126            | 138            |

The Group employed 98 employees at 31 December 2017 (31 December 2016: 139).

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

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 5. Other income

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| Customer compensations                                      | 21,811        | 4,618         |
| Recognition of accrued grants and subsidies for investments | —             | 70            |
| Gain on disposals of property, plant and equipment          | 256           | —             |
| Supplier compensations                                      | 33            | 33            |
| Research and development grants                             | 520           | 411           |
| Miscellaneous   | 1,180         | 244           |
|   | <b>23,800</b> | 5,376         |

Customer compensations relate to realisation of payments received in respect of unfulfilled customer purchase obligations and includes €20.516 million in relation to arbitration proceedings.

On 13 March 2018 the Group was informed, by the Court of Arbitration, that the customer's request for correction had been disallowed meaning that the expected minimum net income is increased. The additional customer compensations income of €3.1 million will be recognised in the results for the year ended 31 December 2018.

### 6. Other expenses

|  | 2017<br>€'000 | 2016<br>€'000 |
|--|---------------|---------------|
| Land and building operating lease charges      | 2,018         | 1,810         |
| Repairs and maintenance                        | 99            | 138           |
| Selling expenses                               | 1             | 5             |
| Technical consulting, research and development | 38            | 72            |
| Legal costs                                    | 1,144         | 525           |
| Other professional services                    | 182           | 529           |
| Insurance premiums                             | 167           | 201           |
| Travel and advertising expenses                | 61            | 73            |
| Bad debts                                      | 7             | —             |
| Cost of cancelling supply contract (see below) | —             | 4,266         |
| Staff related costs                            | 82            | 65            |
| Other  | 857           | 186           |
|  | <b>4,656</b>  | 7,870         |

The Group's last remaining supply contract was cancelled during 2016 and, as part of the mutual agreement, the Group forfeited a proportion of the deposit previously made.

### Amounts payable to the Group's auditors

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements | 76            | 71            |
| Fees payable to the Company's auditors and their associates for other services:   |               |               |
| – The audit of the Company's subsidiaries pursuant to legislation   | 53            | 70            |
| – Other assurance services  | 9             | 4             |
|   | <b>138</b>    | 145           |

### 7. Finance income and costs

Finance income and costs are derived/incurred on financial assets/liabilities and recognised under the effective interest method.

|                               | 2017<br>€'000 | 2016<br>€'000 |
|-------------------------------|---------------|---------------|
| <b>Finance income</b>         | <b>65</b>     | 97            |
| Finance expense:              |               |               |
| Expense of pension commitment | (25)          | (36)          |
| <b>Finance expense</b>        | <b>(25)</b>   | (36)          |

## 8. Income taxes

|                                      | 2017<br>€'000 | 2016<br>€'000 |
|--------------------------------------|---------------|---------------|
| Current tax:                         |               |               |
| Current tax on loss for the year     | —             | —             |
| Adjustment in respect of prior years | —             | (44)          |
| <b>Total current tax</b>             | <b>—</b>      | <b>(44)</b>   |
| Deferred tax (note 22):              |               |               |
| Total deferred tax                   | 1,084         | —             |
| <b>Total tax charge/(credit)</b>     | <b>1,084</b>  | <b>(44)</b>   |

The total tax rate for the German companies is 32.275% (2016: 32.275%). The effective total tax rate in the United Kingdom was 19.25% (2017: 20.0%). These rates are based on the legal regulations applicable or adopted at the balance sheet date.

The rate of corporation tax in the United Kingdom will fall to 17% in 2020. The German rate will be unchanged in 2017. The impact of these changes is not expected to be material.

The tax on the Group's results before tax differs from the theoretical amount that would arise using the effective UK tax rate applicable to the losses of the consolidated entities as follows:

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| <b>Profit before tax</b>  | <b>12,002</b> | 1,700         |
| Expected income tax charge at United Kingdom tax rate of 19.25% (2016: 20.0%) | 2,310         | 340           |
| Adjustments for foreign tax rates   | 1,249         | 19            |
| Income not subject to tax   | (141)         | (5)           |
| Unrecognised adjustments to deferred tax                                      | (2,481)       | (146)         |
| Adjustment in respect of prior years  | —             | (44)          |
| Utilisation of tax losses and other deductions                                | —             | (169)         |
| Expenses not deductible for tax   | 147           | (39)          |
| <b>Total tax charge/(credit)</b>  | <b>1,084</b>  | <b>(44)</b>   |

## 9. Actuarial gains

Actuarial gains represent the net of movements in the defined benefit obligation and the asset value of the Group's defined benefit pension scheme.

Following the death of one beneficiary in the year there was a gain of €295k being a €759k release of benefit obligation and €464k decrease in the value of the plan assets (2016: €nil).

## 10. Earnings per share

Net earnings per share is computed by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted net earnings per share is computed by dividing the loss for the year by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options.

|   | 2017        | 2016        |
|---|-------------|-------------|
| Basic shares (average)                  | 158,307,027 | 157,843,010 |
| Basic earnings per share (Euro cents)   | 6.9         | 1.1         |
| Diluted shares (average)                | 160,051,162 | 159,047,618 |
| Diluted earnings per share (Euro cents) | 6.8         | 1.1         |

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares (see note 24) as follows:

|   | 2017        | 2016        |
|---|-------------|-------------|
| Shares in issue (see note 24)                                       | 160,278,975 | 160,278,975 |
| Weighted average number of EBT shares held                          | (1,971,948) | (2,435,965) |
| Weighted average number of shares for basic EPS calculation         | 158,307,027 | 157,843,010 |
| Dilutive share options  | 1,744,135   | 1,204,608   |
| Weighted average number of shares for fully diluted EPS calculation | 160,051,162 | 159,047,618 |



## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 11. Intangible assets

Intangible assets relate to software licences.

|  | Total<br>€'000 |
|--|----------------|
| <b>Cost</b>                              |                |
| At 1 January 2017                        | 863            |
| Additions                                | 5              |
| Reclassification to assets held for sale | (23)           |
| Disposals                                | (20)           |
| Net effect of foreign currency movements | (1)            |
| <b>At 31 December 2017</b>               | <b>824</b>     |
| <b>Accumulated amortisation</b>          |                |
| At 1 January 2017                        | 856            |
| Charge for the year                      | 6              |
| Reclassification to assets held for sale | (23)           |
| Disposals                                | (19)           |
| Net effect of foreign currency movements | (2)            |
| <b>At 31 December 2017</b>               | <b>818</b>     |
| <b>Net book amount</b>                   |                |
| <b>At 31 December 2017</b>               | <b>6</b>       |
| At 31 December 2016                      | 7              |
|  | Total<br>€'000 |
| <b>Cost</b>                              |                |
| At 1 January 2016                        | 1,116          |
| Additions                                | 5              |
| Disposals                                | (283)          |
| Net effect of foreign currency movements | 25             |
| <b>At 31 December 2016</b>               | <b>863</b>     |
| <b>Accumulated amortisation</b>          |                |
| At 1 January 2016                        | 1,104          |
| Charge for the year                      | 10             |
| Disposals                                | (283)          |
| Net effect of foreign currency movements | 25             |
| <b>At 31 December 2016</b>               | <b>856</b>     |
| <b>Net book amount</b>                   |                |
| <b>At 31 December 2016</b>               | <b>7</b>       |
| At 31 December 2015                      | 12             |

## 12. Property, plant and equipment ("PPE")

|  | Plant and machinery<br>€'000 | Other furniture and equipment<br>€'000 | Total<br>€'000 |
|--|------------------------------|--|----------------|
| <b>Cost</b>                              |                              |  |                |
| At 1 January 2017                        | 66,336                       | 4,260                                  | 70,596         |
| Additions                                | 3                            | 136                                    | 139            |
| Reclassification to assets held for sale | (23,293)                     | (237)                                  | (23,530)       |
| Disposals                                | (16,228)                     | (1,213)                                | (17,441)       |
| Net effect of foreign currency movements | (1,548)                      | (56)                                   | (1,604)        |
| <b>At 31 December 2017</b>               | <b>25,270</b>                | <b>2,890</b>                           | <b>28,160</b>  |
| <b>Accumulated depreciation</b>          |                              |  |                |
| At 1 January 2017                        | 64,711                       | 4,105                                  | 68,816         |
| Depreciation charge for the year         | 108                          | 40                                     | 148            |
| Impairment charge for the year           | 502                          | 11                                     | 513            |
| Reclassification to assets held for sale | (22,949)                     | (191)                                  | (23,140)       |
| On disposals                             | (16,062)                     | (1,202)                                | (17,264)       |
| Net effect of foreign currency movements | (1,508)                      | (56)                                   | (1,564)        |
| <b>At 31 December 2017</b>               | <b>24,802</b>                | <b>2,707</b>                           | <b>27,509</b>  |
| <b>Net book amount</b>                   |                              |  |                |
| <b>At 31 December 2017</b>               | <b>468</b>                   | <b>183</b>                             | <b>651</b>     |
| At 31 December 2016                      | 1,625                        | 155                                    | 1,780          |
| <b>Cost</b>                              |                              |  |                |
| At 1 January 2016                        | 73,630                       | 4,692                                  | 78,322         |
| Additions                                | 104                          | 25                                     | 129            |
| Disposals                                | (1,187)                      | (252)                                  | (1,439)        |
| Net effect of foreign currency movements | (6,211)                      | (205)                                  | (6,416)        |
| <b>At 31 December 2016</b>               | <b>66,336</b>                | <b>4,260</b>                           | <b>70,596</b>  |
| <b>Accumulated depreciation</b>          |                              |  |                |
| At 1 January 2016                        | 71,759                       | 4,514                                  | 76,273         |
| Charge for the year                      | 174                          | 42                                     | 216            |
| On disposals                             | (1,187)                      | (249)                                  | (1,436)        |
| Net effect of foreign currency movements | (6,035)                      | (202)                                  | (6,237)        |
| <b>At 31 December 2016</b>               | <b>64,711</b>                | <b>4,105</b>                           | <b>68,816</b>  |
| <b>Net book amount</b>                   |                              |  |                |
| <b>At 31 December 2016</b>               | <b>1,625</b>                 | <b>155</b>                             | <b>1,780</b>   |
| At 31 December 2015                      | 1,871                        | 178                                    | 2,049          |

## 13. Other non-current assets

|                          | As at 31 December |               |
|--------------------------|-------------------|---------------|
|                          | 2017<br>€'000     | 2016<br>€'000 |
| Other non-current assets | 429               | —             |
|                          | 429               | —             |

The Group has historically paid in to an insurance policy for two German employees that served to match the liabilities that arose under a legacy pension scheme. These amounts have historically been shown netted off due to the fact that the gross balances were not deemed to be material to the financial statements. During 2017 the liability was reduced due to the death of the spouse of one of the employees. The insurance asset will continue to pay out to the Group over the next ten years and therefore an asset has been recognised.

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 14. Cash and cash equivalents

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

|                          | As at 31 December |               |
|--------------------------|-------------------|---------------|
|                          | 2017<br>€'000     | 2016<br>€'000 |
| Cash at bank and in hand | 26,881            | 28,763        |
| Short-term bank deposits | —                 | 64            |
|                          | <b>26,881</b>     | 28,827        |

### 15. Trade accounts receivable

|                | As at 31 December |               |
|----------------|-------------------|---------------|
|                | 2017<br>€'000     | 2016<br>€'000 |
| Germany        | 30                | 35            |
| United Kingdom | 1,518             | 2,411         |
|                | <b>1,548</b>      | 2,446         |

All receivables have short-term maturity. During the year receivables of €7k were written off (2016: €nil).

All amounts outstanding as at 31 December 2017 and due at date of signing had been received, consequently there is no provision for doubtful debts (2016: €nil).

None of the unimpaired trade receivables are past due at the reporting date.

These amounts, together with the customer compensations detailed in note 17, represent the Group's maximum exposure to credit risk at the year end.

### 16. Inventories

Inventories include finished goods as well as production supplies. The change in inventories is included in the Consolidated Statement of Comprehensive Income in the line "Cost of materials". Previously, work in progress included ingots and blocks processed at Crystalox Ltd.

|                   | As at 31 December |               |
|-------------------|-------------------|---------------|
|                   | 2017<br>€'000     | 2016<br>€'000 |
| Finished products | 2,598             | 4,115         |
| Work in progress  | —                 | 2,146         |
| Raw materials     | 1,316             | 4,956         |
|                   | <b>3,914</b>      | 11,217        |

No inventory writedowns are included in cost of materials in 2017 (2016: €nil).

### 17. Assets held for sale

|                          | As at 31 December |               |
|--------------------------|-------------------|---------------|
|                          | 2017<br>€'000     | 2016<br>€'000 |
| At 1 January             | —                 | —             |
| Cost transferred         | 23,530            | —             |
| Depreciation transferred | (23,140)          | —             |
| At 31 December           | <b>390</b>        | —             |

The above assets have an estimated fair value of €586k.

### 18. Prepaid expenses and other assets

|                        | As at 31 December |               |
|------------------------|-------------------|---------------|
|                        | 2017<br>€'000     | 2016<br>€'000 |
| VAT                    | 611               | 321           |
| Prepaid expenses       | 551               | 338           |
| Energy tax claims      | 113               | 133           |
| Customer compensations | 21,077            | —             |
| Other current assets   | 78                | 500           |
|                        | <b>22,430</b>     | 1,292         |

Customer compensations relate to realisation of payments received in respect of unfulfilled customer purchase obligations and includes €20.516 million in relation to arbitration proceedings.

## 19. Trade accounts payable

As at 31 December

|                | 2017<br>€'000 | 2016<br>€'000 |
|----------------|---------------|---------------|
| United Kingdom | 32            | 1,520         |
| Germany        | 1,005         | 486           |
|                | <b>1,037</b>  | 2,006         |

## 20. Accrued expenses

|                                | 2017<br>€'000 | 2016<br>€'000 |
|--------------------------------|---------------|---------------|
| Rents and ancillary rent costs | 437           | 676           |
| Salary related costs           | 130           | 260           |
| Other accrued expenses         | 239           | 533           |
| Current accruals               | 806           | 1,469         |
| Non-current accruals           | —             | 31            |
| <b>Total accruals</b>          | <b>806</b>    | 1,500         |

## 21. Provisions

|  | Building<br>lease<br>related<br>€'000 | Staff<br>costs<br>related<br>€'000 | Total<br>€'000 |
|--|---------------------------------------|------------------------------------|----------------|
| Provisions brought forward at 1 January 2017   | —                                     | —                                  | —              |
| Additional provision                           | 520                                   | 865                                | 1,385          |
| Provisions carried forward at 31 December 2017 | 520                                   | 865                                | 1,385          |

All provisions are short term and relate to the winding down of operations in the UK.

## 22. Deferred taxes

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

As at 31 December 2017 there were unrecognised potential deferred tax assets in respect of losses of €44.5 million (2016: €50.4 million).

### Deferred tax liabilities

As at 31 December

|                | 2017<br>€'000 | 2016<br>€'000 |
|----------------|---------------|---------------|
| United Kingdom | —             | —             |
| Germany        | 1,084         | —             |
|                | <b>1,084</b>  | —             |

Deferred tax liabilities, calculated or estimated by the Group companies, comprise taxes payable due to local tax laws, including probable amounts arising on completed or current tax audits. Movement in the year is shown below.

|                             | 2017<br>€'000 | 2016<br>€'000 |
|-----------------------------|---------------|---------------|
| As at 1 January             | —             | —             |
| Charged to income statement | 1,084         | —             |
| As at 31 December           | <b>1,084</b>  | —             |

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 23. Other liabilities

|                     | As at 31 December |               |
|---------------------|-------------------|---------------|
|                     | 2017<br>€'000     | 2016<br>€'000 |
| Payroll liabilities | 35                | 314           |
| Other liabilities   | 132               | 22            |
|                     | <b>167</b>        | 336           |

|            | As at 31 December |               |
|------------|-------------------|---------------|
|            | 2017<br>€'000     | 2016<br>€'000 |
| Short term | 167               | 55            |
| Long term  | —                 | 281           |
|            | <b>167</b>        | 336           |

### 24. Share capital

|   | 2017<br>€'000                             | 2016<br>€'000 |
|---|---|---------------|
|   | <b>Allotted, called up and fully paid</b> |               |
| 160,278,975 (2016: 160,278,975) ordinary shares of 5.2 pence each | <b>12,332</b>                             | 12,332        |

#### Summary of rights of share capital

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

#### Shares held by the EBT

At 31 December 2017, 1,973,063 ordinary shares of 5.2 pence were held by the EBT (2016: 1,971,910). The market value of these shares was €0.461 million (2016: €0.546 million). Additionally, the cash balance held by the EBT on 31 December 2017 was €0.603 million (2016: €0.627 million).

### 25. 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.

During the year the Group had six share incentive plans in operation which are satisfied by grants from the EBT.

#### PV Crystalox Solar PLC Performance Share Plan ("PSP")

This plan was approved by shareholders at the 2011 AGM under which awards are made to employees, including executive directors, consisting of a conditional right to receive shares in the Company. The awards will normally vest after the end of a three-year performance period, to the extent that performance conditions are met as detailed in the Directors' Remuneration Report.

No awards were made during 2017 (2016: nil).

#### PV Crystalox Solar PLC Executive Directors' Deferred Share Plan ("EDDSP")

At the AGM on 28 May 2009 a 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. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP, which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

On 31 March 2017 awards over 544,135 shares were made to Iain Dorrity, as detailed in the Directors' Remuneration Report. No awards were made during 2016.

#### 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.

## 25. Share-based payment plans continued

### Market Value Option ("MVO")

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

On 24 November 2008 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option is now exercisable at any time until 23 November 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited.

No awards were issued or lapsed in 2017 (2016: nil).

### PV Crystalox Solar PLC Share Award Bonus Plan ("SABP")

This plan was approved by the Board in January 2014 under which awards can be made to employees, excluding the executive directors. Under the SABP conditional awards are granted for a specific number of ordinary shares which may be acquired for nil consideration. On 31 March 2015 SABP awards were granted to key senior employees over 1,975,000 shares. These awards vested on 31 March 2016.

No awards were issued in 2017 (2016: none).

### 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 United Kingdom employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP. The shares in the SIP were subject to the share consolidation so that each holding of 500 ordinary shares of 2 pence became a holding of 192 shares of 5.2 pence following the 5 for 13 share consolidation in 2013.

During 2017 awards over 3,455 shares vested due to employees leaving the Group as good leavers due to redundancy and/or where the employees had held the award for more than five years and were able to withdraw the shares from the SIP without incurring a tax personal liability. The balance of 1,153 shares which had previously been within the SIP as a result of leavers forfeiting their shares was transferred to the EBT. At the end of 2017 the Group closed the SIP. No awards vested in 2016.

The Group recognised a total credit before tax of €32,000 (2016: €212,000) related to equity-settled share-based payment transactions during the year.

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

|   | PSP*<br>Number | SABP*<br>Number | EDDSP*<br>Number | MVO<br>Number    | MVO WAEP<br>price<br>Pence | SIP*<br>Number |
|---|----------------|-----------------|------------------|------------------|----------------------------|----------------|
| Share grants and options outstanding at 1 January 2016          | —              | 1,975,000       | —                | 1,400,000        | 79.7                       | 4,608          |
| Share grants and options granted during the year                | —              | —               | —                | —                | —                          | —              |
| Share grants and options forfeited during the year              | —              | —               | —                | (200,000)        | —                          | —              |
| Options exercised during the year                               | —              | (1,975,000)     | —                | —                | —                          | —              |
| Share grants and options outstanding at 31 December 2016        | —              | —               | —                | 1,200,000        | 79.7                       | 4,608          |
| Exercisable at 31 December 2016                                 | —              | —               | —                | 1,200,000        | 79.7                       | —              |
| Share grants and options granted during the year                | —              | —               | 544,135          | —                | —                          | —              |
| Share grants and options forfeited during the year              | —              | —               | —                | —                | —                          | (1,153)        |
| Share grants vested during the year                             | —              | —               | —                | —                | —                          | (3,455)        |
| Options exercised during the year                               | —              | —               | —                | —                | —                          | —              |
| <b>Share grants and options outstanding at 31 December 2017</b> | <b>—</b>       | <b>—</b>        | <b>544,135</b>   | <b>1,200,000</b> | <b>79.7</b>                | <b>—</b>       |
| <b>Exercisable at 31 December 2017</b>                          | <b>—</b>       | <b>—</b>        | <b>—</b>         | <b>1,200,000</b> | <b>79.7</b>                | <b>—</b>       |

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

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 26. Risk management

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

#### Credit risk

The main credit risk arises from accounts receivable and the customer compensations debtor. All trade receivables are of a short-term nature, with maximum payment terms of 60 days, although the majority of customers currently have payment terms of 45 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 2017 63.4% of the Group's sales are related to the largest customer (2016: 46.8%). The number of customers accounting for approximately 95% of the annual revenue was twelve, which was up from six in 2016. 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 customer compensations debtor relates to the realisation of payments due from arbitration award and from the liquidators of former customers. The maximum credit risk to the Group is the total of trade accounts receivable and the customer compensations debtor, details of which can be seen in notes 15 and 18.

Cash is not considered to be a high credit risk due to all funds being immediately available, consideration being given to the institution in which it is deposited and the setting of counterparty limits. All institutions used have a minimum Moody's credit rating of A3.

#### Exchange rate fluctuation risks

In the financial year 2017 33% (2016: 95%) of sales revenue was invoiced in US Dollars, potentially exposing the Group to exchange rate risks.

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 spot prices of wafers and polysilicon are quoted in US Dollars and this influences the price the Group can obtain. The Group sells its products in a number of currencies (mainly US Dollars and Euros) and also purchases goods and services in a number of currencies (mainly Euros Sterling and to a small extent 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:US Dollar | 1.1299       | 1.1979        |
| Sterling:Euro  | 1.1411       | 1.1262        |

#### Hedging strategy

The Group sells to customers in the worldwide photovoltaic market and sells in two main currencies: US Dollars (33%) and Euros (67%). Sales to the largest customer (63.4%) are in Euros; however, the selling price is agreed on a monthly basis by reference to the spot price for wafers which is quotes in US Dollars. It operates its wafering factory in Germany, with local costs in Euros. However, during 2017 the ingot and block production operations were within the United Kingdom and therefore a relatively small proportion of overall costs are in Sterling, being mainly related to personnel costs, overheads and utilities (most of the raw materials are purchased in US Dollars and Euros).

During 2017 the net gain on foreign currency adjustments was €0.0 million (2016: gain of €3.9 million).

In addition to the above, upon translation of net assets in the consolidation, there was a negative impact in 2017 of €1.2 million (2016: negative impact of €4.9 million) recording as a currency translation adjustment which is shown in the Consolidated Statement of Comprehensive Income as "other comprehensive income".

#### Interest rate risk

The Group has limited exposure to interest rate fluctuation risks, since the Group does not have any borrowings.

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

The Group had a cash balance at the end of 2017 of €26.9 million (2016: €28.8 million) and places these cash funds on deposit with various quality banks subject to a counterparty limit of €15 million. Accordingly, there is an interest rate risk in respect of interest receivable which amounted to €0.1 million in the year (2016: €0.1 million). The Group is cash positive and current interest rates are low. The risk of interest rates falling is considered small and in any case would have a small impact on the Group's income statement and cash flows. Group management considers that in the medium term it is more likely that interest rates might rise. The impact of interest rate rises would positively impact the Group's profits and cash flow.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its exposure to liquidity risk by regularly reviewing net debt and forecast cash flows to ensure that current cash resources are available to meet its business objectives. The Group is exposed to the worldwide photovoltaic market where wafer prices have remained below industry production costs for several years. Accordingly, the market pricing of the Group's main product (silicon wafers) has been under pressure. Against this difficult market background, Group management introduced a cash conservation strategy in 2011. This cash conservation plan has been maintained so that the Group can optimise its cash position whilst these conditions persist. Various measures have been taken to adjust production to levels appropriate to current market conditions. At the same time production capacity has been maintained so that this can be utilised when market conditions allow. Due to changing market and economic conditions, the expenses and liabilities actually arising in the future may differ materially from the estimates made in this plan.

On 31 December 2017 the Group had a net cash balance of €26.9 million (2016: €28.8 million) and this together with cash flow projections from the cash conservation plan indicate, assuming the projections are broadly correct, that the Group will have adequate cash reserves until at least twelve months beyond the signing of the accounts.



## 26. Risk management continued

### Financial assets and liabilities

|                                   | Book value<br>€'000 | Cash and<br>receivables<br>€'000 | Amortised<br>cost<br>€'000 | Non-<br>financial<br>€'000 | Total<br>€'000 |
|-----------------------------------|---------------------|----------------------------------|----------------------------|----------------------------|----------------|
| <b>2017</b>                       |                     |                                  |                            |                            |                |
| Assets:                           |                     |                                  |                            |                            |                |
| Cash and cash equivalents         | 26,881              | 26,881                           | —                          | —                          | 26,881         |
| Accounts receivable               | 1,548               | 1,548                            | —                          | —                          | 1,548          |
| Prepaid expenses and other assets | 22,820              | 22,820                           | —                          | —                          | 22,820         |
| Non-financial assets              | 5,000               | —                                | —                          | 5,000                      | 5,000          |
| <b>Total assets</b>               | <b>56,249</b>       | <b>51,249</b>                    | <b>—</b>                   | <b>5,000</b>               | <b>56,249</b>  |
| Liabilities:                      |                     |                                  |                            |                            |                |
| Accounts payable trade            | (1,037)             | —                                | (1,037)                    | —                          | (1,037)        |
| Accrued expenses                  | (806)               | —                                | (806)                      | —                          | (806)          |
| Provisions                        | (1,385)             | —                                | (1,385)                    | —                          | (1,385)        |
| Other current liabilities         | (167)               | —                                | —                          | (167)                      | (167)          |
| Other long-term liabilities       | —                   | —                                | —                          | —                          | —              |
| Non-financial liabilities         | (1,084)             | —                                | —                          | (1,084)                    | (1,084)        |
| <b>Total liabilities</b>          | <b>(4,479)</b>      | <b>—</b>                         | <b>(3,228)</b>             | <b>(1,251)</b>             | <b>(4,479)</b> |
| <b>2016</b>                       |                     |                                  |                            |                            |                |
| Assets:                           |                     |                                  |                            |                            |                |
| Cash and cash equivalents         | 28,827              | 28,827                           | —                          | —                          | 28,827         |
| Accounts receivable               | 2,446               | 2,446                            | —                          | —                          | 2,446          |
| Prepaid expenses and other assets | 1,292               | 1,292                            | —                          | —                          | 1,292          |
| Non-financial assets              | 13,004              | —                                | —                          | 13,004                     | 13,004         |
| <b>Total assets</b>               | <b>45,569</b>       | <b>32,565</b>                    | <b>—</b>                   | <b>13,004</b>              | <b>45,569</b>  |
| Liabilities:                      |                     |                                  |                            |                            |                |
| Accounts payable trade            | (2,006)             | —                                | (2,006)                    | —                          | (2,006)        |
| Accrued expenses                  | (1,500)             | —                                | (1,500)                    | —                          | (1,500)        |
| Other current liabilities         | (55)                | —                                | —                          | (55)                       | (55)           |
| Other long-term liabilities       | (281)               | —                                | (281)                      | —                          | (281)          |
| Non-financial liabilities         | —                   | —                                | —                          | —                          | —              |
| <b>Total liabilities</b>          | <b>(3,842)</b>      | <b>—</b>                         | <b>(3,787)</b>             | <b>(55)</b>                | <b>(3,842)</b> |

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and other stakeholders and to maintain an optimal capital structure that strikes the appropriate balance between risk and the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group from time to time uses debt as a natural hedging instrument, where amounts are borrowed in the same foreign currency as it holds assets (for instance debtors) denominated in the same foreign currency. However, these borrowings have always been lower than the balance of cash and cash equivalents in any period. Accordingly, the Group has maintained a net cash positive position. This is a different approach to others in the photovoltaic industry where being heavily indebted (particularly in China) has become the norm. The directors believe that the Group's policy of not carrying any net debt has significantly reduced the Group's risk, which has been particularly important during the current extremely difficult market conditions.

The Group defines capital as all elements of equity.

The Group's capital (plus its cash and cash equivalents) is set out in the following table. The Group is not subject to any externally imposed capital requirements.

|   | 2017<br>€'000 | 2016<br>€'000 |
|---|---------------|---------------|
| Cash and cash equivalents (see note 14) | 26,881        | 28,827        |
| Bank and other borrowings               | —             | —             |
| <b>Total net cash</b>                   | <b>26,881</b> | <b>28,827</b> |
| <b>Total equity</b>                     | <b>51,770</b> | <b>41,726</b> |

The Group is net cash positive and therefore does not have any gearing. Accordingly, the leverage ratio has no meaning and has not been calculated.

## Notes to the consolidated financial statements *continued*

For the year ended 31 December 2017

### 27. Calculation of fair value

There are no publicly traded financial instruments (e.g. publicly traded derivatives and securities held for trading and available-for-sale securities) nor any other financial instruments held at fair value.

### 28. 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 are pending at the time of approval of these financial statements.

### 29. Other financial obligations

#### Lease agreements (operating leases)

The leases primarily relate to rented buildings and have terms of no more than five years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|                        | As at 31 December |               |
|------------------------|-------------------|---------------|
|                        | 2017<br>€'000     | 2016<br>€'000 |
| Less than one year     | 555               | 1,116         |
| Two to five years      | 919               | 1,956         |
| Longer than five years | —                 | 15            |
|                        | <b>1,474</b>      | <b>3,087</b>  |

The above represent the contractual obligation at balance sheet date.

Subsequently agreement was reached, subject to contract, with the relevant landlord to reduce this total commitment to €826k.

There were no significant purchase commitments at the year end.

### 30. Related party disclosures

Related parties as defined by IAS 24 comprise the senior executives of the Group, including their close family members, and also companies that these persons could have a material influence on as related parties as well as other Group companies. During the reporting year, none of the shareholders had control over or a material influence in the parent company.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

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.

### 31. Dividends and return of cash

No dividends were paid in 2017 (2016: €nil).

### 32. Post-balance sheet events

There are no significant post-balance sheet events.

## Accounting policies

### Basis of preparation

The financial statements of PV Crystalox Solar PLC (Company only) have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), on a going concern basis (see the going concern section in the Operational and Financial Review), under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this accounting policies note.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of Cash Flows'.
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial Instruments: Disclosures'.

The principal accounting policies of the Company have remained unchanged from the previous year, have been consistently applied throughout the year and are set out below.

### Profit and loss of the parent company

The Company has taken advantage of Section 408 of the Companies Act 2006 excluding it from presenting a Company-only statement of profit and loss and related notes.

### Employee 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.

### Investments

Investments are included at cost and reviewed annually for impairment. The impairment assessment is performed on individual investment balances.

### Financial instruments – classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

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

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

### Share-based payment

The Company issues equity-settled share-based payments to certain employees of the Group. These are measured at their fair value at the date of the grant using an appropriate option pricing model and are expensed over the vesting year, based on the estimate of the number of shares that will eventually vest. 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.

Charges made to the profit and loss account in respect of share-based payments are credited to the share-based payment reserve. Costs incurred by the issue of equity-settled share-based awards to the employees of subsidiaries are recharged to the relevant company.

### Foreign currencies

Monetary 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 the date appropriate for the transaction.

### Cash and cash equivalents

The Company holds all its cash in instant access bank accounts and has no other cash equivalents.

### Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Fixed asset investments

The Company makes an estimate of the recoverable amount of fixed asset investments. When assessing a possible impairment management considers factors including the net assets of the subsidiaries and the value attached to customer contracts which is not reflected in the net assets.

## Company balance sheet

As at 31 December 2017

|   | Notes | 2017<br>£'000 | 2016<br>£'000 |
|---|-------|---------------|---------------|
| <b>Non-current assets</b>                                   |       |               |               |
| Investments   | 1     | 16,601        | 49,832        |
| <b>Current assets</b>                                       |       |               |               |
| Trade and other receivables                                 | 2     | 1,185         | 1,287         |
| Cash and cash equivalents                                   |       | 12,514        | 12,718        |
| <b>Current assets</b>                                       |       | <b>13,699</b> | 14,005        |
| <b>Liabilities</b>  |       |               |               |
| Trade and other payables                                    | 4     | (125)         | (392)         |
| <b>Net current assets</b>                                   |       | <b>13,574</b> | 13,613        |
| <b>Total assets less current liabilities</b>                |       | <b>30,175</b> | 63,445        |
| <b>Capital and reserves</b>                                 |       |               |               |
| Called up equity share capital                              | 6     | 8,335         | 8,335         |
| Share premium account                                       |       | 30,353        | 30,353        |
| Other reserves  |       | 20,896        | 20,896        |
| Shares held by the EBT                                      |       | (244)         | (244)         |
| Share-based payment reserve                                 |       | 243           | 215           |
| Profit and loss account                                     |       |               |               |
| At 1 January  |       | 3,890         | 4,224         |
| Loss for the year attributable to the owners of the Company |       | (33,298)      | (334)         |
| <b>Total shareholders' funds</b>                            |       | <b>30,175</b> | 63,445        |

The financial statements were approved and authorised for issue by the Board of Directors on 14 March 2018 and signed on its behalf by:



**Iain Dorrity**  
Chief Executive Officer

**Company number**  
06019466

## Company statement of changes in equity

For the year ended 31 December 2017

|                                   | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Other<br>reserves<br>£'000 | Shares<br>held<br>by the<br>EBT<br>£'000 | Share-<br>based<br>payment<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>shareholder<br>funds<br>£'000 |
|-----------------------------------|--|--------------------------------------|----------------------------|--|--|--|--|
| <b>As at 1 January 2016</b>       | 8,335                                  | 30,353                               | 20,896                     | (489)                                    | 391  | 4,224                                  | 63,710                                 |
| Share-based payment charge        | —                                      | —                                    | —                          | 245                                      | (176)  | —                                      | 69                                     |
| <b>Transactions with owners</b>   | —                                      | —                                    | —                          | 245                                      | (176)  | —                                      | 69                                     |
| Loss for the year                 | —                                      | —                                    | —                          | —  | —  | (334)                                  | (334)                                  |
| <b>Total comprehensive income</b> | —                                      | —                                    | —                          | —  | —  | (334)                                  | (334)                                  |
| <b>As at 31 December 2016</b>     | 8,335                                  | 30,353                               | 20,896                     | (244)                                    | 215  | 3,890                                  | 63,445                                 |
| <b>As at 1 January 2017</b>       | 8,335                                  | 30,353                               | 20,896                     | (244)                                    | 215  | 3,890                                  | 63,445                                 |
| Share-based payment charge        | —                                      | —                                    | —                          | —  | 28   | —                                      | 28                                     |
| <b>Transactions with owners</b>   | —                                      | —                                    | —                          | —  | 28   | —                                      | 28                                     |
| Loss for the year                 | —                                      | —                                    | —                          | —  | —  | (33,298)                               | (33,298)                               |
| <b>Total comprehensive income</b> | —                                      | —                                    | —                          | —  | —  | (33,298)                               | (33,298)                               |
| <b>As at 31 December 2017</b>     | <b>8,335</b>                           | <b>30,353</b>                        | <b>20,896</b>              | <b>(244)</b>                             | <b>243</b>                                     | <b>(29,408)</b>                        | <b>30,175</b>                          |

## Notes to the Company financial statements

For the year ended 31 December 2017

### 1. Investments

#### Shares in subsidiary undertakings

£'000

#### Cost and net book value

|                   |          |
|-------------------|----------|
| At 1 January 2017 | 49,832   |
| Impairment        | (33,231) |

**At 31 December 2017** **16,601**

The Company carried out an impairment review during the year by considering the investments in each subsidiary separately. It compared the expected future cash flows and balance sheet position of each subsidiary to its net book value. As a result of this review the Company recognised an impairment of £33.231 million (2016: £0.907 million).

At 31 December 2017 the Company held 100% of the allotted ordinary share capital of the following undertakings:

| Subsidiary                                   | Country of incorporation | Activity        | Proportion held % |
|--|--------------------------|-----------------|-------------------|
| Crystalox Solar Limited <sup>1</sup>         | United Kingdom           | Holding company | 100               |
| Crystalox Limited <sup>1</sup>               | United Kingdom           | Trading company | 100*              |
| PV Crystalox Solar Silicon GmbH <sup>2</sup> | Germany                  | Trading company | 100               |

\* Held indirectly through Crystalox Solar Limited.

Registered addresses:

1. 11B(ii) Park House, Milton Park, Abingdon, Oxfordshire OX14 4RS.

2. Gustav-Tauschek Straße 2, Erfurt, 99099, Germany.

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

The directors believe that the carrying value (after the impairment discussed above) of the investments is supported by their net realisable value.

### 2. Trade and other receivables

|                                    | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by Group undertakings | 639           | 745           |
| Other debtors                      | 535           | 535           |
| Prepayments and accrued income     | 11            | 7             |
|                                    | <b>1,185</b>  | 1,287         |

Amounts owed by Group undertakings are unsecured at varying rates of interest and are repayable on demand.

### 3. Shares held by the EBT

#### Employee Benefit Trust

The Company established the EBT, a Jersey-based employee benefit trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. Shares from the EBT are used to settle awards made under the share-based payment plans as described in note 8.

| Shares held by the EBT                                   | 2017<br>Number   | 2016<br>Number |
|--|------------------|----------------|
| Opening balance  | 1,971,910        | 3,853,910      |
| Transfer of shares from SIP                              | 1,153            | —              |
| Vesting of share awards granted in 2015                  | —                | (1,882,000)    |
| Closing balance of shares at 5.2 pence (2016: 5.2 pence) | <b>1,973,063</b> | 1,971,910      |

At 31 December 2017, 1,973,063 ordinary shares of 5.2 pence were held by the EBT (2016: 1,971,910 ordinary shares of 5.2 pence). The market value of these shares was £0.409 million (2016: £0.466 million). Additionally, the EBT holds a cash balance which on 31 December 2017 was £0.535 million (2016: £0.535 million).

#### 4. Trade and other payables

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Accruals, VAT payable and deferred income | 125           | 392           |
|   | 125           | 392           |

#### 5. Related party disclosures

The Company has taken advantage of the FRS 101 exemption to not disclose transactions with other wholly owned members of its Group.

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

#### 6. Called up share capital

Ordinary shares of 5.2 pence each.

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>Allotted, called up and fully paid</b>                         |               |               |
| 160,278,975 (2016: 160,278,975) ordinary shares of 5.2 pence each | 8,335         | 8,335         |

#### 7. 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.

During the year the Group had six share incentive plans in operation which are satisfied by grants from the EBT.

##### PV Crystalox Solar PLC Performance Share Plan ("PSP")

This plan was approved by shareholders at the 2011 AGM under which awards are made to employees, including executive directors, consisting of a conditional right to receive shares in the Company. The awards will normally vest after the end of a three-year performance period, to the extent that performance conditions are met as detailed in the Directors' Remuneration Report.

No awards were made during 2017 (2016: nil).

##### PV Crystalox Solar PLC Executive Directors' Deferred Share Plan ("EDDSP")

At the AGM on 28 May 2009 a 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. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP, which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

On 31 March 2017 awards over 544,135 shares were made to Iain Dorrity, as detailed in the Directors' Remuneration Report. No awards were made during 2016.

##### 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.

##### Market Value Option ("MVO")

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

On 24 November 2008 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option is now exercisable at any time until 23 November 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited.

No awards were issued in 2017 (2016: nil).

##### PV Crystalox Solar PLC Share Award Bonus Plan ("SABP")

This plan was approved by the Board in January 2014 under which awards can be made to employees, excluding the executive directors. Under the SABP conditional awards are granted for a specific number of ordinary shares which may be acquired for nil consideration. On 31 March 2015 SABP awards were granted to key senior employees over 1,975,000 shares. These awards vested on 31 March 2016.

No awards were issued in 2017 (2016: none).



## Notes to the Company financial statements *continued*

For the year ended 31 December 2017

### 7. Share-based payment plans *continued*

#### 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 United Kingdom employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP. The shares in the SIP were subject to the share consolidation so that each holding of 500 ordinary shares of 2 pence became a holding of 192 shares of 5.2 pence following the 5 for 13 share consolidation in 2013.

During 2017 awards over 3,455 shares vested due to employees leaving the Group as good leavers due to redundancy and/or where the employees had held the award for more than five years and were able to withdraw the shares from the SIP without incurring a tax personal liability. The balance of 1,153 shares which had previously been within the SIP as a result of leavers forfeiting their shares was transferred to the EBT. At the end of 2017 the Group closed the SIP. No awards vested in 2016.

The Group recognised total credit before tax of £28,000 (2016: £176,000) related to equity-settled share-based payment transactions during the year.

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

|   | PSP*<br>Number | SABP*<br>Number | EDDSP*<br>Number | MVO<br>Number    | MVO WAEP<br>price<br>Pence | SIP*<br>Number |
|---|----------------|-----------------|------------------|------------------|----------------------------|----------------|
| Share grants and options outstanding at 1 January 2016          | —              | 1,975,000       | —                | 1,400,000        | 79.7                       | 4,608          |
| Share grants and options granted during the year                | —              | —               | —                | —                | —                          | —              |
| Share grants and options forfeited during the year              | —              | —               | —                | (200,000)        | —                          | —              |
| Options exercised during the year                               | —              | (1,975,000)     | —                | —                | —                          | —              |
| Share grants and options outstanding at 31 December 2016        | —              | —               | —                | 1,200,000        | 79.7                       | 4,608          |
| Exercisable at 31 December 2016                                 | —              | —               | —                | 1,200,000        | 79.7                       | —              |
| Share grants and options granted during the year                | —              | —               | 544,135          | —                | —                          | —              |
| Share grants and options forfeited during the year              | —              | —               | —                | —                | —                          | (1,153)        |
| Share grants vested during the year                             | —              | —               | —                | —                | —                          | (3,455)        |
| Options exercised during the year                               | —              | —               | —                | —                | —                          | —              |
| <b>Share grants and options outstanding at 31 December 2017</b> | <b>—</b>       | <b>—</b>        | <b>544,135</b>   | <b>1,200,000</b> | <b>79.7</b>                | <b>—</b>       |
| <b>Exercisable at 31 December 2017</b>                          | <b>—</b>       | <b>—</b>        | <b>—</b>         | <b>1,200,000</b> | <b>79.7</b>                | <b>—</b>       |

\* The weighted average exercise price for the PSP, SABP, PSA and SIP options is Enil.

### 8. Auditors' remuneration

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Audit fee in respect of the separate financial statements of the Company | 10            | 7             |

The disclosure of fees payable to the auditors and their associates for other (non-audit) services has not been made because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

### 9. Directors' remuneration

Details of the remuneration paid to directors of the Company have been presented in the Directors' Remuneration Report.

### 10. Employee information

The average number of persons employed by the Company including the two non-executive directors in the financial year was four (2016: four). Total staff costs, excluding share-based payment charges, for the year were £467,867 (2016: £858,000).

### 11. Dividends paid

No dividends were paid in 2017 (2016: Enil).

### 12. Dividends received

No dividends were received in 2017 (2016: £1.0 million from Crystalox Solar Ltd).

### 13. Capital commitments

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

### 14. Post-balance sheet events

There were no post-balance sheet events.

## Advisers

### Company number

06019466

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Iain Dorrity  
Michael Parker  
John Sleeman

### Company Secretary

Matthew Wethey

### Independent auditors

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Chartered Accountants and Statutory Auditors  
3 Forbury Place  
23 Forbury Road  
Reading RG1 3JH

### Bankers

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Abbey Gardens  
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