

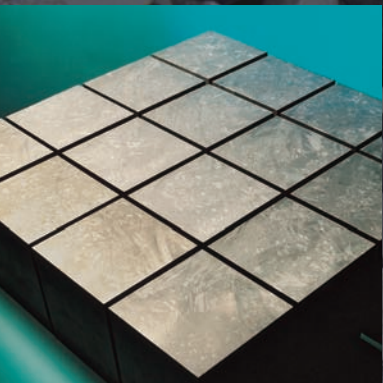
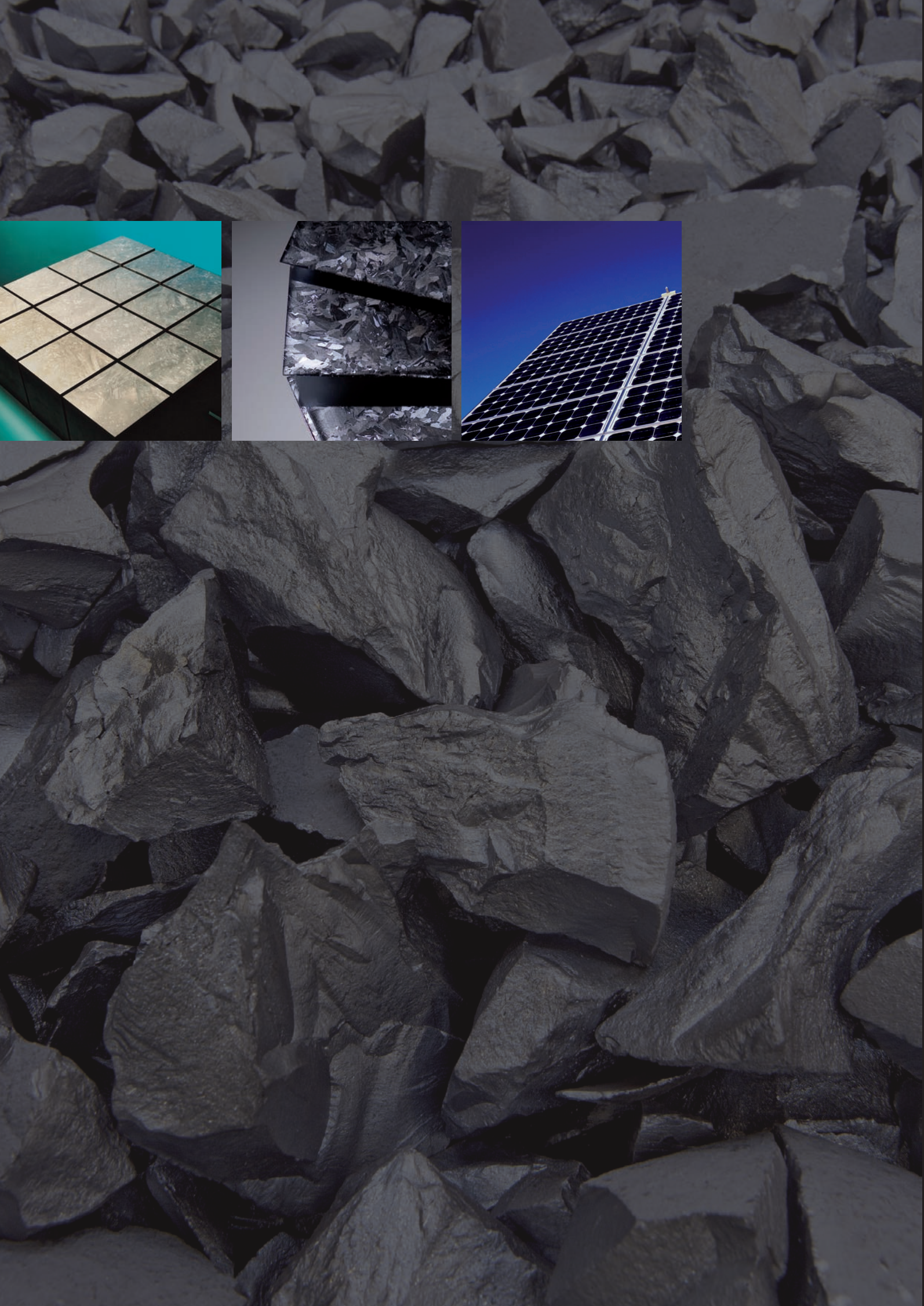


Prospectus

Sponsor and Sole Bookrunner

JPMorgan Cazenove





THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately consult a person authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA"), who specialises in advising on the acquisition of shares and other securities.

This document comprises a Prospectus relating to PV Crystalox Solar PLC ("the Company") and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made under section 73A of FSMA, has been filed with the Financial Services Authority (the "FSA") and has been made available to the public as required by the Prospectus Rules.

Application has been made to the FSA for all of the Ordinary Shares, issued and to be issued in connection with the Placing, to be admitted to the Official List of the FSA (the "Official List") and to London Stock Exchange plc for such Ordinary Shares to be admitted to trading on its main market for listed securities ("the London Stock Exchange") (together "Admission"). Admission to trading on the London Stock Exchange constitutes admission to trading on a regulated market. In the Placing, 41,725,235 Ordinary Shares are being offered by the Company and 127,266,656 Ordinary Shares are being offered by the Selling Shareholders. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 6 June 2007. It is expected that Admission will become effective, and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange, at 8.00 a.m. (London time) on 11 June 2007. All dealings in the Ordinary Shares prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

The Company and its Directors (whose names appear on page 22 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

For a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares, see "Risk Factors" beginning on page 10.



PV CRYSTALOX SOLAR PLC

(Incorporated under the laws of England & Wales, with registered number 06019466)

**Placing of 168,991,891 Ordinary Shares at 130 pence per share
and**

Admission to the Official List and to trading on the London Stock Exchange

Sponsor, Global Co-ordinator and Sole Bookrunner

JPMorgan Cazenove Limited

Co-Lead Manager

Jefferies

Ordinary Shares following Admission

<i>Authorised</i>					<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>				<i>Number</i>	<i>Amount</i>
600,000,000	£12,000,000	Ordinary Shares of 2 pence each			416,725,335	£8,334,506.7

The Ordinary Shares are being offered only outside the United States in offshore transactions exempt from the registration requirements of the United States Securities Act of 1933, as amended, (the "Securities Act") in reliance on Regulation S ("Regulation S") of the Securities Act. By purchasing the Ordinary Shares, you will be deemed to have made the acknowledgments, representations, warranties and agreements set forth under paragraphs 7 and 10 of Part XIII of this document. The Ordinary Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States.

Ordinary Shares to be issued or sold in connection with the Placing will rank in full for all dividends and other distributions declared, made or paid after Admission.

JPMorgan Cazenove, which is authorised and regulated in the UK by the FSA, is acting for the Company and for no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of JPMorgan Cazenove, or for affording advice in relation to the Placing or any matters referred to herein. JPMorgan Cazenove is not responsible for the contents of this document. JPMorgan Cazenove has given and not withdrawn its consent to the issue of this document with the inclusion of the references to its name in the form and context in which they are included.

JPMorgan Cazenove has been appointed as Sponsor, Global Co-ordinator and Bookrunner, to the Company. JPMorgan Cazenove does not accept any liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information. J.P. Morgan Securities Ltd and Jefferies have been appointed Underwriters to the Placing. Neither J.P. Morgan Securities Ltd nor Jefferies accepts any liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information.

In connection with the Placing, JPMorgan Cazenove, as Stabilisation Manager, or any of its agents, may (but will be under no obligation to) over allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Sale Shares, or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. Such stabilisation activities may be effected on any securities market, over the counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional trading and ending no later than 30 calendar days thereafter. However, there is no obligation on the Stabilisation Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Placing Price. Except as required by law or regulation, the Stabilisation Manager does not intend to disclose the extent of any over allotments made and/or stabilisation transactions conducted in relation to the Placing.

For the purposes of allowing it to cover short positions resulting from any such over allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Stabilisation Manager has entered into the Over-allotment Option with the Over-allotment Shareholders pursuant to which the Stabilisation Manager may, acting as principal, purchase or procure purchasers for additional Ordinary Shares up to a maximum of 19,089,995 Ordinary Shares, expected to be equal to approximately 15 per cent. of the total number of Sale Shares before any exercise of the Over-allotment Option (the "Over-allotment Shares") at the Placing Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilisation Manager, at any time on or before the 30th calendar day after the commencement of conditional trading of the Ordinary Shares on London Stock Exchange's main market for listed securities. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being sold in the Placing and will form a single class for all purposes with the other Ordinary Shares.

The Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective investors should read the restrictions described under paragraph 7 of Part XIII of this document. Each subscriber for or purchaser of the Ordinary Shares will be deemed to have made the relevant representations described therein.

Prior to the Placing, there has been no market inside or outside the United Kingdom for the Ordinary Shares.

In connection with the Placing, the Underwriters and any of their affiliates, acting as investors for their own accounts, may take up Placing Shares in the Placing and in that capacity may retain, purchase, sell, offer to sell or otherwise deal in for their own accounts such securities and any other securities of the Company or related investments and may offer or sell such securities or other investments other than in connection with the Placing.

Accordingly, references in this document to the Placing Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as an investor for their own accounts. The Underwriters do not intend to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the Placing Shares to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, Japan or the United States.

The Placing Shares have not been and will not be registered under the Securities Act or the applicable securities laws of Australia, Canada or Japan and may not be offered or sold within the United States, Australia, Canada or Japan or to, or for the account or benefit of, citizens or residents of Australia, Canada or Japan.

CONTENTS

	<i>Page</i>
Part I Summary information	4
Part II Risk Factors	10
Part III Presentation of information	18
Part IV Placing statistics	21
Part V Directors, secretary and advisers	22
Part VI Expected timetable	23
Part VII Information on the Group	24
Overview	24
Competitive strengths	24
Strategy	25
History and development	25
The Group's business	26
Proposed polysilicon production facility	28
Research and development	29
Competition	29
Intellectual property	30
Directors and Senior Management	30
Corporate governance	32
Employees	33
Property, plant and equipment	33
Environmental and health and safety matters	34
Current trading and future prospects	34
Employee share option schemes	34
Reasons for Admission and use of proceeds of the Placing	34
Details of the Placing	34
Dividend policy	34
Part VIII Industry background	36
Part IX Historical financial information	40
Part X Unaudited pro-forma balance sheet	76
Part XI Operating and financial review	80
Part XII Capitalisation and indebtedness	90
Part XIII The Placing	92
Part XIV Additional information	98
Part XV Definitions	119
Part XVI Glossary of technical terms	122

PART I – SUMMARY INFORMATION

This summary should be read as an introduction to the full text of this document. Any decision to invest in the Ordinary Shares should be based on the consideration of this document as a whole by the investor and not just this summary. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the States of the European Economic Area (“EEA”), have to bear the costs of translating this document before the legal proceedings are initiated. Under the Prospectus Directive, in each member state of the EEA civil liability attaches to those persons who are responsible for the summary, including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

Overview

The Group is one of the world’s leading independent developers and producers of solar-grade silicon products. The Group uses silicon feedstock to produce multicrystalline silicon ingots and wafers which it supplies to the solar cell industry for use in solar electricity generation systems, making the Group a highly specialised supplier to the world’s leading solar cell manufacturers.

The Group manufactures its multicrystalline silicon ingots at its facilities in Oxfordshire, United Kingdom. The majority of the Group’s ingots are sold by the Group in Japan, either as ingots or having first been processed into wafers by a sub-contractor. The balance of the Group’s ingots are processed into wafers at the Group’s wafer production facilities in Erfurt, Germany, and sold to customers in Europe. The Group also operates a silicon trading business which buys and sells silicon products in Japan.

The Group employed an average of 203 staff in 2006. The total volume of silicon wafers and ingots produced by the Group in 2006 corresponded to a solar electricity generation capacity of 215 MWp. As at the end of 2006 the Group had available production capacity to facilitate annual production of silicon products corresponding to 288 MWp. In 2006 the Group recorded pre-tax profits of €49 million based on turnover of €242 million. The Company currently obtains its silicon feedstock from a number of different sources and suppliers.

The Group is proposing to develop its own polysilicon production facility in Germany in order to secure an on-going low-cost source of supply for a significant additional portion of its expected future silicon feedstock requirements. This facility is expected to commence production in 2009.

Competitive strengths

The Directors believe that the Group possesses a number of strengths that provide it with a competitive advantage:

- by focusing purely on the production of solar-grade silicon products, the Group benefits from the higher margins available to companies positioned at the upstream end of the photovoltaic value chain, where there are fewer competing manufacturers and higher barriers to entry.
- the Group has strong, long-established relationships with a number of major solar cell manufacturers, including Sharp, Mitsubishi Electric and Schott Solar.
- the Group designs and builds its own ingot production equipment, allowing it to implement technical and cost-cutting improvements quickly, while keeping improvements in-house, and to remain largely independent of third-party equipment manufacturers. Through its flexible and scaleable production processes, the Group is able to respond quickly and flexibly to market trends and customer demands. Increased automation and product yields, the use of thinner wires and the production of thinner wafers continue to reduce production costs.
- the Group has proven excellence in technology and process know-how. The Group has developed its own proprietary crystallisation process. Its wafer technology enables it to produce wafers with a thickness of 200 µm and below, using wires with a thickness of 140 µm.

- the Group's senior management is very experienced, and has successfully managed the strategic growth of the Group's business from its initial development of crystallisation technology, through the merger and integration of the ingot and wafer businesses to the creation of Crystalox Japan K.K.
- the Group has a long track record of silicon ingot and wafer production and has been consistently profitable since its formation in 2002.

Strategy

The Group intends to strengthen its position as a leading independent supplier of solar-grade silicon ingots and wafers to the solar cell industry and is seeking to capitalise on the expected growth of the overall market for solar-grade silicon products. The Company's strategy includes the following core elements:

- focus on reducing operating costs;
- maintaining flexibility in production;
- working closely with customers and suppliers; and
- new polysilicon plant.

The Group's business

The value chain in the photovoltaic industry comprises the following stages:

- production of polysilicon;
- melting and crystallisation of polysilicon into ingots;
- cutting the ingots to form blocks;
- sawing the blocks into thin wafers;
- processing the wafers into solar cells;
- linking and packaging the solar cells together to form modules; and
- integrating the modules into PV systems and installation of such systems.

The Group is currently involved in the second, third and fourth stages of the value chain and, with the construction of the polysilicon production facility in Germany, will also become involved in the first stage.

Silicon supply

The Group obtains polysilicon feedstock from a number of different sources:

Long-term contracts: the Group sources a significant portion of its feedstock under long-term supply contracts with two of the four major global polysilicon suppliers.

Scrap silicon: scrap silicon from the semiconductor industry.

In-house recycling: the Group recycles multicrystalline silicon ingot off-cuts and broken wafers produced as part of its own processing activities.

Products

The Group's product range mainly comprises multicrystalline ingots and wafers. Depending on the type of further processing employed by the Group's customers to produce solar cells, the efficiency of the Group's multicrystalline wafers is approximately 15 per cent., which is in line with industry standards.

The Group also produces a relatively small amount of single crystal silicon wafers from ingots supplied by a third party sub-contractor which it slices into wafers at its facility in Erfurt, Germany.

Sales

The Group generally sells its products to a number of large customers in Japan and Germany. In 2006, approximately 37.5 per cent. of the Group's ingots were sold directly to customers in Japan, with the balance being processed into wafers in Japan and Germany and sold primarily to customers in those countries.

In 2006, the Group generated approximately 65 per cent. of its revenues (excluding revenues from silicon trading) from its three largest customers, Sharp, Mitsubishi Electric and Schott Solar, with Sharp accounting for around 35 per cent. of those revenues.

The Group's relationship with Sharp has existed for 13 years. Its business relationships with Mitsubishi Electric and Schott Solar have existed for three and six years respectively.

Proposed polysilicon production facility

The Group is proposing to build its own polysilicon production facility in Germany to provide an additional source of polysilicon feedstock. The Group expects the facility to commence operation in 2009 with an initial planned production volume of 900 MT in that year, rising to 1,800 MT in 2011. The Directors believe that in-house polysilicon production will provide the Group with greater flexibility in sourcing its silicon feedstock for the following reasons:

- the Group will have access to a reliable and flexible source of supply under its own control;
- the Group will be in a position to better co-ordinate silicon specifications with its crystallisation requirements;
- the facility is expected to support the Group's cost leadership in silicon products, both through the use of a more cost-effective process for the production of solar-grade silicon and through the Group's ability to control the costs of production; and
- the design and construction of the polysilicon production facility will allow for the production of polysilicon to be scaled up from the initial planned production levels, if market demand requires this, or if it would otherwise be in the Group's interest to increase the size of the facility's output.

The Directors believe that construction of the facility will require fixed capital investment of approximately €80 million. Subject to fulfilling certain conditions, the Group is eligible for government grants of €20 million, to be used for the construction of the facility.

Selected financial information

The following is a summary of the Group's historical financial information for the periods indicated. The historical financial statements discussed below have been extracted, without material adjustment, from Part IX (Historical financial information) and are based on the historical financial information of the Group for the years ended 31 December 2006, 2005 and 2004, all of which have been prepared in accordance with IFRS. As the information set out below is only a summary, potential investors are advised to read the whole of this document and not to rely on only the summarised information set out below.

IFRS Summary Consolidated Income Statement Data

	<i>Year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Total turnover	98,147	183,090	242,366
Operating profit	16,865	31,549	48,327
Net finance costs	(715)	(212)	686
Taxation	(5,609)	(10,621)	(17,419)
Profit for the year	10,541	20,716	31,594

IFRS Summary Consolidated Balance Sheet Data

	<i>Year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current assets	37,098	108,137	157,092
Non-Current assets	17,194	16,842	17,092
Total Assets	54,292	124,979	174,183
Current Liabilities	15,428	67,136	84,620
Non-current liabilities	7,192	5,852	5,810
Shareholders equity	31,672	51,991	84,113
Liabilities and equity	54,292	124,979	174,183

Current trading and future prospects

The Directors are pleased with the Group's operating and financial performance to date in 2007.

The Group has completed a new pricing agreement with a major customer which took effect in April, and which reflects the increased price of silicon feedstock. The Group has continued to source scrap silicon at satisfactory price levels and in volumes which are in line with planned production levels.

The Group's proven track record and close customer relationships combined with strong underlying market demand, mean that the Directors are confident of delivering further growth for the current financial year.

Reasons for Admission and use of proceeds of the Placing

The Directors consider that Admission will be an important step in the Company's development and that it should significantly enhance both the Group's standing within its marketplace and its corporate profile. In addition, the Directors believe that Admission will act as a further incentive to management and employees through increased shareholding opportunity and the provision of a market for their Ordinary Shares.

The net proceeds to be received by the Company pursuant to the Placing are expected to be approximately €73 million.

It is expected that the net proceeds of the Placing will be used to fund the Group's capital costs, start-up costs and working capital needs relating to the new silicon production facility in Bitterfeld, as well as expansion of the Group's existing business.

Details of the Placing

The Placing, which will be fully underwritten by the Underwriters, will comprise the issue by the Company of 41,725,235 New Ordinary Shares, representing 10 per cent. of the Enlarged Issued Share Capital, and the sale by the Selling Shareholders of 127,266,656 Sale Shares (assuming no exercise of the Over-allotment Option). All of the Placing Shares will be placed at the Placing Price.

Dividend policy

The Directors intend to adopt a progressive dividend policy which is consistent with the Group's cash flow requirements and growth prospects. Had the Company's shares been admitted to trading throughout the 2006 financial year, the Directors believe they would have declared dividends representing 33 per cent. of net profit for that year. The Directors intend that the interim and final dividends in respect of each year ending 31 December will be paid in October of that year and May of the following year in the approximate proportions of $\frac{1}{3}$ and $\frac{2}{3}$ of the total annual dividend respectively.

The first dividend to be declared by the Company following Admission is expected to be a dividend in respect of the financial year ending 31 December 2007 to be paid in May 2008. It is anticipated that this dividend would represent the final proportion only of the dividend that the Directors would have expected to recommend had the Company been listed for the whole of the year.

As is the case with all forward looking-statements, this statement regarding the Company's dividend policy is subject to a number of risks and uncertainties, and the Company may revise its dividend policy from time to time.

Risk factors

Prior to investing in Ordinary Shares, prospective investors should consider, together with the information contained in this document, the risks attaching to an investment in the Company, including in particular, the following risks:

- Continued government incentives are critical to the development of the solar electricity industry.
- Increased usage of solar electricity may be slow to develop.
- The Group is dependent on a limited source of supply of the silicon feedstock used to produce its products.
- Construction of the group's proposed silicon production facility may take longer than expected or require unanticipated expenditure, and the facility may not operate at the levels anticipated.
- Sales to a small number of customers represent a substantial portion of the Group's revenues. The loss of any major customers could significantly harm the Group's financial condition.
- Vertical integration at solar cell producers may increase, leading to a reduced demand for silicon products from external suppliers such as the Group.
- The Group may not be able to adequately increase the efficiency of its production process.
- The Group may not be able to increase its manufacturing capacity and output in accordance with its plans.
- Foreign exchange factors could adversely affect the Group's results.
- A decline in demand for solar cell products or an increase in supply of silicon ingots, blocks and wafers could have a material adverse effect on the Group.
- There is a risk of industry-wide overcapacity in the production of silicon.
- If the Group does not successfully develop new technologies in a timely and economical manner its competitive position and future results of operations could be significantly harmed.
- The Group is dependent on its proprietary technology and its competitors may gain access to this technology.
- The Group may face intellectual property infringement claims, which could cause significant expense and restrict the Group's ability to produce, sell or develop its products.
- Increased competition in the production of silicon products would have an adverse effect on the Group's results.
- Requirements to indemnify customers or third parties against intellectual property infringement may adversely impact the Group's business.
- Operational disruptions and production problems could have a material adverse effect on the Group's results of operations.
- The Group is reliant on a Japanese sub-contractor to process its ingots into wafers.
- Product defects could adversely affect the Group's relationships with its customers or result in product liability or warranty claims which could negatively impact its financial condition.
- The Group is dependent on its management and senior executives.

- The Group may be unable to recruit or retain suitably qualified employees.
- The Group may incur significant compliance costs or liabilities under health, safety, environmental and other laws and regulations.
- Future sales of Ordinary Shares may cause the price of the Ordinary Shares to decline.
- The Ordinary Shares are subject to price volatility.
- The absence of a prior public market for the Ordinary Share could impair your investment.
- The market in the Company's shares may be illiquid.
- Certain shareholders will continue to have substantial control over the Company after the Placing.

PART II – RISK FACTORS

Prior to a decision to purchase Ordinary Shares of the Company, potential investors should carefully read and assess the following specific risks and the other information contained in this document. If these risks materialise, individually or together with other circumstances, they may substantially impair the business of the Group and have material adverse effects on the Group's business prospects, results of operations or financial condition. The order in which the individual risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of the severity or significance of individual risks. In addition to the following risks, other risks of which the Company is currently unaware, or which it does not currently consider to be material, may materialise and have adverse effects on the Group's business prospects, results of operations or financial condition. If any of these risks materialise, the price of the Ordinary Shares may decline, and investors could lose all or part of their invested capital.

RISKS RELATING TO THE SOLAR ELECTRICITY INDUSTRY

Continued government incentives are critical to the development of the solar electricity industry.

All of the Group's products are used in connection with the production of solar cells, which in turn are used to generate solar electricity. Because generating electricity from renewable energies, such as solar power, is in most cases currently more expensive than using fossil fuels, it is frequently only an economically viable alternative if it is promoted through governmental support measures, particularly through the provision of subsidies and financial incentives. The sale and use of solar cells and solar electricity in Europe, the United States and numerous other countries, including Japan and China, is heavily dependent on such governmental support. This is likely to continue to be the case for the foreseeable future. Germany, the largest photovoltaic market, for example, offers particularly strong support for domestic investment in solar electricity. In the event that political and governmental support for the generation of solar electricity were to decline, or prove to be insufficient to offset any continuing competitive disadvantages solar electricity would otherwise have as compared to electricity generated from other sources in the current and future primary photovoltaic markets in which the Group or its customers operate, demand for the Group's products could decline, which would have material adverse effects on the Group's business activities, results of operations and financial condition.

Increased usage of solar electricity may be slow to develop.

The photovoltaic market is at a relatively early stage of development and the extent to which photovoltaic products will be widely adopted is uncertain. If photovoltaic technology proves unsuitable for widespread adoption or if demand for photovoltaic products fails to develop sufficiently, the Group may not be able to grow its business or generate sufficient revenues to sustain its profitability. Demand for photovoltaic products in the Group's target markets may not develop or may develop to a lesser extent than anticipated. Many factors may affect the viability of photovoltaic technology and the widespread adoption and demand for photovoltaic products. There can be no assurance that such technology will succeed as an alternative to conventional or other new energy products. The continued development of a market for the Group's products is affected by many factors, including the emergence of newer, more successful, technologies and products, the cost and commercial availability of fuels, the cost of the Group's products, regulatory requirements, consumer perceptions of the reliability and cost effectiveness of its products and the end products of which they form a part and potential consumer reluctance to buy products based on, or make major investments in, new technologies.

RISKS RELATING TO THE BUSINESS

The Group is dependent on a limited source of supply of the silicon feedstock used to produce its products.

The Group's business activities mainly comprise the development and production of solar-grade silicon products. The Group manufactures its own multicrystalline silicon ingots, which are used in the production of silicon blocks and wafers. The ability to procure sufficient amounts of silicon at competitive prices is

critical to the Group's success. The photovoltaic industry purchases silicon from two main sources of supply: polysilicon from a limited number of suppliers to the semiconductor industry and high grade silicon left over from the semiconductor industry purchased on the open market. The volume of silicon feedstock available for supply is currently very limited as a result of high levels of demand in both the semiconductor and solar industries, which has been further exacerbated by additional demand from new entrants to the market. This has led to increased prices. Under-supply and high prices are expected to continue until sufficient additional silicon manufacturing capacity becomes available. The Directors believe that the Group's growth has been constrained by this lack of supply. While the Group may be able to pass on higher procurement expenses resulting from increased silicon prices to customers under certain of its customer contracts, this is not always the case. If the Group is unable to procure sufficient amounts of suitable silicon from available sources of supply or to agree competitive prices for that silicon, it could harm the Group's profitability, result in the loss of market share or prevent the Group from realising its growth targets, any of which would have a material adverse effect on the Group's results of operations and financial condition.

Construction of the Group's proposed silicon production facility may take longer than expected or require unanticipated expenditure, and the facility may not operate at the levels anticipated.

The Group intends to build an in-house silicon production facility at a site in Bitterfeld, Germany. The Group will be reliant upon third-party project developers to construct this facility. There can be no guarantee that these third-party project developers will complete and commission the facility in the time frame anticipated or that the cost of building the facility will not exceed projected costs. Moreover, the Company cannot guarantee that the facility, once built, will operate as planned or produce silicon at the volume, quality or cost levels anticipated. The production of silicon by the Group will also be heavily dependent on the supply of sufficient volumes of chlorosilanes being supplied by Degussa from its neighbouring site in Bitterfeld. There is no practicable alternative source of supply of chlorosilanes to the facility. In addition, the Group may experience delay or failure in obtaining necessary planning approval from national and/or local governmental authorities or regulators. Any of these factors could result in the Group having to source a significant portion of its anticipated silicon requirements from third parties, which would subject the Group to the risk of limited availability of external supply and higher feedstock sourcing costs, and could prevent or delay the Group from manufacturing or selling its products at profitable levels, any of which could have a material adverse effect on the Group's results of operations or financial condition.

Sales to a small number of customers represent a substantial portion of the Group's revenues. The loss of any major customers could significantly harm the Group's financial condition.

The Group derives a substantial portion of its revenues from a relatively small number of customers. In 2006, the Group's top three customers accounted for approximately 72.7 per cent. of the Group's revenues, and sales to the Group's top customer, Sharp, accounted for approximately 50.4 per cent. of the Group's revenues. These customers accounted for 81 per cent. of the Group's revenues in 2005. The Group's target customer base is limited to solar cell manufacturers. Consequently, it is likely that a small number of customers will continue to account for a substantial portion of the Group's revenues in the future. If the Group were to lose one or more of its key customers, if demand from any of these key customers were to decline, or if the Group is unable to establish business relationships with new customers, it could have a material adverse effect on the Group's results of operations and financial condition. In addition, two of the Group's top customers by revenues are Japanese companies, and in accordance with industry custom in Japan, the Group's business relationships with these companies are course of dealing arrangements and are not subject to written contracts, which potentially leaves the precise scope of the agreements and the redress available to the Group in the event of dispute less certain.

Vertical integration at solar cell producers may increase, leading to a reduced demand for silicon products from external suppliers such as the Group.

The majority of silicon wafers used in the production of solar cells are manufactured in-house by the producers of solar cells themselves. Substantially less than half of the silicon wafers currently produced globally are purchased by solar cell manufacturers from external suppliers such as the Group and its direct competitors and in-house production is generally more cost-effective than sourcing from external suppliers.

In-house production represents a part of the overall market for silicon wafers that is comparatively difficult to access because the relevant purchase and production levels are generally not publicly disclosed. If vertical integration in the industry increases and more solar cell manufacturers produce silicon wafers in-house, the Group's customer base could decrease, which could adversely affect the Group's results of operations and financial condition.

The Group may not be able to adequately increase the efficiency of its production process.

It is extremely important for the Group to maximise the yields of silicon ingots, blocks and wafers produced from the silicon deployed in the manufacturing process if it is to increase operating margins and continue to be able to sell its products at competitive prices. This requires that the entire production process be structured as efficiently as possible, from processing the silicon into ingots, through blocking and wafering and the processing and treatment of the wafers. The efficient utilisation of materials necessitates making continual technical improvements in production facilities, optimally organising manufacturing processes and minimising rejection rates. If the Group is unable to continue to increase the efficiency of the production process and attain its target level of efficiency for technological, organisational or materials-related reasons, this could have a material adverse effect on the Group's results of operations and financial condition.

The Group may not be able to increase its manufacturing capacity and output in accordance with its plans.

The future success of the Group depends on its ability to increase its manufacturing capacity and output in line to meet the demand it anticipates from its customers. The Group's ability to expand its manufacturing capacity will depend on, among other things, its ability to obtain the raw materials required to produce its products and building an in-house silicon manufacturing plant, and also purchasing or designing and building more of the equipment used in its manufacturing processes. If the Group is unable to expand its production or fails to respond to increased demand from customers fast enough, it may damage customer relationships or lose market share, which would have a material adverse effect on its results of operations and financial condition. Moreover, the Group also runs the risk of expanding its production capability too quickly, which could result in under-utilisation of resources and equipment and over-capacity.

Foreign exchange factors could adversely affect the Group's results.

Because the Group generates revenues and incurs costs in several different currencies and has not entered into currency hedging arrangements, it is exposed to currency exchange rate risk. Whereas the majority of the Group's revenues arise from its Japanese and German operations and are invoiced in yen or euros, respectively, it sources its raw materials principally in euros and yen and its expenses from ongoing operations are incurred in sterling or euros. Moreover, the consolidated Group's functional reporting currency is euros. Consequently, depreciation in the value of any of these currencies, particularly decreases in the value of yen relative to the euro, could adversely affect the Group's consolidated revenues and earnings, particularly to the extent that the Group's cost base in a depreciating currency decreases in proportion to its revenues in that currency.

A decline in demand for solar cell products or an increase in supply of silicon ingots, blocks and wafers could have a material adverse effect on the Group.

The business activities of the Group are focused on the manufacture and sale of multicrystalline silicon ingots, blocks and wafers. The sales opportunities for the Group's products therefore depend heavily on current demand levels for such silicon ingots, blocks and wafers, most of which come from solar cell manufacturers. If the demand for silicon wafers, blocks and ingots were to decline significantly, the Group would not be able to offset the decline in demand for these products with increased sales of other products. Moreover, if the levels of supply of silicon ingots, blocks and wafers were to increase significantly, whether as a result of increased production by the Group's competitors, entry of new market participants or otherwise, the Group might have to lower the prices of its products or risk losing market share. A decline in demand for solar cell products, or an increase in supply of ingots, blocks and wafers from the Group's competitors, could have a material adverse effect on the Group's results of operations and financial condition.

There is a risk of industry-wide overcapacity in the production of silicon.

Certain polysilicon producers have announced plans to invest heavily in the expansion of their production capacities in view of the current scarcity of solar-grade silicon, strong demand and the expected strong market growth. The Company currently expects significant additional capacity to come on line in 2008. This expansion of production capacities could result in an excess supply of solar-grade silicon. In addition, if an excess supply of electronic-grade silicon were to develop, producers of electronic-grade silicon could switch production to solar-grade silicon, eliminating the current scarcity of solar-grade silicon or causing it to decline more rapidly than the Company currently anticipates. The electronic-grade silicon market has experienced significant cyclicity historically; for instance, that market experienced significant excess supply from 1998 through 2003. Moreover, the current scarcity of silicon could also be overcome in the medium term if the need for silicon is significantly reduced as a result of the introduction of new technologies that significantly reduce or eliminate the need for silicon in producing effective photovoltaic systems. These scenarios could lead to considerable pressure on the world market price for solar-grade silicon, which would affect all of the Group's operating segments. For example, overcapacity in polysilicon production could lead to increased capacity utilisation in downstream parts of the photovoltaic value chain and place pressure on the Group's margins. Accordingly, overcapacity in polysilicon production could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

If the Group does not successfully develop new technologies in a timely and economical manner its competitive position and future results of operations could be significantly harmed.

At present the core technology of the Group centres around the design of and manufacturing processes for multicrystalline silicon ingots, blocks and wafers. The market for multicrystalline silicon wafers is characterised by the continuous technical enhancement of the wafers, in line with customers' requirements. In addition to a high level of solar cell efficiency, customers require wafers to be highly resistant to breaking, and thus easily processible, and to have the best price/performance ratio possible. There is a risk that the Group's products and/or technologies will become obsolete or uncompetitive. The Directors believe that the goal of achieving a high level of efficiency with low manufacturing costs will lead, in terms of technological development in the medium term, to the next generation of products initially comprising very thin (ultra-thin) wafers, which in the long term could be superseded by a subsequent generation of thin-film products.

The future success of the Group will depend on its ability to continually develop and improve products on a timely basis, increase the efficiency of its production processes in order to meet the changing requirements of its customers, remain competitive and preserve its margins. Moreover, the future success of the Group will depend on its continued ability to develop and master new technologies, such as ultra-thin wafer technologies, in time to be able to react early and in a suitable manner if, as the Company expects for the medium to long term, wafers in their current form are replaced by superior products that are based on such new technologies. No assurance can be given that the Group will succeed in developing and launching new or improved products on a timely basis, that the new products once launched will meet with substantial acceptance in their respective markets, or, if once accepted, that such acceptance will be sustained for a considerable period of time. Each of these factors could have material adverse effects on the business activities, results of operations and financial condition of the Group.

Moreover, the Group employs substantial funds on an ongoing basis towards the further development of its existing technologies and products, as well as the development of new equipment and products. If the Group's research and development efforts fail to result in concrete technological improvement, or if such improvements are achieved at uneconomical cost, it could have a material adverse effect on the financial position and results of operations of the Group.

The Group is dependent on its proprietary technology and its competitors may gain access to this technology.

The success of the Group depends on its ability to protect its trade secrets and know-how in specific technologies and procedures for processing raw silicon and for manufacturing and processing silicon wafers. The Group generally does not obtain patent protection for its intellectual property but instead protects it by

requiring its employees and the third parties with which it conducts business to enter into confidentiality agreements prohibiting such parties from disclosing this information to others. Despite these efforts, the Company cannot guarantee that others will not gain access to its trade secrets or that it can fully protect its intellectual property, nor can the Company guarantee that its competitors will not independently develop comparable technologies. If confidentiality arrangements prove to be an inadequate means of protecting the Group's trade secrets, or if the Group otherwise fails to protect its proprietary technology, its business activities, results of operations and financial condition could be materially and adversely affected.

The Group may face intellectual property infringement claims, which could cause significant expense and restrict the Group's ability to produce, sell or develop its products.

Intellectual property infringement claims brought by third parties could result in costly litigation which could divert the attention of the Group's technical or management personnel from operating the business, result in the Group having to delay or discontinue the production, sale or use of alleged infringing products, with the resulting consequences, require the Group to enter into royalty or licensing agreements which, if available, may not be available on commercially reasonable terms or lead to claims for damages or harm the Group's reputation.

The Group has been contacted by a third party who has offered to licence its relevant patents to the Group on the basis that the Group's manufacturing processes may fall within the scope of its patents. The Directors do not consider it necessary to procure such a licence, and the Group has been advised by its legal and patent advisers in the relevant jurisdictions that were any claim to arise alleging infringement of the relevant patents, the Group would be able to successfully defend itself against such claims. However, there can be no assurance that such an allegation or claim will not arise in the future, and were it to do so the Group may be required to incur expense in defending its position.

Requirements to indemnify customers or third parties against intellectual property infringement may adversely impact the Group's business.

The Group may be required to indemnify some of its customers and third-party intellectual property providers for certain costs and damages of patent infringement in circumstances where its products are a factor creating the customer's or these third-party providers' infringement liability. This practice, which includes a significant number of uncapped indemnities, may subject the Group to significant indemnification claims by its customers and third-party providers. The Company cannot assure you that indemnification claims will not be made or that these claims will not harm its business, operating results or financial condition.

Increased competition in the production of silicon products would have an adverse effect on the Group's results.

The market for multicrystalline silicon wafers is characterised by a relatively small number of companies active worldwide on both the supply and demand sides. The photovoltaic market is competitive and rapidly evolving, and the Group expects to have to increasingly compete with new entrants in the future. The key competition factors are the performance and quality of the silicon wafers produced as well as their price. Certain of the Group's current or potential future competitors have access to greater financial, technical, human, marketing, purchasing or other resources. These competitors could therefore react more quickly to new or emerging technologies or changes in customer requirements, or invest greater resources in product development and sales, or deliver competitive products more rapidly or at a lower price than the Group. In addition, alliances could be formed between existing competitors which could further intensify the competitive environment. Moreover, the Group believes that other suppliers are planning to substantially expand their production capacity, which would lead to a further increase in competitive pressure, in particular if the market for silicon wafers does not grow by at least the same amount. Intense competition could lead to a decline in prices, reduced sales revenue and profit margins, and to the Group failing to achieve its target market position and/or losing market share, which in turn could have material adverse effects on the Group's results of operations and financial condition.

Operational disruptions and production problems could have a material adverse effect on the Group's results of operations.

The Group is subject to a range of operational risks inherent to product manufacturing, including technical failures, mechanical breakdowns, disruptions in electricity supply, raw material supply issues, labour disputes, industrial accidents, fire, explosions, natural disasters and sabotage, among others. Operational failures arising as a result of any of these factors could result in serious disruption to the Group's business activities, could delay production and/or the Group's ability to deliver its products on time, at the required quality levels, or cost-effectively, result in increased regulatory scrutiny or expose it to litigation, any of which could have a material adverse effect on the Group's results of operations and financial condition. The Group's insurance coverage may not be adequate to cover its losses in the event that any of these events occur. In addition, well-publicised actual or perceived problems with the Group or its products could adversely affect market perception of the Group's products, impair its customer relationships, result in higher insurance premiums or affect its ability to obtain adequate insurance at a reasonable price.

The Group is reliant on a Japanese sub-contractor to process its ingots into wafers.

A significant portion of the Group's ingots are processed into wafers by a Japanese sub-contractor before being sold to the Group's customers in Japan. The proportion of ingots that are processed into wafers by the sub-contractor, as opposed to being sold directly to Japanese customers in the form of ingots, has been increasing substantially in recent years and this trend is expected to continue. If this relationship were to deteriorate or end and the Group were unable to find a replacement sub-contractor to process wafers on the same or similar terms, it could have a material adverse effect on the Group's results of operations and financial condition.

Product defects could adversely affect the Group's relationships with its customers or result in product liability or warranty claims which could negatively impact its financial condition.

The products manufactured and marketed by the Group may contain hidden defects. Despite implementation by the Group of quality assurance measures during production, third parties may still discover defects when using or further processing the Group's products. If defects are found in these products, the Group may face warranty or other product liability claims from its customers or their ultimate customers, and incur costs associated with the remediation of defects, or experience loss or delays in revenues, loss of customers, failure to achieve market acceptance or loss of market share, any of which could adversely affect the Group's results of operations and financial condition.

The Group is dependent on its management and senior executives.

The success of the Group's business depends on the services of key management personnel. See paragraph 10 of Part VII of this document. In particular, Dr. Iain Dorrity, Dr. Hubert Aulich and Eizo Watanabe have key customer relationships and Barry Garrard and Dr. Friedrich-Wilhelm Schulze have detailed technical knowledge and have been responsible for developing the Group's technology in the form it is used today. Given their expertise in the PV industry generally, their knowledge of the Group's production processes and technology and their relationships with the Group's key customers and suppliers, the loss of the services of one or more of these individuals could have a material adverse effect on the Group's financial development, results of operation and financial condition.

The Group may be unable to recruit or retain suitably qualified employees.

The successful attainment of the Group's corporate goals is heavily dependent on its ability to recruit a sufficient number of highly qualified employees at all levels, to retain these employees for the long term and to continually train them. In view of the Group's planned expansion of its manufacturing capacity, not only will suitable technical specialists be required, but also a sufficient number of qualified middle managers who will be responsible for managing and monitoring production. The Group also requires qualified employees in the areas of accounting, production, materials management, purchasing and human resources. If the Group is not able to successfully recruit and retain a sufficient number of employees with the required qualifications, it may not be able to obtain its growth objectives.

The Group may incur significant compliance costs or liabilities under health, safety, environmental and other laws and regulations.

The Group's operations are subject to numerous health, safety and environmental ("HSE") requirements under the laws and regulations in the various jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials. Many HSE laws and regulations are becoming increasingly stringent (and may contain "strict liability"), and the cost of compliance with these requirements can be expected to increase over time. The failure to comply with HSE laws and regulations could result in the Group incurring costs and/or liabilities including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely effect the Group's results of operation and financial condition.

The Group's production processes, involve manufacturing, processing, storage, use, handling, distribution and transport of substances that are volatile. In particular, its planned manufacturing processes in Bitterfeld, Germany, will use chlorosilanes. Accidents or mishandlings involving these substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulatory enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the Group's ability to produce or distribute the Group's products could result in significant additional costs to replace or repair and insure the Group's assets, which could negatively affect the Group's business, prospects, operating results and financial condition. The Group also incurs considerable expenditure to install, maintain and monitor equipment designed to safely manage these volatile substances and to limit and manage air emissions, waste water discharges and solid and hazardous waste generated by the Group's processes.

The Company cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of these requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition could suffer.

RISKS RELATED TO THE PLACING

Future sales of Ordinary Shares may cause the price of the Ordinary Shares to decline.

If holders of the Ordinary Shares sell substantial amounts of Ordinary Shares in the open market following the Placing, the market price of the Ordinary Shares could decline. The Directors and the Employee Selling Shareholders have agreed to "lock-up" agreements in the Underwriting Agreement pursuant to which they have agreed not to dispose of Ordinary Shares not sold pursuant to the Placing from the date of Admission until publication of the Company's preliminary financial results for the year ending 31 December 2007, as described in more detail in paragraph 6 of Part XIII of this document. The Non-Employee Selling Shareholders have agreed to "lock-up" agreements pursuant to which they have agreed not to dispose of Ordinary Shares not sold pursuant to the Placing for a period of 180 days following Admission. Sales of substantial amounts of Ordinary Shares by any of these parties upon the expiry of the lock-up periods could also negatively impact the market price of the Ordinary Shares. A decline in the price of the Ordinary Shares as a result of such sales, or the perception that these sales could occur, could make it more difficult for holders to sell Ordinary Shares and could result in a loss on investors' capital investment. These sales might also make it difficult for the Company to offer equity securities in the future at a time and at a price that it deems appropriate.

The Ordinary Shares are subject to price volatility.

The market price of the Ordinary Shares may fluctuate significantly in response to a variety of factors, many of which are beyond the Company's control. These factors include variations in the results of operations or business development of the Group or its competitors, general economic conditions, changes in political sentiment, regulatory changes impacting the Group or the industry in which it operates and the other factors

referred to in this Part II. Furthermore, stock markets in general, and the market for new, high growth companies in particular, have in the past experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. These industry and market factors could result in significant volatility in the price of the Ordinary Shares.

The absence of a prior public market for the Ordinary Share could impair your investment.

There has been no prior public market for the Ordinary Shares and following this offering an active trading market in the Ordinary Shares might not develop or continue. The Placing Price for the Ordinary Shares has been determined through negotiations between JPMorgan Cazenove and the Company and may not be representative of the price that will prevail in the open market. The public market may not agree with or accept this valuation, in which case investors may not be able to sell their Ordinary Shares at or above the Placing Price.

The market in the Company's shares may be illiquid.

Due to the limited volume of Ordinary Shares that may be offered for sale or purchase from time to time and the potentially limited number of prospective buyers or sellers of Ordinary Shares, there can be no guarantee that the market for Ordinary Shares will remain liquid or that all buy and sell orders for the Ordinary Shares will be fulfilled on a timely basis or at all. Any illiquidity of the Ordinary Shares may have a substantial adverse effect on the market price of the Ordinary Shares.

Certain shareholders will continue to have substantial control over the Company after the Placing.

After this offering, the Company's executive officers, directors and Principal Shareholders will beneficially own, in aggregate, approximately 46 per cent. of the Ordinary Shares if the Underwriters do not exercise the Over-allotment Option and approximately 44 per cent. if the Underwriters exercise the Over-allotment Option in full. As a result, these shareholders, if they act together, will continue to have significant influence over the affairs of the Group. They may exercise this influence by voting at a meeting of the shareholders in a manner that advances their best interests and not necessarily those of other shareholders. This concentration of ownership also could have the effect of delaying or preventing a change of control of the Company or otherwise discouraging a potential acquirer from attempting to obtain control of the Company.

PART III – PRESENTATION OF INFORMATION

Investors should only rely on the information in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Directors, JPMorgan Cazenove or the Underwriters. Without prejudice to any obligation of the Company to publish a supplementary prospectus, neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and its subsidiaries (together, the “Group”) since the date hereof or that the information herein is correct as of any time subsequent to the date hereof.

The Placing being made by means of this document is being made in the United Kingdom by means of an institutional offer. The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Placing Shares are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out in Part XIII of this document. Accordingly, this document may not be supplied to the public in any jurisdiction in which any registration, qualification or other requirements exist or would exist in respect of any public offering of shares.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice. None of the Company, the Directors, JPMorgan Cazenove or the Underwriters is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment by such offeree or purchaser.

Where indicated, statistical data and other information appearing in this document relating to the solar electricity market has been extracted from documents and other publications released by Solarbuzz, LLC. In the case of such presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

The information described above has been accurately reproduced and as far as the Company is aware and has been able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document the source of such information has been identified.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

The contents of the Group’s websites (including any hyperlinks) do not form part of this document.

Certain terms used in this document are defined, and certain technical and other terms used in this document are explained, in “Definitions” in Part XV and “Glossary of technical terms” in Part XVI of this document.

Forward-looking statements

This document includes statements that are, or may be deemed to be, ‘forward-looking statements’. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ‘believes’, ‘estimates’, ‘plans’, ‘projects’, ‘anticipates’, ‘expects’, ‘intends’, ‘may’, ‘will’, or ‘should’ or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, among

other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the solar industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the risk factors discussed in Part II of this document and the factors relating to the Group's financial performance and prospects discussed in Part XI of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Save as required by law or by regulatory obligations (including the Listing Rules or Prospectus Rules), the Company undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document. All subsequent written and oral forward-looking statements attributable to any person involved in the preparation of this document or to persons acting upon the Company's behalf are, subject to the requirements of the Listing Rules or Prospectus Rules, expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

Presentation of financial information

Unless otherwise indicated, financial information in this document has been prepared in accordance with IFRS and in euros. The underlying financial information stated in local currency has been translated into euros on the basis set out in "Currencies" below.

The financial information contained in Part IX of this document for the financial years ended 31 December 2006, 2005 and 2004 has been audited. All unaudited financial information in this document, including the financial information contained in Part X of this document, has been extracted without material adjustment from the Group's accounting records.

Currencies

In this document, references to "pounds sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom; references to "US dollars", "dollars", "\$" or "US\$" are to the lawful currency of the United States of America.; references to "euro" or "€" are to the lawful currency of certain member states of the European Union and references to "Yen" or "¥" are to the lawful currency of Japan.

On 4 June 2007 (being the latest practicable date prior to the publication of this document):

€1.00 = £0.678 (*Source: Datastream*).

The functional currency of the Company is euros and unless otherwise indicated, the financial information contained in this document has been expressed in euros. Accordingly, transactions in currencies other than the Company's functional currency are translated at average rates of exchange. Balance sheet items are translated into euros at period end exchange rates. These translations should not be construed as representations that the relevant currency could be converted at the rate indicated or at any other rate.

Indicative exchange rates of the euro against the dollar, pound and yen, comprising the average rate used for income statements and the period end rate used for balance sheet information, are shown below:

<i>Period</i>	<i>Average rate (\$)</i>	<i>Period end rate (\$)</i>
Year ended 31 December 2006	1.26	1.32
Year ended 31 December 2005	1.24	1.18
Year ended 31 December 2004	1.24	1.36

(Source: oanda.com)

<i>Period</i>	<i>Average rate (£)</i>	<i>Period end rate (£)</i>
Year ended 31 December 2006	0.68	0.67
Year ended 31 December 2005	0.68	0.69
Year ended 31 December 2004	0.68	0.71

(Source: oanda.com)

<i>Period</i>	<i>Average rate (¥)</i>	<i>Period end rate (¥)</i>
Year ended 31 December 2006	146.10	157.20
Year ended 31 December 2005	136.90	139.62
Year ended 31 December 2004	134.44	140.63

(Source: oanda.com)

Taxation

Certain limited information on United Kingdom taxation with regard to the Ordinary Shares is set out in Part XIV of this document. If you are in any doubt as to your tax position, or you are resident or subject to tax in any jurisdiction other than the United Kingdom, you should contact your professional adviser, without delay.

PART IV – PLACING STATISTICS

Placing Price (per Ordinary Share)	130 pence
Number of Ordinary Shares in issue before Admission	375,000,100
Number of New Ordinary Shares being placed on behalf of the Company	41,725,235
Number of Sale Shares being placed on behalf of the Selling Shareholders ⁽¹⁾	127,266,656
Number of Ordinary Shares in issue immediately following the Placing	416,725,335
Placing Shares as a percentage of the Enlarged Issued Share Capital	41 per cent.
Estimated gross proceeds of the Placing receivable by the Company	€80 million
Estimated net proceeds of the Placing receivable by the Company (after expenses) ⁽²⁾	€73 million
Market capitalisation of the Company following the Placing at the Placing Price ⁽³⁾	£542 million
ISIN	GB00B1WSL509

Notes:

- (1) Assuming no exercise of the Over-allotment Option.
- (2) Net proceeds receivable by the Company are stated after deducting estimated total expenses incidental to the Placing and Admission (including VAT) of approximately €7 million.
- (3) Market capitalisation has been calculated based on the number of Ordinary Shares in issue immediately following Admission multiplied by the Placing Price.

PART V – DIRECTORS, SECRETARY AND ADVISERS

Directors	Maarten Henderson (<i>Non-executive Chairman</i>) Dr. Iain Dorrity (<i>Chief Executive Officer</i>) Dr. Hubert Aulich (<i>Executive Director, German Operations</i>) Dr. Peter Finnegan (<i>Chief Financial Officer</i>) John Sleeman (<i>Non-executive Director</i>)
Company Secretary	Dr. Peter Finnegan
Registered Office and principal place of business	Brook House 174 Milton Park Abingdon Oxfordshire OX14 4SE United Kingdom
Sponsor, Global Co-ordinator and Sole Bookrunner	JPMorgan Cazenove Limited 20 Moorgate London EC2R 6DA United Kingdom
Co-lead Manager	Jefferies International Limited 4th Floor Bracken House 1 Friday Street London EC4M 9JA United Kingdom
Solicitors to the Company	Norton Rose 3 More London Riverside London SE1 2AQ United Kingdom
Solicitors to the Sponsor, Global Co-ordinator, Bookrunner, and Underwriters	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA United Kingdom
Reporting Accountants	KPMG LLP Arlington Business Park Theale Reading RG7 4SD United Kingdom
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP United Kingdom
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 9DA United Kingdom

PART VI – EXPECTED TIMETABLE⁽¹⁾

Publication of this document	6 June 2007
Conditional dealings to commence in the Ordinary Shares ⁽²⁾	8.00 a.m. on 6 June 2007
Admission effective and unconditional dealings in the Ordinary Shares to commence	8.00 a.m. on 11 June 2007
CREST accounts credited	8.00 a.m. on 11 June 2007
Definitive share certificates (where applicable) despatched	11 June 2007

Notes:

- (1) Each of the times and dates in the above table is subject to change. All times are London local time unless stated otherwise.
- (2) If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

PART VII – INFORMATION ON THE GROUP

1. Overview

The Group is one of the world's leading independent developers and producers of solar-grade silicon products. The Group uses silicon feedstock to produce multicrystalline silicon ingots and wafers which it supplies to the solar cell industry for use in solar electricity generation systems, making the Group a highly specialised supplier to the world's leading solar cell manufacturers.

The Group manufactures its multicrystalline silicon ingots at its facilities in Oxfordshire, United Kingdom. The majority of the Group's ingots are sold by the Group in Japan, either as ingots or having first been processed into wafers by a sub-contractor. The balance of the Group's ingots are processed into wafers at the Group's wafer production facilities in Erfurt, Germany, and sold to customers in Europe. The Group also operates a silicon trading business which buys and sells silicon products in Japan.

The Group employed an average of 203 staff in 2006. The total volume of silicon wafers and ingots produced by the Group in 2006 corresponded to a solar electricity generation capacity of 215 MWp. As at the end of 2006 the Group had available production capacity to facilitate annual production of silicon products corresponding to 288 MWp. In 2006 the Group recorded pre-tax profits of €49 million based on turnover of €242 million.

The Company currently obtains its silicon feedstock from a number of different sources and suppliers. The Group is proposing to develop its own polysilicon production facility in Germany in order to secure an on-going low-cost source of supply for a significant additional portion of its expected future silicon feedstock requirements. This facility is expected to commence production in 2009.

2. Competitive strengths

The Directors believe that the Group possesses a number of strengths that provide it with a competitive advantage:

- by focusing purely on the production of solar-grade silicon products, the Group benefits from the higher margins available to companies positioned at the upstream end of the photovoltaic value chain, where there are fewer competing manufacturers and higher barriers to entry.
- the Group has strong, long-established relationships with a number of major solar cell manufacturers, including Sharp, Mitsubishi Electric and Schott Solar. The Group does not compete with its customers and is therefore able to work closely with them to improve wafer quality and minimise costs.
- the Group designs and builds its own ingot production equipment, allowing it to implement technical and cost-cutting improvements quickly, while keeping improvements in-house, and to remain largely independent of third-party equipment manufacturers. Through its flexible and scalable production processes, the Group is able to respond quickly and flexibly to market trends and customer demands. Increased automation and product yields, the use of thinner wires and the production of thinner wafers continue to reduce production costs.
- the Group has proven excellence in technology and process know-how. The Group has developed its own proprietary crystallisation process. Its wafer technology enables it to produce wafers with a thickness of 200 µm and below, using wires with a thickness of 140 µm. The Group is working in partnership with its customers and research and development institutions to develop the next generation of wafer technology.
- the Group's senior management is very experienced, and has successfully managed the strategic growth of the Group's business from its initial development of crystallisation technology, through the merger and integration of the ingot and wafer businesses to the creation of Crystallox Japan K.K. in Japan, and is well-placed to manage the next stage in the Group's development.
- the Group has a long track record of silicon ingot and wafer production and has been consistently profitable since its formation in 2002.

3. Strategy

The Group intends to strengthen its position as a leading independent supplier of solar-grade silicon ingots and wafers to the solar cell industry and to reinforce the strong growth in turnover and profits which it has experienced in recent years. To achieve this the Group is seeking to capitalise on the expected growth of the overall market for solar-grade silicon products, using in particular its technology strengths in ingot and wafer production. The Company's strategy includes the following core elements:

Focus on reducing operating costs

The Company will continue to focus on reducing the operating costs involved in the production of silicon wafers and ingots. The production of silicon wafers and ingots continues to offer cost-cutting potential through technological development. The Group is focused on continuously increasing the efficiency of its production processes, improving each individual step in order to systematically cut costs in large-scale production, whilst maintaining the quality of its ingots and wafers. This includes the continuous improvement of crystallisation systems and wire saw technology and the efficiency of materials usage.

Maintaining flexibility in production

The Company intends to continue to develop and build its ingot production systems in-house. As the Group designs its own ingot production systems and assembles them using components sourced from a number of suppliers, the Group can react comparatively quickly and flexibly to meet changes in demand without relying on the capacity and on-time delivery of third-party manufacturers who design and build such systems for other ingot producers. In-house development of production process technology also allows the Group to incorporate experience gained in the production process directly into the development of new equipment.

Through its presence in Germany and Japan and the relationships it has in those jurisdictions, the Group is able to source feedstock in both of those key markets. As the Group has the ability to produce wafers at its facilities in Erfurt, Germany or supply ingots to its sub-contractor in Japan to be sliced into wafers, the Group has the flexibility to increase or decrease its production in either or both of these jurisdictions.

Working closely with customers and suppliers

The Company's strategy includes developing and maintaining long-term, close relationships with its customers and suppliers. The Group collaborates with customers to ensure that their requirements can be taken into account and to allow the Group to rapidly respond to their changing needs. The Group also has long-term relationships with two major polysilicon suppliers, and a strong track record in securing access to scrap silicon through its relationships in Japan.

New polysilicon plant

The Company plans to build and operate its own polysilicon production facility in Bitterfeld, Germany, in order to provide a secure, independent, low-cost source of silicon additional to the Group's current sources of supply. The facility is currently expected to become operational in 2009. The facility will produce polysilicon feedstock for the Group from chlorosilanes supplied directly by Degussa from its adjacent site in Bitterfeld, and is expected to produce 1,800 MT of solar-grade silicon per annum once it becomes fully operational.

The Directors expect that an additional ten ingot production units will be required to process the output from this facility.

4. History and development

The Crystalox business was founded in 1982 to develop crystal growth systems. It was acquired in 1985 by Elkem ASA and began to develop its multicrystalline technology in 1990. In 1994 Crystalox Limited was set up to acquire the Crystalox business through a management buy-out involving Mr Robin Greaves, Dr. Iain Dorrity and Dr. Barry Garrard and three other managers of the business. During the 1990s Crystalox Limited developed and manufactured equipment for the industrial production of multicrystalline silicon

ingots and developed into one of the technology leaders in this area. In 1998 Crystalox Limited began to focus on the manufacture of multicrystalline silicon ingots themselves.

In 1999 Crystalox Limited entered into a strategic partnership with PV Silicon in Germany. PV Silicon was established in 1997 by Dr. Hubert Aulich, with Dr. Friedrich-Wilhelm Schulze and Hans Andreae, initially to produce single-crystal silicon wafers. As the relationship between Crystalox Limited and PV Silicon strengthened, Crystalox Limited increasingly began to produce multicrystalline silicon ingots in the U.K. for PV Silicon to process in Germany into multicrystalline silicon wafers. In 2002 the shareholders of Crystalox Limited and the shareholders of PV Silicon combined the two companies under the ownership of PV Crystalox Solar AG as a holding company. Also in 2002, the Company's subsidiary Crystalox Japan K.K. was founded to increase the Group's presence in the key market of Japan. In 2007 the ownership of PV Crystalox Solar AG was transferred to the Company and construction of the new polysilicon production facility is expected to begin later in the year.

5. The Group's business

The value chain in the photovoltaic industry comprises the following stages:

- production of polysilicon;
- melting and crystallisation of polysilicon into ingots;
- cutting the ingots to form blocks;
- sawing the blocks into thin wafers;
- processing the wafers into solar cells;
- linking and packaging the solar cells together to form modules; and
- integrating the modules into PV systems and installation of such systems.

The Group is currently involved in the second, third and fourth stages of the value chain and, with the construction of the polysilicon production facility in Germany, will also become involved in the first stage. These processes all involve different aspects of material processing, an area in which the Group has a great deal of expertise and experience. The quality and efficiency of the production process is critical to low-cost, large-scale production of silicon wafers and ingots. In particular:

- the polysilicon silicon feedstock must have a high purity level and be acquired at competitive prices;
- the ingots must have a high-quality crystalline structure in order to achieve good electronic properties;
- the ingots must be sawn into blocks and then sliced into wafers with a high level of precision and in a way that ensures high material yields; and
- the wafers must have low breakage rates and enable high energy efficiencies to be obtained from the solar cell.

These factors serve as general guidelines for structuring the entire production process.

Silicon supply

The Group obtains polysilicon feedstock from a number of different sources:

Long-term contracts: the Group sources a significant portion of its feedstock under long-term supply contracts with two of the four major global polysilicon suppliers.

Scrap silicon: scrap silicon from the semiconductor industry, which is generated during the process of single crystal pulling, and includes tops and tails (offcuts of crystals), pot scrap and broken wafers. Despite increased competition in the market, the Group has a strong track record of securing access to significant volumes of scrap silicon, principally due to its strong, long-term relationships in Japan.

In-house recycling: the Group recycles multicrystalline silicon ingot off-cuts and broken wafers produced as part of its own processing activities.

Through these current sources of supply the Group is able to obtain the necessary quantities and specifications of silicon that it requires. As part of its ongoing strategic development, the Group plans to add a fourth source of supply of polysilicon by building its own in-house silicon production facility in Bitterfeld, Germany, which it expects to commence operation in 2009. This facility will provide the Group with a cost efficient, reliable and flexible source of supply, which will enable the Group to co-ordinate silicon volumes and specifications with its crystallisation requirements.

Production process

The Group's multicrystalline silicon ingots are produced in four factories at two sites in the U.K. using ingot production units developed and manufactured by the Group in-house. The Group currently operates 73 ingot production units. In these ingot production units, a square quartz crucible is initially filled with the polysilicon feedstock. The quartz crucible and its contents are heated in a furnace to over 1,420°C in order to melt the polysilicon. The quartz crucible is slowly cooled by extracting heat from the base. This technically complex melting and cooling procedure results in the melted silicon forming crystals as it cools and taking on the multigrain structure that is typical of multicrystalline silicon. The melting and cooling process is fully automatic and controlled and monitored by computer.

The Group has considerable experience in using these crystallisation procedures and continually develops its processes to ensure that its ingots have a high quality crystalline structure. The electrical properties of the ingots is tested to ensure that they meet the standards required by the Group's customers. The Group has consistently achieved an ingot yield – the number of ingots that are of sufficient quality to be sold, taken as a percentage of all ingots produced – of 97 per cent.

The Directors believe that the Group is a technology leader in solar-grade silicon products and has consistently been one of the pioneers in the manufacturing of multicrystalline ingots. For example, the Directors believe that, in 1990, Crystalox Limited was the first company to offer crystallisation systems for the industrial production of multicrystalline silicon ingots, and in 1996 it was one of the first to develop 68 cm ingots, which are now the industry standard.

After crystallisation, the edges of the ingot are then removed and the ingot is sawn into rectangular blocks, the edge lengths of which depend on the desired size of the subsequent wafers. The surfaces of the blocks are then treated to increase wafer strength.

Having sawn the ingots into blocks, the Group then slices the blocks into wafers using wire saws. The Group uses wire saws which slice several blocks into a few thousand wafers. A single very thin wire (140 µm) is used to ensure that a high level of precision is obtained. This wire is wound around numerous wire guide rolls to create a wire web consisting of a large number of parallel wires, and then the wire is pulled at a constant high speed to slice the wafers. The blocks are precisely fed into the wire field and separated in this way. The wire saw does not actually split up the blocks since the friction would result in excessively high temperatures. The blocks are sliced by a special liquid called slurry which moves in a closed loop within the saw and is constantly added during the entire slicing process. The Group has developed an environmentally friendly non-oil based slurry, which it also recycles in order to reduce cost. The slurry is composed of a liquid carrier and an abrasive material that creates a cutting edge at the application surface of the wire. The last step in production is to clean the slurry off the wafers, measure them and pack them.

The Group constantly monitors and develops its wafering processes, in order to produce thinner and stronger wafers, so as to maximise the yields that it can achieve.

The Group's production facilities in the United Kingdom have established quality assurance systems that are certified in accordance with DIN ISO 9001. In addition, overall production is organised in such a way that the process is documented from start to finish, from the feedstock to the wafers. In this way, the silicon feedstock from which each ingot and wafer was produced can be determined.

In 2006, the Group produced silicon ingots and wafers with a total capacity for solar electricity production of approximately 215 MWp.

Products

The Group's product range mainly comprises multicrystalline ingots and wafers. The multicrystalline ingots generally measure 68 × 68 × 24 cm and weigh around 270 kg, regardless of whether they are sold to particular customers or are used for further processing into wafers. The multicrystalline wafers are offered primarily in two sizes: squares with edge lengths of 125 or 156 mm and at thicknesses of 180, 200 and 240 µm, depending on a customer's requirements.

Depending on the type of further processing employed by the Group's customers to produce solar cells, the efficiency of the Group's multicrystalline wafers is approximately 15 per cent. which is in line with industry standards.

The Group also produces a relatively small amount of single crystal silicon wafers from ingots supplied by a third party sub-contractor which it slices into wafers at its facility in Erfurt, Germany.

Sales

As a specialised supplier, the number of potential and actual customers of the Group is comparatively small. The only customers for the Group's products are solar cell manufacturers. In view of this industry structure, individual customer relationships are particularly important to the Group's business activities as a whole.

The Group generally sells its products to a number of large customers in Japan and Germany. In 2006 approximately 37.5 per cent. of the Group's ingots were sold directly to customers in Japan, with the balance being processed into wafers in Japan and Germany and sold primarily to customers in those countries. The Group's subsidiary Crystallox Japan K.K. was set up in 2002 to further strengthen the Group's links with customers based in that country, and the Group has a significant presence in Germany which supports its sales made there.

In 2006, the Group generated approximately 65 per cent. of its revenues (excluding revenues from silicon trading) from its three largest customers, Sharp, Mitsubishi Electric and Schott Solar, with Sharp accounting for around 35 per cent. of those revenues.

The Group's relationship with Sharp has existed for 13 years. Its business relationships with Mitsubishi Electric and Schott Solar have existed for three and six years respectively.

Silicon trading

In order to facilitate key relationships, the Group operates a silicon trading operation, under which the Group buys silicon products which it sells on to one of its customers. This operation accounted for less than a quarter of the Group's sales in 2006. The operation generates relatively small margins and the Directors do not expect this business unit to continue in the long term.

6. Proposed polysilicon production facility

The Group is proposing to build its own polysilicon production facility in Germany to provide an additional source of polysilicon feedstock. The Group expects the facility to commence operation in 2009 with an initial planned production volume of 900 MT in that year, rising to 1,800 MT in 2011. The Directors believe that in-house polysilicon production will provide the Group with greater flexibility in sourcing its silicon feedstock for the following reasons:

- the Group will have access to a reliable and flexible source of supply under its own control;
- the Group will be in a position to better co-ordinate silicon specifications with its crystallisation requirements;
- the facility is expected to support the Group's cost leadership in silicon products, both through the use of a more cost-effective process for the production of solar-grade silicon compared to the process for

the production of semi-conductor grade silicon, and through the Group's ability to control the costs of production; and

- the design and construction of the polysilicon production facility will allow for the production of polysilicon to be scaled up from the initial planned production levels, if market demand requires this, or if it would otherwise be in the Group's interest to increase the size of the facility's output.

The facility will provide the Group with a low-cost, independent, flexible, additional source of supply and the Group will have the opportunity to increase the scale of its polysilicon production.

The facility will be built at the Bitterfeld Chemiepark, Germany, as part of a fence-to-fence operation with Degussa's chemical plant, from which the chlorosilanes used as the feedstock to produce the silicon will be supplied. The Group will be dependent on Degussa for the supply of chlorosilanes and has entered into a long-term contract with Degussa for the supply of chlorosilanes until 2017, at a fixed price until 2010. The facility will produce its silicon from chlorosilanes using a modified version of the well-proven Siemens process. The Directors expect that an additional ten ingot production units will be required to process the output from the facility, and these units will be constructed in-house in the U.K.

The Directors believe that construction of the facility will require fixed capital investment of approximately €80 million. Subject to fulfilling certain conditions, the Group is eligible for government grants of €20 million, to be used for the construction of the facility.

7. Research and development

The Group has played a key role in the photovoltaic industry from an early stage in the development of the technologies and processes used in the crystallisation of silicon and the sawing of wafers. Wafer production for solar cell applications continues to undergo significant development. The Group has reduced the thickness of its wafers from 330 µm in 2002 to 180-200 µm and has reduced the thickness of its wires from 160 µm in 2002 to 140 µm.

Almost all of the Group's employees who are involved in research and development activities have an academic background in the areas of physics, engineering, or materials science.

The Group's research and development activities are split between the UK facilities in Oxfordshire and the German facilities in Erfurt. Current research and development activities are as follows:

- the Group's crystallisation technology undergoes continuous further development, particularly benefiting from know-how gained during the existing production process. Key development goals include increasing ingot size to 83cm and 400kg, thus increasing production capacity and yield, and implementing an automated block measurement and characterisation system;
- the Group is continually working on developing technology to enable the production of thinner and stronger wafers; and
- the Group is exploring a new proprietary process for float zone production of single and multicrystalline silicon with the potential for lower cost and higher cell efficiency.

8. Competition

The Group competes with specialised suppliers of silicon wafers and ingots to the solar cell industry and integrated manufacturers of solar cells and solar electricity systems which also produce the silicon ingots and wafers required to build their systems.

The Directors consider the Group's main competitors, among the specialised suppliers, to be JFE, Msetek, REC, Renesola and SolarWorld. The Directors believe that the barriers to entry for producers of ingots and wafers for the solar cell industry are relatively high and include the complexity of silicon procurement and processing workflows, the necessity for a highly efficient manufacturing process and the substantial investment costs involved.

9. Intellectual property

The Group does not rely on individual patents or licences of material importance for its business activities. Generally the Group only attaches importance to patent protection for the processes and technologies it develops if these respective processes and technologies can be deduced and reproduced from the products in which they are implemented. The Directors believe that the patenting of processes and technologies that cannot be deduced from the product in which they are implemented, reveals expertise, rather than actually protecting it. The Directors believe that most of the processes and technologies that the Group currently uses cannot be deduced from its products and therefore they have not to date patented these processes and technologies.

The Group concludes non-disclosure and confidentiality agreements with third parties who have or could have access to confidential information as part of their business relationships, in order to protect its trade secrets. The contracts of employment signed by the employees of the Group also contain non-disclosure provisions and other contractual regulations designed to ensure that the results of the activities performed remain within the Group. Although absolute security does not exist, the Directors believe that these agreements and the other measures that the Group has taken to protect its trade secrets, provide sufficient and appropriate protection.

The Group enters into agreements with the partners with whom it works on research and development projects so that the results of this co-operation will be available exclusively to the Group or that the Group will at least have a licence to use the findings. Furthermore, the Group regularly agrees with such research and development partners that both sides are obliged to keep the research and development results secret.

10. Directors and Senior Management

10.1 Board of Directors

The Directors of the Company are:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Maarten Henderson	59	Non-executive Chairman
Dr. Iain Dorrity	54	Chief Executive Officer
Dr. Hubert Aulich	63	Executive Director, German Operations
Dr. Peter Finnegan	56	Chief Financial Officer
John Sleeman	57	Non-executive Director

Brief biographical details of each of the Directors are set out below:

Maarten Henderson – Non-executive Chairman

Mr Henderson graduated in economics from Hamburg University. He started his career at Philips in 1972, where he held various commercial and financial positions, ending as Member of the Board of Management and CFO of Philips Kommunikations Industrie AG in 1996. After that, he was CFO and Member of the Board of Management of Schmalbach-Lubeca AG from 1996 to 1999, of KPN N.V. from 2000 to 2004, and of Nuon N.V. from 2004 to 2006. In 2006, he worked for Debitel AG as interim CFO. In February 2007, he was appointed CFO of Getronics N.V.

Dr. Iain Dorrity – Chief Executive Officer

Dr. Dorrity has a PhD in Physical Chemistry from Exeter University. Dr. Dorrity joined Crystalox 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 and Crystalox he became a member of the management board of PV Crystalox Solar AG in 2002 and a director of the Company on its formation in December 2006. Dr. Dorrity has over twenty-five years experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox Dr. Dorrity spent eight years working in research in industry with General Electric Company.

Dr. Hubert Aulich – Executive Director, German Operations

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

Dr. Peter J. Finnegan (DBA, MBA, FCMA) – Chief Financial Officer

Dr. Finnegan has a Doctorate in Corporate Finance from Henley Management College, an MBA from Manchester Business School and is a Fellow of the Chartered Institute of Management Accountants. Dr. Finnegan became Company Secretary of Crystalox in 1985 whilst he was Financial Director of its holding company Elkem (Holdings) Limited, and was appointed to the board of both Crystalox Solar Limited and Crystalox Limited in 1994. He was appointed as a director of the Company on its formation in December 2006. Dr. Finnegan has overall Group responsibility for finance, accounting, planning, financial control, legal matters and investor relations. Prior to joining the Group he worked for a number of large international manufacturing companies in various positions including Chief Accountant, Company Secretary and Financial Director.

John Sleeman – Non-executive Director

Mr Sleeman graduated in physics from the University of Durham. He started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving to HSBC Investment Bank in 1975. During his time at HSBC, Mr Sleeman held various corporate and project finance advisory roles, ending as Managing Director, Head of International Team, Corporate Finance, from 2000 to 2003. During that time Mr Sleeman held directorships with a number of companies within the HSBC group. After that, he was an adviser to Emerging Markets Group, specialising in structured financial solutions and strategic advice. Mr Sleeman is currently an independent director of OSJC Power Machines and JSC Open Investments. He is also a partner of S.P. Angel Corporate Finance LLP, an appointed representative of S.P. Angel & Co. Limited, which is authorised by the FSA and is a member of the London Stock Exchange.

10.2 Senior Management

The Group's senior management team, in addition to the Directors, is as follows:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Dr. Barry Garrard	59	Technical Director, Crystalox Limited
Dr. Friedrich-Wilhem Schulze	61	Managing Director, PV Silicon
Eizo Watanabe	47	President, Crystalox Japan KK

Brief biographical details of each of the senior management team are set out below:

Dr. Barry Garrard – Technical Director, Crystalox Limited

Dr. Garrard has an Experimental Physics Degree and PhD in Semiconductor Physics from Lancaster University. He joined Crystalox in 1982 and was responsible for crystal growth research and equipment development, progressing to the post of Technical Director. During this period he has been responsible for the development of the company's multicrystalline silicon production technology. He

was a member of the MBO team that acquired the Crystalox business in 1994 and serves on the boards of Crystalox Limited and Crystalox Solar Limited. Prior to joining Crystalox, Dr. Garrard spent 10 years in postdoctoral research in the Materials Preparation Group at the Clarendon Laboratory, University of Oxford. He specialised in high temperature crystal growth of semiconductors, metals and complex oxides and fluorides.

Dr. Friedrich-Wilhelm Schulze – Managing Director, PV Silicon

Dr. Schulze received his PhD in Chemistry from TU Braunschweig, Germany. Dr. Schulze founded PV Silicon in 1997 with his partner Dr. Aulich. He is a member of the board of PV Silicon and is responsible for production, research and development and quality assurance, including the construction of the new silicon plant. Prior to founding PV Silicon he worked for Siemens Solar. In 1981 Dr. Schulze joined the Central Research Laboratories of Siemens AG in Munich, Germany, where he worked on the development of a new solar-grade silicon process. From 1988 to 1991, Dr. Schulze was responsible for the pilot production of amorphous silicon thin film solar cells at PV Electric, a joint venture of Siemens Solar GmbH, Germany, and Arco Solar, USA. In 1992 to 1997 he was responsible for new technologies for crystalline silicon solar cells and modules at Siemens Solar.

Eizo Watanabe – President, Crystalox Japan KK

Eizo Watanabe graduated from Tokyo Agriculture and Technology University with a degree in Material Science in March 1985. After graduation he joined Juki Corporation, initially working on system engineering and later in sales. He joined Elkem Japan K.K. in 1997 as Sales Manager responsible for Crystalox's products in Japan and became President of Crystalox Japan KK on its foundation in 2002.

11. Corporate governance

11.1 Combined code

The Directors support high standards of corporate governance. Following Admission, they intend to comply with the Combined Code save as described in paragraph 11.2 below.

11.2 The Board structure

Upon completion of the Placing, the Board will consist of a Non-executive Chairman, three Executive Directors and a further Non-executive Director. The Company regards its Non-executive Directors, including the Chairman, as independent within the meaning attributed to it in the Combined Code, and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The composition of the Board, the remuneration committee and the audit committee are not fully Combined Code compliant as less than half of the Board comprises non-executive directors and the two committees will only have two non-executive directors on them. However, the Directors regard this as an appropriate board and committee structure following Admission given the size and nature of the Company.

The Board has established an audit committee, a nominations committee and a remuneration committee.

11.3 Audit committee

The audit committee is chaired by John Sleeman and its other member is Maarten Henderson. The audit committee will meet not less than three times a year and will have responsibility for, amongst other things, monitoring the integrity of the Group's financial statements and reviewing its summary financial statements. It will oversee the Group's relationship with its external auditors and review the effectiveness of the external audit process. The committee will give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the Listing Rules. It will also have responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Board.

11.4 *Nominations committee*

The nominations committee is chaired by Maarten Henderson and its other member is John Sleeman. The nominations committee will meet not less than twice a year and will, with effect from Admission, have responsibility for making recommendations to the Board on the composition of the Board and its committees and on retirements and appointments of additional and replacement Directors and ensuring compliance with the Combined Code.

11.5 *Remuneration committee*

The remuneration committee is chaired by Maarten Henderson and its other member is John Sleeman. The remuneration committee will meet not less than three times a year and will have responsibility for making recommendations to the Board (i) on the Group's policy on the remuneration of Senior Management, (ii) for the determination, within agreed terms of reference, of the remuneration of the Chairman and of specific remuneration packages for each of the Executive Directors and the members of Senior Management, including pension rights and any compensation payments and (iii) for the implementation of long-term incentive plans (see paragraph 16 of this Part VII). The Remuneration Committee will also ensure compliance with the Combined Code in this respect.

12. **Employees**

As at 31 March 2007, the Group had 212 employees worldwide. The breakdown of the Group's employees according to geographical location is set out in paragraph 8 of Part XIV of this document.

13. **Property, plant and equipment**

The Group's material tangible fixed assets as of 5 June 2007, are its plant and machinery, which are predominantly made up of its ingot production machines and the wire saws used to cut its ingots into wafers.

The Group owns the freehold of its former registered office at 1 Limborough Road, Wantage, Oxfordshire.

The Group also leases the premises for its manufacturing facilities at Culham Science Centre and Milton Park, both of which are in Abingdon, Oxfordshire, United Kingdom and at a number of sites in Erfurt, Germany details of which are set out in the table below. Crystallox Japan K.K. has a lease over offices located at Wako Edobashi Building, Nihanbashi 2-15-3, Chuo-ku, Tokyo, Japan.

<i>Country</i>	<i>Address</i>	<i>Expiry of Term/ Termination period</i>	<i>Rent</i>
England	D6, Culham Science Centre, Abingdon, Oxfordshire	1 December 2014	£38,333 per annum
	E1, Culham Science Centre, Abingdon, Oxfordshire	1 December 2014	£16,470 per annum
	F5 & F8, Culham Science Centre, Abingdon, Oxfordshire	1 December 2014	£92,723 per annum
	Unit 175, Milton Park, Abingdon, Oxfordshire	31 January 2012	£148,675 per annum
	Unit 174A, Milton Park, Abingdon, Oxfordshire	23 June 2014	£213,617 per annum*
	First Floor, 174 Milton Park, Abingdon, Oxfordshire	23 June 2014	£85,000 per annum
Germany	Wilhelm-Wolff-Straße 25 and 27, Erfurt	12 months notice, not to expire before 31 December 2014	€32,486 per month
	Haarbergstraße 67, Neutra 1, Erfurt	31 December 2011	€1,047 per month
	Hauptstraße 8a, Obernissa	2 weeks notice	€715 per month
	Camburger Straße 4, Erfurt	30 June 2007	€750 per month
	Haarbergstraße 61, Versorgungshalle 3, Room 113, Erfurt	4 weeks notice	€450 per month

*Rent review in progress.

The Group has entered into a letter of intent to conclude a purchase agreement regarding real estate in Bitterfeld, Germany on which the new polysilicon production facility will be built.

14. Environmental and health and safety matters

The Group's business is subject to laws and regulations that govern environmental protection and human health and safety, including the Environmental Protection Act 1990, the Health and Safety at Work Act 1974 and similar laws in Germany. The Group's commercial activities involve the use of a number of hazardous substances that are regulated by such laws. While the Directors believe that the Group has obtained all necessary environmental permits necessary for the current conduct of the Group's operations, environmental regulations may become more stringent, increasing the cost of compliance and the risk of failure to comply. At this time, the Group's costs for maintaining environmental, health and safety compliance are not material in the context of the Group's business as a whole.

15. Current trading and future prospects

The Directors are pleased with the Group's operating and financial performance to date in 2007.

The Group has completed a new pricing agreement with a major customer which took effect in April, and which reflects the increased price of silicon feedstock. The Group has continued to source scrap silicon at satisfactory price levels and in volumes which are in line with planned production levels.

The Group's proven track record and close customer relationships combined with strong underlying market demand, mean that the Directors are confident of delivering further growth for the current financial year.

16. Employee share option schemes

The Company established the Employee Trust, a Jersey-based employee benefit trust, on 18 January 2007, which has acquired, and may in the future acquire, Ordinary Shares for the benefit of the Group's current and former employees and their spouses and children. Further details about the Employee Trust are set out in paragraph 9 of Part XIV of this document.

The Directors intend to adopt a performance share plan after Admission, in order to incentivise directors and employees of the Group by granting options or share awards in such form as the Remuneration Committee may determine.

17. Reasons for Admission and use of proceeds of the Placing

The Directors consider that Admission will be an important step in the Company's development and that it should significantly enhance both the Group's standing within its marketplace and its corporate profile. In addition, the Directors believe that Admission will act as a further incentive to management and employees through increased shareholding opportunity and the provision of a market for their Ordinary Shares.

The net proceeds to be received by the Company pursuant to the Placing are expected to be approximately €73 million.

It is expected that the net proceeds of the Placing will be used to fund the Group's capital costs, start-up costs and working capital needs relating to the new silicon production facility in Bitterfeld, as well as expansion of the Group's existing business.

18. Details of the Placing

The Placing, which will be fully underwritten by the Underwriters, will comprise the issue by the Company of 41,725,235 New Ordinary Shares, representing 10 per cent. of the Enlarged Issue Share Capital, and the sale by the Selling Shareholders of 127,266,656 Sale Shares (assuming no exercise of the Over-allotment Option).

All of the Placing Shares will be placed at the Placing Price. Further details of the Placing are set out in Part XIII of this document.

19. Dividend policy

The Directors intend to adopt a progressive dividend policy which is consistent with the Group's cash flow requirements and growth prospects. Had the Company's shares been admitted to trading throughout the 2006 financial year, the Directors believe they would have declared dividends representing 33 per cent. of net profit for that year. The Directors intend that the interim and final dividends in respect of each year ending 31 December will be paid in October of that year and May of the following year in the approximate proportions of 1/3 and 2/3 of the total annual dividend respectively.

The first dividend to be declared by the Company following Admission is expected to be a dividend in respect of the financial year ending 31 December 2007 to be paid in May 2008. It is anticipated that this dividend would represent the final proportion only of the dividend that the Directors would have expected to recommend had the Company been listed for the whole of the year.

As is the case with all forward looking-statements, this statement regarding the Company's dividend policy is subject to a number of risks and uncertainties, and the Company may revise its dividend policy from time to time. For a discussion of certain factors that could cause the Company's actual dividends to deviate from the policy, see Part II of this document ("Risk factors").

PART VIII – INDUSTRY BACKGROUND

Renewable energy

Energy has traditionally been generated on a large scale using non-renewable resources, such as coal, oil and natural gas, and nuclear power. These sources provide the vast majority of the world's energy consumption needs, with the balance being generated from renewable energy sources, such as biomass, wind, solar, hydropower and biofuels. As global energy demands increase during this century, the generation of energy from renewable sources, particularly from solar power, wind and biomass, is expected to increase substantially.

Growth drivers for renewable energy

Growth drivers for renewable energy include:

- increasing political commitment at global, national and regional levels to support the development and use of renewable energy technologies, for example financial incentives such as those described below are used to support the installation of PV systems in certain countries:
 - net metering: surplus electricity generated from renewable sources can be sold back to the grid at the same price as electricity bought by the end customer from the grid;
 - feed-in tariffs: grid operators being required to purchase output from PV installations at a premium price;
 - capital subsidies: direct subsidies of the costs of installing a PV system; and
 - tax credits: the costs of installing a PV system can be tax deductible;
- pollution caused by the burning of fossil fuels is believed to be contributing to long-term climate change, leading to increases in regulations aimed at reducing carbon emissions and energy generation using fossil fuels, and promoting alternative, environmentally-friendly, sources of energy;
- an increasing desire for secure and diverse sources of energy, in part to reduce reliance on oil and gas from potentially politically unstable regions of the world;
- increasing global demand for energy due to expanding populations and economic growth, and finite oil and gas reserves, both of which have consequences for overall energy supplies and prices;
- improving technologies and decreasing costs of renewable energy, making renewable energy increasingly competitive against fossil fuels; and
- increasing focus on isolated and distributed electricity generation in some markets, as well as increasing electrification of developing countries.

Solar electricity

One of the most important sources of renewable energy is solar energy: the fuel is free, the modules have no moving parts and therefore require minimal maintenance, are silent, have no harmful emissions and can be installed in many different forms.

Several different technologies have been developed to generate electricity from solar energy. PV technology involves the conversion of sunlight into electricity through the use of solar cells which collect sunlight and produce an electric current. Solar cells are generally made from crystalline silicon wafers (91.7 per cent. in 2006) or thin film (8.3 per cent. in 2006) (Source: Solarbuzz, LLC). Crystalline silicon wafers, which use well understood technology developed for the electronics industry, are made from polysilicon which is melted and cooled to form ingots, which are processed into very thin wafers. Thin film technology, which involves coating thin layers of photosensitive materials on a cheap backing such as glass or steel, is expected to increase its market share, as it offers several advantages, including low weight and use of less materials,

giving it a price advantage compared to crystalline cells. However, thin film cells are less efficient than crystalline cells and the technology supporting them is less developed than that for crystalline cells. The Directors believe that crystalline and thin film technologies are likely to co-exist in the future, given the overall strong expected growth of the PV market.

The use of PV power generation systems has grown rapidly in recent years. Total installed global PV generation capacity has increased from approximately 1,500 MW, at the beginning of 2000 to just under 7GW in 2006. Over the last five years, annual growth has averaged 42 per cent. (Source: Solarbuzz, LLC.)

The global PV market, measured by the power output of PV systems installed annually, increased from 427 MW installed in 2002 to 1,744 MW installed in 2006 (Source: Solarbuzz, LLC). The EPIA predicts the level of annual installations to increase to 5,550 MW in 2010 (Source: EPIA, September 2006).

The growth in PV installation has to some extent been constrained by a shortfall in the worldwide supply of polysilicon, the principal raw material for the manufacture of both solar wafers and semiconductors used in the electronics industry. Until recently silicon was produced almost exclusively for the manufacture of semiconductors. A small percentage was available for PV systems according to the fluctuating demands of the semiconductor industry, with solar cell manufacturers also sourcing supplies from scrap and recycled silicon. The semiconductor industry requires silicon of a higher purity grade than the solar industry, and therefore silicon which does not meet the purity requirements of the semiconductor industry has been available to the solar cell industry. The recent growth of the PV industry has changed the dynamics of silicon production, with just less than half of the worldwide production of electronics grade silicon now being used to produce solar cells (source: Solarbuzz, LLC). Several companies have begun to develop processes for producing polysilicon specifically for the solar industry, which being less pure than electronics grade silicon, can be produced more cheaply. Capacity is currently being built up by existing producers of polysilicon and new market entrants and the shortage of supply is generally expected to ease between 2008 and 2010.

Applications

The use of PV applications can be broken down into four sectors: consumer products; off-grid industrial applications; off-grid solar home systems; and grid-connected applications:

- consumer products: solar cells are used to provide power to a variety of consumer products and electrical appliances, ranging from watches and calculators to road signs, lighting and telephone boxes. Products are currently being developed for new applications, for example to provide auxiliary systems in cars to reduce the power requirements for air-conditioning.
- off-grid industrial applications: solar cells are often used in the telecommunications sector to link remote areas to the rest of the network. In India more than one-third of PV capacity is used in the telecommunications sector.
- off-grid solar home applications: solar cells can be used to provide power to homes which are not connected to a grid, for example in the developing world. Without support programmes the installation of PV systems can be prohibitive, but solar cells have the capacity to power water purification, access to telecommunications systems and the internet, and to support rural healthcare.
- grid-connected applications: grid-connected applications currently represent the greater part of PV systems installations. PV systems are often installed on roofs of houses and offices, either as an additional system or increasingly as part of a building's fabric, replacing roof tiles or glass facades. PV systems can be installed to power buildings or to feed directly into the grid. Governments increasingly see PV as an important technology and are introducing programmes to support its wide spread installation. Large scale ground-based systems are also being introduced to provide power to the grid.

Global Market

The global PV industry has benefited substantially from support from international and national policies designed to limit carbon emissions and encourage the generation of energy from renewable sources. The

Kyoto Protocol sets legally binding limits on greenhouse gas emissions by certain countries and promotes the use of renewable energy. The EU has agreed to cut greenhouse gas emissions by 20 per cent. by 2020 and to increase the share of renewable energy to 20 per cent. of all energy consumed by 2020. PV systems are seen by some governments both as part of their climate change policy and as an emerging technology with benefits for employment and security of energy supply.

PV power generation has grown rapidly in countries where there has been strong political support for its installation on a large scale, in particular in Germany, Japan and the United States, which together account for a large majority of installed PV power.

Germany

During 2006, Germany installed PV installations with a capacity of 968 MW (837 MW in 2005), making it the global leader in annual PV installations in 2006, accounting for 56 per cent. of the global market for installed capacity in 2006 (Source: Solarbuzz, LLC).

The growth in PV installations in Germany has been primarily driven by two initiatives: the 100,000 roofs programme which began in 1999, and the Renewable Energy Law introduced in 2000. The aim of the 100,000 roofs programme was to develop a total generating capacity of 300 MWp. Households and businesses were incentivised through a guaranteed ten-year low interest loan (1.9 per cent. per annum), with no repayments in the first two years. Under the Renewable Energy Law, anyone installing a solar electricity system received a buy-back rate of approximately €0.5 per kWh over 20 years which decreases by 5 per cent. each year. The 100,000 roofs programme has now ended, with 345.5 MWp installed. The Renewable Energy Law continues to support investment in PV systems.

Japan

Japanese governments have supported solar research and development over many years, and by the end of 2006 over 1,700 MW had been installed in total. During 2006 itself, Japan installed PV installations with a capacity of 300 MW (292 MW in 2005) (Source: Solarbuzz, LLC).

Subsidies are now being reduced, as the government seeks to create a fully economic market in solar power: residential solar feed-in tariffs have been reduced to USD 0.39 – USD 0.56 per kWh and non-residential feed-in tariffs have been reduced to USD 0.62 per kWh.

Japan is targeting 4.8 GW of solar power generation by 2010, 3.9 GW of which is to be installed in private homes, and a national average solar installation of 3.9 kW per household in at least one million homes.

Japan also has a number of high quality, home-grown PV product manufacturers, including Sharp, Kyocera, Sanyo and Mitsubishi.

United States

The United States is the world's largest consumer of energy. It had the third largest market for PV installation in 2006, installing PV installations with a capacity of approximately 140 MW (Source: Solarbuzz, LLC).

The market in the US is dominated by the State of California, which accounts for about 62 per cent. of the national grid connected PV market by systems installations. In January 2006, California approved a 10 year plan to increase the PV capacity in the State of California to 3000 MW by 2017 by investing USD 3.2 billion. New Jersey and Pennsylvania have committed to targets of 1,500 MW and 860 MW respectively by 2020. Arizona has committed to a target of 900 MW by 2025. Federal policies include tax credits of up to 30 per cent. on solar installations, and the Department of Energy has announced the "President's Solar America" initiative, proposing significant support for solar energy research.

Rest of Europe (excluding Germany)

The main countries in Europe with solar programmes, other than Germany, are Spain and Italy.

Spain has introduced feed-in tariffs, capped at 400 MW of cumulative capacity, at 575 per cent. of the actual energy price in 2004 for systems up to 100 kW and 300 per cent. of the annual electricity tariff for systems over 100 kW. The tariffs are guaranteed for 25 years, and will be 460 per cent. of the actual energy price after that. The Spanish government set a target to double its proportion of renewable energy sources to account for 12 per cent. of overall energy needs and 30 per cent. of electricity consumption by 2010, in its Renewable Energy Plan. The target for total installed PV capacity is 400 MW by 2010. Total installed capacity in Spain during 2006 was 110 MW (Source: Solarbuzz, LLC).

In Italy, the government has a target to double energy from renewable sources by 2012. In August 2005 a 20 year programme of fixed feed-in tariffs was announced with a 2 per cent. annual decrease from 2008.

China

In January 2006, the Renewable Energy Law came into effect. It proposes a system of feed-in tariffs for renewable energy, funded by a small rise in retail electricity prices. China is expected to have high future potential for the development of the solar industry. Market projections put China's cumulative installed PV capacity at 300 MW by 2010 and 1800 MW by 2020. The capacity of PV installations installed in China during 2006 was 10 MW (Source: Solarbuzz, LLC).

PART IX – HISTORICAL FINANCIAL INFORMATION

Included in this section are the financial information on PV Crystalox Solar AG for the three years ended 31 December 2006 and the financial information on PV Crystalox Solar PLC for the period from incorporation to 31 December 2006:

	<i>Page</i>
1 PV Crystalox Solar AG	41
(a) Accountant's Report	41
(b) Financial information for the three years ended 31 December 2006	43
2 PV Crystalox Solar PLC	72
(a) Accountant's Report	72
(b) Financial information from incorporation on 5 December 2006 to 31 December 2006	74

1 PV Crystalox Solar AG

(a) Accountant's Report



KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

The Directors,
PV Crystalox Solar PLC
Brook House
174 Milton Park
Abingdon
Oxfordshire
OX14 4SE

6 June 2007

Dear Sirs

PV Crystalox Solar AG

We report on the financial information set out on pages 43 to 71. This financial information has been prepared for inclusion in the prospectus dated 6 June 2007 of PV Crystalox Solar PLC (the 'Company') on the basis of the accounting policies set out in notes II (2) to II (23). This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in notes I to II (23) to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 6 June 2007, a true and fair view of the state of affairs of PV Crystalox Solar AG as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with International Financial Reporting Standards as described in notes I to II (23).

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

(b) Financial information for the three years ended 31 December 2006

The financial information of PV Crystalox Solar AG for the three years ended 31 December 2006 set out in this Part IX 1(b) has been prepared by the Directors on the basis set out in notes I to II (23). It has been prepared solely for the purposes of this prospectus and does not constitute audited statutory accounts within the meaning of Section 240 of the Companies Act.

The Directors of PV Crystalox Solar PLC are responsible for the financial information and the contents of the prospectus in which it is included.

Consolidated income statement for the years ended 31 December

		<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>Note</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Revenues	24	98,147	183,090	242,366
Change in inventory finished and unfinished goods		647	4,327	(2,248)
Own work capitalised	25	4,512	721	154
Other income	26	1,139	1,760	1,381
Cost of material and services	27	(69,964)	(138,654)	(172,247)
Personnel expenses	28	(7,032)	(8,856)	(8,224)
Depreciation on fixed and intangible assets		(5,742)	(5,793)	(5,467)
Other expenses	29	(4,570)	(5,017)	(6,568)
Currency gains and losses		(272)	(29)	(820)
EBIT		16,865	31,549	48,327
Interest Income		188	657	1,625
Interest Expense	30	(903)	(869)	(939)
EBT		16,150	31,337	49,013
Income taxes	31	(5,609)	(10,621)	(17,419)
NET INCOME		10,541	20,716	31,594
Earnings per Share	33	1.41	2.76	4.21

Consolidated balance sheet as at 31 December

		2004	2005	2006
	Note	€'000	€'000	€'000
Cash		18,198	31,851	61,527
Trade receivables	34	7,347	54,651	74,874
Inventories	35	9,784	19,439	13,833
Prepaid expenses and other assets		1,769	2,080	4,618
Income Tax Claims		–	116	2,240
Total Current Assets		37,098	108,137	157,092
Intangible assets	36	96	88	176
Property, plant and equipment	36	16,427	15,183	13,967
Other long term assets		219	406	1,925
Deferred tax asset	37	452	1,165	1,023
Total Non-current Assets		17,194	16,842	17,091
TOTAL ASSETS		54,292	124,979	174,183
Loans payable short-term	38	2,405	42,323	53,342
Trade payables	39	6,020	14,011	15,744
Advance payments received		280	139	723
Accrued expenses	40	2,028	1,997	3,208
Deferred income current portion	41	587	790	817
Income tax payable	42	2,928	6,330	9,310
Financial liabilities	45	274	131	72
Other current liabilities		906	1,415	1,044
Total Current Liabilities		15,428	67,136	84,260
Loans payable long-term	38	4,291	1,995	1,735
Advance payments received		24	–	–
Accrued expenses	40	331	322	273
Pension benefit obligation	43	–	750	631
Deferred income less current portion	41	2,201	2,545	2,861
Deferred tax liability	37	302	197	267
Other long term liabilities		43	43	43
Total Non-current Liabilities		7,192	5,852	5,810
TOTAL LIABILITIES		22,620	72,988	90,070
Share capital	44	7,500	7,500	7,500
Retained earnings	44	15,612	25,278	45,994
Currency translation adjustment	44	(1,981)	(1,503)	(975)
Net Income		10,541	20,716	31,594
TOTAL SHAREHOLDERS' EQUITY		31,672	51,991	84,113
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,292	124,979	174,183

Consolidated cash flow statement for the years ended 31 December

	2004 €'000	2005 €'000	2006 €'000
Profit before income taxes & interest	16,865	31,549	48,326
Adjustments for:			
Depreciation and amortization	5,742	5,793	5,467
Appreciation	–	–	(69)
Change in pension accruals	–	750	(119)
Change in other provisions	1,031	(183)	592
(Profit)/loss from the disposal of assets	36	20	(24)
Unrealised gain/losses in foreign currency exchange	615	653	1,929
Deferred income	(648)	(710)	(868)
	<u>23,641</u>	<u>37,872</u>	<u>55,234</u>
Changes in working capital:			
Change in inventory	1,052	(9,655)	5,606
Increase in trade receivables	(2,239)	(48,198)	(27,746)
Increase in trade payables and advance payments	125	7,828	2,317
Other assets	953	(299)	(4,058)
Other liabilities	(478)	227	(370)
	<u>23,054</u>	<u>(12,225)</u>	<u>30,983</u>
Income taxes paid	(6,379)	(8,162)	(16,334)
Interest received	188	657	1,625
Net Cash from operating activities	<u>16,863</u>	<u>(19,730)</u>	<u>16,274</u>
Cash flow from investing activities			
Proceeds from sale of property, plant & equipment	–	16	30
Proceeds from investment grants	1,590	1,454	1,211
Payments to acquire assets	(6,385)	(4,258)	(3,652)
Cash used in investing activities	<u>(4,795)</u>	<u>(2,788)</u>	<u>(2,411)</u>
Cash flow from financing activities			
Short term borrowings received	823	42,251	16,976
Repayment of bank and other borrowings	(1,903)	(1,924)	(305)
Repayment Microventure	–	(2,000)	–
Dividends	–	(875)	–
other borrowings received	447	–	–
Interest paid	(903)	(868)	(939)
Net cash flows from financing activities	<u>(1,536)</u>	<u>36,584</u>	<u>15,732</u>
Net Change in cash and cash equivalents available	<u>10,532</u>	<u>14,066</u>	<u>29,595</u>
Effects of foreign exchange rate changes on cash and cash equivalents	(956)	(413)	81
Cash and equivalents at beginning of period	<u>8,622</u>	<u>18,198</u>	<u>31,851</u>
Cash and equivalents at end of period	<u>18,198</u>	<u>31,851</u>	<u>61,527</u>

Statement of changes in equity

	<i>Subscribed Capital €'000</i>	<i>Profit carryforward and other reserves €'000</i>	<i>Currency translation adjustment €'000</i>	<i>Total equity €'000</i>
As of 1 January 2004	7,500	15,612	(1,614)	21,498
Dividends paid	–	–	–	–
Currency translation adjustment	–	–	(367)	(367)
Net profit	–	10,541	–	10,541
As of 31 December 2004	<u>7,500</u>	<u>26,153</u>	<u>(1,981)</u>	<u>31,672</u>

	<i>Subscribed Capital €'000</i>	<i>Profit carryforward and other reserves €'000</i>	<i>Currency translation adjustment €'000</i>	<i>Total equity €'000</i>
As of 1 January 2005	7,500	26,153	(1,981)	31,672
Dividends paid	–	(875)	–	(875)
Currency translation adjustment	–	–	478	478
Net profit	–	20,716	–	20,716
As of 31 December 2005	<u>7,500</u>	<u>45,994</u>	<u>(1,503)</u>	<u>51,991</u>

	<i>Subscribed Capital €'000</i>	<i>Profit carryforward and other reserves €'000</i>	<i>Currency translation adjustment €'000</i>	<i>Total equity €'000</i>
As of 1 January 2006	7,500	45,994	(1,503)	51,991
Dividends paid	–	–	–	–
Currency translation adjustment	–	–	528	528
Net profit	–	31,594	–	31,594
As of 31 December 2006	<u>7,500</u>	<u>77,588</u>	<u>(975)</u>	<u>84,113</u>

Notes (forming part of the financial information)

I. General information

1. Companies consolidated

The financial information includes PV Crystalox Solar AG, Wilhelm-Wolff-Straße 25, Erfurt, Germany, as parent company (hereinafter referred to as “PVCS”), and the following subsidiaries:

<i>Subsidiary</i>	<i>Abbr.</i>	<i>Registered office</i>	<i>Principal activity</i>	<i>Holding</i>	<i>Voting rights</i>
Crystalox Limited	CL	Wantage, UK	Production of blocks of solar silicon, so called ingots	100.0%	100%
Crystalox Japan Kabushiki Kaisha	CJKK	Tokyo, Japan	Distribution of silicon products manufactured both inside and outside the group	90.9%	100%
Crystalox Solar Limited	CSL	Wantage, UK	Holding company	100.0%	100%
PV Silicon Forschungs und Produktions AG	PVS	Erfurt, Germany	Production and sale of wafers from silicon blocks	100.0%	100%

The group undertakes considerable project orientated research and development in the field of production process optimisation and the development of new and existing products.

Whereas the sale of CL crystallisation equipment was in the past a significant business line, in the recent past no significant sales were undertaken, the group preferring to follow the aim of using available resources to increase and optimise its own production capacity.

II. Group Accounting Policies

2. Basis of accounting

The financial information has been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information has also been prepared under the historical cost convention except that it has been modified to include financial assets and financial liabilities (including derivatives) at their fair value through the income statement.

2.1 Functional and presentation currency

The financial information is presented in Euros, which is the group’s functional currency. All financial information presented has been rounded to the nearest thousand.

2.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimations. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements are in relation to the useful life of non-current assets, the discounted cash flows used in impairment testing and the establishment of provisions for litigation, pensions and other benefits, taxes, inventory valuations and guarantees.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods.

3. Effects of new accounting pronouncements

3.1 Accounting standards applied for the first time in 2006

Due to first time adoption of IFRS in the reporting period, all relevant and mandatory standards have been applied.

3.2 Newly issued accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements.

In July 2006, the IFRIC issued IFRIC 10 (Interim Financial Reporting and Impairment). This interpretation addresses the interaction between the requirements of IAS 34 (Interim Financial Reporting) and the recognition of impairment losses on goodwill under IAS 36 (Impairment of Assets) and investments in equity instruments as well as financial assets carried at cost under IAS 39 (Financial Instruments: Recognition and Measurement). The IFRIC concluded that where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment must not be reversed in subsequent interim financial statements or in annual financial statements. IFRIC 10 is to be applied for annual periods beginning on or after 1 November 2006. The PVCS Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

In November 2006, the IFRIC issued IFRIC 11 (IFRS 2 Group and Treasury Share Transactions). The interpretation addresses how to apply IFRS 2 (Share-based Payment) to accounting for share-based payment arrangements involving an entity's own equity instruments. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is to be applied for annual periods beginning on or after 1 March 2007. The PVCS Group is currently evaluating the impact that application of the interpretation may have on the Group's financial position, results of operation or cash flows in the light of an intended IPO.

In November 2006, the IFRIC issued IFRIC 12 (Service Concession Arrangements). Service concessions are arrangements whereby a government or other public-sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private-sector operators. IFRIC 12 is to be applied for annual periods beginning on or after 1 January 2008. The PVCS Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

In August 2005, the IASB issued the new standard IFRS 7 (Financial Instruments: Disclosures), which is to be applied for annual periods beginning on or after 1 January 2007. This standard specifies the information on financial instruments that is to be provided in the notes to the financial statements. IFRS 7 provides for financial instruments to be grouped into certain categories and specific disclosures to be made for each category, including the significance of the instruments and the nature and extent of the risks associated with them. The new standard will affect the nature and modality of financial instrument disclosures in the financial statements of the PVCS Group, but not the recognition or measurement of the instruments.

4. Basis of consolidation

The group consolidated the financial statements of the company and all of its subsidiary undertakings drawn up to 31 December 2006. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefit from its activities. The group obtains and exercises control through voting rights.

The results of any subsidiary sold or acquired are included in the group income statement up to, or from, the date control passes. Unrealised gains on intra-group transactions are eliminated fully on consolidation.

Capital consolidation of acquisitions is conducted by eliminating the investment in the subsidiary with the parent's share of the net equity of the subsidiary (purchase method).

4. Basis of consolidation (continued)

Capital consolidation of the investments in the companies which were merged in 2001 / 2002 to form PVCS and the group is conducted using merger accounting (pooling of interest method), which was continued for first time adoption of IFRS under the rules of IFRS 1. This applies to the investments in CSL and PVS.

The capital consolidation of these companies was therefore conducted by combining the nominal value of the share capital and reserves of the companies. No goodwill results from this transaction. However, insofar as a difference between the share capital and reserves of the subsidiary and the value of the shares contributed occurs, this is included within reserves.

The date of the initial consolidation of the merged companies is the date when the merger took place.

The date of the initial consolidation of the subsidiaries which were purchased is the date of acquisition or date when control over the majority of voting rights was gained.

The group has 100 per cent. of the voting rights in CJKK. Minority interests in equity of €43,400 are related to non redeemable preferred stock, subject to a guaranteed annual dividend payment of €2,000. As the fair value of the resulting dividend liabilities clearly reduces the equity portion to immaterial amounts all minority interest has been reclassified to liabilities.

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

5. Intangible assets

Intangible assets are capitalised at cost and amortised over a useful life of 3 to 5 years. Amortisation of intangible assets is recorded under "Depreciation and amortisation" in the income statement.

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

The capitalised costs are written down using the straight-line method over the expected economic life of the patents (5 years) or software (3 to 5 years).

6. Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. 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 each tangible fixed asset and its residual value systematically over its estimated useful life. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

The estimated useful economic lives are 25 years for buildings, 5 to 10 years for plant and equipment, up to 10 years for fixtures and fittings and 4 years for motor vehicles. No depreciation is provided on freehold land. All tangible fixed assets are reviewed for impairment at each balance sheet date and when there are indications that the carrying value may not be recoverable.

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

7. 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 income statement as an expense when incurred.

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

Intangible assets relating to products in development (both internally and externally acquired) are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to the income statement.

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

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

8. Impairment

The carrying amount of the group's assets, other than inventories and deferred tax assets, are reviewed annually to determine whether there is any 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 to sell, and value in use based on an internal discounted cash flow evaluation.

9. Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the total period of the lease.

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

10. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities under 3 months. Cash and cash equivalents are valued at their nominal value.

11. 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:

- Fixed deposits, generally funds held with banks, and short-term borrowings and overdrafts are classified as receivables and loans and held at amortised cost.
- Derivatives, if any, comprising interest rate swaps and foreign exchange contracts, are classified as held for trading.
- Long-term loans are held at amortised cost.
- Trade payables are not interest bearing and are stated at their nominal value.

Interest and other cash flows resulting from holding financial assets are recognised in the income statement when receivable, regardless of how the related carrying amount of financial assets is measured.

12. Trade receivables

Trade receivables are initially recorded at fair value and subsequently valued at amortised cost in compliance with the effective interest method, less impairment. Impairment of trade receivables is recorded if there are objective indicators that suggest that the debts are not fully recoverable.

13. Inventories

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

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

A lower valuation was not necessary due to the market situation.

14. Financial liabilities

Financial liabilities are valued at their first inclusion in the financial statements at their fair value, less transaction costs. In subsequent periods, they are measured at amortised cost. The transaction costs are carried as an expense using the effective interest method over the term of the respective financial liability. Non-current financial liabilities are charged with a variable interest rate. Due to the variable interest rate charged on financial liabilities, the amortised cost corresponds to the fair value. Loans payable are classified as current liabilities, provided the Group does not have the unconditional right to postpone paying off the liability until a date at least 12 months after the balance sheet date.

15. Income taxes

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences, with no discounting. In accordance with IFRS, the expected future tax discounts from the utilisation of tax loss carry forwards are also capitalised.

Deferred tax assets and liabilities are calculated at local tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted by the balance sheet date.

16. Public subsidies

As the German operations are located in a region for economical development in Germany the company receives both investment subsidies and investment grants. Government grants and subsidies related to capital expenditures are credited to the “Deferred Income” account and are released to the income statement 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, are credited to the income statement in the same period as the related expenditure.

17. Provisions

According to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are measured at the best possible estimate of the expenditure required to settle the obligation. Other 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.

If a provision must not be formed since one of the criteria is not met but the probability of an outflow of resources is not remote, the corresponding obligations are reported as contingent liabilities. Provisions for obligations which will probably not lead to an outflow of resources in the subsequent year are formed at the level of the present value of the expected outflow of resources.

Provisions include both provisions and accruals.

18. Contingent liabilities

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

19. Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenues exclude inter-company 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 PVCS group outsourced certain steps of production to external companies. In these cases, in which PVCS group retains power of disposal, a sale is only recognised according to IFRS when the final product is sold.

20. Foreign currency translation

The consolidated financial statements are prepared in Euros, which is the functional currency and the reporting currency of PVCS group. The assets and liabilities of foreign operations, are translated to Euros at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Euros at the average foreign exchange rates appertaining to the year that the transactions occurred in.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on transactions are recognised in the income statement. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non monetary assets and liabilities that are stated at fair value are translated to Euros at foreign exchange rates ruling at the date the fair value was determined.

Exchange gains and losses on short term foreign currency borrowings and deposits are shown as such and taken to operating profit. In the consolidated financial statements exchange differences arising on consolidation of the net investments in subsidiaries together with those on relevant foreign currency loans are taken directly to the “Currency translation adjustment” in equity via the statement of recognised gains and losses.

21. Interest income and expenses

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 any gains and losses on hedging instruments are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date it has been received. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

22. Segment reporting

A business segment is a group of assets and operating activities that provides products or services, which differ in terms of their risks and opportunities from those of other areas of business. A geographical segment provides products or services within a certain economic environment with risks and opportunities different from those in other economic environments.

23. Employee benefits

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

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the PVCS Group pays fixed contributions into a separate entity.

The PVCS Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds in Germany at the balance sheet date with a 10 year maturity, adjusted for additional term to maturity of the related pension liability.

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

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

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

III. Notes to individual items of the income statement

24. Sales revenues

Sales revenues are generated from the sale of multi- and single crystalline ingots, the sale of wafers, the sale of equipment and trading activities. Sales revenues and a breakdown of sales revenues according to divisions and regions are provided in the segment report in the notes to the consolidated financial statements.

25. Own work capitalized

Own work capitalized relates to the construction of production equipment including in particular crystallisation systems and outer diameter saws.

26. Other operating income

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Reversal of accrued grants and subsidies for investments	648	710	796
R&D grants	394	524	118
Release of accruals and provisions	6	310	42
Other	91	216	425
	<u>1,139</u>	<u>1,760</u>	<u>1,381</u>

PVS received various public subsidies for investments made in the development area East Germany that will be reversed over the useful life of the subsidised assets. The PVCS group received R&D grants for research and development activities, including the related personnel expenses.

27. Cost of materials

The cost of materials is attributable to the consumption of silicon, ingots, wafers and chemicals, as well as the purchase of merchandise. Purchased services are allocated to cost of services.

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Cost of raw materials, supplies and purchased merchandise	(65,593)	(131,626)	(165,110)
Cost of purchased services	(4,371)	(7,028)	(7,137)
	<u>(69,964)</u>	<u>(138,654)</u>	<u>(172,247)</u>

The cost of materials ratio (cost of materials including changes in inventories and own work capitalized as a percentage of the aggregate operating performance) is 72 per cent. (2005: 74 per cent.; 2004: 75 per cent.).

28. Personnel expenses

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Wages and salaries	6,064	6,791	6,933
Social securities	739	861	907
Appropriation to pension accruals	–	1,027	112
Early retirement settlements and pay	42	25	10
Contributions to pension plans	187	152	262
	<u>7,032</u>	<u>8,856</u>	<u>8,224</u>

PVCS group employed an average of 203 staff in 2006 (2005: 192; 2004: 178).

	<i>2004</i>	<i>2005</i>	<i>2006</i>
CL	92	92	84
CJKK	2	3	4
PVS	84	97	115
	<u>178</u>	<u>192</u>	<u>203</u>

29. Other operating expenses

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Property rental and rates	1,460	1,522	1,855
Repairs and maintenance	338	511	797
Selling expenses	370	313	669
Technical consulting and R&D	492	157	662
Outside professional services	323	390	540
Insurance premiums	326	400	394
Travel and advertising expenses	238	317	371
Other	1,023	1,407	1,280
	<u>4,570</u>	<u>5,017</u>	<u>6,568</u>

Most of the land and buildings used by the company are rented. The contracts have durations up to 10 years. In some cases there are options to extend the rental period.

Selling expenses mainly include the delivery costs and warranty provisions.

Technical consulting and research and development costs relate to the expenditure in connection with silicon wafers and ingots. Also included are preliminary costs relating to plans for a plant to produce solar silicon feedstock.

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

The directors have estimated on the basis of directly attributable costs and a general proportion of production costs that the cost of research and development is approximately €4,100,000 in 2006 (2005: €4,200,000 and in 2004: €3,800,000).

30. Financial result

Interest expenses include mainly interest payments on short term borrowings and working capital line of credit.

31. Income taxes

Tax expenses break down as follows:

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Income taxes UK	3,407	6,874	8,121
Income taxes Germany	2,220	3,070	6,894
Income taxes Japan	444	1,505	2,175
Income taxes total	<u>6,071</u>	<u>11,449</u>	<u>17,190</u>
Deferred taxes UK	(474)	(683)	(298)
Deferred taxes Germany	50	(171)	467
Deferred taxes Japan	(38)	26	60
Deferred taxes total	<u>(462)</u>	<u>(828)</u>	<u>229</u>
Total taxes	<u>5,609</u>	<u>10,621</u>	<u>17,419</u>

31. Income taxes (continued)

Income taxes include taxes on income paid or due in the individual countries and deferred taxes. Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements and those carried in the tax accounts, from consolidation transactions and realizable loss carryforwards.

The German corporation tax rate in 2004, 2005 and 2006 was 25 per cent. plus the solidarity surcharge of 5.5 per cent. of corporation tax. This resulted in an effective corporation tax rate of 26.4 per cent. The effective trade income tax amounted to 16.67 per cent. Taking into account the deductibility of trade income tax from corporation tax, the total tax rate for the companies PVCS and PVS was 38.65 per cent. The total tax rate CL in the UK was 30 per cent., and the total tax rate in Japan was 42.05 per cent. These rates are always based on the legal regulations applicable or adopted at the balance sheet date.

The following table shows the tax reconciliation account of the tax expense expected in the respective financial year and the actual tax expense reported. For simplicity, the parent company's tax rate of 38.65 per cent. is applied to all reporting periods.

	<i>For the year ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Profit before tax	16,150	31,337	49,013
Expected income tax rate	38.65%	38.65%	38.65%
Expected income tax expense	6,242	12,112	18,943
Deviating domestic and foreign tax burden	(761)	(1,346)	(2,075)
Taxation for intragroup dividends, §8, ch5, KStG	–	–	696
Tax reduction due to non taxable income	(101)	(250)	(159)
Tax for non-deductible expenses	164	53	26
Other tax effects	65	52	(12)
Tax Expense	5,609	10,621	17,419
Effective tax rate	34.73%	33.89%	35.54%

Under §8b, Ch. 5 KStG (German Corporation Tax Law), 5 per cent. of the intragroup dividends are subject to taxable income.

32. Segment reporting

The segments are defined on the basis of the internal organisational and management structure and on the internal reporting to the Board of Management and the Supervisory Board. The primary reporting format has defined two segments since 1 January 2004. A distinction is made between Silicon products and Trading & Equipment (for crystallisation).

The secondary reporting format is geared towards geographical aspects. These consider country-specific risks and opportunities.

Operating results also contain the items from the income statement "Changes in inventories" and "Own work capitalised", entirely allocated to the Silicon products segment.

32. Segment reporting (continued)

Segment information 2004:

	<i>Silicon products €'000</i>	<i>Trading & Equipment €'000</i>	<i>Consolidation €'000</i>	<i>Group €'000</i>
Revenue				
External revenues	97,559	588	–	98,147
Intercompany revenues	–	2,720	(2,720)	–
Segment results (before currency gains and losses)				
Operating profit before interest and tax	16,858	279	–	17,137
Other information				
Assets	54,027	265	–	54,292
Liabilities	19,563	85	–	19,648
Fixed Asset additions	6,385	–	–	6,385
Depreciation charged	5,742	–	–	5,742

	<i>Japan €'000</i>	<i>Other Asia €'000</i>	<i>Germany €'000</i>	<i>Rest Europe €'000</i>	<i>USA €'000</i>	<i>Group €'000</i>
External revenues	60,383	1,152	32,469	3,901	242	98,147
Assets	7,485	–	22,478	24,329	–	54,292
Liabilities	(2,022)	–	(10,744)	(6,882)	–	(19,648)
Other information						
Fixed Asset additions	30	–	2,210	4,145	–	6,385
Depreciation charged	12	–	1,230	4,501	–	5,742

32. Segment reporting (continued)

Segment information 2005:

	<i>Silicon products €'000</i>	<i>Trading & Equipment €'000</i>	<i>Consolidation €'000</i>	<i>Group €'000</i>
Revenue				
External revenues	142,463	40,627	–	183,090
Intercompany revenues		2,217	(2,217)	–
Segment results (before currency gains and losses)				
Operating profit before interest and tax	30,623	955	–	31,578
Other information				
Assets	109,801	15,062	–	124,863
Liabilities	52,282	14,332	–	66,615
Fixed Asset additions	4,258	–	–	4,258
Depreciation charged	5,793	–	–	5,793

	<i>Japan €'000</i>	<i>Other Asia €'000</i>	<i>Germany €'000</i>	<i>Rest Europe €'000</i>	<i>USA €'000</i>	<i>Group €'000</i>
External revenues	133,421	2,888	43,746	1,557	1,478	183,090
Assets	60,257	–	27,667	36,939	–	124,863
Liabilities	(51,461)	–	(9,866)	(5,288)	–	(66,615)
Other information						
Fixed Asset additions	33	–	3,236	989	–	4,258
Depreciation charged	19	–	1,794	3,981	–	5,793

32. Segment reporting (continued)

Segment information 2006:

	<i>Silicon products €'000</i>	<i>Trading & Equipment €'000</i>	<i>Consolidation €'000</i>	<i>Group €'000</i>		
Revenue						
External revenues	185,266	57,100	–	242,366		
Intercompany revenues	–	1,954	(1,954)	–		
Segment results						
Operating profit before interest and tax	47,699	1,448	–	49,147		
Other information						
Assets	149,453	22,490	–	171,943		
Liabilities	60,430	20,287	–	80,717		
Fixed Asset additions	4,162	–	–	4,162		
Depreciation charged	5,467	–	–	5,467		
	<i>Japan €'000</i>	<i>Other Asia €'000</i>	<i>Germany €'000</i>	<i>Rest Europe €'000</i>	<i>USA €'000</i>	<i>Group €'000</i>
External revenues	161,370	18,261	51,862	2,393	8,480	242,366
Assets	75,097	–	40,639	56,207	–	171,943
Liabilities	(64,654)	–	(11,643)	(4,420)	–	(80,717)
Other information						
Fixed Asset additions	19	–	3,953	189	–	4,162
Depreciation charged	20	–	2,164	3,283	–	5,467

The geographical segments are reflecting the presence of the group in the most relevant markets of the PV industry

33. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the fiscal year. As there are no equity warrants or conversion rights outstanding, diluted earnings per share was not a relevant indicator.

IV. Notes to the balance sheet

34. Trade receivables

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Receivables of CJKK	4,818	51,645	68,933
Receivables of PVS	2,433	2,569	4,434
Receivables of CL	96	437	1,507
	<u>7,347</u>	<u>54,651</u>	<u>74,874</u>

Trade debtors in Japan increased significantly in 2005 following a change in financing arrangements with the Group's largest customer. Factoring arrangements were replaced with financing of the working capital requirement through revolving credit lines of approximately €53 million in 2006 (€42 million in 2005). All receivables have short term maturity. No significant valuation allowances were necessary during the reporting period.

35. Inventories

Inventories include finished goods and work in progress (ingots and blocks), as well as production supplies. The change in inventories reported in the income statement includes the additions and disposals under the items "finished goods" and "work in progress".

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Finished products	667	4,082	1,655
Work in progress	2,690	5,155	4,112
Raw materials	6,427	10,202	8,066
	<u>9,784</u>	<u>19,439</u>	<u>13,833</u>

No significant valuation allowances were necessary on inventories in the period under review.

36. Intangible assets, property, plant and equipment

The breakdown and development of intangible assets is provided in the table below:

	<i>Concessions</i> €'000	<i>Prepayment</i> €'000	<i>Total</i> €'000
Cost			
Balance at 1 January 2004	113	–	113
Additions	7	–	7
Reclassification	23	–	23
Balance at 31 December 2004	<u>143</u>	<u>–</u>	<u>143</u>
Additions	21	–	21
Balance at 31 December 2005	<u>164</u>	<u>–</u>	<u>164</u>
Additions	130	7	137
Reclassification	9	–	9
Balance at 31 December 2006	<u>303</u>	<u>7</u>	<u>310</u>
Depreciation and impairment			
Balance at 1 January 2004	20	–	20
Depreciation charge for the year	27	–	27
Balance at 31 December 2004	<u>47</u>	<u>–</u>	<u>47</u>
Depreciation charge for the year	29	–	29
Balance at 31 December 2005	<u>76</u>	<u>–</u>	<u>76</u>
Depreciation charge for the year	58	–	58
Balance at 31 December 2006	<u>134</u>	<u>–</u>	<u>134</u>
Net book value			
At 31 December 2004	<u>96</u>	<u>–</u>	<u>96</u>
At 31 December 2005	<u>88</u>	<u>–</u>	<u>88</u>
At 31 December 2006	<u>169</u>	<u>7</u>	<u>176</u>

36. Intangible assets, property, plant and equipment (continued)

The breakdown and development of property, plant and equipment is provided in the table below:

	<i>Land and buildings €'000</i>	<i>Plant and equipment €'000</i>	<i>Other equipment and fixtures & fittings €'000</i>	<i>Under construction €'000</i>	<i>Total €'000</i>
Cost					
Balance at 1 January 2004	355	23,083	1,363	1,368	26,169
Additions	–	5,892	190	296	6,378
Reclassification	–	1,308	–	(1,331)	(23)
Disposals	–	–	(36)	(35)	(71)
Effect of movements in foreign exchange	(1)	(52)	(1)	(1)	(55)
Balance at 31 December 2004	354	30,231	1,516	297	32,398
Additions	–	3,188	423	626	4,237
Reclassification	–	298	1	(298)	1
Disposals	–	(992)	(132)	–	(1,124)
Effect of movements in foreign exchange	10	608	9	3	630
Balance at 31 December 2005	364	33,333	1,817	628	36,142
Additions	8	467	–	–	475
Reclassification	–	2,086	357	1,582	4,025
Disposals	–	46	13	(69)	(10)
Effect of movements in foreign exchange	–	(48)	(99)	–	(147)
Balance at 31 December 2006	372	35,884	2,088	2,141	40,485
Depreciation and impairment					
Balance at 1 January 2004	93	9,730	684	–	10,507
Depreciation charge for the year	11	5,502	203	–	5,716
Disposals	–	–	(35)	–	(35)
Effect of movements in foreign exchange	(1)	(213)	(3)	–	(217)
Balance at 31 December 2004	103	15,019	849	–	15,971
Depreciation charge for the year	11	5,518	237	–	5,766
Disposals	–	(963)	(126)	–	(1,089)
Effect of movements in foreign exchange	3	301	7	–	311
Balance at 31 December 2005	117	19,875	967	–	20,959
Depreciation charge for the year	11	5,111	288	–	5,410
Appreciation	–	(69)	–	–	(69)
Disposals	–	(42)	(97)	–	(139)
Effect of movements in foreign exchange	2	354	1	–	357
Balance at 31 December 2006	130	25,229	1,159	–	26,518
Net book value					
At 31 December 2004	251	15,212	667	297	16,427
At 31 December 2005	247	13,458	850	628	15,183
At 31 December 2006	242	10,655	929	2,141	13,967

37. Deferred taxes

Deferred taxes are calculated at the local rates as described in note in accordance with IAS 12 (Income Taxes). Valuation allowances on deferred tax assets were not required. The development of this item is shown in the note on tax expenses.

The following deferred tax assets and liabilities are attributable to accounting and valuation differences in the individual balance sheet items and tax loss carry forwards. The tax loss carry forwards in Germany have been entirely used in 2006.

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Elimination of intercompany gains	29	330	219
Tax loss carryforwards	398	464	–
Fixed assets	–	135	538
Enterprise tax	25	78	144
Pension plans	–	103	108
Other	–	55	14
Deferred tax asset	452	1,165	1,023
General allowance on accounts receivables	(13)	(197)	(267)
Fixed assets	(289)	–	–
Deferred tax liability	(302)	(197)	(267)
Total deferred taxes	150	968	756

The balance of the deferred taxation regarding the fixed assets consists of the tax effect of temporary differences in respect of the excess of taxation allowances over depreciation on fixed assets.

38. Non-current and current financial liabilities

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Syndicated loans and overdraft	594	42,027	53,091
Loans MicroVenture	3,620	1,620	1,620
Other Loans	2,482	671	366
	6,696	44,318	55,077
Current portion	2,405	42,323	53,342
Non-current portion	4,291	1,995	1,735

The Syndicated loans are covered by a blanket assignment of the trade receivables of CJKK. The loans and overdrafts bear floating interest rates between 1.09 per cent. and 1.53 per cent.

The loans from MicroVenture GmbH & Co. KGaA relate to subordinated, unsecured loans and interest on these loans. The loans are to be repaid in one amount at the end of 2008 and 2009. They may be terminated with notice of 6 months before the end of a calendar year or if significant reasons for termination exist. They bear interest at 10 per cent. In March 2007, these loan agreements were cancelled by the Company.

The remaining loans mature by 2009 and relate to machinery and equipment.

39. Trade payables

Trade payables are payment obligations arising from common business transactions.

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Payables of CJKK	800	8,100	10,490
Payables of CL	4,088	3,895	2,745
Payables of PVS	1,118	1,989	2,446
Payables of PVCS	14	27	63
	<u>6,020</u>	<u>14,011</u>	<u>15,744</u>

40. Non-current and current accrued expenses

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Rents and ancillary rent costs	340	418	694
Outstanding invoices	437	116	782
Bonuses	623	702	592
Warranty provision	201	265	371
Other payroll accruals	123	287	424
Year end costs	126	109	213
Supervisory board remuneration	51	51	58
Other	127	48	74
Current accruals and provisions	<u>2,028</u>	<u>1,997</u>	<u>3,208</u>
Rents and ancillary rent costs	170	155	128
Stamp duty	100	100	100
Other	61	67	45
Non-current accruals and provisions	<u>331</u>	<u>322</u>	<u>273</u>
Total accruals and provisions	<u>2,359</u>	<u>2,319</u>	<u>3,481</u>

The accrual for rents and ancillary rent costs relates to rent free periods the total rent costs have been spread over the term of the rent agreement.

The warranty provisions have been made for guarantees for the sale of solar wafers. Warranty provisions are based on estimates made from historical data and expectations for replacement of objected shipments.

Year end costs include audit fees, as well as the costs of tax returns and internal resources.

40. Non-current and current accrued expenses (continued)

The provisions and accruals developed as follows:

	<i>As at 1 January 2006 €'000</i>	<i>Additions €'000</i>	<i>Utilisation €'000</i>	<i>Reversal €'000</i>	<i>As at 31 December 2006 €'000</i>
Current					
Rents and ancillary rent costs	418	694	(418)	–	694
Outstanding invoices	116	782	(108)	(8)	782
Bonuses	702	592	(702)	–	592
Warranty provision	265	329	(223)	–	371
Other payroll costs	287	259	(122)	–	424
Year end costs	109	213	(109)	(1)	213
Supervisory board remuneration	51	58	(51)	–	58
Other	48	74	(48)	–	74
Non-current					
Rents and ancillary rent costs	155	–	(28)	–	127
Stamp duty	100	–	–	–	100
Other	67	8	–	(30)	45
	<i>As at 1 January 2005 €'000</i>	<i>Additions €'000</i>	<i>Utilisation €'000</i>	<i>Reversal €'000</i>	<i>As at 31 December 2005 €'000</i>
Current					
Rents and ancillary rent costs	340	418	(341)	–	418
Outstanding invoices	437	109	(430)	–	116
Bonuses	623	702	(623)	–	702
Warranty provision	201	86	(22)	–	265
Other payroll costs	123	243	(79)	–	287
Year end costs	126	87	(102)	(2)	109
Supervisory board remuneration	51	51	(51)	–	51
Other	127	47	(30)	(98)	48
Non-current					
Rents and ancillary rent costs	170	–	(15)	–	155
Stamp duty	100	–	–	–	100
Other	61	6	–	–	67
	<i>As at 1 January 2004 €'000</i>	<i>Additions €'000</i>	<i>Utilisation €'000</i>	<i>Reversal €'000</i>	<i>As at 31 December 2004 €'000</i>
Current					
Rents and ancillary rent costs	188	340	(188)	–	340
Outstanding invoices	62	437	(60)	(2)	437
Bonuses	641	623	(641)	–	623
Warranty provision	257	29	(85)	–	201
Other payroll costs	151	121	(147)	(2)	123
Year end costs	113	113	(98)	(2)	126
Supervisory board remuneration	51	51	(51)	–	51
Other	86	44	(3)	–	127
Non-current					
Rents and ancillary rent costs	–	–	170	–	170
Stamp duty	100	–	–	–	100
Other	55	6	–	–	61

41. Deferred income

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

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

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Investment subsidies	1,344	1,872	2,265
Investment grants	1,444	1,463	1,406
Other grants and subsidies	–	–	7
	<u>2,788</u>	<u>3,335</u>	<u>3,678</u>
Current portion	587	790	817
Non-current portion	<u>2,201</u>	<u>2,545</u>	<u>2,861</u>

42. Income tax payable

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
CL	1,715	3,999	3,611
PVS	778	890	3,568
CJKK	435	1,441	2,064
PVC	–	–	67
	<u>2,928</u>	<u>6,330</u>	<u>9,310</u>

Income tax liabilities comprise both corporation and trade tax liabilities, calculated or estimated by the group companies as well as corresponding taxes payable abroad due to the tax laws, including amounts probably arising on completed or current tax audits.

43. Pension benefit obligation

The pension benefit obligation relates to fixed post retirement payments for two employees and includes benefits for surviving spouses granted in 2005. The obligation has been calculated in accordance with note 23. The plan will be fully funded upon retirement of the employees by insurance contracts held in and paid by the Group. In case of insolvency the benefits have been ceded to the employees directly. Therefore, the fair value of the insurance contracts has been treated as a plan asset.

43. Pension benefit obligation (continued)

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>
Pension benefits		
Present value of funded obligations	(1,015)	(1,144)
Fair value of of plan assets	265	513
Total employee benefits	<u>(750)</u>	<u>(631)</u>
Movements in the balance sheet:		
Present value of defined benefit obligations 1 January	–	(1,015)
Expenses recognised	(1,015)	(121)
Interest cost	–	(38)
Actuarial gains	–	30
Present value of defined benefit obligations 31 December	<u>(1,015)</u>	<u>(1,144)</u>
Fair value of plan assets	–	265
Contributions	265	256
Expected returns on plan assets	–	13
Actuarial losses	–	(21)
Fair value of plan assets 31 December	<u>265</u>	<u>513</u>
Amounts recognized in the income statement:		
Interest cost	–	(38)
Expected return of plan assets	–	13
Past service cost	(894)	–
Current service cost	(121)	(121)
Actuarial gains	–	9
	<u>(1,015)</u>	<u>(137)</u>

The principal actuarial assumptions used were as follows:

	<i>2005</i>	<i>2006</i>
Discount rate:	3.80%	4.40%
Expected return of plan assests	5.00%	5.00%
Future salary increases	0.00%	0.00%
Future pension increases	1.20%	1.75%

The expected service expenses for 2007 are €113,000. The contributions to plan assets are estimated at €256,000.

44. Equity

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
<i>Authorised, allotted, called up and fully paid</i>			
Ordinary shares of €1 each (7.5 million shares)	7,500	7,500	7,500
Shares classified in shareholders funds	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>

The subscribed capital of €7,500,000 is composed of 7.5 million no-par value bearer shares with a value of €1 per share. Each no-par value share entitles the bearer to one vote at the General Meeting.

Retained earnings contain a legal reserve of €750,000, required by German Public Companies Act.

The "Currency translation adjustment" represents the differences arising from the translation of investments in subsidiaries.

In 2005 a dividend was paid to shareholders in the amount of €750,000, or €0.1166 per share. No dividend has been determined so far to be paid in 2007.

V. Other disclosures

45. Risk management and hedging strategies

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

Credit risk

The Group's principal financial assets are cash deposits and trade receivables. The credit risk associated with cash is limited as the financial institutions involved have high credit ratings assigned by international credit-rating agencies. The main credit risk therefore arises from trade receivables.

All trade receivables are of short term nature, with maximum payment terms of 150 days. In order to manage credit risk local management sets 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 company has a limited but increasing number of customers. 50 per cent. of the sales related to the largest customer (2005: 62 per cent.; 2004: 52 per cent.), who received a rating of A by Standard & Poor's and A1 by Moody's. The number of customers accounting for approximately 95 per cent. of the annual revenue increased from 8 in 2004 and 7 in 2005 to 15 in 2006. Where appropriate, the company 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 as security means depending on local restrictions prevalent in the respective market.

Exchange rate fluctuation risks

A large portion of sales revenue is invoiced in foreign currency, potentially exposing the Group to exchange rate risks. In the financial year 2006, approximately €162,354,000 of the Company's sales were generated in JPY. Expenses of €126,289,000 invoiced in JPY were allocated to cost of materials.

Significant cash funds are denominated in currencies other than the functional currency of the group. Excess cash funds not needed for local sourcing are underlying exchange rate and associated interest fluctuation risks.

Interest fluctuation risks

The Group is exposed to interest rate fluctuation risks, since the Group's loan agreements largely are subject to variable interest rates. In Japan swaps have been used to a small extent to hedge against these risks. All variable interest rate loans are of a short-term nature (less than twelve months) under credit lines that expire at the latest in September 2008.

46. Calculation of fair value

There are currently no publicly traded financial instruments (e.g. publicly trade derivatives and securities held for trading and available-for-sale securities) or derivatives not traded in the standard way held by the Group.

47. Other financial obligations

Lease agreements (operating leases)

Non-cancellable operating lease rentals are payable as follows:

	<i>As at 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Less than one year	1,069	1,160	1,219
Between one and five years	4,460	4,918	3,651
More than five years	3,420	2,599	1,378
	<u>8,949</u>	<u>8,677</u>	<u>6,248</u>

The leases have terms of no more than 8 years.

47. Other financial obligations (continued)

Equipment purchase commitments

Orders to the amount of €1,195,000 had been made on 31 December 2006, of which the majority relate to advance payments made in order to further the investments for the expansion of production.

48. Related party disclosures

The Group defines related parties as the senior executives of the Group and also companies that these persons could have a significant influence on as related parties. None of the shareholders during the reporting period had control over or a significant influence in the parent company. Accordingly, all future transactions with such related parties will be conducted under normal market conditions.

There were no significant transactions with related parties in the reporting period, except for:

Dr. Klein is the managing director and a significant shareholder of MicroVenture KG AG & Co. (MicroVenture). He is also member and Vice Chairman of the Supervisory Board, of PVCS. During the reporting period two loan agreements exist between MicroVenture and the Group in the total amount of €1,620,000. The loans are unsecured and subordinated, the interest rate is 10 per cent. per annum, repayments amount to €162,000 a year and the agreements may be terminated by either contracting party with 6 months' notice to the end of the year (see note 38).

Seven individual shareholders of the group with a total interest of 67 per cent. are employed with the group in various positions. None of these shareholders owns 20 per cent. or more of the shares.

PV Crystalox Solar PLC acquired 75 per cent. of the issued share capital on 5th January 2007 and therefore became the new parent company of the Group. It acquired the remaining 25 per cent. of the shares on 10 May 2007. PV Crystalox Solar PLC plans to make an application for admission of the ordinary shares of the company to trading and placing on the London stock exchange. The expenses arising from this procedure will mainly remain in PV Crystalox Solar PLC.

49. Information on the Supervisory Board and Managing Board

The members of the Managing Board of PV Crystalox Solar AG are:

Dr. Hubert A. Aulich, Erfurt, Germany

Dr. Iain Dorrity, Datchet, Berkshire, United Kingdom

Dr. Peter J. Finnegan, Goring-on-Thames, United Kingdom

The remuneration of the Managing Board including appropriations to pension accruals amounted to €644,000 in 2006, in 2005 they amounted to €1,032,000 and in 2004 they amounted to €544,000. The amounts include expenses for defined benefit plans (2006: €76,000; 2005: €488,000; 2004: €23,000).

Members of the Supervisory Board in the period under review were:

Prof. Dr. Joachim Luther, Freiburg, Chairman

Dr. Dietmar Klein, Köln, Vice Chairman

Henry Charles Shermann, Middlesex

The annual payments to the Supervisory Board amounted to €40,000.

2 PV Crystalox Solar PLC

(a) Accountant's Report



KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

The Directors,
PV Crystalox Solar PLC
Brook House
174 Milton Park
Oxfordshire
Abingdon
OX14 4SE

6 June 2007

Dear Sirs

PV Crystalox Solar PLC

We report on the financial information set out on pages 74 to 75. This financial information has been prepared for inclusion in the prospectus dated 6 June 2007 of PV Crystalox Solar PLC (the 'Company') on the basis of the accounting policies set out in note 4.1. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 4.1 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 6 June 2007, a true and fair view of the state of affairs of PV Crystalox Solar PLC as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with International Financial Reporting Standards as described in note 4.1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

(b) Financial information from incorporation on 5 December 2006 to 31 December 2006

1. Income statement

During the period the Company did not trade and received no income and incurred no expenditure. Consequently, during the period the Company made neither a profit nor a loss.

2. Balance sheet

	€
<i>Current assets</i>	
Unpaid share capital	55,613
Cash at bank and in hand	18,538
	<u>74,151</u>
<i>Shareholders' equity</i>	
Share capital	74,540
Currency translation adjustment	(389)
	<u>74,151</u>

3. Statement of changes in equity

	<i>Share capital</i> €	<i>Currency translation adjustment</i> €	<i>Total equity</i> €
Shares issued	74,540	–	74,540
Currency translation adjustment	–	(389)	(389)
As at 31 December 2006	<u>74,540</u>	<u>(389)</u>	<u>74,151</u>

4. Notes

The Company was incorporated on 5 December 2006. The Company has not yet commenced business. No audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

4.1 Basis of preparation

The financial information has been prepared on the historical cost basis and in accordance with International Financial Reporting Standards and their interpretations issued by the International Accounting standards Board (IASB) as adopted by the EU.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euros at the foreign exchange rate ruling at that date. 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.

The financial information is presented in Euros.

4.2 Called up share capital

Authorised

7,950,002 Ordinary Shares of £1 each

49,998 Redeemable Shares of £1 each

Allotted, called up

2 Ordinary Shares of £1 each

49,998 Redeemable Shares of £1 each

4.3 *Post balance sheet events*

On 5 January 2007 the Company acquired 75 per cent. of the issued share capital of PV Crystalox Solar AG. As consideration the Company issued 5,625,000 Ordinary Shares to Dr Iain Dorrity, Dr Barry Garrard, Greaves Trust, Stuart Oldham, Edward Hesford and Graham Young.

On 10 May 2007 the Company acquired the remaining 25 per cent. of the issued share capital of PV Crystalox Solar AG. As consideration the Company issued 1,875,000 Ordinary Shares to the remaining shareholders of PV Crystalox Solar AG.

PART X – UNAUDITED PRO-FORMA BALANCE SHEET

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the Placing on the Company's net assets as if the Placing had taken place on 31 December 2006. This unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro-forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Group. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below.

		<i>Adjustments</i>		
		<i>Unadjusted</i>		
	<i>PV Crystalox Solar PLC Note 1 €'000</i>	<i>PV Crystalox Solar AG at 31 December 2006 Note 2 €'000</i>	<i>IPO proceeds and associated costs Note 3 €'000</i>	<i>Pro forma statement of the Group's net assets €'000</i>
Cash	18	61,527	73,000	134,545
Accounts receivable	–	74,874	–	74,874
Inventories	–	13,833	–	13,833
Prepaid expenses and other assets	56	6,858	–	6,914
Total current assets	74	157,092	73,000	230,166
Intangible assets	–	176	–	176
Property, plant and equipment	–	13,967	–	13,967
Other long term assets	–	2,948	–	2,948
Total non-current assets	–	17,091	–	17,091
Total assets	74	174,183	73,000	247,257
Loans payable short term	–	53,342	–	53,342
Accounts payable	–	15,745	–	15,745
Accrued expenses	–	3,280	–	3,280
Deferred income	–	817	–	817
Income tax payable	–	9,310	–	9,130
Other current liabilities	–	1,767	–	1,767
Total current liabilities	–	84,261	–	84,261
Loans payable long term	–	1,735	–	1,735
Deferred income	–	2,861	–	2,861
Other long term liabilities	–	1,213	–	1,213
Total non-current liabilities	–	5,809	–	5,809
Total liabilities	–	90,070	–	90,070
Total shareholders' equity	74	84,113	73,000	157,187
Total liabilities and shareholders' equity	74	174,183	73,000	247,257

Notes

1. Net assets of PV Crystalox Solar PLC at 31 December 2006 as extracted from the financial information presented in Part IX 2(b) of the Prospectus.
2. Net assets of PV Crystalox Solar AG at 31 December 2006 as extracted from the financial information presented in Part IX 1(b) of the Prospectus.
3. The IPO proceeds and associated costs reflect the following:
 - The receipt of approximately €80 million from the issue of 41,725,235 Ordinary Shares as part of the Placing
 - Estimated IPO associated costs of approximately €7 million
4. The pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.
5. No adjustment has been made for trading or changes in the Group's working capital since 31 December 2006.
6. No account has been taken of fair value and accounting basis adjustments arising on acquisition.

Accountant's Report on unaudited pro forma statement of net assets



KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

The Directors,
PV Crystalox Solar PLC
Brook House
174 Milton Park
Abingdon
Oxfordshire
OX14 4SE

6 June 2007

Dear Sirs

PV Crystalox Solar PLC

We report on the pro forma financial statement of net assets (the 'Pro forma financial information') set out in Part X of the prospectus dated 6 June 2007, which has been prepared on the basis described on page 76, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by PV Crystalox Solar PLC in preparing the financial statements for the period ended 31 December 2006. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of PV Crystalox Solar PLC to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the

evidence supporting the adjustments and discussing the Pro forma financial information with the directors of PV Crystalox Solar PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of PV Crystalox Solar PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of PV Crystalox Solar PLC.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART XI – OPERATING AND FINANCIAL REVIEW

The following discussion of the results of operations and financial condition of the Group should be read in conjunction with Part IX of this document and with the information relating to the business of the Group included elsewhere in this document. The discussion includes forward-looking statements that reflect the current views of management and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in Part II of this document. Investors should read the whole of this document and not rely just on summarised information.

Overview

The Group is one of the world's leading independent developers and producers of solar grade silicon products. The Group's core operations consist of converting silicon feedstock into multicrystalline silicon ingots, blocks and wafers, which it supplies to the solar cell industry for use in solar electricity generation systems. The Group's silicon ingot manufacturing and ingot blocking operations are conducted at its facilities in Oxfordshire, United Kingdom and its wafer production operations are conducted at its facilities in Erfurt, Germany. The balance of ingots produced by the Group's United Kingdom operations not used by its German operations are sold in Japan, either as ingots or having first been processed into wafers by a sub-contractor. The Group also operates a limited silicon trading business which buys and sells silicon products in Japan. The total volume of silicon ingots, blocks and wafers produced by the Group in 2006 corresponded to a solar electricity generation capacity of 215 MWp.

Group revenues amounted to €242.4 million in 2006 and €183.1 million in 2005 and its operating margin increased to 19.9 per cent. from 17.2 per cent. over the same period. Approximately 76.5 per cent. and 77.8 per cent. of the Group's gross revenues were derived from its core silicon products business in 2006 and 2005, respectively. The Group's core silicon products business and its trading business are recognised as separate business segments under IFRS.

The Group derives a substantial portion of its revenues from a relatively small number of customers. Sales to the Group's top three customers, Sharp, Mitsubishi Electric and Schott Solar, accounted in aggregate for 81.4 per cent. and 72.8 per cent. of total revenues in 2005 and 2006, respectively, and sales to its top customer, Sharp, accounted for 61.9 per cent. and 50.0 per cent. of revenues in 2006 and 2005, respectively. According to Solarbuzz, LLC, in 2006, Sharp, Mitsubishi Electric and Schott Solar collectively produced 641.7 MWp, which accounted for approximately 39 per cent. of total MWp production by the top ten crystalline silicon cell manufacturers globally. The Group's relationships with Sharp and certain of its other key customers in Japan are not governed by written contracts but rather through business relationships which have been established over long periods of time. The Group does have formal contracts in place with its customers in Germany and the other markets it supplies to.

The Group's operating businesses, Crystalox Limited and PV Silicon of Germany, were founded in 1982 and 1997, respectively. Crystalox Limited was founded to develop crystal growth systems and later developed into one of the technology leaders in the area of developing and manufacturing equipment for the growth of multicrystalline silicon ingots. It later focused on the manufacture of multicrystalline silicon ingots after the company had been acquired by its management through a management buyout in 1994. PV Silicon was established initially to produce single-crystal silicon wafers. In 1999, Crystalox Limited, the management-owned successor company to the first Crystalox Limited, began a strategic partnership with PV Silicon and, as the partnering relationship strengthened, Crystalox Limited increasingly began to produce multicrystalline silicon ingots in the United Kingdom for PV Silicon to process into multicrystalline silicon wafers in Germany. In 2002, Crystalox Limited and PV Silicon were combined under the parent holding company PV Crystalox Solar AG and a new subsidiary, Crystalox Japan K.K., was formed to further establish the Group's presence in the key market of Japan.

In 2006 the Group decided to proceed with plans to construct a new polysilicon production facility in Germany, which it anticipates will begin construction later this year and will commence production by 2009.

In January 2007 the ownership of PV Crystalox Solar AG was transferred to the Company in order to facilitate the listing and offering contemplated by this document.

Factors Affecting Financial Performance

Government Subsidies and Economic Incentives

The Group's products are used in connection with the production of solar cells, which in turn are used to generate solar electricity. Generating solar electricity is in most cases substantially more expensive than using fossil fuels, although in some locations it is cost-effective, such as in off-grid locations in rural areas and in developing countries with no established electricity grid. Consequently, the sale and generation of solar electricity is generally only made economically viable through government legislation designed to encourage use of solar energy and reduce dependency on non-renewable sources of energy. Governmental bodies in the countries with the most advanced markets for solar electricity, which are the principal markets to which the Group supplies, including Germany, Japan and the United States, have passed legislation at the national and local levels designed to promote the use of solar electricity by households and businesses, including energy buy-back programs, low interest loans, and tax incentives. Moreover, a number of countries that are not currently significant solar energy markets, such as Italy and Spain, have recently introduced feed-in tariffs that incentivise the use of solar electricity that the Group believes are likely to contribute to the growth of these markets. Governmental programs have not had a significant direct impact on the Group's results of operations during the period under review, though the Group's German operations do benefit directly from small subsidies and grants from the German government and the Group is, subject to conditions, entitled to subsidies from the state of Thuringia and the German government for approximately 25 per cent. of capital costs related to construction of the Group's planned polysilicon production facility in Germany. However, government programs have an extensive impact on the demand for solar products generally and can indirectly have a significant impact on the Group's results of operations. Consequently, demand for the Group's products in its current and future targeted markets is and will continue to be affected significantly by the amount and type of support provided by government legislation and programs.

Availability and Price of Silicon Feedstock

Silicon is the essential raw material for the Group's business. Consequently, the Group's ability to procure sufficient amounts of suitable silicon feedstock at competitive prices is critical to its success. The PV industry purchases silicon from two main sources of supply: polysilicon from a limited number of suppliers to the semiconductor industry and high grade silicon left over from the semiconductor industry purchased on the open market. The Group also sources silicon internally by recycling off-cuts from the Group's production processes. In 2006 the Group sourced approximately 52 per cent. of its silicon supply under long-term contracts with suppliers to the semiconductor industry, 27 per cent. from the open market and 19 per cent. internally through recycling. In 2005 these figures were approximately 64 per cent., 26 per cent. and 10 per cent., respectively. The volume of silicon feedstock available for supply is very limited and has led to significant price increases, such price increases have been further exacerbated by additional demand from new entrants to the PV market. According to Solarbuzz, LLC, the average long-term supply contract price for polysilicon increased from approximately \$35 to \$40 per kilogram delivered in 2005 to \$50 to \$55 per kilogram delivered in 2006, and is expected to increase to \$60 to \$65 per kilogram delivered in 2007. The price of silicon purchased on the open market is significantly more expensive. According to Solarbuzz, LLC, spot prices for virgin polysilicon ranged from \$100 to \$200 per kilogram in 2006.

The Company currently obtains its silicon feedstock from a number of different sources and suppliers, but principally under two long-term contracts with two of the four major global polysilicon suppliers, which have terms expiring in 2009 and 2011, respectively. The contracts provide for a fixed price and fixed quantity, generally require prepayment prior to shipment and give the Group the right to reject any shipment that does not meet its quality standards based on usability and resistivity of the materials. The contracts also specify a time period during which the Group can inspect the goods to ensure the quality of the goods. See paragraph 5 of Part VII.

In addition to rising prices, constraints on supply of silicon feedstock have resulted in significant under-utilisation of production capacity in the industry. In 2006, the Group operated at approximately 60 per cent.

of manufacturing capacity. Moreover, continued increases in production capacity in all sectors of the PV market will have an additional impact on supply constraints and on price, and any increase in demand for polysilicon from the semiconductor industry could also exacerbate this shortage.

Based on their experience, the Directors' believe that the price of silicon feedstock will continue to remain high or increase in the foreseeable future until the significant volume of additional silicon manufacturing capacity currently under construction becomes available. In light of this anticipated under-supply, it will be critical for the Group to continue to work closely with major suppliers to develop long-term working relationships, and to continue to secure additional sources of supply for a significant portion of its expected future silicon feedstock requirements. To help address these challenges, the Company has decided to proceed with the construction of an in-house polysilicon production facility in Germany and believes it can continue to increase the amount of silicon it recycles from its own operations.

Efficiency and Cost of Production

The Group's ability to generate significant operating profit margins turns on its ability to manufacture products efficiently and cost-effectively, while at the same time satisfying customer quality criteria. The Group's ability to reduce manufacturing unit costs is particularly important given the current high price of silicon feedstock. The Group is not able to pass on increased costs resulting from increased prices for silicon feedstock to its customers through increased sales price for its silicon products in all circumstances. The Group continuously focuses on reducing manufacturing unit costs by increasing throughput, increasing yield and reducing the cost of input factors. Factors that influence the Group's manufacturing unit costs include:

Increasing throughput: The Group has reduced manufacturing unit costs by increasing throughput, especially through trying to optimise the design of its furnaces and by increasing the degree of automation in the wafer singulation and quality control steps of the wafer cutting process.

Increasing ingot and blocking yield: The Group will continue to seek to optimise ingot and block production yields, for example through increasing the efficiency of crucible usage, although these yields have remained stable or experienced a moderate decline from 2003 to 2006.

Improved silicon utilisation through reduced wafer thickness. Reduction in wafer thickness tends to increase the number of wafers that can be obtained from a single block. The Group has been successful in steadily reducing wafer thickness, most recently from 330 µm in 2003, to 280 µm in 2005, to 200 µm in 2006. Decreases in wafer thickness have a positive effect on volumes sold and resulted in wafer production unit cost reduction of 24 per cent. from 2002 to 2006. However, thinner wafers are generally more fragile than thicker wafers and this increased fragility can lead to an increase in wafer breakage in the cell making process, which can result in reduced yields, failure to meet customer quality standards, or both. The Group strives to produce wafers to optimise thickness and strength thereby increasing the number of saleable wafers from a given quantity of silicon and reducing unit production cost whilst not compromising customer quality standards.

Increasing yield through reduced wafer breakage. Reducing the incidence of wafer breakage during the wafer production process significantly improves yield and thereby reduces the Group's manufacturing unit costs. Newly introduced or sub-optimal production processes can have negative effects on production output. The Group continuously strives to improve its production processes, including mechanical functions and treatment processes for materials, in many cases through trial-and-error. For example, the Group will continue to seek to identify the optimal size and application of the saw wires used in its production processes and to further increase automation in the overall wafer production process.

Reducing costs of input factors. Reducing costs of key direct input factors, by, for example, reducing silicon wastage, using power efficiently and reducing other direct production costs, has been and remains a high priority for the Group. In addition, through implementation of automation in the wafer line, the Group has reduced the contribution of labour costs to manufacturing unit costs.

These initiatives partially contributed to improvements in the Group's operating profit margin from 17.2 per cent. in 2005 to 19.9 per cent. in 2006. Increased efficiency and manufacturing unit cost reductions will remain a key focus of the Group.

Currency Exchange Rates

The Group has operations in the United Kingdom, Germany and Japan, and currency exchange rate fluctuations, primarily between Japanese yen, UK pounds sterling and the euro, can significantly impact the Group's results of operations. The Group's policy is to not enter into currency hedging transactions or instruments. The amount of revenues and costs denominated in yen at the Group's Japanese operations are roughly proportionate and the amount of revenues and costs denominated in euro at the Group's German operations are roughly proportionate and as a result both have limited exposure to exchange rate fluctuations. However, the amount of yen and euro denominated revenues derived at the Group's UK operation has in the past been significantly higher than the amount of its expenses in yen and euro, respectively. In addition, because the Group's consolidated reporting currency is the euro and a significant proportion of the consolidated Group's results of operations and balance sheets are in yen and pounds sterling, the results of operations of the consolidated Group is subject to significant translation risk. Foreign exchange rate losses in the consolidated income statement amounted to €820,000 in 2006. For more information regarding the Company's strategy for hedging against currency risk, see "Market Risk – Foreign Exchange" further below in this Part XI.

Presentation of Financial Information

The consolidated accounts for the years ended 31 December 2006, 2005 and 2004 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the statements issued by the International Financial Reporting Interpretations Committee as adopted by the European Commission. The accounting policies applicable to the Group's financial statements are discussed in the notes to the audited consolidated financial statements included elsewhere in this document.

Revenues

The Group's revenues consist of revenues from the sale of silicon products and revenues from trading silicon ingots. In 2006, approximately 76.5 per cent. of the Group's total revenues were derived from the sale of silicon products and 23.5 per cent. were derived from its trading business. The Group's core silicon products business and its trading business are recognised as separate business segments under IFRS.

The Group's revenues from the manufacture and sale of silicon products consist of sales of silicon ingots, blocks and wafers. Silicon ingots produced at the Group's United Kingdom operations are sold to its Japanese operations and blocks produced at the Group's United Kingdom operations are sold to its German operations. The Group's German operation then produces and sells wafers to customers in Europe and the Group's Japanese operation sells ingots and wafers to customers in Asia.

Revenues from the Group's trading business consist of the procurement of crystal ingots from an external supplier and sale to a Japanese customer at cost plus a percentage mark-up. The Group's Japanese operation acts on a purely intermediary basis.

The Group recognises revenue on delivery of goods to its customers.

In 2006, 67 per cent. of the Group's total revenues were generated by the Japanese subsidiary and 30 per cent. were generated by the German subsidiary, with the remaining 3 per cent. generated by the UK operating subsidiary. Most of the Group's production is carried out at its UK operations and this activity generated approximately 51 per cent. of Group operating profit in 2006.

Cost of Material and Services

The Group's cost of materials consist of costs relating to silicon feedstock, other raw materials and consumables, such as crucibles, furnace parts, wire saw material and slurry and the Group's cost of services consist of air and road freight costs, electricity and other consumables.

Personnel Expenses

The Group's personnel expenses consist of wages and salaries, social security and pension costs.

Depreciation

Depreciation on the Group's assets consists of depreciation of intangible assets and of plant and machinery. Intangible assets are capitalised at cost and amortised over a useful life of two to five years (mostly over three years), plant and equipment have a useful life of five to ten years and fixtures have a useful life of up to ten years.

Other Expenses

Other expenses include rental costs, property and equipment maintenance costs, legal and advisory costs and insurance expenses.

Taxes

Taxes consist of income taxes currently payable and deferred income taxes.

Results of Operations

The following table sets forth certain consolidated profit and loss data (pursuant to IFRS) for the periods indicated:

	<i>For the years ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Revenues	98,147	183,090	242,366
Change in inventory finished and unfinished goods	647	4,327	(2,248)
Own work capitalised	4,512	721	154
Other income	1,139	1,760	1,381
Cost of material and services			
Cost of material	(65,593)	(131,626)	(165,110)
Cost of services	(4,371)	(7,028)	(7,136)
Personnel expenses			
Wages and salaries	(6,065)	(6,791)	(6,932)
Social Securities	(739)	(861)	(907)
Pension Cost	(229)	(1,204)	(384)
Depreciation on fixed and intangible assets	(5,742)	(5,793)	(5,467)
Other expenses	(4,570)	(5,017)	(6,568)
Currency gains and losses	(272)	(29)	(820)
EBIT	16,865	31,549	48,327
Interest income and expense			
Interest income	188	657	1,625
Interest expense	(903)	(869)	(939)
EBT	16,150	31,337	49,013
Taxes			
Income taxes – currently payable	(6,071)	(11,449)	(17,189)
Income taxes – deferred	462	828	(229)
Net Income	10,541	20,716	31,594

Year Ended 31 December 2005 to Year Ended 31 December 2006

Revenues

Total revenues amounted to €242.4 million in 2006 compared to €183.1 million in 2005, an increase of €59.3 million, or 32.5 per cent. Of the €242.4 million, €186.2 million was attributable to the Group's core silicon products operations, representing an increase of €43.4 million, or 30.4 per cent., from €142.8 million in 2005, and €57.2 million was attributable to the Group's trading business, representing an increase of €17.0 million, or 42 per cent., from €40.2 million in 2005.

Revenues from the Group's core silicon products operations increased primarily as a result of increased sales prices, with higher sales prices driven by excess demand and restricted silicon supply.

Revenues from the Group's trading operations increased primarily as a result of higher volumes of trading activity.

Cost of Material and Services

Cost for materials and services amounted to €172.2 million in 2006 compared to €138.7 million in 2005, an increase of €33.5 million, or 24.2 per cent. The increase in costs for materials and services is primarily attributable to an increase in cost of materials in 2006.

Personnel Expenses

Personnel expenses were at consistent levels in 2006 and 2005. Personnel expenses amounted to €8.2 million in 2006 compared to €8.9 million in 2005.

Depreciation

Depreciation on fixed and intangible assets were at consistent levels in 2006 and 2005. Depreciation amounted to €5.5 million in 2006 compared to €5.8 million in 2005.

Other Expenses

Other expenses amounted to €6.6 million in 2006 compared to €5.0 million in 2005, an increase of €1.6 million, or 32.0 per cent.

EBIT

Operating profit amounted to €48.3 million in 2006 compared to €31.5 million in 2005, an increase of €16.8 million, or 53.2 per cent. The increase in operating profit is primarily attributable to increased revenues in 2006.

Taxes

Income taxes currently payable amounted to €17.2 million in 2006 compared to €11.5 million in 2005, an increase of €5.7 million, or 49.6 per cent. The increase in income taxes is primarily attributable to the increase in the Group's operating profit.

Net Income

Net income amounted to €31.6 million in 2006 compared to €20.7 million in 2005, an increase of €10.9 million, or 52.7 per cent. The increase in net income is primarily attributable to increased revenues in 2006.

Year Ended 31 December 2004 to Year Ended 31 December 2005

Revenues

Total revenues amounted to €183.1 million in 2005 compared to €98.2 million in 2004, an increase of €84.9 million, or 86.4 per cent. Of the €183.1 million, €142.8 million was attributable to the Group's core silicon products operations, representing an increase of €44.6 million, or 45 per cent., from €98.2 million in 2004, and €40.2 million was attributable to the Group's trading business.

Revenues from the Group's core silicon products operations increased primarily as a result of increased sales prices arising from higher production volume to satisfy high demand from the Group's customers.

The Group commenced its trading operation in February 2005 and therefore no revenues are attributable to this segment for the year ended 31 December 2004.

Cost of Material and Services

Cost for materials and services amounted to €138.7 million in 2005 compared to €70.0 million in 2004, an increase of €48.7 million, or 69.6 per cent. The increase in costs for materials and services is primarily attributable to an increase in cost of materials in 2005.

Personnel Expenses

Personnel expenses were roughly consistent in 2005 and 2004. Personnel expenses amounted to €8.9 million in 2005 compared to €7.0 million in 2004.

Depreciation

Depreciation was at consistent levels in 2005 and 2004. Depreciation on fixed and intangible assets amounted to €5.8 million in 2005 compared to €5.7 million in 2004.

Other Expenses

Other expenses were at consistent levels in 2005 and 2004. Other expenses amounted to €5.0 million in 2005 compared to €4.6 million in 2004.

EBIT

Operating profit amounted to €31.5 million in 2005 compared to €16.9 million in 2004, an increase of €14.6 million, or 87.1 per cent. The increase in operating profit is primarily attributable to increased revenues in 2005.

Taxes

Income taxes currently payable amounted to €11.5 million in 2005 compared to €6.1 million in 2004, an increase of €5.4 million, or 90 per cent. The increase in income taxes is primarily attributable to the increase in the Group's operating profit in 2005.

Net Income

Net income amounted to €20.7 million in 2005 compared to €10.5 million in 2004, an increase of €10.2 million, or 97.2 per cent. The increase in net income is primarily attributable to increased revenues in 2005.

Liquidity and Capital Resources

Cash and Funding Sources

The Group's principal sources of liquidity are cash provided by operations and borrowings under loan facilities arranged by The Bank of Tokyo Mitsubishi UFJ Limited in Japan used to finance accounts receivables balance. As of 31 December 2006, the Group had €61.5 million in cash and cash equivalents, and short-term borrowings of €53.1 million under a syndicated loan and overdraft facility from The Bank of Tokyo Mitsubishi UFJ. The credit facility with The Bank of Tokyo Mitsubishi UFJ becomes due in part in September 2007 and in part in July 2008, pays interest at a floating rate plus fees and is secured by a blanket assignment over the trade receivables of Crystallox Japan K.K.

One of the Group's main strategies is to establish in-house polysilicon production capability by building a silicon production facility in Germany. Construction of the facility is anticipated to commence in late 2007 and limited production is expected to commence by 2009. The cost of building the facility is expected to require an estimated capital expenditure of approximately €80 million, of which €73.4 million is expected to be spent by 31 December 2008. Costs related to construction of the facility will be funded by the proceeds of this offering, certain conditional grants receivable from local governmental authorities in Germany and operating cash flows from the Group. The Group is currently in the process of evaluating and planning capital commitments to be made in connection with the facility. The Directors also anticipate additional capital expenditures of approximately €8.6 million and €9.5 million in 2007 and 2008 within the existing business. To date the Group has entered into commitments to spend 1 million Swiss francs in relation to the existing business.

Cash Flow Statement Data

The table below summarises the Group's cash flow for the years ended 31 December 2004, 2005 and 2006:

	<i>For the years ended 31 December</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Cash flow from (used in) operating activities	16,863	(19,730)	16,274
Cash flow from (used in) investing activities	(4,795)	(2,788)	(2,411)
Cash flow from (used in) financing activities	(1,536)	36,584	15,732
Net increase in cash and cash equivalents	10,532	14,066	29,595

Operating Activities

The Group's net cash inflow from operating activities amounted to €16.3 million in 2006, the Group's net cash outflow from operating activities amounted to €19.7 million in 2005 and the Group's net cash inflow from operating activities amounted to €16.9 million in 2004. The increase in net cash outflows in 2005 compared to the net cash inflows in 2006 and 2004 is primarily attributable to an increase in trade receivables in 2005.

Investing Activities

The Group's net cash outflows from investing activities amounted to €2.4 million, €2.8 million and €4.8 million in 2006, 2005 and 2004, respectively. The decrease in net cash outflows from investing activities in 2005 as compared to 2004 is primarily attributable to a decrease in the amount of payments for acquiring assets, in particular furnaces and wire saws, from 2004 to 2005.

Financing Activities

The Group's net cash inflows from investing activities amounted to €15.7 million and €36.6 million in 2006 and 2005, respectively, and net cash outflows from investing activities amounted to €1.5 million in 2004. The increase in net cash inflows from 2004 to 2005 is primarily attributable to an increase in short-term borrowings received in 2005 to fund the trade receivables growth. In 2006, the Group's short-term borrowings were decreased and the decrease in cash inflows from financing activities is primarily attributable to such repayment of borrowings.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of 31 December 2006.

Market Risk

Commodity Risk

The Group is exposed to price risks associated with raw material purchases, most significantly silicon. The Group's policy is to not enter into commodity price hedging arrangements because such arrangements limit the advantages which could benefit the Group in the event of certain fluctuations in commodity prices and it believes that the possibility of benefiting from such advantages outweighs any negative risks that could result from not entering into hedging transactions.

Foreign Exchange Risk

The Group generates sales revenues in several different currencies, including Japanese yen, euros and U.S. dollars, and incurs costs in several different currencies, including Japanese yen, euros and UK pounds sterling. Whereas the majority of the Group's revenues arise from its Japanese and German operations and are invoiced in yen or euros, respectively, it sources its raw materials principally in euros and yen and its expenses from ongoing operations are incurred in UK pounds sterling or euros. The Group generally does not use currency forward contracts for hedging against future risks arising from cash flow denominated in Japanese yen or other foreign currencies. Consequently, depreciation in any of these currencies, particularly

depreciation in the value of yen relative to the euro, could adversely affect the Group's consolidated revenues and earnings. The Group would be particularly exposed if its cost base in a depreciating currency were to decrease in proportion to its revenues in that currency. This has been the case in respect of the Group's UK operations in particular as in recent years the UK operations' yen and euro denominated revenues significantly exceeded its costs in those currencies. Moreover, the consolidated Group's functional reporting currency is euros and as a result depreciation in the euro relative to other relevant currencies has a negative impact on the Group's consolidated results.

Credit Risk

The Group's principal financial assets are cash deposits and trade receivables. The credit risk associated with such cash deposits is limited as the financial institutions involved have high credit ratings assigned by international credit-rating agencies. The Group's main credit risk therefore arises from trade receivables. In order to manage credit risk, management carefully reviews the credit-worthiness of its customers based on a combination of payment history and third party credit references. Credit limits are reviewed by Group subsidiary directors on a regular basis in conjunction with debt ageing and collection history. As a supplier to some of the leading manufacturers of solar cells, the company has a limited but increasing number of customers. Where appropriate, the company requests payment or part-payment in advance of shipment which generally covers the cost of the goods. In addition, in connection with trade receivables, there is a risk of warranty claims, which the subsidiary company in question tries to minimise.

Interest Rate Risk

The Group is exposed to interest rate fluctuation risks because the Group's loan agreements are largely subject to variable interest rates. In Japan, swaps have been put in place to a limited extent to hedge against these risks. All of the Group's variable interest rate loans are of a short-term nature.

Critical Accounting Policies

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenues exclude inter-company 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 outsourced certain steps of production to external companies. In these cases, in which the Group retains power of disposal, a sale is only recognised according to IFRS when the final product is sold.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. 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 each tangible fixed asset and its residual value systematically over its estimated useful life. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to calculate average assets lives exactly. However, the total lives range from approximately 25 years for buildings, five to ten years for plant and equipment, up to ten years for fixtures and fittings and four years for motor vehicles. No depreciation is provided on freehold land. All tangible fixed assets are reviewed for impairment at each balance sheet date and when there are indications that the carrying value may not be recoverable. The gain or loss arising on disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost or net realisable value. The first in, first out formula or an average method of valuation is used. For finished goods and work in progress, cost includes directly attributable costs and an attributable proportion of manufacturing overhead expenses (including depreciation) based on normal

levels of activity. Selling expenses and other overhead expenses are excluded. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. A lower valuation was not necessary due to the market situation.

Public Subsidies

As the Group's German operations are located in a region designated for economic development in Germany the company receives both investment subsidies and investment grants. Government grants and subsidies related to capital expenditures are credited to the "Deferred Income" account and are released to the income statement 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, are credited to the income statement in the same period as the related expenditure.

Significant Developments Since 31 December 2006

In December 2006, a new holding company, PV Crystalox Solar PLC, was formed to become the new parent company of the Group. With effect from 5 January 2007, 75 per cent. of the shares of PV Crystalox Solar AG were transferred to PV Crystalox Solar PLC and the remaining 25 per cent. were transferred on 10 May 2007.

Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2006.

PART XII – CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness

The following table shows the capitalisation and indebtedness of the Group as at 31 December 2006 and 31 March 2007. The financial information relating to the Group as at 31 December 2006 has been extracted without material adjustment from the audited financial results of the Group for the financial period to 31 December 2006 prepared under IFRS and sets out the capitalisation of the group as at 31 December 2006.

The financial information relating to the Group as at 31 March 2007 has been extracted without material adjustment from the Group's unaudited accounting records and sets out the unaudited capitalisation of the Group as at 31 March 2007:

As at	<i>31 December</i> 2006 €'000	<i>31 March</i> 2007 €'000
Guaranteed	–	–
Secured	53,342	55,700
Unguaranteed/Unsecured	–	–
Total Current Debt	53,342	55,700
Guaranteed	–	–
Secured	115	93
Unguaranteed/Unsecured	1,620	1,620
Total Non-Current Debt (excluding current portion of long-term debt)	1,735	1,713
Share Capital	7,500	7,500
Total	62,577	64,913

Net indebtedness

The following table shows the net financial indebtedness of the Group as at 31 December 2006 and 31 March 2007. The financial information relating to the Group as at 31 December 2006 has been extracted without material adjustment from the audited financial results of the Group for the financial period to 31 December 2006 prepared under IFRS and sets out the indebtedness and cash and cash equivalents of the Group as at 31 December 2006.

The financial information relating to the Group as at 31 March 2007 has been extracted without material adjustment from the Group's unaudited accounting records and sets out the unaudited indebtedness and cash and cash equivalents of the Group as at 31 March 2007:

As at	31 December 2006 €'000	31 March 2007 €'000
Cash	16,289	7,469
Cash equivalent	45,238	56,947
Liquidity	61,527	64,416
Current Bank Debt	(53,142)	(55,540)
Other Current Financial Debt	(200)	(160)
Current Financial Debt	(53,342)	(55,700)
Net Current Financial Indebtedness	8,185	8,716
Non Current Bank Loans	(26)	(26)
Other Non Current Loans	(1,709)	(1,687)
Non Current Financial Indebtedness	(1,735)	(1,713)
Net Financial Indebtedness	6,450	7,003

Contingent and indirect indebtedness

There were no material contingent liabilities as at 31 December 2006.

PART XIII – THE PLACING

1. Placing

The Company is offering the New Ordinary Shares for subscription and the Selling Shareholders are offering the Sale Shares for sale, pursuant to the Placing at a Placing Price of 130 pence per Ordinary Share. The Company will not receive any of the proceeds of the sale of Sale Shares, all of which will be paid to the Selling Shareholders. The Company expects to raise approximately €73 million by the issue of the New Ordinary Shares, net of estimated commissions, fees and other expenses payable by the Company of approximately €7 million. The Placing is being made by way of an offer to certain institutional investors in the United Kingdom and elsewhere, and will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement (as described in “**Underwriting**” below).

The Placing Shares to be issued and transferred pursuant to the Placing will, following Admission, rank *pari passu* in all respects with the Ordinary Shares in issue at the date of this document and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

2. Underwriting

Pursuant to the Underwriting Agreement dated 6 June 2007, which is conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 11 June 2007, JPMorgan Cazenove and Jefferies have agreed to use their reasonable endeavours to procure subscribers and purchasers for the Placing Shares, failing which the Underwriters have agreed to subscribe for or purchase on the terms set out in the Underwriting Agreement, such number of Placing Shares which are not so subscribed for or purchased at the Placing Price.

JPMorgan Cazenove and J.P. Morgan Securities Ltd. (together the “**Banks**”) may, at any time before Admission, terminate the Underwriting Agreement in accordance with its terms by giving notice to the Company in certain circumstances, including circumstances of *force majeure* or material adverse changes in the financial condition of the Group. If the obligations of JPMorgan Cazenove and the Underwriters under the Underwriting Agreement are terminated in accordance with its terms, the rights and obligations of each Investor (as defined in paragraph 8 below) in respect of the Placing shall cease and terminate at such time and no claim can be made by any Investor in respect thereof. By participating in the Placing each Investor agrees with JPMorgan Cazenove and the Underwriters that the exercise by any of the Banks of any rights of termination or other discretion under the Underwriting Agreement shall be within the absolute discretion of the Banks and none of JPMorgan Cazenove and the Underwriters need make reference to any such Investor and that the Banks shall have no liability whatsoever to any such Investor (or to any other person whether acting on behalf of the Investor or otherwise) in connection with the exercise of such rights.

The Underwriting Agreement provides for JPMorgan Cazenove and the Underwriters to be paid commissions in respect of the Ordinary Shares sold pursuant to the Placing. Any commissions received by any of JPMorgan Cazenove and the Underwriters may be retained, and any Ordinary Shares acquired by them may be retained or dealt by them, for their own benefit.

Details of the Underwriting Agreement are contained in paragraph 11.1 of Part XIV of this document.

3. Over-allotment and stabilisation

In connection with the Placing the Stabilisation Manager, or any of its agents, may but will be under no obligation to, over-allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Sale Shares comprised in the Placing or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market. Such stabilisation activities may commence on or after the publication of the Placing Price and will end no later than 30 calendar days thereafter. Such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Save as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Placing.

In connection with the Placing, certain of the Selling Shareholders have granted the Stabilisation Manager the Over-allotment Option which will require such Selling Shareholders to make available up to 19,089,995 additional Ordinary Shares at the Placing Price to cover any over-allotments made in connection with the Placing and to cover short positions resulting from stabilisation transactions. The number of Ordinary Shares to be subject to the Over-allotment Option is, in aggregate, equal to approximately 15 per cent. of the total number of Sale Shares to be sold by existing shareholders in the Placing (before any exercise of the Over-allotment Option). The Over-allotment Option may be exercised from the date of the commencement of conditional trading for a period of 30 calendar days thereafter, provided that it may only be exercised to the extent the Ordinary Shares have been over-allotted.

4. Dealings and Admission

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 6 June 2007. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a “when issued basis” and at the risk of the parties concerned. If the Placing does not become unconditional, these dealings will be of no effect.

It is expected that definitive share certificates will be dispatched by first class post (to those Investors who elect to receive their entitlements outside CREST) at the risk of the person entitled thereto on 11 June 2007 or as soon thereafter as is practicable and the CREST accounts (in respect of those Investors who elect for their entitlements be dealt with inside CREST) will be credited on or before 8.00 a.m. on 11 June 2007. No temporary documents of title will be issued.

5. CREST

Application will be made to permit Ordinary Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by a written instrument. The CREST Regulations and the Articles permit the holding of Ordinary Shares in uncertificated form in the CREST system. The Directors will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so. Investors applying for Ordinary Shares in the Placing may, however, elect to receive Ordinary Shares in uncertificated form if that Investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

6. Lock-up and Orderly Market Arrangements

Pursuant to the Underwriting Agreement, each of the Directors and each Employee Selling Shareholder has agreed that, subject to certain exceptions, during the period commencing on the date of Admission and ending on the date of publication of the Company’s preliminary financial results for the year ending 31 December 2007 (the “**First Period**”), they will not, without the prior written consent of JPMorgan Cazenove offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, any Ordinary Shares (or any interest therein or in respect thereof). Each of them also agrees to the same restrictions as required in the First Period in respect of 50 per cent. of their holdings of Ordinary Shares for the period commencing after the expiry of the First Period and ending on the date of publication of the Company’s preliminary financial results for the year ending 31 December 2008, and further agrees not to sell the other 50 per cent. of their holdings of Ordinary Shares other than through the Company’s broker. Each of the Non-Employee Selling Shareholders will be restricted from selling their Ordinary Shares for a period of 180 days commencing on the date of Admission.

Further details of these arrangements, which are to be contained in the Underwriting Agreement, are set out in paragraph 11.1 of Part XIV of this document.

7. Selling Restrictions

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about

and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “relevant member state”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that relevant member state prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000 as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of JPMorgan Cazenove; or
- (d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purpose of the expression an “offer of any Ordinary Shares to the public” in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer of any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Placing have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of JPMorgan Cazenove has been obtained to each such proposed offer or resale. The Company, the Banks and each of the Selling Shareholders, and affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified JPMorgan Cazenove of such fact in writing may, with the consent of JPMorgan Cazenove, be permitted to subscribe for or purchase Ordinary Shares in the Placing.

US, Australia, Canada and Japan

The Ordinary Shares have not been and will not be registered under the Securities Act and the Ordinary Shares may not be offered or sold within the United States, absent an applicable exemption from the registration requirements of the Securities Act. The Ordinary Shares have not been and will not be registered with any securities regulatory authority of any state or other jurisdiction of the United States or under the

applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any resident of Australia, Canada or Japan. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S.

Each subscriber or purchaser of the Ordinary Shares offered hereby in reliance on Regulation S will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Regulation S under the Securities Act (“Regulation S”) are used in this document as defined in Regulation S):

- (a) the subscriber or purchaser is outside the United States;
- (b) the subscriber or purchaser acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer has acknowledged) that the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that the Ordinary Shares are being offered outside the United States in reliance on Regulation S;
- (c) the subscriber or purchaser acknowledges and agrees that the Ordinary Shares may not be resold in the United States or to U.S. persons absent an applicable exemption from the registration requirements of the Securities Act.

8. Agreement to Acquire Ordinary Shares

Each person who confirms his or her agreement to JPMorgan Cazenove and/or Jefferies (on behalf of themselves and as agent for the Company and the Selling Shareholders) to purchase or subscribe for Ordinary Shares (which may include JPMorgan Cazenove and the Underwriters or their respective nominees) (an “Investor”) hereby agrees with each of JPMorgan Cazenove, Jefferies, the Registrars, the Company and the Selling Shareholders to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be sold or issued under the Placing. An Investor shall, without limitation, become so bound if JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders) notifies the Company of his name or, if not the Company, notifies the Registrars (on behalf of itself and as agent for the Company) of his name or by the Registrars confirming to the Investor its allocation and the Registrars so notifying JPMorgan Cazenove (on behalf of the Company and the Selling Shareholders).

Conditional on Admission occurring on or prior to 11 June 2007 (or such other later time and/or date as the Banks and the Company may agree in writing (not being later than 29 June 2007)), an Investor agrees to become a member of the Company and agrees to subscribe or purchase, as more particularly described below, the number of Ordinary Shares allocated to such Investor under the Placing, at the Placing Price, in accordance with the arrangements described in this Part XIII. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

9. Payment for Shares

Each Investor undertakes to pay the Placing Price for the Ordinary Shares sold or issued to such Investor in such manner as shall be directed by JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders).

In the event of any failure by any Investor to pay as so directed by JPMorgan Cazenove, the relevant Investor shall be deemed hereby to have appointed JPMorgan Cazenove or any nominee of JPMorgan Cazenove to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as directed by JPMorgan Cazenove and indemnifies on demand JPMorgan Cazenove and the Company in respect of any liability for stamp duty and/or SDRT arising in respect of any such sale or sales.

10. Representations and warranties

By receiving this document, each Investor and, in the case of sub paragraphs (e), (f) and (g) below any person confirming an agreement to purchase or subscribe for Ordinary Shares on behalf of an Investor or authorising JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders) to notify an Investor's name to the Registrars, is deemed to represent and warrant to JPMorgan Cazenove, the Underwriters, the Company and the Selling Shareholders that:

- (a) if the Investor is a natural person, such investor is not under the age of majority (18 years of age in the UK) on the date of such Investor's agreement to subscribe or purchase Ordinary Shares under the Placing;
- (b) in agreeing to subscribe or purchase Ordinary Shares under the Placing, the Investor is relying on this document, and not on any other information or representation or warranty concerning the Group or the Placing other than as contained in this document. Such Investor agrees that none of the Company, nor the Selling Shareholders, nor JPMorgan Cazenove and the Underwriters nor any of their respective officers, partners or directors will have any liability for any such other information or representation;
- (c) if the laws of any place outside the UK are applicable to the Investor's agreement to subscribe or purchase Ordinary Shares, such Investor has complied with all such laws and neither the Company nor any of JPMorgan Cazenove and the Underwriters will infringe any laws outside the UK as a result of such Investor's agreement to subscribe or purchase Ordinary Shares or any actions arising from such Investor's rights and obligations under the Investor's agreement to subscribe or purchase Ordinary Shares and under the Articles;
- (d) if in the UK, the Investor is a person of a kind described in Article 19(5) or Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended);
- (e) in the case of a person who confirms to JPMorgan Cazenove and/or the Registrars on behalf of an Investor an agreement to purchase or to subscribe for and/or who authorises JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders) to notify the Investor's name to the Registrars as mentioned in the first paragraph above of this paragraph 10, that person represents and warrants that he has authority to do so on behalf of the Investor as provided in the first paragraph above of this paragraph 10;
- (f) the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services); and
- (g) in the case of a person who confirms to JPMorgan Cazenove and/or the Registrars on behalf of an Investor which is an entity other than a natural person an agreement to purchase or to subscribe for Ordinary Shares and/or who authorises the notification of such Investor's name to JPMorgan Cazenove and/or the Registrars, that person warrants that he has authority to do so on behalf of the Investor.

11. Supply and disclosure of information

If the Company or JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders) or any of their agents request any information about an Investor's agreement to purchase or subscribe for Ordinary Shares, such Investor must promptly disclose it to them.

12. Miscellaneous

The rights and remedies of the Company, JPMorgan Cazenove and the Underwriters under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them, and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally, to JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders):

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to JPMorgan Cazenove or the Registrars.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the Ordinary Shares which such Investor has agreed to purchase or subscribe for have been issued or transferred to such Investor.

The contract to and the appointments and authorities to purchase or subscribe for Ordinary Shares mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, JPMorgan Cazenove and the Underwriters, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to purchase or subscribe for Ordinary Shares, references to an Investor in these terms and conditions are to each of such Investors and Investors' liability is joint and several.

The Company and JPMorgan Cazenove (on behalf of itself and as agent for the Company and the Selling Shareholders) expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before the Placing Price and allocations are determined.

PART XIV – ADDITIONAL INFORMATION

1 Incorporation and status of the Company

- 1.1 The Company was incorporated and registered in England and Wales on 5 December 2006 with registered number 06019466, under CA 1985 as a public company limited by shares, with the name PV Crystalox Solar PLC.

The registered office of the Company and its principal place of business is Brook House, 174 Milton Park, Abingdon, Oxfordshire, OX14 4SE, United Kingdom, telephone number +44 (0) 1235 110 044.

- 1.2 The principal activities of the Company are as described in Part VII of this document.
- 1.3 The principal pieces of legislation under which the Company operates are the Companies Acts, which govern the Company's corporate affairs.
- 1.4 The Company is the holding company of the Group. The significant subsidiaries of the Company are set out in the table below:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>General nature of business</i>	<i>Percentage ownership</i>
PV Crystalox Solar AG	Germany	Holding company	100
Crystalox Solar Limited	England and Wales	Holding company	100
PV Silicon Forschungs- und Produktions AG	Germany	Operating company	100
Crystalox Limited	England and Wales	Operating company	100
Crystalox Japan KK	Japan	Distributor	100*

*There are also issued preference shares in Crystalox Japan KK but they do not have voting rights.

2 Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, one of which was issued to each of Luciene James Limited and The Company Registration Agents Limited, the subscribers to the memorandum of association. On 20 December 2006, one subscriber share was transferred to Peter Finnegan and the other to Iain Dorrity.
- 2.2 On incorporation the Company both re-designated and increased its share capital. 49,998 ordinary shares of £1 each were re-designated as redeemable shares of £1 each. The authorised share capital of the Company was increased by the creation of 7,950,000 ordinary shares of £1 each. This resulted in the Company having an authorised share capital of £8,000,000 divided into 7,950,002 ordinary shares of £1 each and 49,998 redeemable shares of £1 each.
- 2.3 In December 2006, the Company made an offer to each of the shareholders of PV Crystalox Solar AG to purchase all of their shares in PV Crystalox Solar AG in exchange for the issue to them of an equivalent number of shares in the Company. On 5 January 2007, the Company issued 5,625,000 ordinary shares of £1.00 each to Dr. Iain Dorrity, Dr. Barry Garrard, Greaves Trust, Stuart Oldham, Edward Hesford and Graham Young in exchange for an equivalent number of shares in PV Crystalox Solar AG held by them. On 10 May 2007, the Company issued a further 1,875,000 ordinary shares of £1.00 each to the remaining shareholders in PV Crystalox Solar AG, again, in consideration for an equivalent number of shares in PV Crystalox Solar AG held by them. Except for the two ordinary shares of £1.00 each issued for cash at incorporation, the remaining 7,500,000 issued ordinary shares of £1.00 each in the Company were issued in exchange for shares in PV Crystalox Solar AG.
- 2.4 By a series of ordinary and special resolutions passed at the extraordinary general meeting of the Company held on 21 May 2007:
- 2.4.1 each ordinary share of £1.00 in the capital of the Company (both issued and un-issued) was sub-divided into 50 ordinary shares of 2p each;

2.4.2 conditional upon, and immediately prior to, Admission becoming effective:

- (a) the authorised ordinary share capital of the Company was increased from £7,950,002 to £12,000,000 by the creation of an additional 202,499,900 Ordinary Shares;
- (b) the Directors were generally and unconditionally authorised pursuant to section 80 CA 1985 to allot relevant securities up to a maximum nominal amount equal to the nominal amount of the authorised but unissued ordinary share capital of the Company immediately following the increase in authorised share capital referred to above becoming effective, provided that in the case of any allotment, other than allotments in connection with or incidental to the Placing, the authority is limited to the allotment of relevant securities up to a maximum aggregate nominal amount equal to the aggregate nominal amount representing one-third of the issued and fully paid share capital of the Company immediately following Admission, such authority to expire on the date of the next Annual General Meeting of the Company or on the date falling 15 months after the passing of the resolution, whichever is earlier (but the Company would be able before such expiry to make an offer or agreement which would or may require relevant securities to be allotted after such expiry);
- (c) the Directors were generally and unconditionally authorised pursuant to section 95 CA 1985 to allot equity securities (within the meaning of section 94 CA 1985) for cash, pursuant to the authority referred to in paragraph 2.4.2(b) above, as if sub-section (1) of section 89 CA 1985 did not apply to any such allotment, provided that this power is limited to the allotment of:
 - (i) Ordinary Shares for the purposes of the Placing;
 - (ii) equity securities in connection with a rights issue, or other *pro rata* issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of the holders of Ordinary Shares are proportional (as nearly as may be) to the respective numbers of Ordinary Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and
 - (iii) the allotment (otherwise than pursuant to (i) and (ii) above) of equity securities up to an aggregate nominal amount equal to five per cent. of the nominal value of the ordinary share capital of the Company in issue immediately following Admission,

such, authority to expire on the date of the next Annual General Meeting of the Company or on the date falling 15 months after the passing of the resolution, whichever is earlier (but the Company would be able before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry);

- (d) the Articles referred to in paragraph 3 of this Part XIV were adopted as the new articles of association of the Company.

2.5 The authorised and issued share capital of the Company as at 31 December 2006, being the date of the most recent balance sheet included in Part IX of this document, was as follows:

<i>Authorised</i>		<i>Class of Share</i>	<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
7,950,002	£7,950,002	Ordinary	2	£2
49,998	£49,998	Redeemable	49,998	£49,998*

*The redeemable shares were only one quarter paid up.

The redeemable shares were redeemed on 5 June 2007 at par value of £1 per redeemable share.

- 2.6 The authorised and issued share capital of the Company as at the date of this document is as follows:

<i>Authorised</i>		<i>Class of Share</i>	<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
600,000,000	£12,000,000	Ordinary	375,000,100	£7,500,002

- 2.7 The authorised and issued share capital of the Company, as it is expected to be immediately following the Placing and Admission (assuming no exercise of the Over-allotment Option), will be as follows:

<i>Authorised</i>		<i>Class of Share</i>	<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
600,000,000	£12,000,000	Ordinary	416,725,335	8,334,506.7

- 2.8 The New Ordinary Shares to be issued pursuant to the Placing were issued pursuant to a resolution of the Board dated 5 June 2007, conditional upon Admission.
- 2.9 The New Ordinary Shares will be issued on Admission credited as fully paid up and free from all liens, charges, encumbrances and other third party rights and will rank in full for all dividends and other distributions declared, paid or made by the Company after Admission.
- 2.10 The Ordinary Shares (including the Sale Shares) have been created under the CA 1985 and the New Ordinary Shares will also be created under the CA 1985.
- 2.11 Save as disclosed in the foregoing sub-paragraphs of this paragraph 2 and in paragraph 6 of this Part XIV below:
- 2.11.1 there are no acquisition rights or obligations over unissued share capital or an undertaking to increase the issued share capital;
- 2.11.2 no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option; and
- 2.11.3 there is no present intention to issue any of the authorised but unissued share capital of the Company.
- 2.12 The Ordinary Shares are all in registered form and subject to the provisions of the CREST Regulations, the Directors may permit the holding of any shares in certificated form. The Ordinary Shares have been issued by the Board under CA 1985 and are subject to the transfer restrictions more fully described in paragraph 7 of Part XIII of this document.
- 2.13 The ISIN number for the Ordinary Shares is GB00B1WSL509.
- 2.14 There are no Ordinary Shares not representing capital.
- 2.15 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at 5 June 2007 (being the latest practicable date before the publication of this document).
- 2.16 Commission is payable to JPMorgan Cazenove and the Underwriters under the Underwriting Agreement, as described in paragraph 11.1 of this Part XIV below. Save as aforesaid, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

3 Memorandum and Articles of Association

The memorandum of association of the Company provides that the Company's principal object is to carry on business as a general commercial company.

The Articles, which, conditional upon Admission occurring, were adopted by a special resolution of the Company passed on 21 May 2007, include provisions to the following effect:

3.1 *Voting rights*

Subject to the provisions of the Companies Acts, to any special terms as to voting on which any shares may have been issued or may from time to time be held and any suspension or abrogation of voting rights pursuant to the Articles, at a general meeting of the Company every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the shareholders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him, unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company or if he, or any other person appearing to be interested in such shares, has been issued with a notice pursuant to section 793 of CA 2006 (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by such notice within 14 days from the service of the notice.

3.2 *Dividends*

Subject to the provisions of the Companies Acts and of the Articles, 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.

Subject to the provisions of the Companies Acts, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends should be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld if such shares represent at least 0.25 per cent. in nominal value of their class and the holder, or any other person appearing to be interested in those shares, has been duly served with a notice under section 793 of CA 2006 and has failed to supply the information required by such notice within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

3.3 *Distribution of assets on a winding-up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide *in specie* among the members (excluding any member holding treasury shares) the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the dividend shall be carried out as between the members or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

3.4 *Transfer of shares*

Subject to any applicable restrictions in the Articles, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of only one class of shares;
- (c) it is in favour of a single transferee or not more than four joint transferees;
- (d) it is duly stamped (if so required); and
- (e) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed, in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under section 793 of CA 2006, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or is in consequence of a *bona fide* sale to an unconnected party.

If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal within two months after the date on which the transfer was lodged with the Company.

No fee should be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any share.

3.5 *Variation of rights*

Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the class.

The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the Companies Acts and the Articles.

3.6 *General meetings*

All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting may also be convened by members pursuant to section 368 CA 1985.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

The notice shall specify the day, time and place of the meeting and the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special or extraordinary resolution, the notice shall specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be. The notice shall specify the right of a member entitled to attend and vote to appoint one or more proxies to attend and, on a poll, vote instead of the member and the proxy need not also be a member. The notice must also be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the Auditors. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy and have access to all documents which are required by the Companies Acts or the Articles to be made available at the meeting.

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting. The Chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting. Any proxy appointed by a member shall also, with the permission of the Chairman of the meeting, be entitled to speak at any general meeting.

No business shall be transacted at any general meeting unless a quorum is present. Two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.

A resolution put to a vote of the meeting should be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by the Chairman, at least five members having the right to vote at the meeting, a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or member or members holding shares conferring the right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to any other votes that he may have.

The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

- (a) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the principal place); and
- (b) make arrangements for simultaneous attendance and participation at other places by Shareholders otherwise entitled to attend the general meeting or who wish to attend at any of such other places, provided that persons attending at the principal place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the principal place.

The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

3.7 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Companies Acts, to create and issue debentures and other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.8 *Alteration of share capital*

Subject to the provisions of the Companies Acts, the Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide all or any of its shares into shares of a smaller amount. The Company may also, subject to the provisions of the Companies Acts and to any rights for the time being attached to any shares and to any requirements, purchase its own shares and, by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any way.

3.9 *Issue of shares*

Subject to the provisions of the Companies Acts and to any special rights for the time being attached to any shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine, and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the Articles.

Subject to the provisions of the Companies Acts and to any relevant authority of the Company in general meeting required by the Companies Acts, the unissued shares at the date of adoption of the Articles and any shares created thereafter shall be at the disposal of the Board.

3.10 *Directors' fees*

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding in aggregate £500,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provision of the Articles and shall accrue from day to day.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board or any committee authorised by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director.

3.11 *Pensions and gratuities for Directors*

The Board, or any committee authorised by the Board, may exercise all the powers of the Company to provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company or any company in the Group and their relatives or dependants.

3.12 *Directors' interests in contracts*

Subject to the provisions of the Companies Acts and provided that his interest is disclosed at a meeting of the Board in accordance with the Articles, a Director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) in conjunction with holding the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, and may be a Director or other officer of, or employed by, or a party to any

transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal. No such contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any such interest or benefit.

3.13 *Restrictions on Directors' voting*

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of CA 1985) is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company), unless the resolution concerns any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- (d) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (e) any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest (as the term is used in Part 22 CA 2006) in one per cent. or more of the issued equity share capital of any class of such body corporate nor to his knowledge hold one per cent. or more of the voting rights available to members of such body corporate;
- (f) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (g) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors; or
- (h) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

3.14 *Age of Directors*

No person shall be disqualified from being appointed or reappointed a Director and no Director should be required to vacate that office, by reason of the fact that he has attained the age of 70 years or any other age, nor shall any special notice under CA1985 be required in connection with the appointment

or the approval of the appointment of such person and no director who is of the age of 70 or more shall be required to retire. When a general meeting of the Company is convened at which, to the knowledge of the Board, a Director will be proposed for appointment or re-appointment who will at the date of the meeting be 70 or more, the Board shall give notice of his age in a notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so shall not invalidate any proceedings or any appointment or re-appointment of that Director at that meeting.

3.15 *Number of Directors*

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall be not more than nine or not less than two.

3.16 *Directors' appointment and retirement*

Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting. A Director shall not be required to hold any shares in the Company.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was elected. In addition, any Director who has been with the Company (other than the Chairman and any Director holding executive office) for a continuous period of nine years or more at the date of the meeting shall also retire. A retiring Director shall be eligible for re-election.

3.17 *Untraced shareholders*

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

3.18 *Non-United Kingdom shareholders*

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

3.19 *CREST*

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

3.20 *Indemnity of officers*

Subject to the provisions of the Companies Acts, but without prejudice to any indemnity to which he might otherwise be entitled, every Director, alternate Director, Secretary or other officer of the Company (except the Auditors) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company.

3.21 *Lien and forfeiture*

The Company shall have a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether presently or not) in respect of that share and to be extent

and in the circumstances permitted by the Companies Acts. The Board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on members in respect of any monies unpaid on their shares, subject to the terms of allotment of the shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not to be complied with the shares in respect of which the call was made is liable to be forfeited.

3.22 *Conversion provisions*

The Articles do not contain any provisions relating to conversion of the ordinary shares.

4 **The Takeover Code (mandatory bids, squeeze-out and sell-out rules)**

The Takeover Code is issued and administered by the Takeover Panel. The Company is subject to the Takeover Code and therefore its shareholders are entitled to the protection afforded by it.

4.1 *Mandatory bid*

Under Rule 9 of the City Code when (i) a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent., or more of the voting rights of a company subject to the City Code, or (ii) an person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent., of the voting rights of a company, but does not hold shares carrying more than 50 per cent., of the voting rights of the company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class or transferable securities carrying voting rights.

4.2 *Squeeze-out*

Under the Companies Act 2006, an offeror which makes a takeover offer for the Company has the right to buy out minority Shareholders where it has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. It would do so by sending a notice to the outstanding minority Shareholders telling them that it will compulsorily acquire their shares. Such notice must be sent within three months of the last day on which the offer can be accepted. The squeeze-out of the minority Shareholders can be completed at the end of six weeks from the date the notice has been given, following which the offeror can execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding minority Shareholders. The consideration offered to the outstanding minority Shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

4.3 *Sell-out*

The Companies Act 2006 also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer for the Company, provided that

at any time before the end of the period within which the offer can be accepted, the offeror has acquired (or unconditionally contracted to acquire) not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights in the Company. A minority Shareholder can exercise this right by a written communication to the offeror at any time until three months after the period within which the offer can be accepted. An offeror would be required to give the remaining Shareholders notice of their rights to be bought out within one month from the end of the period in which the offer can be accepted. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5 Directors and Senior Management of the Company

- 5.1 The Directors and Senior Management, their respective functions within the Company and brief biographies are set out in Part VII of this document.
- 5.2 During the five years immediately prior to the date of this document, other than in respect of the companies in the Group, the Directors and Senior Management have held or currently hold the following directorships and/or are or were partners of the following partnerships:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Former directorships and partnerships</i>
Maarten Henderson	Getronics N.V.	E-Plus Mobilfunk Geschäftsführungs GmbH KPN N.V. KPN Mobile N.V. KPNQwest N.V. Maarten-Henderson Stamrecht B.V. NUON N.V.
Dr. Iain Dorrity	None	None
Dr. Hubert Aulich	None	None
Dr. Peter Finnegan	None	None
John Sleeman	OJSC Power Machines JSC Open Investments S.P. Angel Corporate Finance LLP	HSBC Plc HSBC Securities and Capital Markets (India) Private Limited HSBC Investment Company (Egypt) S.A.E
<i>Senior Management</i>	<i>Current directorships and partnerships</i>	<i>Former directorships and partnerships</i>
Dr. Barry Garrard	None	None
Dr. Friedrich-Wilhelm Schulze	None	None
Eizo Watanabe	None	None

5.3 Further Information

- 5.3.1 Maarten Henderson served on the Supervisory Board of KPNQwest N.V. ("KPNQ") from 16 May 2001 until 30 November 2001. On 23 May 2002, KPNQ applied for suspension of payments under the Dutch Bankruptcy Act, which was provisionally granted on the same day. On 31 May 2002, the bankruptcy of KPNQ was ordered.
- 5.3.2 Save as disclosed in paragraph 5.3.1, none of the Directors or Senior Management has:
- (a) any unspent convictions in relation to indictable offences; or

- (b) ever been declared bankrupt or been the subject of an individual voluntary arrangement; or
- (c) ever been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed or entered into compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors; or
- (d) ever been a partner within a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, entered into compulsory liquidation, administration or a partnership voluntary arrangement; or
- (e) owned any asset which has been placed in receivership or been a partner in a partnership whose assets have been placed in receivership while he was a partner or within the 12 months preceding such event; or
- (f) been the subject of any public criticism by statutory or regulatory authorities (including recognised professional bodies) nor has any of them ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6 Directors', Senior Management's and others' interests

6.1 The interests of the Directors and Senior Management and of any persons connected with them (within the meaning of section 346 Companies Act 1985) in the share capital of the Company as at 5 June 2007 (being the latest practicable date before publication of this document) and as expected to be immediately following Admission are as follows:

Name	As at the date of this document		Immediately after Admission*	
	Current			
	Number of Ordinary Shares	percentage ownership of issued Ordinary Share capital	Number of Ordinary Shares	Percentage ownership of Enlarged Issued Share Capital
Maarten Henderson	—	—	—	—
Dr Iain Dorrity	61,875,050	16.5	46,406,288	11.14
Dr Hubert Aulich	15,937,500	4.25	11,953,125	2.87
Dr Peter Finnegan	3,750,050	1.0	2,812,538	0.67
John Sleeman	—	—	—	—

*Assuming no exercise of the Over-allotment Option.

Name	As at the date of this document		Immediately after Admission	
	Current			
	Number of Ordinary Shares	percentage ownership of issued Ordinary Share capital	Number of Ordinary Shares	Percentage ownership of Enlarged Issued Share Capital
Dr. Barry Garrard	58,781,250	15.67	44,085,938	10.58
Dr. Friedrich-Wilhelm Schulze	15,937,500	4.25	11,953,125	2.87
Eizo Watanabe	—	—	—	—

6.2 All the above interests are beneficial.

6.3 At the date of this document, none of the Directors or Senior Management have any options over Ordinary Shares.

- 6.4 As as at 5 June 2007 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons are interested, or will immediately after Admission be interested, directly or indirectly, in 3 per cent. or more of the issued ordinary share capital of the Company:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately after Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Current percentage ownership of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage ownership of Enlarged Issued Share Capital</i>
Heirs of Mr Robin Greaves	58,781,250	15.67	20,445,662	4.91
Mr Stuart Oldham	37,500,000	10.0	28,125,000	6.75
Ventizz Capital Fund II, LP	34,687,500	9.25	17,343,750	4.16
Mr Edward Hesford	26,718,750	7.12	20,039,063	4.81
Mr Graham Young	26,718,750	7.12	20,039,063	4.81
Mrs Sibylle Karin Andreae-Renz	15,937,500	4.25	15,937,500	3.82
Ventizz Capital Partners AG	11,250,000	3.0	1,467,392	0.35

- 6.5 None of the above major Shareholders will have, following the Placing, any different rights than the holders of Ordinary Shares generally.
- 6.6 Save as disclosed above, there are no persons, so far as the Company is aware, who will immediately following Admission be interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital, nor, so far as the Directors are aware, are there any person or persons who are or, following Admission will or are likely to be, directly or indirectly, jointly or severally, able to exercise control over the Company.
- 6.7 There are no arrangements, so far as the Company is aware, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.8 Save as set out in this paragraph 6, none of the Directors or Senior Management, nor any persons connected with them (within the meaning of section 346 Companies Act 1985) are interested in the share or loan capital of the Company or any member of the Group.
- 6.9 Save for their capacities as persons legally and beneficially interested in Ordinary Shares as set out above there are:
- 6.9.1 no potential conflicts of interest between any duties to the Company of the Directors or Senior Management and their private interests and/or other duties;
- 6.9.2 no family relationships between any of the Directors and/or Senior Management; and
- 6.9.3 no arrangements or understandings with major shareholders, members, suppliers, or others pursuant to which any Director or Senior Management was selected.

7 Directors' and Senior Management's employment agreements and letters of appointment

- 7.1 The Executive Directors have each entered into employment agreements with the Company, details of which are as follows:
- 7.1.1 Dr. Iain Dorrity entered into a service agreement with the Company on 21 May 2007 appointing him as Chief Executive Officer, which is terminable on 12 months' written notice by either party. Dr. Dorrity is paid a gross salary of £212,000 per annum with employer pension contributions of a further 6 per cent. provided he contributes 3 per cent. of his gross salary. A bonus of up to 50 per cent. of his gross salary is payable in June each year subject to certain performance targets of the Group. Dr. Dorrity also has the benefit of a company car or a car

allowance (at his election) of £600 per month as well as cover for death in service, medical expenses insurance and income replacement. Dr. Dorrity is bound by post-termination of employment restrictive covenants in relation to competition, solicitation of customers and employees, each for a duration of 12 months post-termination. The Company has agreed to indemnify Dr. Dorrity in respect of any failure by him in his role as a director of the Company, subject to certain limitations, including compliance with laws and where a conviction, judgment or refusal of relief has become final.

- 7.1.2 Dr. Peter Finnegan entered into a service agreement with the Company on 21 May 2007 appointing him as Chief Financial Officer, which is terminable on 12 months' written notice by either party. Dr. Finnegan is paid a gross salary of £212,000 per annum with employer pension contributions of a further 6 per cent. provided he contributes 3 per cent. of his gross salary. A bonus of up to 50 per cent. of his gross salary is payable in June each year subject to certain performance targets of the Group. Dr. Finnegan also has the benefit of a company car or a car allowance (at his election) of £600 per month as well as cover for death in service, medical expenses insurance and income replacement. Dr. Finnegan is bound by post-termination of employment restrictive covenants in relation to competition, solicitation of customers and employees, each for a duration of 12 months post-termination. The Company has agreed to indemnify Dr. Finnegan in respect of any failure by him in his role as a director of the Company, subject to certain limitations, including compliance with laws and where a conviction, judgment or refusal of relief has become final.
- 7.1.3 Dr. Hubert Aulich entered into a service agreement with the Company on 21 May 2007 appointing him as Executive Director, German Operations, which is terminable on 12 months' written notice by either party. Dr. Aulich is paid a gross salary of €185,793 per annum. A bonus of up to 50 per cent. of his gross salary is payable in June each year subject to certain performance targets of the Group. Dr. Aulich also has the benefit of a company car or a car allowance (at his election) of £600 per month as well as cover for death in service, medical expenses insurance and income replacement. Dr. Aulich is bound by post-termination of employment restrictive covenants in relation to competition, solicitation of customers and employees, each for a duration of 12 months post-termination. Dr. Aulich has a pension claim amounting to €5,000 per month after his 65th birthday. The Company has agreed to indemnify Dr. Aulich in respect of any failure by him in his role as a director of the Company, subject to certain limitations, including compliance with laws and where a conviction, judgment or refusal of relief has become final.
- 7.2 The Non-executive Directors have each entered into letters of appointment with the Company, details of which are as follows:
- 7.2.1 Mr Henderson was appointed as a non-executive director and Chairman of the Company, with effect from Admission, pursuant to a letter of appointment dated 21 May 2007. The appointment is for an initial period of three years but is terminable in certain specified circumstances as well as on 6 months' notice by either party. Mr Henderson receives director's fees of £75,000 per annum and is required to devote between 40 and 50 days per annum to carry out the duties under this appointment. The Company has agreed to indemnify Mr Henderson in respect of any failure by him in his role as a director of the Company, subject to certain limitations, including compliance with laws and where a conviction, judgment or refusal of relief has become final.
- 7.2.2 Mr Sleeman was appointed as a non-executive director of the Company, with effect from Admission, pursuant to a letter of appointment dated 21 May 2007. The appointment is for an initial period of three years but is terminable in certain specified circumstances as well as on 6 months' notice by either party. Mr Sleeman receives director's fees of £37,500 per annum and is required to devote an average of 40 days per annum to carry out the duties under this appointment. The Company has agreed to indemnify Mr Sleeman in respect of any failure by him in his role as a director of the Company, subject to certain limitations, including compliance with laws and where a conviction, judgment or refusal of relief has become final.

7.3 The Senior Management have each entered into employment agreements with the Group, details of which are as follows:

7.3.1 With effect from 4 October 1982, Crystalox Limited entered into a service contract with Dr. Barry J Garrard appointing him as Technical Director, Executive Director. The contract may be terminated by either party on 6 months' notice. The salary payable to Dr. Garrard is £89,353 per annum. Dr. Garrard is entitled to participate in the Company pension scheme, and has the benefit of a company car. Dr. Garrard is bound by post-termination of employment restrictive covenants in relation to competition, solicitation of customers and solicitation of employees, each for a duration of 12 months post termination.

7.3.2 Dr. Schulze has entered into a service contract with PV Silicon that expired in 2005 but which is extended automatically for each period for which the supervisory board, with consent of Dr. Schulze, acknowledges his board membership. By a resolution dated 17 November 2005, the supervisory board has appointed Dr. Schulze as a member of the board for another five years from the date of the supervisory board resolution. The salary payable to Dr. Schulze is €95,713.84 per annum. A maximum bonus of €34,767.85 is payable, based on the operating profit achieved. Dr. Schulze has the benefit of a company car as well as cover for death and illness and a pension claim amounting to €5,000 per month after his 65th birthday.

7.3.3 There is no written employment or service agreement in place between Eizo Watanabe and any member of the Group.

7.4 The remuneration (including salaries, fees, pension contributions, bonus payments, consultancy fees and benefits in kind) granted to the Directors and Senior Management by any member of the Group for the year ended 31 December 2006 were as follows:

Dr. Iain Dorrity	£150,062 (€223,973)
Dr. Hubert Aulich	€205,034
Dr. Peter Finnegan	£149,114 (€222,558)
Dr. Barry Garrard	£148,335 (€221,396)
Dr. Friedrich-Wilhem-Schulze	€205,034
Eizo Watanabe	¥28,800,000 (€183,206)

It is estimated that for the year ended 31 December 2007, the remuneration of the Directors and Senior Management will be approximately £1,140,000.

7.5 The total amounts set aside by the Group to provide pension, retirement or similar benefits to the Directors and Senior Management for the financial year ended 31 December 2006 were €631,000.

7.6 Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and Senior Management and the Company which are not terminable within one year without payment of compensation (other than statutory compensation).

8 Employees

8.1 For each of the last three financial years ending 31 December 2006, the Group retained the following employees:

	<i>Year ending 31 December 2006</i>	<i>Year ending 31 December 2005</i>	<i>Year ending 31 December 2004</i>
Total number of employees	203	192	178
Geographical location:			
(i) United Kingdom	84	92	92
(ii) Germany	115	97	84
(iii) Japan	4	3	2

- 8.2 As at 5 June 2007, being the latest practicable date prior to the publication of this document, the Group employed 214 employees.

9 Summary of the principal features of the PV Crystalox Solar PLC Employee Benefit Trust (the “Employee Trust”)

- 9.1 The Employee Trust is a Jersey-based employee benefit trust, established on 18 January 2007, which has acquired, and may in the future acquire, Ordinary Shares for the benefit of the Group’s current and former employees and their spouses and children.
- 9.2 Once the Ordinary Shares have been admitted to trading, Ordinary Shares may be acquired by the trustee of the Employee Trust either by market purchase or by subscription. The trustee can hold or distribute Ordinary Shares or grant options over them.
- 9.3 The Employee Trust currently owes the sum of £5,700,000 to the Company under the terms of a loan agreement dated 18 January 2007. It is intended that the Employee Trust will be funded by way of loans and other contributions from the Company and will waive dividends on the Ordinary Shares which it holds.
- 9.4 The Employee Trust may not, at any time, hold more than 5 per cent. of the Ordinary Shares without the prior consent of the Company in general meeting. As at 5 June 2007, the Employee Trust held 7,125,000 Ordinary Shares.

10 Pension schemes

- 10.1 Crystalox Limited has put in place the Crystalox Group Personal Pension Scheme for its employees with effect from September 2005. The Crystalox Group Personal Pension Scheme is a group personal pension scheme with AXA which provides benefits on a defined contribution basis. Crystalox Limited makes contributions to the Crystalox Personal Pension Scheme in respect of its employees who are members, provided that such employees make a minimum level of contributions.
- 10.2 Crystalox Limited has also designated a stakeholder pension plan with AXA. Crystalox Limited is under no obligation to contribute to this stakeholder pension plan.
- 10.3 Crystalox Limited pays the full cost of a life assurance plan with AXA, which provides employees of Crystalox Limited with a tax-free lump sum on death in service.

11 Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by (a) members of the Group the Company within two years immediately preceding the date of this document and are, or may be, material to the Company, or (b) contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

11.1 Underwriting Agreement

On 6 June 2007, (1) the Company, (2) the Directors, (3) JPMorgan Cazenove, (4) the Underwriters and (5) the Selling Shareholders entered into the Underwriting Agreement pursuant to which JPMorgan Cazenove and Jefferies have agreed as agent for the Company and the Selling Shareholders to use their reasonable endeavours to procure subscribers or purchasers for, or failing which the Underwriters will acquire, at the Placing Price, the Ordinary Shares to be made available under the Placing.

The Underwriting Agreement contains, amongst others, the following further provisions:

- (a) the obligations of JPMorgan Cazenove and the Underwriters, are subject to certain conditions including, amongst others, Admission occurring by not later than 8.00 a.m. (London time) on 11 June 2007 (or such later time and/or date as JPMorgan Cazenove may agree with the

Company (not being later than 29 June 2007)). JPMorgan Cazenove and J.P. Morgan Securities Ltd may terminate the Underwriting Agreement in certain circumstances prior to Admission, including the occurrence of certain material changes in the condition (financial or otherwise) of the Company and certain changes in market and economic conditions (as more fully set out in the Underwriting Agreement);

- (b) the Company and the Selling Shareholders have agreed to pay to JPMorgan Cazenove and the Underwriters a commission of 3.25 per cent. of the amount equal to the product of the Placing Price and the number of Placing Shares and, if the Company so determines (in its sole discretion), to pay JPMorgan Cazenove an additional discretionary commission of 0.25 per cent. of the amount equal to the product of the Placing Price and the number of Placing Shares;
- (c) the Company has agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees and expenses of or in connection with, or incidental to, amongst other things, the Placing and/or Admission. The Company has agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees and expenses incurred by it in connection with, or incidental to, amongst other things the Placing, the Ordinary Shares to be sold pursuant to the Placing. In addition, the Company has, in certain circumstances, agreed to pay and/or reimburse the UK stamp duty or stamp duty reserve tax arising out of or in connection with the arrangements that are the subject of the Placing Agreement;
- (d) the Directors and the Employee Selling Shareholders have undertaken to JPMorgan Cazenove not to sell, transfer or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, directly or indirectly, any Ordinary Shares (or any interest in any Ordinary Shares or rights arising from such shares or attached to any such shares) or enter into any transaction with the same economic effect as any of the foregoing (including a derivatives transaction) at any time between the date of Admission and the date of publication of the Company's preliminary financial results for the year ending 31 December 2007 (the "First Period"), save in certain limited circumstances. They have also agreed to the same restrictions applying in relation to 50 per cent. of their holdings of Ordinary Shares for the period commencing after expiry of the First Period and ending on the date of publication of the Company's preliminary financial results for the year ending 31 December 2008 and during that period they may only sell the other 50 per cent. of their holding through the Company's broker;
- (e) the Non-Employee Selling Shareholders have undertaken to JPMorgan Cazenove not to sell, transfer or otherwise dispose of, directly or indirectly, any Ordinary Shares (or any interest in any Ordinary Shares or rights arising from such shares or attached to any such shares) or enter into any transaction with the same economic effect as any of the foregoing (including a derivatives transaction) at any time between the date of Admission and ending 180 days thereafter, save in certain limited circumstances; and
- (f) the Company, the Selling Shareholders and the Directors have given certain warranties to the Underwriters and, in addition, the Company and the Selling Shareholders have given certain indemnities to the Underwriters. The Company's liabilities are unlimited as to time and amount.

11.2 *Contract with Degussa for the supply of chlorosilanes*

On 25 January 2007, PV Silicon and Degussa GmbH ("**Degussa**") entered into an agreement whereby Degussa agreed to supply the Group with chlorosilane, a raw material which the Group requires for the production of silicon at its planned polysilicon production facility in Bitterfeld, Germany. The agreement has a minimum term until 31 December 2017.

Degussa will deliver the required chlorosilanes to the new plant via a pipeline from its adjacent plant in Bitterfeld.

Degussa may terminate the contract without prior notice if operations in the Bitterfeld plant have not commenced by 30 June 2009.

12 UK taxation

The information in this paragraph, which relates only to UK taxation, is applicable to persons who are resident or ordinarily resident in the UK for taxation purposes. It is based on current law and published practice (which may change), is given by way of general summary only and does not constitute legal or tax advice to any Shareholder. The information may not apply to certain classes of Shareholder, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their Ordinary Shares or who hold their Ordinary Shares otherwise than as investments. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares they should seek advice from their own professional advisers.

Taxation of Shareholders on a disposal of Ordinary Shares

Any gains on a disposal (which includes a disposal on a winding-up) of Ordinary Shares by UK resident or ordinarily resident Shareholders (other than those holding Ordinary Shares as dealing stock who are subject to separate rules) may give rise to a liability to UK taxation on capital gains. An individual will be taxed on such a gain at 10 per cent., 20 per cent. or 40 per cent. for gains below the starting rate limit, between the starting rate limit and the basic rate limit and above the basic rate limit respectively, but this may be reduced by the annual exemption (£9,200 for the tax year 2007-2008) and taper relief, which will reduce the amount of chargeable gain according to how long (measured in complete years) the Ordinary Shares have been held. Corporate Shareholders may be entitled to an indexation allowance (which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in retail prices index).

Shareholders who are not resident or ordinarily resident in the UK for the purposes of UK taxation will not normally be liable to UK taxation on chargeable gains arising from a disposal of their Ordinary Shares unless they carry on a trade, profession or vocation in the UK through a branch, agency or permanent establishment in connection with which the Ordinary Shares are held. However, such Shareholders may be subject to foreign taxation depending upon their personal circumstances.

Taxation of Shareholders in respect of dividends

Under current UK law, no tax will be withheld by the Company when it pays a dividend. However, individual Shareholders resident in the UK (for tax purposes) will be entitled to a tax credit in respect of dividends paid by the Company at the rate of one ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and the associated tax credit (the "Tax Credit Amount"). Such Shareholders will be liable to income tax (if at all) on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the dividend ordinary rate (10 per cent. in 2007-2008) or, in the case of higher rate taxpayers, the dividend upper rate (32.5 per cent. in 2007-2008). The Tax Credit Amount will be offset against their total income tax liability. Taxpayers who, after taking into account dividend income, are liable to UK income tax at only the starting or basic rate will have no further liability to income tax.

No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends received from the Company.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of definitive certificates (unless they are issued to persons to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply at the rate of 1.5 per cent. of the Placing Price). Any transfer of Ordinary Shares will be liable to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) or (if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped transfer) stamp duty reserve tax at the rate of 0.5 per cent. of the actual consideration paid. Liability to pay any stamp duty or stamp duty reserve tax is generally that of the purchaser or transferee.

Special rules apply to agreements made by market makers and broker-dealers in the ordinary course of their business.

Paperless transfers of Ordinary Shares within CREST are liable to stamp duty reserve tax (usually at the rate at 0.5 per cent. of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the system or reported through it for regulatory purposes is collected by CREST.

Individual Savings Accounts (“ISAs”) and Personal Equity Plans (“PEPS”)

Ordinary Shares in the Company will be eligible to be held in the stocks and shares component of an ISA or an existing PEP, as the Ordinary Shares in the Company will be listed on a recognised stock exchange.

Self Invested Personal Pension schemes (“SIPPs”)

Ordinary Shares in the Company will be permitted investments for the purposes of a SIPP.

13 Working capital

In the opinion of the Company, taking account of the net proceeds of the Placing, the working capital available to the Group is sufficient for the Group’s present requirements, that is, for at least the next 12 months following the date of this document.

14 Litigation

No member of the Group is, nor has at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company’s or the Group’s financial position or profitability.

15. No significant change

There has been no significant change in the financial or trading position of the Company since 31 December 2006, the date to which the latest audited financial information on the Company (as set out in Part IX of this document) was prepared.

16 Consents

- 16.1 KPMG LLP of Arlington Business Park, Theale, Reading RG7 4SD, United Kingdom has given and not withdrawn its written consent to the inclusion of its reports on the Historical Financial Information in Part IX and its report on the Pro Forma Balance Sheet set out at Part X of this document, and to the references to its name in the form and context in which it appears and has authorised the contents of their reports for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules and item 23.1 of Annex I of Commission Regulation (EC) 809/2004.
- 16.2 JPMorgan Cazenove of 20 Moorgate, London, EC2R 6DA, United Kingdom has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.
- 16.3 The Directors confirm that all information sourced from a third party and included in this document has been accurately reproduced and that so far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17 General

- 17.1 The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, save in relation to the application for Admission, no applications for such admission have been made.

- 17.2 Save as disclosed herein, the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business.
- 17.3 The Company is not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 17.4 The total costs and expenses of the Placing, which are payable by the Company, are estimated to amount to approximately €7 million (including VAT). Accordingly, the net proceeds of the Placing (after deduction of expenses and the commission payable to JPMorgan Cazenove) are estimated at approximately €73 million.
- 17.5 The financial information set out in Part IX of this document has been prepared for the purposes of inclusion in this document and the Directors are responsible for its preparation. KPMG LLP has reported on this financial information and its report to the Directors is set out in Part IX. The auditors to the Company for the financial periods ended 31 December 2006, 2005 and 2004 were Grant Thornton UK LLP of Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP, United Kingdom who are members of the Institute of Chartered Accountants in England & Wales.

18 Documents on display

Copies of the following document will be available for inspection at the offices of Norton Rose, 3 More London Riverside, London SE1 2AQ, United Kingdom during normal business hours on any week day, Saturdays and public holidays excepted, for a period of not less than 14 days following Admission:

- 18.1 the memorandum and articles of association of the Company;
- 18.2 the reports from KPMG LLP which are set out in Part IX and Part X of this document;
- 18.3 the written consents referred to in paragraph 16 of this Part XIV; and
- 18.4 this document.

Dated 6 June 2007

PART XV – DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	admission of the entire issued ordinary share capital of the Company to the Official List and to trading on London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Rules
“Admission and Disclosure Rules”	the requirements contained in the publication “Admission and Disclosure Standards” dated July 2005 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on London Stock Exchange’s main market for listed securities
“Articles”	the articles of association of the Company from time to time
“Board” or “Directors”	the board of directors of the Company
“CA 1985”	the Companies Act 1985
“CA 2006”	the Companies Act 2006
“Companies Acts”	CA 1985 and CA 2006
“Combined Code”	the “Combined Code on Corporate Governance” published in June 2006 by the Financial Reporting Council
“Company” or “Crystalox”	PV Crystalox Solar PLC
“CREST”	the UK based system for the paperless settlement of trades in listed securities, of which CRESTCo Limited is the operator
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Employee Selling Shareholders”	the existing Shareholders who are selling Ordinary Shares in the Placing pursuant to the Underwriting Agreement who are employees of the Group
“EPIA”	European Photovoltaic Industry Association
“Enlarged Issued Share Capital”	the share capital of the Company immediately following Admission, consisting of the existing Ordinary Shares and the New Ordinary Shares
“EU”	the European Union
“Executive Directors”	the executive Directors of the Company, Dr. Iain Dorrity, Dr. Hubert Aulich and Dr. Peter Finnegan
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and all or any of its subsidiary undertakings
“IFRS”	International Financial Reporting Standards
“Jefferies”	Jefferies International Limited
“JPMorgan Cazenove”	JPMorgan Cazenove Limited

“Listing Rules”	the rules relating to admission to the Official List made in accordance with section 73(A)(2) of FSMA
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 41,725,235 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Non-Employee Selling Shareholders”	the existing Shareholders who are selling Ordinary Shares in the Placing pursuant to the Underwriting Agreement who are not employees of the Group
“Non-executive Directors”	the non-executive Directors of the Company, Maarten Henderson and John Sleeman
“Official List”	the Official List of the FSA
“Order”	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
“Ordinary Shares”	the ordinary shares of 2 pence each in the capital of the Company
“Over-allotment Option”	the option granted to JPMorgan Cazenove, in its capacity as Stabilisation Manager, by the Over-allotment Shareholders to purchase, or procure purchasers for, up to 19,089,995 additional Ordinary Shares as described in paragraph 3 of Part XIII of this document
“Over-allotment Shareholders”	the Selling Shareholders
“Panel”	the Panel on Takeovers and Mergers in the United Kingdom, and any successor thereof or replacement thereto
“Placing”	the conditional placing of the Placing Shares by JPMorgan Cazenove at the Placing Price pursuant to the Underwriting Agreement
“Placing Price”	130 pence per Ordinary Share
“Placing Shares”	the New Ordinary Shares and the Sale Shares allocated under the Placing
“Principal Shareholders”	the existing Shareholders other than Ventizz Capital Fund II, LP, Ventizz Capital Partners AG, the Heirs of Mr Robin Greaves and Mrs Sibylle Karin Andreae-Renz
“Prospectus Directive”	EU Prospectus Directive (2003/71/EC)
“Prospectus Rules”	the rules made for the purposes of Part X of FSMA in relation to offers of securities to the public and admission of securities to trading on regulated markets
“PV Silicon”	PV Silicon Forschungs – und Produktions AG
“Qualified Investors”	persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
“Regulation S”	Regulation S under the Securities Act
“Relevant Persons”	Qualified Investors in the United Kingdom who are persons who have professional experience in matters relating to investments

	falling with Article 19(5) of the Order or who are high net worth entities falling within Article 49 of the Order, and other persons to whom the Placing may otherwise lawfully be communicated
“Sale Shares”	the 127,266,656 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing
“Securities Act”	the United States Securities Act of 1933, as amended
“Selling Shareholders”	the Employee Selling Shareholders and the Non-Employee Selling Shareholders
“Shareholders”	the holders of Ordinary Shares
“Stabilisation Manager”	JPMorgan Cazenove
“Takeover Code”	the City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the Panel or any successor to or replacement thereof from time to time issued by or on behalf of the Panel or, for the avoidance of doubt, a successor thereto or replacement thereof
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	accounting principles generally accepted in the UK
“UK Listing Authority” or “UKLA”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part X of FSMA
“Underwriters”	together J.P. Morgan Securities Ltd and Jefferies
“Underwriting Agreement”	the underwriting agreement entered into between the Company, the Directors and the Selling Shareholders with JPMorgan Cazenove and the Underwriters on 6 June 2007, as described in paragraph 11.1 of Part XIV of this document
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia

PART XVI – GLOSSARY OF TECHNICAL TERMS

“efficiency”	the efficiency of a solar cell or solar module is the fraction of the sun’s radiant energy which is converted directly into electrical energy.
“ingots”	ingots are either silicon single crystals in cylindrical form or square multi-crystalline silicon slabs created in special crystallisation plants. Prior to being cut into wafers, the multi-crystalline ingots are trimmed and cut into smaller blocks.
“µm”	micron – a unit of length equal to one millionth of a metre.
“MT”	metric tonnes.
“photovoltaic” or “PV”	photovoltaic or PV is the scientific term describing the conversion of solar energy into electricity, generally by the production of electric current at the junction of two substances exposed to light.
“silicon”	silicon is found most frequently in its oxide form (sand). In its purified form, silicon is the most important material for the production of semiconductors (chips) and solar cells.
“solar cells”	solar cells are most commonly fabricated from wafers of silicon which are chemically processed and screen printed with electrical contacts. When exposed to sunlight electricity is generated and extracted via contacts on the front and the back of the cell.
“solar module” or “module”	solar cells are linked together to form larger units called modules. Solar modules vary in size depending on output requirements. The cells are embedded in plastic and covered with a sheet of glass to protect them from adverse weather conditions such as rain or hail. Large modules are given the necessary rigidity via a metal frame.
“thin-film technology”	thin-film technology involves the production of solar cells by applying extremely thin semiconductor layers to inexpensive substrates such as glass or plastic.
“wafers”	wafers are thin slices of silicon used for making microelectronic chips and solar cells.
“wafer technology”	the production of solar cells from silicon wafers is the predominant technology in the photovoltaics industry.
“wire saws”	wire saws are used to cut crystalline silicon ingots and blocks into thin wafers. Modern wire saws are characterised by high productivity and low material waste.
“Wp”, “MWp” and “GWp”	Wp is short for “peak watt”, this expresses the peak output of solar cells, i.e. the output under optimum conditions, e.g. at noon on a cloudless summer day. A silicon solar cell measuring 125 mm × 125 mm generates approximately 2.35 watts under such conditions. The terms MWp (mega peak watt) and GWp (giga peak watt) are also used; 1 MWp equals a peak output of 1 million watts and 1 GWp 1,000 million watts.



PV Crystalox Solar
Brook House
174 Milton Park
Abingdon
Oxfordshire
OX14 4SE
United Kingdom

Tel: +44 (0)1235 437160
Fax: +44 (0)1235 770111
info@crystalox.com
sales@crystalox.com