Q.CELLS

PROGRESS

ANNUAL REPORT 2010

CONTENTS

KEY FIGURES 2010

IFRS		2010	2009 [1]	Change %
Income				
Revenues	€ million	1,354.2	790.4	71.3
Export ratio	%	50.5	42.4	–
Total output	€ million	1,524.6	832.9	83.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	182.2	–209.0	–
Operating income (EBIT)	€ million	82.3	–362.5	–
Earnings before taxes (EBT)	€ million	112.3	–455.0	–
Net income for the period (after minorities)	€ million	18.9	–1,342.9	–
from continuing operations	€ million	90.9	–370.8	–
from discontinued operations	€ million	–72.0	–972.1	–
Return on capital employed (ROCE) [2]	%	7.2	–	–
Financial position				
Cash flow from operating activities	€ million	70.2	–109.9	–
Capital expenditure [3]	€ million	118.7	310.2	–61.7
Cash flow from investing activities	€ million	–22.2	45.4	–
Free cash flow [4]	€ million	48.0	–64.5	–
Cash flow from financing activities	€ million	–87.4	263.0	–
Production				
Capacity solar cells (p.a.) [5]	MWp	1,100	800	37.5
Production solar cells	MWp	939	537	74.9
Capacity thin-film modules (p.a.) [5] [6]	MWp	135	30	350.0
Production thin-film modules [6]	MWp	75	14	435.7
		31 Dec. 2010	**31 Dec. 2009 [1]**	
Asset position				
Cash and cash equivalents	€ million	473.9	411.9	15.1
Net financial receivables (+)/net financial debt (–) [7]	€ million	–330.7	–503.7	–34.3
Net Working capital [8]	€ million	339.8	374.5	–9.3
Capital employed (CE) [9]	€ million	1,151.1	1,147.8	0.3
Shareholders' equity	€ million	882.7	737.0	19.8
Equity ratio	%	40.5	33.1	–
Gearing [10]	%	37.5	68.3	–
Total assets	€ million	2,179.4	2,227.7	–2.2
Employees continuing operations	number	2,379	2,421	–1.7

1) Changed due to an error correction in accordance with IAS 8.
2) EBIT/Capital employed (average).
3) Capital expenditure on intangible assets + Capital expenditure on property, plant and equipment.
4) Cash flow from operating activities + Cash flow from investing activities.
5) At the end of the respective period.
6) Solibro (Q.SMART).
7) Cash and cash equivalents – Convertible bonds – Profit participation capital – Non-current borrowings – Current borrowings and profit participation capital.
8) Inventories + Trade accounts receivable + Financial assets accounted for using the equity method (only systems business) + Other current financial assets (only operating business) – Trade accounts payable – Other financial liabilities (previous year partly) – Other current liabilities (systems business, miscellaneous accrued liabilities and advance payments received).
9) Shareholders' equity – Net financial receivables respectively + net financial debt – Financial assets accounted for using the equity method.
10) Net financial receivables respectively net financial debt/Shareholders' equity.

MARKET SEGMENTS

TARGET GROUPS		BRANDED OEM (CELLS) Module manufacturers	PRIVATE ROOFTOPS AND IN-ROOF-ARRAYS Distributors, large installers	ROOFTOP ARRAYS ON SMALL COMMERCIAL AND INDUSTRIAL BUILDINGS Large C & I, segment integrators	LARGE SOLAR POWER PLANTS AND SYSTEMS Utility, customers/IPP's
PRODUCTS					
Solar cells	Mono	✓			
	Multi	✓			
Solar modules	Q.PEAK *		✓		
	Q.SMART		✓	✓	
	Q.PRO			✓	
	Q.BASE			✓	✓
Solar systems				✓	✓

✓ Product utilisation per segment.
* Introduction planned for the second half-year 2011.

2010 RESULTS

Target	What we achieved in 2010
Building up our innovative product portfolio for all photovoltaic applications	• We have added to our product portfolio and offer solutions for all applications. • We have successfully launched our crystalline Q.PRO and Q.BASE solar modules on the market. • Our Q.SMART thin-film modules have achieved a record-breaking level of efficiency. • We have upped our production volume significantly: 2010 saw the production of solar cells and modules with a total volume of over 1 GWp for the first time.
Moving into new markets	• We have made a successful entry into the market segments Residential and Commercial & Industrial: 27 % of our sales in 2010 came from new business openings for our solar modules and systems. • We have expanded the systems business around the world and improved our processes. • We have identified important up-and-coming markets and established a global sales structure with a presence in local markets. In 2010, Q-Cells opened more national branches in Australia and India.

2010 NEW ENERGY RELIABLE POWER

1. NEW PRODUCTS
2. NEW MARKETS
3. NEW DEVELOPMENTS

2010

NEW ENERGY RELIABLE POWER

POWER ON

Q-Cells has advanced solar cell technology and secured its position at the top of the global solar industry. We have become a leading provider of photovoltaic solutions and will therefore continue to shape the solar industry in the future.

The advancement of our cell technology, the quality of our products and the continuous improvement of our processes remain our critical success factors. However, we have also been engaging ourselves intensively with new questions. Which solutions do our customers need in order to draw closer to our common goal of an energy supply that is ready for the challenges of the future? How can we tailor our products still more closely to their requirements?

We are finding answers to these questions. We have created new and better structures for our company, so we can show a stronger presence in decisive markets and respond more quickly to developments. We have extended our portfolio of solar modules, manufactured in-house, and developed products and services for new areas of application.

In this way, we are continuing the Q-Cells success story.

PROGRESS Today, we are one of Europe's largest suppliers of photovoltaic solutions and deliver cells, modules and systems for all applications to all parts of the globe. The fundament of our success is our expertise in the manufacture of solar cells and the Q-Cells brand's awareness levels and good reputation among those using our technology in a professional capacity. Our name is a promise of quality, and we keep this promise in both established and new areas of our business. This is one of the key reasons why the year 2010 saw us increasing our sales revenue by over 70 %, to approximately € 1.35 billion.

Solar energy is more than technology: It is a solution for the energy supply challenges of tomorrow. This has been Q-Cells' mission for more than ten years – and will remain so in the future, thanks to our new products and solutions.

INNOVATION

NEW PRODUCTS FAMILIAR QUALITY

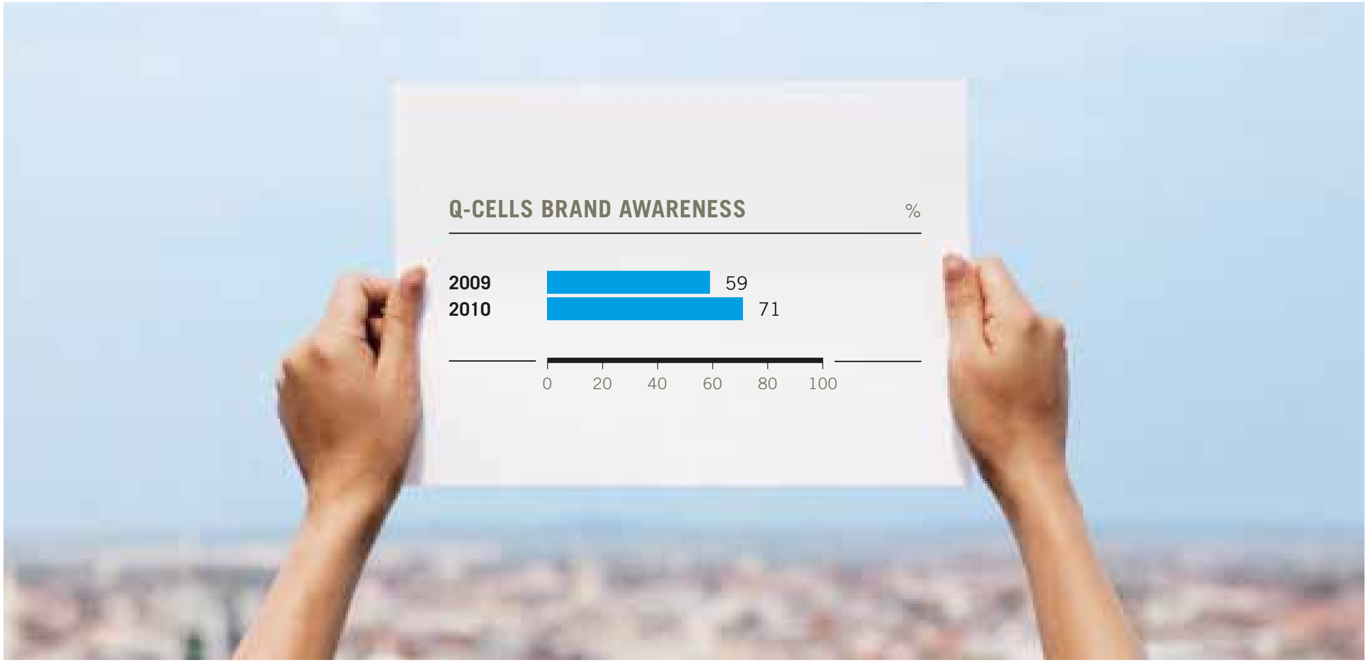
HIGH PERFORMANCE FROM THE BEGINNING

It all began with the solar cell, the technological heart of every photovoltaic system. With the solar cell, our credo emerged: high quality and continuous technological optimisation with simultaneous cost reduction. Cells from Q-Cells deliver long-term high performance in the module and are tested more thoroughly and comprehensively than any other cells. Anyone can make this claim to market leadership: Q-Cells has made it reality.

The result is a notably high awareness of and regard for the Q-Cells brand among professional users. Q-Cells is recognised in its business environment as a premium brand; the overwhelming majority of installers in all significant European markets would recommend Q-Cells products to others.

INNOVATION

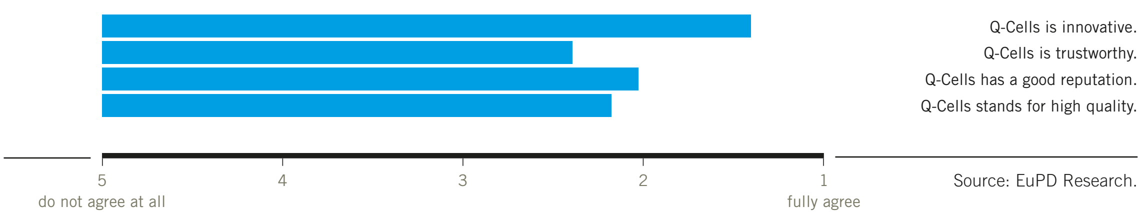
NEW
PRODUCTS
FAMILIAR
QUALITY



Brand awareness is growing as we expand our service portfolio:
In 2010, more than two thirds of installers were familiar with the Q-Cells brand.

Source: EuPD Research.

PV-PLANNERS CONFIRM:
INNOVATION AND QUALITY ARE KEY BRAND ATTRIBUTES FOR Q-CELLS.



Source: EuPD Research.

THE BASIS OF OUR INNOVATION IS QUALITY

____ We use our brand's good reputation to successfully position our solar modules – which already have more than 70 % awareness among installers – on the market.

Our module production is driven by our tried-and-trusted Q-Cells standards. For our customers, this means that they get high-performance modules that last and which reliably provide high yields over a long useful life.

We cooperate with Flextronics, one of the world's leading manufacturers of electronic parts, in production of the crystalline modules. Flextronics' extensive experience, global know-how and socially responsible policies meet our exacting requirements. Together with another business partner, we've increased our production capacity to 400 MWp. Working closely with Flextronics, a Q-Cells team on site in Malaysia has brought the quality of the modules produced there up to a level which meets our expectations.

Q.PRO – STRONG PERFORMANCE, OPTIMUM RELIABILITY

Customers need different things from the solar modules in their photovoltaic facilities. Depending on the space available and solar radiation levels expected, the emphasis could be on higher performance per module, or rather on module durability in tough environmental conditions. It does after all make a difference if a module is producing electricity mounted on the roof of a single house in northern Germany or if it's part of a large system under the strong southern Italian sun.

Q-Cells' new portfolio of solar modules caters to all these differing needs. We have a solution for every requirement, and focus consistently on technologies which provide the best cost-benefit ratio from our customers' point of view.

____ The modules in our Q.PRO series are an ideal solution for smaller photovoltaic systems on the roofs of residential or commercial buildings. The big plus point of these modules is the first-class yields they deliver thanks to the use of highly efficient cells from Q-Cells. Additionally, they show a particularly high performance, even when light is poor, and can be installed easily and cost-effectively. Every stage of their production is carried out in accordance with the specifications of our engineers and quality managers and in adherence to our high Q-Cells standards.

The production of crystalline solar modules is a new and important venture for Q-Cells, as well as one of the key elements of our new strategic focus as a supplier of PV solutions. This addition to our product portfolio not only enables us to compete in new markets, it also means that we can better address the needs of the people who make daily use of our products.

Q.PRO modules provide reliable income on private rooftops.

Q.SMART – GREAT PERFORMANCE, GREAT LOOK

We have already attained a wealth of experience in the production of thin-film modules and hold a world record in terms of performance capability. Unlike in the case of crystalline technology, these modules do not use solar cells; instead, a semiconductor is applied to a carrier material such as a sheet of glass.

There is a range of technologies on offer in the market. For our Q.SMART modules, which we launched onto the market in 2010, we decided to use the technology that provides the ideal complement to our crystalline portfolio: CIGS technology (copper-indium-gallium-diselenide).

Aesthetic and elegant, the broad, deep-black surface of a Q.SMART panel.

—— Q.SMART modules have two principal advantages: First, they have the best efficiency rating of all series-produced thin-film modules worldwide. In 2010, we increased their average efficiency rating by one whole percentage point and manufactured a module which set a new world record for thin-film modules by achieving an efficiency rating of 13 % in an independent test. A second facet of these modules' appeal is their attractive, elegant appearance. These characteristics mean this technology is positively made for important future markets: building- and façade-integrated photovoltaics and rooftop systems for users who place a high value on the appearance of their system.

The increased use of photovoltaics leads to rising demand for architecturally attractive solutions which harmonise with existing cityscapes or add new aesthetic features. Q.SMART meets these expectations at the highest possible technical level. No matter where photovoltaic technology is to be used – there's always a module with the "Q" and the quality promise attached to it which is perfectly suited to the task in hand.

Efficiency and aesthetics in continual use: Q.SMART modules on an industrial roof application.

EXPANSION

NEW MARKETS OLD FRIENDS

EXPANSION

NEW MARKETS OLD FRIENDS

THINKING AND ACTING BOTH GLOBALLY AND LOCALLY

—— In more and more countries, politicians and consumers are discovering what solar energy can do for them. They are waking up to the fact that in the long term, they can only cover their rapidly increasing energy needs by harnessing the inexhaustible power of the sun.

In order to exploit the opportunities globalisation offers, we have identified the most important markets and built up a global sales network to match.

Q-Cells is active wherever rapid and profitable growth is possible. This means that we concentrate on the 15 leading markets, which together make up more than 80 % of the entire global market. Last year, we opened or expanded branches in established and new markets. Along with our offices in Italy and North America, which have already proved to be successful in the systems business, we now have Q-Cells employees on the ground in France, India and Australia. In 2011, we will open offices in the UK and Thailand. Working with partners in these locations and exploiting all the resources available to us in our global organisation, Q-Cells offers the ideal solutions in all important markets. Why should customers have to choose between a global and local range of products and services when they can have both?

Core markets, growth markets and opportunities: The PV market is growing, and with it the international presence of Q-Cells. With its worldwide market portfolio, Q-Cells covers over 80 % of the global potential.

- Headquarters
- Core markets
- Other Q-Cells markets

NEW MARKETS ARE BECOMING INCREASINGLY IMPORTANT: Q-CELLS IS INTENSIFYING ACTIVITIES IN GROWTH MARKETS OUTSIDE THE EU

Market potential (MWp) in %

2010 **2011**

Top 3:	Germany, France, Italy
EUR II:	UK, Spain, Belgium, Czech Republic, Turkey
Americas:	USA, Canada
APME: *	Australia, Japan, Malaysia, Thailand, Singapore, India, Saudi Arabia, UAE
All others	

* Asia / Pacific, Middle East.

Source: Q-Cells market research, analyst reports; 2010: actual, 2011: estimate.

THE MARKET IS DIVERSE – JUST LIKE OUR PRODUCT RANGE

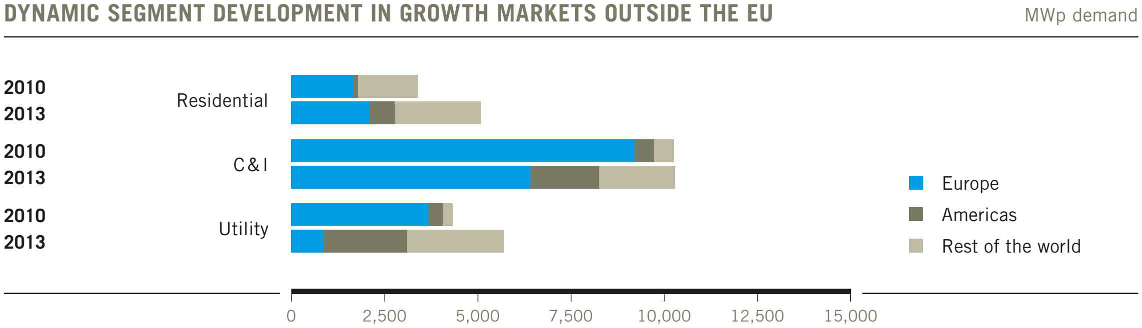
We need to take different approaches according to the market we are in. In the European markets, smaller systems on individual residences are still the largest market segment, while in the USA and Canada, large photovoltaic power plants are considerably more important, as are large rooftop systems on commercial and industrial buildings. These two areas of business, which in the sector are known as "Utility" and "Commercial & Industrial" (C&I) respectively, are set to comprise strikingly more than half of newly installed photovoltaic output worldwide by 2013.

Q-Cells has already brought itself into line with this future, presenting our solutions in all market segments on all important markets.

- In our high-performance solar cells business, we have selected the most attractive markets to focus on and acquired new partners for modules in these markets.
- With our Q.PRO module series, we offer our own high-quality and high-performance PV modules for the segment of smaller rooftop systems (Residential) worldwide.
- We have identified medium-sized PV systems for commercial and industrial customers (C&I) as a new and significant market segment. Thanks to our portfolio of high-performance modules, we can supply the right solution for all customer needs.
- In the systems or Utility segment, i.e. our business with large solar power plants, we have optimised processes to the degree that they now assure the profitability of each and every project.

Q-Cells has positioned itself for the challenges the global photovoltaic market will bring in the years to come. This will serve as a firm basis for us to tackle new projects with new momentum in 2011.

DYNAMIC SEGMENT DEVELOPMENT IN GROWTH MARKETS OUTSIDE THE EU



Source: Extrapolation based on Q-Cells market research, analyst reports.

International reference projects demonstrate the capability and know-how of Q-Cells.

SOLAR POWER PLANTS: SPEED AND SECURITY

For a long time, photovoltaics was all about homeowners who bought a small system for their roofs. This customer segment is still with us, of course; however, the structure of demand is changing considerably. Large systems and plants funded by investors are continuously increasing in significance.

Q-Cells was already aware of this trend several years ago, and subsequently established itself in the space of a few years as the world's leading system integrator and provider of solutions for large photovoltaic systems.

In Germany, Spain and Italy, we have constructed large photovoltaic facilities in record time – when a power plant needs to be connected to the network, time really is money. The best example is Germany's largest crystalline solar park, in Straßkirchen in Bavaria. Q-Cells constructed the facility with a total output of 54 MWp – approximately 230,000 crystalline solar modules on an area equivalent to about 195 football pitches – in under six months and connected it to the network at the end of 2009; since then it has been supplying that network reliably with more electricity than originally expected, as all our facilities do. This facility can generate electricity to cover the demand of a town of 30,000 people for its entire planned life, at least 20 years, and demonstrates once again the high expertise and speed of Q-Cells' planners.

Built in record time of less than six months: the Straßkirchen Solar Park.

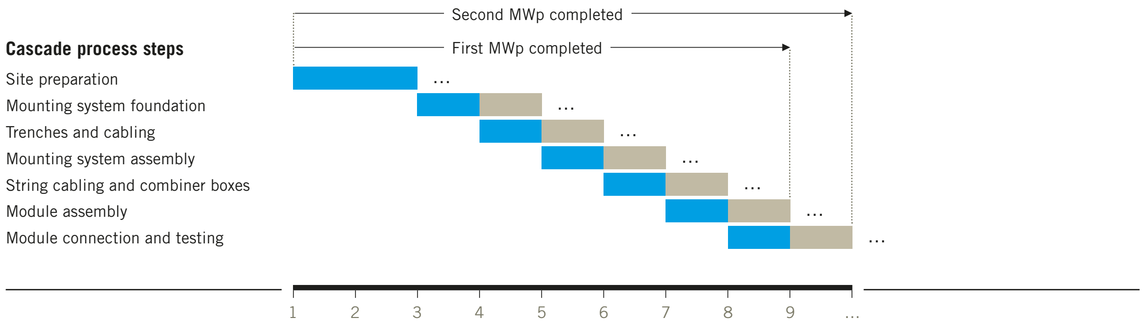
—— However, speed certainly isn't everything. Customers need to be certain that a project is in capable technical and commercial hands – both during the construction phase and when the system is up and running. Q-Cells offers a "one-stop shop" for all these needs: We have the experience, the know-how and the required capacities to get projects off the ground reliably and cost-efficiently. Thanks to our global network of branches and local partners, we can offer the advantages of our service internationally. Planning, sourcing of high-quality modules, construction, connection to the network, as well as service and maintenance if desired – tailored to individual customer needs.

In 2010, we also experienced market success in our business with medium-sized systems (C&I). In Germany alone, Q-Cells realised projects with a total output of 27 MWp, and has also been active in new markets such as the Czech Republic or Slovakia, where our first systems are now operational. With the realisation of a facility in Germany with an output of 1 MWp, we have completed our first project in the industrial rooftop systems segment.

In the past year, we have continued to optimise our processes and pooled and expanded our expertise in this segment, with the result that Q-Cells can now use its know-how to gain access to new markets via this segment.

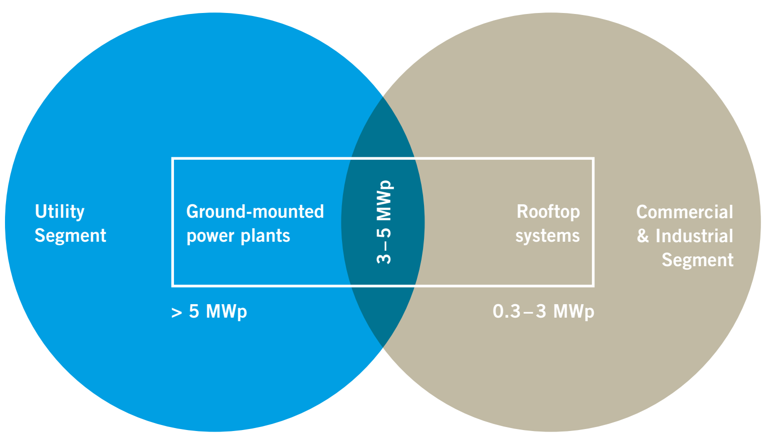
SPEEDY AND LOW-RISK CONSTRUCTION PROCESSES: EFFICIENT PROJECT MANAGEMENT ENABLES PARALLEL CASCADES OF 1.25 MWp STANDARD BLOCKS

Weeks



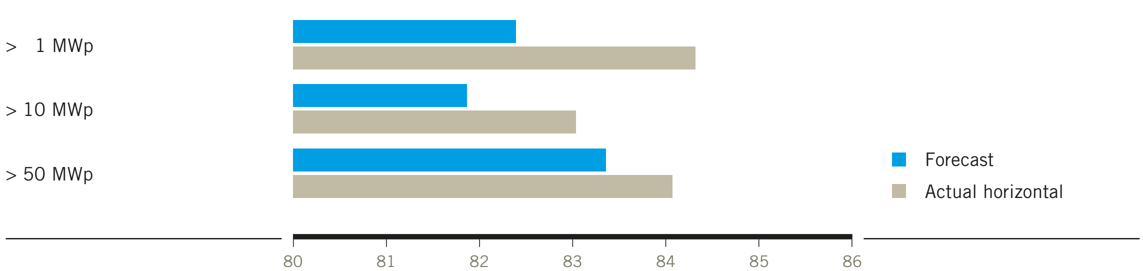
WITH FULL FORCE: WE ARE WELL POSITIONED WITHIN THE ENTIRE SYSTEMS MARKET

Advantages
- Synergies through combined forces
- Added value through customer-oriented portfolio



YIELDS ABOVE FORECAST: OUR SYSTEMS CONSTANTLY OUTPERFORM FORECASTED PRODUCTION

% *



* Performance ratio (reference to irradiation w/o shadowing).

Q-CELLS
NORTH AMERICA

MOVING INTO THE NEW WORLD

____ The USA and Canada are becoming new leading markets in photovoltaics. With its branch in San Francisco, at the heart of the American renewables sector, Q-Cells already has a strong position in this growth market, where large power plants run by energy suppliers are in particularly high demand – and for which there is a lot of space available.

An example is the Canadian province of Ontario, which will move into a central position in the North American PV market in 2011 thanks to a government support programme for solar electricity. Q-Cells has already notched up initial successes here, building two solar power plants in Sault Ste. Marie. The facilities, with a total output of 20 MWp, are already operational and provide the local energy supplier with clean electricity. We will construct systems with a further total output of 30 MWp there in 2011. Additionally, Q-Cells has founded a joint venture with Ontario-based ATS Automation Tooling Systems Inc., a global leader in manufacturing solutions. The joint venture has already signed contracts on the construction of seven plants with a total of 64 MWp. This corresponds to no less than almost 10 % of total production volume approved for Ontario under the new support programme.

Q-Cells is already taking a leading role in what will be the most important American solar markets in the coming year: a position we will continue to expand.

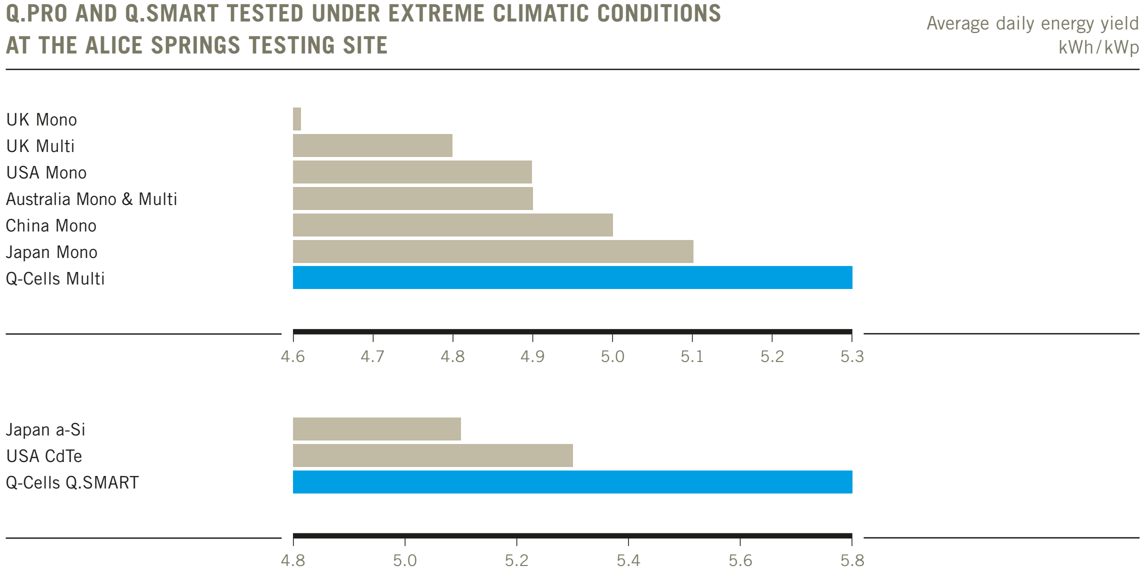
Q-CELLS AUSTRALIA

SUNNY DAYS "DOWN UNDER"

For a long time, Australia was, so to speak, a "sleeping giant" in the solar industry. Despite positively ideal climatic conditions, the political will to support renewable energies was lacking in this country of cheap coal. This has changed in the meantime, leading experts do predict considerable growth in the market in the years ahead. Unlike in North America, this growth in the market will principally relate to the segment of smaller rooftop systems; this is the way policymakers want it and the kind of growth to which subsidy policies are tailored.

For Q-Cells, this represents the opportunity not only to be a significant player in the emerging Australian market, but also to gather further experience in the new business segment of small rooftop systems. In this way, our global organisation can learn from the demands posed by different markets, so that we can continuously improve our products and our range.

**STABLE PERFORMANCE AT THE HIGHEST LEVEL:
Q.PRO AND Q.SMART TESTED UNDER EXTREME CLIMATIC CONDITIONS
AT THE ALICE SPRINGS TESTING SITE**



Source: www.dkasolarcentre.com.au.

In the space of a year, Q-Cells Australia has built up a solid and effective team. In Australia, we have seen an opportunity to test our modules in continuous operation in extreme conditions: a test which is currently in progress in a model facility in Alice Springs, where the sun shines for at least eight hours a day all year round. What sounds like paradise for some is a real test of endurance for solar modules. This testing process is providing us with insights into our solar modules' performance and yields which can help us make our products suitable for conditions, such as occur in large parts of the world, which provide perfect climatic conditions for solar energy but have not yet been developed as solar markets.


SUCCESS
NEW
DEVELOPMENTS
NEW
OPPORTUNITIES

FOCUSING ON THE FUTURE OF SOLAR ENERGY

The solar energy sector is developing at a blistering pace, with all the attendant development phases a young industry goes through. It is growing, it is becoming increasingly professional, it is pushing into new markets: in short, it is constantly changing. In this process, Q-Cells is always one of the pioneers and drivers of this change.

SUCCESS

NEW DEVELOPMENTS NEW OPPORTUNITIES

____ For ten years, Q-Cells was primarily a technology-driven manufacturer of solar cells. In the "wild times" of the young solar industry, this was the right thing to do, it was an important thing to do, and it was successful. We have set standards in matters of quality and production processes.

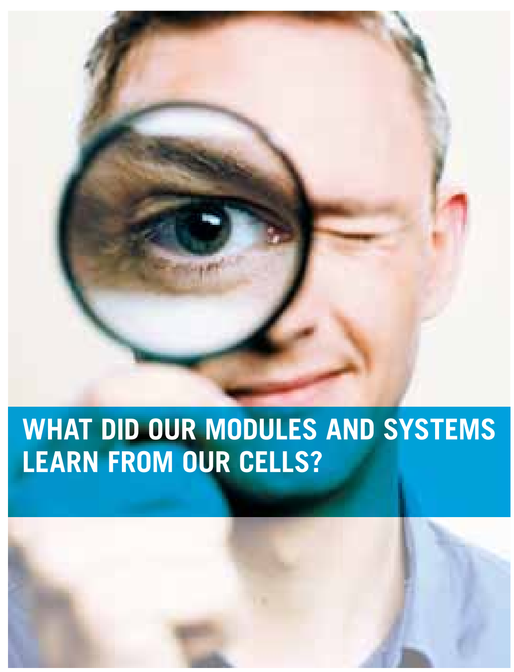
We will be entering the future as a market- and customer-focused supplier of photovoltaic solutions for a range of requirements. To this end, we have restructured our organisation, expanded our product portfolio and entered new markets. Our sole orientation is the needs of our customers, with whom we work together as partners.

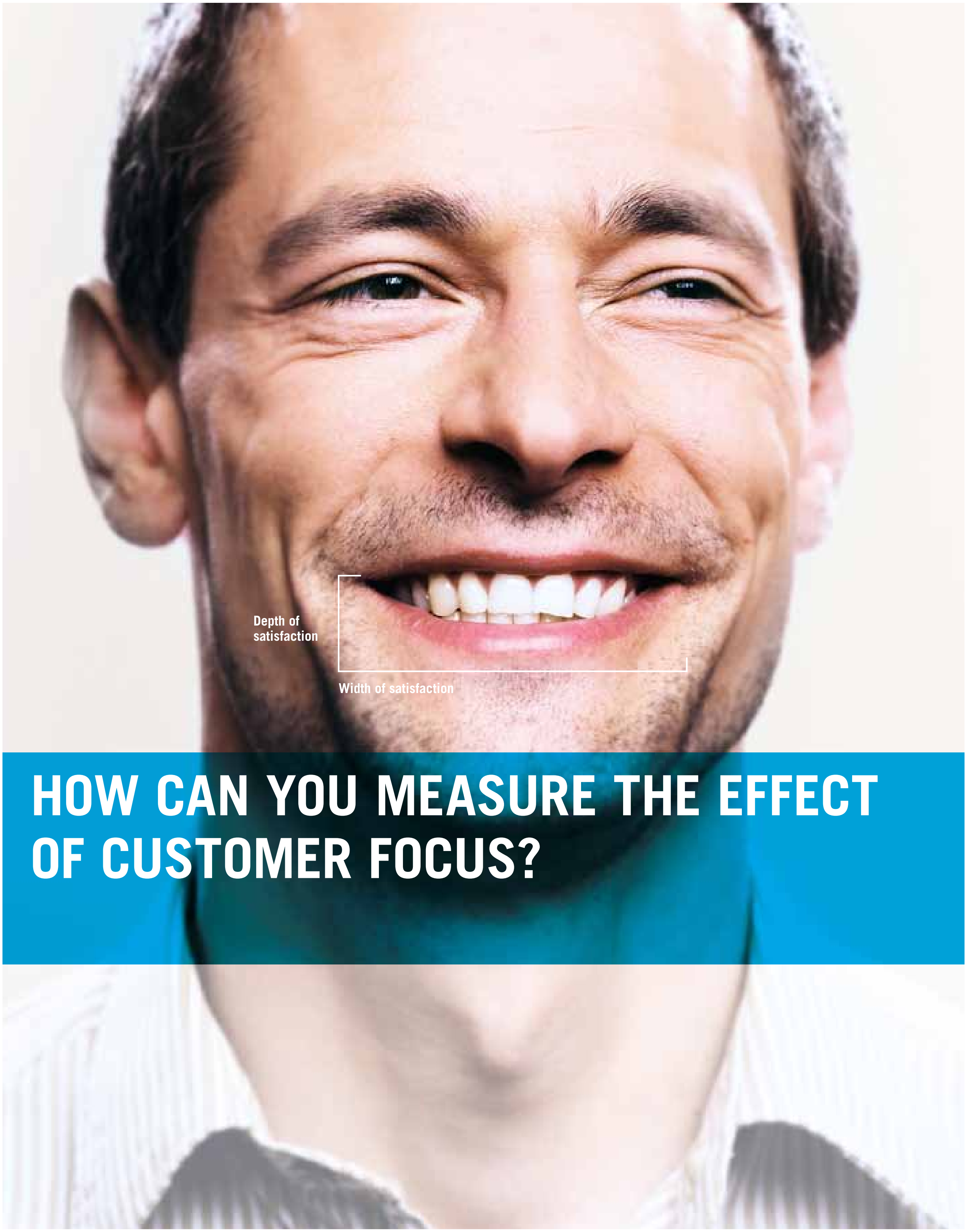
We are in a strong position to carry on our success story and play a leading role in the global solar energy markets, which are continuing to grow at a very high speed. High-quality products, a strong brand, a customer-focused global structure and qualified, committed employees are our most significant competitive advantages.

FULL STEAM AHEAD FOR 2011

____ The markets are continuing to grow at high speed. The European Photovoltaic Industry Association (EPIA) has estimated that in the decade to come, new installations will continue to experience double-digit growth annually across the globe. In other words, total capacity will have increased roughly tenfold by the year 2020. The focal point of this development is slowly but surely moving from Europe towards North America and Asia. In view of the differently structured markets in the various countries, the three segments Residential, Commercial & Industrial and Utility will be of approximately equal significance on the global market. Q-Cells is in a good position to face these developments. We offer a comprehensive product portfolio for a diverse range of applications, are expanding our systems business for large facilities and internationalising our sales network.

At the same time, we are continuously working to expand and improve our innovative product portfolio. As part of this, we will launch a second, still better-performing generation (G2) of our mono- and multicristalline cells before 2011 is out. The optimisation and redesign of our production processes is allowing us to boost the efficiency rating of our multicristalline cells to peak values of up to 17 %.





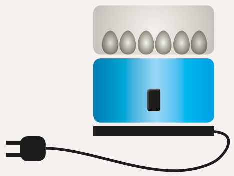
HOW CAN YOU MEASURE THE EFFECT OF CUSTOMER FOCUS?

Q.PEAK: THE NEW NAME FOR HIGH PERFORMANCE AND RELIABILITY

ASSUMPTIONS

EGG BOILER:

400 W
6 EGGS



BOILING TIME:

8 MIN.

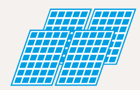
LOCATION:

BERLIN

(IRRADIANCE FOR BERLIN:
1,120 kWh/m^2; SOURCE: DWD 2009)

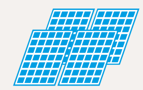
Q.PRO 240

(MODULE EFFICIENCY
= 14.37 %)



Q.PEAK 250

(MODULE EFFICIENCY
= 14.97 %)



CALCULATION PARAMETERS
MODULE SURFACE: 1.67 m^2
INSTALLATION ANGLE: 30°
IRRADIANCE AT 30° ANGLE: 1,280 kWh/m^2
PERFORMANCE RATIO: 80 %

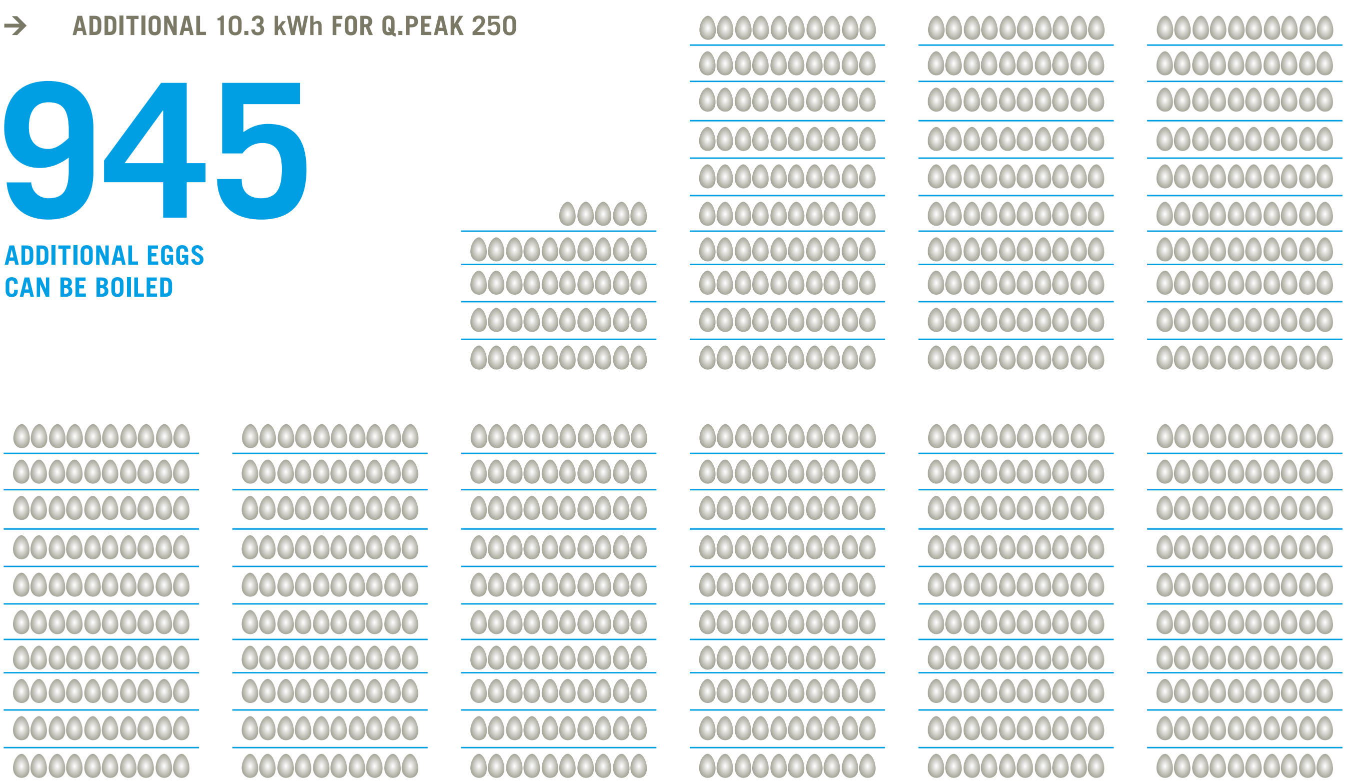
YIELD COMPARISON Q.PRO VS. Q.PEAK

Q.PRO 240:	1,710.1 kWh * 14.37 % = 245.7 kWh	→	22,541 BOILED EGGS
Q.PEAK 250:	1,710.1 kWh * 14.97 % = 256.0 kWh	→	23,486 BOILED EGGS

→ ADDITIONAL 10.3 kWh FOR Q.PEAK 250

945

ADDITIONAL EGGS
CAN BE BOILED



Secure long-term yields are the goal of continuous performance and quality improvement of our cells and modules.

Thanks to the use of these improved cells and to enhanced components, we will also be able to offer still better-performing versions of our crystalline modules this year. And this isn't all: In the second half of the year, we will launch a new flagship module, the Q.PEAK series. These modules, which exclusively contain high-performance monocrystalline cells we produced ourselves, will set new standards for the small rooftop systems market with their output of 240 Wp to 255 Wp.

We will exploit our Q.SMART modules' particularly attractive appearance to launch an elegant and effective complete solution for integrating photovoltaic modules into buildings and façades.

Furthermore, our research teams are always working on new concepts and innovative solutions. We've kept up our impressive performance from 2009, submitting over 30 patent registrations in the course of 2010.

The faces behind our solutions are highly motivated and qualified people who help Q-Cells and its customers to get ahead. They are the drivers of our company's economic success and put us in a position to tackle a great task: a sustainable and clean energy supply which is affordable for all. This special and exciting task spurs Q-Cells employees on to top performance every day.

INTERVIEW WITH DR NEDIM CEN

In discussion: **Dr Nedim Cen,** CEO of Q-Cells SE.

Dr Cen, when you became CEO of Q-Cells SE you set the following goals: refocusing Q-Cells, getting started selling modules, streamlining the technology portfolio, restructuring internal processes and reducing costs. How many of these goals were you able to accomplish during the last financial year?

» Looking at the challenges and decisions our Company was faced with at the beginning of 2010, we've fundamentally refocused all areas of Q-Cells.

I'm very pleased with our entry into module sales. In the fourth quarter of 2010, we achieved the same amount of sales revenues as in the three previous quarters put together – altogether around € 150 million. Including the new business area Commercial & Industrial, the figure comes to more than € 360 million for the full year – a good fourth of our total annual sales revenues. These figures wouldn't have been possible without the market, of course. Still, reaching sales of more than € 360 million with new products in one year is an excellent achievement by any means.

This was possible because we pooled our strengths, and streamlined our entire technology portfolio by now – also on the balance sheet. As part of the refocus, we also adjusted our internal processes, which can be seen in the new positioning and expansion of our international sales network.

In 2010, we reduced our costs by expanding our production facility in Malaysia, a giant step ahead. Our further success depends greatly on external costs such as wafer prices or module sourcing costs. Unfortunately, actual price development did not lead to the reduction in costs I had hoped for. Nevertheless, I'm very pleased with our operating performance given the stable prices last year.

"WE DEVELOP NEW PRODUCTS AND SPEED UP THE INTERNATIONALISATION OF OUR BUSINESS MODEL."

The Q-Cells refocus has been completed. What will you do now to secure the future viability of the Q-Cells business model?

» We're concentrating on five major areas of focus:

- rigorously pursuing the implemented strategy,
- expanding and internationalising the sales network,
- maintaining a culture of innovation with new high-quality products and applications,
- continuing to optimise processes and to lower costs,
- and achieving all that with our highly qualified and motivated employees.

After the success we created last year, Q-Cells has reason to be confident in 2011. We're back, and we can be proud of that.

The capital measures you carried out in October came as somewhat of a surprise, at least to external observers. How would you categorise the reactions of the capital market to these measures?

» I've always been of the opinion that refinancing has to come sooner rather than later. Against the background of the operational and strategic challenges facing us in 2009 and 2010, the capital measures were a great success. We delivered on what we promised to do, and that was very well received on the capital market.

You can't be satisfied with the development of Q-Cells share prices in 2010. What can shareholders expect in 2011?

» Naturally, we're not happy about share price developments in 2010. Still, the feedback we received from the capital market concerning the restructuring and new focus we've placed on the Company was strictly positive. If we keep our course rigorously, I'm convinced the capital market will honour that in 2011.

How much of the current success of Q-Cells can be attributed to the boom in the solar industry that has continued since the summer of 2010?

» The repositioning would have been more difficult given a different market situation, admittedly. The effects of the market on income and margin, however, were small and largely negated by the combination of stable prices and higher procurement costs, particularly in the third and fourth quarters of 2010. In other words, we would have achieved the turnaround even without a strong market in 2010, but it would not have been possible without the tough restructuring programme.

Is Q-Cells prepared for the early reduction in subsidies announced at the beginning of 2011?

» We keep hearing that we have the means to easily compensate for deep cuts. That's not the case though. Our margin for 2010 was satisfactory, but it was still in the single digit range. Compensating for further subsidy reduction will be very difficult for us. Nevertheless, we've formulated a clear strategy for the next three to four years, and even if the market environment in 2011 is challenging, we won't veer from our course.

In your opinion, how will the solar industry develop over the course of the year, globally, in Europe and in Germany?

» The German market will continue to be extremely important for the solar industry. We have to constantly lower our costs to be able to continue to offer our customers excellent solar products and systems at attractive prices.

In Europe, the development of each country's national subsidy programme for the solar industry will continue to play a decisive role in setting market trends. The on-going strained economic climate of many European budgets in terms of investments, combined with our status as more of a late cyclical industry means business outlooks in 2011 and 2012 will remain challenging in all of Europe.

Dr Nedim Cen,
CEO of Q-Cells SE.

When looking at the trends of the coming one to two decades, photovoltaics will have a good competitive position – and be far the most important component of the renewable energy supply. The result is an enormous growth in the industry. In the medium and long term, I am very confident.

On which markets are you planning to focus your sales activities this year?

» As a European company, we're naturally focusing first and foremost on our home market in Western and Central Europe. We have to maintain our position as the leading supplier here and perhaps even make up for some ground we lost. Internationally, North America and Canada in particular is very dynamic, offering large potential. We're already well positioned in this region and will continue to heavily expand our sales activities there, using especially our Residential as well as Commercial & Industrial products as sales generators. Other interesting markets include the Middle East, Australia, India and Thailand. We're closely watching the development of these markets and their market potential. China on the other hand is not a priority for us. We're convinced that in the foreseeable future, foreign companies will not have the opportunity to realise significant sales there.

Will there be greater cooperation among German solar companies in the future, as a sort of counter move vis-à-vis Chinese companies?

» If it makes sense, then absolutely.

What's your opinion on mergers and takeovers in the industry?

» Our industry will continue to grow dynamically. In order to attain a competitive cost position, companies will have to be of a certain size. We're open to possible partnerships, especially in sales, research and development. It is well known that working together makes you stronger.

What will 2011 bring for Q-Cells employees?

» In 2010, we concentrated on restructuring and winning back trust. In 2011, we'll focus on rigorously implementing our strategic positioning in the five areas I already mentioned.

Q-Cells is seen as a German company in a difficult German market. How do you see Q-Cells? As a German company, an East German company or a European company?

» No future without heritage: that's also true for the people and culture of Q-Cells. We're an East German start-up that developed at a frantic pace and made its mark on an entire industry. At the same time, the Company has to evolve and become more international. We already produce more solar cells in Malaysia than we do in Thalheim. 18 months ago, this was a different story. A change of this scope puts a heavy burden on us all and on the entire corporate culture of Q-Cells. But we're well on our way. Last year, our employees made a tremendous contribution and are largely responsible for our success in getting back on track. I'd like to thank them for that.

Dr Cen, I have one personal question: When you accepted the Supervisory Board's offer on 11 August 2010, agreeing to fill the post of CEO for five years, did you envisage your first four months in your new position to be like this?

» In concrete terms, no. As a whole, yes, because the level of intensity was no different than it had been in the previous twelve months. It was intense before I took the position of CEO, and it has been intense since. I like the job nevertheless. The employees and the Company as a whole are great – we still have a lot ahead of us!

MEMBERS OF THE BOARD

GERHARD RAUTER
(born 1958)

Gerhard Rauter has been a member of the Executive Board of Q-Cells SE since 2007 and is responsible for Operations & Technology, which includes research and development as well as the production of silicon solar cells, crystalline and CIGS thin-film solar modules.

HANS-GERD FÜCHTENKORT
(born 1949)

The graduate in business administration took on a position on the Executive Board of Q-Cells SE in May 2010 and has been looking after Marketing & Sales since. This makes him responsible for Sales Products & Systems, Product Management, Marketing, Central Customer Service and Project & Service Management.

DR MARION HELMES
(born 1965)

Marion Helmes holds a doctorate in business administration and has been the CFO of Q-Cells SE since July 2010. Her areas of responsibility are Controlling & Accounting, Treasury & Corporate Finance, Tax, Investor Relations, Internal Audit and IT.

DR NEDIM CEN
(born 1965)

In March 2010, Nedim Cen, holder of a doctorate in engineering and business management, was appointed to the position of CEO of Q-Cells SE, having initially joined the Executive Board of the Company in June 2009. He signs responsible for Strategy, Corporate Communications, Legal & Compliance and Human Resources.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

Prof Dr h.c. Karlheinz Hornung, Chairman of the Supervisory Board.

The financial year 2010 was marked by restructuring and the strategic repositioning of the Company, as well as a successfully executed complex capital transaction consisting of a capital increase, the issue of a new convertible bond and a partial buyback of the existing convertible bond 2007/2012. The rise in demand and positive developments during the reporting period show that we have embarked on the right course, even if our path continues to be one requiring great efforts. We would like to extend our particular thanks to you, ladies and gentlemen, for your support of our Company during 2010.

CONTINUOUS EXCHANGE OF INFORMATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

In the reporting year, the Supervisory Board performed the functions incumbent upon it by law, the Articles of Association and the Rules of Procedure. We regularly advised the Executive Board on the management of the Company and monitored its work continuously. We were directly involved at an early stage in all decisions of fundamental significance for the Group. The Executive Board regularly provided us with comprehensive information, both in written and verbal form, on the Company's situation, in particular on the developments of its commercial and financial position, its strategic development and on investment projects.

In particular, if business development deviated from plan or targets, we had the reasons for this explained in detail and examined them using the documents submitted by the Executive Board. In addition, the Executive Board agreed on the Company's strategic focus with us. All key business transactions for the Company were discussed in depth in the Supervisory Board on the basis of reports provided by the Executive Board.

A further focus of our work was the discussion and the adoption of resolutions on the transactions of the Executive Board requiring approval. In addition to adopting resolutions in meetings, resolutions were also adopted by way of circular procedure. We also further amended the Rules of Procedure for the Executive Board and Supervisory Board to meet the requirements of the Company.

Above and beyond the formal meetings of the Supervisory Board, the Chairman of the Supervisory Board was in regular contact with the Executive Board and was informed by it in a timely manner of the current development of the business situation and major business transactions. Additionally, the chairs of Supervisory Board committees were in contact with Executive Board members.

MEETINGS OF THE PLENARY SUPERVISORY BOARD

In financial year 2010, the Supervisory Board held a total of five regular meetings (three in the first half of the year and two in the second half of the year) and four extraordinary meetings, two of which were in the form of conference calls. Until October, the Supervisory Board also received regular information via phone from the Executive Board on the implementation of the "Q-Cells Reloaded" restructuring programme. These regular conference calls ceased with the completion of the restructuring programme in October. Discussions in the plenary sessions regularly focused on trends in sales, income and employment, the Group's financial position, the current status of the subsidiaries, the general market situation and the implementation of the new corporate strategy. The Executive Board provided regular and comprehensive reports on corporate planning, strategic development, the course of business and the Group's current position.

Furthermore, the individual meetings dealt, in particular, with the following key issues during the reporting period:

At the meeting on 11 March, the Supervisory Board agreed to the resignation of Anton Milner as CEO and member of the Executive Board. In the same meeting, the appointment of Dr Nedim Cen as an Executive Board member was extended to the end of the year and he was appointed to the position of CEO. Gerhard Rauter was again appointed as member of the Executive Board for the period from 1 October 2010 to 30 September 2013 on the same date. The Supervisory Board also discussed the market and sales report, the progress of the annual financial statements, and passed a resolution on the new Group corporate strategy.

At the extraordinary meeting on 23 March, the Declaration of Conformity with the German Corporate Governance Code and the agenda for the 2010 Annual General Meeting were approved. Pursuant to the Group's strategic repositioning, the decision was made to dispose of all investments in companies not part of Q-Cells' core business, namely Calyxo, Flexcell, Solaria, Sunfilm and QCCS.

The main topics of the extraordinary meeting on 25 March included the single-entity financial statements, the management report, the consolidated financial statements and the Group management report, which were approved by the Supervisory Board after intensive discussion.

The meeting on 29 April found the Supervisory Board granting approval to the appointment of Dr Marion Helmes as Executive Board member for a term of five years. Additionally, the Supervisory Board addressed the topics of business development in the first quarter, the current state of implementing the new Group strategy and questions of corporate financing. Resolution proposals for the Annual General Meeting in June 2010 were also passed.

On 10 May, the Supervisory Board held a conference call and resolved to prematurely terminate the contract with Dr Marko Schulz as member of the Executive Board and appointed Hans-Gerd Füchtenkort as member of the Executive Board for a term of three years. During the conference call, the Supervisory Board also passed the remaining resolution proposals for the 2010 Annual General Meeting.

At the Supervisory Board meeting following the Annual General Meeting on 24 June 2010, the Supervisory Board elected Prof Dr h.c. Karlheinz Hornung as the new Chairman of the Supervisory Board and determined the new composition of the Supervisory Board committees. The Supervisory Board also discussed capital measures investigated as part of a refinancing concept, and approved the sale of the investment in Calyxo GmbH.

In a conference call on 11 August, the Supervisory Board extended the appointment of Dr Nedim Cen as CEO for an additional term of five years, and approved the adoption of a direct employment contract with Dr Nedim Cen, who up until this time was involved with the Company on the basis of a consultancy contract. Furthermore, the Supervisory Board addressed the topic of the action for annulment raised against the resolution of the Annual General Meeting concerning contingent capital.

In addition to the capital measures carried out, a series of resolutions was passed by way of circular procedure in September/October 2010. In the interests of simplifying the passing of these resolutions, the Supervisory Board created and appointed a committee expressly for this purpose. The package of measures included a capital increase in return for cash contributions and the issuance of a new convertible bond maturing in 2015, both with subscription rights for ordinary and preference shares in the company, combined with an offer to buy back the existing convertible bond 2007/2012.

In the meeting on 6 October, the Supervisory Board listened to reports on the new sales strategy and the strategic orientation in the project business. Furthermore, the change in Executive Board responsibilities and the termination of the regular conference calls of the Supervisory Board regarding the restructuring programme were resolved.

At the last meeting during the reporting period on 2 December, the Supervisory Board discussed the budget for 2011 and the associated business planning. Furthermore, the Supervisory Board resolved to issue additional share options to members of the Executive Board and management.

WORK OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has created a total of four committees to perform its tasks efficiently. They prepare the resolutions of the entire Supervisory Board on the issues affecting them. Furthermore, the Supervisory Board has assigned individual tasks and parts of its decision making powers to the committees. The committee chairs regularly and comprehensively reported the content and results of committee meetings.

The Presidential Committee, headed by Prof Dr h.c. Karlheinz Hornung since June 2010, previously referred to as the Remuneration Committee, met on a regular basis both in actual meetings and conference calls. The members of the Presidential Committee are the Chairman of the Supervisory Board as well as Prof Jörg Menno Harms, and until his resignation from the Supervisory Board on 30 November 2010, Marcel Brenninkmeijer. It dealt primarily with the employment contracts of Executive Board members, remuneration systems in the Company, the recruitment of replacements for departed Executive Board members and prepared the respective resolutions by the entire Supervisory Board. The Presidential Committee focused its activities on searching for suitable successors as the Chairman of the Executive Board, the CFO and the Marketing & Sales Executive Board member all left during the reporting period. The Presidential Committee also conducts preparatory tasks for Supervisory Board meetings.

The Audit Committee is chaired by the lawyer and tax advisor Frauke Vogler, and is also made up of Helmut Gierse and Prof Dr h.c. Karlheinz Hornung. During the reporting period, the Audit Committee met for six meetings, some of which were in the presence of the financial auditor. It concentrated on the single-entity and consolidated financial statements, the half-yearly financial statements, the quarterly financial statements, the financial auditor's audit reports, the cause-related audit of the Financial Reporting Enforcement Panel (FREP), planning for the financial years 2010 and 2011, risk management and compliance topics as well as the appointment and performance of the audit assignment. Furthermore, the capital measures carried out during the reporting period were the topic of discussion.

Dr. Christian Reitberger is the Chairman of the Strategy Committee. The other committee members are Helmut Gierse, Prof Jörg Menno Harms and Prof Dr h.c. Karlheinz Hornung. The Strategy Committee discussed the new corporate strategy and various strategic options for the Company's future development, both internally and with the Executive Board. In the financial year 2010, the Strategy Committee held numerous meetings. The Committee also addressed the current market and competitive situation.

The Nomination Committee, which besides the chair Frauke Vogler includes Prof Dr h.c. Karlheinz Hornung and Dr Christian Reitberger, supports the Supervisory Board in the search for suitable candidates who are proposed at the Annual General Meeting for election. In financial year 2010, it dealt with changes to the membership of the Supervisory Board in the wake of the resignation of Richard Kauffman, Andrew Lee and Marcel Brenninkmeijer, and the appointment of Helmut Gierse and Prof Dr h.c. Karlheinz Hornung.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance report of the Annual Report as a component of the Declaration on Business Management in accordance with section 289a (2) of the German Commercial Code (HGB) regarding details of the Declaration of Conformity with the German Corporate Governance Code submitted by the Executive Board and the Supervisory Board pursuant to section 161 of the German Stock Corporation Act (AktG).

Conflicts of interest by Supervisory Board members in accordance with the German Corporate Governance Code did not arise in the reporting year.

COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Richard Kauffman resigned his Supervisory Board post effective 24 February 2010 after serving on the Board since June 2007. Andrew Lee resigned his Supervisory Board post after the Annual General Meeting on 24 June 2010 after serving on the Board for one year. Marcel Brenninkmeijer resigned his Supervisory Board post effective 30 November 2010. Marcel Brenninkmeijer served on the Supervisory Board since December 2002, and was Chairman of that body from June 2009 to June 2010. In February 2010, Helmut Gierse was appointed as member of the Supervisory Board and approved by the Annual General Meeting. The Annual General Meeting also appointed Prof Dr h.c. Karlheinz Hornung to the Supervisory Board, and at the meeting following the Annual General Meeting Prof Dr h.c. Karlheinz Hornung was elected Chairman of the Supervisory Board. The Supervisory Board would like to thank Richard Kauffman and Andrew Lee for their services and the trust they have demonstrated in working with the Board. Its particular thanks go out to Marcel Brenninkmeijer, who was a member of the Supervisory Board for many years and in his role as Chairman contributed greatly to the success of the Company.

During the reporting year, the Supervisory Board accepted the resignation of CEO Anton Milner and appointed Dr Nedim Cen as CEO. At the meeting on 11 March Gerhard Rauter was also again appointed as member of the Executive Board for a term ending 30 September 2013. The Supervisory Board appointed Dr Marion Helmes as CFO of the Company effective 1 July 2010. Furthermore, the Supervisory Board rescinded the appointment of Dr Marko Schulz as an Executive Board member and appointed Hans-Gerd Füchtenkort as Executive Board member for a term of three years. Hans-Gerd Füchtenkort will head the Marketing & Sales division.

The Supervisory Board would like to extend very special thanks to Anton Milner, one of the founding fathers of Q-Cells, for his exceptional contribution to the Company and his years of service working with the Board. The Supervisory Board would also like to thank Dr Marko Schulz for his services and the trust he demonstrated working with the Board.

SINGLE-ENTITY FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Consistent with the resolution passed at the Annual General Meeting on 24 June 2010, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, was appointed by the Supervisory Board to perform the audit of the single-entity financial statements and the management report of Q-Cells SE (individual financial statement) as well as the consolidated financial statements and the Group management report as of 31 December 2010. The individual financial statement was compiled according to German Commercial Code Standards (HGB), the consolidated financial statement in accordance with section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as applicable in the EU. The auditor conducted the audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) of the consolidated financial statements in accordance with International Standards on Auditing (ISA).

Both financial statements were given an unqualified audit certificate by the auditor on 16 March 2011.

The individual financial statements and Management Report of Q-Cells SE, the consolidated financial statements and Group Management Report as of 31 December 2010 and the proposal for the appropriation of retained earnings were passed to the Supervisory Board in good time. The Audit Committee dealt with these documents in its meeting on 16 March 2011 in the presence of the Executive Board and the auditor. The financial statements, reports and the proposal for the appropriation of retained earnings were explained comprehensively by the Executive Board, which answered questions from Supervisory Board members. The auditor presented the audit results, particularly the areas on which the audits had concentrated and the material findings from these audits. The committee members discussed these results with the auditor, which included questions on the nature and scope of the audits as well as the focus of the audit. The Audit Committee then came to the conclusion that the financial statements and reports – as well as the audits carried out by the auditor – comply with the legal requirements and consequently no objections are to be raised. The committee therefore advised the Supervisory Board that the findings of the auditor's audit be accepted and the financial statements approved.

The audited individual financial statement and Management Report of Q-Cells SE, the audited consolidated financial statements and Group Management Report as of 31 December 2010 and the proposal for the appropriation of retained earnings, were debated comprehensively at the balance sheet meeting of the Supervisory Board on 17 March 2011 in the presence of the Executive Board and of the auditor. Furthermore, the Executive Board explained the financial statements of Q-Cells SE and the Group as well as the risk management system and presented the nature, focal points and costs of the audit of the financial statements. The auditor then reported in detail on the audit and its findings, explained the audit reports and answered questions raised by Supervisory Board members. The existing internal control and risk management system in relation to the financial reporting process was subjected to a critical review, particularly against the background of recent market trends. There were no circumstances which prompted any bias on the part of the auditor. In addition to the audit of the financial statements, the auditor supplied other auditing services in connection with quarterly reporting. The Audit Committee also presented its report on its review of the financial statements together with its recommendation in the same meeting.

The Supervisory Board seconded the findings of the audit of the financial statements on the basis of its own review. The Supervisory Board raised no objections as a result of its review of the single-entity financial statements and consolidated financial statements as well as the Management Report and Group Management Report. The Supervisory Board approved the single-entity financial statements and consolidated financial statements compiled by the Executive Board in agreement with the recommendation of the Audit Committee. The single-entity financial statements are therefore adopted.

The Supervisory Board supports the Executive Board's recommendation for the appropriation of profits. The Company is still in a phase of strategic reorientation and restructuring and hence paying out dividends seems inappropriate, with the exception of dividends on preference shares.

APPRECIATION OF THE SUPERVISORY BOARD

The Supervisory Board would like to thank the Executive Board, the Works Council and all employees of Q-Cells SE and its affiliated companies for their considerable commitment and successful work this past year.

Bitterfeld-Wolfen, 17 March 2011

Prof Dr h.c. Karlheinz Hornung
Chairman of the Supervisory Board

CORPORATE GOVERNANCE

GOOD CORPORATE GOVERNANCE CREATES TRUST

With regard to corporate governance, Q-Cells SE adheres to the principle of good, responsible business management set out in the German Corporate Governance Code ("GCG Code"). The Company's focus is concentrated constantly on the trust of investors, financial markets, business partners, employees and the public. As a company in the renewable energies sector, Q-Cells has also made a commitment to sustainability with regard to business management. We are convinced that excellent corporate governance is the key to successful business management. This includes far-reaching implementation of the GCG Code.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to section 161 of the German Stock Corporation Act (AktG), the Executive and Supervisory Boards of listed companies are obliged to issue an annual statement on whether they have adhered to and will adhere to the recommendations of the German Corporate Governance Code. Section 9 (1) c) ii) of Council Regulation (EC) on the Statute for a European Company (SE) No. 2157/2001 dated 8 October 2001 states that the management and supervisory bodies of an SE with registered offices in Germany are also obliged to issue a declaration pursuant to section 161 AktG. The German Corporate Government Code is published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) and is also available on, among other places, the website www.corporate-governance-code.com. It contains recommendations on corporate governance with regard to shareholders and the Annual General Meeting, Executive and Supervisory Boards, transparency, accounting and audit of the financial statements. If the listed stock company has not been in conformance with a recommendation or if it does not plan to be in conformance with a recommendation, Executive Board and Supervisory Board are obliged under the terms of section 161 AktG to declare this and give reasons in their annual declaration of conformity.

The German Corporate Governance Code was amended on 26 May 2010. The amended version was published in the Federal Gazette on 2 July 2010. The following declaration of conformity relates to the version of the German Corporate Governance Code dated 26 May 2010 for the period from 2 July 2010 and to the version of the Code dated 18 June 2009 for the period from the submission of the last declaration of conformity by the Executive Board and Supervisory Board in March 2010 until 2 July 2010. The Executive Board and Supervisory Board of Q-Cells SE declare that, with the following exceptions, the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are being complied with:

- Divergent from point 3.8 of the Code, the Company took out D&O insurance for the Supervisory Board without a deductible. The Supervisory Board shares the view that the deductible in a D&O insurance policy is not an appropriate means of achieving the objectives of the Code. Such deductibles are generally insured against by the members of the Supervisory Boards, so that the actual function of the deductible is void and it is ultimately merely a question of the level of remuneration of the Supervisory Board. For this reason, a deductible is not the usual custom abroad.

- For analogous reasons, the D&O insurance for the Executive Board initially did not include a deductible either. The Law on the Appropriateness of the Executive Board's Remuneration (VorstAG) dated 31 July 2009 now provides for a compulsory deductible in D&O insurance for Executive Board members. The Company complied with the stipulations of section 93 (2) AktG in the version of the Law on the Appropriateness of the Executive Board's Remuneration (VorstAG) dated 31 July 2009 and adjusted the D&O insurance for Executive Board members accordingly with effect from the expiry of the statutory transition period on 1 July 2010. The D&O insurance for Executive Board members now includes a deductible at the amount prescribed by law.

- In deviation from Clause 4.2.3 of the Code, the remuneration of the Executive Board member Dr Nedim Cen did not contain any variable components until the end of August 2010. Dr Nedim Cen's responsibilities initially focused on the implementation of the current restructuring measures. Against this background, Dr Nedim Cen worked for the Company on the basis of a consultancy agreement concluded between Q-Cells SE and Alvarez & Marsal until the end of August 2010. The agreement of variable remuneration therefore does not seem to make sense. This situation changed with the extension of the appointment of Dr Nedim Cen as a member of the Executive Board until 2015 and the conclusion of an Executive Board employment contract directly between Q-Cells SE and Dr Nedim Cen as of 1 September 2010. The employment contract concluded with Dr Nedim Cen also includes variable components.

- The objectives for the composition of the Supervisory Board were formally determined in March 2011 (Clause 5.4.1 of the Code). The composition of the Supervisory Board is already taking into account the international activities of the company, potential conflicts of interest and diversity, particularly with regard to the participation of women, while paying attention to the specific situation of the Company.

The Declaration of Conformity has been made accessible to the shareholders of the Company at all times on the Q-Cells SE website. In line with Clause 3.10 of the GCG Code, older versions of the declaration of conformity since the IPO in 2005 are also available here.

MANAGEMENT AND CONTROL STRUCTURE

The Executive Board and Supervisory Board have a close and trusting working relationship with the common goal of the sustained and long-term improvement of the Company value. While the Executive Board is responsible for the management of the Company, the Supervisory Board monitors the work of the Executive Board. Both functions are obliged to act in the interests of the shareholders who participate in the management of the company at the Annual General Meeting. The cooperation of all bodies is governed by the Articles of Association.

The Executive Board of Q-Cells SE manages the Company on its own behalf, develops the strategic approach of the Company and ensures its implementation. Here, its work is based equally on taking account of the interests of shareholders, its employees and other groups of people associated with the Company (stakeholders). It informs and advises the Supervisory Board regularly and promptly on issues of strategy and planning relevant to the enterprise as a whole and with regard to business development, the financial position, performance and business risks and discusses them with it.

The Supervisory Board's remit includes the appointment of members of the Executive Board. It also monitors the Executive Board's management and advises it on the same. In addition to the items listed in article 12 (3) of the Articles of Association, the Supervisory Board determined other transactions requiring the approval of the Supervisory Board. Adherence to compliant and efficient processes is guaranteed through Rules of Procedure developed in-house.

Various committees were established to ensure effective working methods: an Audit Committee, a Presidential Committee (previously: Remuneration Committee), a Strategy Committee and a Nomination Committee. The composition of the Supervisory Board of Q-Cells SE meets the requirements of an internationally focused company and the Supervisory Board has set an age limit, as envisaged in the GCG Code. In the composition of the Supervisory Board, attention was also paid to the fact that the members of the Supervisory Board reflect the diversity of the international business world without resulting in conflicts of interest with their other activities. Detailed information concerning the Supervisory Board and the cooperation between the Supervisory Board and the Executive Board can be found in the Report of the Supervisory Board.

INFORMATION FOR SHAREHOLDERS, ANALYSTS AND THE PUBLIC

To ensure that communication is up-to-date, we publish current developments affecting the Group for all private shareholders, institutional investors, financial analysts, employees and interested members of the public on our homepage www.q-cells.com. Where possible, information is published in German and English. The financial calendar provides information about key dates. It is published alongside the ad hoc disclosures, directors' dealings and press releases on the website. Any interested parties can also find information on the website about the Company's Articles of Association, current and previous annual and quarterly reports, analyst presentations, movement in the share price as well as the presentations made by the Executive Board at the last Annual General Meeting. The Investor Relations department regularly organises meetings of the CEO and the CFO with analysts and institutional investors and provides these parties – as it does for all private shareholders – with telephone or electronic information channels. In addition to presenting the Company at at least one analysts' conference per year, the Company also offers a conference call for analysts on the publication of quarterly and interim reports. Together with the associated presentations, these can be watched by anyone live on the Internet and are permanently available on the Q-Cells SE website. This means that Q-Cells SE meets the legal requirements for all shareholders to be treated equally.

The shareholders exercise their rights at the Annual General Meeting and exercise their voting rights there. The Annual General Meeting is arranged according to the requirements of effectiveness for the purposes of allowing a rapid and comprehensive exchange of information. Shareholders, who cannot participate in the Annual General Meeting or who leave the Annual General Meeting before voting starts, have the option to have their votes exercised by a proxy of their choice or by a voting representative of the Company bound by instructions. The documents and information to be made available to the shareholders to prepare for the General Meeting are displayed for inspection in the offices of the Company and are also available for download on the Company's website. After the Annual General Meeting, the attendance and the detailed results of voting can be found there. The Executive Board's speech at the Annual General Meeting can be watched by anyone live on the internet and is also subsequently available in full on the internet.

SHAREHOLDINGS AND OTHER FINANCIAL INSTRUMENTS

As of 31 December 2010, the members of the Executive Board and the Supervisory Board of Q-Cells SE held the following total number of shares and related financial instruments (including stock options) in the Company:

	Number
Shares	6,396
Options	504,073
Convertible Bonds (CB 2015)	226

STOCK OPTION PROGRAMMES AND SIMILAR INCENTIVE SYSTEMS

Up to now, the Company has implemented three stock option programmes for Executive Board members and employees of Q-Cells SE as well as for managing directors and employees of affiliated companies: stock option programmes ESOP I (in 2003), ESOP II (in 2005; after the termination of ESOP I) and ESOP III (in 2007; after the termination of ESOP II).

ESOP I

After the stock options were issued, entitled persons had to initially earn the shares over a period of time (1/4 after two years, 1/4 after three years and 1/2 after four years). In order to exercise the option rights, holders have to comply with a two-year holding period after earning the stock options and also the stock exchange price within the last five consecutive days on the stock exchange previous to exercising subscription rights has to be at least 33 % over the exercise price on each day at the time of issue.

As of 31 December 2010, option rights were still outstanding under ESOP I entitling their holders to acquire a total of 119,232 shares.

ESOP II

After the stock options were issued, entitled persons also had to initially earn the shares over a period of time (1/3 after one year, 1/3 after two years and 1/3 after three years, or alternatively 1/2 after one year and 1/2 after two years). In order to exercise the option rights, holders have to comply with a two-year holding period after earning the stock options and also the stock exchange price within the last five consecutive days on the stock exchange previous to exercising subscription rights has to be above the exercise price each day at the time of issue and the development of the stock exchange price of the Q-Cells share has to outperform the development of the TecDAX by at least 10 percentage points per year.

As of 31 December 2010, option rights were still outstanding under ESOP II entitling their holders to acquire a total of 73,178 shares.

ESOP III

Stock options under this programme cannot be earned. The entitled person has to be an employee of Q-Cells Group at the time of the option rights being exercised. In order to exercise the stock options, it is also necessary for a holding period of two and four years respectively to have expired and for the price of the Q-Cell share to have outperformed its benchmark index (synthetic mixed index comprising 50 % TecDAX and 50 % DAX or the Photovoltaik Global 30 Index) in the period between issuance and exercising of the options.

In 2010, a total of 450,000 stock options were issued to members of the Executive Board under ESOP III. Employees were not issued with any stock options under this programme.

As of 31 December 2010, option rights were therefore still outstanding under ESOP III entitling their holders to acquire a total of 904,401 shares.

DIRECTORS' DEALINGS IN ACCORDANCE WITH SECTION 15A OF THE GERMAN SECURITIES TRADING ACT

In accordance with section 15a of the German Securities Trading Act (WpHG), members of the Executive Board and the Supervisory Board and parties closely related to a member of the Executive Board or the Supervisory Board must notify the German Federal Financial Supervisory Authority and the Company of transactions involving shares of the Company or related financial instruments (directors' dealings). These notifications are published by the Company on its website immediately upon receipt.

The Company received no notifications of directors' dealings in accordance with section 15a of the WpHG in the reporting period.

REMUNERATION REPORT [1)]

THE REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

The remuneration of the members of the Executive Board consists of fixed annual basic remuneration, variable remuneration and awarded stock options. The individual amounts are discussed and resolved by the Supervisory Board. The Supervisory Board's Presidential / Remuneration Committee has various preparatory tasks in connection with setting the remuneration. The Executive Board's remuneration is based on criteria such as the duties performed by each member of the Executive Board, their personal performance, the performance of the entire Executive Board and the economic position, success and future prospects of the Company taking into account its peer environment. The variable remuneration and the Stock Option Plan are subject to risks and thus are not guaranteed remuneration. The fixed remuneration is paid monthly and consists of a fixed amount and additional benefits such as the right to private use of company cars. The fixed amount is reviewed for conformity with market standards and appropriateness at regular intervals. The variable remuneration (management bonus) is based on the success of the Company during the reporting period, and is contingent on the achievement of parameters set by the Supervisory Board for 2010 on the development of Group sales, EBIT and free cash flow. 50 % of the bonus is dependent upon the achievement of Company objectives, and 50 % is dependent upon the achievement of individual goals. The variable remuneration comprises two unequal parts, a smaller cash payment and a larger number of fictitious share options. The Supervisory Board resolved that for Executive Board members taking up their duties in 2010, the bonus would be 100 % based on the achievement of Company objectives. Additionally, Executive Board members taking up their duties in 2010 were granted variable compensation with a long-term incentive in the form of share options in the Company in their employment contracts under the rubric of the Stock Option Plan created by resolution of the Annual General Meeting on 24 June 2010 (see the table on share options distributed on page 47).

[1)] This remuneration report forms part of the audited group management report as well as the Declaration on the German Corporate Governance Code.

The remuneration of individual members of the Executive Board in 2010 is presented below:

REMUNERATION OF EXECUTIVE BOARD MEMBERS IN 2010

	Fixed remuneration € '000	Variable remuneration € '000	Fixed and variable remuneration € '000	Share-based remuneration € '000	Total remuneration € '000
Dr Nedim Cen (since 1 September 2010, CEO from 11 March 2010)	252.7	250.0	502.7	21.4	524.1
Dr Nedim Cen (until 31 August 2010)	603.6	0.0	603.6	0.0	603.6
Anton Milner (CEO until 11 March 2010) 1)	71.2	175.0	246.2	0.0	246.2
Hans-Gerd Füchtenkort (since 25 May 2010)	305.6	301.6	607.2	20.3	627.5
Dr Marion Helmes (since 1 July 2010)	254.0	250.0	504.0	30.4	534.4
Gerhard Rauter	303.1	245.0	548.1	102.0	650.1
Dr Marko Schulz (until 10 May 2010) 2)	95.3	0.0	95.3	0.0	95.3
Total 2010	**1,885.5**	**1,221.6**	**3,107.1**	**174.1**	**3,281.2**

1) Plus payments of € 107.4 thousand after the end of service on the Supervisory Board.
2) Plus payments of € 15.9 thousand after the end of service on the Supervisory Board.

REMUNERATION OF EXECUTIVE BOARD MEMBERS IN 2009

	Fixed remuneration € '000	Variable remuneration € '000	Correction variable remuneration 2008 € '000	Fixed and variable remuneration € '000	Share-based remuneration € '000	Total remuneration € '000
Anton Milner (CEO)	298.7	87.5	–175.0	211.2	803.9	1,015.1
Dr Nedim Cen (since 18 June 2009)	541.8	0.0	0.0	541.8	0.0	541.8
Dr Florian Holzapfel	170.1	100.0	–100.0	170.1	433.9	604.0
Gerhard Rauter	220.3	130.0	–130.0	220.3	85.0	305.3
Dr Marko Schulz (since 1 April 2009)	177.0	97.5	0.0	274.5	80.5	355.0
Dr Hartmut Schüning (until 18 June 2009)	146.0	132.7	–140.0	138.7	0.0	138.7
Total 2009	**1,553.9**	**547.7**	**–545.0**	**1,556.6**	**1,403.3**	**2,959.9**

For the 2010 variable remuneration, 100 % target achievement is being assumed. In addition to the fixed remuneration for Dr Marko Schulz, a severance payment of € 671.7 thousand was paid in connection with his resignation from the Executive Board. Anton Milner was paid a voluntary sum of € 175 thousand when he left the Executive Board.

The above comments on the Remuneration Report only apply to the Executive Board member Dr Nedim Cen as of 1 September 2010, as the listed remuneration until 31 August 2010 comprises the portion of the remuneration for Alvarez & Marsal accruing to him. Q-Cells had concluded a consultancy agreement with Alvarez & Marsal. Dr Nedim Cen, who was employed by Alvarez & Marsal until 31 August 2010, supplied services for Q-Cells SE within the framework of this consultancy agreement.

Expenses arising from the participation of former Executive Board members Dr Marko Schulz and Dr Florian Holzapfel in ESOP programmes in past years (IIb, IIe, IIIb 2, IIId), were corrected in 2010 as the options granted had expired during the vesting period.

The following stock options were issued to members of the Executive Board in 2010:

STOCK OPTIONS TO MEMBERS OF THE EXECUTIVE BOARD IN 2010

	Programme	Number of shares	Fair value for total term € '000
Dr Nedim Cen (CEO since 11 March 2010)	III.2b	200,000	380.0
Anton Milner (CEO until 11 March 2010)		0	0.0
Hans-Gerd Füchtenkort (since 25 May 2010)	III.2a	100,000	270.0
Dr Marion Helmes (since 1 July 2010)	III.2a	150,000	405.0
Gerhard Rauter		0	0.0
Dr Marko Schulz (until 11 May 2010)		0	0.0
Total 2010		**450,000**	**1,055.0**

THE REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was adjusted by the Annual General Meeting so that Q-Cells SE will be able to continue attracting qualified individuals of note to fill Supervisory Board positions in the future. The rise in remuneration also accounted for the increased demand placed on Supervisory Board members. The new level of remuneration for Supervisory Board members applied for the first time in financial year 2010.

The Supervisory Board's remuneration is based on the following system:

Each member of the Supervisory Board receives fixed annual basic remuneration of € 30,000.

In addition, members of the Supervisory Board each receive annual performance-based remuneration of € 500 for each initiated million of consolidated net income for the year. The calculation of performance-based remuneration is based on the IFRS consolidated net income for the financial year as reported in the consolidated financial statements. Performance-based remuneration was limited to € 30,000 per Supervisory Board member.

The Chairman of the Supervisory Board receives double, the Vice Chairman one-and-a-half times the fixed and variable remuneration.

Each member of a committee also receives a premium of 25 % on top of his or her fixed and variable remuneration, the chair of a committee receives a premium of 50 %; this does not apply to members or the chair of the Nomination Committee. Total annual remuneration for a regular member of the Supervisory Board may not exceed double the basic remuneration; for the Chairman of the Supervisory Board, total remuneration may not exceed three times the basic remuneration.

Supervisory Board members who only held their position on the Supervisory Board or a committee or their position as chairman for part of the financial year receive pro-rata remuneration.

Each Supervisory Board member also receives a fee of € 1,500 for each Supervisory Board meeting attended. In addition, all members of a committee receive a fee to the same amount for each committee meeting attended.

The remuneration of individual members of the Supervisory Board in 2010 is presented below:

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD 2010

	Fixed remuneration € '000	Variable remuneration € '000	Remuneration committees € '000	Total remuneration * € '000
Prof Dr h. c. Karlheinz Hornung (Chairman since 24 June 2010)	31.2	9.8	20.5	73.5
Marcel Brenninkmeijer (Chairman until 24 June 2010, Member until 30 November 2010)	42.0	13.2	22.9	96.1
Dr Christian Reitberger (Vice Chairman)	45.0	14.2	24.5	98.7
Marcel Berghoff	30.0	9.5	0.0	53.0
Helmut Gierse (since 24 February 2010)	25.5	8.0	16.7	72.7
Prof Jörg Menno Harms	30.0	9.5	19.7	75.7
Richard Kauffman (until 24 February 2010)	4.6	1.5	3.1	9.1
Andrew Lee (until 24 June 2010)	14.5	4.6	4.8	37.3
Constanze Schmidt	30.0	9.4	0.0	52.9
Uwe Schmorl	30.0	9.4	0.0	52.9
Frauke Vogler	30.0	9.4	19.7	81.7
Total 2010	**312.8**	**98.5**	**131.9**	**703.6**

* Total remuneration also includes attendance fees paid to Supervisory Board members.

REMUNERATION OF SUPERVISORY BOARD MEMBERS IN 2009

	Fixed remuneration € '000	Variable remuneration € '000	Fixed remuneration committees € '000	Variable remuneration committees € '000	Remuneration waived € '000	Total remuneration € '000
Marcel Brenninkmeijer (Chairman since 18 June 2009)	38.4	0.0	16.0	0.0	12.8	41.6
Dr Thomas van Aubel (Chairman until 18 June 2009)	23.3	0.0	8.8	0.0	36.4	–4.3
Dr Christian Reitberger (Vice Chairman since 18 June 2009)	31.7	0.0	12.3	0.0	12.8	31.2
Dr Dinnies Johannes von Osten (Vice Chairman until 18 June 2009)	17.5	0.0	5.8	0.0	15.1	8.2
Marcel Berghoff (since 18 June 2009)	13.3	0.0	0.0	0.0	–	13.3
Prof Jörg Menno Harms (since 18 June 2009)	13.3	0.0	6.7	0.0	–	20.0
Hartmut Karcher (until 18 June 2009)	11.7	0.0	0.0	0.0	7.6	4.1
Richard Kauffman	25.0	0.0	9.6	0.0	9.4	25.2
Andrew Lee (since 18 June 2009)	13.3	0.0	3.3	0.0	–	16.6
Constanze Schmidt	25.0	0.0	0.0	0.0	7.6	17.4
Uwe Schmorl	25.0	0.0	0.0	0.0	7.6	17.4
Frauke Vogler	25.0	0.0	12.5	0.0	11.3	26.2
Total 2009	**262.5**	**0.0**	**75.0**	**0.0**	**120.6**	**216.9**

CORPORATE RESPONSIBILITY

"As one of the largest photovoltaic companies in the world, we want to play a part in shaping the future of solar energy. We develop made-to-order solutions to fit the requirements of our customers. In doing so, we're contributing to making solar energy a more cost-efficient, safe and reliable source of energy. Our goal in this is to ensure that both our products and our production methods are sustainable throughout their entire lifespan. This is why we work with an integrated and certified environmental and quality management system and publish the results as part of this Annual Report. We're committed to this level of transparency for the benefit of our stakeholders including society as a whole. Our social responsibility shows this commitment."

Dr Nedim Cen, CEO

OUR MANAGEMENT APPROACH

Q-Cells' approach in implementing and managing corporate responsibility and sustainability in the entire Company is based on

- a constant dialogue with stakeholders,
- the German Corporate Governance Code as a foundation for solid corporate management,
- a compliance management system for employees and suppliers (currently under construction),
- an integrated management system for quality and environmental protection.

For further information:
Chapter Corporate Governance, page 41 ff.

Dialogue with stakeholders
We strive to remain in dialogue with our most important stakeholders as part of our active and open information policy. This starts with our employees and includes investors, customers and suppliers, governmental authorities, universities who have partnership agreements with Q-Cells, local communities and non-governmental organisations and interested members of the public.

By participating in associations, working groups and lobbies, we remain in constant exchange with stakeholders. A sustainability working group of the EPIA (European Photovoltaic Industry Association) was launched in 2009 to foster cooperation with stakeholders on specific topics.

For further information:
www.q-cells.com/Corporate Responsibility
www.cdproject.net

If not otherwise specified, the following information applies to the entire Group, meaning Q-Cells SE and its subsidiaries Q-Cells Malaysia Sdn. Bhd., Q-Cells International GmbH and Solibro GmbH. Environmental figures are only collected from environmentally-relevant production sites, which they represent exclusively.

The reporting period corresponds to the financial year 2010. The structure and content of this report is based on Global Reporting Initiative (GRI), an internationally recognised set of guidelines for sustainability reporting. Furthermore, we voluntarily submit a report on climate protection to the Carbon Disclosure Project. In 2010, Q-Cells was among the 30 best companies included in the CDLI index.

In 2010, these included the ecological footprint, hazardous materials management, fire safety for photovoltaic plants and social and economic sustainability. We also developed an efficient system for recycling and returning solar modules used by the entire industry as part of our work since 2007 in the European Association for Voluntary Take Back and Recycling of Photovoltaic Modules (PV Cycle).

The German Minister for Environment, Dr Norbert Röttgen, visited Q-Cells in 2010 to discuss governmental subsidies in the solar industry. We also received a visit from Jochen Flasbarth, President of the Federal Environment Agency (Umweltbundesamt), during one of his press trips to discuss topics such as amending the German Renewable Energy Act (Erneuerbare Energien Gesetz – EEG), the PV Cycle recycle and return system and perspectives for photovoltaics in Germany and globally.

Compliance management
The highest priority for Q-Cells is to conduct business in compliance with German laws and internationally recognised principles. This begins with treating both customers and suppliers in a responsible manner, upholding standards for fair competition and working conditions, ensuring the protection of the environment, employees and health alike, protecting our intellectual property and respecting the rights of others. Furthermore, we strictly adhere to the separation of corporate and private interests, and ensure the Company provides detailed and accurate financial reporting.

In 2011, we created a second position to ensure compliance at Q-Cells. Working with the existing Chief Compliance Officer, the new Compliance Officer will help fulfil this important function as Q-Cells continues its rapid growth and internationalisation process. The main task of the new Compliance Officer is to further develop the compliance organisation and conduct a risk analysis including the supply chain (in the first quarter of 2011). Additionally, he will adapt the existing Code of Conduct to bring it in line with international standards (by the end of the second quarter of 2011). By implementing a schedule of legal provisions and updating it annually and by mandating training sessions for all managers, we are laying the foundation for consistently upholding legislation. This is complemented by an approval management concept for implementing official requirements and incidental provisions. Furthermore, internal audits assure that laws are upheld and implemented.

The Federal Minister for Environment Dr Norbert Röttgen in discussion with Dr Nedim Cen, CEO of Q-Cells SE.

In 2008, Q-Cells adopted a mandatory Group-wide Code of Conduct demanding the upholding of internationally recognised standards of quality, environmental sustainability and work safety from our approximately 1,000 suppliers and service providers. This is also reflected in the internal procurement guidelines we adopted in 2009. In 2005, Q-Cells established specific criteria for evaluating suppliers and these criteria are continually updated based on input from our business partners. Regular queries of suppliers and portions of the supplier audit are used to monitor compliance with the Code of Conduct.

For further information:
www.q-cells.com/Company/Corporate Responsibility
www.epia.org
www.pvcycle.org

Integrated management system for quality and environmental protection
Since 2007, the Q-Cells production site in Bitterfeld-Wolfen has been fulfilling a certified, integrated management system for quality and environmental protection in accordance with the international DIN EN ISO 9001 and 14001 norms. Since 2009 and 2010 respectively, the production sites at Solibro GmbH in Bitterfeld-Wolfen and the Malaysian Q-Cells production site in Selangor are also certified in accordance with DIN EN ISO 9001. Certification of the two sites in accordance with DIN EN ISO 14001 is planned for 2011. Reports from the management system are created in traceable programmes with measurable goals and are sent directly to the Executive Board.

PRODUCT RESPONSIBILITY

The "Q" in Q-Cells stands for quality. A fundamental and integral part of our quality promise is the responsibility we assume for our products. Our commitment to protecting the environment and resources starts in the research and development phase, continues across all production processes and ends in the uncompromising safety of our products in use. From a broader perspective, our products make a significant contribution to protecting the climate and ensuring long-term energy supplies in Germany, as does the entire solar industry.

The Reiner-Lemoine research centre of Q-Cells in Thalheim.

Solar energy – Energy for the future

Solar energy is essential for ensuring that long-term energy needs are met and for switching to renewable energy sources in Germany. Firstly, because in contrast to conventional sources of energy, no harmful carbon dioxide emissions are released into the environment during the generation of energy by photovoltaics. Secondly, because solar energy is unlimited. In 2010, Q-Cells was once again among the largest system integrators for medium-sized and large photovoltaic plants in the world. Our diversified product portfolio covers major parts of the value chain, from solar cells and modules to complex solar plants. Since we began production in 2001, mono and polycrystalline Q-Cells solar cells have been a touchstone of quality and reliability for our customers. Q-Cells is a leader in developing, producing and marketing solar cells from crystalline silicon. The power of Q-cells' innovation has set standards for the industry, such as the expanded 6-inch cell format (156 mm x 156 mm), the acid-texturized polycrystalline cell and the first completely square monocrystalline 6-inch solar cell.

Our wide-ranging module portfolio offers the right product for each of our customers and their individual requirements. This includes open spaces, large and small roof-top systems for sloped and flat roofs and integrated roof and facade solutions. Q-Cells provides turnkey solutions for its customers in planning, constructing and operating solar plants. Globally, the Company has a well established network of partners.

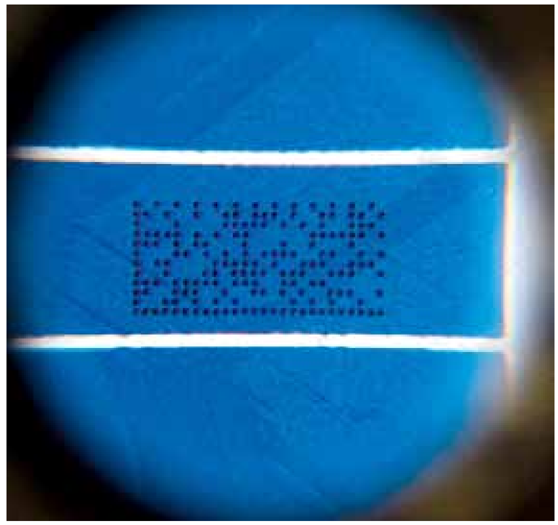
Research centre and cooperation agreements

In order to maintain our leading position given the rapid developmental cycle for products, we invested heavily in research and development (R&D) in 2010. Around 200 scientists, engineers and technicians work on the continual improvement of our products at Q-Cells' own Reiner-Lemoine research centre in Bitterfeld-Wolfen. The focus of our R&D activities are on product innovation, the continuing optimisation of quality and the protection of the environment and resources. We cement this focus by taking part in long-term projects with universities and institutes such as the Fraunhofer Institute for Solar Energy Systems (ISE) in Freiburg and the Fraunhofer Center for Silicon Photovoltaics (CSP) in Halle.

Product quality and safety

In order to guarantee maximum product quality and safety to our customers, all our processes are subject to rigorous quality controls, from the initial control upon arrival of the raw silicon wafers to the final control of finished solar modules. All solar modules are monitored and assessed for quality on the Q-Cells' research and development centre module test line (MTL). Long-term durability studies and extreme conditions tests also include health and safety aspects. Modules are subjected to mechanical and electrical stress tests in the Q-Cells module test line climate chambers, including moisture warmth tests and moisture frost tests. The reliability and quality standards are certified by internationally recognised test centres (such as TÜV, GS and VDI). Our tests even exceed the legal certification in that we test our products for a longer period and at more extreme temperatures than required.

In September 2010, Q-Cells presented a new procedure for increasing product quality. A digital laser marking allows for the absolute traceability of each solar cell across all process stages for the first time ever, from raw silicon wafers to solar modules and systems. On one hand, this allows for effective protection against counterfeits, while on the other hand it facilitates the preservation of raw materials, consumables and supplies in production.



Only 3 mm wide and 1.5 mm high: Digital laser marking on a Q-Cells crystalline silicon solar cell.

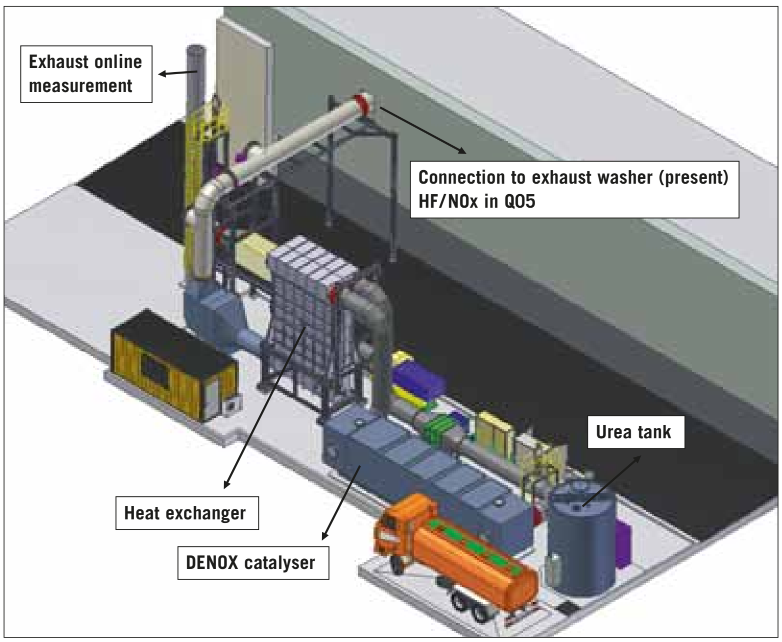
Furthermore, the laser markings can provide information useful in recycling the modules, contributing to resource protection. A European patent was issued for the laser marking technology under the title "solar cell marking process and solar cell" (Solarzellenmarkierungsverfahren und Solarzelle). The individual signature allows us to provide customers with a guaranteed and verifiable standard of quality for the first time. By mid-2011, the process will be implemented throughout Q-Cells. At present, we are lobbying in the industry association SEMI to establish laser marking as a standard in the photovoltaic industry. The technology can be acquired via usage rights already.

At the end of 2009, Q-Cells began working with the German Solar Industry Association (Bundesverband Solarwirtschaft – BSW-Solar) and other partners on a project to prevent and fight fires in photovoltaic modules. Several technical supports for fire fighters and aid organisations were developed in 2010 to this end, including the drafting of codes of conduct and identification guidelines.

In order to continually improve our products and services, Q-Cells conducts annual customer satisfaction surveys.

ENVIRONMENTAL PROTECTION AT WORK

In our production processes, we take great care to ensure the sparing and efficient use of natural resources such as raw materials, energy, and water. Our environmental management system helps us to manage and monitor the corresponding targets.



View of the new SCR system (selective catalytic reduction) for purifying exhaust gas.

Material and waste

We operate according to the three “Rs”: reduce, reuse, recycle. Avoiding the production of waste and the careful use of resources are a top priority for us. From the moment we implement new substances and processes, we work to utilise materials in an optimal manner.

A wide range of raw materials, consumables and supplies are necessary for manufacturing solar cells. This primarily includes technical gases, acids and bases and in smaller quantities silver and lead pastes, alcohols, the metal gallium as well as adhesives. Furthermore, paper/cardboard, wood, plastic and styrofoam are used as packaging materials. Based on a standardised process, a comprehensive risk assessment of new materials and substances is conducted in association with the department for environmental protection and occupational safety. Every substance is listed in a hazardous material register that can be viewed by all employees. Exposure limits at work are tested regularly and high-quality protective equipment is provided for employees.

In financial year 2010, we utilised a total of 26,568 tons of materials and produced 22,031 tons of waste. The largest portion of the waste was classified as hazardous and was mainly disposed of professionally. A smaller portion was recycled. Hazardous waste includes acidic waste water, for instance. Materials use increased on paper by 68.6 % as a result of the integration of the Malaysian Q-Cells sites and Solibro GmbH. In contrast, the amount of waste was reduced by 18.9 %. This is mainly due to exhaust gas purifiers installed in March 2010 at the Bitterfeld-Wolfen site, which process nitrogen oxides (NOx) by means of a thermal, catalytic process. This allows us to avoid 17,000 tons of waste a year and save the same amount of drinking water. This procedure will also allow us to reduce our operating costs in future by approximately € 1.7 million each year.

Q-Cells ensures the proper processing and disposal of waste by carefully selecting waste management companies, stipulating clear contractual regulations and implementing regular audits. In April 2010, the electronic detection method TRIAS went into operation to implement the new governmental requirements for processing disposals that require monitoring. Q-Cells is also planning the voluntary registration of (non-hazardous) waste that does not require documentation to reduce the administrative burden in the long term.

Reusable materials can be recycled from certain types of waste. As with waste containing silver paste, many other wastes can be reintroduced into the material cycle after processing. Since 2006, packing material returned by customers is recycled by warehouse employees. In 2010, our waste recycling rate was approximately 26 %.

Energy consumption and carbon dioxide emissions
Q-Cells consumes energy mainly in the form of electricity for production and gas for heating. In regularly scheduled "energy groups", ongoing projects for optimising energy use are evaluated.

In 2010, total energy consumption amounted to 196,876,358 kWh. Compared to last year, this represents an increase of 80.7 %, mainly due to the data collected from the new consolidations. During the same period, we generated 111,999 kWh of electricity and fed it into the public grid. This in turn represents an increase of 91 %.

Carbon dioxide emissions attributable to energy consumption amounted to 44,509 tons, an increase of 755.5 %. This is also the result of the expansion of the scope of consolidation. While no carbon dioxide emissions were attributable to the Bitterfeld-Wolfen site in the past year due to the complete switch to "green power", the electricity at the Selangor/Malaysia site is generated from palm oil and coal, and the resulting carbon dioxide emissions influence figures accordingly. Also for the first time, all company cars driven by Q-Cells staff were taken into account during the calculation of consolidated carbon dioxide emissions.

There is currently no systematic collection of data related to carbon dioxide emissions resulting from our transport processes, which are transacted completely via service providers. To reduce carbon dioxide emissions, we select local freight forwarders for short-term deliveries or use collective shipping for a better utilisation of transport. 80 % of our shipments are ex-works however, meaning customers collect their cells from our warehouses directly. They are also encouraged to optimise their method of transport.

Water and waste water
At Q-Cells, water is mainly used in the production process, in the WCs and canteen. Drinking water comes primarily from the public water supply system, which in turn is piped from groundwater resources of the Elbe floodplain and the Dübener heath, and from the Rappbode dam in the Harz mountains.

In 2010, water consumption amounted to 1,031,750 cubic metres, while waste water volume amounted to 781,788 cubic metres. These increases of 72.2 % and 39.9 % in water consumption and waste volume in comparison to last year are again due to the extended scope of consolidation. The somewhat less pronounced increase in waste water volume is partially due to the fact that a portion of the production waste water from the Bitterfeld-Wolfen site is processed in an internal waste water processing plant and returned to the production process for use as rinsing water.

Key figures		2010	2010 [1]	2009 [1]	Change [2] %
Materials used	t	26,568 [3]	13,462	15,760	+68.6
Total energy consumption	kWh	196,876,358	92,209,195	108,911,483	+80.7
Total energy generated	kWh	111,999	40,799	58,637	+91.0
Total water consumption	m³	1,031,750	458,692	599,147	+72.2
Total waste	t	22,031	10,229	27,102	–18.9
Total carbon dioxide emissions	t	44,509	6,781	5,203	+755.5
Total waste water volume	m³	781,788	458,692	558,604	+39.9
Production output	MWp	1,014.5	482.9	512.5	+97.9

1) Data collection applies exclusively to Q-Cells site in Bitterfeld-Wolfen.
2) Change with regard to 2009 (Q-Cells site in Bitterfeld-Wolfen) and 2010.
3) Includes raw materials and consumables (excluding consumables used at the Solibro production plant in Bitterfeld-Wolfen).

EMPLOYEES

Our long-term success depends largely on the skills and motivation of our employees. In the competition for qualified personnel, we therefore want to be perceived as an attractive employer and accordingly continue to build on our commitment to satisfy and motivate employees. In addition to attracting new professionals, our goal is to strengthen the ties between employees and the Company. In this context we conducted a staff survey in 2010 to identify the potential for improvement and on that basis develop and implement measures.

Attractive remuneration and company benefits

Our newly developed human resources and remuneration structures, adopted in 2010, are a significant milestone on the road to a new strategic, international focus. By introducing "global grading" works agreements and a "pay framework", we point out interesting development opportunities within the Company for our employees. The pay framework will go into effect at German Q-Cells sites on 1 April 2011 and will be implemented in other Q-Cells sites throughout the Group at a later date. On the basis of the new framework, some 83 % of employees will receive higher pay. In addition, we offer our employees a variety of standard benefits, including a company pension, accident insurance, stock options and employee savings schemes.

Training and education

In the spirit of lifelong learning, we wish to train our employees to develop and boost skills as necessary. Areas of development and current needs are determined by managers during employee interviews.

In 2010, a total of 1,194 employees participated in 315 events and 8,669 hours of training. Based on the total number of employees, the share of staff receiving training decreased by 42 % and training hours increased slightly by 6.2 %. The programme of events was reduced by 33.6 %. These developments are due to a period of short-time work. In 2010, we created a new certificate course in project management and designed a practical training course for a "Skilled professional for process monitoring and troubleshooting in solar cell manufacturing (IHK)" (Fachmann/-frau für Prozessüberwachung und Fehlerbehebung in der Solarzellenfertigung (IHK)) approved by the Chamber of Industry and Commerce (Industrie- und Handelskammer – IHK).

Key figures		2010	2009 *	Change %
Total workforce (including apprentice)	number	2,490	1,713	+45.4
Training events	number	315	474	–33.6
Employees who received training	number	1,194	1,401	–14.8
	applied to total staff	0.5	0.8	–42.0
Total hours of training	number	8,669	5,448	+59.1
	applied to total staff	3.4	3.2	+6.2
Total trainees	number	132	107	+23.4
Work-related accidents	per 1 million work hours	2.9	5.5	–47.3
	per 1,000 employees	6.7	8.1	–17.3
Lost hours due to work-related accidents	per 1 million work hours	0.2	7.9	–97.5
Injuries	number	15	31	–51.7
Occupational illnesses	number	0	0	–

* Data collection applies exclusively to Q-Cells site in Bitterfeld-Wolfen.

Since 2002, we offer state-approved technical-commercial and commercial training programmes at our German solar site. In autumn 2008, Q-Cells launched a dual-degree programme for solar technology at Anhalt University of Applied Sciences in Köthen/Germany. We also cooperate with the University of Cooperative Education Leipzig/Germany for a dual-degree programme in computer science. Since the winter semester 2010/2011, Q-Cells supports academic training in the field of solar energy with an endowed chair for Photovoltaics at the Martin Luther University (MLU) Halle-Wittenberg/Germany. For the training year 2010/2011, Q-Cells recruited 34 trainees and took six students from Anhalt University and one from University of Cooperative Education Leipzig under contract. At present, Q-Cells has a total of 132 trainees and bachelor students – 23% more than in 2009. Of these, 41 have completed their traineeship in 2010.

Working together with the Protestant church's social welfare association Diakonieverein e.V. Bitterfeld-Wolfen-Gräfenhainichen, we trained five young mentally and physically disabled persons to work with arithmetic and writing programmes at our in-house training centre in 2010.

René Hädicke is awarded the best trainee nationwide (specialist in wastewater) by Federal Labour Minister Ursula von der Leyen in Berlin on 14 December 2010.

Supporting career and family

For our employees, it is increasingly important to balance work with family life. Depending on the site and place of work, we therefore offer various family-friendly working time schemes, such as trust-based working time, flexitime models, a one-year extension of parental leave in connection with part-time employment and working from a home office. Together with the town of Sandersdorf-Brehna, we launched a company day care centre for 20 children of our employees near our site in 2010. Plans are for an agreement to be worked out in 2011 concerning working hours, which will include a focus on supporting work and family.

Promoting health and safety at work

As an employer, the health and safety of our employees is our responsibility. Occupational health and safety aspects throughout the company are determined by means of systematic risk assessments or annual health reports and the implementation of defined objectives and measures is monitored. We have established a wide ranging in-house training programme for our staff including training sessions, instructions, counselling, occupational health screening, occupational reintegration management and health campaigns. We are guided by industry standards and strive to maintain a sustainable low accident rate and the health of our employees. The measures for preventive health management are pooled in the "HERQULES" programme and in the "Fit for Future" module especially designed for trainees.

In 2010, we recorded 2.9 work-related accidents and 0.2 hours lost in 1 million work hours. Based on 1,000 employees, 6.7 accidents occurred, none of which were fatal. 15 people were injured, mainly as a result of carelessness. Compared to last year, we recorded a substantial drop in work-related accidents. Based on 1 million work hours, accidents decreased by 47.3%. Based on 1,000 employees, there was a 17.3% drop. This progress is the result of years of effort by Q-Cells in protecting health and safety at work. In future, we will try to further reduce these figures.

A total of 81 employees participated in health training. In cooperation with the occupational health service, we organised a free health check and an influenza vaccine campaign and developed an operational pandemic plan.

CORPORATE RESPONSIBILITY

We assume responsibility for our region and the state of Saxony-Anhalt. This is particularly illustrated by our commitment to young people, to whom we hope to convey the great potential of solar energy as a source for sustainable energy. Our aim in the medium term is to attract the interest of technically-minded and well educated school leavers and university graduates for possible employment at Q-Cells. In another, relatively remote region, the sun-drenched soils of Ethiopia, we're holding a training initiative to support the establishment of solar energy.

Science takes on the dialogue in Magdeburg.

For further information:
www.wissenschaft-im-dialog.de/en/about-wissenschaft-im-dialog/projects

Science Summer 2010 in Magdeburg
"Energy" was the motto of the Science Summer 2010 in Magdeburg, which is organised annually by the Federal Ministry of Education and Research. Each summer, the audience is treated to a vivid and clear insight into the world of science. Q-Cells presented the topic of solar power and its uses by means of three different solar panel exhibits and displays, catering especially for the younger generation. As part of a contest organised by Q-Cells, the Company awarded a € 10,000 "interactive science" prize for the best interactive research project to a team of young scientists from the Otto-von-Guericke University in Magdeburg. The three winning projects made the electrochemical processes in a fuel cell visible, provided information on energy consumption during the production of food compared with the amount of energy it provides and offered an insight into the structure and workings of a solar cell.

Endowed chair at the Martin-Luther University Halle-Wittenberg
Since the winter semester 2010/2011, Q-Cells supports academic training in the field of solar energy with an endowed chair for Photovoltaics at the Martin Luther University (MLU) Halle-Wittenberg. The funding in the amount of € 750,000 is spread over a period of five years. We support the effort to establish photovoltaics in science as a topic of independent research and education, develop Saxony-Anhalt as one of the world's most important centres for photovoltaic research and expand the training and development of qualified young people in Germany. This endowed chair permits us to deepen the long-term cooperation between the Institute of Physics at MLU and Q-Cells.

Photovoltaic systems for schools in Saxony-Anhalt
January 2010 saw the launch of the "Solar energy goes to school in Saxony-Anhalt" (Solarenergie macht in Sachsen-Anhalt Schule), initiated by the Magdeburg-based engineering firm MUTING and the Ministry of Economy and Labour in Saxony-Anhalt. As part of this project, ten schools were equipped with photovoltaic systems. Q-Cells lent its assistance by discounting prices for solar modules and providing teaching materials. The key objectives of the project include introducing young people to the issue of future energy supply, the (environmental) education of pupils and presenting professional development opportunities in the industry of the future, photovoltaics. The project receives additional support from the Ministry of Agriculture and Environment, the Ministry of Culture of Saxony-Anhalt and the European Social Fund. An expansion of the school project to other German states is planned for 2011.

Pupils in Zörbig with a Q-Cells construction set for mini modules.

Experimental solar power mini module kit for classroom teaching in Zörbig

In 2010, Q-Cells donated 25 mini photovoltaic modules and accompanying power meters and display units to the primary school and secondary school in Zörbig, Saxony-Anhalt, for use in the classroom. The mini modules allow teachers and students to experiment with the generation of solar power, making photovoltaics and renewable energy a fixed part of the curriculum.

Supporting the Bitterfeld-Wolfen region

We are involved in and support local initiatives and associations to boost the Bitterfeld-Wolfen region. These include sports clubs and youth associations, as these activities play an important role in society and strengthen communities. We support political education and work to attract new investors in order to provide opportunities to as many people as possible in the region.

Solar energy in Ethiopia

Since 2009, Q-Cells has been supporting the training of "Rural Solar Energy Managers" in Ethiopia, both financially and by sending employees to the country. The experts trained by Q-Cells technicians in the town of Rema will provide consultation services in solar centres throughout Ethiopia, providing guidance on financing, installing and servicing small roof-top solar systems. Since 2007, Q-Cells has sponsored the "International Solar Energy School". This commitment supports the expansion of solar energy in Ethiopia to create jobs in a future-proof industry. Given the positive experiences of our staff, we plan to continue to support the school in the future.

For further information:

www.stiftung-solarenergie.de (German only)

Q-CELLS AT THE CAPITAL MARKET

KEY SHARE DATA

Ordinary shares	
Symbol	QCE
Security identification number (WKN)	555866
ISIN	DE0005558662
Bloomberg	QCE GR
Reuters	QCEG.DE
Member of the following indices (selection)	TecDAX, ÖkoDAX, Photovoltaik Global 30

Preference shares (not listed)	
Security identification number (WKN)	A0MFZE
ISIN	DE000A0MFZE1

KEY FIGURES

		2010	2009
Number of ordinary shares as at 31 Dec. (listed)		149,461,719	88,974,627
Number of preference shares as at 31 Dec. (unlisted)		26,881,911	28,557,284
Total number of shares as at 31. Dec.		**176,343,630**	**117,531,911**
Average number of ordinary shares		114,132,161	85,663,526
Average number of preference shares		27,070,104	29,246,565
Average total number of shares		**141,202,265**	**114,910,091**
Ordinary shares			
Share closing price for the year*	€	2.51	11.40
Share price high for the year*	€	10.28	28.10
Share price low for the year*	€	1.97	9.87
Market value of the ordinary shares as of 31 Dec.	€ million	375.1	1,014.3
Total market value of all shares as of 31 Dec.	€ million	442.6	1,339.9
Earnings per ordinary share (undiluted)	€	0.15	–10.16
thereof from continuing operations	€	0.68	–2.81
thereof from discontinued operations	€	–0.53	–7.35
Average number of shares traded daily		1,741,153	1,553,770
Average trading volume per day	€ million	7.7	22.2

* XETRA.

UNCERTAIN OUTLOOK FOR SOLAR INDUSTRY HAS NEGATIVE IMPACT ON SHARE PRICES

In 2010, the German lead index DAX was able to emerge from the negative effects of the economic and financial crisis with a rise of 16.1 %. In December 2010, it closed above the 7,000-point mark for the first time in two and a half years as a result of the German as well as global economy developing more positively than anticipated.

2010 was another difficult year for the Q-Cells share, with a loss of 72.9 %. The share reached its annual low at € 1.97 on 30 November. Even short periods of upturn such as after the announcement of the business figures for the second and third quarter that well exceeded the market's expectations in mid-August and mid-November as well as a share price rise of 26.1 % in December were unable to make up for the negative trend of the entire year. The benchmark index Photovoltaik Global 30, which includes the world's leading photovoltaic companies and which dropped by 25.3 % in the reporting year, outperformed the Q-Cells share. In contrast, both the German lead index DAX and the TecDAX recorded 4.0 % gains at the end of 2010.

In our opinion, the reasons for the negative development of the Q-Cells share are the uncertainties about the short-term growth perspectives of the photovoltaic sector as well as the fact that investors were waiting to see what would happen with regard to the ongoing implementation of the new strategic focus.

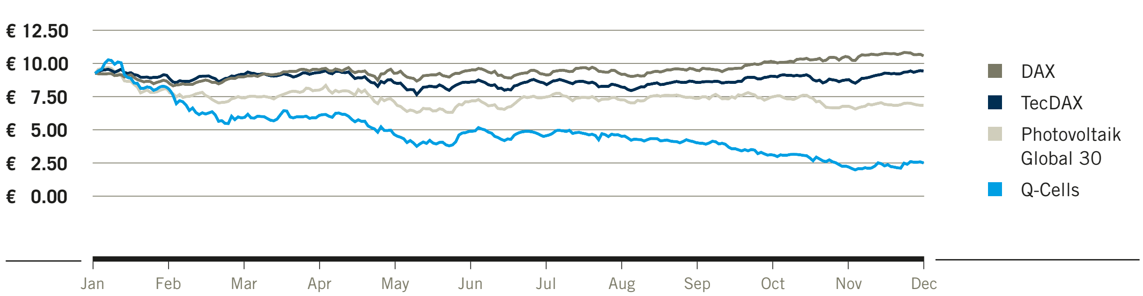
Triggered by cutbacks in government support programmes in key sales countries, the uncertainties about the future development of prices and sales volumes seriously affected share prices in the photovoltaic sector during 2010. The extent and timing of these cutbacks was unknown for quite some time. In Germany, the most important market, the reduction of the feed-in tariff at the end of 2010 and beginning of 2011 was discussed extensively. Together with the photovoltaic sector, politicians agreed to an early implementation of the cutbacks in mid-2011, the precise date dependent on the new installations between March and May 2011. Despite this important decision in the largest photovoltaic market, uncertainty remains about the development of demand for photovoltaic. Combined with the continuing expansion of capacities, especially of Asian manufacturers, these factors have a negative impact.

Due to the capital increase, the Q-Cells share was traded excluding subscription rights as from 29 September 2010. The theoretical subscription right deduction amounted to € 0.93. Please refer to the group management report for further information on the capital measures page 75 carried out last autumn.

After the conclusion of the restructuring measures last year, the consistent implementation of the new strategic focus, which was launched in 2010, is crucial to the competitive position and share price of Q-Cells.

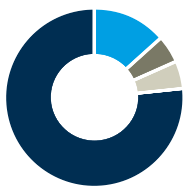
OUTPERFORMANCE OF THE Q-CELLS STOCK AND COMPARATIVE INDICES IN 2010

rebased in €



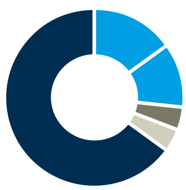
SHAREHOLDER STRUCTURE

As of March 2011



Ordinary shares: 149,461,719

Good Energies (Solar Investments) S.à r.l. (20,250,202)*	13.5 %
Taube Hodson Stonex Partners	< 5.0 %
Baillie Gifford	< 5.0 %
Other	> 76.5 %



Total shares: 176,343,630

Good Energies (Solar Investments) S.à r.l. (47,132,113)* Ordinary shares: 20,250,202 Preference shares: 26,881,911	26.7 %
Taube Hodson Stonex Partners	< 4.2 %
Baillie Gifford	< 4.2 %
Other	> 64.9 %

* Good Energies (Solar Investments) S.à r.l. has temporarily lent 24 million shares within the framework of the issuance of the convertible bonds 2009/2014 and 2010/2015, which are included in Other.

CONVERTIBLE BONDS

	Convertible bond 2007/2012	Convertible bond 2009/2014	Convertible bond 2010/2015
ISIN/ WKN	DE000A0LMY64 A0LMY6	DE000A1AGZ06 A1AGZ0	DE000A1E8HF6 A1E8HF
Listing	Luxembourg	Frankfurt, open market	Frankfurt, open market
Share price (10 March 2011)	95.85 %	80.00 %	€ 4.10 (93.60 %)
Denomination	€ 100,000	€ 100,000	€ 4.38
Nominal volume	€ 492.5 million	€ 250.0 million	€ 128.7 million
Number	4,925	2,500	29,394,293
Coupon	1.375 %	5.75 %	6.75 %
Conversion price	€ 56.62	€ 19.45	€ 4.38
Outstanding nominal value (March 2011)	€ 201.7 million	€ 247.0 million	€ 128.7 million

TRADING VOLUME AND CHANGE IN THE NUMBER OF SHARES

In 2010, 1.7 million Q-Cells shares were traded on average every day on the German stock markets. This equates to an increase of almost 12.1 % compared with the previous year's figure. As a result of the fall in the share price, the trading volume shrank significantly by 65.5 % to approximately € 7.7 million despite the increase in the number of shares traded.

After the conversion of 1,675,373 preference shares held by the main shareholder Good Energies (Solar Investments) S.à r.l. (Good Energies) into ordinary shares in February 2010, the number of ordinary shares rose to 90,650,000 and the number of preference shares dropped correspondingly to 26,881,911. The exercising of stock options under the employee participation programme increased the number of ordinary shares by another 45,264 in mid-2010. 58,765,955 new ordinary shares were issued as part of the capital increase in September and October 2010. An additional 500 new ordinary shares were created by exchanging convertible bonds in December 2010. The number of ordinary shares therefore went up to 149,461,719 by the end of 2010. Including the 26,881,911 preference shares, the total number of shares rose to 176,343,630 at the end of December 2010.

Our main shareholder Good Energies holds around 26.7 % of all Q-Cells shares, of which roughly 13.5 % are ordinary shares and approximately 15.2 % preference shares held entirely by Good Energies. Good Energies has also temporarily lent out an additional 24 million ordinary shares. Including these loaned shares, Good Energies holds around 40.3 % of Q-Cells shares.

In addition, financial investors from the UK, Germany and Scandinavia hold large percentages of Q-Cells SE shares. At the end of 2010, about 86.5 % of ordinary shares were in the hands of financial and private investors. The number of shares in freefloat is therefore higher than the average of other companies listed on the TecDAX.

Q-Cells issued three convertible bonds to finance the Company. After the buybacks in the previous year and in January 2011, the total outstanding face value amounts to € 577.4 million.

INVESTOR RELATIONS – IN DIALOGUE WITH INVESTORS AND ANALYSTS

Q-Cells places highest priority on maintaining ongoing, open and intensive communication with institutional investors, analysts and private investors, none more so than during a time when the Company is adopting a new strategic focus, such as in financial year 2010. We aim to achieve a high level of transparency by providing all information required for making well-founded investment decisions in a timely and comprehensive manner. The Executive Board and the Investor Relations department are also engaging in constant dialogue with capital market participants. We regularly participate in investor conferences and also doing roadshows for institutional investors in Europe and the USA. After the announcement of business figures and important events, the Executive Board provides information for the capital market in the form of comprehensive presentations and during conference calls. All published information is also available at all times online at www.q-cells.com in the Investor Relations section.

ANALYST OPINIONS

Compared with the previous year, the number of bank analysts who regularly produced studies and investment recommendations on the Q-Cells share (coverage) shrank from 42 to 35; 29 analysts published a report within the last six months of 2010.

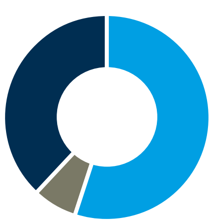
Based on the updated ratings in the last six months of the year, two banks recommended buying the Q-Cells share at the end of December 2010, 16 analysts recommended holding the share and eleven advised selling it. The target price ranged from € 2.00 to € 7.00 with an average of € 3.37.

HIGH ACCEPTANCE AT THE ANNUAL GENERAL MEETING

190 shareholders attended the Annual General Meeting in Leipzig on 24 June 2010. Around 56.9 % of the ordinary shares carrying voting rights were represented. Approval of the resolutions proposed by the Supervisory Board and the Executive Board on the individual points on the agenda stood at over 95 % in each case.

ANALYST'S RATINGS

As of March 2011



	Number	Share
Hold	16	55 %
Buy	2	7 %
Sell	11	38 %
Total	**29**	

CONTENTS

GROUP MANAGEMENT REPORT 2010

BUSINESS AND OPERATING ENVIRONMENT

- RESTRUCTURING COMPLETED IN 2010 AND MEDIUM-TERM FINANCING SECURED
- BROAD PRODUCT PORTFOLIO OF SOLAR CELLS, SOLAR MODULES AND PHOTOVOLTAIC SYSTEMS
- INTERNATIONALISATION IN FAST GROWING PHOTOVOLTAIC MARKETS CONTINUED
- LAUNCH OF SIGNIFICANTLY IMPROVED SOLAR MODULES PLANNED FOR 2011

GROUP STRUCTURE AND OPERATING ACTIVITIES

Since its formation in 1999, Q-Cells has evolved into one of the world's largest photovoltaic companies. Q-Cells is focused on the development, manufacture and marketing of solar cells, solar modules and photovoltaic systems.

GROUP LEGAL STRUCTURE

As the largest operating company, Q-Cells SE, which is based in Bitterfeld-Wolfen, OT Thalheim, is the most significant entity within the Q-Cells Group (Q-Cells). It holds shares in the companies owned by the Group either directly or indirectly. The list of shareholdings on page 192 and 193 comprises all companies included in the consolidated financial statements.

ORGANISATIONAL AND MANAGEMENT STRUCTURE

New segments: products and systems

In financial year 2010, Q-Cells adjusted the external segment reporting structure to match the new corporate strategy and internal management. Q-Cells' operations are divided into two business segments, products and systems.

	Q.CELLS			
Segments	**PRODUCTS**		**SYSTEMS**	
Business areas	Solar cells	Solar modules	Large-scale systems	C & I systems

SEGMENTS

Products

Solar cells and modules

The products segment includes the development, production and sale of crystalline solar cells and modules, and of CIGS thin-film solar modules. The solar cells are produced at the Company's production facilities in Thalheim/Germany and Selangor/Malaysia. A portion of solar cells manufactured in 2010 were processed by external partners into crystalline solar modules, while the bulk was sold to external module manufacturers. At the beginning of 2010, Q-Cells began selling crystalline modules to wholesalers and large-scale installers under the brand names Q.BASE and Q.PRO. CIGS thin-film modules are produced in Thalheim/Germany. The thin-film modules are marketed worldwide under the brand name Q.SMART.

Systems

Large-scale systems and commercial & industrial systems

The Systems segment offers its customers a range of services in project development and implementation of photovoltaic systems. This allows Q-Cells to operate both in the field of large-scale systems, which generally have a capacity of more than 5 MWp, and of medium-sized industrial and commercial installations (C&I systems), which typically have an output between about 0.3 MWp and 5 MWp. Solar panels from the products segments are used for projects. Q-Cells also provides operating, maintenance and monitoring services. The systems segment uses subcontractors to carry out some of these services.

MANAGEMENT AND CONTROL

Dual management structure

Q-Cells' management and control structure is divided into two parts. The Executive Board of Q-Cells SE sets the corporate strategy and the resulting goals and is responsible for their implementation at the same time. During the financial year, the composition of the Executive Board of Q-Cells varied between three and four members. The Chief Executive Officer Anton Milner resigned on 11 March 2010. Dr Nedim Cen, who until that time was Chief Financial Officer, was appointed CEO by the Executive Board and held both offices until the end of June 2010. On 29 April 2010 Dr Marion Helmes was appointed CFO with effect from 1 July 2010. On 10 May 2010 Dr Marko Schulz, responsible for the Marketing and Sales divisions, left the executive committee. At the same time, Hans-Gerd Füchtenkort was appointed to the Executive Board with effect from 25 May 2010, assuming responsibility for the Marketing and Sales divisions. Gerhard Rauter was responsible for the Operations & Technologies divisions for the entire reporting period.

The Supervisory Board advises the Executive Board at regular intervals and monitors its activities continuously. As a rule, the Supervisory Board does not perform any management tasks. The Articles of Association specify that the Executive Board may only effect certain transactions with the consent of the Supervisory Board. At the start of 2010, the Supervisory Board consisted of six shareholder representatives and three employee representatives. During 2010, changes to the Supervisory Board occurred only on the part of the shareholder representatives. At the Annual General Meeting on 24 June 2010, Prof Dr h.c. Karlheinz Hornung was elected as a new member of the Supervisory Board after the resignation of Andrew Lee. At the same time, Helmut Gierse, who was made interim Supervisory Board member on 24 February 2010 after the resignation of Richard Kauffman, was appointed to this post by the Annual General Meeting. At the Supervisory Board meeting after the Annual General Meeting, Prof Dr h.c. Karheinz Hornung was elected successor to Marcel Brenninkmeijer as new Chairman of the Supervisory Board. Marcel Brenninkmeijer resigned his post on the Supervisory Board effective 30 November 2010. As a result the number of Supervisory Board members fell from nine to eight.

Please see the Corporate Governance Report (page 41 ff.) for further details.

DECLARATION OF CONFORMITY

The Declaration of Conformity can be found on our homepage at www.q-cells.com under Investor Relations in the section Corporate Governance. The Corporate Governance report (page 41 ff.) also contains the description of the functions of the Executive Board and Supervisory Board as well as the composition and functions of the respective committees.

CORPORATE STRATEGY

Strategic realignment in 2010

2010 was a crucial year of realignment for Q-Cells. Until 2009, Q-Cells focused almost exclusively on the solar cell production stage in the value chain. The Company's roots have been in solar cell production since it was founded more than ten years ago. Within just a few years, Q-Cells grew into one of the largest companies in the photovoltaic industry, and was the world's largest solar cell manufacturer in 2007 and 2008. The shortage of silicon combined with a sharp increase in prices for this essential raw material of crystalline technology, as well as resulting advantages for the thin-film technologies that require either no or significantly less silicon, have led Q-Cells to invest in various alternative technologies. Since late 2007, Q-Cells has been active in the field of project management and the construction of large ground-mounted systems (known as photovoltaic power plants). In addition to the above-average growth prospects at that time, one key reason for getting involved in this business was that thin-film modules are mainly used in large ground-mounted systems.

For both the industry and Q-Cells in particular, the year 2009 was one of profound changes. After the collapse of the Spanish market and financing difficulties for photovoltaic systems in the first half of 2009, demand dropped sharply. Q-Cells' focus on the solar cell production stage in the value chain connected with heavy quantity commitments and prices for silicon and silicon wafers hit the Group hard during the crisis. The future prospects for the new thin-film technologies have also changed dramatically through the sharp decline in the price of silicon. The restructuring programme "Q-Cells Reloaded" launched in 2009 set the stage for Q-Cells to reposition itself in this changing economic environment. In addition to the closing of older production facilities in Thalheim and the simultaneous start of solar cell production in Malaysia, the focus of this restructuring programme was on ensuring the liquidity of the Company, streamlining the technology portfolio by focusing on crystalline and CIGS thin-film technology, the renegotiation of procurement contracts for silicon and wafers and the strengthening of the management team. The key points of this programme were implemented by the end of 2009. Last year, the restructuring measures were completed.

These measures were necessary conditions to create the basis for the new corporate strategy. Simultaneously, management already started refocusing the business model. In March 2010, this new strategic positioning was presented as part of the balance sheet press conference.

Product portfolio significantly expanded: solar cells, solar modules and photovoltaic systems

The solar cell will remain the core of Q-Cells' business activities. However, the product portfolio was significantly expanded as from the second quarter of 2010. Since that time, the range of products also includes crystalline solar modules in addition to polycrystalline and monocrystalline solar cells. As for thin-film technology, the focus is exclusively on CIGS thin-film technology by the Group's wholly-owned subsidiary Solibro, which has already proven itself successful in mass production. Furthermore, the systems business has been expanded to include medium-sized industrial and commercial photovoltaic systems – commercial & industrial applications (C&I). These are systems for industrial roofs, but also for smaller ground-mounted systems. Q-Cells can apply the experience it has gained in constructing large photovoltaic plants for these smaller projects.

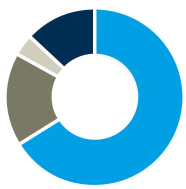
The Company now offers a very wide range of products for different applications: from solar cells to different types of modules and technologies, to photovoltaic systems of several hundred kWp for industrial roofs to large ground-mounted systems ranging from several MWp to over 50 MWp. The goal is to expand end user access and significantly strengthen the market position of Q-Cells as a leading global company in the photovoltaic market.

Cell production in Germany and Malaysia; flexible module production concept

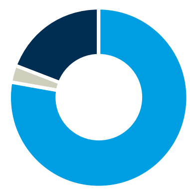
Cell production takes place at two locations worldwide: at the Company's headquarters in Thalheim/Germany and at the new production site – also completely automated – in Selangor/Malaysia. Due to the low transport costs, centralised production is advantageous for this stage in the value chain. For the production of crystalline modules for sale under the brand name Q-Cells and installation as part of the Group's own systems business, Q-Cells takes a different route than in solar cell production. The crystalline module production is currently carried out exclusively by external processing partners. Modules for the Group's systems business have been produced by OEM partners in the past as well, such as Hanwha SolarOne (previously: Solarfun). Modules for its products business are made by the company Flextronics in Malaysia in accordance with Q-Cells standards and quality specifications. This year, the Company is planning on supplementing its module capacity with external partners by means of another contract manufacturer in Eastern Europe. It will also launch its own module production facility at the Thalheim site for producing its Q.PEAK premium modules. These high power modules are found in rooftop installations, in particular. The focus will be on the German market and other European markets.

In the future, although Q-Cells' own crystalline module production will amount to only roughly a quarter of the total volume of module production, the Company expects that this move will create decisive synergies for both technological improvements at the module level and the necessary close technological cooperation with solar cell production.

SALES



	2010 MWp
Products	**805**
Solar cells	612
Crystalline modules	157
Thin-film modules	36
Systems	**120**
Total	**925**



	2009 MWp
Products	**349**
Solar cells	336
Crystalline modules	0
Thin-film modules	13
Systems	**82**
Total	**431**

Larger revenues and earnings potential due to new business areas

This significantly expanded range of products and services will allow Q-Cells' sales mix to continue to adapt in the future. The sales in the products segment increased from 349 MWp to 805 MWp in the reporting period. The volume in the systems segment went up from 82 MWp in 2009 to 120 MWp in 2010. In 2010, 27 % of revenues resulted from the new business units modules (products segment) and C&I systems (systems segment). Especially with the increasing revenues share coming from these higher-priced products and systems, which are either sold directly to end users or are placed much closer to the end user, a larger revenues and earnings potential emerges despite the expected reduction in sales prices throughout the photovoltaic value chain. Furthermore, the greater proximity to end users allows the Group to profit from the premium quality of its products much more than in the past.

Due to the continued need to lower prices on photovoltaic products, reducing costs throughout the various stages of the production processes all the way to the final installed system will remain an essential element of corporate strategy. Higher efficiency with only a slight increase in the complexity of the manufacturing process, the improved interaction between the individual components of photovoltaic systems combined with high system reliability: These are the key elements for establishing solar electricity in the future as a cheap and reliable source of energy within the global energy mix.

Continuation of strategic realignment in 2011

In 2011, Q-Cells will continue to implement the new strategic direction it has begun. Based on the strong position of the Company in Germany and Europe, it plans to step up international expansion. Here its particular focus will be on the North American continent. Last year, it already began strengthening its market position in Canada significantly. Q-Cells has constructed the first major projects for clients, which resulted in repeat business to be implemented this year. In the future, the U.S. market will be one of the major photovoltaic markets worldwide, edging out Germany as the largest single market. Q-Cells is working hard at building a strong market position in the U.S. to participate in this expected growth. We have also identified other growth regions such as Australia and India, and started early to build up the necessary structures.

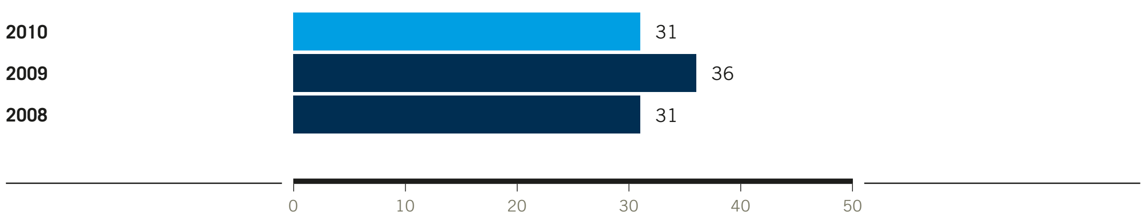
The significantly enhanced range of products forms the foundation and an important milestone for the future strategic direction of the Group. To accelerate the development still necessary to establish Q-Cells as a leading system and solution provider in the photovoltaic field, the Company will also work with suitable partners. The market segment of small and medium-sized rooftop systems will play a significant role in this development. The goal of Q-Cells is and remains to sustain profitable growth.

NON-FINANCIAL PERFORMANCE INDICATORS

RESEARCH AND DEVELOPMENT

Q-Cells' research and development activities include both crystalline technology and CIGS thin-film technology. In addition to boosting its own research and development expertise, closely cooperating with leading universities and research institutions is a key component in future product development.

PATENT REGISTRATIONS 2008 TO 2010 Number



Increased focus of research and development activities

The increased focus of research and development activities on practical projects and projects promising short to medium-term success is also reflected in the positive trend of patent applications, which rose from 23 in 2007 to 31 in 2008 and finally to 36 in 2009. Patent applications for 2010 remained at a high level with 31.

Crystalline technology
In the area of crystalline technology, research and development not only covers the production of individual cells. In the future, increased resources will be dedicated particularly to the areas of modules and systems. Q-Cells is also active in the two upstream value chain stages crystallisation and wafering, as research in this area promotes better understanding of the production process and leads to a qualitative improvement of research results. The approximately 200 scientists and engineers working in crystalline research and development have access to a new research centre constructed in 2008 and an in-house testing area for solar modules.

The focus of crystalline research and development is on significantly improving the efficiency and the quality of solar cells, solar modules and finally photovoltaic systems while only slightly increasing the complexity of the manufacturing process. Last year, we achieved important milestones in these efforts, laying the foundation for the conversion of the cell manufacturing process planned for 2011.

Fully conversion of solar cell production capacity to Gen2 technology

In 2011, Q-Cells will fully convert its solar cell production capacity to what is known as Gen2 technology. Gen2 technology involves redesigning individual stages of the cell production process, such as optimising printing processes. By doing so, we will improve absolute efficiency by about 0.5 % in the current production, producing multicrystalline solar cells with peak efficiencies of more than 17 %. Based on this new generation of solar cells, the Group plans to launch the improved module Q.PRO-G2 in the spring of 2011, which will be available at power levels between 230 Wp and 245 Wp. Q.PRO-G2 will thus take a leading position among 60 solar cell multicrystalline solar modules.

Initial module prototypes of the new Gen2 product generation, measured independently at the renowned Desert Knowledge Australia Solar Centre at Alice Springs, reveal absolute peak output under the extreme local climate conditions. In a comparison of international manufacturers, Gen2 technology has already demonstrated its excellent performance properties.

In the summer of 2011, Q-Cells will expand its crystalline module portfolio by launching its premium product Q.PEAK. We expect that the Q.PEAK module, based on highly efficient monocrystalline solar cells, will perform better than all 60 solar cell monocrystalline modules currently available on the market.

We have achieved important milestones on the path to pilot production of monocrystalline cells with an efficiency of up to 20 %. By optimising the front and back of the solar cell in our own research centre, we were able to increase the efficiency of monocrystalline cells by up to 19.5 % and the efficiency of polycrystalline cells by up to 18.6 %. We continue with our plans to begin low volume pilot production of this new cell technology towards the end of 2011.

Polycrystalline module with a world record performance

Based on the new high-efficiency technology platform, we have manufactured a polycrystalline module with a world record performance of 268 Wp and an efficiency of 17.8 %. This innovative technology underlines the leading technological position of Q-Cells in crystalline solar cells and modules and will soon be introduced in stages into series production.

Besides improving efficiency, in 2010 we further decreased the amounts of silver and process gases used in the production process. This has a positive effect on non-wafer costs of cell production and counteracted higher prices for silver.

Thin-film technology

Patented CIGS technology

In addition to its two factories, the subsidiary Solibro, which manufactures CIGS thin-film technology for Q-Cells, owns a pilot line in Uppsala / Sweden for optimizing Q.SMART modules. In contrast with its main competitors in the CIGS thin-film industry, Solibro uses a patented co-evaporation technology for the main coating process, meaning coating is done in a single process stage. To date, the highest efficiency in thin-film has been achieved using co-evaporation technology, which is why we see considerable potential in the future advancement of this technology. The core areas on which development activities are focused include the active layer, the buffer layer and the front and back contact.

2010 was marked by the ramp-up of new production, the stabilisation of production and by evolutionary improvement of the manufacturing process. Here, the average efficiency in current production could be increased a full percentage point to 11.0 %. Additionally, the production output has improved significantly. These two factors coupled with economies of scale have led to a significant reduction in production costs per Wp to under one euro. Furthermore, an independent testing laboratory confirmed an efficiency of 13.0 % for a Q.SMART module manufactured according to current production methods. In terms of aperture, an efficiency of 14.2 % was measured, setting a new world record for thin-film modules in volume production.

EMPLOYEES

Our employees are the most important factor for the future competitiveness of Q-Cells. Their qualifications, their motivation and their willingness to perform on behalf of the Company significantly affect the future development of Q-Cells. For this reason, we want to attract the best people, then promote and support them individually.

Q-Cells' internal staff development and training system, Q-Cells Academy, allows it to boost both the technical and social skills of its employees. Q-Cells also offers its employees health and sports activities.

Performance-based participation of employees in Company development

Q-Cells aims to allow all employees to participate in the development of the Company based on their services to the Company. For this reason, compensation agreements for nearly all employees include performance-based components. For managers and employees not directly involved in production, 50 % of annual bonus payments comprise Company targets and 50 % are based on the achievement of team or individual goals. For production workers, there is a monthly bonus based on production figures, and an annual bonus based on the achievement of Company targets.

In addition, Q-Cells grants executives and employees stock options, which are distributed based upon the fulfilment of set goals. The stock options can only be executed if the Q-Cells share performs better during the term of the option than the industry index Photovoltaik Global 30.

During the reporting period, the number of employees in continuing operations decreased slightly from 2,421, thereof 701 women, to 2,362, thereof 611 women.

Training of qualified experts

Q-Cells cares passionately about training qualified experts. At the end of 2010, the Company had 111 trainees (previous year: 98). The Q-Cells Training Centre, opened on the Solar Valley site in 2007, offers ideal training conditions for twelve different professions. Furthermore, 22 (previous year: 17) students are taking a dual-study course, in which hands-on learning is combined with a university degree course.

CONDITIONS

GENERAL ECONOMIC CONDITIONS

Global economic performance increased in 2010

After global economic performance fell in 2009 for the first time since 1945, global gross domestic product (GDP) rose steeply in 2010. The expansive monetary and fiscal policies of many industrialised and emerging countries gave the widespread recovery of the global economy a crucial boost. Steady demand from emerging countries also drove this positive development.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT (GDP) WORLDWIDE IN 2009 AND 2010

	Change in GDP 2010 yoy %	Change in GDP 2009 yoy %	Share in global GDP 2009 %
Germany	3.6	–4.7	4.0
France	1.6	–2.5	3.0
Italy	1.0	–5.0	2.5
Spain	–0.2	–3.7	1.9
Euro area	**1.8**	**–4.1**	**15.1**
UK	1.7	–4.9	3.1
USA	2.8	–2.6	20.4
Canada	2.9	–2.5	1.8
Japan	4.3	–6.3	6.0
Newly industrialised Asian countries*	8.2	–0.9	3.8
Industrialised countries	**3.0**	**–3.2**	**53.8**
Central and Eastern Europe	4.2	–3.6	3.5
CIS	4.2	–6.5	4.3
China	10.3	9.2	12.6
India	9.7	5.7	5.1
Latin America and the Caribbean	5.9	–1.8	8.5
Middle East and North Africa	3.9	1.8	4.9
Emerging and developing countries	**7.1**	**2.6**	**46.2**
World	**5.0**	**–0.6**	**100.0**

* Hong Kong, Singapore, South Korea, Taiwan.

Source: IWF, World Economic Outlook January 2011.

According to estimates made by the International Monetary Fund (IMF), the global economy is likely to have grown by 5.0 % in 2010. The economic performance of the emerging and developing countries showed the greatest momentum, with many of them already returned to the levels shown before the 2009 crisis. The industrialised countries recovered considerably more slowly last year and the majority was unable to make up for the slump in their gross domestic product in 2009.

In the euro area, the economies of France and Italy performed below par, while Spain in particular even continued dropping in 2010. Germany profited more than most other industrialised countries from the dynamic growth in Asia, as its economy has a strong focus on exports. During the course of the year, a rise in domestic demand increasingly boosted Germany's positive economic development.

Germany achieved highest GDP growth in the euro area

SECTOR-SPECIFIC ENVIRONMENT

Global energy market

The majority of global energy consumption is currently covered by fossil fuels as well as nuclear power, which is a much debated energy source in many countries. More than 90 % of the energy consumed globally in 2009 came from coal, oil, gas and uranium.

According to the World Energy Outlook of the International Energy Agency (IEA) released in November 2010, global energy consumption will rise by 36 % between 2008 and 2035, corresponding to an average annual increase of 1.2 %. The IEA expects the emerging countries, especially China and India, to contribute the largest share to this growth until 2035. Rising prices for fossil fuels, higher costs for CO_2 emissions and the implementation of political framework conditions should speed up the changeover to renewable energies. According to the IEA's estimates, the use of renewable energies will triple in the forecast period, despite the questionable assumption of nuclear energy gaining a larger share.

Use of renewable energies to be increased considerably

The increase of the renewable energies' share in power output is being supported by numerous targets and objectives on a national and international level. In March 2007, for instance, the European Union set itself a goal of raising the market share of renewable energy to 20 % by 2020.

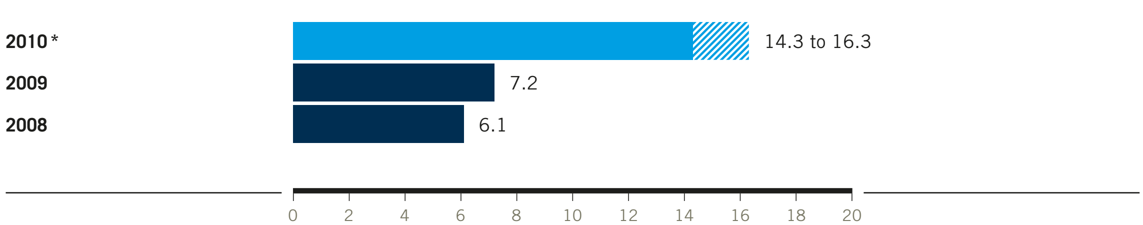
Photovoltaic market

The development of the global photovoltaic market is dependent on general economic conditions and especially on government subsidies for the installation of photovoltaic systems, as the cost of generating power from photovoltaic systems is currently still higher than the price for grid electricity in most regions in the world.

Global photovoltaic market more than doubled in 2010 compared to 2009

DEVELOPMENT OF THE GLOBAL PHOTOVOLTAIC MARKET

GWp



* Expected.

Sources: EPIA for 2008 and 2009, analyst estimates for 2010.

Germany and Italy largest single photovoltaic markets

According to the European Photovoltaic Industry Association (EPIA), the global photovoltaic market had a volume of 7.2 GWp in 2009. Analysts estimate that this volume will have more than doubled in 2010. Their forecasts span from 14.3 GWp to 16.3 GWp. As in 2009, Germany was the largest single market, with analysts' estimates for 2010 fluctuating between 7 GWp and 8 GWp. Up to now, the German Federal Network Agency (Bundesnetzagentur) has announced new installations to the amount of 6.2 GWp for the period from January to November 2010; in the previous year, this figure was 3.8 GWp. According to the responsible authorities, 1.85 GWp in new photovoltaic projects were registered in Italy, the second-largest market, for the period from the beginning of 2010 to the end of January 2011. As more projects are currently going through the application process, analysts anticipate that new installations in 2010 will have a total volume of approximately 2.5 GWp to 3.5 GWp, compared to 0.7 GWp in 2009. In the Czech Republic, newly installed photovoltaic output rose steeply from 0.4 GWp in the previous year to just over 1.2 GWp in 2010. In the USA and Japan, output from new installations is likely to have roughly doubled year-on-year, with about 1 GWp each, and China, Canada and France are also said to have recorded considerable increases.

BUSINESS DEVELOPMENT – AN OVERVIEW

The implementation of measures of the restructuring programme launched in the previous year and the strategic realignment had a positive impact on business performance in 2010. The significant volume growth of the global photovoltaic market in 2010, combined with a significantly lower year-on-year decline in sales prices, supported this effect.

DEVELOPMENT OF PRODUCTION AND DISTRIBUTION

	2010 MWp	2009 MWp	Change %
Production capacity	1,235	830	48.8
Production	1,014	551	84.0
Sales volume	925	431	114.6

Expansion of our total production capacity from 830 MWp to 1,235 MWp

The scheduled expansion of production facilities for solar cells in Malaysia and for CIGS thin-film modules in Germany led to an increase in Q-Cells' total production capacity from 830 MWp at the beginning of 2010 to 1,235 MWp by the end of the year. We have internationalised our production facilities substantially, with manufacturing facilities in Malaysia and two processing partners for crystalline solar modules, Flextronics in Malaysia and Hanwha Solaron in China (previously: Solarfun). Q-Cells adheres to a flexible production concept in manufacturing crystalline modules from its own cell facilities.

Since the start of crystalline module sales in the spring of 2010 and the expansion of the business area for medium-sized industrial and commercial installations, the company has considerably expanded its product portfolio, and with it its sales divisions. By the end of 2010, its distribution network extended across 15 countries, representing about 80 % of the photovoltaic market.

DEVELOPMENT OF BUSINESS FIGURES

	2010 € million	2009 € million	Change %
Revenues	1,354.2	790.4	71.3
EBITDA	182.2	–209.0	–
EBIT	82.3	–362.5	–
Free cash flow	48.0	–64.5	–
Cash and cash equivalents	473.9	411.9	15.1
Net financial receivables (+)/net financial liabilities (–)	–330.7	–503.7	–34.3
Equity	882.7	737.0	19.8
Equity ratio	40.5 %	33.1 %	–

The positive developments in 2010 are also reflected in the business figures. The significantly higher sales volume in conjunction with the change in product mix led to a marked increase in revenues. From the second quarter onward, we achieved positive EBIT results. The Q-Cells' balance sheet and financing structure has improved significantly as a result of positive free cash flow and the successful capital market measures.

Positive development in the business figures

In September and October 2010, we successfully implemented a three-part package of capital measures for securing medium-term financing. The individual components included a rights offering for cash, the issuance of new bonds set to mature in October 2015, and the repurchase of 57.2 % of the convertible bond due in February 2012.

As part of the new strategic focus, Q-Cells sold its entire shareholdings in Q-Cells Clean Sourcing, Sovello and VHF Technologies during the reporting period. The Company's participation in Calyxo fell to 43 % in 2010. The remaining shares in Calyxo were sold at the beginning of 2011.

GENERAL STATEMENT ON BUSINESS DEVELOPMENT

FORECASTS AND ACHIEVEMENT OF OBJECTIVES

	MARCH 2010 FORECAST	NOVEMBER 2010 FORECAST	2010 ACTUAL
Revenues	€ 1.0 to 1.2 billion	More than € 1.3 billion	€ 1.35 billion
EBIT	Positive	€ 75 to 80 million	€ 82.3 million
Cash and cash equivalents	No statement	More than € 400 million	€ 473.9 million

The revenues forecast of € 1.0 billion to € 1.2 billion made in the last annual report was adjusted a total of three times during the reporting period, to a final forecast of more than € 1.3 billion. What was originally only a positive EBIT forecast for 2010 was adjusted in mid-November to € 75 million to € 80 million to reflect the positive business development.

Result 2010 exceeds forecasts

Both revenues of € 1,354.2 million and EBIT of € 82.3 million exceed the most recently revised forecasts. After the losses in 2009, net income from continuing operations of € 90.9 million is clearly positive. The positive free cash flow contributed significantly to the increase in cash and cash equivalents to € 473.9 million.

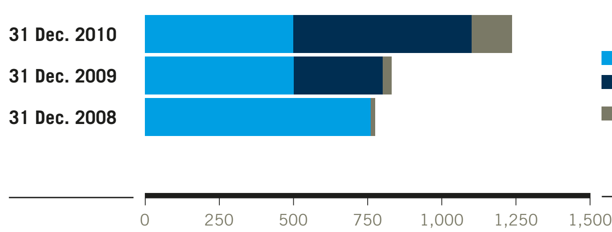
INCOME, FINANCIAL AND NET ASSET POSITION

- REVENUES GROW BY 71 % TO € 1,354.2 MILLION
- OPERATING INCOME RISES TO € 82.3 MILLION
- POSITIVE FREE CASH FLOW OF € 48.0 MILLION
- BALANCE SHEET STRUCTURE IMPROVES CONSIDERABLY DUE TO SUCCESSFUL CAPITAL MEASURES

INCOME

ANNUALISED PRODUCTION CAPACITY

MWp

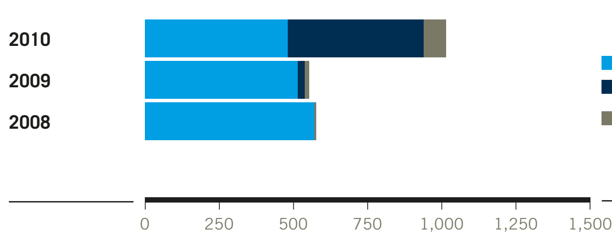


	2010	2009	2008
Solar cells	1,100	800	760
thereof Germany	500	500	760
thereof Malaysia	600	300	0
Thin-film modules (Q.SMART)	135	30	15
Total	**1,235**	**830**	**775**

In financial year 2010, our production capacities grew significantly from 830 MWp to 1,235 MWp. This rise was mainly due to the completion of the ramp-up in the solar cell production in Malaysia by the end of the third quarter of 2010 and also on account of the ramp-up of the second production line for CIGS thin-film modules (Q.SMART) in Germany. This provided Q-Cells with a greater solar cell production capacity in Malaysia than in Germany by the end of the reporting period.

PRODUCTION

MWp



	2010	2009	2008
Solar cells	939	537	570
thereof Germany	482	512	570
thereof Malaysia	457	25	0
Thin-film modules (Q.SMART)	75	14	4
Total	**1,014**	**551**	**574**

Production output rose steeply by 84.0 %, from 551 MWp in the previous year past the 1 GWp mark to 1,014 MWp in the reporting period. In 2010, 48.7 % of this output was produced in Malaysia compared to 4.7 % in 2009. Malaysia produced more solar cells than Germany for the first time in the third quarter of 2010. The ramp-up of the second production line for Q.SMART thin-film modules in Germany went as planned, increasing the production volume significantly from 14 MWp in the previous year to 75 MWp in financial year 2010.

REVENUE DEVELOPMENT

	2010 € million	Q4 2010 € million	Q3 2010 € million	Q2 2010 € million	Q1 2010 € million	2009 € million
Revenues	1,354.2	386.8	401.6	333.5	232.3	790.4
thereof products	909.0	310.9	240.1	237.9	120.1	454.7
thereof systems	320.0	46.0	135.3	47.4	91.3	285.7
thereof others	125.2	29.9	26.2	48.2	20.9	50.1
Change in stocks of finished and unfinished products	170.4	–3.6	128.7	–12.1	57.4	42.5
Total output	**1,524.6**	**383.2**	**530.3**	**321.4**	**289.7**	**832.9**

Revenues increased by 71.3 %

Revenues in financial year 2010 amounted to € 1,354.2 million, 71.3 % up on the previous year's value of € 790.4 million. 67.1 % related to the segement products and 23.6 % to the segment systems in the reporting period. Revenues not recognised in the aforementioned segments mainly pertain to the electricity trading activities sold in the fourth quarter. Total output rose slightly disproportionately to revenues from € 832.9 million by 83.0 % to € 1,524.6 million.

SALES VOLUME

	2010 MWp	Q4 2010 MWp	Q3 2010 MWp	Q2 2010 MWp	Q1 2010 MWp	2009 MWp
Products	**805**	**257**	**220**	**211**	**117**	**349**
thereof solar cells	612	161	186	159	106	336
thereof crystalline modules	157	80	26	44	7	0
thereof thin-film modules (Q.SMART)	36	16	8	8	4	13
Systems	**120**	**16**	**54**	**18**	**32**	**82**
Total	**925**	**273**	**274**	**229**	**149**	**431**

Products

Sales volume increased significantly

The sales volume in the products segment went up from 349 MWp in 2009 to 805 MWp in the reporting period. Between 2009 and 2010, the product mix shifted strongly towards modules in line with the new strategic focus. After we started selling crystalline modules in spring 2010, temporary difficulties with ramp-up and production at the processing partners, and in turn delivery delays and disruptions, led to the sales volume dropping between the second and third quarter. By counteracting these problems immediately, we managed to resolve these issues completely. More than 50 % of the total annual crystalline modules volume was sold in the fourth quarter. The sales of solar cells had been negatively affected by the difficult market conditions in 2009. Thanks to general conditions improving considerably and production volumes rising, the sold output went up by 82.1 % to 612 MWp. The sale of Q.SMART modules also benefited from the higher production volume, but sold output of 36 MWp lagged behind 75 MWp in production.

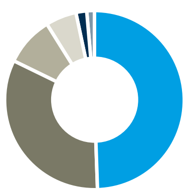
The sales prices for solar cells and thin-film modules at the beginning of the year were lower than in the last months of 2009. However, the extent of the price drop was less than the decrease of the feed-in tariff by between 9% and 11% at the end of the year in Germany, the largest photovoltaic market. In the first months of 2010, sales prices stabilised. Due to large demand and pricing pressure created by Asian competitors easing up on account of currency effects, sales prices went up slightly in the second quarter. During the further course of the year, sales prices for solar cells, crystalline and thin-film modules remained stable.

Systems

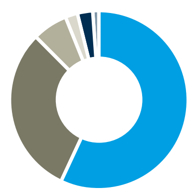
27 MWp generated by the new business area C&I systems

In the systems segment, revenues were based on output of 120 MWp in the past year compared to 82 MWp in 2009. 27 MWp were generated by the business area C&I systems, which was newly established in 2010 as part of the new strategic focus. In the second half of 2010, projects in Canada accounted for a significant part of volume in the systems segment. In the first and third quarter 2010, interim billings for the photovoltaic projects Straßkirchen and Finsterwalde I, which were constructed within the scope of joint ventures, contributed 25 MWp and 20 MWp respectively to the revenue generated performance. The sales price for photovoltaic projects in 2010 dropped year-on-year. As in the previous year however, sales prices per MWp varied depending on sales country.

KEY MARKETS



	2010 %
Germany	49.5
Rest of Europe	32.8
Asia	9.0
North America	5.5
Africa	2.0
Rest of the world	1.2



	2009 %
Germany	57.6
Rest of Europe	30.9
Asia	6.5
North America	2.1
Africa	2.8
Rest of the world	0.1

REVENUES BY REGIONS

		2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	2009
Germany	€ million	670.8	128.8	195.7	194.9	151.4	455.3
	%	49.5	33.3	48.7	58.5	65.2	57.6
Rest of Europe	€ million	443.4	192.8	102.7	97.8	50.1	243.9
	%	32.8	49.8	25.6	29.3	21.6	30.9
Asia	€ million	122.2	37.9	50.6	19.4	14.3	51.3
	%	9.0	9.8	12.6	5.8	6.2	6.5
North America	€ million	74.3	15.7	48.5	6.0	4.1	16.8
	%	5.5	4.1	12.1	1.8	1.8	2.1
Africa	€ million	27.6	4.2	3.8	7.7	11.9	22.1
	%	2.0	1.1	0.9	2.3	5.1	2.8
Rest of the world	€ million	15.9	7.5	0.3	7.6	0.5	1.0
	%	1.2	1.9	0.1	2.3	0.2	0.1
Total	**€ million**	**1,354.2**	**386.9**	**401.6**	**333.4**	**232.3**	**790.4**

Revenues abroad rose disproportionately compared to 2009, resulting in the export rate growing from 42.4 % to 50.5 %. The export ratio has risen continuously from the first to the fourth quarter 2010.

Export rate growth from 42.4 % to 50.5 %

The largest single market in the rest of Europe was Italy with almost 12 % followed by France. The revenues share of the rest of Europe rose steeply in the fourth quarter, mainly on account of deliveries to Italy. China was the largest single market in Asia in financial year 2010. The increase in revenues in North America was primarily due to the successful expansion of the systems business in Canada.

RESULT DEVELOPMENT AND CHANGES IN MAJOR INCOME STATEMENT ITEMS

INCOME STATEMENT FROM REVENUES TO EBIT	2010 € million	2009 € million	Change %
Revenues	**1,354.2**	**790.4**	71.3
Change in stocks of finished and unfinished products	170.4	42.5	300.9
Total output	**1,524.6**	**832.9**	83.0
Cost of materials	–1,157.8	–783.6	47.8
Gross profit	**366.8**	**49.3**	644.0
Gross margin relating to total output	24.1 %	5.9 %	
Other own work capitalised	0.1	0.7	–85.7
Other operating income	76.1	73.8	3.1
Personnel expenses	–109.1	–94.2	15.8
Depreciation and amortisation	–99.9	–153.5	–34.9
Other operating expenses	–151.7	–238.6	–36.4
Earnings before income and tax (EBIT)	**82.3**	**–362.5**	–
EBIT margin relating to revenues	6.1 %	–	

Both operating income (EBIT) as well as net result in financial year 2010 reflect the improved general conditions, the completion of the restructuring measures and the successfully implemented new strategic focus. In the previous year, both values were affected by the difficult market conditions and one-off expenses in connection with the restructuring programme.

EBIT margin of 6.1 %

Cost of materials came to € 1,157.8 million in financial year 2010, 47.8 % up year-on-year. This increase is disproportionately low compared to the rise in total output of 83.0 %. This development primarily reflects the low purchase prices for solar wafers and the change in the product mix as part of the new strategic focus. The gross margin therefore went up from 5.9 % in the previous year to 24.1 %.

At € 76.1 million, **other operating income** remained roughly the same as in the previous year (€ 73.8 million). In 2010, other operating income included the reversal of provisions totalling € 38.5 million, mainly pertaining to restructuring provisions and provisions for impending losses on onerous contracts. In the previous year, the lucky buy of € 28.4 million from the acquisition of the remaining shares in Solibro, which was recognised in the income statement, and compensation receivable of € 13.0 million from take-or-pay agreements with customers in the products segment were the most important individual components.

Personnel expenses went up by 15.8 % to € 109.1 million year-on-year. This development mainly reflects the increase in sales activities and the ramp-up of Solibro.

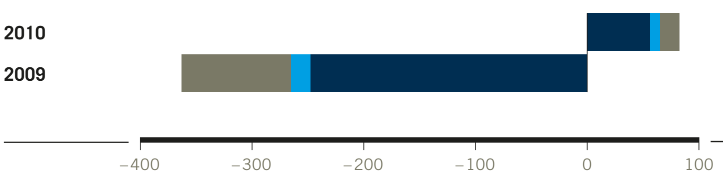
Depreciation and amortisation were € 99.9 million, considerably lower than the previous year's figure of € 153.5 million. In the previous year, this item had been greatly impacted by impairment losses of € 79.3 million. In 2010, write-downs of € 10.5 million stood against write-ups of € 3.5 million relating to the discontinued solar cell production lines I to IV in Germany.

At € 151.7 million, **other operating expenses** were considerably lower than € 238.6 million in 2009. In the previous year, the largest individually recognised items were expenses from impending losses of € 54.6 million, specific valuation allowances on receivables and other assets of € 30.2 million, the reversal of valuation difference in CIGS technology (Solibro) of € 31.1 million, and restructuring expenses of € 27.6 million. In financial year 2010, other operating expenses included legal and consulting costs of € 26.8 million, maintenance and repair costs of € 23.0 million, and other external services of € 19.6 million.

Result from operating activitites (EBIT) came to € 82.3 million in 2010, after incurring a loss of € 362.5 million in the previous year. As from the second quarter of the reporting period, Q-Cells generated positive operating income. The Group EBIT margin was 6.1 %.

EBIT BY SEGMENTS

€ million



	2010	2009
Products	56.0	–247.2
Systems	9.0	–17.5
Others / reconciliation	17.3	–97.8
Total	**82.3**	**–362.5**

Products segment and systems segment achieved positive result

The products segment achieved € 56.0 million in income after a negative result of € –247.2 million in the previous year. The margin relating to revenues therefore came to 6.2 % in the reporting period. In 2009, restructuring expenses of € 83.5 million had a negative impact on income. In 2010, the increased volume, lower costs and the start of the sale of crystalline modules had a positive effect.

Income in the systems business amounted to € 9.0 million, compared to a loss of € –17.5 million in the previous year.

INCOME STATEMENT FROM EBIT TO NET RESULT	2010 € million	2009 € million	Change %
EBIT	**82.3**	**–362.5**	**–**
Result from financial assets accounted for using the equity method	–4.9	–14.0	–65.0
Interest and similar income	33.2	9.7	242.3
Interest and similar expenses	–61.1	–83.3	–26.7
Interest result	**–27.9**	**–73.6**	**–62.1**
Net currency gains and losses	36.3	–2.6	–
Result from financial instruments	26.5	–2.3	–
Earnings before taxes (EBT)	**112.3**	**–455.0**	**–**
EBT margin of total output	7.4 %	–	
Income taxes	–21.4	84.2	–
Result from continuing operations after tax	**90.9**	**–370.8**	**–**
Net margin of total output	6.0 %	–	
Result from discontinued operations after tax	–77.1	–1,001.4	–92.3
Net result	13.8	–1,372.2	–
Result attributable to other shareholders	5.1	29.3	–82.6
Net result for the period attributable to Q-Cells shareholders	**18.9**	**–1,342.9**	**–**
from continuing operations	90.9	–370.8	–
from discontinued operations	–72.0	–972.1	–

Result from financial assets accounted for using the equity method amounted to € –4.9 million and included pro-rata losses from the two joint ventures Straßkirchen MQ and LQ energy in the systems business. The pro-rata loss of Solibro for the period from January to August 2010, during which Solibro was consolidated at equity, amounted to € 11.6 million and was the largest individual item.

Interest and similar income in the past financial year included the discounting of the loan extended to LDK Solar to the amount of € 23.6 million, which was partially due to the amendment of the repayment plan.

Interest and similar expenses decreased significantly compared with the previous year's figure of € 83.3 million to € 61.1 million. Interest expenses on the outstanding convertible bonds included in this figure came to € 47.8 million (previous year: € 38.7 million). This is far more than the actual interest paid to convertible bond holders in the reporting period of € 21.2 million (previous year: € 14.4 million). The discounting of the loan extended to LDK Solar incurred € 23.0 million in expenses in the previous year.

Interests and similar expenses decreased significantly

Net currency gains and losses in the reporting period primarily originated from currency gains on a US dollar loan extended to LDK Solar and a loan issued by Q-Cells SE to the Malaysian subsidiary in euros. As LDK Solar repaid part of the loan in the third quarter 2010, the strength of the US dollar compared to the euro in the first months 2010 was the main reason for the currency gains generated by this loan. The appreciation of the Malaysian ringgit compared to the euro during the reporting period created currency gains from the euro loan for the Malaysian subsidiary, as their functional currency is the ringgit.

Result from financial instruments include income from the buyback of the convertible bond 2012 of € 23.9 million.

In the reporting period, **income taxes** of € 21.4 million related to current tax expenses of € 7.5 million, incurred, in particular, by foreign subsidiaries. Deferred tax liabilities of € 13.9 million resulted from changes to temporary differences and tax loss carryforwards. In the previous year, deferred tax assets originated from the accrual of deferred tax liabilities from temporary differences and loss carryforward.

Result from continuing operations came to € 90.9 million compared to € 370.8 million in 2009. This corresponds to a net margin from continued operations of 6.0% after a negative margin in the previous year.

Net income from continued operations of € 90.9 million

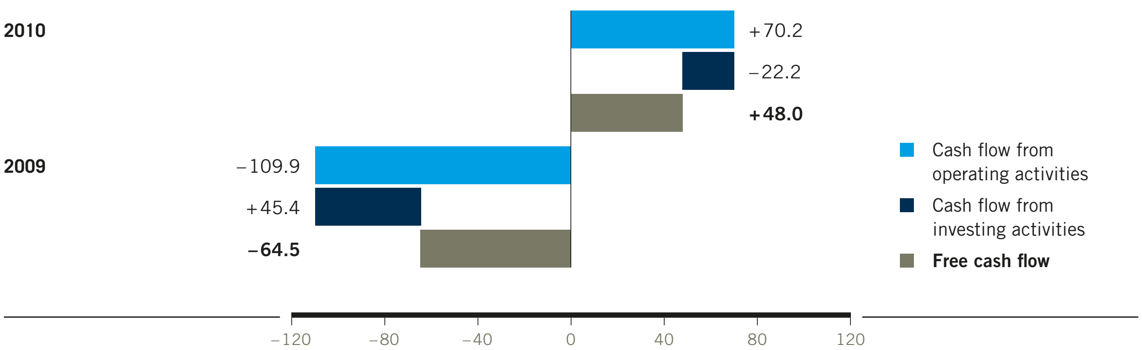
Result from discontinued operations in 2010 primarily included results reported by Calyxo and VHF Technologies. The high loss in the previous year's period was created by the negative result of the investment in the Renewable Energy Corporation and the discontinued operations in the thin-film business area.

As in the previous year, the share in results of non-controlling interests pertained to discontinued operations. As a result, **net result attributable to Q-Cells shareholders** amounted to € 18.9 million (previous year: € –1,342.9 million). Net income from continued operations was positive at € 90.9 million (previous year: € –370.8 million), while the net loss from discontinued operations came to € 72.0 million (previous year: € –972.1 million). Accordingly, undiluted earnings per ordinary share in the reporting period came to € 0.15 compared with undiluted earnings per ordinary share of € –10.16 in the previous year.

FINANCIAL POSITION

FREE CASH FLOW

€ million



Positive free cash flow

Q-Cells had sufficient liquidity at all times to meet the Group's payment commitments in the past financial year.

KEY FIGURES FINANCIAL POSITION

	2010 € million	Q4 2010 € million	Q3 2010 € million	Q2 2010 € million	Q1 2010 € million	2009 € million
Cash flow from operating activities	70.2	237.5	−36.1	−68.1	−63.1	−109.9
Cash flow from investing activities	−22.2	−13.3	30.4	28.9	−68.2	45.4
Free cash flow	**48.0**	**224.2**	**−5.7**	**−39.2**	**−131.3**	**−64.5**
Cash flow from financing activities	−87.4	−87.4	0.1	−0.1	0.0	263.0
Change affecting payment in liquid funds	**−39.4**	**136.8**	**−5.6**	**−39.3**	**−131.3**	**198.5**
Other changes	101.4	−52.1	140.8	13.4	−0.7	36.8
Cash and cash equivalents at the beginning of the period	**411.9**	**389.2**	**254.0**	**279.9**	**411.9**	**176.6**
Cash and cash equivalents at the end of the period	**473.9**	**473.9**	**389.2**	**254.0**	**279.9**	**411.9**

Cash and cash equivalents of € 473.9 million

In the reporting period, cash provided by operating activities exceeded cash used in investing activities. As a result, Q-Cells generated positive free cash flow of € 48.0 million in financial year 2010. In the previous year, this figure was negative. Particularly the significant reduction of net working capital considerably increased the positive amount of cash provided by operating activities and free cash flow in the fourth quarter 2010. The negative amount of cash used in financing activities was balanced by other positive changes. In the previous year, cash provided by financing activities and also other changes increased liquidity. Cash and cash equivalents rose from € 411.9 million to € 473.9 million in financial year 2010, of which € 36.3 million at the beginning and € 113.3 million at the end of the reporting period were subject to restrictions. The restricted cash is largely related to received bridge financings for photovoltaic projects.

In 2010, **cash flow from operating activities** amounted to € 70.2 million (previous year: cash outflow of € 109.9 million). The positive result in the period and reduced net working capital were the main contributors to this cash inflow. Though the positive cash flow from operating activities in the fourth quarter 2010 overcompensated the appropriate cash outflow in the first nine months 2010.

Total **cash flow from investing activities** came to € –22.2 million in the reporting period 2010 (previous year: cash inflow of € 45.4 million). Cash outflow for investments in intangible assets and items of property, plant and equipment amounted to € 118.7 million in the financial year 2010, considerably down from € 310.2 million in 2009. Investment expenditure in 2010 mainly pertained to the expansion of capacities for solar cells in Malaysia and thin-film modules in Germany. As a result of the streamlining of the investment portfolio cash and cash equivalents reduced by € 70.0 million. This amount is included in the three items payments for equity investments, net cash payments and receipts resulting from acquisitions/divestures and proceeds from the repayment of loans granted. Proceeds from the repayment of loans granted are mainly related to LDK Solar's loan repayment of € 99.6 million. Dividends from investments of € 65.9 million pertained to the joint venture Straßkirchen MQ in the project business.

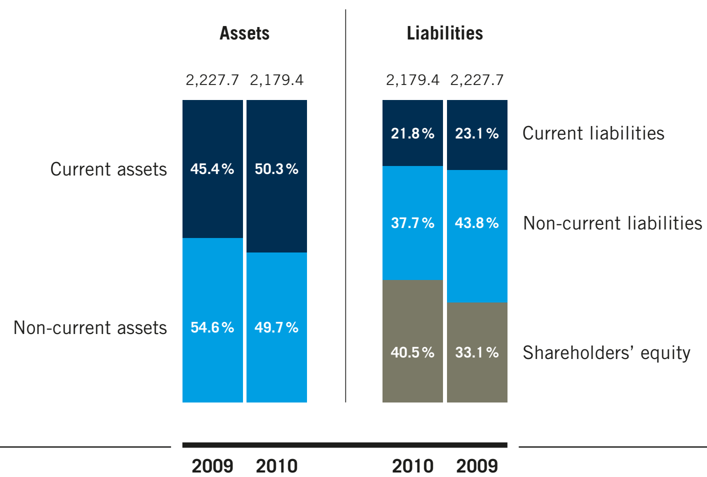
Financing activities created cash outflow of € 87.4 million (previous year: cash inflow of € 263.0 million). In autumn 2010, Q-Cells successfully completed a three-part programme of measures for ensuring its medium-term financing at an early stage. Q-Cells issued a total of 58.8 million new shares in two tranches, which provided it with the gross amount of € 127.7 million. The issuance of a new convertible bond generated the gross amount of € 128.7 million. Net cash inflow from both transactions totalled € 241.6 million. This cash inflow plus € 27.3 million in liquid funds was used for buying back the nominal amount of € 281.8 million of the convertible bond at a rate of 94.5 %. In December 2010, the Company bought back an additional nominal € 9.0 million at a rate of 92.5 %. The nominal volume of the convertible bond 2012 held by third-party creditors at the end of December 2010 was € 201.7 million. Proceeds from loans and the repayment of loans both resulted from interim financing of photovoltaic projects.

Medium-term financing secured as a result of the successfully completed capital measures

NET ASSET POSITION

BALANCE SHEET SRUCTURE

€ million



On 31 December 2010, the balance sheet total of Q-Cells Group comes to € 2,179.4 million, slightly lower than at the end of 2009. Non-current assets went down on the asset side. The slight rise in current assets was insufficient to compensate this. Current and non-current liabilities dropped during the financial year.

Balance structure improved significantly

KEY FIGURES NET ASSET POSITION

	31 Dec. 2010 € million	30 Sep. 2010 € million	30 Jun. 2010 € million	31 Mar. 2010 € million	31 Dec. 2009 € million
Total assets	2,179.4	2,376.7	2,196.9	2,165.3	2,227.7
Cash and cash equivalents	473.9	389.2	254.0	279.9	411.9
Net working capital [1)]	339.8	646.3	486.7	429.5	374.5
Net financial receivables (+)/ net financial debt (–) [2)]	–330.7	–692.9	–706.5	–654.0	–503.7
Capital employed [3)]	1,151.1	1,355.5	1,398.8	1,245.0	1,147.8
Shareholders' equity	882.7	727.6	727.9	690.1	737.0
Equity ratio	40.5 %	30.6 %	33.1 %	31.9 %	33.1 %
Gearing	37.5 %	95.2 %	97.1 %	94.8 %	68.3 %

During 2010, the development of most key figures clearly reflect the successful capital market transactions completed by the Group in the fourth quarter.

Equity ratio up to 40.5 %; gearing decreased to 37.5 %

Equity rose, mainly as a result of the capital increase in the fourth quarter and the positive net income for the period in the financial year. As a result, the equity ratio went up from 33.1 % to 40.5 % in the reporting period after having dropped to 30.6 % temporarily at the end of September. The development of the gearing was a mirror image, rising from 68.3 % at the beginning of the reporting period to 95.2 % at the end of the first nine months and amounting to 37.5 % at the end of the financial year.

Firm net working capital management contributed to the increase in cash and cash equivalents

Net working capital [1)] rose steeply in the first three quarters, especially in the systems business. In the fourth quarter, it dropped by € 306.5 million as a result of consistent net working capital management. Net working capital therefore went down by € 34.7 million in the full reporting period. The development of net working capital during financial year 2010 had significant impact on the net financial position. In addition, the increase in net financial liabilities in the first quarter originated from payments still to be made to investments that were no longer at the centre of Q-Cells' strategic focus. The buyback of 59.0 % of the nominal volume of the convertible bond 2012 was partly financed by issuing new shares and contributed to the considerable improvement of the net financial position [2)] in the fourth quarter. Capital employed [3)] went up in the first three quarters mainly as a result of higher net financial debt. In the fourth quarter, capital employed dropped back to the level at the beginning of 2010 despite the increase in equity, due to the significantly improved net financial position.

Cash and cash equivalents decreased in the first half of the year, primarily on account of the development of net working capital and payments still to be made to investments no longer at the centre of the Group's focus. Cash and cash equivalents went down from € 411.9 million to € 254.0 million in the first half of 2010. The positive change in net working capital and LDK Solar's partial repayment of its loan were the main reasons for the steep rise in cash and cash equivalents to € 473.9 million at the end of financial year 2010.

[1)] Inventories + Trade accounts receivable + Financial assets accounted for using the equity method (only systems business) + Other current financial assets (only operating business) – Trade accounts payable – Other financial liabilities (previous year partly) – Other current liabilities (systems business, miscellaneous accrued liabilities and advance payments received).
[2)] Cash and cash equivalents – Convertible bonds – Profit participation capital – Non-current borrowings – Current borrowings and profit participation capital.
[3)] Shareholders' equity – Net financial receivables respectively + net financial debt – Financial assets accounted for using the equity method.

ASSETS

	31 Dec. 2010 € million	30 Sep. 2010 € million	30 Jun. 2010 € million	31 Mar. 2010 € million	31 Dec. 2009 € million
Intangible assets	14.2	14.2	14.9	14.4	14.6
Property, plant and equipment	880.2	814.7	835.2	804.9	843.6
Financial assets accounted for using the equity method	62.2	65.0	35.6	99.1	92.9
Financial assets	2.4	14.9	113.4	118.2	113.4
Remaining non-current assets	124.2	114.4	129.6	136.2	151.8
Non-current assets	**1,083.2**	**1,023.2**	**1,128.7**	**1,172.8**	**1,216.3**
Inventories	365.7	452.3	387.9	361.4	302.1
Trade accounts receivable	108.7	369.0	267.0	195.3	198.2
Other financial assets	92.5	93.8	50.1	36.6	40.0
Cash and cash equivalents	473.9	389.2	254.0	279.9	411.9
Remaining current assets	55.4	49.2	109.2	119.3	59.2
Current assets	**1,096.2**	**1,353.5**	**1,068.2**	**992.5**	**1,011.4**
Total assets	**2,179.4**	**2,376.7**	**2,196.9**	**2,165.3**	**2,227.7**

Within **non-current assets,** property, plant and equipment grew from € 843.6 million to € 880.2 million. This mainly originates from investments in the expansion of solar cell and thin-film module production capacities and the reclassification of a photovoltaic project to non-current assets. Financial assets accounted for using the equity method fell by € 30.4 million to € 62.2 million. This was caused by changes in the carrying amounts of investments of joint ventures created to finance the construction of two photovoltaic projects. The repayment of a loan extended to LDK Solar in connection with a wafer delivery contract resulted in the drop of financial assets during the reporting period. Other non-current assets came to € 53.8 million (previous year: € 64.8 million). The largest single item within this amount was the non-current part of prepayments made for future raw materials deliveries in the amount of € 52.4 million (previous year: € 63.6 million).

Investments in production capacity leads to an increase in property, plant and equipment

The increase in inventories by € 63.6 million in **current assets** resulted from the rise in finished and unfinished products which were not fully compensated for by the decrease in the volume of raw materials, consumables and supplies. The higher number of finished and unfinished products was mainly due to the start of distribution of crystalline modules (Q.BASE and Q.PRO) and the expansion of the business volume of thin-film modules (Q.SMART). The most important reason for the € 89.5 million drop in trade receivables in financial year 2010 was the decrease in receivables in the systems business. The higher current part of the loan extended to LDK Solar is the main driver for the growth of other financial assets by € 52.5 million. Cash and cash equivalents went up in the reporting period from € 411.9 to € 473.9 million. Included in this figure is € 113.3 million in restricted cash (previous year: € 36.3 million). The rise of cash and cash equivalents in the second half of 2010 is also due to the repayment of a large part of the loan extended to LDK Solar and the decrease of the amount of tied capital in net working capital.

Increase in inventories due to the start of distribution of crystalline modules

EQUITY AND LIABILITIES

	31 Dec. 2010 € million	30 Sep. 2010 € million	30 Jun. 2010 € million	31 Mar. 2010 € million	31 Dec. 2009 € million
Shareholders' equity	**882.7**	**727.6**	**727.9**	**690.1**	**737.0**
Convertible bonds	510.2	689.0	682.3	675.6	669.1
Borrowings	199.3	197.8	207.3	185.5	168.2
Remaining non-current liabilities	111.6	126.6	121.1	118.3	137.6
Non-current liabilities	**821.1**	**1,013.4**	**1,010.7**	**979.4**	**974.9**
Borrowings and profit participation capital	95.1	180.4	56.0	57.9	63.5
Trade accounts payable	148.8	139.4	109.2	128.6	156.6
Remaining current liabilities	231.7	315.9	293.1	309.3	295.7
Current liabilities	**475.6**	**635.7**	**458.3**	**495.8**	**515.8**
Total equity and liabilities	**2,179.4**	**2,376.7**	**2,196.9**	**2,165.3**	**2,227.7**

Capital increase strengthened equity

Shareholders' equity has risen from € 737.0 million to € 882.7 million in the reporting period. This is mainly the result of the capital increase and the positive net result for the period.

Loan extended by the Malaysian government is main item in non-current borrowings

The reduction in **non-current liabilities** by € 153.8 million is mainly due to the decrease in convertible bonds. In the fourth quarter of 2010, the buyback of a nominal € 290.8 million of the convertible bond due in February 2012 reduced this item, while the issuance of a new convertible bond with a nominal value of € 128.7 million and term until October 2015 put it up. The buyback of the convertible bond 2012 is described in more detail in the section Business development – an overview. At the end of December 2010, € 187.8 million (previous year: € 442.9 million) pertained to the convertible bond 2012, € 230.9 million (previous year: € 226.2 million) to the convertible bond 2014 and € 91.5 million (previous year: € 0.0 million) to the convertible bond 2015. The main item in non-current borrowings was the loan extended by the Malaysian government of MYR 850.0 million due in the second half of 2014. The change of the balance sheet value from € 162.4 million to € 198.1 million mainly resulted from currency effects not affecting net result. Deferred income from government grants of € 55.3 million (previous year: € 64.5 million) included grants for the German and Malaysian production sites. Non-current provisions of € 26.2 million (previous year: € 20.9 million) primarily comprise guarantee provisions and provisions for onerous contracts. Other non-current liabilities came to € 27.0 million (previous year: € 31.7 million) and included almost exclusively the non-current part of prepayments received.

Current borrowings influence mainly the interim financing of photovoltaic projects

The decrease in **current liabilities** by € 40.2 million to € 475.6 million was the result of certain changes that had a compensatory effect. Current borrowings and profit participation capital went up considerably due to the company taking up loans for the interim financing of photovoltaic projects in Germany in the first three quarters of 2010. Some of these loans were repaid in the fourth quarter of 2010 after the Company received cash inflow from a German photovoltaic project. Upon the maturity of € 14.9 million in participation capital, this amount was reclassified to current liabilities. Trade payables went down slightly in the reporting period. Provisions mainly included guarantee provisions, restructuring provisions and provisions for onerous contracts. Within other current liabilities, liabilities to at-equity investments decreased due to payments made while the current part of prepayments received on account of orders went up in financial year 2010.

OTHER DISCLOSURES

PRINCIPLES OF THE REMUNERATION SYSTEM

The remuneration report forms part of the group management report and is included in the Corporate Governance report (pages 45 ff.).

DISCLOSURES IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

COMPOSITION OF SUBSCRIBED CAPITAL

149.5 million ordinary shares and 26.9 million preference shares issued

Subscribed capital amounted to € 176,343,630.00 as of the balance sheet date (31 December 2010) and is divided into 176,343,630 shares at no par value, of which 149,461,719 are ordinary shares and 26,881,911 are preference shares, which do not carry voting rights (31 December 2009: 88,974,627 ordinary shares and 28,557,284 preference shares).

Preferential dividend of € 0.03 per preference share

Ownership of the shares entails voting rights at the Annual General Meeting as well as an entitlement to profits for approved dividend payments. Holders of preference shares receive a preferential dividend of € 0.03 per financial year for each preference share they hold. If the preference dividend is not paid or not paid in full in a financial year, the amount in arrears is to be paid without interest from retained earnings from subsequent financial years in such a way that amounts that have been outstanding for longer periods are to be paid before those that have been outstanding for shorter periods and the amount payable on preference shares from the profit for a particular year cannot be paid until all outstanding amounts have been paid. Following payment of the preference dividend, holders of ordinary shares will receive a dividend of € 0.03 per ordinary share if a dividend is paid. If additional dividends are paid above and beyond this, they will be paid to holders of preference shares and holders of ordinary shares in the proportion of their stake in the share capital. Holders of preference shares will continue to have the secondary right to demand conversion of all or part of their preference shares into ordinary shares with continuing membership at a ratio of 1:1 through a declaration to the Company.

RESTRICTIONS AFFECTING VOTING RIGHTS OR SHARE TRANSFERS

Restrictions on share voting rights can arise from the provisions of the German Stock Corporation Act (AktG), in particular. For instance, shareholders are prohibited from voting under certain conditions pursuant to section 136 AktG, and according to section 71b AktG, Q-Cells SE has no voting rights on its own shares.

Restrictions until 1 April 2011

During the course of a capital increase as well as the issuance of a convertible bond in September/October 2010, the Company obligated itself to the attending banks (i) not to carry out any capital increase of authorised capital and not to issue own shares or securities that are convertible or exchangeable into Company shares, (ii) not to propose a resolution for capital increase at the Annual General Meeting and (iii) not to carry out any transaction that is commercially similar to those measures specified above without the banks' prior consent until 1 April 2011. Not included therein is the issuance of shares from Company reserves as well as capital increases by which the subscriber is obligated to comply with this market protection covenant. Good Energies (Solar Investments) S.à r.l. obligated itself to the banks not to market, sell or otherwise dispose of any of the Company shares held by it without the banks' prior consent until 1 April 2011, or conclude any transaction that would have the same or similar commercial effect as a sale. Not included therein are transfers to individuals who obligate themselves to comply with this market protection covenant, the acceptance of public acquisition offers, reverse convertible securities and legally required transactions. The aforementioned market protection covenant expires on 1 April 2011. No other restrictions affecting the voting rights or transfers of Company shares are known.

SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

Eight companies related to Good Energies/ COFRA-Group exceed 10% of the voting rights directly or indirectly

Pursuant to the German Securities Trading Act (WpHG), each shareholder who reaches, exceeds or falls below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75% of the voting rights of a listed company must promptly inform Q-Cells SE and the German Federal Financial Supervisory Authority of this fact. According to our information the following direct or indirect shareholdings exceeded 10% of the voting rights at the reporting date (31 December 2010):

- Good Energies (Solar Investments) S.à r.l., Luxembourg, Grand Duchy of Luxembourg,
- Good Energies I LP, St. Helier, Jersey,
- Good Energies General Partner 1 Limited, St. Helier, Jersey,
- COFRA Jersey Limited, St. Helier, Jersey,
- Good Energies Investments 4 (Luxembourg), S.à r.l., Luxembourg, Grand Duchy of Luxembourg,
- COFRA Treasury Services S.A., Luxembourg, Grand Duchy of Luxembourg,
- COFRA Holding AG, Zug, Switzerland,
- Avenia AG, Zug, Switzerland.

SPECIAL RIGHT SHARES THAT CONFER RIGHTS OF CONTROL

No special voting rights shares conferring rights of control have been issued.

EMPLOYEE SHAREHOLDERS AND INDIRECT EXERCISE OF VOTING RIGHTS

Employees who hold an interest in Q-Cells SE exercise their voting rights directly just like other shareholders according to statutory provisions and the Articles of Association.

REGULATIONS GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD

Executive Board consists of four members

The Company is managed and represented vis-à-vis third parties by the Executive Board. According to article 7 of the Articles of Association, the Executive Board consists of at least two persons, who may be appointed for a maximum of five years; reappointment is permitted. The Supervisory Board shall determine the number of Executive Board Members as well as their appointment and removal (article 9 (1) (c) (ii) of the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE-Reg), section 84 AktG, article 7 (2) of the Articles of Association).

The Executive Board consisted of four members at the end of 2010.

REGULATIONS GOVERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the Articles of Association are made pursuant to article 9 (1) (c) (ii) SE-Reg, sections 179, 133 AktG and articles 12, 21 of the Articles of Association. The Articles of Association may only be amended persuant to article 9 (1) (c) (ii) SE-Reg, section 179 by a resolution at the Annual General Meeting. In accordance with article 21 of the Articles of Association, this requires a majority of three quarters of the valid votes cast. If at least half the share capital is represented, the simple majority of the valid votes cast is also sufficient. The simple majority is not sufficient in order to change the purpose of the Company, for a resolution changing the registered office pursuant to article 8 (6) SE-Reg, changing the Company to a one-tiered system within the meaning of article 38 (b) SE-Reg and for cases where a greater majority of equity is mandatory as prescribed by law. According to article 12 of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association that only relate to the version.

Please find our Articles of Association on our corporate website in the section of Investor Relations/ Corporate Governance

THE EXECUTIVE BOARD'S AUTHORITY TO ISSUE OR BUY BACK SHARES

Authorised capital

Q-Cells did not have any authorised capital at its disposal as of the reporting date.

No authorised capital as of the reporting date

Contingent capital

Contingent capital 2003/1

Article 4 (5) of the Articles of Association provides that the Company's share capital is increased contingently (contingent capital 2003/1) by up to € 119,232.00 through an issuance of up to 119,232 no-par-value bearer shares (no par value shares). The contingent capital increase is being used for the redemption of subscription rights for which issuance the Executive Board of the Q-Cells company was authorised at the Annual General Meeting on 29 December 2003. Correspondingly, the Supervisory Board is authorised to amend article 4 (1) and (5) of the Articles of Association (share capital) after the complete or partial increase of share capital or after expiry of the authorisation period and have the amendment filed and recorded.

Contingent capital 2005/1

Article 4 (6) of the Articles of Association provides that the Company's share capital is increased contingently (contingent capital 2005/1) by up to € 493,958.00 through an issuance of up to 493,958 no-par value bearer shares (no par value shares). The contingent capital increase is being used for the redemption of subscription rights for which issuance the Executive Board of the Q-Cells company was authorised at the Annual General Meeting on 16 August 2005. Correspondingly, the Supervisory Board is authorised to amend article 4 (1) and (6) of the Articles of Association (share capital) after the complete or partial increase of share capital or after expiry of the authorisation period and have the amendment filed and recorded.

Contingent capital 2006/1

Article 4 (7) of the Articles of Association provides that the Company's share capital is increased contingently (contingent capital 2006/1) by up to € 52,351,059.00 divided into up to 52,351,059 ordinary bearer shares each with a proportional amount of share capital amounting to € 1.00 each (no par value shares). The contingent capital increase will only be executed to the extent that the bearers or holders of option or conversion rights exercise such rights or are otherwise obligated to exercise an option or convert from bonds that have been issued by the Company or a subordinated group company upon the authorisation granted to the Executive Board in resolutions from the Annual General Meetings held on 29 June 2006, 26 June 2008 and 24 June 2010 or have otherwise been guaranteed by the Company, or to the extent the same are obligated to exercise an option or convert, have satisfied their obligations for exercise or conversion, or to the extent the Company exercises an option to deliver Company shares, wholly or partially, in lieu of payment of the requisite sum of money and to the extent no cash settlement has been made or its own shares or shares of another listed company are being used for service. The issuance of new shares is being conducted according to the provisions of the aforementioned specified resolutions at the authorised strike or conversion price. The new shares from contingent capital partake in profits starting from the beginning of the financial year in which they are issued. The Executive Board is authorised to establish additional particulars regarding the increase of contingent capital with the consent of the Supervisory Board.

Contingent capital 2006/1 decreased by 500 shares due to the issuance/conversion of the convertible bond 2010/15

Based on the issuance of 500 shares in financial year 2010, contingent capital 2006/1 still amounts to € 52,350,559.00.

Contingent capital 2007/1

Article 4 (8) of the Articles of Association provides that the Company's share capital is increased contingently (contingent capital 2007/1) by up to € 5,756,442.00 through an issuance of up to 5,756,442 no-par value bearer shares (no par value shares). The contingent capital increase is being used for the redemption of subscription rights for which issuance the Executive Board was authorised at the Annual General Meeting on 14 June 2007 as amended by resolutions adopted at the Annual General Meetings on 26 June 2008, 18 June 2009 and 24 June 2010. Correspondingly, the Supervisory Board is authorised to amend article 4 (1) and (8) of the Articles of Association (share capital) after the complete or partial increase of share capital or after expiry of the authorisation period and have the amendment filed and recorded.

ACQUISITION OF COMPANY SHARES

Acquisition of Company shares until 23 June 2015

By virtue of the resolution adopted at the Annual General Meeting on 24 June 2010, Q-Cells SE is authorised to acquire Company shares until 23 June 2015 regardless of class (ordinary and/or preference shares) in an amount totalling 10% of the share capital in existence at the time of the adoption of the resolution on 24 June 2010, or the existing share capital at the time of the respective exercise, if this amount is less, and use these upon preclusion of shareholder subscription rights in particular for offers in conjunction with business combinations, company acquisitions or participations and distribute them within the framework of employee participation plans.

KEY COMPANY AGREEMENTS SUBJECT TO CONDITIONS

Q-Cells SE is party to the following agreements that are subject to change of control provisions as a result of a takeover bid:

Q-Cells guarantees convertible bonds 2012 and 2014 issued by its wholly-owned subsidiary Q-Cells International Finance

The Company is guarantor on two convertible bonds in the amount of € 492.5 million, due in 2012, and € 250 million, due in 2014, issued by its wholly-owned subsidiary Q-Cells International Finance B.V. As a result of repurchases of the convertible bond 2012, the nominal volumes held by non-group creditors amounted to € 201.7 million at the end of December 2010. Moreover, the Company has an additional convertible bond obligation amounting to € 128.7 million, which is due in 2015.

The convertible bonds have change of control provisions. A change of control is considered to take place when a person or several persons acting as a group acquire control of more than 50% of the voting rights in the Company (according to the detailed terms and conditions of the respective bond).

Right of the convertible bond creditors to cancel all or some of his or her bond obligations in the event of change of control

In the event of a change of control, each convertible bond creditor is entitled to cancel all or some of his or her bond obligations that have not yet been converted or repaid. In such case, the convertible bonds in question have to be repaid at their face value plus any accrued interest. If a convertible bond holder exercises his or her right of conversion within a short period of time after notification of a change of control (according to the detailed terms and conditions of the respective bond), there is an adjustment mechanism for the conversion price, which could result in a reduction of the same.

COMPENSATION AGREEMENTS WITH MEMBERS OF THE EXECUTIVE BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER

In the event of a takeover of Q-Cells SE defined more precisely in the respective employment contract, two members of the Executive Board are entitled to terminate the contract. If the contract ends due to the special termination right being exercised, these Executive Board members are entitled to compensation for remuneration outstanding for the remainder of the respective contract. In no event shall there be a right to claim more than three full years of remuneration.

RISK REPORT

RISK MANAGEMENT

RISK POLICY

Comprehensive risk management system

Q-Cells has a comprehensive risk management system to prevent and manage risk. For the Executive Board and Supervisory Board, responsibly handling risks affecting Q-Cells business activities is of utmost importance. Risk management reports directly to the Executive Board.

The main feature of the risk management system is the active involvement of Q-Cells employees who are actively responsible for managing risks. The aim of Q-Cells' risk management system is, through active identification, analysis and assessment as well as documentation and reporting, to avoid any threats to the Company's existence, to make the existing risk situation transparent and consequently to secure the Company's targets and future success and to safeguard and increase its value in the long term.

The function of the risk management system is to safeguard the Group's successful strategic and operational focus by weighing up strategic and operational opportunities with the corresponding risks and using them as a basis for business decisions.

RISK MANAGEMENT ORGANISATION

Group's guideline stipulates the core processes of risk management

Each employee is expected to deal consciously and responsibly with opportunities and risks within the scope of his or her areas of responsibility. The Group's risk management guideline stipulates the core processes of risk management, responsibilities and authorisations of persons responsible for dealing with risk as well as the risk management reporting structure.

To ensure the complete integration of risk management in current business activities, the manager of each relevant Q-Cells SE division and of each fully consolidated subsidiaries holds the position of Risk Officer.

Quarterly standardised bottom-up process

A standardised bottom-up process consisting of workshops in which the current risk situation in each division is determined takes place every quarter. Risks are assessed in view of the likelihood of their occurrence and the amount involved. Measures for dealing with identified risks are also worked out and documented. Each person responsible for dealing with a risk implements the defined measures on an operative level. As part of the standard process, the measures implemented by Central Risk Management are also monitored and recorded according to the hierarchy of the assessed risk weighting.

Prompt information of the Executive Board about the Group's aggregated risk situation

This quarterly process forms the basis for risk aggregation. The Executive Board is promptly informed about the Group's aggregated risk situation in a transparent manner during its regular meetings. In addition, the Audit Committee of the Supervisory Board evaluates the risk situation and structure of the risk management system every six months.

Ad hoc risks and occurrences of damages are reported

On top of standard reporting, any ad hoc risks and occurrences of damages are reported directly to the Executive Board according to their risk weighting. This ensures that the Executive Board has an up-to-date overall view of the Group's risk situation at all times.

Continuous improvement of the risk management system

The risk management system and the tools that form part of it are continuously refined and promptly adjusted to reflect changes in conditions affecting the Company and its environment to increase the quality of its content and also optimise individual process steps. The Audit Committee's and auditor's recommendations are also taken into account and implemented in a timely manner. In financial year 2010, risk management was integrated into the Finance division to create a closer link with the processes of Controlling, a sub-division of Finance, such as corporate planning and reporting. Risk Management reports directly to the Executive Board. In the previous year, Risk Management and Internal Audit formed one department which also reported directly to the Executive Board.

Close cooperation between both risk management and Internal Audit department

Both departments continued to work closely together in 2010. The Group's transactions and organisational processes are assessed for compliance, security and efficiency on the basis of regular and case-related checks by the Internal Audit department. The resulting findings are incorporated in the processing and analysis of risks.

In principle, the risk management system and the internal control system also comprise accounting-related processes and the risks and controls relating to the presentation of the financial statements.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Main objective: ensure compliance with accounting methods and principles

The main objective of the accounting-related internal control and risk management system at Q-Cells is to ensure compliance with accounting methods and principles, in other words compliance with important legal requirements and regulations of the Articles of Association. Q-Cells' accounting-related internal control system comprises all relevant measures, principles and methods that ensure proper accounting.

The targets of the risk management system with regard to the preparation of the financial statements are the identification, analysis and assessment of risks which may conflict with the correct presentation of the annual financial statements or could have a negative effect on the net assets, financial position and results of operations of the Group. Risks that have been identified are examined with regard to their impact on the consolidated financial statements. In addition, accounting-related processes are regularly monitored by the Audit Committee of the Supervisory Board.

To ensure uniform accounting throughout the Group in accordance with all important regulations, those responsible are provided with Group accounting guidelines, which are regularly updated and maintained by Group Accounting. Furthermore, Group Accounting ensures that the same guidelines and processes are applied consistently throughout the Group by providing a standard reporting package, a schedule for the preparation of financial statements and an account allocation guideline. Group Accounting also keeps up to date with any changes resulting from amendments to reporting standards and legislation.

There is a clear management and corporate structure at Q-Cells for the preparation of the consolidated financial statements. The vast majority of the subsidiaries' separate financial statements are prepared locally; they are consolidated at the Group's head office by Group Accounting. The subsidiaries are responsible for complying with the Group accounting guidelines and the proper and timely preparation of their financial statements. Functions such as Finance, Taxes, Treasury & Corporate Finance and Controlling are combined in the central functions of the Group. This ensures that accounting-related information is exchanged in good time.

The following additional measures and controls for reducing risks have been established:

Standardised software systems; plausibility and quality checks

The systems used in Finance are standardised in the Group and are protected against unauthorised access through appropriate settings and mechanisms in the software. Accounting data received or sent are routinely checked for completeness and accuracy, e.g. through random checks or plausibility checks. Programmed plausibility checks take place through the software used, e.g. as part of payment runs. Data accepted from subsidiaries are subjected to a quality check by those responsible in the Group's head office, which also acts as the point of contact for the subsidiaries in dealing with complex issues. Quality checks comprise analytical and manual audit procedures. The dual control principle is also applied continuously to accounting-related processes. In addition, process-independent controls such as the separation of functions, pre-defined authorisation processes, automatic and explorative controls have been implemented.

Accounting for certain balance sheet positions requires management to make assumptions and judgements. This affects, amongst other issues, the determination of provisions and impairment tests performed on assets. Here, the material assumptions and estimates are objectified by comparison with peer groups, market data and by commissioning external experts to ensure the estimates are correct and reliable.

Regular physical inventory counts of fixed assets and stocks

As a manufacturing Group, Q-Cells has substantial property, plant and equipment and inventories because of its business model. This implies valuation and inventory risks. Regular physical inventory counts of fixed assets and stocks are carried out to limit these risks. Inventories are reviewed for achievable market prices at regular intervals. Furthermore, an impairment test is carried out if there are signs of impairment in the value of property, plant and equipment.

Valuation risks result from the issue of three convertible bonds, which are hybrid and structured financial instruments. To limit these risks, external experts were asked to prepare assessments.

The German Financial Reporting Enforcement Panel (FREP) found three errors with regard to the consolidated financial statements as of 31 December 2008. They were accounted for retrospectively for the first time in the half-yearly financial statements as of 30 June 2010 in accordance with the IFRS regulations.

As an internationally operating Group, Q-Cells is exposed to many potential risks. The systems that have been established were designed in such a way – using company-specific requirements – that the identification and management of material risks can be secured. However, the established internal control and risk management system does not provide any absolute certainty that material misstatements will be avoided during the preparation of the financial statements.

RISK TRANSFER (INSURANCE POLICIES)

Insurance policies as an important instrument for minimising existing risks

Insurance policies are an important instrument for minimising Q-Cells' existing risks where this is justifiable economically. The Company has taken out property and third party liability insurance, which is typical of the industry and is subject to regular review and adjustment, if necessary. Excesses have been agreed for the existing property and business interruption policies. Insurance policies have been taken out with various insurance companies to diversify the risk of counterparty default. The possibility cannot be excluded, however, that the existing insurance policies do not appropriately and sufficiently cover all potential losses and liabilities.

CENTRAL RISK AREAS

MACROECONOMIC RISKS AND INDUSTRY RISKS

Macroeconomic risks result from the development of the global economy, especially in key sales countries, and the development of government support programmes for the installation of photovoltaic systems. As the cost of generating power from photovoltaic systems is higher than the price for grid electricity in most regions of the world, the photovoltaic sector still depends to a large degree on these government programmes.

Development of the economy in important key sales countries and the development of government support programmes influence risk situation

Subsidies usually take the form of monetary incentives paid for directly by the government or guaranteed feed-in tariffs for power generated by photovoltaic systems, which are applied to electricity prices. In the past, support programmes created very high returns for some investors in photovoltaic systems and as a result, more photovoltaic output was installed than anticipated in some cases. This in turn led to extraordinary cutbacks of some support programmes, the capping of additional construction volumes and in some cases even to the introduction of a subsequent, additional monetary burden on investors in photovoltaic systems. This risk generally also applies to the current support programmes. Detailed information on the most important current photovoltaic support programmes and the overall economic situation is included in the Forecast Report.

Due to the positive development of the economy in 2010, the ability of the international banking system to grant loans has improved. However, the figure is still lower than prior to the financial crisis. In addition, equity requirements for banks were tightened in response to the financial crisis. As a result, and due to the photovoltaic market's development still being largely dependent on government support programmes and the uncertainties this creates, the financing risk, which decreased in 2010, remains above average by historical standards. This financing risk as well as any deterioration in the macroeconomic environment could increase customers' default risk and also lead to prices for Q-Cells products dropping further than expected and sales volumes being lower than anticipated.

Grid parity is precondition for the growth of the photovoltaic market

In this context, a competitive cost structure, quick achievement of net parity and access to non-subsidised markets are decisive competitive factors and absolutely necessary for the company's continued existence as well as medium- to long-term growth in the photovoltaic sector.

Q-Cells is always working on becoming less dependent on the German photovoltaic market by entering new markets and continuously improving its cost structure to maintain its competitive edge. The new strategic focus also increases the number of distribution channels.

In addition, the company holds regular talks with politicians and industry representatives to discuss and prepare for decisions affecting developments in the photovoltaic sector. Q-Cells attempts to counter short-term negative developments by engaging in discussions with customers about potential sales fluctuations at an early stage.

CORPORATE STRATEGY RISKS

Strategic realignment started in 2010

Due to the developments in financial year 2009, which was characterised by a fundamental change in the ratio of supply and demand, Q-Cells started introducing a new strategic focus in 2010. This measure aims to restore the Company's competitive position and to enable it to achieve an appropriate and sustainable return on equity in the medium and long term. Q-Cells will be transformed from a producer of photovoltaic cells into an all-in-one service provider of photovoltaic solutions. The details of the new strategic focus are explained in the section Corporate strategy (page 68 f.).

If individual parts of the current strategic refocusing measures were not at all or only partially carried out or if their implementation were delayed, this could impair Q-Cells' competitiveness in the long term.

Planned or existing technology projects may not lead to the desired success and, in consequence, jeopardise the technology leadership to which the Company aspires or result in non-competitive cost structures.

If the Company fails to build up sufficient specialist expertise to open up new markets, this may entail a loss of market share in strategically important future markets and have a sustained impact on the Company's situation.

The restructuring of the Group may generate procedural and organisational risks, which could particularly affect the further development and expansion of the module business and the development of foreign Group companies.

Q-Cells uses partner companies for processing solar modules according to agreed specifications. This increases the quality risk as Q-Cells does not have full control over production processes. Due to difficulties in starting up production and during production of modules, sales volumes in the module business lagged considerably behind expectations in the third quarter of 2010. The reasons were analyzed and countermeasures implemented. However, processing partners may also encounter problems with production in the future.

Difficulties in starting up production and during production of modules resolved through countermeasures

In the thin-film section, Q-Cells has focused on the CIGS technology of the wholly-owned subsidiary Solibro as part of its new strategic focus. As CIGS thin-film is still a young photovoltaic technology, the required improvements to production as well as research and development is associated with a higher risk than standard crystalline photovoltaic technology. The sales structure for CIGS thin-film modules (Q.SMART) also has to be developed further.

Q-Cells purchases products such as inverters and third-party services for the construction of photovoltaic projects in the systems segment. Failed or late deliveries of products and services from third parties could result in cost limits being exceeded or subsidies being smaller than anticipated. In addition, business risk is considerably higher as the planning and construction period in the systems business is longer than in the product segment.

Q-Cells operates in a growth market. It may therefore become necessary to take up additional internal and external loans for financing further growth, improving competitiveness and meeting payment obligations.

FINANCIAL RISKS

Within the Group, Treasury & Corporate Finance are responsible for managing its capital requirements centrally and for ensuring that Q-Cells SE and its subsidiaries are able to meet their commitments at any time. They process all financial transactions.

More information about the risk management aims and methods within the scope of the use of financial instruments as well as the associated risks are provided in the notes in the section Risks from financial instruments (see pages 174 ff.).

Credit risk

In the past financial year, Q-Cells carried out a capital increase and also issued a convertible bond with a term until 2015, increasing its capital structure considerably with these measures. To minimise the counterparty risk for cash and cash equivalents, the Group only works with highly reputable external financial providers. Cash and cash equivalents are usually divided between several financial service providers. Hedging transactions of every kind are only conducted within preset limits and within an authorization hierarchy.

Significantly improved capital structure through capital measures

The risk of customers becoming insolvent remained the same as in 2009. Were any of the Group's major customers to default on their payments, its financial position and results of operations would be affected.

To reduce the risk of bad debts, a large proportion of the receivables in the product sales section are protected via trade credit insurers. Firstly, the above-mentioned organisation carries out an assessment of customers' creditworthiness. Secondly, key receivables are insured. Trade credit insurers, however, remained largely restrictive in the assumption of risks in the financial year 2010.

Product sales secured via trade credit insurers to reduce the risk of bad debts

All receivables are also continuously monitored and feedback is provided promptly in the case of default. In addition, internal delivery limits were defined for customers in order to minimise potential defaults.

Refinancing risk

Future refinancing eventually at less favourable terms and conditions

Despite the Company's capital structure being greatly improved by the capital measures implemented in 2010, future refinancing would only be possible at less favourable terms and conditions.

Q-Cells' most important financial liabilities at the end of financial year 2010 were the convertible bonds maturing in 2012, 2014 and 2015 and the loan granted by the Malaysian government with a term until 2014. All outstanding convertible bonds carry the option of being repaid in Q-Cells SE shares, cash or a combination of both. If the price of the Q-Cells SE share does not rise significantly from the current level, the majority of the convertible bonds due in 2012 and 2014 are likely to be repayment in cash. The share price would have to increase to € 4.38 to repay the convertible bond due in 2015 in full with shares.

The creditors of the convertible bonds due in 2012, 2014 and 2015 have a 10-day right of cancellation if a natural or legal entity acquires more than 50.0% of Q-Cells ordinary shares.

Liquidity risk

Rolling liquidity planning process

The calculation of Q-Cells' liquidity levels and needs is based on a rolling liquidity planning process, which aims to guarantee that Q-Cells can meet its obligations by maintaining matching cash and cash equivalents at all times. Liquidity is managed centrally by Treasury & Corporate Finance for all subsidiaries. This includes investing surplus liquidity and also supplying liquidity in the case of bottlenecks.

Q-Cells increased the production depth of its own operations and those of its partners by entering the module business in the past financial year, in turn increasing the retention period for cash and cash equivalents. Unplanned production delays at partner companies, as described in the section Corporate strategy risks, could have a negative impact on the liquidity situation of Q-Cells.

Construction of photovoltaic projects without any major effect on liquidity

As part of the new strategic focus, Q-Cells aims to construct photovoltaic projects in the systems segment in such a manner that they will not have any major effect on liquidity. This is a definite shift away from the trend of consciously obtaining pre-finance for photovoltaic projects, which was partly realized via joint ventures, which was particularly pronounced in 2008 and 2009. The objective of carrying out the construction of photovoltaic projects in such a way as not to affect liquidity may not be achievable in the case of negative developments in the general and solar industries and in relation to project-specific issues such as have occurred in the past with some photovoltaic projects. In addition, Q-Cells may deliberately choose to deviate from the principle of liquidity-neutral construction in the case of individual projects if they are of high strategic value. By contractually stipulating construction progress payments, Q-Cells reduces the impact of negative developments during the construction period.

In March 2010, Sunfilm AG, in which Q-Cells holds a 50.0% interest and with which it maintained a business relationship, filed for insolvency. In relation to this insolvency, Q-Cells does not expect any further payments in addition to those already reported in the financial statements 2010. It cannot be ruled out, however, that the enforcement of another legal opinion could result in cash outflow. In the opinion of Q-Cells, sufficient provisions have been recorded in the balance sheet to cover for potential risks.

Currency risk
Currency risks could arise, in particular, from purchase and sales contracts in foreign currencies.

Treasury & Corporate Finance manage currency risks centrally for Q-Cells SE and its subsidiaries. Q-Cells strives to minimise items in foreign currencies arising from operating activities.

Centrally managed currency risks through Treasury & Corporate Finance

Appropriate hedges are assessed for their profitability and in the case of a positive result concluded for outstanding items in foreign currencies, taking into consideration opportunities and risks. This reduces the risk of a negative effect on the Group's net assets and financial position.

Due to the new strategic focus and the expansion of the product portfolio, the requirement for US dollars will rise in the future. In addition, items in other foreign currencies will be added to the risk portfolio.

The loan extended to Q-Cells by the Malaysian government in 2009 to the amount of MYR 850 million falls due in the second half of 2014. A currency hedge for the loan in Malaysian ringgits is generally possible. Q-Cells has up to now refrained from concluding such a hedge for reasons of profitability.

Interest rate risk
At present, there are only minor interest-rate risks, since the Group has mainly entered into financing agreements based on fixed interest rates.

Minor interest-rate risks due to fixed interest rates

In addition, two interest swaps were concluded during the course of 2010 to hedge an existing variable interest exposure. With their help, the original variable interest payment was swapped against fixed interest liabilities.

The refinancing of financial liabilities described in the section Refinancing risk could result in a steep rise in financing costs despite the capital structure being significantly improved by the capital measures carried out in 2010.

Other financial obligations
Q-Cells has issued a large number of guarantees and warranties during the course of its operating business. These are described in more detail in the section Guarantee risks. It cannot be ruled out that Q-Cells may be subjected to significant guarantee and surety risks in the future. This could have a negative impact on net assets and financial position.

Guarantees and warranties

Q-Cells received public sector grants and subsidies, especially for the construction of production plants, which are tied to terms and conditions. If these boundary conditions are not complied with, these investment grants and subsidies may have to be repaid in full or in part. In 2010, one funding authority approved the removal of earmarks.

MARKET RISKS

Sales market
The factors stated in the section Macroeconomic risks and industry risks have a major impact on Q-Cells' sales volumes. Especially the development of conditions relating to grants and subsidies in key sales countries has a great effect on the sales situation.

If the continuing capacity increase across all parts of the photovoltaic value added chain is not matched by corresponding growth in the sales markets, prices could drop significantly and sales volumes could be lower than planned. To counteract this, Q-Cells aims to include a market adjustment clause in sales contracts, which goes by the development of selected wafer price indices. This was already successfully implemented in a small number of sales contracts. In addition, the existing customer base could diminish through takeovers and mergers.

Risk due to higher than expected price declines

Product portfolio already expanded; distribution structure still to expanded

As part of its new strategic focus, Q-Cells expanded the portfolio of the products segment by crystalline modules. Furthermore, due to higher production capacities at Solibro in 2010, a significantly larger number of Q.SMART modules (CIGS thin-film modules) was available for sale than in the previous year. In 2011 as well as in the coming years, Q-Cells aims to continue increasing the sales of solar modules considerably. Q-Cells also plans to strengthen the systems business, with a focus on medium-sized industrial and commercial photovoltaic systems. To do so, it will be necessary to adjust, significantly strengthen and develop the current distribution structure in existing sales regions and to establish it in new regions. The development and expansion of the distribution network is an essential pillar of Q-Cells' new strategic focus. If these plans were not fully implemented, this could lead to sales volumes and prices falling short of planning.

Procurement market

Purchase of solar wafers is of the greatest importance

The purchase of solar wafers is of the greatest importance for the procurement section at Q-Cells. The Company obtains the required amount of solar wafers by purchasing directly from suppliers and also through supply contracts for high-purity silicon, which processing partners then convert into solar wafers. In the past, the development of the price for high-purity silicon, the base product for manufacturing solar wafers, has been extremely volatile, and it was also in short supply at times. This had a corresponding effect on the availability and price of solar wafers. Due to the great importance of solar wafer procurement to Q-Cells and the extreme volatility of prices as well as partially restricted availability of volumes in the past, there is a risk of net assets, financial position and results of operations being significantly impacted.

Flexibility of solar wafer portfolio increased

For this reason, Q-Cells considerably increased the flexibility of its solar wafer procurement portfolio. Delivery volumes and prices were linked much more closely to market developments. This was achieved by successfully renegotiating of existing contracts, among other methods. On the basis of medium- and long-term contracts, Q-Cells has secured part of the required solar wafer volume. In addition, Q-Cells included options in these contracts that enable it to increase delivery volumes as required. Q-Cells will make use of these options if they provide the Company with a more cost-effective way of procuring solar wafers than via short-term contracts on the spot market.

Provisions for impending losses on onerous contracts dropped in financial year 2010 as a result of the solar wafer procurement portfolio becoming more flexible.

Due to the further expansion of global production capacities in 2010, demand for high-quality wafers could increase in 2011. This leads to the risk of Q-Cells being exposed to price rises or not being able to procure enough wafers to ensure full capacity utilisation.

In line with the Company's globalisation and the modification and refurbishment of production facilities, Q-Cells entered into commitments with equipment suppliers. In some cases, these agreements provide for advance payments. Accordingly, the Group may be exposed to a counterparty default risk if the supplier is not in a position to fulfil its obligations.

Advance payments to a large extent against guarantees

Since the first half of 2010, Q-Cells has been countering this risk by making advance payments to a large extent against guarantees. Nevertheless, it cannot be ruled out that unsecured prepayments made to suppliers in the past cannot be recovered in the event of a supplier defaulting and that it may become necessary to make further unsecured prepayments in the future.

Breakdown for the cell production process with more serious impact than in previous years

Because the photovoltaic industry is still a young industry, there are only a few suppliers for a number of raw materials and machines. This circumstance implies a risk of breakdown for the production process. By expanding the product portfolio and linking the stages of the crystalline value added chain – cell, module and system – production shutdowns at the cell stage would have a more serious impact than in previous years.

The aim is to find at least one second supplier that meets the quality standards set by Q-Cells for each existing supplier to limit the risk of supplier default. But it cannot be entirely ensured that a suitable second supplier will be found and a business relationship established.

Q-Cells started to identify its critical suppliers at a very early stage and to elucidate and implement appropriate protection measures in close collaboration with them. Q-Cells also assesses all potential and existing suppliers to minimise the counterparty default risk.

Identify its critical suppliers to reduce the default risk

Silver is used as a paste component in the manufacture of solar cells to improve conductivity. Silver prices have a major impact on cell processing costs. It is subject to fluctuations which can at times be significant. Research and development focuses on minimising the use of silver in the production process. In 2010, the Company successfully reduced the use of silver per solar cell further.

Research main focus: minimising the use of silver

PERFORMANCE RISKS

Loss of production risks

Cell production is one of Q-Cells' core businesses. It gives rise to the risks of loss of production, which could have a significant impact on the financial position and income. The expansion of the product portfolio and the linking of the stages of the value added chain mean that loss of production would have a greater negative impact than in previous years, as downstream stages could also be affected by delivery delays and disruption.

At present, Q-Cells has 500 MWp annual solar cell production capacities at its site in Thalheim/Germany and 600 MWp in Selangor/Malaysia.

Production facilities in Germany and Malaysia

Q-Cells' thin-film module production is concentrated at the site in Thalheim/Germany. The total annual capacity of 135 MWp comprises two parallel productions with capacities of 45 MWp and 90 MWp.

A breakdown at one factory or one unit will only lead to a partial limitation of production. The successful completion of a production facility in Malaysia has further minimised the risk of a total breakdown of solar cell production, although Q-Cells is aware of the risks connected with production facilities abroad.

Risks arising from ongoing production, such as a production gap, are countered through employee training and education courses, systematic monitoring of production processes with prompt feedback as well as regular and systematic maintenance of all facilities. Q-Cells has also taken out insurance to cover operating failures.

Systematic monitoring of production processes

Q-Cells is exposed to the risk of polluting the environment with its production processes. Intensive and continuous environmental protection measures and environmentally friendly investment in the Group's production plants help to mitigate harm to the environment as far as possible, to protect resources in the long term and to comply with legal guidelines. As toxins and explosives are used in the production process, the company takes extensive measures to prevent accidents. These measures are supported and affirmed by carrying out measures required for environmental certification to DIN ISO 14001 and achieving it. In financial year 2010, re-certifications were successfully concluded.

Environmental certification to DIN ISO 14001

Q-Cells places orders with third parties for the production of modules. This creates the risk for Q-Cells of quality standards not being complied with contrary to agreement (as described in the section Corporate strategy risks, see page 94 f.) and the risk of delivery delays and disruption. Q-Cells counters these risks by regularly checking the quality standards of third parties, among other things.

Regular checks of quality standards at module processing partners

In the systems business, there is a risk of budgets or deadlines being exceeded in the upstream stage of the value added chain due to technical problems or delays. Q-Cells minimises this risk by continuously improving its management tools to be able to take early counter measures and by employing experienced project managers.

Continous improvement of management tools in the systems business

Guarantee risks
Q-Cells issues guarantees for its products during the course of its daily business and therefore could be exposed to serious guarantee risks in the future.

Guarantees for solar cells of 10 years, for modules 25 years

In the products segment, the Company guarantees that solar cells will achieve at least 90 % of nominal performance for 10 years and solar modules at least 80 % of nominal performance for 25 years from the date of delivery and at least 90 % of the contractually agreed minimum performance for 10 years. Solar module guarantees also include material and production defects for 10 years from the date of purchase.

Availability, performance and product guarantees

In the systems business, Q-Cells also issues availability guarantees, in some cases total performance guarantees, performance guarantees for individual modules (corresponding to manufacturer's guarantee) and product guarantees for individual system components.

Guarantee provisions recognised

Due to its short company history, Q-Cells has not been able to gather empirical values over a long period of time. Assumptions made for the calculation of guarantee provisions may therefore be inaccurate. If the number of claims received by Q-Cells under guarantees and warranties was to be greater than expected, this could have a significant impact on net assets, financial position and results of operations. Q-Cells has recognised guarantee provisions to cover any potential claims. The section on provisions in the notes provides details on guarantee provisions (see page 162 f.).

Personnel risks
Competent and committed employees are a key component of Q-Cells. In principle, every company is exposed to the risk that high achievers will leave the company. There is also the additional risk of not being able to have the personnel capacity needed for business development on the terms envisaged.

In view of demographic developments and the lack of skilled workers that is to be expected in the near future in Germany, qualified personnel will gain even more in importance and become a decisive factor for maintaining a competitive edge. If Q-Cells is unable to retain a sufficient number of qualified personnel for the Company in the long term, this could have an extremely negative effect on its new strategic focus and competitive position.

Internal and external personnel training, attractive incentive and remuneration systems

Q-Cells counters this risk with a number of personnel measures to position itself as an attractive employer. This includes internal and external personnel training, attractive incentive and remuneration systems, personal career development opportunities and in-house benefits such as health promotion and an in-house nursery.

In addition, Q-Cells places a special focus on training young people and developing junior executives and offers young people the opportunity of receiving highly-qualified vocational training. The in-house Q-Cells Academy offers numerous further education courses. These measures are complemented by close cooperation with universities and colleges. Q-Cells has an endowed chair at the Martin Luther University in Halle-Wittenberg and offers the dual degree programme for photovoltaic technology in cooperation with Anhalt University of Applied Sciences in Köthen.

IT risks

Communication and information systems are of key significance to business processes. Virtually all Q-Cells central business processes are IT-based. The failure-free operations of and optimal support for these processes is therefore the highest priority.

Failure-free operations of and optimal support for IT systems

IT risks are firstly minimised by stringent security standards and secondly the IT systems and applications used are regularly reviewed with regard to their suitability and the secure and proper handling of business processes. Should the analysis reveal a need for action, the systems are updated and enhanced. Particular importance is attached to the aspects of IT security, data protection and data security.

Nevertheless, there is a risk of Q-Cells becoming the target of industrial espionage or its production facilities falling prey to acts of sabotage. To reduce such risks, initial measures were already elicited and implemented in 2010.

Legal disputes

In the course of its entrepreneurial activities, Q-Cells is exposed to numerous legal risks arising from contractual relationships with customers, suppliers, other business partners and employees. These risks focus on pricing for the purchase of wafers and sales of solar cells and modules, liabiliies and guarantess for products and systems as well as infringements of patent law. In addition, business activities in foreign countries carry an increased risk.

To minimise these risks as far as possible, in the case of differing legal opinions, negotiations with the business partners affected were started at an early stage and the in-house legal department was expanded further in financial year 2010.

In-house legal department expanded

Q-Cells took legal action against customers that were in breach of delivery contracts. Part of this action has already been concluded with judgements in favour of the Company, and Q-Cells has already received part of the total amount claimed.

Q-Cells reduces the risks arising from product and systems guarantees by implementing extensive quality management, including the procurement of high-quality raw materials, strictly defined sorting criteria for crystalline solar cells and thin-film modules, and comprehensive quality control at solar modules processing partners. This makes it possible to position the products in the premium segment of the market. Continuous dialogue with customers and regular customer surveys are important for improving quality standards further.

Q-Cells is also engaged in a legal dispute with suppliers of machinery. Appropriate provisions were created in the balance sheet for ongoing proceedings, if necessary, in consultation with the respective specialist departments and the legal department.

Given the level of innovation in the photovoltaic industry, the Group is exposed to an increased risk of patent law infringements compared with standard industries. Given this, Q-Cells has established its own patent department to prevent the Company from infringing patent law, to identify infringements of Company patents by third parties and to register patents in good time. The department systematically monitors patents in the photovoltaic market.

Own patent department established

The Malaysian government provided Q-Cells with a parcel of land for the construction of its production plant in that country. The land was acquired by the state of Malaysia but the property deeds have not yet been transferred into the name of the new owner. This leaves a possibility of the right of use being partially or fully restricted in the future.

STATEMENT ON THE RISK SITUATION

Risk situation improved through operating measures

By steadily refining and optimising the existing risk management system, the Company was able to present the risks to the Group and their economic consequences in detail and transparently in the financial year. The Group's risk situation was improved through measures in its operating activities. In addition, risks with a high probability of occurrence were accounted for by recognising provisions and impairments.

The main factors that could create serious risks for Q-Cells are the negative development of terms and conditions for grants and subsidies in the photovoltaic sector, especially in Germany, new markets and customer segments not being tapped to their full capacity as well as technological progress and the reduction of production costs being insufficient. In addition, sales could be negatively impacted by restrictive credit policies and a reluctance to invest. The improvement of the Company's capital structure in 2010 has caused credit and financing risks to drop. However, risks still remain, particularly in the project business and with regard to the financing of Q-Cells.

Overall risk position improved

Due to the positive market development in 2010 and the implemented capital measures, the Group's overall risk position improved in 2010.

No existence risks

Neither the individual risks nor the Group's overall risk position resulted in risks that would jeopardise its existence as a going concern in the reporting period.

SUPPLEMENTAL REPORT

There were no material events that must be disclosed between the balance sheet date and the preparation of this report.

FORECAST REPORT

ECONOMIC OUTLOOK

The International Monetary Fund (IMF) expects a 4.4 % growth of the world economy in 2011. In particular the emerging and developing countries, which have once again achieved the growth dynamic they had before the financial and economic crisis are expected to contribute to the forecasted expansion of the world economy.

Slightly decreased continuance of the worldwide economic growth

EXPECTED DEVELOPMENT OF GROSS DOMESTIC PRODUCT (GDP) WORLDWIDE

	Change in GDP 2010 yoy %	Change in GDP 2011 yoy[1] %	Change in GDP 2012 yoy[1] %
Germany	3.6	2.2	2.0
France	1.6	1.6	1.8
Italy	1.0	1.0	1.3
Spain	–0.2	0.6	1.5
Euro area	**1.8**	**1.5**	**1.7**
UK	1.7	2.0	2.3
USA	2.8	3.0	2.7
Canada	2.9	2.3	2.7
Japan	4.3	1.6	1.8
Newly industrialised Asian countries[2]	8.2	4.7	4.3
Industrialised countries	**3.0**	**2.5**	**2.5**
Central and Eastern Europe	4.2	3.6	4.0
CIS	4.2	4.7	4.6
China	10.3	9.6	9.5
India	9.7	8.4	8.0
Latin America and the Caribbean	5.9	4.3	4.1
Middle East and North Africa	3.9	4.6	4.7
Emerging and developing countries	**7.1**	**6.5**	**6.5**
World	**5.0**	**4.4**	**4.5**

[1] Expected.
[2] Hong Kong, Singapore, South Korea, Taiwan.

Source: IMF, World Economic Outlook January 2011.

Expected growth rates in emerging and developing economies higher than in industrial countries

However the IMF anticipates a more moderate increase of GDP for both industrial countries and emerging and developing economies than in 2010. Yet for countries like China and India, expected growth rates are anticipated to lie substantially over the emerging and developing country averages. Among the industrial countries, Asia's new industrial countries are likely to show the highest economic dynamics. The IMF forecasts growth rates of 3.0 % and 1.5 %, respectively, for the USA and the euro area for 2010, which together make up one third of the world economic output. Among the leading European economies, Germany is expected to achieve the highest growth rate of 2.2 % in 2011.

The IMF's positive forecast regarding the development of the world economy has risks associated with it.

Because of the high budget deficits and debt levels in almost all large industrial and in many emerging nations, it is likely that the "state" will not be a trigger for growth in these countries for 2011 and 2012 and that their governments will focus their attention more on consolidating their budgets. Countries in the euro area are likely to pursue more restrictive financial policies with the same, in a somewhat attenuated, form being seen in the USA. The extent of budget consolidation within each of the countries within the euro area will, however, be somewhat different.

Since interest rate levels worldwide have reached a historical low in particular in industrial countries, impulses for monetary policy can only primarily be set by increasing the money supply, i.e. through the purchase of securities by central banks. Yet at the same time current consolidation practices found in the private financial sector are expected to reduce the impact of an expansive monetary policy. Furthermore certain central banks in emerging nations have begun to tighten up their monetary policies in order to avoid overheating the economy.

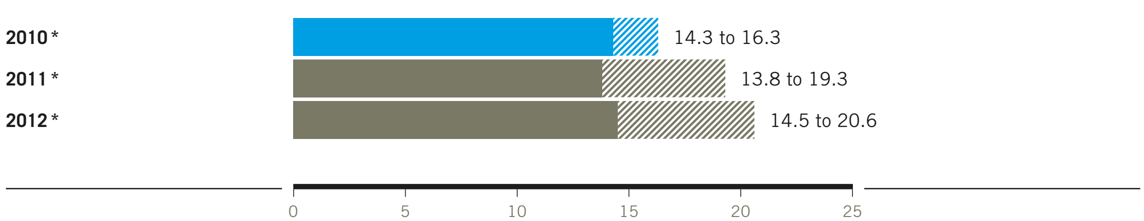
An abrupt end to the stark real estate price development in China would most likely put the international banking system under immense pressure resulting in a slowdown of the global economic outlook.

SECTOR OUTLOOK

The long-term prospects for growth in the photovoltaic sector remain very good. The significant fall in the price of photovoltaic systems in 2009 means that the achievement of grid parity, the point at which the cost of generating electricity from a photovoltaic system matches the respective electricity prices for end consumers, has come far closer in various markets. The most important factors for achievement of grid parity in the various markets are the intensity of solar radiation and the respective electricity prices. This is why grid parity in Europe is expected to be achieved first in Italy, which has both high levels of solar radiation and relatively high electricity prices. In the USA, the States in the South West will be the first region, which will achieve grid parity. Until grid parity is reached, the development of the photovoltaic market will be fundamentally dependent on government support programmes in the individual countries.

FORECASTED DEVELOPMENT OF THE PHOTOVOLTAIC GLOBAL MARKET

GWp



* Expeted.

Sources: Analyst estimates.

According to the opinions of a majority of observers the global photovoltaic market is also likely to show volume growth in 2011. However, this growth rate will be significantly less than the more than 100 % experienced in 2010. Also a slight volume decline of the global photovoltaic market in 2011 cannot completely be ruled out. Analyst forecast margins for the size of the global photovoltaic market in 2011 range from 13.8 GWp to 19.3 GWp. The continued development in Germany and Italy will most likely be determinative for the global photovoltaic market volume in 2011. Analysts anticipate further volume growth of the global photovoltaic market in 2012.

Global photovoltaic market is likely to show further growth

In Germany, the most important photovoltaic market in 2009 and 2010, feed-in tariffs for photovoltaic electricity were reduced by 13 % at the beginning of 2011. The German Federal Ministry for the Environment and the German Solar Industry Association proposed in mid-January 2011 to move the variable portion of the allowance scheduled to be reduced on 1 January 2012 pursuant to legislation ahead to 1 July 2011. Because of this proposal there could be a premature cut of up to 15 % depending upon the new installations between March and May 2011. Overall, the degressions on 1 July 2011 and 1 January 2012 should not exceed the peak values anchored in the law and as a result lie between 9 % and 24 % depending upon additional constructions between the fourth quarter 2010 and third quarter 2011. For ground-mounted photovoltaic systems, the date scheduled for the allowance reduction has been moved ahead to 1 September 2011 because of the longer planning times required. Analysts expect in the majority a slight decline in the German market for 2011. The forecast range is very high for 2011, however, lying between 3.6 GWp and 8 GWp.

Germany: incremental decrease of feed-in tariffs

As the number of new installations in 2010 exceeded the expectations of the Italian government, the Italian cabinet resolved at the beginning of March 2011 that only photovoltaic systems that are being connected to the grid by the end of May 2011 will receive the current high feed-in tariffs. At the same time, the cap for new photovoltaic installations at 8 GWp of cumulated power until 2020 was removed entirely. Until the end of April 2011, the Italian government wants to approve a follow-up regulation. In view of these developments, estimates for the Italian market are very uncertain. Analysts anticipate that the new installations in Italy will come to between 2 GWp and 3.5 GWp in 2011.

Italy: follow-up regulation until the end of April 2011

The US market is expected to continue to show significant growth in 2011. The extension of tax incentives for the construction of photovoltaic installations should contribute to the development. In particular the market for ground-mounted photovoltaic systems should profit from the fact that a majority of states have set quotas for the share of renewable energy within the energy production portfolio in the future. Observers estimate that the US market will reach between 1.75 GWp and 2.5 GWp in 2011.

USA: ground-mounted systems should be growth drivers

The dynamic development of the Japanese market last year, which amounted to more than doubling the market to 1 GWp is attributable to the ability to combine investment grants for the construction of photovoltaic systems with feed-in tariffs introduced in November 2009. Most observers expect a continued growth of the market to between 1.1 GWp and 1.5 GWp in 2011 because of these favourable framework conditions.

Japan: combination of feed-in tariffs and investment grants

In Canada, Ontario’s framework conditions are the main driver of the photovoltaic market. On the condition that a certain percentage of added value from a photovoltaic system occurs in Ontario, the Province’s subsidy programme has very attractive feed-in tariffs. Analysts anticipate a growth of the Canadian photovoltaic market to between 0.5 GWp to 1.0 GWp in 2011.

Canada: Ontario’s framework conditions are the main driver

The Chinese government has set itself the target to install 20 GWp of photovoltaic power by the year 2020. In order to achieve this goal, many subsidy programmes for rooftop installation of solar panels and ground-mounted photovoltaic systems have been enacted. Estimates for the size of the Chinese photovoltaic market in 2011 are varied and range somewhere between 750 MWp and 1.2 GWp.

China: target to install 20 GWp of photovoltaic power by the year 2020

France still provides attractive conditions, even after feed-in tariffs were cut back by 20 % at the beginning of March 2011. The French government aims at installing between 2.5 GWp to 3 GWp in new photovoltaic power in 2011 and 2012. This target is comprised of a new installation cap of 500 MWp each for new projects in 2011 and 2012 and around 2 GWp in photovoltaic projects that are already going through the authorisation process. Analysts estimated the market volume at 500 MWp to 887 MWp in 2011. But these estimates were made before the new regulation was announced and could therefore prove to be too conservative.

France: further attractive market conditions

After being one of the largest photovoltaic markets in 2010, the Czech Republic with its 1.2 GWp is not likely to undertake any new installations in 2011. The reasons for this are a significant reduction in feed-in tariffs at the beginning of 2011, the introduction of income tax on photovoltaic systems and the elimination of subsidies for ground-mounted photovoltaic systems with more than a 30 kWp capacity.

Czech Republic: not likely to undertake any new installations in 2011

THE GROUP'S FOCUS

Expansion of distribution network

In accord with the majority of the analyst estimations, we expect an increase in the worldwide installation of new photovoltaic systems in 2011, which however might considerably lie below the market growth of the previous year. Cuts in the photovoltaic government support programmes in key sales countries may lead to a deterioration in the sector's prospects. Based on a significant widening of the product range within the module and systems segments, which began in 2010, as well as entering new sales markets, we see ourselves in a good position for participating in forecasted market growth. A focus will be on the development of the US market position, which will most likely become the largest photovoltaic market in the medium term. In addition to this market, we will enter other growth markets. In 2010, Q-Cells secured market access in 15 countries around the world, which account for over 80 % of the global photovoltaic market volume. In accessing new markets, our goal is to use the respected reputation of the Q-Cells brand name within the photovoltaic market together with its leading technological positioning in order to position products in the premium segment.

In order to further promote strategic reorientation, Q-Cells has defined and prioritised key initiatives. These serve to develop the business model further in order to better protect it from emerging market risks. The emphasis lies upon the collection of opportunities within the area of procurement, the continued internationalisation of the business and improvement of production processes.

Products segment

Complete switch of production capacities for solar cells to Gen2 technology

We will switch our production capacities for solar cells in Germany and Malaysia completely over to the new Gen2 technology during 2011, which will increase the degree of efficiency by roughly 0.5 % absolute. As a result of the increase of the degree of efficiency as well as the elimination of bottlenecks, we will be able to increase our annual production capacities for solar cells from roughly 1.1 GWp at the beginning of 2011 to approximately 1.2 GWp. Therefore we anticipate to produce more than 1.1 GWp in solar cells in 2011.

Improved generation of crystalline solar modules as well as a new premium module Q.PEAK

Based on this new technology of solar cells, we will introduce an improved generation of crystalline solar modules to the market in spring 2011. Furthermore, we intend to supplement the crystalline range of module portfolio through the introduction of the premium product Q.PEAK in summer 2011. We anticipate that the new modules will take a competitive top ranking position in the market because of their high performance features.

Flexible production concept for crystalline modules

Q-Cells will expand the network of partners for the production of crystalline modules in 2011. In addition to its existing partners in Asia, a third partner for processing crystalline modules in Eastern Europe according to Q-Cell's quality criteria will begin manufacturing for the Company. Furthermore, we will commence operations for module production directly adjacent to our solar cell production in Germany in summer 2011 with an annual capacity of approximately 130 MWp. In this module production facility, we will manufacture our premium module Q.PEAK.

Processing of about one half of solar cells to modules in 2011

Commensurate with this, we expect that the share of revenues from the sale of crystalline modules will significantly increase in 2011. Altogether, we are planning to process about one half of the solar cells production, i.e. 500 MWp to 550 MWp, to crystalline modules at partners or at our own plants in 2011.

Production of about 100 MWp of thin-film modules in 2011

The production of the thin-film modules (Q.SMART) will be increased to about 100 MWp in 2011 due primarily to the almost final completion of the ramp-up process last year at the second production plant. Due to the evolutionary improvements of manufacturing processes, output will almost reach an annual capacity of 135 MWp by the end of 2011.

Systems segment

Focus on more attractive business area C&I systems

We are planning to continue to expand the systems segment in the future. Q-Cells will focus more on the more attractive and increasingly growing business area of small industrial and commercial photovoltaic installations, which generally range from 0.3 MWp to 5 MWp. By introducing standard solutions during 2011, we aim to lay an additional foundation for future growth in this business area. We are planning to largely pull out of the in-house development of large-scale photovoltaic systems and concentrate our efforts on the planning and construction of photovoltaic projects.

For the continued internationalisation of this segment, the projects won last year in Canada represent a good starting point.

EXPECTED INCOME AND FINANCIAL POSITION

The sales prices in the products as well as in the systems business fell as expected at the beginning of 2011 because of the lower feed-in tariffs in the most important markets Germany and Italy. We also expect a declining price trend for the rest of 2011 since both in Germany and Italy there are planned reductions for feed-in tariffs scheduled during the year.

In light of the new strategic focus as well as the general economic conditions, Q-Cells anticipates revenues between € 1.3 billion and € 1.5 billon in financial year 2011. EBIT should come to roughly the amount achieved in the previous year. The first quarter of 2011 however is likely to see a low volume of demand due to seasonal and regulatory effects.

These forecasts, however, have some uncertainties attached to them. In both of the most important photovoltaic markets, Germany and Italy, cuts to the feed-in tariffs are scheduled throughout the year. This could negatively impact sales volumes and prices, taken together with the announcement of the increases in production capacities especially from Asian competitors. Furthermore, it is necessary to continue to strengthen the sales activities with focus on internationalisation.

Q-Cells is not planning to payout dividends in addition to the amount provided in the Company's Articles of Association of € 0.03 per preference share to strengthen the equity base.

The predominant part of capital expenditure in 2011 are for the complete conversion of the solar cell production capacity to Gen2 technology as well as for the creation of the conditions for the next technological step within the area of solar cells. Furthermore, we will invest in the setup of our own in-house crystalline module facility for the premium product Q.PEAK. Altogether, we intend to invest between € 100 million and € 120 million in 2011. Q-Cells also expects that capital expenditure will be to the same extent in 2012.

Q-Cells' financial situation has significantly improved because of the capital market transactions carried out last year. The most important financial liabilities at the end of financial year 2010 are the convertible bonds due in 2012, 2014 and 2015 as well as the loan granted by the Malaysian government with a term until 2014.

Based on cash and cash equivalents of € 473.9 million as of 31 December 2010, we do not see any difficulty in either the planned business volumes for 2011 and 2012 or the repayment of the outstanding nominal volume totalling € 201.7 million for the convertible bond due in February 2012. In order to continue to participate medium and long term in the growth of the photovoltaic market respectively to refinance the financial liabilities maturing after 2012, we will primary utilise internal financing. With regard to additional capital requirements we will take equity and debt financing instruments into consideration.

For 2012, analysts expect continued volume growth of the photovoltaic world market, whereby countries such as the USA, China and India are expected, according to forecasts, to make up a significant higher share. Observers anticipate a decline in the market volume of Europe's two main markets, Germany and Italy. Q-Cells wants to participate in the world market growth and expects a positive development in revenues and EBIT in 2012.

Bitterfeld-Wolfen, OT Thalheim, 15 March 2011

Q-Cells SE's Executive Board

Nedim Cen

Dr Nedim Cen	Dr Marion Helmes	Hans-Gerd Füchtenkort	Gerhard Rauter

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CONSOLIDATED FINANCIAL STATEMENTS 2010

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Notes	1 Jan.– 31 Dec. 2010 € million	1 Jan.– 31 Dec. 2009 (restated) € million
Continuing operations			
Revenues	6.1	1,354.2	790.4
Change in stocks of finished and unfinished products		170.4	42.5
Other own work capitalised	6.2	0.1	0.7
Other operating income	6.3	76.1	73.8
Cost of materials	6.4	1,157.8	783.6
a) Expenses for raw materials, consumables and supplies and for goods purchased		957.1	635.2
b) Expenses for services purchased		200.7	148.4
Personnel expenses	6.5	109.1	94.2
a) Wages and salaries		95.3	79.8
b) Social security contributions and expenses for pensions		15.2	13.7
c) Expenses relating to stock options		–1.4	0.7
Depreciation and amortisation	6.6	99.9	153.5
Other operating expenses	6.7	151.7	238.6
Result from operating activities		**82.3**	**–362.5**
Result from financial assets accounted for using the equity method	6.8	–4.9	–14.0
Interest and similar income	6.9	33.2	9.7
Interest and similar expenses	6.9	61.1	83.3
Net currency gains/losses	6.9	36.3	–2.6
Results from financial instruments	6.9	26.5	–2.3
Result before tax from continuing operations		**112.3**	**–455.0**
Income taxes	6.10	21.4	–84.2
Result from continuing operations (net of income tax)		90.9	–370.8
Discontinued operations			
Result from discontinued operations (net of income tax)	4.3	–77.1	–1,001.4
NET RESULT FOR THE PERIOD		**13.8**	**–1,372.2**
Result attributable to other shareholders		**–5.1**	**–29.3**
thereof from continuing operations		0.0	0.0
thereof from discontinued operations		–5.1	–29.3
NET RESULT FOR THE PERIOD ATTRIBUTABLE TO Q-CELLS SE SHAREHOLDERS		**18.9**	**–1,342.9**
thereof from continuing operations		90.9	–370.8
thereof from discontinued operations		–72.0	–972.1

	Notes	1 Jan. – 31 Dec. 2010 €	1 Jan. – 31 Dec. 2009 (restated) €
Earnings per share	6.12		
Earnings per share (undiluted), from result for the period		0.15	–10.16
thereof from continuing operations		0.68	–2.81
thereof from discontinued operations		–0.53	–7.35
Earnings per share (diluted), from result for the period		0.14	–10.16
thereof from continuing operations		0.62	–2.81
thereof from discontinued operations		–0.48	–7.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Notes	1 Jan. – 31 Dec. 2010 € million	1 Jan. – 31 Dec. 2009 (restated) € million
Result for the period		13.8	–1,372.2
Other comprehensive income			
Changes in value of financial instruments	10.2	–0.1	0.1
Foreign currency translation	4.3	8.4	–1.4
Changes in the equity of financial assets accounted for using the equity method	7.3		
Foreign currency translation		0.0	179.9
Other		0.0	–2.4
Income and expenses recognised directly in equity		**8.3**	**176.2**
TOTAL COMPREHENSIVE INCOME		**22.1**	**–1,196.0**
Non-controlling interests		–4.7	–29.6
Q-CELLS SE SHAREHOLDERS		**26.8**	**–1,166.4**

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2010

ASSETS	Notes	31 Dec. 2010 € million	31 Dec. 2009 € million	1 Jan. 2009 (restated) € million
A. NON-CURRENT ASSETS				
I. Goodwill		0.0	0.0	3.8
II. Intangible assets	7.1	14.2	14.6	48.4
III. Property, plant and equipment	7.2	880.2	843.6	664.6
IV. Financial assets accounted for using the equity method	7.3	62.2	92.9	1,125.0
V. Financial assets	7.4	2.4	113.4	0.0
VI. Other non-current assets	7.5	53.8	64.8	239.0
VII. Deferred taxes	7.6	70.4	87.0	8.5
		1,083.2	**1,216.3**	**2,089.3**
B. CURRENT ASSETS				
I. Inventories	7.7	365.7	302.1	259.7
II. Trade accounts receivable	7.8	108.7	198.2	125.0
III. Financial assets at fair value through profit and loss	7.9	0.3	2.0	5.3
IV. Other financial assets	7.10	92.5	40.0	0.0
V. Other receivables and assets	7.11	52.5	57.2	165.9
VI. Cash and cash equivalents	7.12	473.9	411.9	176.6
VII. Assets held for sale	4.3	2.6	0.0	0.0
		1,096.2	**1,011.4**	**732.5**
TOTAL ASSETS		**2,179.4**	**2,227.7**	**2,821.8**

EQUITY AND LIABILITIES	Notes	31 Dec. 2010 € million	31 Dec. 2009 € million	1 Jan. 2009 (restated) € million
A. SHAREHOLDERS' EQUITY	7.13			
I. Subscribed capital		176.3	117.5	113.5
II. Capital reserve		359.1	294.3	1,466.7
III. Revenue reserve		338.2	319.3	428.8
IV. Other reserve		9.1	1.2	–175.3
Q-Cells SE shareholders		882.7	732.3	1,833.7
V. Non-controlling interests		0.0	4.7	29.7
		882.7	**737.0**	**1,863.4**
B. NON-CURRENT LIABILITIES				
I. Convertible bonds	7.14	510.2	669.1	422.2
II. Profit participation capital		0.0	14.8	14.8
III. Borrowings	7.15	199.3	168.2	1.4
IV. Deferred income from government grants	7.16	55.3	64.5	88.4
V. Provisions	7.17	26.2	20.9	7.0
VI. Other non-current liabilities	7.18	27.0	31.7	32.2
VII. Deferred taxes	7.19	3.1	5.7	5.7
		821.1	**974.9**	**571.7**
C. CURRENT LIABILITIES				
I. Borrowings and profit participation capital	7.20	95.1	63.5	226.8
II. Trade accounts payable	7.21	148.8	156.6	90.6
III. Other financial liabilities	7.22	106.3	111.1	14.8
IV. Tax liabilities	7.23	23.1	11.7	0.0
V. Deferred income from government grants	7.24	9.4	9.2	13.3
VI. Financial liabilities at fair value through profit and loss		0.2	0.4	0.0
VII. Provisions	7.17	47.2	102.6	1.2
VIII. Other liabilities	7.25	45.5	60.7	40.0
		475.6	**515.8**	**386.7**
TOTAL EQUITY AND LIABILITIES		**2,179.4**	**2,227.7**	**2,821.8**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	1 Jan.– 31 Dec. 2010 € million	1 Jan.– 31 Dec. 2009 (restated) € million
Net result for the period	13.8	–1,372.2
Income tax expenses and income	21.4	–82.8
Depreciation and amortisation	135.6	241.6
Result from financial assets accounted for using the equity method	4.9	904.2
Result from financial instruments	–26.5	4.5
Other non-cash expenses and income	–36.4	3.1
Investment subsidies and grants recognised	–14.7	–13.3
Change in provisions	–49.5	114.3
Loss on the disposal of intangible assets and property, plant and equipment	1.3	8.2
Change in inventories, receivables and other assets	–75.9	–280.0
Change in advances paid	7.0	179.3
Change in advances received	38.9	39.9
Liabilities from wage tax and social security relating to stock option programme	0.0	–7.4
Change in other liabilities	49.6	98.4
Interest and similar income	–33.2	–9.7
Interest and similar expense	61.2	83.4
Liquid funds generated from operating activities	**97.5**	**–88.5**
Interest paid	–28.6	–25.4
Interest received	5.7	4.5
Income taxes paid	–4.4	–0.5
Cash generated by/used in operating activities	**70.2**	**–109.9**
Payments for capital expenditure on intangible assets	–4.5	–17.5
Payments for capital expenditure on property, plant and equipment	–114.2	–292.7
Payments for equity investments	–94.8	–207.0
Net cash payments and receipts resulting from acquisitions/divestitures	–10.3	18.1
Payments for loans granted	–3.0	–28.2
Proceeds from the repayment of loans granted	104.6	18.5
Dividends from investments	65.9	18.3
Proceeds from the sale of financial assets	5.9	525.5
Proceeds from the sale of plant, property and equipment	7.3	5.7
Proceeds from government grants	25.7	41.0
Changes in restricted assets	–4.8	–36.3
Cash flows from/used in investing activities	**–22.2**	**45.4**

	1 Jan. – 31 Dec. 2010 € million	1 Jan. – 31 Dec. 2009 (restated) € million
Proceeds from issue of convertible bonds	128.7	250.0
Cost of convertible bond issues	–6.6	–3.8
Repayment of convertible loans	–277.3	0.0
Proceeds from issue of share capital	127.7	0.0
Costs of capital increase	–8.2	0.0
Proceeds from capital increases at subsidiaries by non-controlling shareholders	0.0	5.1
Payment of preferred dividends	0.0	–0.9
Proceeds from loans	119.1	375.4
Repayment of loans	–98.6	–362.3
Payments under finance leases	0.0	–0.5
Changes in restricted assets	–72.2	0.0
Cash flows from/used in financing activities	**–87.4**	**263.0**
Change in liquid funds	–39.4	198.5
Effects of foreign exchange	24.4	0.5
Liquid funds at the beginning of the period	375.6	176.6
LIQUID FUNDS AT THE END OF THE PERIOD	**360.6**	**375.6**
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	**375.6**	**176.6**
Plus restricted cash	36.3	0.0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD AS REPORTED IN THE BALANCE SHEET	**411.9**	**176.6**
LIQUID FUNDS AT THE END OF THE PERIOD	**360.6**	**375.6**
Plus restricted cash	113.3	36.3
Cash liquid funds attributable to discontinued operations	0.0	0.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD AS REPORTED IN THE BALANCE SHEET	**473.9**	**411.9**

See Note 8 in the notes to the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Notes	Subscribed capital € million
1 Jan. 2009		**113.5**
Restatement		
1 Jan. 2009 (restated)		**113.5**
Stock option programmes	7.13	
Dividend on preference shares	6.12	
Capital increase through contribution in kind	7.13	4.0
Option element of convertible bonds recognised as equity	7.13	
Transfer from capital reserve to cover loss in statutory financial statements of the Parent Company	7.13	
Injection of capital to the subsidiaries		
Non-controlling interests in VHF		
Net result for the period		
Other comprehensive income		
Changes in value of financial instruments		
Foreign currency translation		
Changes in the equity of financial assets accounted for using the equity method		
Foreign currency translation		
Other		
Total comprehensive income		0.0
31 Dec. 2009		**117.5**
1 Jan. 2010		**117.5**
Stock option programmes	7.13	
Capital increase	7.13	58.8
Option element of convertible bonds recognised as equity	7.13	
Net result for the period		
Other comprehensive income		
Changes in value of financial instruments		
Foreign currency translation		
Total comprehensive income		
31 Dec. 2010		**176.3**

Capital reserve	Revenue reserve	Other reserves		Q-Cells SE shareholders	Non-controlling interests	Total equity
		Market valuation	Foreign exchange differences			
€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,466.7	**442.1**	**2.4**	**–177.7**	**1,847.0**	**29.7**	**1,876.7**
	–13.3			–13.3		–13.3
1,466.7	**428.8**	**2.4**	**–177.7**	**1,833.7**	**29.7**	**1,863.4**
0.8				0.8		0.8
	–0.9			–0.9		–0.9
38.3				42.3		42.3
22.8				22.8		22.8
–1,234.3	1,234.3			0.0		0.0
				0.0	5.1	5.1
				0.0	–0.5	–0.5
	–1,342.9			–1,342.9	–29.3	–1,372.2
		0.1		0.1		0.1
			–1.1	–1.1	–0.2	–1.3
			179.9	179.9		179.9
		–2.4		–2.4	–0.1	–2.5
0.0	–1,342.9	–2.3	178.8	–1,166.4	–29.6	–1,196.0
294.3	**319.3**	**0.1**	**1.1**	**732.3**	**4.7**	**737.0**
294.3	**319.3**	**0.1**	**1.1**	**732.3**	**4.7**	**737.0**
–1.4				–1.4		–1.4
60.8				119.6		119.6
5.4				5.4		5.4
	18.9			18.9	–5.1	13.8
		–0.1		–0.1		–0.1
			8.0	8.0	0.4	8.4
	18.9	–0.1	8.0	26.8	–4.7	22.1
359.1	**338.2**	**0.0**	**9.1**	**882.7**	**0.0**	**882.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010 OF Q-CELLS SE, BITTERFELD-WOLFEN, OT THALHEIM

1. CORPORATE INFORMATION

These consolidated financial statements are the consolidated financial statements of Q-Cells SE and its subsidiaries (hereafter referred to as "Q-Cells" or "Group") including its interests in associated companies and joint ventures. The registered office of Q-Cells SE is Sonnenallee 17–21, 06766 Bitterfeld-Wolfen, OT Thalheim / Germany (until 20 April 2009: Guardianstraße 16, 06766 Bitterfeld-Wolfen, OT Thalheim / Germany).

The core business of the Q-Cells Group is the development, manufacture and marketing of powerful solar cells from monocrystalline and polycrystalline silicon wafers, and of crystalline and thin-film modules. Q-Cells also provides a comprehensive range of services for the development and installation of ground-mounted and commercial rooftop photovoltaic systems.

2. BASIS OF PREPARATION

2.1 SCOPE OF CONSOLIDATION

All subsidiaries, joint ventures and associated companies are included in the consolidated financial statements. Subsidiaries are entities directly or indirectly under Q-Cells' control and are fully consolidated. Joint ventures and associated companies are defined in Notes 3.10 and 7.3. For a list of consolidated entities please refer to the list of shareholdings presented as an appendix to these Notes.

2.2 PRINCIPLES OF CONSOLIDATION

The financial statements of domestic and foreign companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies.

Acquired subsidiaries are accounted for using the acquisition method, whereby the cost of subsidiaries at the time of purchase is compared with the fair value of the proportional share of assets, liabilities and contingent liabilities acquired.

For consolidation purposes, the assets and liabilities are valued as at the date on which the control over the subsidiary was achieved. All identifiable liabilities and contingent liabilities are recognised in full at fair value. Any remaining surplus of cost over fair values is recognised as goodwill. Any remaining difference on the liabilities side is credited to the income statement immediately. In the periods following the business combination, the valuation adjustments made to the carrying value of acquired assets and liabilities are accounted for in the same way as the historical cost of the acquired assets and liabilities: written down or credited to the income statement.

Goodwill is not amortised, rather an impairment test is conducted annually, and additionally when there are indications for impairment.

According to IAS 27 (revised), a partial disposal of an investment in a subsidiary while retaining control is accounted for as an equity transaction with owners. Accordingly such transactions result in neither goodwill nor gains or losses.

Associated companies and joint ventures accounted for using the equity method are recognised at acquisition cost and the proportional change in shareholders' equity. The fair values of hidden reserves and charges acquired as well as any goodwill are included in the carrying amount shown for the participation. Hidden reserves and charges are shown at their respective asset and liability values having taken into account any deferred taxes, and are subsequently written down or reversed corresponding to the underlying asset or liability. Q-Cells' proportional share of after-tax income reported by these companies, the effect of subsequent post acquisition write down or reversal of goodwill and of the fair value adjustments recorded, and from dividends received are reported in the income statement as income from financial assets accounted for using the equity method. Q-Cells share of amounts, net of tax, recorded directly in equity by these companies are included in the consolidated statement of recognised income and expenses for the period in the position changes in the equity of financial assets accounted for using the equity method.

All inter-company profits and losses, sales proceeds, expenses and income, as well as receivables, payables and provisions are eliminated. These principles of consolidation also apply to financial assets accounted for using the equity method. The financial statements of the entities accounted for using the equity method are consolidated applying uniform reporting and valuation methods.

If the Group loses control over a subsidiary, the gain or loss from its disposal is calculated as the difference between the total fair value of the consideration received together with the fair value of any retained share and the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests. The gain or loss is recognised in profit or loss under results from financial instruments.

2.3 PRESENTATION AND FUNCTIONAL CURRENCY

The consolidated financial statements are presented in euro, the functional currency of the parent company.

All amounts are stated in millions of euro (€ million), unless otherwise indicated. Amounts are rounded in accordance with commercial practice. Rounding differences may occur.

2.4 FINANCIAL YEAR

The financial year corresponds to the calendar year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements are based on historical acquisition and manufacturing costs with the exception of derivative financial instruments and short-term securities which are measured at fair value.

Declaration of compliance with IFRS
All International Financial Reporting Standards (IFRS/IAS) of the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC/SIC) required to be used in the EU as of the balance sheet date were applied without exception in the preparation of these consolidated financial statements and the comparative information.

Changes in accounting methods

The accounting methods applied are consistent with those of last year. Application of the following amendments to standards and the following interpretations has been mandatory since 2010:

Standard / interpretation	Amendment / new statutory regulation
IFRIC 15 "Agreements for the Construction of Real Estate"	Guidelines for revenue recognition and determining whether an agreement is in the scope of IAS 11 or IAS 18
IFRIC 12 "Service Concession Arrangements"	Accounting and financial reporting for service concession arrangements
Amendment to IFRS 3 "Business Combinations"; Amendment to IAS 27 "Consolidated and Separate Financial Statements"	Accounting for step acquisitions and holdings of non-controlling interests
Improvements 2008 to IFRS	Various amendments, in particular to IFRS 5
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	Accounting matters relating to hedging foreign operations
IAS 39 "Financial Instruments: recognition and measurement"	Supplementary document "Eligible Hedged Items" for clarifying and amending the regulations for eligible underlying transactions
Explanatory guidelines for measuring "fair values"	Guidelines for determining the fair value of financial instruments
IFRIC 17 "Distributions of Non-cash Assets to Owners"	Measurements of non-cash dividends
IFRIC 18 "Transfers of Assets from Customers"	Accounting treatment for transferred assets, particularly in the energy sector
Improvements 2009 to IFRS	15 different amendments to 12 existing standards and interpretations
IFRS 2 "Share-based Payments"	Presentation of cash settled share-based payments
IFRS 1 revised 2008	Restructuring of the standard
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Additional exceptions for first-time adopters

These amendments (except the first-time adoption of the amended IAS 27, IFRS 3 and IFRS 5) have had no significant effects on Q-Cells' accounting and valuation.

The amended IFRS 3 "Business Combinations" and the amended IAS 27 "Consolidated and Separate Financial Statements" result in significant changes in the method of accounting for business combinations and for certain transactions with non-controlling shareholders. The amended IFRS 3 affects the valuation of non-controlling interests, accounting for transaction costs, the initial assessment and the subsequent valuation of contingent purchase price consideration as well as accounting for step acquisitions. These changes are to be applied for all transactions effected from 2010 onwards and will affect the reported goodwill, the net result of the reporting period within which a business combination takes place, and future results.

The amended IAS 27 requires that a change in the Group's shareholding in a subsidiary which does not result in its losing control of that subsidiary be reported in future as an equity transaction with equity holders in their capacity as equity holders. Accordingly, such transactions do not result in goodwill or in a profit or loss. Under the accounting policies followed by Q-Cells prior to the application of the amended standards, the acquisition of shares in a subsidiary previously referred to as minority interests resulted either in goodwill or a gain being recorded. In addition, regulations for the distribution of losses among shareholders of the parent company and non-controlling interests as well as reporting standards for transactions resulting in a loss of control were amended. The new regulations from IFRS 3 (revised) and IAS 27 (revised) will have an effect on future acquisitions of or loss of control in subsidiaries and transactions with non-controlling interests.

The first-time adoption of the amended IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” results in an additional disclosure in the income statement. This change affects the presentation of the split of results for the period attributable to the shareholders of Q-Cells SE between continuing and discontinued operations.

The IASB and IFRS Interpretations Committee issued the following standards, interpretations and revisions of existing standards, the application of which is not yet mandatory for Q-Cells. The company did not opt to adopt these pronouncements early.

We do not expect the new regulations to have any significant material impact on the consolidated financial statements (except for IFRS 9, which is currently under review). However, changes could emerge regarding the extent of the disclosures in the notes. Q-Cells will apply the standards listed above for the first time from the dates their adoption becomes mandatory.

Date of issue	Standard/interpretation	Amendment/ new statutory regulation	Date of first mandatory application	Adopted by the EU *
8 October 2009	Amendments to IAS 32 “Financial Instruments: Presentation”	Classification of rights issues	Financial years beginning on or after 1 February 2010	yes
4 November 2009	Amendments to IAS 24 “Related party disclosures”	Simplification of reporting obligations of state-controlled entities	Financial years beginning on or after 1 January 2011	yes
12 November 2009	IFRS 9 “Financial Instruments”	Classification and measurements of financial assets	Financial years beginning on or after 1 January 2013	no
26 November 2009	Amendments to IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”	Recognition of prepayments as assets	Financial years beginning on or after 1 January 2011	yes
26 November 2009	IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”	Guidance for the accounting for debt for equity swaps	Financial years beginning on or after 1 July 2010	yes
28 January 2010	Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Exceptions for first-time adopters	Financial years beginning on or after 1 July 2010	yes
6 May 2010	Improvements 2010 to IFRS	11 different amendments to 6 existing standards and one interpretation	Mainly for financial years beginning on or after 1 January 2011	yes
7 October 2010	IFRS 7 “Financial Instruments: Disclosures”	Disclosures for the transfer of certain financial assets	Financial years beginning on or after 1 July 2010	no
28 October 2010	Amendment to IFRS 9 “Financial Instruments”	Reporting of financial liabilities	Financial years beginning on or after 1 January 2013	no
20 December 2010	Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Transitional arrangements on first-time adoption	Financial years beginning on or after 1 July 2011	no
20 December 2010	Amendments to IAS 12 “Income Taxes”	Reporting of deferred taxes on investment property	Financial years beginning on or after 1 January 2012	no

* As of 15 March 2011.

Changes to the financial statements

The German Financial Reporting Enforcement Panel (FREP) found three errors with regard to the consolidated financial statements as of 31 December 2008 as well as the interim financial statements as of 30 June 2009. They were accounted for retrospectively for the first time in the half-yearly financial statements as of 30 June 2010 in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Measurement of the REC investment

With regard to the Group's investment in the associated company Renewable Energy Corporation ASA, Høvik/Norway (REC) recognised in the consolidated financial statements as of 31 December 2008, the Executive Board and Supervisory Board were, at the time, considering various alternative courses of action. The alternatives included an indirect or direct sale of the shares, which should have been taken into account as part of the impairment test in accordance with IAS 36 by means of a probability weighted value in use (in the form of an anticipated value between the alternatives of holding or selling the shares). The value in use established by Q-Cells as of 31 December 2008 assumed that the intention was to hold the shares for an unlimited period and, as a result, the investment's value was assessed to be more or less equal to its carrying amount. Had the value been based on the stock exchange price at the balance sheet date consistent with scenarios involving a sale within the short term, this would have led to an impairment loss on the investment. The proportion of the book loss of € 211.2 million later realised when the shares in REC were sold in May 2009, a part of which would have been accrued, probability-weighted, on 31 December 2008 on the basis of the courses of action considered, can no longer be determined retrospectively (IAS 8.49d). Accordingly, no adjustment to the comparative figures was required. The Group's entire investment in REC was sold in May 2009.

Construction contracts

A long-term project in Italy, undertaken by the Group's project business, was accounted for as a construction contract in the reports for the periods ending on 31 December 2008 and 30 June 2009, as a result of which sales and profits were recognised proportionate to the project's stage of completion, although not all the preconditions for accounting for construction contracts set out in IAS 11 "Construction contracts" were met. As a result sales of € 56.2 million, trade receivables of € 56.2 million and profits (before tax) of € 13.3 million were incorrectly recognised as of 31 December 2008. As of 31 December 2009, sales of € 9.3 million, changes in inventory of € 8.1 million (and accordingly a project margin of € 1.2 million), and other operating expenses of € 14.5 million were affected. The corrections had no impact on tax in either 2008 or 2009.

In these consolidated financial statements as of 31 December 2010 adjustments were made in accordance with IAS 8 to correct the affected previous year's comparative figures in the income statement, i.e. sales revenues, changes in inventories, other operating expenses and net result for the period, as well as equity, trade receivables and inventories as of 1 January 2009. The cash flow statement for the comparative period in 2009 was also adjusted. However, this did not change the figure for cash used in operating activities. Corresponding adjustments were also made in the segment report for the comparative period in 2009: however, it should be noted that these values were adjusted in any case to reflect the changes to the Group's segment structure.

The corrections of these errors had the following effects:

BALANCE SHEET AS AT 31 DECEMBER 2008 (OPENING BALANCE ON 1 JANUARY 2009)	As previously reported and audited € million	Restated € million	Change € million
Inventories	216.8	259.7	42.9
Trade receivables	181.2	125.0	–56.2
Equity	1,876.7	1,863.4	–13.3

INCOME STATEMENTS	1 Jan. – 31 Dec. 2009			1 Jan. – 31 Dec. 2008		
	As previously reported and audited € million	Restated € million	Change € million	As previously reported and audited € million	Restated € million	Change € million
Sales revenue	801.6	792.3	– 9.3	1,251.3	1,195.1	– 56.2
Change in stocks of finished and unfinished products	34.7	42.8	8.1	50.5	93.4	42.9
Other operating expenses	279.4	264.9	– 14.5	n.a.	n.a.	n.a.
Result from operating activities	– 485.9	– 472.6	13.3	205.1	191.8	– 13.3
Net result	– 1,385.5	– 1,372.2	13.3	187.3	174.0	– 13.3

Following subsequent post-contract agreements with the customer completed in September 2009, Q-Cells had already ceased to apply the accounting rules applicable to construction contracts to this project as of 30 September 2009 and reclassified the Percentage of Completion ("PoC") receivable to inventories at that date, simultaneously eliminating the entire project margin (€ 14.5 million) from the income statement. Accordingly the correction described above has had no impact on the balance sheet as of 31 December 2009.

Inventories
In the course of correcting errors, additional inventory write-downs of € 15.4 million were recorded as of 30 June 2009, since updated estimates of the decline in sales prices for the second half of the third quarter and for the fourth quarter of 2009 were available by the publication date of the 2009 interim financial statements, and should have been included in the assessments made at that date. All relevant comparative figures with regard to the income statement for the second and third quarter of 2009 (material expenses and changes in inventories) were adjusted in the interim reports as of 30 June 2010 and 30 September 2010 in accordance with IAS 8. This correction during the year does not have any effect on the consolidated financial statements for 2009.

Undiluted and diluted earnings per share from continuing operations as of 31 December 2009 increased by € 0.10 each as a result of the adjustments described above.

Changes in presentation
Changes to disclosures concern the presentation of gains and losses on currency exchange in the income statement (currency gains and losses). Previously, gains and losses on currency exchange were reported within other operating income and expenses. In order to improve the transparency of the consolidated income statement and the comparability of individual income reporting periods, a voluntary change to the presentation of the income statement has been made in accordance with IAS 8.14 (b) to the effect that "Net currency gains / losses" are now recognised separately as a component of the financial result. The comparative figures were adjusted accordingly. If this change had not been made, other operating income would have been € 171.8 million (previous year: € 17.0 million) and other operating expenses € 135.5 million (previous year: € 19.6 million) higher and reported net income from operating activities would have amounted to € 118.6 million (previous year: € – 365.1 million).

Material assumptions, estimates, and judgements
The preparation of consolidated financial statements requires that assumptions, estimates and judgements are made by management on a regular basis. Such estimates are based on past experience and other knowledge of business transactions to be accounted for. Certain facts underlying estimates and assumptions that relate to accounting assessments may develop differently in future than anticipated. Estimates and their underlying assessments are therefore regularly reviewed and assessed for potential accounting impact.

The assumptions and estimates primarily affect the following:

- Accounting for business combinations (Note 4)
- Determining recoverable amounts in impairment tests (Note 5)
- Capitalisation of internally generated assets (development costs) (Notes 3.8 and 7.1)
- Determining the useful life of intangible assets and property, plant and equipment (Notes 3.8 and 3.9)
- The recoverability of receivables (Notes 7.8 and 10.2)
- Measurement of inventories (Notes 3.12 and 7.7)
- Measurement of guarantee and other provisions (Notes 3.18 and 7.17)
- Measurement of share-based payments (Note 7.13)
- Measurement of embedded derivatives recognised separately (Notes 3.11 and 7.9)

All estimates are based on conditions applying on the balance sheet date. Actual amounts may differ from the estimated figures due to subsequent developments. In such cases, the assumptions and, if necessary, the carrying amounts of the assets and liabilities in question are adjusted accordingly.

Judgements are made by management when recognising deferred tax assets. Deferred tax assets may only be recognised in as much as it is probable that sufficient taxable income will be available for offset purposes in future. The exercise of judgement is needed to assess whether these assets can be used.

3.2 INCOME AND EXPENSE RECOGNITION

Sales revenues and other operating income are realised upon delivery or rendering of the service, i.e. with the transfer of risk to the customer.

Sales revenues from long-term manufacturing contracts are accounted for as follows:

If the net income from a construction contract can be reliably estimated, income and expenses are recorded in line with the progress of construction (Percentage of Completion) as at the balance sheet date. This is calculated from the ratio of the construction costs incurred up to the balance sheet date to the estimated total cost of construction. Payments for deviations in the construction contract and additional claims and premiums are included as agreed. If it is probable that the cost of the construction contract as a whole will exceed the total income it generates, the anticipated losses are recognised in full immediately.

Construction contracts are recognised in the balance sheet as trade receivables after deduction of payments on account and interim billings.

The majority of Q-Cells' sales revenues are generated by product sales (cells, modules and solar parks), the provision of services and contract manufacture.

Operating expenses are recognised through profit or loss as at the date the delivery is made, the service is rendered or the expense incurred.

Interest income is recognised pro rata temporis; interest expense may be recognised by applying the effective interest rate method or pro rata temporis, depending on the contractual terms.

Guarantee provisions are set up as of the date on which the corresponding sales revenues are realised.

3.3 BORROWING COSTS

Interest and other borrowing costs are recorded as expenses in the period in which they incur except for borrowing costs which can be directly assigned to the acquisition, construction or production of an asset and can be capitalised as a component of the acquisition or production cost of qualifying assets. Capitalisation only takes place if a substantial period of time (more than one year) is required to prepare the asset ready for its intended sale or use.

No borrowing costs were recognised in financial years 2010 and 2009.

3.4 CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency by group companies at the effective rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency applying the rate at the balance sheet date. All translation differences are recognised through profit or loss. Non-monetary items measured at cost or production cost in foreign currency are translated at the rate in effect on the transaction date. Non-monetary items measured at fair value in foreign currency are translated at the rate in effect as at the date of the fair value determination.

The assets and liabilities of subsidiaries for which the functional currency is not the euro are translated using year end exchange rates and equity attributable to these companies at historic exchange rates. Income statement items as well as the yearly results are converted based on average exchange rates of the respective reporting period. The resulting differences are recognised in other income. The amount recognised in other income for foreign operations is reclassified to the income statement upon their disposal.

The financial statements or sub-consolidated financial statements of companies that are included at equity and have a functional currency other than the euro are treated according to the same method.

3.5 NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS AND DISCONTINUED OPERATIONS

Non-current assets held for sale and disposal groups and discontinued operations are measured at the lower of their carrying amount or fair value less costs to sell.

Assets and their related liabilities that are to be sold in one transaction are combined and classified as disposal groups.

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount is recovered principally through a sale transaction rather than through continuing use. This is only the case if disposal is highly probable and the asset or disposal group can be sold immediately in its present condition. Management must have decided on the disposal and expect to complete the sale within one year from the time of classification as asset or disposal group held for sale.

In the income statement for the reporting and the comparison period, income and expenses from discontinued operations are recorded separately from the income and expenses from continuing operations and the result after tax from discontinued operations is disclosed separately.

Property, plant and equipment and intangible assets classified as held for sale are not subject to planned depreciation or amortisation (see Note 4.3).

3.6 EARNINGS PER SHARE

Q-Cells discloses undiluted as well as diluted earnings per ordinary share. The calculation of the undiluted earnings per share is based on income attributable to Q-Cells ordinary shareholders and income from continuing and discontinued operations, respectively, divided by the weighted average number of shares outstanding during the financial year. Income attributable to ordinary shareholders is the sum of the income from continuing operations and income from discontinued operations. Diluted earnings per share are calculated on the assumption that all potentially diluting securities, share options and preference shares are converted or exercised.

3.7 GOODWILL

Goodwill is not amortised but tested for any impairment on the basis of the recoverable amount of the cash generating unit to which the goodwill is assigned. The primary criterion when defining the cash generating units is the identification of independent cash flows.

In performing the impairment test, the recoverable amount of goodwill acquired in a business combination is allocated to the individual cash generating units in such a way as to reflect the respective benefits arising from the business combination.

The impairment test is carried out annually and additionally if there are indications that the value of the cash generating unit is impaired. If the carrying amount of the cash generating unit exceeds the recoverable amount, the goodwill allocated to this cash generating unit is to be written down by the difference.

If the impairment in the cash generating unit exceeds the carrying amount of the goodwill allocated to it, the excess impairment is to be recognised by a proportional reduction in the carrying amounts of the assets allocated to the cash generating unit.

The recoverable amount of a cash generating unit is initially determined using its value in use, based on the discounted cash flow (DCF) method. If the carrying amount of the cash generating unit exceeds its value in use, the fair value less the costs to sell is also calculated. The calculation of the DCF-based value in use is based on assumptions and forecasts of the Management, which are also used for internal purposes. The forecast period generally amounts to four years, whereby this period is adjusted on the basis of individual circumstances at the individual companies.

Goodwill of € 3.8 million as of 1 January 2009 was fully written off within the scope of the 2009 impairment test (see Note 5.3).

3.8 INTANGIBLE ASSETS

Intangible assets acquired for consideration are reported at acquisition cost plus incidental acquisition cost.

Internally generated intangible assets are capitalised at cost, if they are identifiable assets that will probably generate expected future economic benefits, if they can be proven to be technologically feasible, and if the cost can be measured reliably. They are amortised according to the straight-line method over their estimated useful life.

During ongoing project and milestone analyses, current development projects are examined in respect to the capitalisation of the cost. If the conditions for capitalisation are not met, expenses are recorded against income in the year they are incurred.

Intangible assets with a limited useful life such as acquired industrial rights and similar rights and assets are amortised on a straight-line basis over their estimated useful lives of three to ten years. Write-downs on intangible assets are recognised within depreciation and amortisation in the income statement.

The amortisation of intangible assets in the form of technologies, whether acquired or internally generated, starts as soon as they are used in the production for the purpose for which they were acquired or manufactured. The useful lives are stipulated on the basis of the estimated utilisation of the technologies under consideration of expected further technical progress.

Capitalised development costs are amortised on a straight-line basis over a period of five years.

Intangible assets are tested for impairment if facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In case of intangible assets that have an indefinite useful life or which are not yet ready for use, an impairment test is carried out annually. As soon as the carrying amount of an asset exceeds the recoverable amount, an impairment loss is charged against income (see Note 5). Write-ups are also recorded in depreciation and amortisation.

3.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives.

The depreciation period for the following assets is as follows:

DEPRECIATION PERIOD FOR PROPERTY, PLANT AND EQUIPMENT	
Buildings	19 to 33 years
Technical equipment and machinery	5 to 20 years
Other equipment, operating and office equipment	3 to 23 years

Property, plant and equipment are furthermore tested for impairment if facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As soon as the carrying amount of an asset exceeds the recoverable amount, an impairment loss is charged against income. Write-ups are also recorded in depreciation, amortisation and impairment losses.

Leased property, plant and equipment (finance lease)
In 2004, Q-Cells entered into a lease for a production line. The lease has a basic lease term of 60 months without prolongation or purchase option. This lease expired in 2009.

3.10 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

Shares in joint ventures and associated companies are accounted for using the equity method.

Investments where two or more partners undertake an economic activity that is subject to joint control through contractual arrangements are reported as joint ventures.

Associated companies are defined as investments over which Q-Cells exerts or can exert significant influence, but has no control or joint control of decision-making processes. With a holding of at least 20 % of the voting rights in an associated company it is presumed that a shareholder exercises significant influence unless it can be specifically demonstrated that this is not the case. Conversely, if a holding is smaller, significant influence must be specifically proved.

Financial assets accounted for using the equity method are capitalised at acquisition cost as of acquisition date. The principles of purchase price allocation applicable to full consolidation apply mutatis mutandis to the initial valuation of a difference between the acquisition costs of the holding and the company's proportionate equity of the company. The carrying amounts of these companies are increased or reduced, respectively, by the proportional results, dividends paid or other changes to shareholders' equity.

On each balance sheet date, the Group examines whether there is objective evidence that an investment in a company valued at equity could be impaired. If this is the case, the difference between the recoverable amount of the Group's share in the entity and the amortised cost of that investment is recognised as impairment loss in income from financial assets accounted for using the equity method.

3.11 FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Within the Group, financial assets primarily comprise cash and cash equivalents, trade receivables, loan receivables, available-for-sale financial assets as well as derivative financial instruments with positive market values. Financial liabilities comprise liabilities measured at amortised cost as well as derivative financial instruments with negative market values.

Financial assets are either classified as loans and receivables, as held-to-maturity investments, as available-for-sale financial assets or as financial assets measured at fair value through profit or loss. Financial liabilities are either classified as financial liabilities at amortised cost or as financial liabilities measured at fair value through profit or loss. The Group determines the classification of its financial assets and liabilities on initial recognition.

Derivatives are recognised at the fair value of measured financial assets and liabilities through profit or loss.

Financial assets and liabilities are measured at fair value when first recorded. In the case of financial assets and liabilities which are not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset or issuance of the liability are also taken into account.

If default risks for financial assets not recognised at fair value are identifiable, these risks are reflected by making allowances.

Q-Cells recognises write-downs on financial instruments in separate valuation accounts. Write-downs are carried out in form of specific valuation allowances with the help of objective information and account for the default risk. Objective information includes the financial situation of the debtor, the market environment, current economic development and historical bad debts. Impairments allowances are recorded or the assets are written off, depending on how high the probability of bad debt is deemed to be and how reliably the default risk can be determined. Unrecoverable debt results in the related financial asset being written off.

The subsequent measurement of financial assets depends on their classification.

Loans and receivables
Loans and receivables (LaR) are non-derivative financial assets with fixed or determinable payments, which are not listed in an active market. At initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any possible impairment losses. The amortised costs are computed taking into account any discounts at acquisition as well as any fees or costs that are an integral component of the effective interest rate. Income that is due to amortisation under application of the effective interest rate method is recorded in the income statement as part of interest and similar income. Impairment losses are recognised in the consolidated income statement in other operating expenses. Write-ups are reported in other operating income.

The category loans and receivables include trade receivables, loan receivables and financial receivables included in other financial assets.

Held-to-maturity investments
Held-to-maturity (HtM) investments are financial assets which are not derivatives, provide for fixed or determinable payments and have a fixed term over which they are held. After their initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method. Impairment losses are recorded in the income statement within financial expenses.

Available-for-sale financial assets
Original financial assets which are not categorised as loans or receivables, held-to-maturity investments or financial assets measured at fair value through profit or loss are classified as available-for-sale (AfS) assets.

Fair value changes in subsequent periods are recognised in reserves without affecting the profit or loss. Reserves are realised through profit or loss if they are sold or if the market value falls permanently below the carrying amounts.

If a value adjustment has been recorded in previous years because the fair value fell below the carrying amount for a long period and a write-up is subsequently required, this will be reported in equity without being recognised in the income statement (in the case of equity securities), or recognised in the income statement under results from financial instruments (debt securities).

On 31 December 2010, the company did not hold any available-for-sale financial assets. In the previous year, the available-for-sale financial instruments reported by Q-Cells exclusively comprised shares in cash funds which are disclosed as liquid funds in the balance sheet. No use was made of the optional assignment of loans and receivables to the available-for-sale category.

Financial assets measured at fair value through profit or loss (financial assets held for trading)
This category of financial instruments comprises financial assets held for trading (FAHfT). It includes the Group's derivative financial instruments, including embedded derivatives that are accounted for separately from their host instruments. Changes to the fair value are recorded in the income statement as financial income or expenses.

Financial assets measured at fair value through profit or loss in financial year 2010 are embedded foreign currency derivatives identified as separable elements from long-term sale and purchase agreements denominated in USD. In the comparable period, the company also held freestanding derivative financial instruments (options) acquired as part of investment transactions as well as, to a minor extent, electricity futures trading contracts.

The separate derivative components of non-derivatives embedded in sale and purchase contracts are recognised separately and measured at their fair value in accordance with IAS 39 if they meet the requirements for being classified as derivative and if their economic characteristics and their risks are not clearly and closely associated with the host contract.

An assessment of the obligation to separate embedded derivatives takes place when a contract is concluded, and is normally also applicable to subsequent periods. However, a reassessment is made when exceptional circumstances as defined in IFRIC 9 apply, i.e. when contract amendments lead to significant cash flow changes. If this reassessment leads to the conclusion that a derivative which previously had to be separated no longer has to be separated, then the residual carrying amount of the derivative is derecognised through profit or loss as at the date of the reassessment.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost (FLAC) are financial liabilities which are not derivatives. After their initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities measured at fair value through profit or loss (financial liabilities held for trading)

This category of financial instruments comprises financial liabilities held for trading (FLHfT). It includes derivative financial instruments entered into by the Group, including embedded derivatives that are recorded separately. Changes to the fair value are recorded in the income statement as financial income or expenses.

Financial liabilities recognised at fair value through profit or loss in these consolidated financial statements as of 31 December 2010 represent freestanding derivative financial instruments (interest swaps). Embedded foreign currency derivatives identified as separable elements from long-term sale and purchase agreements denominated in USD were also included in the comparative period.

On 31 December 2010, Q-Cells did not have any financial assets and liabilities that are designated as measured at fair value through profit and loss upon initial recognition (fair value option). No financial instruments were reclassified within the categories in 2010.

Recognition of financial instruments

Financial assets and financial liabilities are recorded in the consolidated financial statements when Q-Cells is counterparty to a financial instrument. Financial assets are derecognised when the contractual rights to payments from the financial assets expire or if the financial assets are transferred with all material risks and opportunities. Financial liabilities are derecognised when the contractual obligations are settled, cancelled or expired. Regular way contracts are recorded as of settlement date, i.e. on the date of delivery regardless of their classification. However, this does not apply to derivatives, which are recognised as of trading date.

Calculation of fair value

The Group uses fair values for the initial recognition of all and the subsequent measurement of certain financial assets and liabilities and for additional disclosures on financial instruments pursuant to IFRS 7.

Fair values are primarily calculated by reference to stock exchange prices. If there is not an active market for financial instruments, valuation techniques are used to calculate fair values. These methods use, for example, the most recent transactions between independent partners, comparison with the current market prices of similar financial instruments and include discounted cash flow calculations.

The fair value of cash and cash equivalents, current loans and receivables (LaR), current financial liabilities at amortised cost (FLAC) and current held-to-maturity financial investments (HtM) correspond to the carrying amount due to the short terms of these instruments.

The fair value of non-current loans and receivables (LaR), non-current financial liabilities at amortised cost (FLAC) and non-current held-to-maturity financial investments (HtM) are calculated by discounting the contractually agreed cash flows while applying market interest rates. Q-Cells applies interest swap rates reflecting the respective residual term of the financial instrument. In addition, creditworthiness is taken into account by using company-specific credit spreads.

The fair value of financial assets (FAHfT) and liabilities (FLHfT) measured at fair value through profit or loss is based – if available – on stock exchange prices as of the balance sheet date. If no prices that are listed in an active market are available (as in the case of embedded foreign currency derivatives), fair value is calculated using the discounted cash flow method and valuation models for futures. For this, market prices and interest rates on the balance sheet date are used.

The fair value of available-for-sale financial assets (AfS) is determined on the basis of stock exchange prices as of the balance sheet date.

The factors for this measurement are classified according to a hierarchy. More details on this fair value hierarchy are provided in Note 10.2.

3.12 INVENTORIES

Inventories include raw materials, consumables and supplies, finished goods and work in progress (including solar parks) as well as prepayments.

Inventories are measured at the lower of cost or net realisable value. The cost of raw materials, consumables and supplies is determined using the moving average price method. Prepayments received are recognised at nominal value.

The production costs include direct material and production costs, as well as an appropriate proportion of material and production overheads and production-related depreciation and amortisation on assets. Administrative costs are reflected if they are production-related.

In the case of impairment of inventories, an impairment loss is recognised and the item reduced to the lower net realisable value. The impairment loss is reported in the consolidated income statement under material expenses or change in stock of finished and unfinished products. Write-ups are also included in material expenses or within the change in stocks of finished and unfinished products.

3.13 CASH AND CASH EQUIVALENTS

The liquid funds include cash-in-hand and bank balances with an original term of less than three months as well as securities that can be sold at any time.

Cash-in-hand and bank balances are measured at nominal value as of the balance sheet date.

3.14 SHARE-BASED REMUNERATION

Under stock options programmes, the employees of Q-Cells Group are entitled under certain circumstances to acquire shares of the Group at a subscription price fixed at the issue date (equity-settled transactions).

Equity-settled transactions
The fair value of the options issued as at the date of their granting is determined by independent expert opinion and recognised within personnel expenses over the vesting period. A corresponding increase in shareholders' equity (capital reserve) is recorded. Fair values are calculated using the Black-Scholes model and Monte-Carlo simulations. Changes in estimates with regard to the number of options which can be exercised are recorded in the period in which such estimate changes arise. This does not apply to market conditions, which are only estimated once when measuring the options as at their grant date.

3.15 CONVERTIBLE BONDS

The convertible bonds issued by Q-Cells constitute hybrid financial instruments which contain both liability components (right to interest and repayment) and equity elements (right to subscribe to shares) from the issuer's perspective. These components are calculated and disclosed separately when accounting for the bond. First, the fair value of the liability components of convertible bonds issued in 2007 and 2009 was determined using the Monte-Carlo simulations and the fair value of the convertible bond issued in 2010 using a Cox-Ross-Rubinstein model. The effective interest rate was then determined from this fair value taking into account transaction costs as well as the expected future cash flows over an anticipated term of five years. In accordance with IAS 32.38, the transaction costs incurred to date were allocated to the assigned values proportional to the ratio of the liability and equity components.

3.16 PROFIT PARTICIPATION CAPITAL

The profit participation capital was recognised at cost, which corresponds to the fair value of consideration received. Transaction costs are taken into account. Subsequently, the profit participation capital is measured at amortised cost, applying the effective interest rate method.

3.17 GOVERNMENT GRANTS

Government grants are recognised if there is reasonable assurance that the grants will be received and that the Company will meet the requirements attached to the grants. If Q-Cells receives a government loan on conditions that are more favourable than market conditions, the cash value benefit at the time the subsidy is given is measured, categorised as a subsidy, and recognised appropriately as either a subsidy for an asset (investment subsidy) or as an expense-related subsidy.

Grants for an asset (investment subsidies) are recognised in the balance sheet as deferred income and are released through profit or loss in equal instalments over the estimated useful life of the respective asset.

Expense-related subsidies are recognised as income corresponding to the respective expenses they compensate.

3.18 PROVISIONS

Provisions are calculated to ensure sufficient allowance for known obligations and risks.

Non-current provisions reported are the discounted amounts of the liability estimated at the balance sheet date.

Provisions are measured on the basis of the best possible reliable estimate of the sum of liabilities related to past business transactions or past events for which the amount and timing is uncertain.

Guarantee provisions are recognised at the time of the corresponding product being sold and/or services being rendered. Since the Q-Cells Group and its competitors have only been producing solar cells and solar modules for a comparatively short period, the calculation of guarantee provisions is inherently uncertain. The estimate of guarantee provisions is mainly based on the guarantee expenses that were identified from Q-Cells' records. Changes to these assumptions could impact upon the Company's results in future. On the basis of Q-Cells' experience to date, the Company believes that the guarantee provision disclosed represents the best estimate on the balance sheet date.

Restructuring provisions are recognised as soon as a detailed, formal restructuring plan is available and has been announced to the affected parties or the general public.

Provisions for impending losses on onerous contracts are reported at the time when the economic benefit expected from a contract is lower than the unavoidable cost of fulfilling the contractual obligations. The cost of fulfilling the contract or the cost incurred through termination of the contract, whichever is the lower, is recognised as the provision. In accordance with IAS 36, impairment losses for assets related to a contract are recognised before recording provisions for impending losses.

3.19 TAXES

Current taxes
Tax refunds and liabilities for the current period are recognised at amounts which are expected to be refunded by or paid to the tax authorities. The calculation of the amount is based on tax rates and tax laws which apply on the balance sheet date in the countries in which the Group operates and generates taxable income.

Taxes relating to items recognised directly in equity are not reported in the income statement but in equity. Management regularly assesses individual tax issues so as to ascertain if there is room for interpretation in view of applicable tax law. Tax provisions are recognised if necessary.

Deferred taxes
Deferred taxes are calculated by applying the liability method. Deferred tax assets and liabilities are shown as a net amount if the right to offset actual income tax assets and liabilities exists and if deferred tax assets and liabilities relate to income taxes which have been levied by the same tax authorities and are owed by the same Group companies. The amount of deferred taxes is calculated on the basis of the tax rates that are expected in the individual countries as at the date of their realisation. Thereby, the tax regulations being applicable and/or adopted as of the balance sheet date are taken into account. The carrying amount of deferred tax assets is remeasured at each balance sheet date.

4. BUSINESS COMBINATIONS AND OTHER CHANGES IN THE CONSOLIDATION GROUP

4.1 BUSINESS COMBINATIONS

Financial year 2010
There were no business combinations in financial year 2010.

Comparable period 2009
In financial year 2009, one business combination occurred as follows (condensed description of the information provided in the annual report 2009):

On 26 August 2009, Q-Cells SE acquired all shares in Solibro AB and therefore indirectly all remaining shares in Solibro GmbH, which had been operated by the Company and Solibro AB as a joint venture up to that point. This resulted in the first full consolidation of Solibro GmbH.

In return for the acquisition of shares in Solibro AB, Q-Cells SE issued to the sellers 3,988,170 no-par value bearer shares (no par shares) with a nominal value of € 1.00 per share. The fair value of the bearer shares, based on the mid-market price per Q-Cells SE share (€ 10.595 per share) as of 26 August 2009, totalled € 42.3 million.

On finalising the measurement at the end of 2009 (purchase price allocation), it became apparent that an overvaluation of acquired CIGS technology similar in nature to an impairment had occurred to the amount of € 31.1 million, which was recognised in the income statement under other operating expenses. This was reduced, however, by a positive effect from deferred taxes of € 8.6 million. In addition, goodwill from 2007 was offset against the negative difference (lucky buy) resulting from this transaction, effectively eliminating it. This goodwill resulted from the purchase price allocation within the scope of the acquisition of 67.5% of the shares in Solibro GmbH. Overall the effect on 2009 was a credit to 2009 income of € 5.9 million.

	€ million
Purchase price for the acquisition	**42.3**
Directly allocated costs	0.5
Less consolidation of liability to Solibro AB *	–5.9
Total purchase price	**36.9**
Fair value of acquired net assets	72.8
Surplus before netting with goodwill from 2007	**35.9**
Elimination of goodwill from 2007	–7.5
Net surplus	**28.4**
Liquid funds of Solibro AB and Solibro GmbH acquired	**24.0**

* This liability was the residual amount of a purchase price liability for Solibro GmbH.

On the basis of an expert opinion, the total purchase price was allocated to the acquired assets and liabilities at the time of acquisition as follows:

ACQUIRED ASSETS AND LIABILITIES	Solibro AB		Solibro GmbH (subgroup)	
	Carrying amounts € million	Fair values € million	Carrying amounts € million	Fair values € million
Assets				
CIGS technology, deferred tax liabilities	0.0	0.0	0.0	18.2
Order backlog	0.0	0.0	0.0	0.9
Other intangible assets and property, plant and equipment	0.0	0.0	1.3	1.3
Property, plant and equipment	0.0	0.0	151.2	130.5
Deferred tax assets	0.0	0.0	5.2	9.9
Inventories	0.0	0.0	9.7	9.7
Receivables and other assets	0.0	0.0	9.8	9.8
Cash and cash equivalents	17.2	17.2	6.8	6.8
Liabilities				
Deferred subsidies	0.0	0.0	20.7	0.0
Deferred tax liabilities	0.0	0.0	0.0	6.1
Other liabilities	0.0	0.0	9.9	9.9
Net assets at acquisition date	17.2	17.2	153.4	171.1
Total			**170.6**	**188.3**

The CIGS technology was valued in accordance with the licence fee analogy method. Taking into account the tax amortisation benefit (TAB), the final fair value was € 18.2 million. On the acquisition date, namely 26 August 2009, there was a long-term take or pay agreement which set binding quantities to be purchased up to and including 2018. The order backlog was valued using anticipated net cash flow arising from this agreement. The fair value of the order backlog was recognised in the balance sheet at € 0.9 million.

The fair value surplus was calculated as follows:

	Solibro AB € million	Solibro GmbH (subgroup) € million	Total € million
Acquisition cost			**36.9**
Acquired net assets at fair values	17.2	171.1	
Acquired share	100.0 %	32.5 %	
Share of acquired net assets at fair values	17.2	55.6	72.8
Surplus (lucky buy)			**–35.9**

The acquisition surplus (lucky buy) is mostly due to the requirement to determine the cost by reference to the stock market price of Q-Cells SE shares at the date of acquisition, whereby the contract parties had assumed a higher share price when calculating the number of shares to be issued. No provision was made for a subsequent adjustment of the number of shares in the acquisition purchase contract. The negative difference was, as presented above, netted with the "old goodwill" and afterwards recognised through profit or loss and disclosed within other operating income.

For details on the impairment test conducted on 31 December 2009, following triggering events, and its results, please refer to Note 5.

The results of Solibro Group were included in the Q-Cells' consolidated financial statements from 26 August 2009, the acquisition date. The income contribution after taxes, from date of acquisition until 31 December 2009, amounted to € –17.2 million (excluding transaction-related effects).

If Solibro would had been acquired as of 1 January 2009, the Group's loss in 2009 would have increased by € 13.8 million in total. Sales revenues in 2009 would have been € 10.2 million higher if Solibro had been fully consolidated from 1 January 2009.

4.2 OTHER CHANGES IN THE CONSOLIDATION GROUP

Financial year 2010

Loss of control over Q-Cells Clean Sourcing GmbH and Becomac GmbH
In the fourth quarter of 2010, Q-Cells sold its interest in the entire share capital of Q-Cells Clean Sourcing GmbH. Q-Cells SE therefore lost control over Q-Cells Clean Sourcing GmbH and its subsidiary Becomac GmbH (formerly: Bergen Energi Commodity Markets Access GmbH) and deconsolidated these companies.

As a result of the deconsolidation, non-current assets of € 0.6 million, inventories of € 0.7 million, trade receivables of € 6.7 million, other receivables and assets of € 0.8 million, cash and cash equivalents of € 6.1 million, trade payables of € 2.8 million and other liabilities of € 6.8 million were derecognised. Total derecognised net assets amounted to € 5.2 million.

The derecognised net assets compare to a sales price of € 4.6 million, which was fully paid in cash. In addition, on deconsolidating Q-Cells Clean Sourcing GmbH and Becomac GmbH, Q-Cells Group recognised loan receivables of € 2.0 million and trade payables of € 0.9 million which had previously been eliminated on consolidation. Accordingly these are included in the calculation of profit or loss from this transaction. As a result the deconsolidation resulted in € 0.5 million profit. All but € 0.5 million of the loan receivable was repaid on the sale of the shares. There is no doubt that the remaining current loan receivable will be recovered.

For details on the deconsolidation of VHF Technologies SA and Calyxo GmbH see Note 4.3.

Comparable period 2009

Merger of Sontor GmbH with Sunfilm AG
With the establishment of a joint venture in 2009, Q-Cells SE acquired 50 % of the shares in Sunfilm AG, Großröhrsdorf / Germany. The shares were acquired in exchange for the contribution of Q-Cells subsidiary Sontor GmbH to Sunfilm AG by way of merger. The acquired 50 % investment is accounted for using the equity method according to IAS 31.

The transaction led to a small gain on disposal, as the fair value of the acquired joint venture shares roughly corresponded to the net assets contributed. Unrealised gains were not eliminated as they were not material.

The preliminary cost of the joint venture investment amounted to € 55.6 million in total. Following the final value measurement the incidental acquisition costs were adjusted, leading to a reduction in total acquisition costs to € 55.4 million. These costs included contractually agreed payment commitments towards Sunfilm AG as well as refund commitments towards two joint venture partners. For certain guarantees issued within the scope of the transaction, assessments on the probability of incurring liabilities under these guarantees as at the acquisition date were conducted. According to this assessment, Q-Cells' risks were considered to be remote.

Within the scope of the final purchase price allocation, proportionate assets based on final fair values amounted to € 37.4 million. Therefore, the acquisition resulted in a final goodwill of € 18.0 million (preliminary goodwill: € 18.2 million).

However, in December 2009 it became apparent that the financing by banks, which had been assessed as highly probable within the business plan, would not be granted due to unforeseen circumstances. The resulting financing gap led to a changed assessment of the risk of payments under the guarantees. As a result, the use of a guarantee relating to receivables of an equipment supplier of Sunfilm AG was considered as highly probable on 31 December 2009 and € 44.7 million was recognised as a liability with a corresponding increase in the carrying value of the investment. For all other guarantees accepted within the scope of the acquisition of shares in the joint venture, the risk of their use continued to be considered remote.

For details on the impairment test conducted on 31 December 2009, following triggering events, and its results, please refer to Note 5.

4.3 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale

On 31 December 2010, assets held for sale mainly comprised € 2.6 million in plant and machinery decommissioned from production and the carrying amount of a 43 % share in Calyxo GmbH, whose fair value less sales costs, however, amounts to zero.

In financial year 2010, the partial sale of technical equipment, plant and machinery generated profits of € 0.3 million and losses of € 1.0 million. The profit and loss from the sale are recognised in the income statement under other operating income and expenses.

Both values are to be allocated to the non-reportable segment.

Discontinued operations

On 23 March 2010, as part of the new strategic focus, the Executive Board of Q-Cells SE approved the sale of various companies which, with the exception of the continuing Solibro subgroup, represented the entire previous business segment new technologies in its form as of 31 March 2010. Until 22 July 2009, the subsidiary Sontor GmbH was still part of this discontinued segment.

As a result of the conditions of IFRS 5 being met at the end of the first quarter of 2010, all assets and liabilities in connection with the planned sale were presented in one balance sheet item and the result of the discontinued operations reported separately in the income statement from 31 March 2010. By the time this annual report has been published, three companies have already been sold and another company remains only as a shell company with no active operations.

VHF Technologies SA (VHF)

With effect as of 29 June 2010, Q-Cells SE sold 6 % of its shares in VHF to various non-controlling interests of VHF that thereby made use of their purchase option. As a result, Q-Cells’ shareholding fell to 48.2 %. Following the changes in shareholdings, changes in the composition of the VHF governing bodies were made. On 30 June 2010, Q-Cells SE no longer had control and the company was therefore deconsolidated. With effect from 23 December 2010, Q-Cells sold the remaining VHF shares (48.2 %), which had already been measured at zero. The sales price in both transactions was of a rather symbolic nature.

As a result of the deconsolidation, property, plant and equipment of € 9.8 million, inventories of € 3.9 million, cash and cash equivalents of € 3.7 million, liabilities from loans of € 14.8 million and liabilities to suppliers of € 1.2 million were derecognised. Total derecognised net assets came to € 1.5 million.

Corresponding to this is an amount of € 1.9 million resulting from derecognition of non-controlling interests of € 0.7 million and € 1.2 million derecognition of the reduction of Group equity resulting from currency effects from the translation of the VHF financial statements from Swiss francs into euros. The profit from the deconsolidation of € 0.4 million recognised in discontinued operations is therefore primarily a result of the so-called recycling of currency effects in the income statement. The reclassified amount of € 1.2 million is included in other income under foreign currency translation. On account of the above gain, the Company had not recognised impairment with regard to net assets in the first instance.

Within the scope of the sale of the investment, Q-Cells SE committed itself de facto to providing VHF with further financial means in the form of a shareholder's loan and a guarantee. As it was not to be expected that the loan commitment would be repaid, and that the likelihood that the guarantee would be utilised by the principal bank as of 30 June 2010 was not remote, € 2.1 million was recognised in other liabilities on the same date. The expense is included in net income from discontinued operations. In the third quarter of 2010, the loan, expressed in Euros, amounting to € 0.9 million was made and immediately written down. Furthermore, the Company made a cash deposit of € 1.3 million with regard to the guarantee. This amount is therefore subject to drawing restrictions.

Loss of control over Calyxo GmbH and its subsidiary Calyxo USA Inc. (Calyxo)

By notarised agreement dated 21 July 2010, Q-Cells SE sold half of its shares in Calyxo GmbH to the previous minority shareholder Solar Fields LLC (Solar Fields), reducing its investment to 43 %. On the same day, the contractual agreement with Calyxo shareholders, which stipulates their rights and duties, was amended to reflect this change. The conditions precedent in both contracts occurred on 31 July 2010 (closing date), and in consequence, Q-Cells SE did not have any further control as from that date. Calyxo therefore did not belong to the group from that date and was deconsolidated.

Due to the continued intention of the Company to sell its remaining shares in Calyxo and their resulting continuing classification as held for sale on 31 December 2010, the non-controlling interest was recognised and measured in accordance with IFRS 5. The investment is therefore recognised at fair value (expected sales price) less sales costs in the balance sheet within assets held for sale.

The initial measurement of the non-controlling investment was carried out on the basis of value indicators derived from the sales transaction with Solar Fields. As the corresponding shares were sold at (rounded) € 0.0 million, it is to be expected that the remaining carrying value of the investment will also be nominal at the most. The investment is therefore recognised at zero. Although the sales contract with Solar Fields includes a so-called earn out clause, which would result in sales proceeds if an investor was to acquire Calyxo shares from shareholders, the probability of realising sales proceeds is still insufficient to recognise a value despite continuing talks with investors. Due to the above, a loss of € 21.7 million was recognised on the deconsolidation of Calyxo, included in net income from discontinued operations within expenses. Until the date of publication of this annual report, the company did not obtain any new knowledge that would justify any valuation other than zero; we point out that in 2011, the remaining 43 % has been sold to Solar Fields on conditions similar to those of the above sales transaction. The Company did not enter into any further obligations for providing finance to Calyxo GmbH.

During the deconsolidation (due to the share being reduced to 43 %) particularly property, plant and equipment of € 15.4 million (after netting against grants received), inventories of € 3.4 million, other receivables and assets of € 1.0 million, cash and cash equivalents of € 3.3 million, other current liabilities of € 1.1 million and liabilities to suppliers of € 1.3 million were derecognised. Total derecognised net assets came to € 20.7 million.

In addition, the disposal of the non-controlling interest of € 1.0 million was recognised in the income statement. The total loss deconsolidation therefore amounts to € 21.7 million. This figure is included in the sub-item Expenses of discontinued operations.

Shareholder's loans extended by Q-Cells SE to Calyxo GmbH of € 32.0 million were not recognised in the consolidated balance sheet due to the debt consolidation at the time control was lost and, as the creditor rights were also transferred to Solar Fields, were also not recognised after subsequent to deconsolidation. A symbolic sales price was agreed. Accrued interest of € 2.4 million was waived.

In connection with the first sale of shares to Solar Fields, Q-Cells SE committed itself to providing Calyxo with further financial support, if required, in the form of payments / deposits into the capital reserve of up to a maximum of € 8.3 million and a bridging loan of up to € 2.1 million. Accordingly € 10.4 million was paid into a restricted account in the third quarter of 2010. On 31 December 2010, € 6.4 million of this amount (and € 2.0 million of the loan) were drawn on and paid / deposited into the capital reserve of Calyxo. As the recoverability of the deposit is questionable, the carrying amount of the Q-Cells' investment was not increased and the loan was fully written down. The remaining deposit in the restricted account is also likely to still be paid to Calyxo and will therefore also incur the risk of impairment. This risk was accounted for by recognising other liabilities in profit or loss. The resulting expense was reported as part of net income from discontinued operations (sub-item impairment charges).

The following table shows net income from discontinued operations:

	1 Jan.– 31 Dec. 2010 € million	1 Jan.– 31 Dec. 2009 € million
Revenue	3.3	1.9
Other income	7.3	4.7
Expenses	40.3	290.6
Impairment charges	47.4	716.0
Results before tax from discontinued operations	**–77.1**	**–1,000.0**
Income taxes	0.0	1.4
Results from discontinued operations (net of income tax)	**–77.1**	**–1,001.4**

The currency translation effects reported in the consolidated statement of recognised income and expenses for the reporting period almost entirely resulted from continuing operations, while the majority of currency effects recorded in 2009 mainly related to discontinued operations.

The impairment losses for 2010 shown in the table primarily include impairment charges resulting from impairment tests carried out immediately before the two cash-generating units (CGU) VHF and Calyxo were classified as discontinued. In both cases, the recoverable amount was lower than the carrying amount and resulted in impairment charges of € 2.1 million for VHF and € 32.8 million for Calyxo. The impairment loss on the Calyxo investment was calculated on the basis of information on the expected sales price available at that time, derived from discussions with potential investors.

The impairment loss reported in the prior year comprised impairment charges against investments in REC (€ 387.0 million), Solaria (€ 9.4 million), VHF (€ 46.8 million), Calyxo (€ 34.4 million), Sunfilm (€ 150.4 million), and Sovello (€ 88.0 million).

However, IFRS 5 had not yet become applicable at that time.

As current earnings before taxes from discontinued operations are negative, no current taxes were incurred in the reporting period. In accordance with IAS 12, deferred tax assets on tax losses carried forward generated in those periods were not recognised due to insufficient tax profits being available for offset. The same applies to the temporary timing differences arising from the impairment charges.

The Company made use of the option under IFRS 5 to disclose the cash flows from discontinued operations separately in the notes. Accordingly the consolidated cash flow statement includes all cash flows attributable to discontinued operations, i.e. it was prepared as if there were no discontinued operations.

Net cash flows from the discontinued operation were as follows:

	1 Jan.– 31 Dec. 2010 € million	1 Jan.– 31 Dec. 2009 € million
Operating activities	–15.7	–12.6
Investing activities	4.3	–33.5
Financing activities (external)	0.0	12.9
Net cash flows	**–11.4**	**–33.2**

The sale of the Group's investment in REC, reported as part of discontinued operations, generated € 525.0 million in 2009. No other cash flows resulted.

In the reporting period, cash outflows for internal financing activities of € 8.1 million relate to discontinued operations, being loans extended by Q-Cells SE to its subsidiary Calyxo. In addition, € 6.4 million was paid into the capital reserve of Calyxo after Q-Cells ceased to have control over the company, and loans extended of € 2.0 million. In the comparable period, Q-Cells SE paid € 28.8 million into the capital reserve of Calyxo and granted Calyxo a loan of € 6.4 million. In the third quarter of 2010, € 0.9 million was paid to VHF in form of a shareholder's loan after Q-Cells ceased to have control over this company.

It should be pointed out that the net cash flows of VHF and the subgroup Calyxo presented in the table above relate to the period up until the point of their respective deconsolidations. The consolidated cash flow statement, however, also reflects cash flows resulting from deconsolidation.

As a result of the deconsolidation of VHF and Calyxo, there are no further non-controlling interests as of 31 December 2010.

Sovello AG (former joint venture investment)
All of the conditions of the agreement for the sale of the investment in Sovello concluded on 22/23 March 2010, were fulfilled on 22 April 2010, and accordingly the sale became legally effective as from that date. As a result, Q-Cells was released from all of its liabilities to Sovello and its banks. A short time prior to that date (in April 2010) a final payment of € 2.1 million was made to Sovello, for which a corresponding liability had already been recognised on 31 December 2009.

The same applies to payments of € 7.8 million made in the first quarter of 2010.

Sunfilm AG (joint venture investment held for sale)
Sunfilm AG filed for insolvency at the end of March 2010. The Group has no information that would indicate that the risks already accounted for in the balance sheet as of 31 December 2009 have increased due to the possible insolvency becoming reality. For this reason, no further liabilities were recognised during the reporting period. However, a payment of USD 66.0 million was made in the reporting period resulting from the drawdown of a guarantee obligation. Part of the total sum guaranteed was for an advance payment for another Sunfilm shareholder who in turn was obligated to repay this figure. On 31 December 2009, as well as 31 March 2010, the Company expected that only part of that payment would be recovered. The full repayment in the second quarter of 2010 therefore resulted in the recognition of income amounting to € 5.0 million within reported net income from discontinued operations.

As part of the insolvency proceedings, the production facilities of Sunfilm AG have subsequently been sold to investors and the company has therefore ceased operations. However, the carrying amount of the investment did not increase as a result of these developments and remains at zero.

5. IMPAIRMENT OF NON-CURRENT ASSETS

5.1 RECOGNISING AND MEASURING IMPAIRMENT

Once a year, or more frequently in the case of triggering events, impairment tests are performed on the carrying amounts recorded for goodwill and on the capitalised cost of incomplete development projects. An impairment test is conducted for other intangible fixed assets and for property, plant and equipment as soon as there is evidence of any impairment of the respective assets. The recoverable amount of the respective asset is determined to calculate whether any impairment write down is required and the impairment amount. The recoverable amount corresponds to the fair value less sales costs or the value in use, whichever is the higher. The value in use is the net present value of expected cash flows. The market interest rate before taxes is used as the discount rate.

If it is impossible to determine the recoverable amount of an individual asset, the recoverable amount of the smallest identifiable asset group is calculated. An impairment loss is recognised if the carrying amount of CGU exceeds the recoverable amount on the balance sheet date.

The CGUs are based on the lowest level within Q-Cells Group to which cash flows can be separately allocated. This corresponds to the companies' legal structure, except in the case of the parent company. Therefore, for impairment purposes, a fully consolidated subsidiary or an investment accounted for using the equity method corresponds to a CGU.

5.2 EVENTS IN THE REPORTING YEAR

In the reporting year, no material impairment losses were recorded except those related to Calyxo GmbH. However, as Calyxo GmbH is part of the discontinued operation, information on this subject is included in Note 4.3.

On the balance sheet date, an event-triggered impairment test was carried out on the Solibro subgroup which resulted in no further impairment write down and no reversal of any impairment previously recorded. In addition, an event-triggered impairment test was carried out because of Q-Cells SE's market capitalisation being lower than the Group's total equity as of the balance sheet date, which is an indication of a possible impairment in accordance with IAS 36. This test also did not result in any impairment.

Impairment tests not triggered by an event did not have to be carried out in the reporting year. However, there were also no events to indicate that impairments carried out in previous years may need to be reversed.

Further explanatory notes in this section therefore refer exclusively to prior year.

5.3 EVENTS IN PRIOR YEAR

Measures “Q-Cells Reloaded”
In 2009 the Executive Board of Q-Cells SE resolved amongst other measures, to adjust capacities and to lower costs, within the scope of the Group’s “Q-Cells Reloaded” (Reloaded) programme. Impairment charges of € 53.2 million in total were made against the carrying value of production lines to be closed. On account of the shut down, investment subsidies received for these production lines were repayable. These repayment obligations were accounted for by recording provisions (€ 46.8 million, including interest). Provisions for severance pay and for the cost of an employment support enterprise for redundant employees of € 5.6 million were also recognised.

This provision still amounted to € 26.0 million as of 31 December 2010. Please refer to Note 7.17 for further details.

Subsidiaries and investments
In prior year, impairment losses were recognised for the Group’s subsidiaries Calyxo, Solibro and VHF as well as for the at-equity investments Sovello, Sunfilm, Solaria and SilQ.

The determination of the recoverable amount when performing the impairment tests for the cash generating units is based on the following material **assumptions:**

The weighted average cost of capital after tax (WACC after tax) was calculated under taking into account the risk-free interest rate, the entity-specific risk as well as the borrowing costs and capital structure of peer group companies. The WACC before tax was 20 % for Calyxo, 18 % for Solibro and 14 % for VHF. The recoverable amount of investments in Sovello, Sunfilm, Solaria, and SilQ were, based on the specific circumstances of the investments, estimated as zero.

The determination of the future cash flows at the cash generating units Calyxo and VHF were based on price and volume calculations taking into account investments and taxes. Assumptions were made about potential changes to these planned cash flows that may result from potential changes to the amounts and timing of cash flows. The cash flows of the individual cash generating units were planned using external information (e.g. market and industry studies), but also internal knowledge based on experience. The allocation of separate cash flows of the individual CGUs to the individual plan values was carried out using external sources of information (e.g. market and industry studies), whereby typical factors were taken into account based on experience. In particular the planning of sales and sales prices was based on general market and industry trends. General macroeconomic data was also taken into account for the corporate planning.

With regard to Calyxo and VHF, in particular significant assumptions made were as follows:

Sales planning	Calyxo	– Declining sales prices – Increase of efficiency levels – Increase in production and operating time
	VHF Technologies	– Increase in production capacity from optimising the existing production equipment – Declining sales prices – Increase of the efficiency levels
Cost of materials planning	Calyxo	– Reduction of cost of materials – Increase of electricity costs
	VHF Technologies	– Reduction of costs of materials depending on future product portfolio – Adjustment of other purchased services by means of planned increase of production efficiency
Additional income	Calyxo	– Consideration of payments from investment grants
	VHF Technologies	– Existing contracts with investors for future orders

At VHF, the detailed planning period amounted to four years. At Calyxo, a rough planning period was set after the detailed planning period of four years, as, given the company's young history, Calyxo could not be expected to achieve a steady state in terms of its corporate development during the planning period.

For the "in perpetuity" period subsequent to the detailed planning period, continued cash flows were determined at Calyxo and VHF, based on a sustainable reinvestment rate. In determining perpetuity, a growth rate of 0% was taken into account for Calyxo and VHF.

Additional factors affecting the impairment tests at the individual CGUs were as follows:

The CGU **Calyxo** was founded on 29 June 2005 and belonged to the former new technologies segment. The purpose of business of the company is the research and development, production and marketing of thin-film modules based on CdTe. Thereby, Calyxo disposes of a unique, patented process which has been continuously developed in recent years. The company entered the market at the end of 2009.

Like many other thin-film companies, Calxyo has developed more slowly than expected because of the complexity of the technical processes. Within the scope of the focusing, Q-Cells decided to further develop Calyxo in cooperation with investors, whereby at the end of 2009 the form of such cooperation that was to take place remained open.

Based on corporate planning current at the time, an impairment need for Calyxo arose. This need was confirmed and substantiated by the first feedback from the ongoing search for investors, so that the adjustments to the carrying value as of 31 December 2009 as described below were necessary.

The recoverable amount of Calyxo was calculated by determining the value in use, which was € 34.3 million below the carrying amount. Accordingly, the goodwill (€ 2.1 million) was fully impaired. The remaining amount was allocated to other intangible assets (€ 26.4 million) and property, plant and equipment (€ 5.8 million) in accordance with IAS 36.

The cash generating unit **VHF** was part of the former new technologies segment and is engaged in the research, development, production and sale of flexible silicon-based thin-film modules. The company produces photovoltaic modules primarily designed for integration in buildings based on patented production processes.

Due to the complex technical processes involved and the specific target market, VHF fell below plan and expectations. Therefore, Q-Cells decided to further develop VHF in cooperation with investors, whereby the form of this cooperation is open.

The value-in-use of the CGU VHF of € 46.7 million was below the carrying amount, meaning that the impairment loss initially reduced goodwill (€ 1.7 million) and the remaining amount was recognised against other intangible assets (€ 18.7 million) and property, plant and equipment (€ 26.3 million).

The CGU **Solibro** was also allocated to the former new technologies segment and has been continued in the products segment since 2010. By the end of financial year 2009 the long-term planning was updated, taking into account the worsened market conditions (triggering event). As a result, an impairment loss was recognised.

The recoverable amount at the cash generating unit Solibro was determined as the fair value less cost to sell based on discounted cash flow forecasts and fell € 19.5 million below the carrying amount. The impairment loss at the CGU Solibro was wholly recognised against intangible assets, as in particular the value of the CIGS technology, which, determined by means of a separate value assessment (licence price analogy method), was declining and tending towards zero.

The cash generating units **Sovello, Sunfilm, Solaria** and **SilQ** are at-equity valued investments, all of which were assigned to the new technologies segment, except for SilQ, which was part of the Q-Cells International segment but was only of minor importance for that segment.

Due to problematic individual issues at Sovello, Sunfilm and Solaria (mostly financing and sales problems), these companies were treated as restructuring cases. Therefore, the recoverability of all assets relating to the respective company (investment carrying amount as well as loans made where relevant), was questionable, and they were fully impaired in financial year 2009.

As all loans extended to Sovello (€ 57.8 million) and to Sunfilm (€ 64.7 million) were recognised as parts of Q-Cells net investment in the respective joint ventures, the impairment losses on these loans were treated equally for presentation purposes.

Further potential risks were taken into account in the balance sheet.

In total, impairment losses of € 88.0 million related to Sovello, € 150.4 million to Sunfilm and € 9.4 million to Solaria.

6. NOTES TO INDIVIDUAL INCOME STATEMENT ITEMS

6.1 SALES REVENUES

Revenues comprise the following:

	1 Jan. – 31 Dec. 2010 € million	1 Jan. – 31 Dec. 2009 € million
Sale of goods	1,180.3	540.0
Contracts	46.4	200.3
Services	2.7	0.0
Other	124.8	50.1
Total revenues	**1,354.2**	**790.4**

6.2 OTHER OWN WORK CAPITALISED

Other own work capitalised relates primarily to technologies developed in-house and costs incurred as part of the construction of new production lines.

6.3 OTHER OPERATING INCOME

Other operating income was as follows:

	2010 € million	2009 € million
Release of provisions	38.5	0.0
Recognition of deferred investment grants	9.0	5.3
Recognition of deferred investment subsidies	5.5	7.5
Release to income of allowances against bad debts	4.2	0.0
Research subsidies	2.9	1.7
Take or pay compensation	1.9	13.0
Gain on disposal of property, plant and equipment	1.0	0.0
Feed-in energy tariff income	0.5	6.0
Lucky buy (Solibro)	0.0	28.4
Income from associated companies	0.0	2.7
Income resulting from cancellation of Solaria cell supply agreement	0.0	2.7
Other operating income	12.6	6.5
	76.1	**73.8**

In financial year 2010, income from the release of provisions results from the reversal of provisions for onerous contracts totalling € 27.2 million and the reversal of provisions accrued for restructuring expenses (Reloaded) of € 9.2 million. For more information about the release of provisions please see Note 7.17.

The amount recorded under take or pay compensation for 2010 resulted from a settlement concluded with a customer. Impairments of € 0.9 million recognised in connection with this settlement were also reversed.

Take or pay compensation includes € 8.3 million from take-or-pay agreements with customers in the solar cells segment. These were written down in full in the course of 2009. The corresponding expense item is included in other operating expenses.

The lucky buy relates to an acquisition surplus which arose on the purchase of all the shares in Solibro AB, described in Note 4.1.

The remaining other operating income consist of a large number of low-value items reported by companies consolidated.

6.4 MATERIAL EXPENSES

Cost of materials relates primarily to the procurement of wafers. The cost of materials ratio (cost of materials in relation to sales and changes in inventories) amounts to 75.9 % in financial year 2010 compared to 94.1 % in 2009. The lower cost of materials ratio reflects lower wafer purchase prices as well as changes in the product mix. In addition, the material costs in the previous year were affected by impairment charges made against inventories of raw materials, consumables and supplies.

6.5 PERSONNEL EXPENSES

During financial year 2010, the personnel expense ratio (personnel expenses in relation to sales and changes in inventories) was 7.2 % (previous year: 11.3 %). Additional costs in 2009 resulted from redundancy payments in connection with the job cuts associated with the restructuring measures (Reloaded).

The employer contributions to defined contribution plans amount to € 7.0 million (previous year: € 6.6 million).

6.6 DEPRECIATION AND AMORTISATION

The breakdown of depreciation is presented in Notes 7.1 and 7.2.

6.7 OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2010 € million	2009 € million
Legal and consulting costs	26.8	16.2
Maintenance and repair costs	23.0	12.7
Other external services	19.6	8.5
General and administrative expenses	13.8	14.5
Freight and storage costs	12.0	2.9
Temporary employee expenses	10.7	7.5
Product warranty expenses	7.7	6.9
Other travel expenses	5.0	3.3
Impairment of receivables and other assets	3.2	30.2
Selling expenses	3.1	6.6
Expenses for onerous contracts	2.8	54.6
Loss on asset disposal	2.3	8.0
Training	0.9	0.7
Recruiting	0.9	0.5
Fees and subscriptions	0.7	0.8
Supervisory Board remuneration	0.6	0.2
Valuation difference CIGS technology (Solibro)	0.0	31.1
Restructuring	0.0	27.6
Other operating expenses	18.6	5.8
	151.7	**238.6**

Legal and consulting costs in financial year 2010 include, inter alia, management and consulting services in connection with the introduction of new systems in the finance department.

Expenses for maintenance and repair costs have arisen, inter alia, as a result of the fact that Solibro GmbH's maintenance expenses are included for a full year for the first time, from the full startup of a new production line and from the acceleration of production processes at Solibro GmbH.

Expenses recorded to make provision for onerous contracts primarily result from anticipated losses on long-term, non-terminable commitments to purchase silicon and wafers as well as provision for a possible compensation payment of € 2.8 million (previous year: € 43.8 million). In addition a provision totalling € 9.0 million was set aside for an onerous purchase agreement in 2009. For income resulting from the release of provisions for onerous contracts in 2010, please refer to Note 6.3.

In financial year 2009, down payments considered non-recoverable amounting to € 8.6 million as well as claims for compensatory damages arising from purchase agreements amounting to € 8.3 million were written off.

For valuation differences relating to CIGS technology (Solibro), please refer to Note 4.

The restructuring of the Group was initiated with the Group's Reloaded programme. The older production lines at the Thalheim site were closed under this programme. Restructuring measures lead to expenses totalling € 27.6 million in 2009, of which € 23.2 million were attributable to repayment obligations for subsidies recorded as income but likely to be repayable, € 2.9 million in expenses to expected costs of setting up an interim employment agency and € 1.5 million for consultancy fees. For more information regarding the release of restructuring provisions in 2010, please see Note 6.3.

The product warranty expenses concern almost exclusively Q-Cells SE in relation to legal or contractual obligations from guarantee agreements with customers accrued in respect of the entire guarantee period.

The remaining other operating expenses consist of a large number of low-value items reported by companies consolidated.

6.8 RESULT FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

	2010 € million	2009 € million
Income from associated companies		
CSG Solar AG	0.0	0.5
Income from joint ventures		
Solibro GmbH	0.0	–11.6
SilQ PV Energy S.L.	0.0	–0.2
LQ energy GmbH	–0.4	–0.8
Straßkirchen MQ GmbH	–4.5	–1.9
	–4.9	**–14.0**

The negative income contribution by Straßkirchen MQ in 2010 is primarily attributable to the fact that the contractually agreed acquisition cost of the solar park exceeded the sales price. Q-Cells' share of the loss has accordingly led to a reduction in the carrying amount of the investment.

6.9 NET FINANCIAL RESULT

The net financial result comprises the following:

	2010 € million	2009 € million
Interest and similar income		
Financial assets	23.6	0.0
Interest and similar income (current)	9.6	9.7
	33.2	**9.7**
Interest and similar expense		
Financial assets	0.0	24.9
Convertible bonds	47.8	38.7
Non-current liabilities	5.9	0.2
Current liabilities	7.4	19.4
Expenses equivalent to interest	0.0	0.1
	61.1	**83.3**
Result from financial instruments		
Gain resulting from repayment of convertible bonds	23.9	0.0
Result from held for trading investments	2.7	0.0
Loss on embedded derivatives	–1.3	–2.3
Other	1.2	0.0
	26.5	**–2.3**
Foreign currency gains and losses		
Exchange gains and losses	**36.3**	**–2.6**
	34.9	**–78.6**

Interest and other similar income in 2010 includes income amounting to € 23.6 million resulting from the unwinding of the discount applied to the non-interest bearing loan to LDK Solar and to changes to the terms and conditions of the loan. In the comparable period 2009 discount expenses totalling € 23.0 million were recorded (see Note 7.4).

Interest and similar expenses include an amount of € 24.9 million (previous year: € 23.0 million), of accrued interest and € 22.9 million (previous year: € 15.7 million), of coupon interest expense for the Group's convertible bonds.

Results from financial instruments include a gain resulting from the repurchase of convertible bonds.

Results from financial instruments held for trading include a gain of € 1.2 million from the sale of these.

6.10 INCOME TAXES

Income taxes are as follows:

	2010 € million	2009 € million
Income tax		
Corporation tax	6.4	1.6
Trade tax (local tax)	0.2	0.1
Tax expenses not relating to the period	0.9	1.9
Deferred tax expense	13.9	–87.8
	21.4	**–84.2**
Current and deferred tax		
Current tax	7.5	3.6
thereof Germany	1.4	2.1
thereof Foreign	6.1	1.5
Deferred tax	13.9	–87.8
thereof Germany	12.0	–87.0
thereof Foreign	1.9	–0.8
	21.4	**–84.2**

Current tax
Current tax refunds and liabilities for the current and previous periods are recognised at amounts which are expected to be refunded by or paid to the tax authorities. The calculation of the amount is based on tax rates and tax laws which apply on the balance sheet date in the countries in which the Group operates and generates taxable income. The applicable tax rates range between 0% and 35%.

Deferred tax
Deferred tax is accounted for using the liability method on temporary differences occurring on the balance sheet date between the carrying amount of assets and liabilities in the balance sheet and the corresponding value in the tax balance sheet. Q-Cells' deferred tax is calculated using the tax rates applicable at the balance sheet date. In calculating deferred tax a corporation tax rate of 15% is applied (previous year: 15.0%) plus a solidarity surcharge of 5.5% (previous year: 5.5%) on the corporation tax liability paid and an effective trade tax rate of 7.0% (previous year: 7.0%). Taking into account the solidarity surcharge and trade tax on income, the combined tax rate for the calculation of deferred tax is 22.83% (previous year: 22.83%).

Expense reported for deferred tax results from the occurrence and reversal of temporary differences as well the effects of the partial recognition of deferred tax assets on losses carried forward. Deferred tax assets on tax losses carried forward are recognised to the extent that it is probable that taxable income will be available for offset in future. The respective companies' profit planning is used to determine whether deferred tax assets resulting from tax losses carried forward can be used, i.e. if they are recoverable.

The following deferred tax assets and liabilities, both net and gross, have been recognised on temporary differences and on measurement differences the individual balance sheet items and on tax loss carry forwards:

DEFERRED TAX	31 Dec. 2010		31 Dec.2009	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Non-current assets	15.4	2.9	19.9	0.0
Current assets	4.7	0.0	3.9	3.1
Current liabilities	5.2	0.2	14.4	0.0
Non-current liabilities	0.0	0.0	0.0	2.6
Consolidation	8.3	0.0	3.2	0.0
Tax losses carried forward	36.8	0.0	45.6	0.0
Deferred tax assets/liabilities	**70.4**	**3.1**	**87.0**	**5.7**
Net deferred tax assets		**67.3**		**81.3**

The differences between expected and actual tax expense in the year under review and in the previous year are shown below:

TAX EXPENSE RECONCILIATION	2010 € million	2009 € million
Net loss (income) for the period	**13.8**	**–1,372.2**
Plus income taxes	21.4	–84.2
Net income before income taxes	**35.2**	**–1,456.4**
Expected tax expense at 22.83% (previous year: 22.83%)	**8.0**	**–335.2**
Changes in the expected tax expense		
Tax impact of tax-free income, other amounts deducted	–3.7	–1.0
Income from companies accounted for using the equity method without tax impact	0.4	69.2
Tax impact of non-deductible operating expenses	1.3	1.2
Tax impact of discontinued operations	25.9	150.8
Tax rate impact	–9.4	20.5
Unrecognised deferred tax assets on tax losses carried forward	0.8	14.5
Other tax effects	–1.9	–4.2
Income tax	**21.4**	**–84.2**

The unrecognised deferred tax assets on tax losses carried forward relate to tax losses of Q-Cells International Italia S.r.l., Q-Cells International USA Corp., Q-Cells Malaysia Sdn. Bhd., Solibro Research AB (each entirely) as well as Solibro GmbH and Q-Cells SE (each partially).

At 31 December 2010 the Group has domestic and foreign tax losses carried forward amounting to € 73.3 million in 2010 (previous year: € 45.7 million) and temporary timing differences of € 6.2 million in 2010 (previous year: none) for which no deferred tax assets are recognised.

Items of other comprehensive income including amounts reclassified to the income statement are not materially affected by taxes.

6.11 RESULT FROM DISCONTINUED OPERATIONS AFTER TAX

Explanatory notes on results from discontinued operations amounting to € 77.1 million in financial year 2010 are provided in Note 4.3.

6.12 EARNINGS PER SHARE

The undiluted earnings per share for the financial years ending 31 December 2010 and 31 December 2009 are calculated as follows:

NUMERATOR: RESULT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	1 Jan.–31 Dec. 2010			1 Jan.–31 Dec. 2009		
	Continuing operations € million	Discontinued operations € million	Total € million	Continuing operations (restated) € million	Discontinued operations (restated) € million	Total (restated) € million
Net result for the period attributable to Q-Cells shareholders	90.9	–72.0	18.9	–370.8	–972.1	–1,342.9
Less result for the period attributable to preference shares	13.9	–11.0	2.9	–93.7	–247.5	–341.2
Result attributable to ordinary shareholders (undiluted)	**77.0**	**–61.0**	**16.0**	**–277.1**	**–724.6**	**–1,001.7**

DIVISOR: WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	1 Jan.– 31 Dec. 2010	1 Jan.– 31 Dec. 2009
Shares issued on 1 January	99,464,126	95,480,797
Conversion of preference shares	1,650,927	1,523,725
Capital increase for Solibro aquisition	0	1,597,695
Share options exercised	24,900	26,938
Capital increase	12,992,177	0
Conversion of convertible bonds by bondholders	31	0
Weighted average number of ordinary shares	**114,132,161**	**98,629,155**

In calculating earnings per share, only ordinary shares have been taken into account. As part of the capital increase (see Note 7.13), new ordinary shares were issued to all shareholders at a ratio of 2:1. The subscription price was less than the fair value of Q-Cells ordinary shares. For the calculation of earnings per share, the weighted average number of ordinary shares in issue in prior year and in 2010 up until the date of the capital increase was adjusted in order to ensure the comparability of all periods.

The adjustment corresponds to the bonus component, determined by splitting the new shares notionally into shares issued effectively on a full market price basis and a bonus share element.

The net result for the period, increased by the guaranteed preference share dividend (3 eurocent per share) and, when Q-Cells reports a profit, the preference shareholder's additional dividend rights, is allocated based on the ratio of outstanding ordinary and preference shares at the balance sheet date. The cumulative preferential dividend amount of € 1.6 million for financial years 2010 and 2009 (for financial year 2009: € 0.9 million) will be carried forward; it does, however, not meet the definition of a liability and therefore does not appear in the consolidated balance sheet.

29,393,793 (previous year: none) potential ordinary shares from the 2015 convertible bond have a dilutive effect on earnings per share.

NET RESULT FOR THE PERIOD (DILUTED)	1 Jan. – 31 Dec. 2010			1 Jan. – 31 Dec. 2009		
	Continuing operations € million	Discontinued operations € million	Total € million	Continuing operations (restated) € million	Discontinued operations (restated) € million	Total (restated) € million
Result attributable to ordinary shareholders (undiluted)	77.0	–61.0	16.0	–277.1	–724.6	–1,001.7
Plus interest on convertible bond 2015 less tax effect	2.1	0.0	2.1	0.0	0.0	0.0
Plus result for the period to preference shares	13.9	–11.0	2.9	0.0	0.0	0.0
Result attributable to ordinary shareholders (diluted)	**93.0**	**–72.0**	**21.0**	**–277.1**	**–724.6**	**–1,001.7**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	1 Jan. – 31 Dec. 2010	1 Jan. – 31 Dec. 2009
Weighted average number of ordinary shares (undiluted)	114,132,161	98,629,156
Effect of exercised options	17,279	0
Effect of converting unexercised options	85,943	0
Effect of convertible bond 2015	5,717,772	0
Effect of converted preference shares	216,677	0
Effect of converting preference shares	29,966,308	0
Weighted average number of ordinary shares (diluted)	**150,136,140**	**98,629,156**

16,417,822 (previous year: 18,271,853) potential ordinary shares from the 2012 and 2014 convertible bonds do not have a dilutive effect because in taking these additional shares into consideration the interest expense, which would no longer be incurred if the bonds were converted, would increase earnings per share.

Also, 1,012,574 (previous year: 409,685) employee stock options, the price of which exceeded the average market price of Q-Cells SE shares for the reporting period, were not included in the calculation for diluted earnings per share because their inclusion would have improved the calculated results of earnings per share.

7. NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

7.1 GOODWILL AND INTANGIBLE ASSETS

Impairment testing resulted in all goodwill being completely written off in 2009.

As of 31 December 2010, the Company reports intangible assets of € 14.2 million (previous year: € 14.6 million).

Significant additions in financial year 2010 include the SAP-based consolidation system as well as an integrated treasury system.

No development costs were capitalised for in-house intangible assets in financial year 2010 (previous year: € 6.1 million). € 3.6 million from the previous year is attributable to in-house developments. Non capitalisable research and development costs in 2010 totalling € 27.2 million were recorded as expenses (previous year: € 20.4 million).

Q-Cells has no intangible assets with an indefinite useful life as of the balance sheet date.

INTANGIBLE ASSETS 2010	Cost of acquisition or manufacture							
	As of 1 Jan. 2010 € million	Change in consolidation group € million	Effect of change in exchange rates € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Adjustments € million	As of 31 Dec. 2010 € million
Industrial property rights and similar rights and assets	70.7	–0.8	0.7	5.1	–1.2	–30.6	0.0	43.9
Development costs	17.9	0.0	0.0	0.0	0.0	–15.6	0.0	2.3
31 Dec. 2010	**88.6**	**–0.8**	**0.7**	**5.1**	**–1.2**	**–46.2**	**0.0**	**46.2**

INTANGIBLE ASSETS 2009	Cost of acquisition or manufacture							
	As of 1 Jan. 2009 € million	Change in consolidation group € million	Effect of change in exchange rates € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Adjustments € million	As of 31 Dec. 2009 € million
Industrial property rights and similar rights and assets	39.5	19.9	–0.1	11.4	0.0	0.0	0.0	70.7
Development costs	12.5	0.0	0.0	6.1	–0.7	0.0	0.0	17.9
31 Dec. 2009	**52.0**	**19.9**	**–0.1**	**17.5**	**–0.7**	**0.0**	**0.0**	**88.6**

Depreciation/Amortisation								Carrying values	
As of 1 Jan. 2010 € million	Change in consolidation group € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Impairments € million	Effect of change in exchange rates € million	As of 31 Dec. 2010 € million	As of 1 Jan. 2010 € million	As of 31 Dec. 2010 € million
57.7	0.1	4.4	–0.6	–30.6	0.2	–0.1	31.1	13.0	12.8
16.3	0.0	0.2	0.0	–15.6	0.0	0.0	0.9	1.6	1.4
74.0	**0.1**	**4.6**	**–0.6**	**–46.2**	**0.2**	**–0.1**	**32.0**	**14.6**	**14.2**

Depreciation/Amortisation								Carrying values	
As of 1 Jan. 2009 € million	Change in consolidation group € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Impairments € million	Effect of change in exchange rates € million	As of 31 Dec. 2009 € million	As of 1 Jan. 2009 € million	As of 31 Dec. 2009 € million
3.4	0.0	4.3	0.0	0.0	49.7	0.3	57.7	36.1	13.0
0.2	0.0	1.1	0.0	0.0	15.0	0.0	16.3	12.3	1.6
3.6	**0.0**	**5.4**	**0.0**	**0.0**	**64.7**	**0.3**	**74.0**	**48.4**	**14.6**

7.2 PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment is presented in the following table.

A significant addition to property, plant and equipment in financial year 2010 (€ 57.8 million) resulted from the transfer of an Italian solar park from current assets into fixed assets. Feed-in tariff income from electricity generated by that park has been received since the second quarter of 2009.

Other additions to property, plant and equipment include € 30.4 million for the purchase of technical equipment and machinery for the new production lines 2, 3 and 4 at Q-Cells' Malaysia location and € 22.8 million for the second production line at Solibro GmbH completed in 2010.

In financial year 2010, as a result of impairment testing performed in accordance with IAS 36 impairment losses on property, plant and equipment of € 45.4 million (Note 4.3) were recorded, of which € 34.9 related to discontinued operations and the remainder to property, plant and equipment which can no longer be used. A write-down recorded in the prior year in the amount of € 3.5 million was reversed in the current year.

PROPERTY, PLANT AND EQUIPMENT 2010	Cost of acquisition or manufacture							
	As of 1 Jan. 2010 € million	Change in consolidation group € million	Effect of change in exchange rates € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Reclassifications € million	As of 31 Dec. 2010 € million
Land and buildings	307.2	0.0	16.1	15.6	–2.1	–42.6	3.8	298.0
Technical equipment and machinery	584.5	0.0	25.0	153.5	–51.0	–56.2	101.8	757.6
Other equipment, plant and office equipment	44.2	0.0	1.6	3.0	–2.1	–3.6	0.8	43.9
Prepayments made and plant under construction	173.6	0.0	13.9	5.1	–6.9	–24.2	–106.5	55.0
31 Dec. 2010	**1,109.5**	**0.0**	**56.6**	**177.2**	**–62.1**	**–126.6**	**–0.1**	**1,154.5**

PROPERTY, PLANT AND EQUIPMENT 2009	Cost of acquisition or manufacture							
	As of 1 Jan. 2009 € million	Change in consolidation group € million	Effect of change in exchange rates € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Reclassifications € million	As of 31 Dec. 2009 € million
Land and buildings	145.4	2.7	–0.2	60.4	0.0	0.0	98.9	307.2
Technical equipment and machinery	407.1	13.7	–0.6	66.7	–12.4	0.0	110.0	584.5
Other equipment, plant and office equipment	29.6	1.2	0.0	9.9	–0.4	0.0	3.9	44.2
Prepayments made and plant under construction	185.4	65.1	–2.4	143.0	–4.7	0.0	–212.8	173.6
31 Dec. 2009	**767.5**	**82.7**	**–3.2**	**280.0**	**–17.5**	**0.0**	**0.0**	**1,109.5**

€ 47.7 million of the total prepayments made and plant under construction is attributable to plant under construction.

Impairments of € 53.2 million were recognised in 2009 in respect of production lines I to IV which were shut down in Thalheim as part of the Group's Reloaded restructuring programme.

The carrying amount in financial year 2010 of property, plant and equipment provided as security for the loan granted to Q-Cells by the Malaysian government amounted to € 177.8 million (Note 7.15).

Depreciation/Amortisation										Carrying values	
As of 1 Jan. 2010 € million	Change in consolidation group € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Impairments € million	Reclassifi-cations € million	Write-up € million	Effect of change in exchange rates € million	As of 31 Dec. 2010 € million	As of 1 Jan. 2010 € million	As of 31 Dec. 2010 € million
38.4	0.0	8.9	0.0	–18.3	0.0	1.9	0.0	2.7	33.6	268.8	264.4
193.1	0.0	74.8	–40.2	–51.1	36.6	1.9	–1.9	5.5	218.7	391.4	538.9
16.0	0.0	5.2	–0.7	–1.4	0.2	0.0	–0.1	0.2	19.4	28.2	24.5
18.4	0.0	0.0	–6.3	–12.8	8.6	–3.8	–1.5	0.0	2.6	155.2	52.4
265.9	**0.0**	**88.9**	**–47.2**	**–83.6**	**45.4**	**0.0**	**–3.5**	**8.4**	**274.3**	**843.6**	**880.2**

Depreciation/Amortisation										Carrying values	
As of 1 Jan. 2009 € million	Change in consolidation group € million	Additions € million	Disposals € million	Classification as assets held for sale € million	Impairments € million	Reclassifi-cations € million	Write-up € million	Effect of change in exchange rates € million	As of 31 Dec. 2009 € million	As of 1 Jan. 2009 € million	As of 31 Dec. 2009 € million
5.5	0.0	9.1	–0.1	0.0	23.8	0.0	0.0	0.1	38.4	139.9	268.8
88.9	–0.9	62.3	–3.7	0.0	46.3	0.0	0.0	0.2	193.1	318.2	391.4
8.5	0.1	4.3	–0.2	0.0	3.2	0.0	0.0	0.1	16.0	21.1	28.2
0.0	0.0	0.0	–0.3	0.0	18.7	0.0	0.0	0.0	18.4	185.4	155.2
102.9	**–0.8**	**75.7**	**–4.3**	**0.0**	**92.0**	**0.0**	**0.0**	**0.4**	**265.9**	**664.6**	**843.6**

7.3 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The Group has the following shares in joint ventures and associated companies, accounted for using the equity method:

JOINT VENTURES	31 Dec. 2010		31 Dec. 2009	
	€ million	%	€ million	%
LQ energy GmbH, Berlin	62.0	49.0	32.6	49.0
Straßkirchen MQ GmbH, Straßkirchen	0.2	50.0	60.3	50.0
SilQ PV Energy S.L., Paterna/Spanien	0.0	50.0	0.0	50.0
	62.2		**92.9**	

In addition, there are shares in associated companies and joint ventures as of 31 December 2010 not accounted for using the equity method because of their classification as assets held for sale. We refer to Note 4.3.

Joint ventures

Straßkirchen MQ GmbH (Project Straßkirchen)
Straßkirchen MQ GmbH (MQ), with its registered office in Straßkirchen, is a joint venture operational since formation in 2009 in which Q-Cells SE and MEMC Electronic Materials Inc. each hold 50% shares.

MQ was contracted to acquire a solar park, constructed by the Q-Cells Group, with an output of approximately 50 MWp at market prices and conditions. Final acceptance of the solar park by the customer was prior to 31 December 2009, with which legal ownership passed to MQ.

As the MQ solar park had not yet been resold by MQ during 2009, Q-Cells only recognised proportionate revenues of 50% or € 72.5 million due to the interim elimination of unrealised profits. In the first quarter of 2010, the sale by MQ to a third party end customer occurred. Accordingly the unrecognised revenues from 2009 totalling € 72.5 million were realised in the reporting year. The project margin realised in 2010 after deduction of all relevant project costs increased the carrying amount of the MQ investment by an equivalent amount. A reduction in the carrying amount of the investment results, however, from the pro-rata share of the MQ income and the € 65.9 million advance distribution made by MQ in 2010 following receipt of most of the purchase price payment by MQ.

LQ energy GmbH (Project Finsterwalde)
LQ energy GmbH (LQ), with its registered office in Berlin, is a joint venture which Q-Cells and LDK Solar Europe Holding S.A. (Luxembourg) have managed jointly since 2009. The Q-Cells Group holds a 49% share in LQ energy GmbH, although the contract provides for joint control.

Under an agreement dated March 2009, LQ is committed to acquire a solar park with an output of approximately 40 MWp to be constructed by Q-Cells Group at market prices and conditions. In the scope of this project, the rules applicable to construction contracts stipulated in IAS 11 applied. Since the solar park had not yet been resold to a third party end customer as of 31 December 2009, the revenues and project margin realised in 2009 as per IAS 11 were subject to the elimination of unrealised (49%) profits.

With the agreement of the contractor for the construction of the solar park, the contractor Q-Cells International GmbH (QCI) also conducted a search for an end customer at the same time as LQ and was successful in doing so. Accordingly the solar park was sold during the 2010 financial year. As a result, unrecognised revenues from the 2009 financial year (€ 59.8 million) and the project margin were realised in the 2010 financial year.

In addition to the bridge financing raised in December 2009 totalling € 52.1 million, another bridging loan was raised in September 2010 totalling € 46.4 million. As a result of the sale of the solar park and the receipt of the related cash inflow, the entire project-related bridge financing totalling € 98.5 million was repaid in December 2010 so that no bridging loans remain outstanding as of the reporting date.

Q-Cells paid € 29.8 million to the joint venture partner LDK as part of arrangements to finalise the sale of the solar park to the end customer. In return, Q-Cells is entitled to a larger portion of the expected remaining receipts from the € 62.0 million remaining total balance of LQ's investment, and the payment to LDK was recorded as an increase in the carrying amount of the investment.

The Group's proportionate share of assets, liabilities, revenues and results for the period of the Group's joint ventures can be analysed as follows:

	2010 € million	2009 € million
Non-current assets	0.1	0.0
Current assets	35.4	105.4
Shareholders' equity	31.3	100.6
Current liabilities	4.2	4.3
Income	0.5	0.0
Expenses	2.4	5.4
Net result for the period	–1.9	–5.4

7.4 FINANCIAL ASSETS

Non-current financial assets include receivables from project business totalling € 2.3 million resulting from retention payments withheld as security on projects and a deposit for a long-term rental contract.

In prior year non-current financial assets included exclusively the non-current portion of the loan extended to LDK Solar. In 2009, the Group renegotiated and amended the long-term solar wafer supply contract with LDK Solar. Amongst other effects, prepayments made of USD 244.5 million were converted into a loan. The loan is interest-free and was secured by a bank guarantee. The repayment plan was amended in September 2010, resulting in agreement of accelerated repayment of the loan amount by the end of 2011 and a lower interest rate on the outstanding principle balance. Further repayments were also received during the 2010 financial year. The remaining receivable is now reported on 31 December 2010 as a current financial asset (see Note 7.10).

7.5 OTHER ASSETS

The other non-current assets include primarily the non-current portion of prepayments made for future raw material deliveries.

7.6 DEFERRED TAXES

The decrease primarily results from derecognition of deferred tax assets on temporary differences. Further details are provided in Note 6.10.

7.7 INVENTORIES

	31 Dec. 2010 € million	31 Dec. 2009 € million
Raw materials, consumables and supplies	77.1	126.9
Finished and unfinished goods and Solarparks	269.7	159.3
Current portion of advance payments made on future raw material supplies	18.9	15.9
	365.7	**302.1**

Inventories of € 92.0 million relate to QCI, which is responsible for Q-Cells' project business (previous year: € 138.9 million).

In the reporting year, the Group carried out impairments on inventories of € 19.2 million in total (previous year: € 90.6 million) due to lower sales prices as well as limited usability. The carrying amount of the inventories that were measured at net realisable value amounts to € 346.9 million in total (previous year: € 263.2 million).

In the 2010 reporting year, reversals of inventory write downs totalling € 18.3 million (previous year: € 0.0 million) were recorded as a reduction of material expenses. This value includes € 16.8 million for raw materials, consumables and supplies as a result of being able to use certain types of wafers either due to sales contracts newly concluded, or by outright sale. In the same way finished goods and work-in-process inventory that were written down in 2009 could be also be sold under new sales contracts.

7.8 TRADE RECEIVABLES

Trade receivables include net receivables from manufacturing contracts of € 12.7 million (previous year: € 138.7 million). This amount is determined after deduction of project-related interim billings and payments received on account of € 32.6 million (previous year: € 43.7 million). Sales revenues for the financial year reported in the income statement include sales revenues from manufacturing contracts totalling € 303.6 million (previous year: € 128.1 million). Project costs of € 43.4 million (previous year: € 114.4 million) and project margins of € 2.9 million (previous year: € 13.7 million) relating to current manufacturing contracts are recognised as at the 2010 balance sheet date.

On the balance sheet date, the Group disclosed receivables denominated in foreign currency of € 14.7 million (previous year: € 5.0 million).

7.9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Embedded derivatives
Q-Cells identified embedded derivatives within the scope of its sales and purchase contracts. The contracts in question involve both purchase and sales contracts in US dollar.

For accounting purposes, such financial instruments are considered to be embedded derivatives requiring separation that are included in purchase or sales contracts denominated in US dollar and for which US dollar is not the usual currency for settling orders of this kind in international business practice and is also not the functional currency of the transaction partners.

This balance sheet item contains the positive market value of these embedded derivatives totalling € 0.3 million (previous year: € 2.0 million).

The net result from embedded derivatives amounts to € –1.3 million overall (previous year: € –2.3 million). The figure is reported in income from financial instruments (Note 6.9).

7.10 OTHER FINANCIAL ASSETS

The current financial assets primarily include the current part of the LDK Solar loan of € 82.7 million (31 December 2009: € 31.1 million). Please refer to the explanatory notes to non-current financial assets for further details of modifications to the loan repayment arrangements.

7.11 OTHER RECEIVABLES AND ASSETS

All other receivables and assets have a residual term of less than one year.

	31 Dec. 2010 € million	31 Dec. 2009 € million
Receivables from tax authorities for taxes	30.4	19.6
Receivables from tax authorities for investment subsidies	6.1	18.2
Prepayments	3.6	2.8
Receivables from suppliers	2.5	4.6
Receivables from at-equity investments	2.0	0.6
Receivables from leasehold rentals in connection with the project business	0.0	3.7
Other	7.9	7.7
	52.5	**57.2**

7.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and time deposits of € 473.9 million (previous year: € 385.8 million) which have an original term of less than three months. In the previous year, this position also contained securities totalling € 26.1 million.

The cash and cash equivalents can be analysed as follows:

	31 Dec. 2010 € million	31 Dec. 2009 € million
Cash and bank balances	256.7	74.2
Time deposits	217.2	311.6
Securities	0.0	26.1
	473.9	**411.9**

As of 31 December 2010, the Group pledged cash and cash equivalents totalling € 113.3 million (previous year: € 36.3 million); primarily for the use of guarantee credit lines with banks and the drawdown of two bridge financing loans (see Note 7.21). This entire amount relates to bank balances (previous year: € 10.2 million). In the comparable reporting period, additional pledges of € 26.1 million related to money market funds. Of the total pledged cash and cash equivalents amount, € 104.9 million serve as security for the loans described above, guarantee credit lines and other liabilities and contingent liabilities, and € 8.4 million to security guarantees for planned projects.

7.13 EQUITY

Please refer to the Group statement of changes in equity for details of the change in the equity of Q-Cells during the financial year 2010.

With equity of € 882.7 million (previous year: € 737.0 million) the equity ratio at the balance sheet date amounted to 40.5 % (previous year: 33.1 %).

Capital

On the balance sheet date, **subscribed capital** amounted to € 176.3 million (previous year: € 117.5 million) and was divided into 176,343,630 bearer shares at no par value of which 149,461,719 were ordinary shares (previous year: 88,974,627 ordinary shares) and 26,881,911 preference shares (previous year: 28,557,284 preference shares). Ownership of the shares entails voting rights at the Annual General Meeting as well as an entitlement to approved dividend payments. The preference shares are not listed on the stock exchange and do not carry voting rights. The owners of preference shares are entitled to convert them to ordinary shares at a ratio of 1:1 through a stock exchange admission process and have them registered for stock exchange trading. The preference shares carry a preferred dividend of 3 eurocent per share (guaranteed dividend). The preferred dividend is subject to the precondition that a resolution approving payment of a dividend to the preference shareholder is adopted.

The shares issued are fully paid up.

COMPOSITION OF SHARE CAPITAL (NUMBER OF SHARES)	31 Dec. 2010	31 Dec. 2009
Ordinary shares	149,461,719	88,974,627
Preference shares	26,881,911	28,557,284
	176,343,630	**117,531,911**

The increase in ordinary shares during the reporting year from 88,974,627 shares to 149,461,719 shares is based upon the following events: During the financial year 2010, 1,675,373 preference shares (previous year: 2,012,700 shares) were converted into ordinary shares with full dividend rights with effect from 1 January 2009. In addition, during the financial year 2010 a total of 45,264 preference shares (previous year: 44,712) were issued from contingent capital (ESOP I) under the employee participation programme 2005. In September 2010, 9,900,000 ordinary shares were issued as a first tranche of the capital increase from the authorised capital. In October 2010, another 48,865,955 ordinary shares were issued as a second tranche of the capital increase from the authorised capital. Finally, an additional 500 shares for subscription (ordinary shares) were created by the exercise of convertible bonds conversion rights 2010/2015 in December.

The no-par bearer shares in circulation during the reporting year were as follows:

NUMBER OF SHARES	2010	2009
1 January	**117,531,911**	**113,499,029**
Capital increase from reserves	0	3,988,170
Capital increase from contingent capital 2003/1, 2005/1 and 2006/1	45,764	44,712
Capital increase from authorised capital 2009/1 and 2010/1	58,765,955	0
31 December	**176,343,630**	**117,531,911**

No preference shares were converted into ordinary shares (previous year: 1,675,373 shares) after the reporting date.

Authorised capital 2009/1

Based upon a decision from the Annual General Meeting of 18 June 2009, a new authorised capital amount 2009/1 was approved and the existing authorised capital cancelled. The authorised capital 2009/1 is as follows: The Executive Board is authorised, with the consent of the Supervisory Board, to increase the Company's share capital by up to € 54,526,653.00 (authorised capital 2009/1), on one or more occasions up to 31 May 2014, by issuing up to 54,526,653 new ordinary bearer shares at no par value and/or preference shares with or without voting rights (unit shares) in return for contributions in kind and/or cash contributions. At the same time, the Executive Board is authorised, with the consent of the Supervisory Board, to determine a different starting time for profit sharing from that required by law. The authorisation includes the authority to issue additional preference shares with or without voting rights, which rank ahead of or equal to the preference shares issued on the basis of the authorisation of the Annual General Meeting on 18 June 2009. The Executive Board is authorised, with the consent of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights as well as to determine the further details of each capital increase and the terms and conditions for the issuance of shares. This change was registered at the commercial register on 13 July 2009.

The authorised capital 2009/1 was partially used during 2009. 3,988,170 new shares from the authorised capital 2009/1 were issued under this capital increase against contribution in kind. The registration of the capital increase in the commercial register occurred on 2 October 2009.

The authorised capital 2009/1 was € 50,538,483.00 as of 1 January 2010. During the 2010 reporting year, a capital increase was performed in two tranches based upon the authorised capital 2009/1. As part of this first tranche, 9,900,000 shares were issued from the authorised capital 2009/1; as part of the second tranche, 40,638,483 shares were issued from the authorised capital 2009/1. The registration of the first tranche was entered in the commercial register on 29 September 2010, and the registration of the second tranche occurred on 13 October 2010. The authorised capital 2009/1 was thus fully utilised.

Contingent capital 2010/1
At the Annual General Meeting of 24 June 2010, an additional authorised capital 2010/1 was approved as follows: The Executive Board is authorised, with the consent of the Supervisory Board, to increase the Company's share capital by up to € 8,227,472.00 (authorised capital 2010/1), on one or more occasions up to 23 June 2015, by issuing new ordinary bearer shares and/or preference shares with or without voting rights in return for contributions in kind and/or cash contributions. The authorisation includes the authority to issue additional preference shares with or without voting rights, which rank ahead of or equal to the preference shares issued based either on the authorisation pursuant to section 4 (4) of the Articles of Association in the version of the resolution from 18 June 2009 or based upon the authorised capital 2010/1. Subscription rights must be granted to shareholders. Subscriptions rights may be granted indirectly to shareholders pursuant to section 186 (5) of the German Corporation Act (AktG). In addition, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude fractional amounts from the subscription rights of shareholders and to exclude the subscription rights on the issuance of shares for contributions in kind or for shares issued to employees of the Company or its affiliates. Furthermore, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right of shareholders if the new shares are issued for an amount not significantly below the market price for shares of the Company with similar rights.

During the 2010 reporting year, a capital increase based upon the authorised capital 2010/1 was effected and as a result, the authorised capital 2010/1 was fully utilised. The capital increase was entered in the commercial register on 13 October 2010.

Contingent capital 2003/1
For the purposes of fulfilling subscription rights under the stock option programme 2003 (ESOP I), the Annual General Meeting of 23 August 2004 approved a contingent capital increase of the Company's equity, which because of capital increases from reserves in 2004, 2005 and 2006 had increased in the same ratio as the share capital in accordance with section 218 AktG.

As of 1 January 2010, the contingent capital 2003/1 amounted to € 164,496.00.

Up to 31 December 2010, 45,264 shares were issued from the contingent capital 2003/1. As of 31 December 2010, the contingent capital 2003/1 totalled € 119,232.00.

Contingent capital 2005/1
For the purposes of fulfilling subscription rights under the stock option programme 2005 (ESOP II), the Annual General Meeting on 16 August 2005 approved a contingent capital increase of the Company's shareholders' equity, which because of the capital increases from reserves in financial years 2005 and 2006 has increased in the same ratio as the share capital in accordance with section 218 AktG.

As of 1 January 2010, the contingent capital 2005/1 amounted to € 493,958.00.

No shares were issued from the contingent capital 2005/1 during the reporting period. At the end of the year, the contingent capital 2005/1 therefore still amounted to € 493,958.00.

Contingent capital 2006/1
The contingent capital 2006/1, approved at the Annual General Meeting of 29 June 2006, as amended several times by resolution of Annual General Meetings, was changed most recently by the decision of the Annual General Meeting of 24 June 2010 and states as follows:

The share capital is contingently increased by up to € 52,351,059.00 by the issue of up to 52,351,059 new ordinary bearer shares each with a pro rata amount of the share capital of € 1.00 (unit shares) (contingent capital 2006/1). The contingent capital increase is implemented only to the extent that the bearers or creditors of options or conversion rights, or persons obligated to exercise options or convert rights, make use of these rights from bonds/options that were or will be issued either by the Company or a group subsidiary of the Company or were or will be guaranteed by the Company, pursuant to the authorisation of the Executive Board by the Annual General Meetings of 29 June 2006, 26 June 2008, or 24 June 2010, or only in so far as they are obligated to exercise the option or conversion rights and they fulfil their obligation to exercise the option or conversion, or, if the Company exercises its option to deliver shares of the Company instead of a complete or partial payment of the amount of money due, then only in so far as a cash settlement is not made or treasury shares or shares of another publicly listed company are not used to settle the obligation. Issuance of the new shares is performed based upon the option or conversion price pursuant to the respective authorisation resolutions. New shares issued from the contingent capital are entitled to a share of the Company profits from the start of the financial year in which they are issued. The Executive Board is authorised, with the consent of the Supervisory Board, to define the further details of the implementation of the contingent capital increase.

This registration in the commercial register occurred on 15 September 2010.

The contingent capital 2006/1 is used to fulfil the conversion rights of the convertible bonds issued by a group subsidiary of the Company in February 2007 pursuant to the authorisation of the Executive Board by the Annual General Meeting of 29 June 2006 and also those conversion rights issued in May 2009 pursuant to the authorisation of the Management Board by the Annual General Meeting of 26 June 2008. Furthermore, the contingent capital 2006/1 is used to fulfil the conversion rights of the convertible bonds issued by the Company in October 2010 pursuant to the authorisation of the Executive Board by the Annual General Meeting of 24 June 2010. Finally, the contingent capital 2006/1 is used to fulfil the option or conversion rights and the option or conversion obligations of the convertible bonds issued either by the Company or a group subsidiary of the Company or guaranteed by the Company pursuant to the authorisation of the Executive Board by the Annual General Meeting of 24 June 2010.

The convertible bond is described in Note 7.14.

The contingent capital 2006/1 was € 43,621,323.00 in total as of 1 January 2010. By resolution of the Annual General Meeting on 24 June 2010 the contingent capital was changed and increased to € 52,351,059.00. This change was registered at the commercial register on 15 September 2010.

Up to 31 December 2010, 500 shares were issued from the contingent capital 2006/1. At the end of the year, the contingent capital 2006/1 amounted to € 52,350,559.00.

Contingent capital 2007/1

The Executive Board was authorised by the Annual General Meeting on 14 June 2007, subject to the consent of the Supervisory Board, to issue up to 5,756,442 options to current and future employees, members of the Executive Board, members of the management bodies and employees of existing or future affiliated companies on one or more occasions up to 31 May 2011. These will entitle the purchaser to acquire new shares in Q-Cells in accordance with the option conditions (stock option programme 2007). If options are to be issued to members of the Company's Executive Board, they may only be issued by the Supervisory Board.

The terms and conditions of the employee participation programme 2007 were amended by the decisions of the Annual General Meetings from 26 June 2008, 18 June 2009 and 24 June 2010.

The contingent capital 2007/1 was € 5,756,442.00 as of 1 January 2010. By resolution of the Annual General Meeting on 24 June 2010, the contingent capital 2007/1 was changed. The value of the contingent capital 2007/1 totalling € 5,756,442.00 remained unchanged. This change was registered at the commercial register on 29 July 2010.

No shares were issued from the contingent capital 2007/1 during the reporting period. At the end of the year, the contingent capital 2007/1 amounted to € 5,756,442.00.

Capital increase

On 27 September 2010, the Executive Board of Q-Cells SE, with the consent of a Supervisory Board committee especially formed for this purpose, decided upon a series of measures to secure the availability of medium-term financing at an early stage. The package of measures includes a capital increase totalling up to € 58,765,955.00 through issuance of up to 58,765,955 new, ordinary bearer shares in return for cash contributions and the issuance of a new convertible bond with a maturity in October 2015 that is convertible into 29,394,293 ordinary shares; each of these measures includes subscription rights for the ordinary and preference shareholders. Furthermore, an offer to repurchase a portion of the outstanding convertible bond due in February 2012 is included as part of the package.

On 28 September 2010, as part of an accelerated book-building procedure, the first portion of the capital increase involving 9,900,000 new shares was issued, as a first step, in a private placement to institutional investors. This placement was registered in the commercial register on 29 September 2010. In this advance placement, the consortium of underwriter banks placed shares they received based upon subscription rights that Good Energies (Solar Investments) S.à r.l. had initially sold to the bank consortium. Based upon the € 3.60 initial placement price for the shares (ex rights), the subscription price for the new shares was fixed at € 2.16.

After the expiration of the deadline for subscription of the new shares, which extended from 29 September 2010 until 12 October 2010, the second portion of the capital increase totalling 48,865,955 shares or € 48,865,955.00 was registered in the commercial register. The issue price for the 48,334,949 new shares was € 2.16. The subscription rights for 531,006 shares of the second portion of the capital increase were not exercised during the subscription period. These shares were placed on the stock market on 13 October 2010 at an average price of € 3.47.

Stock option programmes
On the basis of the stock option programmes approved by the Annual Shareholders' Meetings in 2003 (ESOP I), 2005 (ESOP II) and 2007/2008 (ESOP III), stock options were issued to members of the Executive Board and employees of Q-Cells SE and to managing directors and employees of affiliated companies. Accordingly, these beneficiaries can, subject to certain preconditions, acquire Q-Cells shares at an established exercise price under defined conditions. Alternatively, those entitled to acquire the shares may also be granted a cash settlement at the discretion of the Executive Board, although the Company's Executive Board does not anticipate payment of a cash settlement. The stock options will lapse within preset deadlines (vesting period) if a person entitled to acquire the shares resigns his or her employment with the Company or an affiliated company or their employment is terminated without their immediately being given new employment with another affiliated company.

The respective stock option programmes are subject to the same general terms and conditions. However, there are differences in the movement in the Q-Cells share price required to exercise the options as well as in the vesting period and the term of the options.

On issue, the vesting period for option rights under ESOP I was staggered between two and four years (25.0 % after two years, another 25.0 % after three years and the remaining 50.0 % after four years). Furthermore, option rights under ESOP I may only be exercised if the stock exchange price within the last five consecutive days on the stock exchange previous to exercising subscription rights has been at least 33.0 % over the exercise price on each day at the time of issue.

On issue, option rights under ESOP II become vested in stages over two and three years from issue (1/3 after one year, 1/3 after two years and 1/3 after three years, or 1/2 after one year and 1/2 after two years). Option rights under ESOP II may only be exercised if the share price within the last five consecutive days on the stock exchange previous to exercising the option is above the exercise price at the time of issue each day and the performance of the stock price of the Q-Cells share (measured by the average price of the Q-Cells share over the last five consecutive days on the stock exchange previous to exercising the option) exceeds the performance of the index which includes the Q-Cells share cumulatively since issue by at least 10 % per year. If Q-Cells is not included in any index, the TecDAX or a comparable successor index may be used, this being specified by the Supervisory Board if necessary.

Option rights granted under ESOP III as part of the tranche issued up until the end of 2009 may only be exercised if the person entitled to acquire the shares is still employed within the Q-Cells Group, provided that the share price on exercise of the option is above the exercise price at the time of issuance, and provided that the performance of the Q-Cells share price (as measured using the average price of the Q-Cells price per share during the last ten consecutive trading days prior to exercise of the option) exceeds the performance of an artificial index mix (consisting of 50.0 % TecDAX and 50.0 % DAX) by at least 10 % annually on a cumulative basis since the issuance of the option.

Each fixed exercise price of the options issued until the conclusion of the capital increase in October 2010 under the ESOP III programme was modified effective 2 December 2010 by a resolution of the Supervisory Board, in order to offset the dilution effects associated with the capital increase. The increase in the fair value of the options granted and the associated personnel expenses as a result of this change is insignificant.

The modification was made to the effect that the initially determined value of a subscription right as part of the capital increase was then deducted from the originally fixed exercise price. This advantage for the option holder led to a value increase between 1 and 8 eurocent per option for the four tranches affected. This increase, however, had no significant effects in 2010 given the remaining vesting periods associated with each tranche. The calculation of this increase in value was done using the same principles as otherwise used for the calculation of option values in connection with the issuance of stock options.

The table below summarises the change in number of outstanding share options:

	ESOP I		ESOP II		ESOP III	
	Weighted average exercise price €	Number of shares eligible for subscription	Weighted average exercise price €	Number of shares eligible for subscription	Weighted average exercise price €	Number of shares eligible for subscription
1 Jan. 2009	1.37	209,208	21.67	239,169	69.42	162,500
Options granted	–	–	–	–	14.68	945,914
Options forfeited	–	–	25.01	4,713	25.92	254,177
Options exercised	1.36	44,712	–	–	–	–
31 Dec. 2009/1 Jan. 2010	1.36	164,496	21.60	234,456	21.80	854,237
Options granted	–	–	–	–	5.04	450,000
Options forfeited	–	–	69.13	12	29.41	399,836
Options exercised	1.36	45,264	–	–	–	–
Options expired	–	–	12.88	161,266	–	–
31 Dec. 2010	**1.36**	**119,232**	**40.82**	**73,178**	**9.41**	**904,401**
Options exercisable at the end of the period	1.36	28,704	40.82	–	–	–
Weighted average share price in € when the option was exercised	–	5.50	–	–	–	–
Weighted average residual contract term in months	–	37	–	7	–	47

ESOP I subscription rights may be converted into shares at an exercise price of € 1.36 (previous year: € 1.36). Subscription rights under ESOP II and ESOP III may be converted at fixed prices as follows:

Price €	ESOP II Number	ESOP III Number
2.63	5,990	–
4.68	–	200,000
5.32	–	250,000
13.75 (adjusted)	–	454,401
32.88	406	–
34.07	25,000	–
37.29	24,579	–
69.13	17,079	–
73.43	124	–
	73,178	**904,401**

In the financial year 2010 no expenses have been incurred in relation to ESOP I (as in the previous year). The expenses recognised in the reporting period in respect of ESOP II amount to € 0.0 million (previous year: € 0.1 million) and in respect of ESOP III € 1.2 million (previous year: € 2.8 million). In the 2010 financial year, the number of all options that will probably be exercised from all relevant stock option programmes was newly estimated, resulting in a correction of the expense recorded in the income statement of € 2.6 million (previous year: € 2.1 million).

Options granted in 2010

Two further tranches were issued in 2010 from the 2007 stock option programme authorised by the Annual General Meeting of 14 June 2007. These tranches create subscription rights for 450,000 shares in total. The stock option programme 2007 (ESOP III) allows present and future members of the Executive Board and present and future employees of the second management level and other employees of Q-Cells to purchase no-par shares of the Company at a fixed price based upon certain pre-defined terms and conditions.

	ESOP 3.2a	ESOP 3.2b
Issue date	1 Sep. 2010	1 Oct. 2010
Share price on the issue date	5.25 €	3.94 €
Exercise price per share	6.25 €	5.61 €
Vesting period	4 years	4 years
Expected average term of the option	6 years	6 years
Expected volatility in the share price	0.70	0.69
Dividend yield	1.0% from 2014	1.0% from 2014
Risk-free interest rate	1.56%	1.65%
Number of options issued	250,000	200,000

From the options issued as part of tranche ESOP 3.2a, 150,000 shares were issued to Dr Marion Helmes and 100,000 shares were issued to Hans-Gerd Füchtenkort. All options of tranche ESOP 3.2b were issued to Dr Nedim Cen.

Option rights granted under ESOP III as part of tranche 3.2a and 3.2b may be exercised, at the earliest, four years after their issuance and provided that the share price on exercise price at the time of issuance and provided that the performance of the Q-Cells share price (as measured using the average price of the Q-Cells share during the last ten consecutive trading days prior to exercise of the option) exceeds the performance of the Photovoltaik Global 30 Index calculated by Deutsche Börse, the German Stock Exchange.

Based upon the assumptions presented here and the exercise criteria listed above, the relevant fair value of the options (subscription rights for a share) for the tranches ESOP 3.2a and ESOP 3.2b were calculated to be € 2.70 and € 1.90 respectively. The fair value was determined on the basis of the Monte-Carlo simulation. The volatility was established on the basis of historical volatility, based on the peer group over the past year, past two years and past three years. As a result of the exercise criteria, an assumption is made and considered in the calculation that options are exercised at an early stage (i.e. as soon as all criteria are met).

Subsequent to the balance sheet date, on 3 January 2011, two further tranches of the 2007 ESOP III share option programme were granted with a total of options over 3,234,000 shares.

Capital reserves

On 27 September 2010, the Executive Board of Q-Cells resolved, with the consent of the Supervisory Board, to issue an unsubordinated and unsecured convertible bond. Details of the convertible bond are provided in Note 7.14.

This convertible bond is a hybrid structured financial instrument in accordance with IAS 32.28, containing both liability components and equity elements (right to subscribe to shares). These components are calculated and disclosed separately when accounting for the bond. The fair value of the equity component is € 33.2 million. In accordance with IAS 32.38, the transaction costs incurred of € 6.6 million have been allocated in the ratio of the liability and equity components to those component elements.

As of 31 December 2010, the equity component is reported in capital reserves at a net figure of € 31.5 million resulting from the pro-rata transaction costs recorded directly in shareholders' equity totalling € 1.7 million.

As part of the capital increase described above, a total of 58,765,955 new ordinary bearer shares were issued in financial year 2010. The amount exceeding par value, totalling € 60.8 million, was recorded directly in capital reserves. Transaction costs totalling € 8.0 million were deducted as part of the accounting for the capital increase.

During financial year 2010, Q-Cells made a partial redemption of the convertible bond issued in 2007 (see Note 7.14). The reduction of the equity components is reflected in a reduction of capital reserves amounting to € 26.1 million.

Revenue reserves and other reserves

Revenue reserves include accumulated retained earnings of previous years and the current year's net income. In 2010, € 0.0 million (previous year: € 0.9 million, corresponding to 3 eurocents per preference share) was paid in dividends to the preference shareholders.

Other reserves include income and expenses recognised directly in equity. They relate primarily to currency effects. The movements in 2009 are attributable to REC.

Changes in revenue reserves and other reserves are presented in the Group's statement of changes in consolidated equity.

Proposal for the appropriation of accumulated profits

Distributions to the Q-Cells SE shareholders are approved on the basis of the annual financial statements of Q-Cells SE prepared in accordance with the provisions of the German Commercial Code.

The loss for the period of € 75.2 million was offset within equity by a transfer from other revenue reserves of € 76.8 million. The Q-Cells SE Executive Board will propose a resolution to apply net reserves of € 1.6 million for the payment of a preference share dividend of € 0.8 million for each of the years 2009 and 2010 at the Shareholders' Annual Meeting on 23 June 2011.

Non-controlling interests

Non-controlling interests in equity and results in 2009 were attributable to third party shareholdings in VHF and Calyxo GmbH. As a result of the deconsolidation of both companies during the financial year, there are no longer any non-controlling interests as of 31 December 2010.

7.14 CONVERTIBLE BONDS

The liabilities from convertible bonds disclosed in the balance sheet represent the liability components of the convertible bonds issued in February 2007, in May 2009 and October 2010. As of 31 December 2010, the carrying amount of the convertible bond issued in February 2007 amounts to € 187.8 million (previous year: € 443.0 million). The carrying amount of the convertible bond issued in May 2009 amounts to € 230.9 million as of 31 December 2010 (previous year: € 226.1 million), and the carrying amount of the convertible bond issued in October 2010 is € 91.5 million as of 31 December 2010. The terms of the convertible bond end on 28 February 2012 (convertible bond 2007), on 26 May 2014 (convertible bond 2009) and on 21 October 2015 (convertible bond 2010).

The unsubordinated and unsecured convertible bonds issued in 2007 and 2009 were issued by Q-Cells International Finance B.V.; Q-Cells SE has provided Q-Cells International Finance B.V. with guarantees. Q-Cells SE issued an unsubordinated and unsecured convertible bond in 2010.

The total value of the convertible bond issued in the financial year 2010 amounted to € 128.7 million on the issue date of 21 October 2010. On the basis of the conversion price (€ 4.38), the convertible bond is convertible into up to 29,394,293 Q-Cells ordinary no par value (unit) shares. The conversion price corresponds to a premium of 27.5 % above the reference price for Q-Cells ordinary shares on issue of € 3.43 per share. The convertible bond's coupon was set at 6.75 %. The term of the convertible bond ends on 21 October 2015.

The convertible bond was approved for trading on the Frankfurt Stock Exchange on 21 October 2010. The convertible bond is a hybrid structured financial instrument, containing both liability components (right to interest and repayment) and equity elements (right to subscribe to shares) from the issuer's perspective. These components are calculated and disclosed separately when accounting for the bond. Initially, the fair value of the liability component (€ 95.5 million) was determined using a Cox-Ross-Rubinstein model.

The effective interest rate of 15.05 % was then determined from this fair value, taking transaction costs as well as the anticipated future cash flows into account, with an assumed term of five years. The fair value of the equity component is € 33.2 million. The residual amount is calculated from the total proceeds of the issue of the bond less transaction costs and the fair value of the liability component. The equity component is not subject to any adjustments following initial recognition.

In October 2010, Q-Cells repurchased € 281.8 million of the nominal value of the convertible bond due in February 2012 at a price of 94.5 % using its wholly-owned subsidiary Q-Cells Malta Ltd. After this purchase, third-party creditors still hold € 210.7 million of the nominal value of the € 492.5 million total nominal value of the convertible bond. Cash and cash equivalents totalling € 266.3 million were used for the repurchase.

In December 2010, Q-Cells Malta Ltd., a wholly-owned subsidiary of Q-Cells SE, repurchased convertible bonds with a nominal value of € 9.0 million due in February 2012 at a price of 92.5 %. After this purchase, third-party creditors still hold € 201.7 million of the nominal value of the total € 492.5 million nominal value of the convertible bond. Cash and cash equivalents totalling € 8.3 million were used for the repurchase.

In January 2011, Q-Cells Malta Ltd., a wholly-owned subsidiary of Q-Cells SE, repurchased further convertible bonds with a nominal value of € 3.0 million due in May 2014 at a price of 69.0 %. After this purchase, third-party creditors still hold € 247.0 million of the nominal value of the total € 250.0 million nominal value of the convertible bond. Cash and cash equivalents totalling € 2.1 million were used for the repurchase.

Since February 2009, Q-Cells International Finance B.V. has been entitled to cancel the convertible bond issued in February 2007. The precondition for termination is that Q-Cells' share price amounts to at least 130.0 % of the conversion price on 20 trading days in a period of 30 trading days or the total amount of the outstanding bond falls to 15.0 % or less of the original amount.

Terminating the convertible bond issued in May 2009 by Q-Cells International Finance B.V. is possible from 26 May 2012, subject to the precondition that, on at least 20 trading days within a period of 30 consecutive trading days, the share price amounts to at least 250.0 % of the conversion price applicable on these trading days.

Q-Cells SE is entitled to an early redemption of the convertible bond issued in October 2010 starting from 21 October 2013. The precondition for termination is that Q-Cells' share price amounts to at least 150.0 % of the conversion price on 20 trading days in a period of 30 trading days or the total amount of the outstanding bond falls to 15.0 % or less of the original amount.

The conversion prices of the convertible bonds issued in 2007 and 2009 were modified to offset the dilution effects from the capital increases in 2010; the conversion prices decreased from € 66.79 to € 56.62 and from € 22.94 to € 19.45 respectively.

7.15 BORROWINGS

The increase in non-current loan liabilities results primarily from the remeasurement of the foreign currency denominated loan extended to Q-Cells Malaysia by the Malaysian government; the value of this loan as of the reporting date was € 198.1 million (previous year: € 162.4 million). On 29 June 2009, Q-Cells Malaysia entered into a loan agreement for MYR 850 million with a term of five years, which is secured on machines and fixtures from the Malaysian factory.

Non-current loan liabilities to banks are € 1.2 million (previous year: € 5.8 million) as of the reporting date.

7.16 DEFERRED INCOME FROM GOVERNMENT GRANTS

Deferred income under this item represents non-current amounts from "income from government grants", relating to investment grants of € 7.6 million (previous year: € 45.8 million) awarded as part of the regional economic structure improvement programme, as well as investment subsidies of € 40.8 million (previous year: € 10.9 million).

	31 Dec. 2010 € million	31 Dec. 2009 € million
Income from government grants	48.4	56.7
Benefit of loans on favourable terms	6.9	7.8
	55.3	**64.5**

The companies receive government grants in connection with creating and expanding manufacturing capacity. However, these government grants depend, in principle, on adherence to certain specifications and conditions that may extend over a period of several years into the future. Should Q-Cells not continue to meet these conditions, an obligation to make a partial or complete repayment of government grants may result, with an associated negative effect on Q-Cells' financial position. Any such repayment obligations are reflected in the balance sheet.

The loan drawn by Q-Cells Malaysia was concluded with the Malaysian government at an interest rate below market rates.

7.17 PROVISIONS

The provision for restructuring measures established in connection with Reloaded (restructuring provision) includes costs for capacity adjustment measures expected to be incurred in the 2011 financial year. Four production lines at the Bitterfeld-Wolfen, OT Thalheim site were closed at the end of 2009. Grant repayment obligations originally estimated at € 46.8 million also resulted from this measure. This amount comprised income from government grants deferred without affecting profit or loss in the amount of € 25.0 million, the recognition of liabilities for grants which had already been accounted for through profit and loss in the amount of € 16.8 million and interest of € 5.0 million. A provision was also recognised in respect of redundancy expenses of € 5.6 million due to job cuts and for a transfer company.

A total of € 22.7 million of the provision for these restructuring measures was released effective 31 December 2010. For part of the deferred subsidy repayment obligations, the criteria for establishing the provision was ceased to apply in the reporting period so that a corresponding amount was released. Insofar as expenses were recognised to establish the provision, the reversal of € 9.2 million is included under other operating income. On the other hand, the release of a provision without affecting profit or loss first leads to an increase in deferred investment grants without affecting profit or loss (€ 10.7 million). However, since additional impairments of capital assets were recognised in the context of the restructuring, the deferred investment grants were also partially transferred to income. The provision for interest was also reversed in the amount of € 2.8 million.

The provision for onerous contracts of € 25.7 million (previous year: € 54.6 million) in 2011 primarily includes expected losses expected in 2011 on possible compensation payments totalling € 15.0 million (previous year: € 40.0 million). A partial release of provisions made for this risk with an associated credit to income was made in the current year, since the negotiating position with the affected supplier is considered to have improved significantly such that the criteria for establishing the provision no longer apply. A provision of € 8.5 million has been established for onerous module purchase agreements (expected utilisation of the provision in 2012).

Q-Cells provides guarantees for its products as a manufacturer and seller of photovoltaic cells and is thus subject to warranty risks. The Q-Cells Group guarantees that delivered cells achieve at least 90 % of nominal performance for 10 years. Furthermore, Q-Cells guarantees performance of at least 80 % of the contractually agreed minimum performance for solar modules for a maximum period of 25 years from the date shipped from the factory, and of at least 90 % for a period of 10 years from the date shipped from the factory. There were no significant claims in financial year 2010.

The guarantee provisions for production cover long-term guarantees usual in the industry on cells and modules (10 to maximal 25 years) and solar parks (5 to maximal 25 years). The non-current portion of the provision in the amount of € 12.5 million (previous year: € 11.0 million) was discounted using an interest rate of 0.56 % to 3.59 % corresponding to the remaining term (previous year: 3.5 %); the current portion is € 4.4 million (previous year: € 4.3 million). Since Q-Cells Group and its competitors have only been producing solar cells and solar modules for a comparatively short period, the calculation of guarantee provisions is inherently uncertain. The guarantee provision estimates are based mainly on the product warranty expenses established by Q-Cells from historic data available within the Group. Changes to these assumptions could impact upon the Company's results in the future. Q-Cells believes that the guarantee provisions as reported represent the best estimate on the reporting date based on past experience.

Other provisions mainly consist of the provision for module return and disposal since Q-Cells has a constructive obligation to its customers in this regard.

	Restructuring € million	Guarantees € million	Onerous contracts € million	Other € million	Total € million
1 January 2010	**52.4**	**15.3**	**54.6**	**1.2**	**123.5**
thereof non-current	0.0	11.0	9.9	0.0	**20.9**
Utilised	–4.8	–0.7	–3.9	–0.6	**–10.0**
Unwinding of discounting	0.0	0.3	0.0	0.0	**0.3**
Reversal	–22.7	–4.8	–27.2	–0.1	**–54.8**
Changes in entities consolidated	0.0	–0.2	0.0	–1.0	**–1.2**
Addition	1.1	7.0	2.2	5.3	**15.6**
31 December 2010	**26.0**	**16.9**	**25.7**	**4.8**	**73.4**
thereof non-current	0.0	12.5	10.7	3.0	**26.2**

7.18 OTHER LIABILITIES

Other non-current liabilities in financial year 2010 include the non-current portion of prepayments received on orders. In the previous year, this also includes € 0.3 million in other non-current liabilities.

7.19 DEFERRED TAXES

Changes in this balance sheet item are presented in Note 6.10.

7.20 BORROWINGS AND PROFIT PARTICIPATION CAPITAL

Current financial liabilities to banks as at the balance sheet date amount to € 72.2 million (previous year: € 56.6 million) and relate to interim financing for various projects in Finsterwalde and the surrounding areas. The two loans issued in September 2010 are secured by cash deposits of equal amount in favour of the bank. Accordingly, restrictions apply to those balances.

Profit participation capital of € 14.9 million is reported under current financial liabilities. On 24 November 2004, the Annual Shareholders' Meeting approved the issue of profit participation rights. This amount of € 15.0 million, less transaction costs of € 0.6 million, was paid to Q-Cells by PREPS 2004–2 Ltd. on 10 December 2004. The capital has a term until November 2011.

Profit participation rights include a fixed and profit-related remuneration component. The fixed interest component (guaranteed income) is 7.5% p.a., while the profit-related remuneration component (profit participation) has been agreed as follows:

a) a total of 7.5% p.a. up to adjusted net income for the year of € 45.0 million
b) a total of 8.5% p.a. when adjusted net income for the year is between € 45.0 million and € 55.0 million
c) a total of 9.5% p.a. from an adjusted net income for the year of € 55.0 million

The profit share is reduced by the guaranteed profit share. Profit participation rights are subordinate to all current and future creditor claims.

In addition borrowings and profit participation capital includes € 7.9 million (previous year: € 6.9 million) of accrued coupon interest payable in 2011 for convertible bonds.

The current financial liabilities have a remaining term of up to one year.

7.21 TRADE PAYABLES

Trade payables include net liability balances on manufacturing contracts of € 3.4 million (previous year: € 0.0 million). These credit balances result from prepayments received in the amount of € 4.7 million (previous year: € 0.0 million) that exceed the receivables from those customers for the associated manufacturing contracts.

Payables denominated in foreign currencies are converted at the rate on the transaction date and subsequently revalued at the rate applicable on the closing date. On the balance sheet date, there were foreign currency receivables of € 71.4 million (previous year: € 3.6 million).

7.22 OTHER FINANCIAL LIABILITIES

Other non-current financial liabilities as of 31 December 2010 include a discounted liability denominated in US dollar in the amount of € 43.3 million from a delivery contract concluded with Q-Cells and a financial liability to LQ of € 63.0 million.

As of 31 December 2009, this item included liabilities to at-equity investments. These related to LQ (€ 63.0 million) and Sunfilm AG (€ 48.1 million).

In the previous year, the amounts specified above were reported under other current liabilities in the balance sheet.

7.23 TAX LIABILITIES

Tax liabilities primarily include liabilities for corporate tax, solidarity surcharge, trade tax and foreign taxes.

7.24 DEFERRED INCOME FROM GOVERNMENT GRANTS

Deferred under this item are current amounts from Income from government grants, relating to investment grants of € 0.8 million (previous year: € 6.0 million) under the community task of improvement of the regional economic structure and investment subsidies of € 6.1 million (previous year: € 0.7 million).

	31 Dec. 2010 € million	31 Dec. 2009 € million
Income from government grants	6.9	6.7
Benefit of loans on favourable terms	2.5	2.1
Expense-related grants	0.0	0.4
	9.4	**9.2**

The companies receive government grants in connection with creating and expanding manufacturing capacity. However, these government grants depend, in principle, on adherence to certain specifications and conditions that may extend over a period of several years into the future. Should Q-Cells not continue to meet these conditions, an obligation to make a partial or complete repayment of government grants may result, with an associated negative effect on Q-Cells' business position. Any such repayment risks are reflected in the balance sheet.

The loan drawn by Q-Cells Malaysia was concluded at an interest rate below market rates.

7.25 OTHER LIABILITIES

The current liabilities at the balance sheet date are as follows:

	31 Dec. 2010 € million	31 Dec. 2009 € million
OTHER LIABILITIES		
Current portion of payments received on account of orders	7.6	10.0
Liabilities to at-equity investments	1.9	11.7
Wage tax and social security liabilities	1.5	1.1
VAT liabilities	0.1	8.8
DEFERRED LIABILITIES		
Personnel-related liabilities	17.1	8.6
Other current liabilities and other deferred liabilities for the current year	17.3	20.5
	45.5	**60.7**

The reduction in liabilities to associated companies is a result of payments made to Sovello AG (see Note 4.3).

8. NOTES TO THE CASH FLOW STATEMENT

Liquid funds include cash and cash equivalents of € 473.9 million (previous year: € 411.9 million) less restricted cash of € 113.3 million (previous year: € 36.3 million). Cash and cash equivalents not disclosed under liquid funds represent amounts which serve as collateral for bank guarantee credit facilities and interim financing.

In the reporting period, cash provided by operating activities amounted to € 70.2 million (previous year: outflows of € 109.9 million), which is mainly due to a balanced result and the lesser increase in inventories and receivables compared to the previous year. Investments of € 118.7 million (previous year: € 310.2 million) in property, plant and equipment and intangible assets to expand production facilities led to cash outflows for investing activities. These were mainly for the acquisition of equipment and machinery for the new production lines 2, 3 and 4 at the Malaysia site and the new production line of Solibro GmbH built in 2010.

The amount of € 94.8 million reported under payments in investments for 2010 relates to Sunfilm AG (€ 48.7 million), Sovello AG (€ 9.9 million) and LQ (€ 29.8 million) (see Note 4.3) as well as Calyxo (€ 6.4 million). With regards to the payments to Sunfilm and Sovello, corresponding liabilities were recorded effective 31 December 2009 which increased the carrying values of the investments but were then fully written off.

On the other hand, distributions from investments of € 65.9 million, repayments of loans made of € 104.6 million and payments received from investment grants of € 25.7 million had a positive impact.

The payments for the sale of business operations of € 10.3 million in financial year 2010 included consideration received for the sale totalling € 4.6 million, all of which was in cash.

In the fourth quarter of 2010, Q-Cells SE received € 127.7 million by issuing capital and € 128.7 million by issuing a convertible bond. A large portion of the convertible bond of € 277.3 million issued in 2007 was redeemed with the proceeds. Loans were also taken out for interim project financing of € 119.1 million (€ 72.2 million restricted); € 98.5 million has already been repaid in 2010.

Changes in balance sheet items used in preparing the cash flow statement cannot be directly derived from the balance sheet, since effects from non-cash business transactions have been eliminated.

9. SEGMENT REPORTING

SEGMENT REPORTING

New segment structures and management units were created in the course of the strategic realignment of the Group and the focus on the core business in the second quarter of 2010. Management's reporting measurements for the segments at the executive level has also changed as a result.

The former new technologies segment in particular is no longer required following the decision to focus on core business; accordingly the sale of most of the companies assigned to this segment was approved in the first quarter of the reporting year, and largely implemented in the meantime. The Solibro subgroup which develops and produces the CIGS modules has been retained and is now included in the products segment. The REC segment was already shown as discontinued in 2009 as a result of its sale.

For management purposes the Group reports to the Executive Board (as chief operating decision maker) in two reportable segments independent of the legal structure:

- **Products:** Production and sale of solar cells from monocrystalline and polycrystalline silicon, and production and sale of such modules; in addition the development, production and sale of modules based on CIGS thin-film technology.

- **Systems:** Development, installation and maintenance of photovoltaic systems, including large-scale systems and medium-sized industrial and commercial systems.

The segment results of the business units are monitored by the Executive Board as a whole in order to make decisions on the allocation of resources and assess the profitability of the units. The segment result before interest and taxes (EBIT) is used as the primary measure of segment results.

Segment assets and liabilities are measured by reference to segment specific net working capital (NWC) by the Executive Board. Since the Group's regular reporting to the Executive Board does not include balance sheets by segment, the sum of the asset and liability items included in the NWC calculations serves as a surrogate for segment assets and segment liabilities.

Disclosures on the reportable segments are presented in the following table:

REPORTABLE SEGMENTS 1 JAN.–31 DEC.	**Products**	
	2010	**2009**
	€ million	**€ million**
External revenue	909.0	454.7
Inter-segment revenue	105.0	270.8
Total revenue	**1,014.0**	**725.5**
Segment result	56.0	–247.2
Included in the segment results are the following		
Depreciation	97.8	94.8
thereof planned depreciation	90.8	68.7
thereof impairment charges and write downs	10.5	26.1
Reversal of impairments	–3.5	0.0
Restructuring charges	0.0	0.0
Significant non-cash expenses	29.3	144.7
Write-downs of inventory and other assets and receivables	19.6	100.9
Additions to provisions (excluding restructuring)	9.7	43.8
Segment assets (assets with relevance for net working capital)	456.0	218.5
thereof at equity	–	–
Segment liabilities (equity and liabilities with relevance for net working capital)	–206.0	–136.5

Comparative figures were adjusted for the new segment structure and the related segment allocation principles pursuant to IFRS 8. Comparability with the previous year is nevertheless limited, especially with regards to the products segment, as significant volumes of business for modules on a crystalline cell basis were only first generated starting in June 2010.

Systems		Total reportable segments		Reconciliation		Q-Cells Group	
2010 € million	2009 (restated) € million	2010 € million	2009 € million	2010 € million	2009 € million	2010 € million	2009 (restated) € million
320.0	285.7	1,229.0	740.4	125.2	50.0	1,354.2	790.4
0.0	0.0	105.0	270.8	–105.0	–270.8	0.0	0.0
320.0	**285.7**	**1,334.0**	**1,011.2**	**20.2**	**–220.8**	**1,354.2**	**790.4**
9.0	–17.5	65.0	–264.7	47.3	–190.3	112.3	–455.0
0.6	0.0	98.4	94.8	1.5	58.7	99.9	153.5
0.6	0.0	91.4	68.7	1.5	5.5	92.9	74.2
0.0	0.0	10.5	26.1	0.0	53.2	10.5	79.3
0.0	0.0	–3.5	0.0	0.0	0.0	–3.5	0.0
0.0	0.0	0.0	0.0	1.1	33.2	1.1	33.2
7.4	36.0	36.8	180.7	0.0	0.0	36.8	180.7
2.5	19.9	22.2	120.8	0.0	0.0	22.2	120.8
4.9	16.1	14.6	59.9	0.0	0.0	14.6	59.9
191.0	415.0	647.0	633.5	1,532.3	1,594.3	2,179.4	2,227.7
62.2	92.9	62.2	92.9	–	–	62.2	92.9
–79.0	–108.3	–285.0	–244.8	–1,011.7	–1,246.0	–1,296.7	–1,490.7

Reconciliation

No segments were combined to create the two reportable segments described above. Non-reportable segments include the legal entities Q-Cells Clean Sourcing (electricity trading) and, only for a part of 2009, Sontor (manufacturer of thin-film modules) which was still in the start-up phase at the time. Both companies were fully consolidated subsidiaries while they were part of the Group and were not among the discontinued operations. Other activities include one-off items and non-operating items which cannot be attributed to the two reportable segments.

RECONCILIATION OF SEGMENT REVENUE	2010 € million	2009 € million
Total segment revenue for products and systems segments	1,334.0	1,011.2
Revenue of non-reportable segments	76.4	33.5
Other activities	48.8	16.5
Consolidation adjustments	–105.0	–270.8
Revenues as reported	**1,354.2**	**790.4**

External revenue reported in the systems segment in 2010 includes revenue with the Group's joint-ventures MQ and LQ totalling € 72,5 million and € 59,8 million respectively (see Note 7.3).

Sales of the products segment to other segments mainly involve the sale of products to Q-Cells International, the subgroup that manages the project business. Internal selling prices are based on regularly adjusted market prices, which is why the margin realised by the products segment from these transactions is not consistent over time. The intra-segment sales are eliminated on consolidation.

Sales of non-reportable segments related to electricity trading and for a portion of 2009 also to sales of Sontor thin-film modules. Sales reported under other activities is primarily a result of sales of raw materials.

Segment result

RECONCILIATION OF SEGMENT RESULTS	2010 € million	2009 € million
Total segment result of products and systems segments (EBIT)	65.0	–264.7
Result of non-reportable segments	0.9	–8.4
Other activities	10.6	–82.8
Consolidation adjustments	5.8	–6.5
Net operating result as reported	82.3	–362.4
Result from financial assets accounted for using the equity method	–4.9	–14.0
Financial result (as summarised in the Notes to the consolidated financial statements)	34.9	–78.6
Result before tax as reported	**112.3**	**–455.0**

Other activities included in the reconciliation refers to non-segment EBIT related income. Income from other activities in the reporting year mainly resulted from the pro-rata realisation of deferred income from government grants; the associated depreciation is included in the Products segment. In the comparative period, the most significant other activities included impairment of property, plant, and equipment (€ 53.2 million), additions to restructuring provisions (€ 33.2 million), and the Solibro acquisition-related credits to income from the valuation difference on CIGS technology (€ 31.1 million) and the lucky buy (€ 28.4 million).

RECONCILIATION OF NET WORKING CAPITAL	2010 € million	2009 € million
Total segment assets	647.0	633.5
Non-reportable segments	0.0	6.9
Consolidation adjustments	–18.0	–7.1
Non-current assets (excluding at-equity investments)	1,021.0	1,123.4
Financial assets at fair value through profit and loss	0.3	2.0
Other receivables and assets	52.5	57.2
Cash and cash equivalents	473.9	411.9
Assets held for sale	2.6	0.0
Total assets	**2,179.4**	**2,227.7**
Total segment liabilities	–285.0	–244.8
Non-reportable segments	0.0	–10.2
Consolidation adjustments	–3.9	–3.8
Non-current liabilities	–821.1	–974.9
Other financial liabilities (applicable only to part of prior year)	0.0	–48.1
Borrowings and profit participation capital	–95.1	–63.5
Tax liabilities	–23.1	–11.7
Deferred income from government grants	–9.4	–9.2
Financial liabilities at fair value through profit and loss	–0.2	–0.4
Provisions	–47.2	–102.6
Other liabilities (excluding downpayments received and certain accruals)	–11.7	–21.6
Total liabilities	**–1,296.7**	**–1,490.7**

Segment assets at the balance sheet dates comprise investments accounted for under the equity method, inventory, trade receivables, and other current financial assets.

Segment liabilities comprise trade payables, other current financial and non-financial liabilities. Other financial liabilities and other liabilities which are non-operating in character are excluded from the reportable segments, so that these positions, as reported in the balance sheet, are only partially allocated to reportable segments. The amounts not allocated are presented in the re-conciliation, and primarily includes € 48.1 million of liabilities recorded in 2009 to Sunfilm.

Significant non-cash expenses

The respective sums across the two reportable segments correspond to total expenses for the Group. Please refer to Notes 6.7, 7.7 and 7.17.

Restructuring costs
With regards to the expenses of € 33.2 million incurred in the previous year, please refer to Notes 5.3 and 6.7. The expenses in the reporting year represent an increase in provisions. Due to the non-recurring nature of the expenses, they are not allocated to the reportable segments.

Depreciation
The sum across all segments for the reporting year was virtually identical to the total expenses for the Group. Regular depreciation and amortisation in the previous year amounting to € 5.5 million are attributable to the non-reportable segments. Impairments of € 53.2 million are described in Note 5.3.

Entity-wide disclosures
The following table shows the segment analysis of sales revenues by geographic region:

	2010		2009	
	€ million	Share in %	€ million	Share in %
Germany	670.8	49.5	455.1	57.6
Rest of Europe	443.4	32.8	244.1	30.9
Asia	122.2	9.0	51.3	6.5
Africa	27.6	2.0	22.1	2.8
North America	74.3	5.5	16.8	2.1
Central and South America	1.0	0.1	0.9	0.1
Rest of the world	14.9	1.1	0.1	0.0
Revenues	**1,354.2**	**100.0**	**790.4**	**100.0**
Export ratio		**50.5**		**42.4**

The above table of sales revenue by region is based on customer location, and in the case of the construction and sale of solar parks, on the location of the solar park.

Italy was the largest single market included in the Rest of Europe category with 12 % of total revenues in 2010.

There were no sales revenues of more than 10 % of consolidated sales revenues to one single customer in financial year 2010. In the previous year, € 100.0 million of consolidated sales applied to large customer 1 and € 46.3 million to large customer 2. These sales revenues were solely attributable to the solar cell segment.

The Group's non-current assets are located mainly in Germany and Malaysia. Of the carrying value of non-current assets disclosed in the consolidated balance sheet, € 642.9 million related to assets in Germany (previous year: € 770.3 million) and € 294.2 million (previous year: € 225.1 million) to assets in Malaysia.

10. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 CAPITAL MANAGEMENT

Capital management at Q-Cells is primarily geared toward financing the long-term growth of the Group. This also means ensuring that an internally defined minimum liquidity is available at all times. Short-term liquidity for Q-Cells is managed on the basis of a rolling planning horizon of twelve months, which is currently updated twice a month.

In the short term, the Company is focussed on financing the project business and the sale of projects already completed, which have bound a large amount of capital over the last two years. Notwithstanding certain legacy projects still included on the balance sheet, the Group now pursues the strategy of only commencing projects for which financing has been approved and investors have been found. Q-Cells also expects to receive progress payments from its customers which is common practice in the project business. This will significantly reduce the amount of capital tied up by projects in the future.

Capital management is complemented by the optimisation of working capital management, including in the cell and module product segments. The module business launched in 2010 will generally require more working capital given the longer production and transportation times associated with that business. This trend is counteracted by continuous process improvements aimed at achieving an overall future reduction of net working capital. As of 31 December 2010, net working capital was € 339.8 million (previous year: € 374.5 million).

Capital management also includes the investment policies, i.e. financing maintenance and expansion investments in the production facilities.

The Company focuses on generating sustained added value in the interest of investors, employees and customers. This is to be achieved through the continuous improvement of results based on the successful realignment of the Group.

When optimising the capital structure, the total cost of capital is considered with due regard to the minimum liquidity mentioned above.

Q-Cells SE successfully implemented refinancing measures in 2010. The capital increase and the new convertible bond issue generated cash inflow of € 256.4 million (before expenses). These funds were used to redeem 59.0 % of the convertible bond due at the beginning of 2012 in the amount of € 492.5 million (nominal volume: € 290.8 million). This step made a major contribution towards achieving a significant reduction in Group debt.

The Group equity ratio increased from 33.1 % in the previous year to 40.5 % by the end of 2010. Cash and cash equivalents increased from € 411.9 million to € 473.9 million by the end of the year.

The Company is not subject to any external minimum capital requirements.

10.2 SUPPLEMENTARY INFORMATION ABOUT FINANCIAL INSTRUMENTS

In this section, we comment on the significance of financial instruments for the Company's financial position and profitability as well as the nature and the extent of risks resulting from financial instruments. These disclosures on financial assets and liabilities supplement the explanations of the individual line items in the balance sheet and the income statement. However, not all balance sheet line items are financial instruments in accordance with IAS 32. For example property, plant and equipment, inventories, prepaid expenses/deferred income, warranty obligations, prepayments as well as tax receivables and tax payables do not constitute financial instruments.

The supplementary disclosures are made predominantly on the basis of classes to which the financial instruments are allocated. The classes correspond to the balance sheet items. There were no changes compared to the previous year.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please refer to Note 3.11 for the classification, accounting and valuation principles that apply to financial instruments.

The carrying values of financial instruments classified according to the categories set out in IAS 39 are compared with their fair values (by class of financial assets and liabilities) in the following tables.

	Measurement category under IAS 39	Carrying amount 31 Dec. 2010 € million	Balance sheet carrying amount under IAS 39			Carrying amount cash reserves € million	Fair Value 31 Dec. 2010 € million
			Amortised cost € million	At fair value through profit or loss € million	At fair value not through profit or loss € million		
Assets							
Non-current financial assets	LaR	**2.4**	2.4	0.0	0.0	0.0	**2.4**
Trade accounts receivable	LaR	**108.7**	108.7	0.0	0.0	0.0	**108.7**
Financial assets at fair value through profit or loss	FAHfT	**0.3**	0.0	0.0	0.3	0.0	**0.3**
Other current financial assets	LaR	**92.5**	92.5	0.0	0.0	0.0	**92.5**
Cash and cash equivalents	–	**432.9**	0.0	0.0	0.0	432.9	**432.9**
	HtM	**41.0**	41.0	0.0	0.0	0.0	**41.0**
Liabilities							
Convertible bonds	FLAC	**510.2**	510.2	0.0	0.0	0.0	**440.6**
Non-current borrowings	FLAC	**199.3**	199.3	0.0	0.0	0.0	**199.0**
Current borrowings and profit participation capital	FLAC	**95.1**	95.1	0.0	0.0	0.0	**95.1**
Trade accounts payable	FLAC	**148.8**	148.8	0.0	0.0	0.0	**148.8**
Other current financial liabilities	FLAC	**106.3**	106.3	0.0	0.0	0.0	**106.3**
Financial liabilities at fair value through profit or loss	FLHfT	**0.2**	0.0	0.0	0.2	0.0	**0.2**

	Measurement category under IAS 39	Carrying amount 31 Dec. 2009 € million	Balance sheet carrying amount under IAS 39			Carrying amount cash reserves € million	Fair Value 31 Dec. 2009 € million
			Amortised cost € million	At fair value through profit or loss € million	At fair value not through profit or loss € million		
Assets							
Non-current financial assets	LaR	**113.4**	113.4	0.0	0.0	0.0	**113.4**
Trade accounts receivable	LaR	**198.2**	198.2	0.0	0.0	0.0	**198.2**
Financial assets at fair value through profit or loss	FAHfT	**2.0**	0.0	0.0	2.0	0.0	**2.0**
Other current financial assets	LaR	**40.0**	40.0	0.0	0.0	0.0	**40.0**
Cash and cash equivalents	–	**385.4**	0.0	0.0	0.0	385.4	**385.4**
	HtM	**0.4**	0.4	0.0	0.0	0.0	**0.4**
	AfS	**26.1**	0.0	26.1	0.0	0.0	**26.1**
Liabilities							
Convertible bonds	FLAC	**669.1**	669.1	0.0	0.0	0.0	**443.4**
Profit participation capital	FLAC	**14.8**	14.8	0.0	0.0	0.0	**15.7**
Non-current borrowings	FLAC	**168.2**	168.2	0.0	0.0	0.0	**168.1**
Current borrowings and profit participation capital	FLAC	**63.5**	63.5	0.0	0.0	0.0	**63.5**
Trade accounts payable	FLAC	**156.6**	156.6	0.0	0.0	0.0	**156.6**
Other current financial liabilities	FLAC	**111.1**	111.1	0.0	0.0	0.0	**111.1**
Financial liabilities at fair value through profit or loss	FLHfT	**0.4**	0.0	0.0	0.4	0.0	**0.4**

The levels of the fair value hierarchy and the means of applying these levels on the financial assets and liabilities can be described as follows:

Fair value hierarchy	
Level 1	Listed market prices for identical assets or liabilities on active markets
Level 2	Directly or indirectly observable information other than market prices (e.g. listed market prices for comparable financial instruments on active markets), or listed market prices for identical or comparable financial instruments on non-active markets
Level 3	Information for assets and liabilities not based on observable market data

The following table shows an allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

	Measurement category under IAS 39	31 Dec. 2010			31 Dec. 2009		
		Level 1 € million	Level 2 € million	Level 3 € million	Level 1 € million	Level 2 € million	Level 3 € million
Financial assets at fair value through profit or loss	FAHfT	0.0	0.0	0.3	0.0	0.0	2.0
Cash and cash equivalents	AfS	–	–	–	0.0	26.1	0.0
Financial liabilities at fair value through profit or loss	FLHfT	0.0	0.2	0.0	0.0	0.0	0.4
		0.0	**0.2**	**0.3**	**0.0**	**26.1**	**2.4**

Level 2 comprises interest rate swaps traded outside the stock exchange in the 2010 reporting period; embedded derivatives from long-term sale and purchase contracts were allocated to level 3. For the previous year, level 2 also comprises shares in a money market cash fund. There were no reclassifications between the levels in financial year 2010.

The changes in level 3 are presented below:

	2010			2009		
	FAHfT € million	AfS with an original maturity exceeding three months € million	FLHfT € million	FAHfT € million	AfS with an original maturity exceeding three months € million	FLHfT € million
As of 1 Jan.	**2.0**	**0.0**	**0.4**	**5.3**	**0.0**	**0.0**
With an effect on income	–1.7	0.0	0.4	–4.2	0.1	–0.4
With an effect on equity	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.0	0.9	30.0	0.0
Disposals	0.0	0.0	0.0	0.0	–30.1	0.0
As of 31 Dec.	**0.3**	**0.0**	**0.0**	**2.0**	**0.0**	**0.4**
Effect on income of instruments held at 31 Dec.	–1.7	0.0	0.4	–3.3	0.0	–0.4

Please see Note 3.11 regarding the assumptions made in the application of measurement methods. The fair values of the embedded derivatives in financial year 2010 were determined using a discount factor applicable for the terms of the instruments of 0.99 and a zero coupon interest rate of 0.83 % p.a.

Disclosures on net profits and net losses

These tables show how net income from interest, from the subsequent valuation of financial instruments at fair value, from currency translation and from valuation allowances is assigned to the individual categories of financial instruments as defined by IAS 39.

	Loans and receivables (LaR) € million	Held-to-maturity investments (HtM) € million	Available-for-sale financial assets (AfS) € million	Financial instruments held for trading (FAHfT, FLHfT) € million	Financial liabilities measured at amortised cost (FLAC) € million	Financial instruments which cannot be assigned to an IAS 39 category € million	Non-financial instruments € million
From interest income	26.4	0.9	0.1	0.0	4.9	0.9	0.0
From interest expenses	0.0	0.0	0.0	0.0	–63.2	0.0	2.1
INTEREST, NET 1 JAN.–31 DEC. 2010	**26.4**	**0.9**	**0.1**	**0.0**	**–58.3**	**0.9**	**2.1**
From fair value adjustments	0.0	0.0	0.1	0.1	0.0	0.0	0.0
From purchase/sale of financial instruments	0.0	0.0	0.0	2.4	23.9	0.0	0.0
From impairments	–0.6	0.0	0.0	3.2	0.0	0.0	–1.6
From currency effects	25.1	0.0	–0.6	0.0	15.5	–3.8	0.1
Net effect on the income statement 1 Jan.–31 Dec. 2010	**24.5**	**0.0**	**–0.5**	**5.7**	**39.4**	**–3.8**	**–1.5**
Other income and expenses recorded directly in equity	0.0	0.0	–0.1	0.0	0.0	0.0	0.0
TOTAL NET EFFECT 1 JAN.–31 DEC. 2010	**24.5**	**0.0**	**–0.6**	**5.7**	**39.4**	**–3.8**	**–1.5**

	Loans and receivables (LaR) € million	Held-to-maturity investments (HtM) € million	Available-for-sale financial assets (AfS) € million	Financial instruments held for trading (FAHfT, FLHfT) € million	Financial liabilities measured at amortised cost (FLAC) € million	Financial instruments which cannot be assigned to an IAS 39 category € million	Non-financial instruments € million
From interest income	7.3	1.1	0.1	0.0	0.0	1.2	0.0
From interest expenses	–25.0	0.0	0.0	0.0	–53.3	0.0	–5.0
INTEREST, NET 1 JAN.–31 DEC. 2009	**–17.7**	**1.1**	**0.1**	**0.0**	**–53.3**	**1.2**	**–5.0**
From fair value adjustments	0.0	0.0	0.0	–4.5	0.0	0.0	0.0
From impairments	–20.4	0.0	0.0	0.0	0.0	0.0	–9.8
From currency effects	1.7	0.0	0.0	0.0	–4.1	2.2	–2.4
Net effect on the income statement 1 Jan.–31 Dec. 2009	**–18.7**	**0.0**	**0.0**	**–4.5**	**–4.1**	**2.2**	**–12.2**
Other income and expenses recorded directly in equity	0.0	0.0	0.1	0.0	0.0	0.0	0.0
TOTAL NET EFFECT 1 JAN.–31 DEC. 2009	**–18.7**	**0.0**	**0.1**	**–4.5**	**–4.1**	**2.2**	**–12.2**

In financial year 2010 € 0.1 million (previous year: € 0.0 million) of income resulted from the realisation of assets allocated to the category available for sale (AfS) and for which the value increase had previously been accounted for in equity. This item was reclassified from the item Market Value in other comprehensive income to income from the subsequent valuation at fair value of financial assets available for sale in the income statement.

Interest expense recorded in financial year 2010, taking into consideration the effective interest method, for financial assets and financial liabilities not recognised at fair value through profit and loss totalled € 63.2 million (previous year: € 78.3 million) and total interest income was € 33.1 million (previous year: € 9.5 million).

Furthermore, interest expense for financial liabilities not recognised at fair value through profit and loss (FLAC) includes € 1.9 million in expenses incurred for commissions for the provision of loans in financial year 2010.

FINANCIAL INSTRUMENT RISKS

As a globally operating Group, Q-Cells is exposed to credit risks, liquidity risks and various market price risks as part of its normal business operations, which may have a material influence on its net assets, financial position and results of operations.

The management of financial market risks is among the responsibilities of the Q-Cells SE Executive Board. The CFO is responsible for controlling financial market risks.

It is corporate policy to limit the risks arising from business operations. Possible risk concentrations are evaluated and examined within the Group on an annual basis. In the following section we discuss individual risks associated with financial instruments and how they are managed.

Credit risks
Q-Cells is exposed to credit risk to the effect that the value of receivables and other financial assets could be impaired if counterparties fail to comply with their duties to pay or perform in some other way. Since the Q-Cells Group does not enter into any master netting agreements with its customers, the total amount of financial assets represents the maximum default risk.

Q-Cells has established a uniform risk management process to effectively manage the credit risk arising from outstanding trade accounts receivable. The probability of bad debts is reduced by prompt and effective financial controls combined with regular analyses of creditworthiness and set credit limits.

In addition, the vast majority of receivables due from customers are secured through credit sale insurance. Country risks and Group loans are recorded continuously, assessed methodically and managed centrally. As part of procurement and supply security activities, it is necessary to make advance payments to suppliers. This may give rise to credit default risks. These risks are taken into account by using bank guarantees to protect significant advance payments.

A risk of default with regard to financial investments and cash and cash equivalents is reduced by spreading investments among various banks. Banks credit ratings are monitored regularly. Funds are only invested with banks that have an investment grade rating, as defined by S&P.

There are no material concentrations of default risk for customers or for specific countries, currencies or other factors. The extent of credit risk from financial assets is reflected in their carrying amounts without taking account of collateral and other risk reducing agreements and is presented in the following table.

	31 Dec. 2010 € million	31 Dec. 2009 € million
Non-current financial assets	2.4	113.4
Trade accounts receivable	108.7	198.2
Financial assets at fair value through profit or loss	0.3	2.0
Other current financial assets	92.5	40.0
Cash and cash equivalents	473.9	411.9
	677.8	**765.5**

As of 31 December 2010, Q-Cells held insurance/collateral in the amount of € 21.3 million (previous year: € 16.3 million) for trade receivables, of which € 4.1 million (previous year: € 0.9 million) was attributable to overdue receivables and € 0.0 million (previous year: € 0.2 million) to impaired trade receivables. Credit insurance/collateral consists primarily of credit sale insurance.

The credit risk from derivatives accounted for at fair value in general equates to their positive fair values. Derivatives with negative fair values are not subject to any risk of default.

The following maturity structure analyses provide an overview of the maturity of financial assets for which no specific allowances have been made:

	31 Dec. 2010			31 Dec. 2009		
	Non-current financial assets € million	Trade accounts receivable € million	Other current financial assets € million	Non-current financial assets € million	Trade accounts receivable € million	Other current financial assets € million
Not due	2.4	80.3	71.5	113.4	185.8	31.1
Due and up to 30 days overdue	0.0	28.1	16.8	0.0	10.1	4.7
Overdue between 31 to 60 days	0.0	0.0	0.0	0.0	0.0	0.0
Overdue in excess of 60 days	0.0	0.1	0.0	0.0	0.8	0.0
Carrying amount of financial assets not impaired	**2.4**	**108.5**	**88.3**	**113.4**	**196.7**	**35.8**

Specific valuation allowances were recognised for financial assets in financial year 2010 and in the previous year.

	Valuation allowances as of 1 Jan. 2010 € million	Additions with effect on income € million	Release with effect on income € million	Release with no effect on income € million	Valuation allowances as of 31 Dec. 2010 € million	Gross carrying amount of financial assets impaired 31 Dec. 2010 € million	Net carrying amount of financial assets impaired 31 Dec. 2010 € million
Trade accounts receivable	16.1	0.2	–1.0	–6.4	8.9	9.1	0.2
Other current financial assets	4.3	1.4	0.0	0.0	5.7	9.9	4.2
	20.4	**1.6**	**–1.0**	**–6.4**	**14.6**	**19.0**	**4.4**

	Valuation allowances as of 1 Jan. 2009 € million	Additions with effect on income € million	Release with effect on income € million	Release with no effect on income € million	Valuation allowances as of 31 Dec. 2009 € million	Gross carrying amount of financial assets impaired 31 Dec. 2009 € million	Net carrying amount of financial assets impaired 31 Dec. 2009 € million
Trade accounts receivable (restated)	0.0	16.1	0.0	0.0	16.1	17.6	1.5
Other current financial assets	0.0	4.3	0.0	0.0	4.3	8.5	4.2
	0.0	**20.4**	**0.0**	**0.0**	**20.4**	**26.1**	**5.7**

Please refer to Note 3.11 for details of the Group's policy for recording impairments.

Both in financial year 2010 and in the previous year, none of the conditions of financial assets falling into the loans and receivables category were subsequently amended to the effect that they would otherwise have been reclassified as overdue or impaired.

Loan commitments and financing guarantees

Q-Cells has not made any off-balance-sheet loan commitments to grant loans to companies outside the consolidated group. Please refer to Note 11 regarding financing guarantees granted for companies outside the consolidated group.

Liquidity risks

Liquidity risks in the Q-Cells Group are centrally controlled. To ensure that the Group is able to meet its payment obligations at all times, liquid funds are held in readiness to be able to fulfil all planned payment commitments as they fall due. The amount of this reserve is reviewed regularly and, if necessary, adjusted to current circumstances.

Q-Cells monitors the financing options offered by the financial markets and the trends regarding availability and costs. Maintaining financial flexibility is the objective.

Liquidity is mainly held in the form of overnight and time deposits as well as money market funds. Refinancing measures were implemented in 2010 in order to maintain liquidity (see Note 10.1).

The extent of risk concentrations for financial liabilities is analysed as part of currency management.

The undiscounted cash flows from financial liabilities and debts represent the Group's maximum liquidity risk exposure (31 December 2010: € 1,257.7 million; previous year: € 1,373.9 million). The decrease in the absolute amount of liquidity risk is mainly due to the redemption of the convertible bond maturing in 2012 with a nominal value of € 290.8 million, which more than compensated the increase in liquidity risk from issuing the third convertible bond with a volume of € 128.7 million.

The following tables show the breakdown of residual terms for undiscounted financial liabilities including future interest payments on the basis of the agreed due dates.

31 Dec. 2010	Total € million	Up to 1 month € million	From 1 to 3 months € million	From 3 to 12 months € million	From 1 to 5 years € million	Carrying value 31 Dec. 2010 € million
Convertible bonds	674.6	0.0	0.5	20.2	653.9	510.2
Non-current borrowings	231.3	0.0	0.1	0.2	231.0	199.3
Current borrowings and profit participation capital	96.7	0.0	2.7	94.0	0.0	95.1
Trade accounts payable	148.8	76.4	66.8	2.4	3.2	148.8
Other current financial liabilities	106.3	0.0	0.0	106.3	0.0	106.3
	1,257.7	**76.4**	**70.1**	**223.1**	**888.1**	**1,059.7**

31 Dec. 2009	Total € million	Up to 1 month € million	From 1 to 3 months € million	From 3 to 12 months € million	From 1 to 5 years € million	Carrying value 31 Dec. 2009 € million
Convertible bonds	806.4	0.0	0.0	0.0	806.4	669.1
Profit participation capital	16.4	0.0	0.0	0.0	16.4	14.8
Non-current borrowings	204.4	0.0	0.1	5.3	199.0	168.2
Current borrowings and profit participation capital	78.0	0.0	6.8	71.2	0.0	63.5
Trade accounts payable	156.6	90.1	62.1	4.4	0.0	156.6
Other current financial liabilities	112.1	70.1	31.0	11.0	0.0	111.1
	1,373.9	**160.2**	**100.0**	**91.9**	**1,021.8**	**1,183.3**

The breakdown of the residual terms is based on contractually agreed payment dates.

The remaining term of derivative financial liabilities recognised at fair value through profit or loss as of 31 December 2010 in the amount of € 0.2 million was more than five years. The remaining term of derivative financial liabilities recognised at fair value through profit or loss as of 31 December 2009 in the amount of € 0.4 million was three months.

Q-Cells has granted security for its own liabilities. Please refer to Notes 7.2 and 7.12.

Q-Cells has three convertible bond issues (see Notes 3.15 and 7.14) that incorporate both an equity and a debt component.

The conditions under which convertible bonds are issued specify that under certain circumstances the bearers of these bonds may give notice of the termination of all or specific bonds. Upon termination, the nominal value of the convertible bonds plus any interest accruing is immediately due for payment. This happens if Q-Cells does not make payments which are due in relation to these bonds, or does not meet any other obligations arising from these bonds. The creditors may give notice about the termination of convertible bonds in the case of a change in control or merger. Moreover, notice about the termination of convertible bonds may be given if:

- Q-Cells SE as the guarantor (for the 2007 and 2009 convertible bonds) fails to meet its obligations;
- a present or future payment obligation connected with a loan which has been taken out, or other funds which have been provided, is not met or is due for payment early because of default, or if other criteria connected with other payment obligations or conditions under which collateral is provided are violated;
- Q-Cells SE or a subsidiary ceases to make payments as they fall due or reports insolvency;
- insolvency proceedings are brought or initiated;
- Q-Cells International Finance B.V. or Q-Cells SE completely or significantly stops its business activities, or sells or transfers in some other way all or a significant portion of its assets to third parties so that the value of the consolidated Group's assets is significantly reduced;
- Q-Cells International Finance B.V. or Q-Cells SE enter liquidation proceedings except as part of the process of a merger, a business combination or transformation of a company in which the commitments arising from bonds and guarantees are transferred;
- legal restrictions prevent Q-Cells International Finance B.V. or Q-Cells SE from meeting obligations under the terms of the issuance of bonds/ the guarantee, or from meeting the obligations resulting from the statement of obligations; or
- the guarantee or the statement of obligations is invalid.

Market risks
Market risk is the risk that the fair value of or future cash flows from a financial instrument may fluctuate because of changes in market prices. Market risks include currency risk and interest rate risk.

Q-Cells uses market information and additional analytical data to manage the risks. The Group refines its procedures for assessing and reporting risk continuously; this includes regular reviews of the underlying assumptions and the parameters used.

Currency risks
Since the Q-Cells Group is internationally active, currency fluctuations can have a significant impact on results. The Group is exposed to currency risks, associated with receivables, liabilities, cash and cash equivalents in currencies other than a company's functional currency. Increasing internationalisation throughout the Group leads to expanded currency management, since the number of relevant currencies has increased. Material currency risks exist regarding the US dollar (USD), Malaysian ringgit (MYR) and Canadian dollar (CAD).

Currency risks are recorded, analysed and managed systematically and centrally. The extent of the Group's hedging is regularly evaluated and stipulated by guidelines.

Any currency translation exposure expected from planned transactions in future financial years will be hedged in accordance with specifications agreed between the Executive Board, the Controlling & Accounting and the Treasury & Corporate Finance departments and operating units. Currency risks are centrally managed by the Treasury & Corporate Finance department for the Group-wide portfolio by offsetting opposite cash flows. Financial instruments are not used for speculative purposes.

The carrying amounts of the financial assets and liabilities in foreign currencies recorded in the Group represent the risk exposure at the balance sheet date.

The following tables provide an overview of financial instruments denominated in foreign currencies and held by Q-Cells Group as of 31 December 2010 and 31 December 2009.

31 Dec. 2010	Total	Thereof in the following currencies						
	€ million	EUR	USD	MYR	SEK	AUD	CAD	Other
Non-current financial assets	2.4	0.1	0.0	0.0	0.0	0.0	2.3	0.0
Trade accounts receivable	108.7	94.0	6.1	0.0	0.6	1.3	6.7	0.0
Financial assets at fair value through profit or loss	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Other current financial assets	92.5	9.8	82.7	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	473.9	411.0	33.7	1.6	0.0	0.8	25.3	1.5
Convertible bonds	510.2	510.2	0.0	0.0	0.0	0.0	0.0	0.0
Non-current borrowings	199.3	1.2	0.0	198.1	0.0	0.0	0.0	0.0
Current borrowings and profit participation capital	95.1	95.1	0.0	0.0	0.0	0.0	0.0	0.0
Trade accounts payable	148.8	77.4	63.2	3.4	0.3	0.0	4.5	0.0
Other current financial liabilities	106.3	63.0	43.3	0.0	0.0	0.0	0.0	0.0
Financial liabilities at fair value through profit or loss	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0

31 Dec. 2009	Total	Thereof in the following currencies						
	€ million	EUR	USD	MYR	CHF	CAD	SEK	HKD
Non-current financial assets	113.4	0.0	113.4	0.0	0.0	0.0	0.0	0.0
Trade accounts receivable	198.2	193.2	4.8	0.0	0.2	0.0	0.0	0.0
Financial assets at fair value through profit or loss	2.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0
Other current financial assets	40.0	8.9	31.1	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	411.9	239.8	1.7	145.4	9.0	15.6	0.1	0.3
Convertible bonds	669.1	669.1	0.0	0.0	0.0	0.0	0.0	0.0
Profit participation capital	14.8	14.8	0.0	0.0	0.0	0.0	0.0	0.0
Non-current borrowings	168.2	1.3	0.0	162.4	4.5	0.0	0.0	0.0
Current borrowings and profit participation capital	63.5	59.0	0.0	0.0	4.5	0.0	0.0	0.0
Trade accounts payable	156.6	152.9	1.1	1.4	1.0	0.1	0.1	0.0
Other current financial liabilities	111.1	65.1	44.8	0.0	0.6	0.0	0.5	0.1
Financial liabilities at fair value through profit or loss	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0

The exchange rates for the relevant foreign currencies on both balance sheet dates are presented below:

Currency	Currency code	Balance sheet rate 31 Dec. 2010	Balance sheet rate 31 Dec. 2009
Australian dollar	AUD	1.3136	1.6008
Hong Kong dollar	HKD	10.3856	11.1709
Indian rupee	INR	59.7580	67.0400
Japanese yen	JPY	108.6500	133.1600
Canadian dollar	CAD	1.3322	1.5128
Malaysian ringgit	MYR	4.0950	4.9326
Norwegian crown	NOK	7.8000	8.3000
Swedish crown	SEK	8.9655	10.2520
Swiss franc	CHF	1.2504	1.4836
US dollar	USD	1.3362	1.4406

The US dollar, Malaysian ringgit and Canadian dollar are foreign currencies which pose significant risks for the Group with regard to financial instruments. A sensitivity analysis for financial assets and liabilities in US dollars, Malaysian ringgits and Canadian dollars is shown below.

USD SENSITIVITY ANALYSIS	Carrying value 31 Dec. 2010	Effects of USD exchange rate risk on profit/loss	
	€ million	+10%	–10%
Trade accounts receivable	6.1	–0.6	0.6
Financial assets at fair value through profit or loss	0.3	0.3	–0.4
Other current financial assets	82.7	–8.3	8.3
Cash and cash equivalents	33.7	–3.4	3.4
Effect on financial assets before tax		**–12.0**	**11.9**
Tax rate 22.83 %		2.7	–2.7
Effect on financial assets after tax		**–9.3**	**9.2**
Trade accounts payable	63.2	6.3	–6.3
Other current financial liabilities	43.3	4.3	–4.3
Effect on financial liabilities before tax		**10.6**	**–10.6**
Tax rate 22.83 %		–2.4	2.4
Effect on financial liabilities after tax		**8.2**	**–8.2**
Total		**–1.1**	**1.0**

USD SENSITIVITY ANALYSIS	Carrying value 31 Dec. 2009	Effects of USD exchange rate risk on profit/loss	
	€ million	+10%	–10%
Non-current financial assets	113.4	–11.3	11.3
Trade accounts receivable	4.8	–0.5	0.5
Financial assets at fair value through profit or loss	2.0	–0.2	0.2
Other current financial assets	31.1	–3.1	3.1
Cash and cash equivalents	1.7	–0.2	0.2
Effect on financial assets before tax		**–15.3**	**15.3**
Tax rate 22.83%		3.5	–3.5
Effect on financial assets after tax		**–11.8**	**11.8**
Trade accounts payable	1.1	0.1	–0.1
Other current financial liabilities	44.8	4.5	–4.5
Effect on financial liabilities before tax		**4.6**	**–4.6**
Tax rate 22.83%		–1.1	1.1
Effect on financial liabilities after tax		**3.5**	**–3.5**
Total		**–8.3**	**8.3**

Assuming that the exchange rate of the euro against the US dollar had weakened or strengthened by 10% on 31 December 2010, net income after tax (tax rate 22.83%) for financial year 2010 would have been € 1.1 million lower or € 1.0 million higher if all other variables had remained constant. This would be primarily attributable to translation gains/losses on other current financial assets and trade accounts payable denominated in US dollars. If the euro had moved by 10% against the US dollar on 31 December 2009, net income after tax (tax rate 22.83%) would have been € 8.3 million higher or lower assuming all other variables remained constant.

MYR SENSITIVITY ANALYSIS	Carrying value 31 Dec. 2010	Effects of MYR exchange rate risk on profit/loss	
	€ million	+10%	–10%
Cash and cash equivalents	1.6	–0.2	0.2
Effect on financial assets before tax		**–0.2**	**0.2**
Tax rate 22.83%		0.0	0.0
Effect on financial assets after tax		**–0.2**	**0.2**
Non-current borrowings	198.1	19.8	–19.8
Trade accounts payable	3.4	0.3	–0.3
Effect on financial liabilities before tax		**20.1**	**–20.1**
Tax rate 22.83%		–4.6	4.6
Effect on financial liabilities after tax		**15.5**	**–15.5**
Total		**15.3**	**–15.3**

MYR SENSITIVITY ANALYSIS	Carrying value 31 Dec. 2009	Effects of MYR exchange rate risk on profit/loss	
	€ million	+10 %	–10 %
Cash and cash equivalents	145.4	–14.5	14.5
Effect on financial assets before tax		**–14.5**	**14.5**
Tax rate 22.83 %		3.3	–3.3
Effect on financial assets after tax		**–11.2**	**11.2**
Non-current borrowings	162.4	16.2	–16.2
Trade accounts payable	1.4	0.1	–0.1
Effect on financial liabilities before tax		**16.3**	**–16.3**
Tax rate 22.83 %		–3.7	3.7
Effect on financial liabilities after tax		**12.6**	**–12.6**
Total		**1.4**	**–1.4**

If the euro had gained or lost 10 % in value against the Malaysian ringgit on 31 December 2010, the effects on net income after tax (tax rate 22.83 %) would have been € 15.3 million higher or lower than shown. This would be primarily attributable to translation gains/losses on non-current borrowings denominated in Malaysian ringgit. If the euro had moved by 10 % against the Malaysian ringgit on 31 December 2009, net income after tax (tax rate 22.83 %) would have been € 1.4 million higher or lower assuming all other variables remained constant.

CAD SENSITIVITY ANALYSIS	Carrying value 31 Dec. 2010	Effects of CAD exchange rate risk on profit/loss	
	€ million	+10 %	–10 %
Non-current financial assets	2.3	–0.2	0.2
Trade accounts receivable	6.7	–0.7	0.7
Cash and cash equivalents	25.3	–2.5	2.5
Effect on financial assets before tax		**–3.4**	**3.4**
Tax rate 22.83 %		0.8	–0.8
Effect on financial assets after tax		**–2.6**	**2.6**
Trade accounts payable	4.5	0.4	–0.4
Effect on financial liabilities before tax		**0.4**	**–0.4**
Tax rate 22.83 %		–0.1	0.1
Effect on financial liabilities after tax		**0.3**	**–0.3**
Total		**–2.3**	**2.3**

Assuming that the exchange rate of the euro against the Canadian dollar had weakened or strengthened by 10 % on 31 December 2010, net income after tax (tax rate 22.83 %) for financial year 2010 would have been € 2.3 million higher or lower if all other variables had remained constant. This would be primarily attributable to translation gains/losses on cash and cash equivalents denominated in Canadian dollars. There were no material financial assets and liabilities denominated in Canadian dollars as of 31 December 2009.

Interest rate risks

Interest rate risk is analysed centrally in the Q-Cells Group and managed by the Group's Treasury & Corporate Finance department. If necessary, Q-Cells uses normal market hedging instruments to manage interest rate risks (e.g. interest rate swaps).

The Group is exposed to interest rate risk based on loan liabilities, short-term deposits at variable interest rates and interest rate swaps. The risk exposure as of 31 December 2010 and 31 December 2009 is shown in the following table.

INTEREST RATE RISKS	Carrying value 31 Dec. 2010 € million	Thereof at variable interest rates € million	Carrying value 31 Dec. 2009 € million	Thereof at variable interest rates € million
Cash and cash equivalents	473.9	177.4	411.9	370.2
Non-current borrowings	199.3	0.0	168.2	4.5
Current borrowings and profit participation capital	95.1	72.4	63.5	0.0
Financial liabilities at fair value through profit or loss	0.2	0.2	0.4	0.0

The current financial liabilities as of 31 December 2010 consist of interim financing at variable rates (see Note 7.20) hedged by interest rate swaps. There were no interest derivatives on 31 December 2009.

There is no material risk based on interest rate fluctuations which would change the fair value of a financial instrument bearing interest at a fixed rate.

A sensitivity analysis of interest rate risk was conducted for material financial assets and liabilities. Based on this, changes in market interest rates represent a low risk for the Group with regards to financial instruments bearing interest at variable rates.

INTEREST RATE SENSITIVITY	Carrying value of variable interest rate financial instruments at 31 Dec. 2010 € million	Effect on profit/loss of change	
		+100 bp	–100 bp
Cash and cash equivalents	177.4	1.8	–1.8
Current borrowings and profit participation capital	72.4	–0.7	0.7
Financial liabilities at fair value through profit or loss	0.2	1.6	–1.6
Effect on financial instruments before taxes		**2.7**	**–2.7**
Tax rate 22.83 %		–0.6	0.6
Effect on financial instruments after taxes		**2.1**	**–2.1**

Based on the assumption that all other parameters remain constant, consolidated income after taxes (tax rate 22.83 %) for financial year 2010 would have been € 2.1 million higher or lower with an increase or decrease in market interest rates on 31 December 2010 by 100 basis points. Equity is not sensitive to interest rate fluctuations. The financial assets and liabilities were not subject to financial interest rate risks on 31 December 2009.

11. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

There were no contingent liabilities and other financial commitments in connection with shares in associated companies and joint ventures on 31 December 2010. Contingent liabilities were reported in the previous year with regards to the joint venture Sovello AG, which were eliminated as of 31 December 2010 with the sale of the company (see Note 4).

PURCHASE OBLIGATIONS

Commitments to suppliers for purchasing wafers and silicon for the years 2011 to 2018 amount to € 1,610.5 million (previous year: € 1,582.7 million); of this amount, € 669.1 million is due within one year (previous year: € 379.7 million).

The purchase commitments to suppliers made to secure supplies lead to price and sales risks. Q-Cells substantially mitigates these risks by matching commitments from purchase contracts with those from sales contracts.

ORDER COMMITMENTS

Order commitments for property, plant and equipment as of 31 December 2010 amounted to € 82.8 million (previous year: € 135.9 million).

OPERATING LEASES

There were a number of operating leases as of the balance sheet date. Monthly lease rates are recorded on a straight-line basis as expense in the income statement. As of 31 December 2010, lease payments totalling € 8.3 million (previous year: € 7.7 million) were outstanding; thereof € 5.0 million (previous year: € 2.7 million) was due within less than a year, € 3.3 million (previous year: € 3.7 million) was due in one to five years and € 0.0 million (previous year: € 1.5 million) was due in more than five years. In financial year 2010, lease expenses amounted to € 3.9 million (previous year: € 3.0 million).

CONTINGENT LIABILITIES

Q-Cells is liable for the performance of third parties under performance bonds in the amount of € 17.0 million (previous year: € 17.0 million).

12. RELATED-PARTY DISCLOSURES

Related parties include members of the Executive and Supervisory Boards and their family members, and companies which are in a position to exercise significant influence on Q-Cells, Executive and Supervisory Board members and their immediate family members.

The Executive Board remuneration was as follows:

EXECUTIVE BOARD COMPENSATION	31 Dec. 2010 T €	31 Dec. 2009 T €
Short-term employee benefits	3,107.1	1,556.6
Post employment benefits	0.0	0.0
Other long-term benefits	0.0	0.0
Termination benefits	846.7	0.0
Share-based payment	174.1	1,403.3
	4,127.9	**2,959.9**

The Supervisory Board remuneration was as follows:

SUPERVISORY BOARD COMPENSATION	31 Dec. 2010 T €	31 Dec. 2009 T €
Short-term employee benefits	703.6	216.9
Post employment benefits	0.0	0.0
Other long-term benefits	0.0	0.0
Termination benefits	0.0	0.0
Share-based payment	0.0	0.0
	703.6	**216.9**

Fixed remuneration for 2010 (including fixed remuneration for committee work) has not been paid and is accordingly accrued within other short-term liabilities as of 31 December 2010.

For individual remuneration amounts and other information regarding the remuneration of the Executive Board and Supervisory Board, please refer to the remuneration report in the corporate governance section of audited management report.

TRANSACTIONS WITH JOINT VENTURES

Please refer to Note 7.3 for disclosures on joint ventures. There were no transactions with joint ventures in financial year 2010.

Sovello AG

Q-Cells held a 33.33 % share in Sovello AG, Bitterfeld-Wolfen, OT Thalheim (Sovello) until 22 April 2010. The other shares in Sovello were held by REC (33.33 %) and Evergreen Solar Inc., Marlboro/USA (33.33 %).

Anton Milner (CEO of Q-Cells SE until 11 March 2010) and Dr Nedim Cen (CEO of Q-Cells SE since 11 March 2010) were members of the Sovello Supervisory Board until April 2010.

In 2010, until the date of sale (see Note 4.3), interest income of € 1.1 million was recognised from Sovello (previous year: interest income of € 3.1 million and income from provision of services € 0.7 million). The associated receivable was fully written down. In 2010 payments were made to Sovello of € 9.9 million for amounts recorded as other liabilities at 31 December 2009 (see Note 4.3).

In the previous year, there were loan receivables of € 45.2 million, trade receivables of € 13.0 million and trade payables of € 11.6 million. The carrying value of receivables from Sovello as of 31 December 2009 were outstanding, but impaired until the date of the sale of Sovello.

An expense attributable to an impairment loss of € 58.2 million was included in expenses in the 2009 financial year. No collateral was held for the receivables.

TRANSACTIONS WITH ASSOCIATED COMPANIES

Please refer to Note 7.3 for regards to disclosures on associated companies.There were no transactions with associated companies in financial year 2010.

Solaria Corporation

As of 31 December 2010, Q-Cells held a share of 8.7 % in Solaria Corporation, Fremont, California/USA (Solaria) (previous year: 26.6 %).

As of 31 December 2010 and 31 December 2009, there were no receivables from Solaria. Income from deliveries totalled € 0.0 million in financial year 2010 (previous year: € 0.3 million).

TRANSACTIONS WITH GOOD ENERGIES

Marcel Brenninkmeijer, Supervisory Board member of Q-Cells SE until 30 November 2010 (Chairman of Q-Cells Supervisory Board until 24 June 2010), is the president and delegate of the Administrative Board of Good Energies AG, Zug, Switzerland.

In financial year 2009, Q-Cells met the cost of a share lending transaction with Good Energies in the amount of € 0.1 million.

VAN AUBEL LAW FIRM – LEGAL ADVICE IN FINANCIAL YEAR 2009

Dr Thomas van Aubel was Chairman of the Supervisory Board of Q-Cells SE until 18 June 2009. He and persons related to him are shareholders of Q-Cells through Quercus GmbH, Berlin. He advises Q-Cells SE in legal matters as partner of the law firm van Aubel Rechtsanwälte, Berlin.

In the comparable year 2009, costs for legal services provided by van Aubel Rechtsanwälte were incurred in the amount of € 0.3 million; these were settled in full by 31 December 2009.

SERVICES PROVIDED BY A COMPANY OWNED BY PERSON RELATED TO A FORMER EXECUTIVE BOARD MEMBER

Q-Cells obtained various services, among other things in the project business, in exchange for compensation at market rates from a related person and made a payment to said related person in the first six months of 2010 within the scope of the termination of the contractual relationship. Payments in financial year 2010 totalled € 1.2 million (previous year: € 0.8 million).

13. OTHER

13.1 AUDIT FEES

Total fees charged by the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, for financial year 2010 was € 1.1 million for auditing financial statements (previous year: € 0.4 million); of which € 0.6 million was for the previous year, € 1.6 million for other audit services (previous year: € 0.0 million), and € 0.3 million (previous year: € 0.3 million) for other services.

13.2 HEADCOUNT

The average number of employees for the year excluding the Executive Board was 2,368 (previous year: 2,537), of which 1,279 were in production (previous year: 1,483) and 1,089 in business/technical positions (previous year: 1,054). The Q-Cells SE Executive Board had four members (previous year: four). Q-Cells SE also employed an annual average of 107 trainees (previous year: 113) and 32 interns and students (previous year: 40).

13.3 MEMBERS OF THE GOVERNING BODIES

The following individuals acted as members of the Executive Board in financial year 2010:

	Additional mandates
Dr Nedim Cen (CEO since 11 March 2010) (CFO until 30 June 2010)	Member of the Supervisory Board or Advisory Committee of: • Calyxo GmbH, Bitterfeld-Wolfen, OT Thalheim (until July 2010) • Sovello AG, Bitterfeld-Wolfen, OT Thalheim (until April 2010) • Sunfilm AG, Großröhrsdorf • VHF Technologies S.A., Yverdon-les-Bains/Switzerland (until May 2010) Managing Director of the following companies: • Alvarez & Marsal Deutschland GmbH, Munich (until August 2010) • CDV-Partners GmbH, Munich (until April 2010)
Anton Milner (CEO until 11 March 2010)	Member of the Supervisory Board or Advisory Committee of: • Calyxo GmbH, Bitterfeld-Wolfen, OT Thalheim (until March 2010) • Enligna AG, Berlin • Q-Cells Clean Sourcing GmbH, Bitterfeld-Wolfen, OT Thalheim (until January 2010) • Sovello AG, Bitterfeld-Wolfen, OT Thalheim (until April 2010) • Sunfilm AG, Großröhrsdorf (until March 2010) • VHF Technologies S.A.,Yverdon-les-Bains/Switzerland (until May 2010)
Hans-Gerd Füchtenkort (CSO since 25 May 2010)	Member of the Supervisory Board or Advisory Committee of: • Kaffee Partner Holding GmbH, Wallenhorst (until May 2010) • Oystar Holding GmbH, Stutensee • TEMPTON GmbH, Frankfurt/Main Managing Director of the following company: • CG Cordes & Graefe 1921 GmbH, Emden (until April 2010)
Dr Marion Helmes (CFO since 01 July 2010)	Member of the Supervisory Board or Advisory Committee of: • Fugro N.V., Leidschendam/Netherlands
Gerhard Rauter (COO)	Member of the Supervisory Board or Advisory Committee of: • EurAsia M&A Gateway Co. Ltd., Shanghai/China Managing Director of the following company: • Q-Cells Beteiligungs GmbH Bitterfeld-Wolfen, OT Thalheim

	Additional mandates
Dr Marko Schulz (CSO until 10 May 2010)	Member of the Supervisory Board or Advisory Committee of: • BERLINER GLAS KGaA, Berlin • Q-Cells Clean Sourcing GmbH, Bitterfeld-Wolfen, OT Thalheim (until May 2010) Managing Director of the following companies: • Fotovoltaica Jumilla S.A. de C.V., Jumilla/Spain (until March 2010) • Iluminati Nuevas Energias S.L., Jumilla/ Spain (until March 2010) • Luminosa Energias S.L., Jumilla/Spain (until March 2010) • Q-Cells International Espana S.L., Madrid/Spain (until May 2010) • Q-Cells International France SAS, Saint-Priest/France (until May 2010) • Q-Cells International GmbH, Bitterfeld-Wolfen, OT Thalheim (until May 2010) • Q-Cells International Italia S.r.l., Rome/Italy (until May 2010) • Q-Cells International Mexico S.A. de C.V., Mexicali/Mexico (until May 2010) • Q-Cells International USA Corp., Fremont, California/USA (until May 2010) • QCII Basilicata S.r.l., Rome/Italy (until May 2010) • Servicios Admin. Q-Cells Int. Mexico S.A. de C.V., Mexicali/Mexico (until May 2010) • SilQ PV Energy S.L., Paterna/Spain (until May 2010)

The following individuals acted as members of the Supervisory Board in financial year 2010:

		Additional mandates
Prof Dr h.c. Karlheinz Hornung (Chairman of the Supervisory Board since 24 June 2010)	Honorary Professor TU Dortmund	Member of the Supervisory Board or Advisory Committee of: • Demag Cranes AG, Düsseldorf • FEV Motorentechnik GmbH, Aachen
Marcel Egmond Brenninkmeijer (Chairman of the Supervisory Board until 24 June 2010) (until 30 November 2010)	Chairman Good Energies Foundation, Zug/Switzerland	Member of the Supervisory Board or Advisory Committee of: • NorSun AS, Oslo/Norway (until June 2010) • President and delegate of the Administrative board of Good Energies AG, Zug/Switzerland
Dr Christian Reitberger (Deputy Chairman of the Supervisory Board)	Physicist and Managing Director of Wellington Partners, Munich	Member of the Supervisory Board or Advisory Committee of: • Azzurro Semiconductors AG, Magdeburg (since December 2010) • Coeroscene IT Solutions, Innsbruck/Austria • Heliatek GmbH, Dresden • Nanda Technologies GmbH, Unterschleißheim Managing Director of the following company: • Wellington Partners GmbH, Munich
Marcel Berghoff (Employee representative)	Employee of Q-Cells SE, Product Management, Bitterfeld-Wolfen/OT Thalheim	

		Additional mandates
Helmut Gierse (since 24 February 2010)	Independent Consultant	Member of the Supervisory Board or Advisory Committee of: • Proton Power Systems PLC, Newcastle upon Tyne/UK
Prof Jörg Menno Harms	Managing shareholder of Menno Harms GmbH International Management Service, Stuttgart	Member of the Supervisory Board or Advisory Committee of: • Groz Beckert KG, Albstadt • Heraeus Holding GmbH, Hanau (until June 2010) • Hewlett Packard GmbH, Böblingen • Management Partner, Stuttgart • regify AG, Hüfingen
Richard Kauffman (until 24 February 2010)	CEO of Good Energies Inc., New York/USA	Member of the Supervisory Board or Advisory Committee of: • Alvin Ailey (Chairman, Investment Committee), New York/USA • Levi Strauss & Co., San Francisco/USA • The Brookings Institution, Washington/USA • The New School University (Executive Committee, Chair, Academic Affairs Committee) New York/USA • The New Yorker Philharmonic (Investment Committee), New York/USA • Wildlife Conservation Society (BOT member of Finance Committee, Investment sub-committee), New York/USA • Yale School of Management (Advisory Board), New Haven/USA
Andrew Lee (until 24 June 2010)	Managing Director and Partner Good Energies (UK) LLP, Haslemere/UK	
Constanze Schmidt (Employee representative)	Employee of Q-Cells SE, Human Resources, Bitterfeld-Wolfen/OT Thalheim	
Uwe Schmorl (Employee representative)	Chairman of the works council of Q-Cells SE, Bitterfeld-Wolfen/OT Thalheim	
Frauke Vogler	Attorney at law, tax advisor, Berlin	

13.4 DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE

The declaration required under section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code was submitted and may be viewed at all times by shareholders on the internet (www.q-cells.com).

14. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

15. RELEASE FOR PUBLICATION

On 15 March 2011, the Executive Board of Q-Cells SE approved these consolidated financial statements, prepared in accordance with IFRS, for submission to the Supervisory Board. The Supervisory Board's task is to review and approve the consolidated financial statements.

Bitterfeld-Wolfen, OT Thalheim, 15 March 2011

Q-Cells SE's Executive Board

Dr Nedim Cen   Dr Marion Helmes   Hans-Gerd Füchtenkort   Gerhard Rauter

LIST OF SHAREHOLDINGS

Subsidiaries	Registered office	Amount of holding %
Briest-Brandenburg Ost GmbH & Co. KG	Berlin/Germany	100.0
Briest-Brandenburg West GmbH & Co. KG	Berlin/Germany	100.0
Briest-Havelsee GmbH & Co. KG	Berlin/Germany	100.0
Briest Holding GmbH	Berlin/Germany	100.0
Briest Umspannwerk GmbH & Co. KG	Berlin/Germany	100.0
Briest Verwaltungs GmbH	Berlin/Germany	100.0
Calyxo GmbH	Bitterfeld-Wolfen, OT Thalheim/Germany	43.0
FIWA I Verwaltungsgesellschaft mbH	Berlin/Germany	100.0
FIWA I–III Projektgesellschaft mbH (3 Companies)	Berlin/Germany	100.0
FIWA II+III Umspannwerk GmbH	Berlin/Germany	100.0
FIWA Projektgesellschaft A-C mbH & Co. KG (3 Companies)	Berlin/Germany	100.0
LQ energy GmbH	Berlin/Germany	49.0
Q-Cells Asia Ltd.	HongKong/China	100.0
Q-Cells Australia PTY LTD	Sydney/Australia	100.0
Q-Cells Beteiligungs GmbH	Bitterfeld-Wolfen, OT Thalheim/Germany	100.0
Q-Cells Inmobiliaria, S.A. de C.V.	Mexicali/Mexiko	100.0
Q-Cells International Canada Corp.	Toronto/Canada	100.0
Q-Cells International Espana S.L.	Madrid/Spain	100.0
Q-Cells International Finance B.V.	Rotterdam/Netherlands	100.0
Q-Cells International France SAS	Saint-Priest/France	100.0
Q-Cells International GmbH	Bitterfeld-Wolfen, OT Thalheim/Germany	100.0
Q-Cells International Italia S.r.l.	Rome/Italy	100.0
Q-Cells International México, S.A. de C.V.	Mexicali/Mexico	100.0
Q-Cells International USA Corp.	Fremont, California/USA	100.0
Q-Cells Japan K. K.	Tokyo/Japan	100.0
Q-Cells Malaysia Sdn. Bhd.	Selangor/Malaysia	100.0
Q-Cells Malta Holding Ltd.	St. Julians/Malta	100.0
Q-Cells Malta Ltd.	St. Julians/Malta	100.0
Q-Cells meaux Solaire SAS	Lyon/France	100.0
Q-CELLS REDORTIERS CLOS MADAME	Lyon/France	100.0
Q-CELLS REDORTIERS HUBAC	Lyon/France	100.0
Q-Cells Service Italia S.r.l.	Rome/Italy	100.0
Q-Cells Systems India Pvt. Ltd.	Bangalore/India	100.0
Q-Cells United Kingdom Ltd.	Cardiff/United Kingdom	100.0

Subsidiaries	Registered office	Amount of holding %
QCII Basilicata S.r.l.	Rome/Italy	100.0
QCII Basilicata S.r.l. I-XL (40 Companies)	Rome/Italy	100.0
QCII Canosa S.r.l.	Rome/Italy	100.0
QCII Petrarulo S.r.l. 1-4 (4 Companies)	Rome/Italy	100.0
QCII Ruvo Cicciolficco S.r.l. con socio unico	Rome/Italy	100.0
QCII Ruvo S.r.l.	Rome/Italy	100.0
QCII Ruvo S.r.l. con socio unico 1-3 (3 Companies)	Rome/Italy	100.0
QCII Spinosa S.r.l.	Rome/Italy	100.0
QCII Taranto Calvi S.r.l.	Rome/Italy	100.0
QCII Terlizzi S.r.l.	Rome/Italy	100.0
Servicios Administrativos QC Int. México, S.A. de C.V.	Mexicali/Mexico	100.0
SilQ PV Energy S.L.	Paterna/Spain	50.0
Solar Energy Projects PTY LTD	Victoria/Australia	100.0
Solaria Corporation Inc.	Fremont, California/USA	8.7
Solibro AB	Uppsala/Sweden	100.0
Solibro GmbH	Bitterfeld-Wolfen, OT Thalheim/Germany	100.0
Solibro Research AB	Uppsala/Sweden	100.0
Straßkirchen MQ GmbH	Straßkirchen/Germany	50.0
Sunfilm AG	Großröhrsdorf/Germany	50.0

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FURTHER INFORMATION

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Q-Cells SE, Bitterfeld-Wolfen OT Thalheim, comprising the income statement, the consolidated statement of recognised income and expenses, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Leipzig, 16 March 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Neumann
Wirtschaftsprüfer
(German Public Auditor)

Daut
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT OF THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the group management report presents the development of business, including the business results and the position of the Group, in such a way that a true and fair view is given, and the material opportunities and risks associated with the expected development of the Group are described.

Bitterfeld-Wolfen, OT Thalheim, 15 March 2011

Q-Cells SE's Executive Board

Dr Nedim Cen	Dr Marion Helmes	Hans-Gerd Füchtenkort	Gerhard Rauter

GLOSSARY

Associated company: Investment with a significant, but non-controlling influence on the business and financial policies of the associated company, typically with a share of at least 20 % in voting rights.

Authorised capital: Capital which can be used by the company for capital increases against cash or items of property, plant and equipment, provided this has been approved in advance by a three-quarter majority at the Annual General Meeting.

Capital increase: Increase of share capital effected by issuing new shares with the aim of bolstering the company's financial structure.

Cash flow: Cash flow is the sum of inflows and outflows respectively the net result adjusted by non-cash earnings (e.g. provisions) and non-cash expenses (e.g. write-downs).

Cash flow statement: Determination and presentation of the inflows and outflows recorded by a company in the course of its operating, investment and financing activities within a specified period.

CIGS thin-film modules: Modules whose absorbers are not made of silicon, but rather of a thin semiconductor layer consisting of copper-indium-gallium-diselenide, which is deposited on special glass.

Compliance: A company's commitment to adhere to laws and regulations with the aim of avoiding betrayals of trust, criminal prosecutions, claims for damages and negative consequences for the company's image.

Contingent capital: Capital which can be used for the issuance of convertible bonds or stock option programmes, or for mergers. The share capital is only increased if and when the contingent capital is actually used. Creation of contingent capital requires a three-quarter majority at the Annual General Meeting.

Convertible bond: A hybrid structured financial instrument containing, from the issuer's perspective, both liability components (right to interest and repayment) and equity elements (right to subscribe to shares). The bearer can exchange the convertible bond for shares within a conversion period at a pre-defined conversion ratio.

Coupon: Interest rate for a bond / convertible bond.

Crystalline module / photovoltaic module: Electrical component which generates direct-current electricity from solar energy. Consists of several connected solar cells embedded between two sheets of glass or plastic which protect them from weather damage. Higher voltages are achieved by connecting several solar cells in series.

Deferred taxes: Difference in calculation of taxes resulting from different accounting regulations in commercial and tax law.

Dividend: Proportion of the net result distributed to shareholders in an amount proposed by the Executive Board and approved by majority resolution of the Annual General Meeting.

Earnings per share: Result for the period divided by the average number of shares.

EBIT (earnings before interest and taxes): Operating result before interest and taxes. Serves to assess a company's income situation.

EBITDA (earnings before interest, taxes, depreciation and amortisation): Earnings before interest, taxes, depreciation and amortisation of items of property, plant and equipment and intangible assets.

Efficiency: The ratio of usable to expended energy, e.g. in photovoltaics, usable electrical energy as compared to the solar energy entering the module.

Equity: Financial funds placed at the disposal of the company by their owners for an unlimited period. Comprises share capital, reserves and cumulative results.

ESOP (Employee Stock Option Programme): Name of Q-Cells' stock option programme for the Executive Board and employees of Q-Cells as well as for managing directors and employees of associated companies.

Feed-in tariff: Fixed amount of remuneration, valid for a limited period, for electricity generated from renewable energies.

Gen2 technology: New solar cell technology which will be introduced in all Q-Cells solar cell manufacturing facilities in 2011 and is expected to produce an absolute improvement in efficiency rating of about 0.5 %.

German Corporate Governance Code (GCGC): This code aims to create transparent rules for the management and monitoring of companies in Germany, in order to promote trust in company managers among investors, customers, employees and the general public.

Gigawatt (GW), megawatt (MW), kilowatt (kW), watt: One GW = 1,000 MW = 1,000,000 kW = 1,000,000,000 watts. Unit of output (energy per unit of time) used to state the electric output of photovoltaic products.

Global grading: System for evaluating positions in a company, taking into account the requirements of the position in question in the context of overall Group structure.

Grid parity: Grid parity is achieved when the cost of generating electricity from a photovoltaic system matches the relevant electricity prices for end consumers.

Ingot: Mono- or multicrystalline block of raw silicon from which wafers are produced using special sawing and separating procedures.

International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS): Accounting regulations, developed by the International Accounting Standard Board (IASB) independently of national regulations, with the objective of creating international comparability of corporate financial statements.

Joint venture: Cooperation entered into for a limited period, in which two or more companies pursue a common objective and each contribute assets.

Licence fee analogy method: The process of determining the value of a licence or a patent by simulating a sale.

Lucky buy: Arises from a company acquisition where the pro rata purchase price is below the value of pro rata equity.

Market capitalisation: Market value of a company, corresponding to the current share price multiplied by the number of shares.

Monocrystalline: Conditions during crystallisation cause the solar silicon to solidify in a uniform, homogeneous, cylinder-shaped crystal. Their homogeneous structure means that monocrystalline cells achieve higher efficiency ratings than polycrystalline cells; however, the production process is costlier for the former.

Multicrystalline: Conditions during crystallisation cause the solar silicon to solidify in a silicon block (ingot) with a heterogeneous crystal structure.

ÖkoDAX: German share price index containing ten values from the renewable energies sector.

Photovoltaics (PV): The process of direct transformation of solar radiation into electrical energy using solar cells.

Photovoltaic system: A system for generating electricity, consisting of solar modules and inverters.

Photovoltaik Global 30: Share price index of the world's 30 largest photovoltaic companies.

Ramp-up: Period of time required for a manufacturing facility to reach its full production capacity after initial installation.

Scope of consolidation: Term used to denote the companies required to be included in the Group's financial statements as stipulated by accounting regulations.

Share capital: Sum of the nominal values of all shares issued.

Solar or polysilicon: Silicon with purity of almost 100 %. This is the base material for crystalline photovoltaic products.

Solar cell: Electrical component which makes use of the photovoltaic effect to transform solar energy directly into electrical energy. The energy of an entering ray of light causes electrons to be released in the solar cell, which consists of a semiconductor material; the electrons move towards the opposite pole and the charge equalisation arising from this generates electric voltage.

Stakeholders: All groups or individuals influenced by a company's activities and with claims on or requirements of the company. These include, for example, employees, suppliers, customers, consumers, investors, authorities, non-governmental organisations and institutions.

Subscription right: The right of an existing shareholder to acquire new shares, in proportion to their share in the share capital up until the current point in time, for a fixed price as part of a capital increase. Subscription rights protect from dilution, as a shareholder's relative share remains constant during a capital increase.

Take-or-pay contract: Long-term contract in which the purchaser commits to accepting the goods. The supplier will often require a prepayment when the contract is concluded.

Tax amortisation benefit (TAB): Tax saving made by amortisation for tax purposes of an activated intangible asset.

Wafer: A sheet of silicon produced from a silicon ingot. The base material for production of solar cells.

Watt peak (Wp): Electrical output achieved under standard testing conditions: cell temperature of 25 °C, radiation of 1,000 W/m² and a sunlight spectrum of 1.5.

FIVE-YEAR SUMMARY

		2010	2009 [1]	2008 [1]	2007	2006
Income						
Revenues	€ million	1,354.2	790.4	1,195.1	858.9	539.5
Export ratio	%	50.5	42.4	70.1	60.7	53.3
Total output	€ million	1,524.6	832.9	1,288.5	858.6	558.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	182.2	–209.0	237.5	222.0	147.2
Operating income (EBIT)	€ million	82.3	–362.5	191.8	197.0	129.4
Earnings before taxes (EBT)	€ million	112.3	–455.0	211.9	209.8	138.0
Net income for the period (after minorities)	€ million	18.9	–1,342.9	177.3	148.4	97.1
Return on capital employed (ROCE) [2]	%	7.2	–	22.8	54.2	67.0
Financial position						
Cash flow from operating activities	€ million	70.2	–109.9	–241.2	205.7	23.7
Capital expenditure [3]	€ million	118.7	310.2	336.3	252.3	67.3
Cash flow from investing activities	€ million	–22.2	45.4	–241.0	–423.0	–57.1
Free cash flow [4]	€ million	48.0	–64.5	–482.2	–217.3	–33.4
Cash flow from financing activities	€ million	–87.4	263.0	239.6	480.0	–19.7
Production						
Capacity solar cells (p.a.) [5]	MWp	1,100	800	760	516	336
Production solar cells	MWp	939	537	570	389	253
Capacity thin-film modules (p.a.) [5] [6]	MWp	135	30	10	–	–
Production thin-film modules [6]	MWp	75	14	4	–	–

		31 Dec. 2010	31 Dec. 2009 [1]	31 Dec. 2008 [1]	31 Dec. 2007	31 Dec. 2006
Asset position						
Cash and cash equivalents	€ million	473.9	411.9	176.6	600.6	157.4
Net financial receivables (+)/net financial debt (–) [7]	€ million	–330.7	–503.7	–488.6	171.1	130.0
Net working capital [8]	€ million	339.8	374.5	271.2	133.5	109.7
Capital employed (CE) [9]	€ million	1,151.1	1,147.8	1,227.0	455.4	271.7
Shareholders' equity	€ million	882.7	737.0	1,863.4	1,833.8	440.0
Equity ratio	%	40.5	33.1	66.0	70.8	69.3
Gearing [10]	%	37.5	68.3	17.3	–6.6	–20.5
Total assets	€ million	2,179.4	2,227.7	2,821.8	2,588.3	634.5

[1] Changed due to an error correction in accordance with IAS 8.
[2] EBIT/Capital employed (average).
[3] Capital expenditure on intangible assets + Capital expenditure on property, plant and equipment.
[4] Cash flow from operating activities + Cash flow from investing activities.
[5] At the end of the respective period.
[6] Solibro (Q.SMART).
[7] Cash and cash equivalents – Convertible bonds – Profit participation capital – Non-current borrowings – Current borrowings and profit participation capital.
[8] Inventories + Trade accounts receivable + Financial assets accounted for using the equity method (only systems business) + Other current financial assets (only operating business) – Trade accounts payable – Other financial liabilities (previous year partly) – Other current liabilities (systems business, miscellaneous accrued liabilities and advance payments received).
[9] Shareholders' equity – Net financial receivables respectively + net financial debt – Financial assets accounted for using the equity method.
[10] Net financial receivables respectively net financial debt/Shareholders' equity.

FINANCIAL CALENDAR 2011

Date	Events
12 May 2011	Publication of the First Quarter Report as at 31 March 2011
23 June 2011	Annual General Meeting, Leipzig
12 August 2011	Publication of the Second Quarter Report as at 30 June 2011
14 November 2011	Publication of the Third Quarter Report as at 30 September 2011

CONTACT INFORMATION, PUBLISHER'S IMPRINT

Q-CELLS SE
OT Thalheim
Sonnenallee 17–21
06766 Bitterfeld-Wolfen
Germany
www.q-cells.de

Investor Relations
Stefan Lissner
TEL +49 (0)3494 66 99-10 101
FAX +49 (0)3494 66 99-10 000
EMail investor@q-cells.com

Public Relations
Ina von Spies
TEL +49 (0)3494 66 99-10 111
FAX +49 (0)3494 66 99-10 000
EMail presse@q-cells.com

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Q-CELLS SE
OT Thalheim
Sonnenallee 17–21
06766 Bitterfeld-Wolfen
Germany

TEL +49 (0)3494 66 99–0
FAX +49 (0)3494 66 99–199
EMail q-cells@q-cells.com
WEB www.q-cells.com