DISCLAIMER

The Executive Board of Q-Cells SE approved the annual group accounts on March 26, 2012 which was based on the assumption that Q-Cells will succeed in restructuring its financial obligations and in implementing the medium-term business plan to ensure its survival as a going concern. On March 30, 2012, the Executive Board came to the conclusion that an implementation of the restructuring of the bonds issued by Q-Cells International Finance B.V. on the basis of the 2009 German Bond Law has been revoked based on the analysis of the Ruling of the Frankfurt Higher Regional Court of final Appeal in the Pfleiderer case. Against this background the Executive Board no longer sees going concern for the company and filed for insolvency proceedings on April 3, 2012, whereas the competent Insolvency Court appointed a preliminary insolvency administrator. The annual financial statement has been prepared under the assumption of a going concern prognosis which meanwhile does not exist.

2011

GROUP ANNUAL ACCOUNTS

SUBJECT TO AMENDMENTS AND UNAUDITED

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FOREWORD OF THE CEO

DEAR SHAREHOLDERS, FRIENDS AND PARTNERS OF Q-CELLS SE,

Before I discuss developments in the 2011 financial year, please note that the 2011 annual accounts presented here are subject to amendments and unaudited. The complete annual report will most likely be published after the approval of the bondholders and shareholders of our financial restructuring. Developments until the date of its publication can result in a revision of the financial statements. The report at hand is based on the assumption that Q-Cells will succeed in restructuring its financial obligations and in implementing the medium-term business plan to ensure its survival as a going concern.

The 2011 financial year was defined by an unexpectedly challenging market environment for the entire photovoltaics (PV) industry. At the start of the year, the prolonged uncertainty concerning subsidy rules in Italy, the second-largest photovoltaics market, had a detrimental effect on demand worldwide. This led to an unexpectedly severe price decline, which was felt in the leading PV market of Germany and also in other markets. The situation was exacerbated by regulatory effects in France. Developing markets in Asia and North America were unable to compensate for this development. While demand picked up over the course of the year, this trend was accompanied by a continuous decline in prices.

The expected boom in the PV industry following the decision for an energy turnaround in Germany and the global debate on expanding the use of renewable energy after the tragic reactor accident in Fukushima largely failed to materialise. Instead, a rapid increase in excess production capacities and Asian competitors in particular caused prices to fall by 40 to 60 % in the course of the year, especially for solar cells and modules. These significant price declines had a negative impact on Q-Cells' sales and results. Falling purchase prices for silicon and wafers could only partly compensate for the significant fall in selling prices for solar cells and modules. Even though we quickly cut our production of solar cells and modules in Germany and Malaysia, this was not enough to prevent Q-Cells from reporting extremely weak results in the first half of the year. The market recovery in the third and fourth quarters of 2011 failed to improve the overall operating results for the year.

These developments are also reflected in the key performance figures of the unaudited financial results for the past year, which are subject to amendments. Sales fell to € 1,023 million, more than 20 % lower than in the previous year. Notwithstanding the lower sales, the new business areas had a positive impact. The module business accounted for 26 % of sales. With a volume decrease for production of solar cells of approximately 20 % and a price decline of around 50 % in the course of 2011, the sales decrease purely as a manufacturer of solar cells only would have been even more drastic.

Earnings before interest and taxes (EBIT), which amounted to € 82 million in 2010, fell to € -717 million in 2011. EBIT, especially in the second and fourth quarters of 2011, was reduced by major one-off items, such as the recording of impairment charges against the value of inventories and property, plant, and equipment. Over the course of the year, impairments of property, plant, and equipment totalled € 399 million and inventory write-downs € 129 million. Additional one-off costs were incurred in the course of renegotiating silicon and wafer purchase contracts. These include writing off prepayments and establishing mandatory provisions for contingent losses on long-term purchase contracts.

The net loss for the period was € -846 million in 2011, compared with a net profit of € 19 million in 2010. Net working capital was reduced from € 340 million at the end of 2010 to € 150 million at the end of 2011. Cash and cash equivalents totalled € 305 million at the end of the 2011 reporting year, compared with € 474 million at the end of the previous year.

Since the 2012 financial year is also expected to be challenging, Q-Cells launched a comprehensive package of measures in August 2011 which includes streamlining the organisation structure in addition to long-term capacity adjustments in Germany. Rapid implementation of these measures has already allowed us to reduce our overhead costs by about 25 %.

Notwithstanding the challenging market environment in the 2011 financial year, Q-Cells had some major successes which demonstrate that we are on the right track with its strategy of moving from being purely a manufacturer of cells to becoming a PV solution provider.

In addition to high-performance solar cells, Q-Cells now offers a comprehensive portfolio of solar modules and systems for various applications for private, commercial and utility purposes. The first orders for the flat roof system, which was only presented in September 2011, also prove that the strategy of expanding to intelligent photovoltaic applications is effective.

Product quality and technology leadership continue to take centre stage for Q-Cells, in addition to innovation. The high efficiency of our products and their long-term safety and yield constitute key buying criteria.

The internationalisation of our business activities intensified last year: Q-Cells successfully entered the UK market at the start of 2011. Projects of various sizes were subsequently secured in France, Italy, India and Malaysia. Q-Cells was able to launch the sale of its modules in Japan with an integrated system package in cooperation with local installers. In the important US market, major projects with a volume of 30 MWp were secured for the first time through the local energy supplier PG&E. Moreover, Q-Cells constructed around 33 MWp of a solar park with a total capacity of 66 MWp in Ontario, Canada. In Germany, Q-Cells' home market, we completed the largest European PV power plant and the world's largest CIGS thin-film PV project in the final weeks of 2011. All of these successes prove that Q-Cells scores points with its customers in the international PV markets, thanks to quality and reliability "engineered in Germany".

Next to Q-Cells consistent driving of its strategic transformation and the on-going cost reduction, the financial restructuring has been our leading concern since autumn 2011. Q-Cells therefore updated its medium-term business plan and had it validated by the consulting firm McKinsey. This validation confirmed that Q-Cells can be restructured and that the operational and financial targets in the business plan are achievable. However, the successful implementation of the medium-term business plan requires the business to largely free itself from debt. Starting in December 2011, Q-Cells conducted talks on this basis with the key holders of the convertible bonds maturing in 2012, 2014 and 2015, in order to find a solution for restructuring its financial obligations. After intensive negotiations, in February 2012 Q-Cells was in a position to announce an agreement in principle with the main bondholders to restructure all three outstanding convertible bonds in a comprehensive overall solution.

The key elements of the agreement are that the holders of the 2012, 2014 and 2015 convertible bonds shall, in place of receiving repayment of the face value of their bonds, contribute their bonds to Q-Cells in a debt-to-equity swap. They will waive their claims against Q-Cells for repayment of bonds totalling more than € 550 million in return for shares. The holders of the bonds with an original maturity date of 28 February 2012 will receive a cash payment of € 20 million; however, this payment will not be payable until the financial restructuring is approved by all parties and completed. In addition, the current planning foresees the distribution of available liquidity to the extent that liquidity exceeds certain minimum levels at the date the financial restructuring is completed. This additional liquidity may arise from the sale of non-core business assets. Further, Q-Cells has been able to secure an agreement with the Malaysian government. Under this agreement, the repayment of the Malaysian government loan, originally due to mature in 2014, will be spread over time and repayable significantly later than originally planned.

In a subsequent extraordinary Shareholders' Meeting, we will ask our shareholders to approve a reduction in capital and subsequent recapitalisation in order to secure the going concern of Q-Cells. The current shareholders will then hold 5 % of Q-Cells SE shares. In addition, by exercising subscription rights shareholders will be able to increase this shareholding by up to 5 % with new cash contributions. The final implementation – agreed in principle – requires the approval of the bondholders and the authorities involved. The implementation of the agreed measurements for the restructuring of the financial liabilities will most likely be completed in the fourth quarter 2012.

The financial restructuring allows our company to largely free itself from debt and establish a solid balance sheet structure with an adequate equity ratio. It is a fact that Q-Cells cannot survive without a comprehensive financial restructuring involving the elimination of almost all its debt. Without such a restructuring, insolvency would be unavoidable. However, virtually free from debt, Q-Cells would be in a unique position in a global market environment that continues to be extremely challenging, giving it a significant competitive advantage.

This is the foundation for the successful further development of Q-Cells as an independent, competitive business in a global PV industry defined by high market growth expectations over the medium term. Our medium-term business plan is based on the assumption of a significant price decline and industry consolidation. We are closely examining the possible impact on our business of planned subsidy changes under the Renewable Energies Act (EEG). If future additional subsidy cuts were to be implemented, or if subsidies for large-scale utility projects, as currently proposed by the Ministry of the Economy and Environment, were discontinued, this would have an impact on our business plan especially in the years 2012 and 2013.

In conclusion, I would like to provide you with a brief and preliminary outlook on the current financial year. We once again expect the market environment to be defined by intense competition and consolidation in 2012. Our medium-term business plan reflects these expectations. As a result, we once again expect losses in the current year.

However, after successfully implementing the financial restructuring and medium-term business plan, we expect to return to a positive EBITDA (earnings before interest, taxes, depreciation and amortisation) for the 2013 fiscal year.

We remain convinced that solar energy will play an increasingly important role in the global supply of electricity. We want to help shape this future as a technology leader and premium supplier.

In the name of the Executive Board of Q-Cells I would like to express our sincere appreciation for your confidence and patience in the past year.

Bitterfeld-Wolfen OT Thalheim, 26 March 2012

For the Executive Board of Q-Cells SE

Nedim Cen

Dr Nedim Cen

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GROUP MANAGEMENT REPORT

The photovoltaic industry is currently characterised by surplus capacity, falling prices and consolidation. The rise in demand seen in recent years was exceeded by the rapid expansion of production capacities, leading to a massive fall in prices at all stages of the photovoltaic value added chain. This resulted in a dramatic deterioration in Q-Cells' business situation.

Q-Cells' ability to continue in business as a going concern is dependent on the successful implementation of the Group's financial restructuring plans. The implementation of the medium-term business plan will also play a significant role in ensuring Q-Cells viability as a going concern.

Due to the necessity of obtaining approvals from shareholders and a number of different creditor groups, as well as from various authorities, the financial restructuring plan is very complex and poses significant legal risks. Based on the current status, Q-Cells currently expects the restructuring to be legally completed during the second half of 2012. Despite all the risks involved, we expect that the restructuring will be successfully completed. Details of the financial restructuring, and in particular the status of the current financial restructuring activities, is provided in the 'Financing risks' section.

The successful implementation of the medium-term business plan is also significant to the continuation of the Q-Cells business. Should the assumptions made in the medium-term business plan prove to be too optimistic, there is a serious danger that we may not succeed in achieving the plan and Q-Cells' ability to continue in business as a going concern will be seriously threatened. The significant assumptions made in the medium-term business plan are explained in the 'Expected income and financial position' section of the Forecast report.

This Group management report is based on the assumption that we will succeed in completing the financial restructuring and the medium-term business plan, and that Q-Cells can continue in business as a going concern.

BUSINESS AND OPERATING ENVIRONMENT

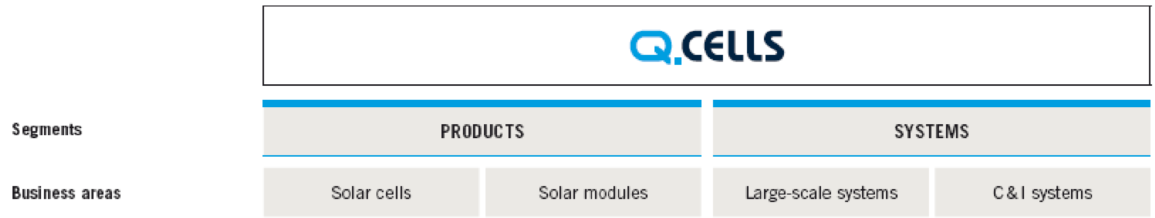
GROUP STRUCTURE AND OPERATING ACTIVITIES

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 in the Q-Cells Group, the parent Company Q-Cells SE, based in Bitterfeld-Wolfen, OT Thalheim (Q-Cells). is the also the most significant entity within the Q-Cells Group It holds shares in the companies owned by the Group either directly or indirectly. The list of shareholdings comprises all companies included in the consolidated financial statements.

Organisational and management structure



Q-Cells' operations are divided into two business segments, products and systems.

Products

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 Bitterfeld-Wolfen, Germany and Selangor, Malaysia. Solar cells manufactured by Q-Cells are processed into crystalline solar modules at Q-Cells' own module production facility in Bitterfeld-Wolfen, opened in 2011, processed by external partners, or sold to third parties. Q-Cells offers multicrystalline solar modules under the brand names Q.BASE and Q.PRO, as well as monocrystalline solar modules under the brand names Q.PEAK and Q.PEAK BLK. CIGS thin-film modules are produced in Bitterfeld-Wolfen and marketed worldwide under the brand name Q.SMART.

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 in the fields of both large-scale systems, which generally have a capacity of more than 5 MWp, and 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 Q-Cells' products segment are used in the project business. Q-Cells also provides operating, maintenance and monitoring services. The systems segment uses subcontractors to carry out some of these services.

Management and control

Q-Cells' management and control structure is divided into two elements, the Supervisory Board and the Executive Board. The Executive Board of Q-Cells SE sets the corporate strategy and the resulting goals and is responsible for their operative implementation. At the start of financial year 2011, the Executive Board consisted of four members. CEO Dr Nedim Cen took over the Operation and Technology division on an interim basis upon the resignation of Gerhard Rauter on 4 May 2011 until Dr Andreas von Zitzewitz was appointed Executive Board member on 12 August 2011. Dr Nedim Cen assumed responsibility for the Marketing and Sales division, which had become vacant upon the departure of Hans-Gerd Füchtenkort, on 11 August 2011. Following the resignation of Dr Marion Helmes as CFO on 14 November 2011, the responsibilities of the two-member Executive Board were reviewed. Since that date Dr Nedim Cen has assumed the role of CFO in addition to his responsibility as CEO, and Dr Andreas von Zitzewitz leads the Operation and Technology and the Sales and Marketing divisions.

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 certain transactions may only be entered into by the Executive Board with the prior consent of the Supervisory Board. At the start of 2011, the Supervisory Board consisted of five shareholder representatives and three employee representatives. Prof Dr Eicke Weber was appointed by court order as an additional shareholder representative with effect from 13 April 2011, and was elected by the Annual General Meeting in June 2011. On 30 September 2011 Dr Christian Reitberger – also a shareholder representative – resigned from the Supervisory Board at his own request.

Declaration of Conformity

The Declaration of Conformity can be found in the Corporate Governance section of the Investor Relations webpages on the Q-Cells website (www.q-cells.com). In addition, details of the functions of the Executive and Supervisory Boards as well as the composition and functions of the respective committees are provided in the Corporate Governance report.

CORPORATE STRATEGY

In 2011, Q-Cells continued its transformation into a photovoltaic systems and solutions provider despite the challenging market conditions. By positioning ourselves as a premium provider, we intend to emerge strengthened from the current difficult market phase and participate profitably in the growth market for photovoltaics, which is highly attractive in the medium to long term. Achieving this strategy is based on three pillars:

- Building on our technology and quality leadership;
- Successive expansion of our product portfolio with application-based solutions and increased internationalisation of our sales and marketing efforts; and
- Continuous cost improvement.

Technology and quality leadership

The solar cell is the technology element of a photovoltaic system. Improving it is the key to higher efficiency and lower costs at module and system levels. In the past year, Q-Cells has set a series of world efficiency records at the cell and module levels thanks to Q.ANTUM, a new high-performance solar cell concept. We intend to further strengthen our existing research and development expertise at both module and system levels so that we can make even greater future use of existing technological advantages at the solar cell level. The close working and geographical relationship between our research and development and production teams at Bitterfeld-Wolfen are important competitive advantages to ensure the quickest possible transfer of new technological developments into mass production.

Expansion of the Q-Cells product portfolio and internationalisation of sales and marketing

Building on our years of expertise as a solar cell manufacturer, we intend to continue our strategy, started in 2010, of expanding our product portfolio to include modules and system solutions. By doing so, we aim to use our technological and quality leadership to offer our customers premium application-based products. Our goal in the coming years is to further expand our access to end customers and strengthen Q-Cells' market position in both established and new photovoltaic markets. In the process, we intend to further focus our solar cell sales in favour of increasing modules and systems sales volumes.

To support our product portfolio expansion, we have started strengthening our international sales activities. We are already active in Asia, Europe, and North America and have more than nine representative offices around the world. As the significance of the two largest European photovoltaic markets – Germany and Italy – is likely to decline in coming years, it is our goal to expand our access to growth markets outside Europe.

Cost position

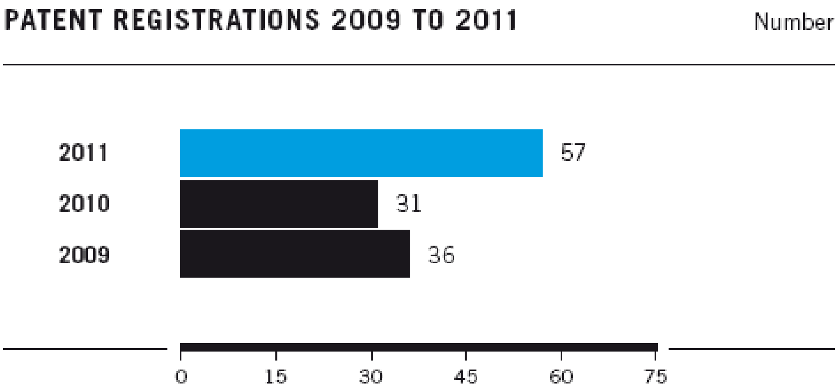
We concentrate on two production facilities for solar cells. At our headquarters in Bitterfeld-Wolfen, we have reduced our production capacities to only the most modern and economically efficient facilities, and are using these to transfer new technologies developed in our adjacent research centre directly into mass production. In Malaysia, Q-Cells benefits from a lower cost structure. We manufacture our premium modules in Bitterfeld-Wolfen. Additionally, partners in Asia and Europe process crystalline modules for Q-Cells. Our goal is to achieve a sustainable competitive cost with this production concept.

We intend to use this basis to make our mission into reality: "Q-Cells – Shaping the Future of Solar Energy".

NON-FINANCIAL PERFORMANCE INDICATORS

Research and development

Q-Cells' research and development activities include both crystalline and CIGS thin-film technologies. We profit from the close cooperation between our research and development and production facilities in Bitterfeld-Wolfen. In addition to boosting our own research and development expertise, close cooperation with leading universities and research institutions is a key component for continued development of our products.



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 in the number of our patent applications, which rose from 36 in 2009 and 31 in 2010 to 57 in 2011.

Crystalline technology

In the past financial year, we have successfully expanded our solar-cell-focused research and development activities in crystalline technology to include modules and systems. The employees working in crystalline research and development have access to a new research centre constructed in 2008 and to an an in-house testing area for testing solar modules.

Introduced at the world's largest solar industry expo in early June 2011, our new generation of crystalline solar cells and modules are distinguished by higher efficiency and our unique "Q-Cells Yield Guarantee". This includes three important quality criteria: crystalline solar cells and modules from Q-Cells are PID-free, protected from so-called hot spots, and can be tracked throughout the value chain thanks to individual labelling. Based on the new generation of cells, at the expo Q-Cells unveiled its premium monocrystalline Q.PEAK module, which reaches a power of up to 265 watts, as well as its new multicrystalline Q.PRO-G2 module, with up to 250 watt power. Q-Cells' modules thus set themselves apart from the competition both in monocrystalline and multicrystalline technology. To further round out our portfolio, in September 2011 we presented our all-black monocrystalline Q.PEAK module for aesthetically demanding photovoltaic installations at the European solar industry expo EU PVSEC.

At the same time, our research and development team continues to work on the next generation of cells and modules. The basis of the next generation is our Q.ANTUM high-performance solar cell concept, which was awarded the IQ Innovation Award by the Industrial Initiative for Central Germany last year. The new cell concept features an innovative back made of dielectric layers for improved optical and electrical properties, enabling a significant improvement in performance.

Q-Cells has set a series of world efficiency records based on this high-tech platform, raising the world record for the efficiency of multicrystalline solar cells with a standard size of six inches to 19.5 %, as well as exceeding the 20 % mark for monocrystalline cells, coming in at 20.2 %. Q.ANTUM technology also holds the world record for multicrystalline modules with sixty cells, with 18.1 % efficiency based on aperture. The efficiencies have been confirmed by independent sources.

The innovative technology we use underscores Q-Cells' leading technological position in the field of crystalline solar cells and modules, and will be introduced in stages into series production in the near future.

Thin-film technology

In addition to its two production factories, the Q-Cells' subsidiary Solibro, which manufactures photovoltaic modules for Q-Cells using CIGS thin-film technology, uses a pilot line in Uppsala, Sweden to optimize its 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. Development activities are focused on the active layer, the buffer layer and the front and back contact.

Based on this technology, Solibro achieved module efficiency of 17.4 % in terms of aperture in November 2011; this measurement has been confirmed by an independent institute. In March 2011, a Q.SMART thin-film module from serial production achieved a peak efficiency of 14.7 % – again independently confirmed, and a world record for monolithic integrated CIGS thin-film modules from serial production. The evolutionary improvement of the current production process has led to an increase in both average efficiency and production output.

The significant decline in the price of high-purity silicon resulted in a steep drop in production costs for the crystalline modules which currently dominate the market. Accordingly, there is a growing need to cut CIGS thin-film module production costs by improving the production process and through research and development. A competitive cost position in the medium term can only be achieved by realising economies of scale by further expanding capacities.

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 are a significant factor affecting the future development of the business. For this reason, we want to attract the best people, and promote and support them individually.

Q-Cells' internal staff development and training system, Q-Cells Academy, offers training to improve employees' technical and social skills. Q-Cells also provides employees with health and sports activities.

Q-Cells aims to allow all employees to share in Q-Cells success based on their contribution to the Group. For this reason, compensation agreements for almost all employees include performance-based components. For managers and employees not directly involved in production, half of annual bonus payments are based on the achievement of Company targets and half 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 targets.

During the reporting period, the number of employees decreased slightly from 2,379 to 2,304. While the number of staff in Bitterfeld-Wolfen fell, there was an increase in staff involved in international sales and marketing activities.

Training qualified staff is an important issue for Q-Cells. At the end of 2011, the Company had 86 trainees (previous year: 111). The Q-Cells Training Centre, opened on the Solar Valley site in 2007, offers ideal training conditions for twelve different professions. Furthermore, 32 (previous year: 22) students are taking a dual-study course, in which hands-on learning is combined with a university degree course.

CONDITIONS

General economic conditions

Following strong global economic recovery in the previous year, recovery continued in 2011, but with declining strength. Particularly in industrialised countries, gross domestic product (GDP) growth rates lagged behind those of the previous year. In industrialised countries, a continued expansive monetary policy stood in contrast to a fiscal policy targeting spending cuts and consolidation. Major emerging and developing countries followed more restricted fiscal and monetary policies in 2011 than in the previous year in order to counter an increase in inflation.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT (GDP) WORLDWIDE IN 2010 AND 2011

	Change GDP 2011 yoy %	**Change GDP 2010 yoy %**	**Share in global GDP 2010 %**
Germany	3,0	3,6	4,0
France	1,6	1,4	2,9
Italy	0,4	1,5	2,4
Spain	0,7	-0,1	1,8
Euro area	**1,6**	**1,9**	**14,6**
UK	0,9	2,1	2,9
USA	1,8	3,0	19,5
Canada	2,3	3,2	1,8
Japan	-0,9	4,4	5,8
Newly industrialised Asian countries[1)]	4,2	8,4	3,9
Industrialised countries	**1,6**	**3,2**	**52,1**
Central and Eastern Europe	5,1	4,5	3,5
CIS	4,5	4,6	4,3
China	9,2	10,4	13,6
India	7,4	9,9	5,5
Latin America and the Caribbean	4,6	6,1	8,6
Middle East and North Africa	3,1	4,3	5,0
Emerging and developing countries	**6,2**	**7,3**	**47,9**
World	**3,8**	**5,1**	**100,0**

[1)] Hong Kong, Singapore, South Korea, Taiwan.

Source: IMF, World Economic Outlook January 2012

According to estimates from the International Monetary Fund (IMF), the global economy grew by 3.8 % in 2011, with the gap in growth rates between industrialised countries and emerging and developing countries becoming even more marked than in the year before. While the sovereign debt crisis and its impact on the banking industry in some industrialised countries spread throughout the year, consumer spending has increasingly emerged as a prop for the economy. Also in emerging and developing countries, consumer spending increasingly assumed the role of powering economic growth while development in foreign trade has weakened. Japan is likely to be the only major economic power reporting negative GDP growth, mainly due to the impact of the March 2011 nuclear disaster.

Among major euro area countries, Germany, thanks to powerful exports, again had the highest economic growth rates by far in 2011. , The IMF expects anaemic economic growth in Spain and Italy due to structural problems and high sovereign debt.

The ability of the international banking system to grant loans continues to be affected by the ongoing debt 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.

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. In 2010, as in the year before that, more than 92 % of the energy consumed globally came from coal, oil, gas and uranium. According to the International Energy Agency (IEA), global energy consumption increased by approximately 5 % in 2010, while global energy efficiency decreased for the second year in a row. As a result, global CO_2 emissions reached a new record high. Some 1.3 billion people – roughly 20 % of the world's population – have no access to electricity, according to the IEA. Altogether, the IEA concludes that there are few global signs of the desperately needed change of course in energy policy.

According to the World Energy Outlook of the International Energy Agency (IEA) released in November 2011, global energy consumption will rise by about one third between 2010 and 2035. Approximately 90 % of this rise in consumption can be attributed to non-OECD countries, such as Brazil, China, India, Indonesia and Middle Eastern countries. The IEA estimates that the renewable energy share will increase during this period, despite the debatable assumption that the share of nuclear energy will increase from 3 % to 15 %. This increased renewable energies share in power output is supported by numerous targets and objectives at national and international levels. 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 of the world.

DEVELOPMENT OF THE GLOBAL PHOTOVOLTAIC MARKET, 2009 TO 2011

GWp	2009	2010	2011[1)]
Germany	3,8	7,4	7,5
Italy	0,7	4,8	6,8
France	0,2	0,7	1,7
Rest of Europe	0,9	2,7	2,8
North America	0,5	1,1	2,1
Japan	0,5	1,0	1,2
China	0,2	0,5	2,5
India	0,1	0,1	0,3
Rest of World	0,4	0,8	1,7
World	**7,3**	**19,1**	**26,6**

[1)] Forecast.

Source: Q-Cells Market Research

We estimate the output of new photovoltaic systems installations in the past year at 26.6 GWp, a 39 % increase on the previous year, meaning that photovoltaic global market volume growth was significantly lower than the previous year's level of more than 160 %.

As in previous years, Germany will probably remain the largest single market in 2011. Preliminary estimates made by the German Federal Network Agency (Bundesnetzagentur) indicate that 7.5 GWp of new photovoltaic systems were installed last year – slightly more than the total of 7.4 GWp in 2010. New installations in 2011 were concentrated on the fourth quarter, with an estimated 4.15 GWp according to the Bundesnetzagentur. For Italy, the second-largest market, we estimate a marked growth from 4.8 GWp in 2010 to 6.8 GWp in 2011, based on government statistics. These estimates of the size of the Italian market in 2010 and 2011 are based on the assumption that approximately 2.5 GW was installed in 2010, but did not go on line until 2011. France, the third-largest European market, also demonstrated marked growth in the past year. In total, approximately 71 % of global photovoltaic installation was attributable to Europe in 2011, in contrast to 82 % in the previous year.

The initial introduction of a national feed-in tariff in early August 2011 contributed to marked growth in the Chinese market last year. Growth in new installations in North America was almost entirely attributable to developments in the USA, where photovoltaic installation profited from tax advantages.

Despite the growth in volume, the global photovoltaic market was characterised by excess supply, in particular due to capacity expansion in Asia. In combination with cuts in feed-in tariffs in major markets such as Germany and Italy, this led to a marked decrease in prices at all stages in the photovoltaic value chain in the past financial year.

GENERAL STATEMENT ON BUSINESS DEVELOPMENT

As a result of substantial excess supply in the photovoltaic market, financial year 2011 was marked by significant falls in prices for solar cells and modules as well as photovoltaic systems. Q-Cells could only partially offset this decline with lower purchase prices and cost reduction. In addition, sales volume has fallen by 15 %.

In response to the difficult sales situation as well as the continued falling price levels, Q-Cells temporarily ramped down production in April 2011 and also initiated a comprehensive cost-cutting programme in August 2011. This programme involved lowering administration costs by focusing on core tasks and by streamlining organisational structures and processes, in addition to renegotiating supply agreements and cutting solar cell production capacity.

We repeatedly revised the sales and operating earnings (EBIT) forecasts given in the Annual Report 2010 (published in March 2011) downwards in reaction to poorer than expected business developments. Both sales and cash and cash equivalents are slightly higher than was forecast in the most recent outlook, last revised mid-November 2011. EBIT losses contain non-recurring costs. The most significant negative non-recurring costs in the past financial year were impairment charges recorded against property, plant and equipment and inventories, as well as the creation of provisions for onerous purchase contracts.

Key business figures

€ million	**2011**	**2010**	*Change*
Revenues	1,023.1	1,354.2	*-24.4%*
EBITDA	-221.6	182.2	-
EBIT	-717.4	82.3	-
Free cash flow[1]	-106.9	48.0	-
Cash and cash equivalents	304.9	473.9	*-35.7%*
Net financial debt[2]	-431.8	-330.7	*30.6%*
Equity	34.2	882.7	-
Equity ratio	2.8%	40.5%	-

The year-on-year reduction in sales was primarily a result of lower sales prices, lower sales volumes, and also a result of the sale of the electricity trading activities in the fourth quarter of 2010. This was partially offset by the higher share of modules and systems in sales volumes. In contrast to the previous year, both operating cash flow and free cash flow were negative in the reporting period. These are the two main reasons behind the decline in cash and cash equivalents to € 304.9 million as of the end of 2011. Cash and cash equivalents include restricted cash and cash equivalents of € 68.9 million; accordingly, freely disposable cash and cash equivalents as of the end of the reporting period amounted to € 236.0 million. Equity fell considerably as a result of the net loss for the period, and amounts to € 34.2 million at the end of 2011.

1 Cash flow from operating activities + Cash flow from investing activities.
2 Cash and cash equivalents – Convertible bonds (non-current) – Non-current borrowings – Convertible bonds (current) Current borrowings and profit participation capital.

INCOME, FINANCIAL AND NET ASSET POSITION

Q-Cells' ability to continue in business as a going concern is dependent on the successful implementation of the Group's financial restructuring plans. The implementation of the medium-term business plan will also play a significant role in ensuring Q-Cells' viability as a going concern.

Due to the necessity of obtaining approvals from shareholders and a number of different creditor groups, as well as from various authorities, the financial restructuring plan is very complex and poses significant legal risks. Based on the current status, Q-Cells currently expects the restructuring to be legally completed during the second half of 2012. Despite all the risks involved, we expect that the restructuring will be successfully completed. Details of the financial restructuring, and in particular the status of the current financial restructuring activities, is provided in the 'Financing risks' section.

The successful implementation of the medium-term business plan is also significant to the continuation of the Q-Cells business. Should the assumptions made in the medium-term business plan prove to be too optimistic, there is a serious danger that we may not succeed in achieving the plan and Q-Cells' ability to continue in business as a going concern will be seriously threatened. The significant assumptions made in the medium-term business plan are explained in the 'Expected income and financial position' section of the Forecast report.

The following information on income, financial position and net assets is based on the assumption that the proposed financial restructuring is completed successfully and that the Q-Cells business can continue as a going concern. Assets and liabilities are also recognised and measured on the assumption of the business as a going concern. Q-Cells' ability to continue in business as a going concern is in serious danger should the restructuring concept fail.

INCOME

Production capacities

MWp	31. Dec 2011	31.Dec 2010	31. Dec 2009
Solar cells	**950**	**1,100**	**800**
thereof Germany	*250*	*500*	*500*
thereof Malaysia	*700*	*600*	*300*
Crystalline modules	**130**	**0**	**0**
Thin-film modules	**135**	**135**	**30**

As part of our restructuring we halved our solar cell production capacity in Germany in financial year 2011 from 500 MWp to 250 MWp. By improving throughput and efficiency ratings, production capacities for solar cells in Malaysia rose from 600 MWp to 700 MWp. Production capacities for CIGS thin-film modules remained at a constant135 MWp during financial year 2011.

Production

MWp	2011	2010	2009
Solar cells	**717**	**939**	**537**
thereof Germany	*294*	*482*	*513*
thereof Malaysia	*423*	*457*	*25*
Crystalline modules[1)]	**390**	**280**	**87**
Thin-film modules	**66**	**75**	**14**

[1)] Production and external processing.

Production output of solar cells fell by 23.6 %, from 939 MWp in the previous year to 717 MWp. The fall reflects the reduced capacity utilisation in reaction to the difficult market situation at both locations, as well as the permanent closure of 50 % of our production capacity in Germany. These solar cells were either provided directly to customers or processed into crystalline modules. During the reporting period 390 MWp in crystalline modules were produced by external partners and using our own production facilities; the modules were both sold to customers and used in the construction of photovoltaic projects in the systems segment. The significant 39.3 % year-on-year rise was due to Q-Cells' revised strategic focus. Difficult sales conditions also resulted in a reduced utilisation of thin-film production capacities with a resulting 12 % fall in production compared to the previous year.

Sales volume by segment

MWp	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	FY 2010
Products	**527**	**167**	**155**	**106**	**99**	**805**
thereof solar cells	319	83	94	58	84	612
thereof modules	208	84	61	48	15	193
crystalline	150	68	*36*	*39*	*7*	157
thin-film	58	16	*25*	*9*	*8*	36
Systems	**259**	**113**	**51**	**86**	**9**	**120**
Total	**786**	**280**	**206**	**192**	**108**	**925**

The sales volume in the products segment fell from 805 MWp in 2010 to 527 MWp in the reporting period. The decline in solar cell sales could not be offset by higher module sales. The very difficult market environment impacted sales in the first half of 2011. Sales volumes rose in the second half of the year; however, they were down year-on-year in both the third and fourth quarters of 2011 compared to the third and fourth quarters of 2010, in which the volumes were 220 MWp and 257 MWp respectively. Price falls for solar cells and modules continued throughout 2011, with price reductions accelerating from the second quarter of 2011. Solar cells and modules experienced dramatic price drops of between 40 % and 50 % over the course of the year.

Sales volumes in the systems segment increased by 115.8 % in 2011 in comparison with the previous year, with particularly high sales volumes achieved in the second and fourth quarters. The German Finsterwalde II/III photovoltaic project contributed 40 MWp to the sales volume in the second quarter of 2011. The Briest photovoltaic project, also in Germany, contributed 91 MWp to sales volume in the fourth quarter of 2011. In addition to other German photovoltaic installations, the Canadian Starwood II and III photovoltaic projects and projects for the Californian energy supplier PG&E made a notable 52 MWp contribution to newly installed output in 2011. Q-Cells also completed photovoltaic projects with a total output of 23 MWp in Italy and France in the past financial year. Average sales prices per installed MWp in the systems business were down by around 25 % year-on-year on account of difficult general conditions. As in the previous year, sales prices in financial year 2011 differed from country to country.

The year-on-year rise in the share of sales to German customers is mainly due to developments in the fourth quarter of 2011. The first nine months of the past financial year saw 48.5 % of sales being generated in Germany, approximately the same proportion as in the previous year. 79.4 % of sales were generated in Germany in the fourth quarter of 2011. This applies not only to the product business but also to the systems business, in which sales in the last quarter of 2011 were primarily attributable to the German Briest photovoltaic project. As in the previous year, the largest single markets in the rest of Europe were Italy and France.

India was our largest sales market in the Asia region, followed by China and Japan. Sales in North America rose substantially, with both Canada and the USA recording significant increases. Canada was our second-largest single market in 2011 with a sales share of just under 10 %. Italy had held this position in the previous year. Almost all sales in the rest of the world are attributable to Australia.

Sales by segments						
€ million	**FY 2011**	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**FY 2010**
Products	478.9	129.1	135.1	116.0	98.7	909.0
Systems	531.6	219.7	90.7	198.8	22.4	320.0
Others/reconciliation	12.6	4.4	3.0	1.2	4.0	125.2
Total EBIT	**1,023.1**	**353.2**	**228.8**	**316.0**	**125.1**	**1,354.2**

The 24.4 % decline in sales in financial year 2011 is mainly due to significant price falls. The 15.0 % fall in sales volume was partially offset by the greater share of modules and systems in sales volumes. The increase in the systems business' share in sales volume – from 13.0 % in 2010 to 33.0 % in 2011 reflects the 66.1 % rise in systems segment sales. As a result the systems segment was the main driver of sales in 2011. Lower sales volumes, as well as, to a greater extent, dramatic price drops, resulted in a 47.3 % fall in sales in the product business. Due to continued price falls over the course of 2011, the Group's reported sales in 2011 do not reflect two positive trends during the year, namely the rise in sales volumes as well as the increased share of sales generated by sales of modules. The largest individual item reported under Others/reconciliation in 2011 was the feed-in tariff received from the Basilikata project. Sales recognised in Others/reconciliation in the previous year primarily relate to the electricity trading activities sold in the fourth quarter of 2010.

Result development and changes in major income statement items

All key financial figures deteriorated considerably in financial year 2011 on account of the difficult general conditions.

Income statement from Revenues to EBIT			
€ million	**2011**	**2010**	*Change*
Revenues	**1,023.1**	**1,354.2**	*-24.4%*
Change in stocks of finished and unfinished products	-161.4	170.4	-
Total output	**861.7**	**1,524.6**	*-43.5%*
Cost of materials	-828.7	-1,157.8	*-28.4%*
Gross profit	**33.0**	**366.8**	*-91.0%*
Gross margin as percentage of total output	*3.8%*	*24.1%*	-
Other own work capitalised	4.8	0.1	-
Other operating income	111.1	76.1	*46.0%*
Other operating expenses	-239.7	-151.7	*58.0%*
Personnel expenses	-130.8	-109.1	*19.9%*
EBITDA	**-221.6**	**182.2**	-
EBITDA as percentage of total output	*-25.7%*	*12.0%*	-
Depreciation and amortisation	-97.3	-92.9	*4.7%*
Impairment of intangible assets, property, plant and equipment and of assets held for sale	-398.5	-7.0	-
EBIT	**-717.4**	**82.3**	-
EBIT as percentage of total output	*-83.3%*	*5.4%*	-

In contrast to the previous year, financial year 2011 saw a fall in stocks of finished and unfinished products, which was partially the result of impairment writedowns made. As a result of the fall, the 43.5 % decline in reported total output was significantly higher than the 24.4 % fall in sales.

Cost of materials totalled € 828.7 million in financial year 2011, 28.4 % down compared to the previous year. This is a disproportionately small decrease compared to total output. The development primarily reflects the higher falls in sales prices of solar cells and modules in comparison with the purchase prices for solar wafers, as well as the impairment charges recorded against the carrying values of finished and unfinished products, which reduced reported total output value. As a result, gross margin fell from 24.1 % in the previous year to 3.8 %.

Other operating income amounted to € 111.1 million in 2011, up 46.0 % on the previous year. The increase is mainly due to the unscheduled release of deferred income for investment grants and investment subsidies of € 43.0 million associated with impairment charges recorded against the values of property, plant and equipment. At € 26.6 million, income from take or pay compensation, resulting from compensation paid by solar cell customers, was significantly higher compared with the previous year (€ 1.9 million). On the other hand, income from the release of provisions fell from € 38.5 million in the previous year to € 16.1 million. Provisions released in financial year 2011 were lower than in the previous year; in 2011 the provisions released mainly related to provisions for onerous contracts (€ 16.1 million). In the previous year provision releases primarily concerned the release of provisions for impending losses on onerous contracts and restructuring (€ 38.5 million). Furthermore, increased income was generated in the past year from the recycling of raw materials, research subsidies and from the sale of photovoltaic projects.

Other operating expenses rose from € 151.7 million in the previous year to € 239.7 million in 2011. In particular, product warranty expenses, specific valuation allowances made against receivables and down-payments and provisions for expected losses on onerous contracts saw year-on-year increases. Legal and consulting costs as well as maintenance and repair costs decreased.

Personnel expenses increased by 19.9 % to € 130.8 million on a year-on-year basis. This was also due to severance pay expenses incurred as a result of staff cuts in Germany that were announced in August 2011.

Depreciation and amortisation in financial year 2011 amounted to € 97.3 million, slightly higher than the previous year's figure of € 92.9 million.

Impairment of intangible assets, property, plant and equipment and assets held for sale of € 398.5 million during the reporting period mainly included charges against the carrying values of property, plant and equipment of the products segment at the sites in Bitterfeld-Wolfen and Malaysia. Of this amount, € 320.3 million (net of the reversal of impairments previously recorded), by far the most significant portion relates to impairments of property, plant and equipment at the Bitterfeld-Wolfen site, of these € 129.7 million in impairments are attributable to the Solibro subsidiary. € 75.7 million of impairments against property, plant and equipment at the Malaysian site were recorded. In addition, impairments of € 2.4 million (previous year: €7.0 million) were recorded against Bitterfeld-Wolfen production lines which had been closed in the previous year and are due to be sold.

The **result from operating activities (EBIT)** in 2011 – a significant loss of € 717.4 million – compares to the profit of € 82.3 million reported in the previous year. EBIT was impacted by the decline in sales volume, the significant fall in sales prices, and by non-recurring costs. Impairment charges on intangible assets, property, plant and equipment and assets held for sale, net of the related release of deferred income for investment subsidies and grants, came to € -364.2 million. Additional effects on operating income included impairments against the value of inventories (€ 129.1 million), as well as the net effect of the creation and reversal of provisions for impending losses on onerous contracts and impairments against the value of downpayments (€ 43.8 million).

Result from operating activities (EBIT) by segment

€ million	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	FY 2010
Products	-717.4	-358.2	-35.5	-310.5	-13.2	56.0
Systems	4.7	8.1	-4.6	1.3	-0.1	9.0
Others/reconciliation	-4.7	-1.7	-7.2	1.5	2.7	17.3
Total EBIT	**-717.4**	**-351.8**	**-47.3**	**-307.7**	**-10.6**	**82.3**

The above-mentioned non-recurring costs were solely attributable to the products segment. The operating result for 2011, including the segment's operating loss, amounted to € -717.4 million. This contrasts with the positive EBIT contribution of € 56.0 million in the previous year. The systems business generated positive EBIT of € 4.7 million, mainly as a result of high sales in the fourth quarter of 2011, following an operating result of € 9.0 million in the previous year.

Income statement from EBIT to Net result

€ million	2011	2010	*Change*
EBIT	**-717.4**	**82.3**	**-**
Result from financial assets accounted for using the equity method	-1.6	-4.9	*67.3%*
Interest and similar income	5.3	33.2	*-84.0%*
Interest and similar expenses	-63.9	-61.1	*-4.6%*
Interest result	**-58.6**	**-27.9**	***-110.0%***
Net currency gains and losses	-3.2	36.3	-
Result from financial instruments	-3.1	26.5	-
Earnings before taxes (EBT)	**-783.9**	**112.3**	-
Income taxes	-61.9	-21.4	*-189.3%*
Result from continuing operations after income taxes	**-845.8**	**90.9**	-
Result from discontinued operations after income taxes	0.0	-77.1	-
Net result for the period	-845.8	13.8	-
Result attributable to other shareholders	0.0	5.1	**-**
Net result for the period attributable to Q-Cells shareholders	**-845.8**	**18.9**	-
from continuing operations	-845.8	90.9	-
from discontinued operations	0.0	-72.0	-

Result from financial assets accounted for using the equity method amounted to € -1.6 million in 2011 and included € -1.8 million which accounts for Q-Cells' share of losses from the LQ energy joint venture of, as well as a positive result of € 0.2 million from the Strasskirchen MQ joint venture. Both joint ventures reported negative income contributions in the previous year.

Interest and similar income in financial year 2011 included income from the unwinding of the discounted interest on the € 3.0 million non-interest bearing loan to LDK Solar. In the previous year, income from the amendment of a loan repayment plan and from the unwinding of the discounted interest for the same loan amounted to € 23.6 million.

Interest and similar expenses increased from € 61.1 million in the previous year to € 63.9 million in the reporting period. This included the interest expense on the three outstanding convertible bonds, which fell from € 47.8 million in the previous year to € 46.0 million due to buybacks which more than offset the increase in interest from compounding interest cost and from the issue of the new convertible bond 2015. The interest expense is significantly more than the € 25.7 million (previous year: € 22.9 million) in actual interest paid to convertible bond holders.

Net currency gains and losses amounted to € -3.2 million in the reporting period and comprise a number of overlapping and contrary effects. Currency gains of € 36.3 million in the previous period primarily resulted from currency gains on a US dollar loan extended to LDK Solar and a euro denominated loan issued by Q-Cells SE to its Malaysian subsidiary.

The **result from financial instruments** of € -3.1 million in financial year 2011 primarily includes the results of forward currency and commodity transactions taken out as hedges. The figure for the previous year of € 26.5 million included income of € 23.9 million from the buyback of the 2012 convertible bond.

In the reporting period, **income taxes** of € 61.9 million (previous year: € 21.4 million) primarily include € 58.4 million in deferred tax expenses (previous year: € 13.9 million). The deferred tax expenses result from higher depreciation recorded under German tax law than under IFRS, income from the reversal of provisions without an associated effect on taxes, and the effects of a revision in Q-Cells' medium-term planning in July 2011 and the resulting derecognition of deferred tax assets. The high proportion of deferred tax expenses in the total expense in the reporting and comparative periods is reflected in the fact that paid income taxes amounted to € 3.6 million and € 4.4 million respectively, significantly lower than the tax expense.

There was no result from discontinued operations in 2011, and net income after tax relates exclusively to the shareholders of Q-Cells SE. The result from continuing operations of € -845.8 million after taxes therefore corresponds to the **net result for the period attributable to Q-Cells SE shareholders**.

Earnings per ordinary share for the past financial year therefore amount to € -5.55, following € 0.15 in the previous year.

Financial position

Key figures: Financial position

€ million	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	FY 2010
Cash flow from operating activities	-21.8	106.9	74.8	-23.5	-180.0	70.2
Cash flow from investing activities	-85.1	-13.6	-32.9	-22.7	-15.9	-22.2
Free cash flow	**-106.9**	**93.3**	**41.9**	**-46.2**	**-195.9**	**48.0**
Cash flow from financing activities	-19.0	-15.0	-0.3	-32.4	28.7	-87.4
Change in liquid funds	**-125.9**	**78.3**	**41.6**	**-78.6**	**-167.2**	**-39.4**
Other changes	-43.1	-3.7	19.2	-31.6	-27.0	101.4
Cash and cash equivalents at the beginning of the period	473.9	230.3	169.5	279.7	473.9	411.9
Cash and cash equivalents at the end of the period	304.9	304.9	230.3	169.5	279.7	473.9
Thereof restricted cash	68.9	68.9	73.9	55.8	87.5	113.3
Liquid funds at the end of the period	**236.0**	**236.0**	**156.4**	**113.7**	**192.2**	**360.6**

Cash flow from operating activities and free cash flow were negative in financial year 2011, following positive figures for both in the previous year. Positive cash flows from operating activities in the third and fourth quarters of 2011 were not sufficient to offset negative cash flows incurred in the first half of 2011. Including cash used in financing activities as well as other negative changes, cash and cash equivalents fell from € 473.9 million to € 304.9 million during the reporting year. Excluding restricted cash and cash equivalents, free cash and cash equivalents decreased from € 360.6 million at the beginning of the period to € 236.0 million at the close of 2011.

The operating loss, including interest and income tax payments, is reflected in the **cash flow from operating activities** of € -21.8 million for financial year 2011. The reduction in net working capital in particular helped generate a positive cash inflow from operating activities in the second half of 2011. A positive operating result and a decrease in net working capital had led to a cash inflow of € 70.2 million from operating activities in the previous year.

Cash flow from investing activities of € -85.1 million in 2011 includes significant cash outflows for investments in intangible assets and items of property, plant and equipment totalling € 67.0 million, and by the change in restricted cash and cash equivalents of € -27.8 million. Cash outflow for investments in intangible assets and items of property, plant and equipment was down considerably on the figure of € 118.7 million in 2010. The key investment projects during the past financial year were the development of crystalline module production with a capacity of 130 MWp at the Bitterfeld-Wolfen site, and improvements made to solar cell production processes. Changes in restricted cash and cash equivalents are reported as cash flow from investing activities unless such change was in connection with the financing of photovoltaic projects. The change in restricted cash and cash equivalents included in the cash flow from investing activities in financial year 2011 mainly related to the provision of collateral for bank guarantee credit lines for the construction of photovoltaic projects and for the supply of raw materials. The significantly lower investing cash outflows of € -22.2 million in the previous year were mainly due to the repayment of loan receivables of € 104.6 million, € 99.6 million of which related to the repayment of a loan by LDK Solar.

The **cash flow from financing activities** of € -19.0 million in the reporting period primarily includes planned repayments of € 15.0 million for maturing profit participation rights. This is grouped together under the repayment of loans item together with the € 72.2 million repayment of bridge financing received in the previous year for the Finsterwalde II/III photovoltaic project, and other smaller repayments of maturing investment loans. The repayment of the bridge financing for the Finsterwalde II/III project was offset by the equivalent positive change in restricted cash and cash equivalents. The previous year’s cash outflow from financing activities of € -87.4 million primarily related to a three-part package of capital measures, as well as loan draw downs and bridge financing repayments on financing arrangements for photovoltaic projects.

Net asset position

On 31 December 2011, Q-Cells' balance sheet total of stood at € 1,215.8 million, a significant reduction compared to the total at the end of 2010. Non-current as well as current assets are significantly lower. As a result, Q-Cells' consolidated equity at € 34.2 million was down significantly at the end of 2011. Q-Cells SE reports a balance sheet deficit of € 192.8 million in its separate balance sheet compiled in compliance with the German Commercial Code as of the end of 2011.

Key figures: Net asset position

€ million	**31 Dec. 2011**	**30 Sep. 2010**	**30 Jun. 2010**	**31 Mar. 2010**	**31 Dec. 2010**
Total assets	1,215.8	1,603.6	1,671.2	2,134.7	2,179.4
Cash and cash equivalents	304.9	230.3	169.5	279.7	473.9
Net working capital[3]	149.9	287.2	394.1	494.2	339.8
Net financial debt	-431.8	-515.3	-560.5	-523.7	-330.7
Capital employed[4]	401.9	877.0	979.4	1,295.1	1,151.2
Shareholders' equity	34.2	425.0	482.2	834.5	882.7
Equity ratio	2.8%	26.5%	28.9%	39.1%	40.5%
Gearing[5]	1,262.6%	0.1%	0.2%	0.1%	37.5%

As a result of the significant reduction in equity, the equity ratio fell to 2.8 % during the reporting period and accordingly gearing increased considerably.

Amongst other things, the € 189.9 million decline in net working capital during the reporting period was affected by impairment charges recorded against inventories of € 107.9 million. € 78.9 million of net working capital as of the end of financial year 2011 related to the products segment, € 85.3 million to the systems segment and € -14.3 million to consolidation effects and other items (previous year: products € 250.3 million, systems € 112.1 million and consolidations and other items € -22.6 million). Capital employed (tied up capital) decreased significantly over the course of the year as a result of considerably lower equity.

The net financial debt position deteriorated by € 101.1 million during the past financial year, most significantly as a result of the decline in cash and cash equivalents, less lower current debt liabilities and repayments of maturing profit participation capital made. The IFRS liabilities of the three convertible bonds also rose by a cumulative € 17.5 million due to interest cost.

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3 Inventories + Trade 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 accounts (systems business, miscellaneous accrued liabilities and advance payments received).
4 Shareholders' equity + Net financial debt – Financial assets accounted for using the equity method.
5 (-Net financial debt)/Shareholders' equity.

Assets

Assets					
€ million	**31 Dec. 2011**	**30 Sep. 2010**	**30 Jun. 2010**	**31 Mar. 2010**	**31 Dec. 2010**
Intangible assets	15.8	14.4	13.2	13.9	14.2
Property, plant and equipment	440.8	695.3	698.5	858.9	880.2
Financial assets accounted for using the equity method	64.1	63.3	63.3	63.1	62.2
Financial assets	5.9	5.3	5.3	2.3	2.4
Remaining non-current assets	31.5	78.8	91.7	118.8	124.2
Non-current assets	**558.1**	**857.1**	**872.0**	**1,057.0**	**1,083.2**
Inventories	142.5	330.8	384.5	585.0	365.7
Trade accounts receivable	135.1	117.6	140.7	71.9	108.7
Other financial assets	24.1	41.3	54.2	74.0	92.5
Cash and cash equivalents	304.9	230.3	169.5	279.7	473.9
Remaining current assets	51.1	26.5	50.3	67.1	55.4
Current assets	**657.7**	**746.5**	**799.2**	**1,077.7**	**1,096.2**
Total assets	**1,215.8**	**1,603.6**	**1,671.2**	**2,134.7**	**2,179.4**

The significant decline in **non-current assets** during the reporting period was mainly due to the € 439.4 million reduction in property, plant and equipment as well as the € 58.2 million fall in deferred taxes. The reduction in property, plant and equipment reflects write-downs made to reflect impairments (totalling € 398.5 million) recorded in the second and fourth quarters of 2011. The reduction in deferred tax assets results from a derecognition of deferred tax assets on temporary timing differences in 2011. Financial assets accounted for using the equity method of € 64.1 million at the end of December 2011 included the PV project companies LQ energy (€ 60.3 million) and Strasskirchen MQ (€ 0.4 million) and one project development joint venture. Other assets primarily include prepayments for future raw material deliveries.

Current assets fell by a significant € 438.5 million in the reporting period. The € 223.2 million decline in inventories was partially a result of impairment allowances made totalling € 107.9 million. Trade receivables of € 135.1 million as of the end of December 2011 (31 December 2010: € 108.7 million) are mainly attributable to the systems segment. The largest individual item included in other financial assets of € 24.1 million (31 December 2010: € 92.5 million) was the loan of € 17.4 million (31 December 2010: € 82.7 million) extended to LDK Solar. The reduction is primarily the result of non-cash offsets against trade payables. The reasons for the decline in cash and cash equivalents in the reporting period are described in the Financial Position section.

Equity and liabilities

Equity and liabilities					
€ million	**31 Dec. 2011**	**30 Sep. 2011**	**30 Jun. 2011**	**31 Mar. 2011**	**31 Dec. 2010**
Shareholders' equity	**34.2**	**425.0**	**482.2**	**834.5**	**882.7**
Convertible bonds	330.3	327.3	324.6	322.2	510.2
Borrowings	201.1	195.3	191.2	191.9	199.3
Deferred income from government grants	11.7	40.3	42.7	53.6	55.3
Provisions	37.0	34.3	33.8	25.9	26.2
Remaining non-current liabilities	11.8	5.2	21.0	30.1	30.1
Non-current liabilities	**591.9**	**602.4**	**613.3**	**623.7**	**821.1**
Convertible bonds	205.3	208.0	199.2	201.6	7.9
Borrowings and profit participation capital	0.0	15.0	15.0	87.7	87.2
Trade account payable	99.2	122.6	108.3	152.0	148.8
Other financial liabilities	80.4	99.0	106.9	105.8	106.3
Provisions	6.9	8.2	9.7	11.0	9.4
Remaining non-current liabilities	86.7	50.3	67.0	31.7	47.2
Remaining current liabilities	111.2	73.1	69.6	86.7	68.8
Current liabilities	**589.7**	**576.2**	**575.7**	**676.5**	**475.6**
Total equity and liabilities	**1,215.8**	**1,603.6**	**1,671.2**	**2,134.7**	**2,179.4**

In the reporting period, equity decreased significantly from € 882.7 million to € 34.2 million as a result of the net loss over the period.

Non-current liabilities fell from € 821.1 million to € 591.9 million in the course of financial year 2011. The greatest change was in long-term convertible bonds, which decreased from € 510.2 million to € 330.3 million. This is primarily as a result of the reclassification of the 2012 convertible bond which was reclassified to current liabilities given its maturity. Non-current loan liabilities rose slightly from € 199.3 million to € 201.1 million. The most significant non-current loan liability is the MYR 850.0 million loan granted by the Malaysian government. Including additional accrued interest, the euro equivalent of this loan rose from € 198.1 million to € 200.2 million in the reporting period. As a result of impairment charges on intangible assets and on property, plant and equipment, we also reversed related deferred investment grants. This was the main reason for the decline in deferred income from government grants during the past financial year. The rise in non-current provisions in the reporting period was mainly caused by increased warranty provisions. Other non-current liabilities almost exclusively comprise prepayments received at the beginning and end of the financial year 2011.

Overview convertible bonds as of 31 December 2011					
€ million	Total nominal value	Outstanding nominal value	IFRS liability component		
			Current	Non-current	Total
Convertible bond 2012	492.5	201.7	202.3	-	202.3
Convertible bond 2014	250.0	247.0	1.3	233.0	234.3
Convertible bond 2015	128.7	128.7	1.7	97.3	99.0
	871.2	**577.4**	**205.3**	**330.3**	**535.6**

Current liabilities rose during the reporting period from € 475.6 million to € 589.7 million. The reclassification of the 2012 convertible bond as a current liability is the main component of the increase in the current liability recorded for convertible bonds in the reporting period. There were no current liabilities from loans or profit participation capital as of the end of the reporting period following the repayment on maturity of profit participation capital and the repayment of bridge financing for the Finsterwalde II/III project during the course of 2011. The fall in trade payables in the products segment more than compensated for the rise in the systems segment, resulting in an overall € 49.6 million decline in trade payables during the reporting period. This was mainly due to the offsetting of trade payables to LDK Solar against extended loans as described above in the section on current assets.

Other financial liabilities of € 80.4 million (31 December 2010: € 106.3 million) primarily comprise a liability from a supply agreement with LDK Solar (€ 17.4 million) as well as a liability to the LQ energy joint venture (€ 63.0 million). These correspond to a loan with a residual amount of € 33.3 million to LDK Solar, and the interest in LQ energy with a carrying amount of € 60.3 million recorded as assets. The rise in current provisions in 2011 was primarily caused by increased warranty provisions and provisions for impending losses. The € 28.5 million increase in other current liabilities to € 74.0 million in the reporting period results from increases in the current portion of payments received on account of orders and from higher VAT liabilities.

OTHER DISCLOSURES

RENUMERATION REPORT

The remuneration system of the Executive Board

The remuneration of the members of the Executive Board consists of a fixed annual basic (i.e. non-performance related) remuneration and a variable (i.e. performance related) remuneration, the latter being largely a long-term incentive component. 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 Q-Cells economic position, success and future prospects, taking into account its peer environment. Performance-related remuneration is subject to risks and thus is not guaranteed.

The fixed (i.e. non-performance related) remuneration consists of a monthly fixed amount plus additional benefits (such as the right to private use of company cars and expenses). The fixed amount is reviewed for conformity with market standards and appropriateness at regular intervals. The additional benefits are measured at the value determined for tax purposes or at the net value of the benefit.

A bonus is initially paid for the variable (i.e. performance related) remuneration. This 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 2011 on the development of the Group's sales, EBIT and free cash flow. The bonus comprises two unequal parts, 49 % as a cash payment and 51 % payable in fictitious share options with a long-term incentive component. After a holding period of two years from the issue date, the fictitious shares are converted into a payment entitlements based on the weighted average closing price of Q-Cells' shares during the last thirty consecutive trading days before the expiry of the holding period. The payout for Dr Andreas von Zitzewitz is limited to 200 % of the issue value of the fictitious shares.

Additional performance-related remuneration with a long-term incentive was paid in the reporting period in the form of, among other things, share options with a long-term incentive component and risk character on the basis of current employment contractsin accordance with the Stock Option Plan created by a resolution of the Annual General Meeting on 24 June 2010; the only stock options that remain valid are those that were distributed to the Chairman of the Executive Board and former Executive Board member Füchtenkort (see the table on share options distributed). In addition, the service contract for CEO Dr Cen also provides for a special performance-related bonus with a long-term incentive in the maximum amount of € 250.0 thousand p.a. in the event that certain strategic goals are achieved over a three-year period ("strategic bonus"). No payments were made in either the reporting period or the previous year.

The service contracts of Executive Board members contain a target agreement, which makes provision for the possibility of granting a special bonus or a subsequent bonus to recognise exceptional performance in addition to the remuneration mentioned above. The service contracts for Executive Board members active as of 31 December 2011 contain a so-called "Change of Control" clause, which provides for compensation to be paid to members of the Executive Board or employees in the event of a takeover in accordance with section 315 (4) of the German Commercial Code (HGB). Dr Andreas von Zitzewitz also has the right to give notice of termination within two weeks in the event of a fundamental withdrawal of responsibilities. In this case, he would receive a severance payment in the amount of the total remuneration for the original remaining term, but limited to a period of one year.

The service contracts also contain a one-year anti-competition clause in the event of the Executive Board member leaving. Monthly compensation in the amount of the fixed remuneration, less any other income, was granted to the members of the Executive Board for the duration of the anti-competition clause. The anti-competition clause was lifted for the Executive Board member leaving during the year, meaning that no anti-competition compensation was paid. In the event of early termination of Executive Board mandates by Q-Cells without good cause, Executive Board members receive the annual remuneration due to them for their remaining time in office, provided that this does not exceed two years' remuneration.

The remuneration of individual members of the Executive Board in 2011 was as follows:

€ thousands	Non performance-related remuneration[6]	Performance-related remuneration	Remuneration with a long-term incentive	Total remuneration[7]
Dr Nedim Cen (CEO)	772.9	656.3	260.0	**1,689.2**
Dr Marion Helmes (until 14 November 2011)	442.2	104.2	195.0[8]	**741.4**
Dr Andreas von Zitzewitz (from 12 August 2011)	201.0	94.1	97.9	**393.0**
Gerhard Rauter (until 4 May 2011)	143.5	0.0	130.0[9]	**273.5**
Hans-Gerd Füchtenkort (until 11 August 2011)	347.1	0.0	130.0	**474.9**
Total 2011	**1,906.7**	**854.6**	**812.9**	**3,574.2**

The remuneration of the members of the Executive Board in 2010 was as follows:

€ thousands	Non performance-related remuneration[10]	Performance-related remuneration	Remuneration with a long-term incentive	Total remuneration
Dr Nedim Cen (from 1 September 2010, CEO from 11 March 2010)	252.7	122.5	523.5	**898.7**
Dr Nedim Cen (until 31 August 2010)	603.6	0.0	0.0	**603.6**
Anton Milner (CEO until 11 March 2010)	71.2	175.0	0.0	**246.2**
Hans-Gerd Füchtenkort (from 25 May 2010)	305.6	147.6	427.8	**881.0**
Dr Marion Helmes (from 1 July 2010)	254.0	122.5	538.5	**915.0**
Gerhard Rauter	303.1	219.5	91.8	**614.4**
Dr Marko Schulz (until 10 May 2010)	95.3	0.0	0.0	**95.3**
Total 2010	**1,885.5**	**787.1**	**1,581.6**	**4,254.2**

6 Fixed remuneration and additional benefits.
7 The total remuneration for Dr Marion Helmes and Gerhard Rauter includes the fair value of the stock options issued in 2011 which lapsed after their resignation date.
8 The stock options issued to Dr Marion Helmes lapsed on resignation in the fourth quarter of 2011.
9 The stock options issued to Gerhard Rauter lapsed on resignation in the second quarter of 2011.
10 Fixed remuneration and additional benefits.

The minimum bonus targets were not achieved in 2011. However, the contract for Executive Board member Dr Andreas von Zitzewitz stipulates that he will be guaranteed a bonus for the first twelve months of his term in office with 100 % target achievement. In addition, Dr von Zitzewitz was also granted a non-recurring advance of € 250.0 thousand on taking up the post; however, he will have to repay this amount in the event that his service contract ends within one year of taking up the post should he terminate his employment or resign from office. An bonus to recognise performance was granted to the Chairman of the Executive Board and Dr Helmes based on the rules described above. The CEO was paid an recognition bonus of € 500.0 thousand as he was additionally burdened with the temporary assumption of responsibility for Operations & Technology as well as Marketing & Sales in the reporting period. Dr Nedim Cen and Dr Marion Helmes received additional recognition bonuses of € 156.3 thousand and € 104.2 thousand respectively for the successful closure of the capital market transaction in autumn 2010, these were granted and paid in March 2011 following a resolution by the Supervisory Board; the amounts corresponded to two-and-a-half times their monthly fixed salary. An additionalperformance-related bonus was agreed with the CEO in November 2011 in recognition of the Company's financial liabilities restructuring program. Following a successful restructuring, this may be paid in five instalments, with each instalment being linked to certain milestones in the financial restructuring process. No payments were made in the reporting period.

In addition to the non-performance related remuneration up to the end of 2011 for Hans-Gerd Füchtenkort, a severance payment of € 506.3 thousand was paid to him to compensate for the remainder of his contract in connection with his resignation from the Executive Board, although this only became payable on 2 January 2012. On termination of his Executive Board mandate as of 4 May 2011, Gerhard Rauter was awarded a severance payment of € 1,214.1 thousand as well as non-performance related remuneration until 31 May 2011 to compensate the remainder of his contract. Dr Marion Helmes was paid a non-recurring sum of € 60.0 thousand to compensate for holiday and other entitlements when she left the Executive Board. Agreements were reached with Hans-Gerd Füchtenkort and Dr Marion Helmes to pay out all bonuses for the reporting period in cash, notwithstanding original service contract provisions (this only applied to Dr Marion Helmes for the time prior to her leaving). However, no payments were made as the minimum targets for granting bonuses were not achieved in 2011.

The bonus components paid are shown in the performance-related remuneration for 2010. In an amendment to the presentation in the Annual Report 2010, the fictitious share options were reported within long-term incentive remuneration. Other changes to the presentation of remuneration for 2010 resulted from the first-time application of the amended DRS 17 (German Accounting Standard).

The severance payments awarded to departing members of the Executive Board in the reporting year and in the previous year to compensate the remainder of their contracts were as follows:

€ thousands	Non performance-related remuneration[11]	Performance-related remuneration	Remuneration with a long-term incentive	Total remuneration
Dr Marion Helmes (until 14 November 2011)	61.0	0.0	0.0	**61.0**
Gerhard Rauter (until 4 May 2011)	1,249.2	0.0	0.0	**1,249.2**
Hans-Gerd Füchtenkort (until 11 August 2011)	197.7	0.0	0.0	**197.7**
Total 2011	**1,507.9**	**0.0**	**0.0**	**1,507.9**
Anton Milner (CEO until 11 March 2010)	282.4	0.0	0.0	**282.4**
Dr Marko Schulz (until 10 May 2010)	687.6	0.0	0.0	**687.6**
Total 2010	**970.0**	**0.0**	**0.0**	**970.0**

[11] Fixed remuneration, severance payment and additional benefits.

The stock options were issued to members of the Executive Board in 2011 and in the previous year were as follows:

	Programme	Number of shares	Fair value over the whole term € thousands
Dr Nedim Cen (CEO)	3.2c	200,000	**260.0**
Dr Marion Helmes (until 14 November 2011)	3.2c	150,000	**195.0**
Gerhard Rauter (until 4 May 2011)	3.2c	100,000	**130.0**
Hans-Gerd Füchtenkort (until 11 August 2011)	3.2c	100,000	**130.0**
Total 2011		**550,000**	**715.0**
Dr Nedim Cen (CEO)	3.2b	200,000	**396.0**
Hans-Gerd Füchtenkort	3.2a	100,000	**274.0**
Dr Marion Helmes	3.2a	150,000	**411.0**
Total 2010		**450,000**	**1,081.0**

The stock options issued to Dr Marion Helmes and Gerhard Rauter in 2011 lapsed following their exits from the Company in the fourth and second quarters of 2011 respectively.

In addition, Executive Board members were granted fictitious shares in 2011 resulting from the conversion of the pro rata bonus for financial year 2010 described above. The value of the fictitious shares issued is shown in the previous year's total remuneration within long-term incentive. However, their award, and the number of fictitious shares awarded was determined in financial year 2011 following preparation of the financial statements. The fictitious shares of departed Executive Board members did not lapse following their resignations.

The fictitious shares granted in 2011 included in the remuneration for 2010 described above were as follows:

	Number of shares	Fair value over the whole term € thousands
Dr Nedim Cen (CEO)	54,721	**127.5**
Dr Marion Helmes (until 14 November 2011)	54,721	**127.5**
Gerhard Rauter (until 4 May 2011)	39,399	**91.8**
Hans-Gerd Füchtenkort (until 11 August 2011)	65,939	**153.6**
Total 2010	**214,780**	**500.4**

The remuneration system for the Supervisory Board

The Supervisory Board's remuneration is based on the following system, which was most recently changed in financial year 2010.

Each member of the Supervisory Board receives fixed annual basic remuneration of € 30.0 thousand.

In addition, members of the Supervisory Board each receive annual performance-based remuneration of € 0.5 thousand for each million or part thereof of reported 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 € 30.0 thousand 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 Supervisory Board committee also receives a premium of 25 % on top of his or her fixed and variable remuneration. The chair of a Supervisory Board committee receives a premium of 50 %. This does not apply to members or the chair of the Nomination Committee.

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

Each Supervisory Board member receives in addition an attendance fee of € 1.5 thousand for each Supervisory Board meeting attended. In addition, members of a Supervisory Board committee receive a fee of the same amount for each committee meeting attended. In addition, total annual remuneration for a regular member of the Supervisory Board may not exceed double the basic remuneration of € 30.0 thousand plus variable remuneration, total annual remuneration of the chairman may not exceed three times the basic remuneration.

The remuneration of individual members of the Supervisory Board in 2011 is presented below:

€ thousands	Fixed remune-ration	Variable remune-ration	Remune-ration committees	Attendance fees	Total remune-ration (limited, if appropriate)[12]
Prof Dr h.c. Karlheinz Hornung (Chairman of the Supervisory Board)	60.0	0.0	31.9	37.5	90.0
Dr Christian Reitberger (Deputy Chairman until 30 September 2011)	33.8	0.0	11.3	10.5	45.0
Uwe Schmorl (Deputy Chairman from 1 October 2011)	33.8	0.0	5.9	27.0	60.0
Marcel Berghoff	30.0	0.0	0.0	12.0	42.0
Helmut Gierse	30.0	0.0	15.0	19.5	60.0
Prof Jörg Menno Harms	30.0	0.0	10.1	28.5	60.0
Constanze Schmidt	30.0	0.0	0.0	12.0	42.0
Frauke Vogler	30.0	0.0	15.0	18.0	60.0
Prof Eicke R. Weber (from 13 April 2011)	21.5	0.0	4.9	12.0	38.4
Total 2011	**299.1**	**0.0**	**94.0**	**177.0**	**497.4**

[12] Total remuneration may be lower than the sum of the individual remuneration components due to the maximum remuneration stipulated by the Articles of Association. There are also rounding differences between the sum of the individual remuneration components and the indicated total remuneration.

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

€ thousands	Fixed remune-ration	Variable remune-ration	Remune-ration committees	Attendance fees	Total remuneration (limited, if appropriate)[13]
Prof Dr h.c. Karlheinz Hornung (Chairman of the Supervisory Board from 24 June 2010)	31.2	9.8	20.5	12.0	73.5
Marcel Brenninkmeijer (Chairman of the Supervisory Board until 24 June 2010, Member until 30 November 2010)	42.0	13.2	22.9	18.0	96.1
Dr Christian Reitberger (Deputy Chairman)	45.0	14.2	24.5	15.0	98.7
Marcel Berghoff	30.0	9.5	0.0	13.5	53.0
Helmut Gierse (from 24 February 2010)	25.5	8.0	16.7	22.5	72.7
Prof Jörg Menno Harms	30.0	9.5	19.7	16.5	75.7
Richard Kauffman (until 24 February 2010)	4.6	1.5	3.1	0.0	9.2
Andrew Lee (until 24 June 2010)	14.5	4.6	4.8	13.5	37.4
Constanze Schmidt	30.0	9.5	0.0	13.5	53.0
Uwe Schmorl	30.0	9.5	0.0	13.5	53.0
Frauke Vogler	30.0	9.5	19.7	22.5	81.7
Total 2010	**312.8**	**98.5**	**131.9**	**160.5**	**704.0**

[13] Differences between the sum and the individual components are due to rounding differences.

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

Composition of subscribed capital

Subscribed capital amounted to € 176,343,630.00 as of the balance sheet date (31 December 2011), and is divided into 176,343,630 shares at no par value, of which 176,342,630 are ordinary shares and 1,000 are preference shares which do not carry voting rights (31 December 2010: 149,461,719 ordinary shares and 26,881,911 preference shares).

Ownership of the shares entails voting rights at the Annual General Meeting as well as an entitlement to dividend payments from approved profit distribution dividends. 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 is paid after all outstanding amounts from earlier years 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 amount, they will be paid to holders of preference shares and holders of ordinary shares in proportion to their share in total share capital. Holders of preference shares additionally have the 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 legal restrictions, in particular the provisions of the German Stock Corporation Act (AktG). For instance, shareholders are prohibited from voting under certain conditions pursuant to section 136 AktG, and according to section 71b AktG, Q-Cells SE may not exercise voting rights in respect of own shares held.

Q-Cells is not aware of any other restrictions affecting the voting rights or transfers of the Company’s shares.

Shareholdings exceeding 10 % of the voting rights

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 2011):

- Good Energies (Solar Investments) S.à r.l., Luxembourg, Grand Duchy of Luxemburg,
- COFRA Investments L.P., St. Helier, Jersey,
- COFRA Investments General Partner Limited, St. Helier, Jersey,
- Fairmark S.A., Luxembourg, Grand Duchy of Luxembourg,
- Fontana Investments Limited, St. Helier, Jersey,
- Ariosa AG, Zug, Switzerland,
- Genossenschaft Constanter, Zug, Switzerland,
- COFRA Jersey Limited, St. Helier, Jersey,
- COFRA Holding AG, Zug, Switzerland
- Avenia AG, Zug, Switzerland.

Special rights 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 a share interest in Q-Cells SE exercise their voting rights directly and in accordance with statutory provisions and the Articles of Association in the same way as other shareholders.

Regulations governing the appointment and dismissal of members of the Executive Board

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 two members at the end of 2011.

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 and 21 of the Articles of Association. The Articles of Association may only be amended pursuant 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 are 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 that version.

The Executive Board’s authority to issue or buy back shares

Authorised capital

Authorised capital 2011/1
Under Article 4 (4) of the Articles of Association the Executive Board is authorised, with the prior consent of the Supervisory Board, to increase the Company’s share capital up until 22 June 2016, 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, in one or more instances, up to a maximum amount of € 88,171,815 (Authorised capital 2011/1). The authorisation includes the authority to issue additional preference shares with or without voting rights, which rank ahead of or equal to other preference shares for profit or asset sharing purposes. Subscription rights must be granted to shareholders. Subscription 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.

Contingent capital

Contingent capital 2003/1
Article 4 (5) of the Articles of Association provides for an increase in the Company’s share capital (contingent capital 2003/1) by up to € 119,232.00 through issuance of up to 119,232 no-par-value bearer shares (no par value shares). The contingent capital increase is contingent on the redemption of subscription rights issued by the Q-Cells Executive Board and authorised at the Annual General Meeting on 29 December 2003. The Supervisory Board is authorised to amend article 4 (1) and (5) of the Articles of Association (share capital) after the resulting complete or partial increase of share capital or after the expiry of the authorisation period and have the amendments registered accordingly.

Contingent capital 2005/1
Article 4 (6) of the Articles of Association provides for an increase in the Company's share capital (contingent capital 2005/1) by up to € 493,958.00 through issuance of up to 493,958 no-par value bearer shares (no par value shares). The contingent capital increase is contingent on the redemption of subscription rights issued by the Q-Cells Executive Board and authorised at the Annual General Meeting on 16 August 2005. The Supervisory Board is authorised to amend article 4 (1) and (6) of the Articles of Association (share capital) after the resulting complete or partial increase of share capital or after expiry of the authorisation period and have the amendments registered accordingly.

Contingent capital 2006/1
Article 4 (7) of the Articles of Association provides for an increase in the Company's share capital (contingent capital 2006/1) by up to € 81,802,183.00 divided into up to 81,802,183 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, 24 June 2010 and 23 June 2011 or have otherwise been guaranteed by the Company, or to the extent that 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 that no cash settlement has been made or its own shares or shares of another listed company are being used for service. The new shares are issued in accordance with the provisions of the aforementioned specified resolutions at the respective authorised strike or conversion price. The new shares from contingent capital participate in profits 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 2007/1
Article 4 (8) of the Articles of Association provides for an increase in the Company's share capital (contingent capital 2007/1) by up to € 5,756,442.00 through issuance of up to 5,756,442 no-par value bearer shares (no par value shares). The contingent capital increase is contingent on the redemption of subscription rights issued by the Q-Cells Executive Board and authorised at the Annual General Meeting held on 14 June 2007 and amended at the Annual General Meetings held on 26 June 2008, 18 June 2009, and 24 June 2010. The Supervisory Board is authorised to amend article 4 (1) and article 8 of the Articles of Association (share capital) after the resulting complete or partial increase of share capital or after expiry of the authorisation period and have the amendments registered accordingly.

Acquisition of own shares

By virtue of the resolution adopted at the Annual General Meeting on 24 June 2010, Q-Cells SE is authorised, until 23 June 2015, to acquire its own shares of any class (ordinary and/or preference shares) up to 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 the authorisation is exercised, if this amount is less, and in particular to use these, excluding shareholder subscription rights, for offers in conjunction with business combinations, company acquisitions or participations and to distribute them to meet share issue obligations under employee share option plans.

No use of the authorisation has been made in 2010 or in 2011.

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:

The Company is guarantor of two convertible bonds in the amount of € 492.5 million, due in February 2012, and € 250.0 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 2011. The nominal value of convertible bonds due in 2014 held by external bondholders at that date was € 247.0 million. In addition, the Company as issuer has additional convertible bond obligations of € 128.7 million due in 2015. In total the nominal value of all three outstanding bonds amounted to € 577.4 million as of 31 December 2011.

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, based on the detailed terms and conditions of the respective bonds.

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 cases, 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 there is, based on the detailed terms and conditions of the respective bonds, an adjustment mechanism for the conversion price, which could result in a reduction of the same.

Under the financial restructuring plan, it is proposed that these convertible bonds are converted to equity. The approval of the shareholders as well as the bondholders to the financial restructuring is required. The approval of the bondholders will be sought in April 2012 in separate creditors' meetings held for holders of each bond issue. An extraordinary shareholder Annual General Meeting for shareholders to adopt a resolution on the financial restructuring measures is likely to be held either at the end of May or in June 2012.

Compensation agreements with members of the Executive Board or employees in the event of a takeover

In the event of a "Change of Control", as described in their service contracts, both Executive Board members are entitled to terminate their contracts should more than 50 % of voting rights in the Company be acquired pursuant to sections 21 et seq. of the WpHG. If this special termination right is exercised, the Executive Board members are entitled to compensation for remuneration outstanding for the remainder of their contracts. In this case, the severance payment may not exceed the figure for two years' remuneration, or in the case of the chairman, three years' remuneration. The service contract of the CEO states that a "Change of Control" is classified as "passive" if no shareholder announces that they hold more than 50 % of the voting rights but the member's service contract is terminated by the Company within six months after the completion of financial restructuring (which will result in a significant change in shareholdings). The Executive Board member would also be entitled to a severance payment in this case.

RISK REPORT

RISK MANAGEMENT

Risk policy

Q-Cells has a risk management system to prevent and manage risk. The Company's employees are actively responsible for managing risks within this system. The aim of Q-Cells' risk management system is, through active identification, analysis, assessment, documentation and reporting of risks, to avoid threats to the Company's existence, make risk exposure transparent, and consequently to secure achievement of the Company's targets and future success, thereby safeguarding and increasing value in the long term.

The function of the risk management system is to support the Group's successful strategic and operational focus by weighing opportunities against the corresponding risks and using these considerations as a basis for business decisions.

The risk management system and the internal control system also include accounting-related processes and the risks and controls relating to the financial reporting. Risk management system objectives with regard to financial reporting are the identification, analysis and assessment of risks which may conflict with the correct presentation of the consolidated financial statements. Risks that have been identified are examined with regard to their impact on the consolidated financial statements, with the involvement of external specialists if necessary.

Risk management organisation

Each employee is required 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 risk management reporting structure as well as the core processes of risk management and the responsibilities and authorisations of persons responsible for dealing with risk.

To ensure the complete integration of risk management in current business activities, Risk Officers are appointed at each relevant Q-Cells division and from each fully consolidated production subsidiary.

A standardised bottom-up risk analysis process takes place every quarter in which the current operative risk situation in each division is determined. Significant risks are assessed in view of the likelihood of their occurrence and the potential damage or potential default/financial obligation in respect of subsidiaries. Measures for addressing with identified risks are also worked out and documented. Each person responsible for dealing with a risk implements the defined measures at operational 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.

This quarterly process forms the basis for risk aggregation and for the provision of transparent information, also on a quarterly basis, to the Executive Board about the Group's aggregated risk situation. In addition, the Audit Committee of the Supervisory Board evaluates the risk situation and the structure of the risk management system on a quarterly basis.

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

The risk management system and the tools that form part of it are continuously refined and promptly adjusted to reflect any changes in conditions affecting the Company and its environment, in order to increase the quality of its content and also to optimize individual process steps. Recommendations made by the Audit Committee and the auditor are also taken into account and implemented in a timely manner.

Risk management is the responsibility of the Controlling, Accounting & Tax department, reporting directly to the Executive Board. In 2011, risk management and the Internal Audit department continued to work closely together. 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.

As an internationally operating Group, Q-Cells is exposed to many potential risks. Under consideration of company-specific requirements, the systems are designed to ensure that material risks are identified and managed.

Nevertheless, the systems that have been established do not provide absolute security with regard to the identification and management of risk.

Accounting-related internal control and risk management system

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, to ensure compliance with important legal requirements and regulations of the Articles of Association. Q-Cells' accounting-related internal control system comprises all the relevant measures, principles and methods that ensure proper accounting.

Risk management system objectives 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 consolidated financial statements or could have a negative effect on the net assets, financial position and results of operations of the Group. 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 for accounting are provided with Group accounting guidelines. These are regularly updated and maintained by the Group Accounting department. Furthermore, Group Accounting ensures that guidelines and processes are applied consistently throughout the Group by providing a standard reporting package, and a calendar for the preparation of financial statements. 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 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 for the proper and timely preparation of their financial statements. Reporting entities must confirm their compliance with the Group's accounting guidelines in writing. 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.

The dual control principle is applied to accounting-related processes. In addition, process-independent controls, such as the segregation of duties, pre-defined authorisation processes, and automatic and manual controls are implemented.

The reporting systems used in Finance are standardised across the Group and are protected against unauthorised access through appropriate settings and software controls. Programmed plausibility checks and reconciliations are integrated into accounting software. Data accepted from subsidiaries is 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 include analytical audit procedures.

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, material assumptions and estimates are objectified by comparison with peer groups, market data and, if necessary, by commissioning external experts to ensure the estimates are correct and reliable.

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 are an important instrument for minimising Q-Cells' existing risks where this is economically justifiable. The Company has taken out property and third party liability insurance typical within the industry and which is subject to regular review and adjustment if necessary. Insurance deductibles and excesses have been agreed for the property and business interruption insurance policy cover. 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.

KEY RISK AREAS

Financing risks (especially in relation to current financial restructuring)

Q-Cells reported in its 2011 report for the six months ended 30 June 2011, which was published on 11 August 2011, that the difficult market situation, characterised by substantial competitive pressure, global surplus production capacities and falling prices, posed a threat to Q-Cells' ability to repay or refinance the convertible bond due at the end of February 2012.

On 10 October 2011 Q-Cells International Finance B.V., a wholly-owned subsidiary of Q-Cells SE, as the issuer of the 2012 convertible bond, invited creditors to a bondholders' meeting to discuss the possible necessary restructuring of the 2012 convertible bond. The bondholders' meeting, which was held on 25 October 2011, resolved to apply the Bond Act (Gesetz über Schuldverschreibungen aus Gesamtemissionen, Schuldverschreibungsgesetz 2009 – SchVG) of 31 July 2009 to the 2012 convertible bond. On the basis of the application of the SchVG, the bondholders' meeting also resolved to appoint a common representative who, with the consent of the creditors, would defer the maturity of the 2012 convertible bond until no later than 31 December 2012. These resolutions were implemented on 2 February 2012 subsequent to the settlement of and subsequent withdrawals of appeals. The implementation was not impeded by late appeals; a dismissive first-instance decision in release proceedings by the Regional Court of Frankfurt am Main had no effect following the withdrawals of appeals and associated release proceeding.

In an ad hoc statement and in conjunction with the quarterly report for the nine months ended 30 September 2011, Q-Cells announced on 14 November 2011 that financial framework conditions had deteriorated and the Company could not exclude that it would be unable to make repayment in full of the 2012 convertible bond in February 2012.

Q-Cells updated its medium-term business plan until 2015 given the severe deterioration of framework conditions at the end of financial year 2011. This update took into account the continuing price falls and the rapid structural changes occurring on the international photovoltaic products markets. Since 6 December 2011, Q-Cells has been in negotiation with the key holders of all three outstanding convertible bonds on the basis of the business plan, which has been validated by the consulting firm McKinsey. These convertible bond holders have formed so-called ad hoc committees. Please see the Forecast Report for details of the business plan.

On 24 January 2012, Q-Cells SE announced the loss of half of its share capital in accordance with Article 9 (1) c) lit. ii) of the Statute for a European Company (SE-Reg) in conjunction with Section 92 (1) of the AktG. On 31 January 2012 it invited its shareholders to an extraordinary General Meeting, which was held in Leipzig on 9 March 2012.

After intensive negotiations with the ad hoc committees of the convertible bond holders, an agreement in principle was reached on 1 February 2012 concerning a comprehensive financial restructuring. Other bond creditors also supported the agreement.

The key elements of the agreement are that the holders of the 2012, 2014 and 2015 convertible bonds shall, in place of receiving repayment of the face value of their bonds, contribute their bonds to Q-Cells in a debt-to-equity swap in Q-Cells SE. They will waive their claims against Q-Cells for repayment of bonds totalling € 550.0 million in return for shares. The holders of the bonds with an original maturity date of 28 February 2012 will receive a cash payment of € 20 million; however, this payment will first be made once the financial restructuring is approved by all parties and completed. In addition, the current planning foresees the distribution of available liquidity to the extent that liquidity exceeds certain minimum levels at the date the financial restructuring is completed. This additional liquidity may arise from the sale of non-core business assets. Further, Q-Cells has been able to secure an agreement with the Malaysian government. Under this agreement, the repayment of the Malaysian government loan, originally due to mature in 2014, will be spread over time and repayable significantly later than originally planned.

On 27 February 2012 the maturity of the 2012 convertible bond was deferred until 30 April 2012 by the bondholders' authorised common representative, elected in the October bondholders' meeting, in order to allow time for further detailed work on the restructuring concept.

In order to approve the restructuring, Q-Cells International Finance B.V., as issuer of the convertible bonds due in 2012 and 2014, and Q-Cells SE as issuer of the bonds due in 2015, plan to invite the respective bondholders to separate bondholders' meetings respectively for each bond issue. These meetings are expected to take place by the end of April 2012. The bondholders' meetings will be held to receive seek bondholders' approval for the measures affecting the respective bonds. In accordance with the applicable SchVG legislation, bondholders' meeting resolutions require a majority of at least 75 % of the participating votes (based on nominal amounts represented) and bondholders' meetings are quorate if at least half of the outstanding nominal amount is represented at the meetings. If one of the bondholders' meetings is not quorate, the chairman may convene a second meeting for the purpose of approving a new resolution. Such a second meeting on the proposed financial restructuring shall be quorate if at least 25 % of the remaining nominal amount is represented.

An extraordinary shareholder Annual General Meeting will be called for shareholders to adopt a resolution on financial restructuring measures (capital decrease and capital increase). This is likely to be held either at the end of May 2012 or in June 2012.

The continuation of Q-Cells as a going concern is dependent on the successful completion of the financial restructuring measures. Completion of these measures is complex due to the requirement for approval from the shareholders, a number of different creditor groups and various authorities, and in addition this process is associated with significant legal risks. Given the current status of the financial restructuring, Q-Cells expects that the legal implementation will be completed during the second half of 2012. Q-Cells' operations may be negatively impacted during the implementation phase of the financial restructuring concept. Q-Cells' ability to continue in business as a going concern will be seriously endangered should the restructuring concept fail.

Medium-term business plan risks

Q-Cells prepared a medium-term business plan for the period from 2012 to 2015 at the beginning of December 2011, which was certified by the consultants McKinsey. Changes in the government support systems for photovoltaic systems have been proposed in recent weeks and the implementation of these changes has begun. The consequences of these changes are very difficult to predict. Despite the expected negative impact on our business in Germany, it remains our objective to minimise the effects on Q-Cells' income and financial position by strengthening the measures already taken. Current trends in purchasing and sales prices, limitations on subventions for open field photovoltaic installations and the movements on the euro-dollar exchange rate will, in our view and also in the opinion of the consultants McKinsey, have a short-term impact, in particular on sales, but they should have no significant effect on Q-Cells in the medium term. Accordingly, the business plan prepared at the end of 2011 remains the basis of our planning.

The successful implementation of the medium-term business plan is significant to the continuation of the Q-Cells business. Should the assumptions made in the medium-term business plan prove to be too optimistic, there is a serious danger that we may not succeed in achieving the plan and Q-Cells' ability to continue in business as a going concern will be seriously threatened.

The significant assumptions made in the medium-term business plan are explained in the 'Expected income and financial position' section of the Forecast report.

Macroeconomic risks and industry risks

Macroeconomic risks result from the development of the global economy, especially in countries which are key sales markets, and from 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. Worldwide, it is estimated that approximately half of all new photovoltaic installations in the past year were built in the two largest markets, Germany and Italy.

Subsidies usually take the form of monetary incentives paid directly by the government, or of guaranteed feed-in tariffs applied to electricity prices for power generated by photovoltaic systems. Support programmes sometimes created very high returns for investors in photovoltaic systems in the past. As a result, in some cases more photovoltaic output was installed than was originally envisioned at the time the subsidy was introduced. This in turn has led to extraordinary cutbacks in 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.

There is also the risk that additional cuts will be discussed and resolved in response to general economic conditions (the European debt crisis), impacting not only the German photovoltaic market, but also all European markets with similar subsidy structures. Amount and price effects resulting from the above-mentioned aspects could influence Q-Cells' net assets, financial position and results of operations.

Detailed information on the most important current photovoltaic support programmes and the overall economic situation is included in the Forecast Report.

The ability of the international banking system to grant loans continues to be affected by the ongoing debt 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.

In this context, a competitive cost structure, quick achievement of net parity and access to non-subsidised markets are decisive competitive factors and will be absolutely necessary for the continued existence of, as well as medium- to long-term growth in, the photovoltaic sector. Q-Cells continues to work on becoming less dependent on the German photovoltaic market by entering new markets and continuously improving its cost structure to improve its competitiveness.

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.

Given the existing surplus production capacity in the photovoltaic industry, we expect the photovoltaic sector to consolidate, which is likely to give rise to insolvencies, mergers and takeovers. This results in an increased risk that key customers will not meet contractual purchase commitments, and in the likelihood of losses of unsecured trade accounts receivable.

Corporate strategy risks

Due to the developments in financial year 2009, which was characterised by a fundamental change in the ratio of supply and demand, Q-Cells revised its strategic focus from 2010. The objective is 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 a comprehensive service provider of photovoltaic solutions. The details of the new strategic focus are explained in the section Corporate strategy.

If individual parts of the current strategic refocusing measures are not (or only partially) carried out, or if their implementation is delayed, this could endanger Q-Cells ability to continue in business as a going concern.

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

If the Company fails to build up sufficient specialist expertise to open up new future markets, this may result in a loss of market share 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. However, the massive price falls seen in 2011 also create the opportunity for new markets that Q-Cells could enter.

Q-Cells uses partner companies for processing solar modules according to agreed specifications. The associated loss of full control over production processes presents an increased risk to Q-Cells. Following ramp up and other production difficulties in 2010, countermeasures were implemented and this risk could be reduced. However, processing partners may also encounter problems with production in the future.

In the thin-film section, the Group has focused on the CIGS technology of Q-Cells' wholly owned subsidiary Solibro as part of its new strategic focus. The significant decline in price of high-purity silicon resulted in a steep drop in production costs for crystalline modules which currently dominate the market. Accordingly, there is a growing need to cut CIGS thin-film module production costs by improving the production process and through research and development. A competitive cost position in the medium term can only be achieved by realising economies of scale which implies further capacity expansion may be required. Given Q-Cells' difficult business situation, the planned capacity expansion can only be financed by involving an external investor.

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 overruns or subsidies being smaller than anticipated as a result of project delays. This also applies to solar module deliveries, which Q-Cells provides along the entire value chain. In addition, the business risk is considerably higher as the planning and construction period in the systems business is longer than in the product segment.

Financial risks

Within the Group, Treasury & Corporate Finance is responsible for managing 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 financing transactions.

More information about the risk management aims and methods within the scope of the use of financial instruments, as well as additional information on the associated risks, are provided in the notes in the section Risks from financial instruments.

Credit risks

The risk of customer insolvencies has risen considerably in comparison with the previous year on account of the difficult photovoltaic market situation. Were any of the Group’s major customers to default on their payments, the financial position and results of operations for the Group could be noticeably affected.

To reduce the risk of bad debts, a proportion of the receivables in the product sales section are protected via trade credit insurance. However, trade credit insurers, as in financial year 2010, remained largely restrictive in the assumption of risks in 2011, so that not all trade accounts receivable are insured.

Additional information on the credit risks is provided in the notes in the section Risks from financial instruments.

Liquidity risks

The calculation of Q-Cells’ liquidity levels and needs is based on a rolling liquidity planning process. Liquidity is managed centrally by Treasury & Corporate Finance for all subsidiaries. This includes investing surplus liquidity and also supplying liquidity in the case of financing bottlenecks.

The liquidity risk rose considerably in financial year 2011. Freely disposable cash and cash equivalents fell from € 360.6 million to € 236.0 million in the reporting period. Currently, Q-Cells must make cash deposits in order to offer bank guarantees, which are necessary for the project business and for some agreements with suppliers. As a result of this, cash and cash equivalents as of the end of the reporting period amounting to € 68.9 million are not available for general use.

Some suppliers have shortened payment terms on account of negative business developments in 2011 and the required financial restructuring. We do not expect this trend to be reversed in the short term, given the anticipated industry and business developments.

Q-Cells increased the production depth of its own operations and those of its partners with its new strategic focus and the related expansion of activities from cell production to downstream parts of the value chain, which in turn increased 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. As part of the new strategic focus, Q-Cells aims to construct photovoltaic projects in the systems segment in such a manner that they are liquidity neutral for Q-Cells. By contractually stipulating construction progress payments, Q-Cells reduces the impact of negative developments during the construction period. The objective of carrying out the construction of photovoltaic projects in a liquidity-neutral way may not be achievable if the risks of negative developments in the general and solar industries, and also in relation to project-specific issues, crystallise; such risks have crystallised 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.

In March 2010, Sunfilm AG, in which Q-Cells held a 50.0 % interest and with which it maintained a business relationship, filed for insolvency. Q-Cells does not expect that it will be required to meet any further payments in connection with the insolvency over and above those already reported in the financial statements 2010. However, it cannot be ruled out that a differing legal opinion could be enforced, resulting in cash outflows. In the opinion of Q-Cells, sufficient provisions have been recorded in the balance sheet to cover for potential risks.

Q-Cells has taken out a default guarantee to a silicon supplier for a supplier of solar wafers. This supplier purchases the high-purity silicon required in manufacturing from a third-party company. There is a risk that there will be claims against Q-Cells under this guarantee.

Q-Cells only has sufficient freely disposable cash and cash equivalents to implement the medium-term business plan if the financial restructuring described in the section Financing risks (especially in relation to current financial restructuring) is successfully completed, and the business environment in which the Group operates does not deteriorate significantly more than anticipated in Q-Cells business plan.

Currency risks

Currency risks may emerge in particular from procurement and sales agreements and subsequent currency transactions, as well as from the translation of foreign into Group currency. The Treasury & Corporate Finance department manages currency risks centrally for Q-Cells SE and its subsidiaries.

Due to the new strategic focus and the expansion of the product portfolio, the requirement for US dollars will rise in the future. However, given our medium-term business plan, we expect US dollar receipts to exceed payments in the coming years.

The MYR 850 million loan extended to Q-Cells by the Malaysian government in 2009, which was originally due in the second half of 2014, is now payable in tranches from 2016 to 2021. A currency hedge for the loan in Malaysian ringgits is possible in principle, but would involve incurring considerable costs. Up to the present time Q-Cells has refrained from concluding such a hedge.

The economics of hedging outstanding items in foreign currencies are regularly reviewed and carried out in cases where the economics are favourable. This reduces the risks of negative effects on the Group’s net assets and financial position, taking into account incurred costs.

Additional information on currency risks is provided in the notes in the section Risks from financial instruments.

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.

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.

Q-Cells has received public sector grants and subsidies, especially for the construction of production plants, which are tied to terms and conditions. If these conditions are not complied with, investment grants and subsidies may have to be repaid in full or in part. Q-Cells SE is currently in discussions with a funding authority regarding possible repayment obligations in connection with subsidies received. An adequate accounting provision has been recognised on the basis of the current situation and the expected course of further remaining discussions. The provisions for repayment obligations made may be insufficient should the result of these discussions differ from the results that we have assumed.

Market risks

Sales market

The factors stated in the section Macroeconomic risks and industry risks have a major impact on Q-Cells’ sales. This is especially true for the development of conditions relating to grants and subsidies in key sales markets, as well as the ratio of supply and demand, both of which have a significant effect on the sales situation.

The sales volume was lower than expected in 2011. Sales prices also fell by far more than had been predicted. As described in the Forecast Report, Q-Cells expects the global photovoltaic market to see only moderate volume increases as well as a further fall in sales prices in 2012 and 2013. Q-Cells’ competitiveness could be impaired in the long term, and the successful implementation of the medium-term business plan threatened, should sales prices fall more steeply than expected or the should we fail to achieve the planned sales volumes.

In addition, the existing customer base could diminish through the expected consolidation in the photovoltaic industry. A large portion of the planned solar cell sales volume relates to a limited number of customers. In this respect, there is the risk that the loss of one or more major customers could result in a significant share of the planned sales volume not being sold, or sold at lower prices.

In 2011, despite challenging market conditions Q-Cells rigorously held its course to become an integrated photovoltaic systems and solutions provider. The introduction of new products as well as the boosting of module and system sales has reduced the Company's dependence on the cell business. We have also made strides in the expansion of international sales structures. Given the expected weakening of market growth in 2012 and 2013, as well as the market volume shrinkage in the two largest individual markets, Germany and Italy, the continued development and expansion of the distribution network in growth markets is a key foundation for the successful implementation of the medium-term business plan.

Procurement market

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.

Surplus capacities in the photovoltaic industry in the past financial year have also resulted in a considerable fall in solar wafer prices. However, this occurred after a delay following the significant drops in the prices for cells and modules.

A large portion of the wafer purchase portfolio anticipates a coupling of the purchasing price to market developments. Other procurement contracts are agreed with fixed prices, despite the stronger orientation of the wafer purchase portfolio to market prices. We succeeded in renegotiating and rescinding a number of these contracts in the past financial year. As part of these agreements, we have also waived past prepayments. Some negotiations with suppliers have not been resolved to our satisfaction. Given this fact, as well as the expected developments in solar wafer prices, we have taken adequate accounting provisions in creating provisions for onerous contracts. Due to the great importance of solar wafer procurement to Q-Cells and the extreme volatility of prices, there is a risk of net assets, financial position and results of operations being significantly impacted in the future.

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.

Q-Cells counters this risk by making advance payments which are secured with guarantees where possible. Nevertheless, it cannot be ruled out that unsecured prepayments made to suppliers in the past cannot be recovered in the event of default by a supplier, and that it may become necessary to make further unsecured prepayments in the future.

Because the photovoltaic industry is still a young industry, there are only a few suppliers for a number of raw materials and machines. As a result there is a risk of potential breakdowns in 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.

Q-Cells aims to find at least one second supplier meeting the quality standards set by Q-Cells for each existing supplier, to limit the risk of supplier default. However, 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 determine and implement appropriate protection measures in close collaboration with them. Q-Cells also makes assessments of all potential and existing suppliers to minimise counterparty 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, making the costs subject to fluctuations which can at times be significant. Research and development focuses on minimising the use of silver in the production process. The Treasury & Corporate Finance department continuously analyses the risks from the purchase of silver and uses these analyses to decide on hedging measures. We hedged silver price risks in 2011 using derivatives.

Performance risks

Production risks

Cell production is one of Q-Cells' core businesses. Production failures could have a significant impact on both financial position and income. The expansion of the product portfolio and the linking of the stages along the value added chain mean that the potential loss arising from production failures would have a greater negative impact than in previous years, since downstream stages could also be affected by delivery delays and disruption.

Q-Cells can only ensure that it can offer competitive products by continuously and quickly transferring product improvements developed from research and development to production. The introduction of new manufacturing processes in current production entails risks, including the risk of planned production cost overruns and loss of production stability.

We have two solar cell production facilities. At our headquarters in Bitterfeld-Wolfen, Q-Cells has reduced production capacities to the most state-of-the-art and economic facilities, using these to quickly bring new technologies developed at the nearby research centre into the series production phase. In Malaysia, Q-Cells profits from the low local costs structure. We aim to draw on this production concept to achieve a sustainable competitive cost position.

A breakdown at one factory or one unit will only lead to a partial loss of production because Q-Cells produces cells and modules, or has them produced, at various sites. The cell production risk will rise as we plan to concentrate the production at the Malaysia site.

Risks arising from ongoing production, such as the risk of production downtimes, are countered through employee training and education courses, systematic monitoring of production processes with prompt feedback, and regular and systematic maintenance of all facilities. Q-Cells has also taken out insurance to cover business interruption.

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 potentially explosive substances are used in the production process, the Company takes extensive measures to prevent accidents. These measures are supported and affirmed by measures conforming to and certified with environmental certification DIN ISO 14001. In financial year 2011, the certification follow-up audit was successfully concluded.

As mentioned above in the section on Corporate strategy risks, Q-Cells has crystalline modules processed by partner companies in Europe and Asia. This creates the risk for Q-Cells of quality standards not being complied with despite the presence of quality agreements, and the risk of resulting delivery delays and disruption. Q-Cells takes measures to counter these risks – for instance, by the use of regular and frequent checks on the quality standards of processing partners to ensure that possible deviations can be addressed quickly.

Q-Cells has a crystalline module production facility at its Bitterfeld-Wolfen site. The module line is currently being ramped up. The start-up of production facilities bears the risk that planned amounts and performance are not achieved, which in turn could impact product availability as well as sales volumes.

Part of the new strategic focus is the Company's development to become a provider of photovoltaic system solutions. Given the Company's youth and the fact that individual system components are provided by third parties, there is an increased risk that components of the requisite quality or in sufficient quantities may not be available. In addition, there is also the risk of project cost overruns.

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.

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.

In the products segment, Q-Cells guarantees that solar cells will achieve at least 90 % of nominal performance for ten years. In addition Q-Cells provides a linear performance guarantee for up to twenty-five years from the date of purchase. For crystalline modules Q-Cells guarantees at least 97 % performance in the first year and for the remaining twenty-four years a maximum annual degradation of performance of 0.6 %, i.e. the module performance is at least 83 % of nominal performance after twenty-five years. For CIGS modules we guarantee that in the first three years performance is in accordance with the nominal performance and thereafter for the following twenty-two years a maximum annual degradation of performance of 0.6 %, i.e. we guarantee that the module performance is at least 83 % of nominal performance after twenty-five years. Solar module guarantees also cover material and production defects for ten years.

In the systems business, Q-Cells also regularly issues up-time guarantees, module performance guarantees that correspond to manufacturer's guarantees, and product guarantees for individual system components. In some cases, we have also offered total performance guarantees for photovoltaic projects.

Given the Company's youth and the requirement to offer new as well as state-of-the-art products, Q-Cells does not have a long history of experience values to draw on. As a result, assumptions made which are relevant to the calculation of accrued guarantee provisions in the product and system business may be inaccurate. Q-Cells cannot rule out that as yet undocumented technical problems or product deviations, which are currently not classed as damaging or performance-reducing, could result in disruptions, performance drops or breakdowns during the lifespan of an installation.

Q-Cells reduced the risks arising from product and systems liabilities and warranties 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 the solar modules processing partners. Continuous dialogue with customers and regular customer surveys are important for further improving quality standards.

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 the Group's net assets, financial position and results of operations. Q-Cells has created warranty provisions of € 49.9 million for the event that any such issues arise at the end of the financial year 2011.

The photovoltaic industry is affected by the EU directive on electrical and electronic waste (WEEE Directive – Waste Electrical and Electronic Equipment), which obliges manufacturers to take back and properly dispose of manufactured products. This could lead to increased recycling expenses.

Personnel risks

Competent and committed employees are a key component in Q-Cells' business. 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 a lack of skilled workers that is expected in the near future in Germany, qualified personnel will gain even more importance and become a decisive factor in 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 Q-Cell's new strategic focus and competitive position.

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-regarded qualifications and vocational training. The in-house Q-Cells Academy offers numerous further education courses. These measures are complemented by close cooperation with universities and colleges, where Q-Cells offers a 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 of the highest importance.

IT risks are initially minimised by stringent security standards, and secondly by the fact that the IT systems and applications used are regularly reviewed with regard to their suitability and the secure and proper handling of business processes. Should this analysis reveal a need for action, the systems are updated and enhanced. Particular importance is attached to 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 have already been approved and implemented.

Legal risks

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, and on liabilities and guarantees 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 instances where differing legal opinions have arisen negotiations with the business partners affected were started at an early stage. The in-house legal department was further strengthened.

Q-Cells is engaged in a legal dispute with suppliers of machinery. Appropriate provisions were created in the balance sheet for ongoing proceedings, to the extent 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 fact, 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.

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 open the possibility that the right of use may be partially or fully restricted in the future.

As a result of the further internationalisation of business relationships, an increasing number of contracts are being concluded with foreign suppliers and customers. Given the different legal systems operating in each country, there is an increased risk of Q-Cells not being able to enforce its legal rights.

Tax risks

In connection with the construction of production facilities in Malaysia, Q-Cells was granted a tax exemption on profits made in Malaysia in exchange for an investment commitment. Should Q-Cells not fulfil the investment commitment, the tax exemption could be annulled with retroactive effect.

Q-Cells' financing could give rise to the following tax risks:

- The financial restructuring measures have been discussed with the relevant tax authorities.Substantial agreement has been obtained in respect of corporation tax. Discussions in respect of trade taxes are ongoing.
- The measures planned may result in tax charges.
- Implementation of the financial restructuring measures may result in the loss of unused tax loss carryforwards, tax loss, and interest deductibles carried forward.

STATEMENT ON THE RISK SITUATION

The photovoltaic industry is currently characterised by surplus capacity, falling prices, and consolidation. The rise in demand seen in recent years was exceeded by the rapid expansion of production capacities, leading to a massive fall in prices at all stages of the photovoltaic value added chain. This resulted in a dramatic deterioration in Q-Cells' business situation.

Q-Cells' ability to continue in business as a going concern is dependent on the successful implementation of the Group's financial restructuring plans. The implementation of the medium-term business plan will also play a significant role in ensuring Q-Cells' viability as a going concern.

Due to the necessity of obtaining approvals from shareholders and a number of different creditor groups, as well as from various authorities, the financial restructuring plan is very complex and poses significant legal risks. Based on the current status, Q-Cells currently expects the restructuring to be legally completed during the second half of 2012. Despite all the risks involved, we expect that the restructuring will be successfully completed. Details of the financial restructuring, and in particular the status of the current financial restructuring activities, is provided in the 'Financing risks' section.

The successful implementation of the medium-term business plan is also significant to the continuation of the Q-Cells business. Should the assumptions made in the medium-term business plan prove to be too optimistic, there is a serious danger that we may not succeed in achieving the plan and Q-Cells' ability to continue in business as a going concern will be seriously threatened. The significant assumptions made in the medium-term business plan are explained in the 'Expected income and financial position' section of the Forecast report.

SUPPLEMENTAL REPORT

On the basis of preliminary Q-Cells SE annual financial statements as of 31 December 2011, Q-Cells announced the loss of half its share capital in accordance with Article 9 (1) c) lit. ii) of the Statute for a European Company (SE-Reg) in conjunction with Section 92 (1) of the AktG in an ad hoc statement published on 24 January 2012. At an extraordinary General Meeting on 9 March 2012, Q-Cells SE informed its shareholders of the loss of half its capital and explained the status of the planned financial restructuring. No resolutions were adopted at the extraordinary General Meeting.

After intensive negotiations with the ad hoc committees of the convertible bond holders, an agreement in principle was reached on 1 February 2012 concerning a comprehensive financial restructuring. Other bond creditors also supported the agreement.

The key element of the agreement is that the holders of the 2012, 2014 and 2015 convertible bonds shall, in place of receiving repayment of the face value of their bonds, contribute their bonds to Q-Cells in a debt-to-equity swap in Q-Cells SE. They will waive their claims against Q-Cells for repayment of bonds totalling € 550.0 million in return for shares. The holders of the bonds with an original maturity date of 28 February 2012 will receive a cash payment of € 20 million; however, this payment will first be made once the financial restructuring is approved by all parties and completed. In addition, the current planning foresees the distribution of available liquidity to the extent that liquidity exceeds certain minimum levels at the date the financial restructuring is completed.

On 10 February 2012 Q-Cells International Finance B.V., a wholly-owned subsidiary of Q-Cells SE and issuer of the 2012 convertible bond, invited creditors to a bondholders' meeting on 27 February 2012 as a first step toward the implementation of the financial restructuring plan. The invitation to this bondholders' meeting was based on the resolutions of the bondholders' meeting on 25 October 2011. At the meeting, the holders of the outstanding part of the 2012 convertible bond approved the proposal by the management of Q-Cells International Finance B.V. to authorise the common representative appointed at the bondholders' meeting on 25 October 2011 to defer the 2012 convertible bond until 30 April 2012. The deferment also applies to liabilities to 2012 convertible bond creditors from the guarantee given by Q-Cells SE. Approximately 83 % of the outstanding nominal amount of € 198.7 million was represented at the meeting; the approval rate was around 80 %. On the basis of this resolution by the bondholders' meeting, the common representative deferred the 2012 convertible bond, as well as the liabilities to 2012 convertible bond creditors from the guarantee given by Q-Cells SE, until 30 April 2012.

In order to approve the financial restructuring plan, Q-Cells International Finance B.V. as issuer of the convertible bonds due in 2012 and 2014 and Q-Cells SE as issuer of the bonds due in 2015 plan to invite the respective bondholders to separate bondholders' meetings respectively for each bond issue. These meetings are expected to take place by the end of April 2012. The bondholders' meetings will be held to seek bondholders' approval for the measures affecting the respective bonds. In accordance with the applicable SchVG legislation, bondholders' meeting resolutions require a majority of at least 75 % of the participating votes (based on nominal amounts represented) and bondholders' meetings are quorate if at least half of the outstanding nominal amount is represented at the meetings. If one of the bondholders' meetings is not quorate, the chairman may convene a second meeting for the purpose of approving a new resolution. Such a second meeting on the proposed financial restructuring shall be quorate if at least 25 % of the remaining nominal amount is represented.

An extraordinary shareholder Annual General Meeting will be called for shareholders to adopt a resolution on financial restructuring measures (capital decrease and capital increase). This is likely to be held either at the end of May 2012 or in June 2012.

On 21 February 2012 the Malaysian government informed Q-Cells that the MYR 850 million loan drawn down in 2009 is now payable in instalments from 2016 to 2021. The loan was originally due for repayment in the second half of 2014.

FORECAST REPORT

ECONOMIC OUTLOOK

The International Monetary Fund (IMF) expects the global economy to grow by 3.3 % in 2012. This equates to a reduction of 0.7 % in absolute terms on the forecast from September 2011.

FORECAST GROSS DOMESTIC PRODUCT (GDP) GROWTH WORLDWIDE, 2011 TO 2013

	Change GDP 2011 yoy %	Change GDP 2012 yoy %[1)]	Change GDP 2013 yoy %[1)]
Germany	3,0	0,3	1,5
France	1,6	0,2	1,0
Italy	0,4	-2,2	-0,6
Spain	0,7	-1,7	-0,3
Euro area	***1,6***	***-0,5***	***0,8***
UK	0,9	0,6	2,0
USA	1,8	1,8	2,2
Canada	2,3	1,7	2,0
Japan	-0,9	1,7	1,6
Newly industrialised Asian countries[2)]	4,2	3,3	4,1
Industrialised countries	***1,6***	***1,2***	***1,9***
Central and Eastern Europe	5,1	1,1	2,4
CIS	4,5	3,7	3,8
China	9,2	8,2	8,8
India	7,4	7,0	7,3
Latin America and the Caribbean	4,6	3,6	3,9
Middle East and North Africa	3,1	3,2	3,6
Emerging and developing countries	***6,2***	***5,4***	***5,9***
World	**3,8**	**3,3**	**3,9**

[1)] Forecast.

[2)] Hong Kong, Singapore, South Korea, Taiwan.

Source: IMF, World Economic Outlook January 2012

Overall, the IMF expects economic growth in industrial countries as well as emerging and developing countries to be down on 2011. Despite the somewhat slower pace of growth, China and India in particular, as well as other Asian countries, will continue to drive growth. Given that economic data is showing a slow improvement, the IMF is forecasting constant GDP growth of 1.8 % in 2012 for the USA, the world's largest economy, which makes up almost 20 % of global economic output. The unresolved government debt crises in Europe as well as the restricted lending options from the ailing banking sector may lead to a slight recession in the euro area in 2012.

The IMF emphasises that these forecasts regarding the development of the world economy remain subject to the continued sovereign debt crisis being overcome as well as government bond rates stabilising at their current level and falling slightly in 2013. If this does not happen, this could lead to a significant reduction in the banking system's ability to provide credit in the euro area in particular as well as the necessity of a very rapid consolidation of national budgets with corresponding negative effects on economic growth. Furthermore, the USA and Japan now also face the task of consolidating their budgets in the medium term. A sharp increase in lending and real estate prices resulted from strong GDP growth in some key emerging and developing countries – such as China – in recent years. An abrupt end to this development, which may be a price bubble, would most likely put the international banking system under immense pressure, resulting in a significant slowdown of the global economic outlook.

SECTOR OUTLOOK

The long-term growth prospects for the photovoltaic sector remain very good; however, the sector is currently dominated by surplus capacities, falling prices and consolidation. The rise in demand seen in recent years was exceeded by the rapid expansion of production facilities. This resulted in a massive fall in prices at all stages of the photovoltaic value added chain and a dramatic deterioration in the business situation of photovoltaic companies. On the other hand, the significant reduction of the cost of photovoltaic power plants is leading to considerably lower photovoltaic electricity generation costs, meaning that a notable number of markets will become important sales markets earlier than previously thought. In this context, we believe that the photovoltaic sector will be an attractive growth market in the medium to long term following consolidation, which we expect to occur in 2012 and at the beginning of 2013.

EXPECTED GROWTH OF THE GLOBAL PHOTOVOLTAIC MARKET, 2011 TO 2013

GWp	**2011[1)]**	**2012[1)]**	**2013[1)]**
Germany	7,5	4,0	3,0
Italy	6,8	2,5	2,4
France	1,7	0,8	0,8
Rest of Europe	2,8	3,3	3,5
North America	2,1	3,0	4,7
Japan	1,2	1,6	2,0
China	2,5	4,0	5,0
India	0,3	1,0	1,0
Rest of World	1,7	7,0	7,6
World	**26,6**	**27,2**	**30,0**
Additional potential	0,0	2,0	5,0
World incl. potential	**26,6**	**29,2**	**35,0**

[1)] Forecast.

Source: Q-Cells Market Research

We expect the global photovoltaic market volume to grow in the next two years, although the pace of growth will be slower than in the past. As a result, the importance of the largest markets in 2011 – Italy and Germany, which together were responsible for just over half of all newly installed output – is likely to decline. In particular the Chinese, North American, Japanese and Indian markets are likely to yield high growth in absolute terms. We also expect strong volume growth overall in a number of markets in Asia and South America as well as the Middle East; these are markets which to date have only played a subordinate role. The main drivers behind this development are the significantly lower prices for photovoltaic systems as well as the favourable natural conditions in a number of these countries. We believe that growth, especially in countries such as China and India as well as the markets classed as “Rest of World”, could be considerably greater than is currently foreseeable. We estimate this additional potential to be up to 2.0 GWp in 2012 and up to 5.0 GWp in 2013.

The reduction in feed-in tariffs, as well as conditions relating to grants and subsidies in Germany, are expected to be significant and to be implemented at very short notice effective from 1 April 2012. At 20 %, the reduction is lowest for rooftop systems up to 10 kWp. Reductions in feed-in tariffs of 25 % to 29 % for larger rooftop systems as well as ground-mounted systems are planned, whereby in future only installations with a maximum of 10.0 MWp will benefit from support. In addition, monthly reductions in feed-in tariffs are planned every month between 1 May 2012 and 1 January 2013. Total planned reductions in 2012 amount to 26 % for smaller rooftop systems and to 31 % to 34 % for larger rooftop systems and ground-mounted systems. The next feed-in tariff reduction is planned for 1 January 2014 and amounts to between 10 % and 15 %. In addition, only 85 % of the electricity generated by small rooftop systems and 90 % of that generated by larger rooftop and ground-mounted systems will be compensated as of 1 April 2012. It is planned to withdraw existing allowances, without replacement, for power generated and consumed for own use. Should the planned changes in the feed-in tariff system be implemented as proposed, we expect this to have a negative effect, particularly on the open-field installations segment. Given this, we expect new installations in Germany to decline to 4.0 GWp in 2012 and to 3.0 GWp in 2013.

The number of new photovoltaic installations in the Italian market is likely to be much lower in 2012 and 2013 than in 2011 – the strongest year to date. According to government statistics, annual costs at the end of January 2011 for cumulated photovoltaic power plants installed to date total approximately € 5.5 billion. Bloomberg New Energy Finance predicts that a shift in new installations to rooftop systems could generate a further 5.4 to 5.5 GWp. The Italian government has already laid the groundwork with tiered subsidies for ground-mounted and rooftop systems as well as by plant size. Furthermore, feed-in tariffs for ground-mounted systems on farmland were withdrawn and subsidies for large photovoltaic power plants were cut by more than was anticipated as the threshold has already been reached. Should these measures not suffice, the Italian government could make additional changes to push the targeted increase in the proportion of rooftop systems in new installations. Moreover, the difficult economic situation in combination with the strained state of the public finances means there is a risk of additional cuts to the Italian photovoltaic subsidy system. Given the existing grid parity resulting from the fall in photovoltaic system prices and the relatively high price of household electricity in Italy, market developments in that country are likely to benefit from the net metering regulations (feed-in tariffs measured using two-way meters) for systems up to 200 kWp.

The national feed-in payments system introduced in China in August 2011 is likely to remain the main driving force behind the anticipated market growth. The significant rise in China's power requirements as well as the strategic objective of creating a domestic market for the Chinese photovoltaic industry are likely to have been the main reasons for this. Accordingly, the national target for expanding photovoltaic output by 2015 was increased substantially last year, from 10 GWp to 15 GWp. A range of initiatives at the provincial level are also likely to speed up market growth. It is likely to be very difficult for companies not based in China, such as Q-Cells, to profit directly from the expected developments in the country. However, we anticipate the increasing absorption of photovoltaic products produced in China in the domestic market to have an indirect positive effect on sales prices.

In the ground-mounted segment, US market growth in the coming years is likely to profit from the state credit guarantees already granted for projects with a total output of more than 3.0 GWp. Furthermore, the significant fall in photovoltaic system prices is expected to contribute to the positive development of photovoltaic installation, which has to date been rather low in comparison to the key markets.

Given the continuing surplus of solar cells, solar modules and photovoltaic systems, we expect sales prices to fall in 2012 as well as 2013, with the drops in price in both years being significantly less than the sharp decline seen last year. In light of the higher demand as well as the sector's partial consolidation, we predict that the price decreases in 2013 will be less than in 2012.

EXPECTED INCOME AND FINANCIAL POSITION

Q-Cells' ability to continue in business as a going concern is dependent on the successful implementation of the Group's financial restructuring plans. The implementation of the medium-term business plan will also play a significant role in ensuring Q-Cells' viability as a going concern.

Due to the necessity of obtaining approvals from shareholders and a number of different creditor groups, as well as from various authorities, the financial restructuring plan is very complex and poses significant legal risks. Based on the current status, Q-Cells currently expects the restructuring to be legally completed during the second half of 2012. Despite all the risks involved, we expect that the restructuring will be successfully completed. Details of the financial restructuring, and in particular the status of the current financial restructuring activities, is provided in the 'Financing risks' section.

The successful implementation of the medium-term business plan is also significant to Q-Cells ability to continue in business as a going concern. Should the assumptions made in the medium-term business plan prove to be too optimistic, there is a serious danger that we may not succeed in achieving the plan and Q-Cells' ability to continue in business as a going concern will be seriously threatened.

The following information on the expected income and financial position is based on the assumption that the financial restructuring and the medium-term business plan are realised successfully and that the Q-Cells business is continued.

Q-Cells has prepared a medium-term business plan covering the years 2012 to 2015, which has been certified by management consultants McKinsey in December 2011.

The material assumptions made in the medium-term business plan as well as the updated version are:

- Production capacities currently significantly exceed the global demand for solar cells and modules. Q-Cells assumes that the gap between supply and demand can be significantly reduced by the closure of production capacities or sector consolidation as well as by rising demand. We believe that sector consolidation, which is likely to be accompanied by a moderate year-on-year rise in demand in 2012; will occur in 2012 and at the beginning of 2013. We anticipate a much greater growth in demand in 2014 and 2015.
- Corresponding to our expectations of trends in supply and demand, we anticipate further significant falls in sales prices in 2012 and 2013, with the price falls in both years being significantly less than the sharp decline seen last year. Given the higher demand as well as the sector's partial consolidation, we predict that the price decrease in 2013 will be less severe than in 2012. We also believe that prices will fall in 2014 and 2015, but these reductions are likely to be only moderate. Future sales prices are highly dependent on trends in the price of high purity silicon and solar wafers.
- The sales prices assumed in the business plan are founded on the basic assumption that following the expected consolidation in the industry, at least those photovoltaic companies with cost leadership will be able to generate sufficient profit margins to cover their capital costs, thus making possible the investments needed to expand business.
- By continuing with the strategy started in 2010 to increasingly offer our customers application-driven premium products, we expect a significant change in the sales structure. We plan to significantly increase the share of modules and kits in the sales volume. In contrast, we expect a decline in solar cell volumes in both relative and absolute terms. We aim to increase the international aspects of our photovoltaic systems business and expect the share in sales volume to fall in 2012 but to remain stable during the rest of the planning period.
- Overall, we expect our global market share during the planning period to remain stable at the 2011 level. However, we plan to significantly expand our global market share in the kits sub-segment from its current low level, primarily by launching new products.
- Based on the price premiums generated in the past as well as the technology and quality of our products, we expect to continue to sell our products at premium prices in the future.
- We anticipate that production costs for both solar cells and solar modules will continue to fall.
    - The assumption of lower wafer purchase prices in euro/Wp is particularly significant. For 2012 in particular, we expect a significant fall in average wafer purchase prices due to the considerable drop in wafer purchase prices during the course of 2011. In addition, we have already concluded renegotiations with some wafer and silicon suppliers, and are in negotiation with others. Given the status of the renegotiations as well as expected future price developments, we anticipate further wafer purchase price falls from 2013 to 2015.
    - Based on a planned stronger concentration of our solar cell production at our Malaysia site, which has a lower costs structure than the German Bitterfeld-Wolfen location, the full production rollout of the new Q.ANTUM solar cell production technology as well as our ongoing cost optimisation programme, we expect a gradual fall in solar cell conversion costs during the period covered by the medium-term business plan. We also anticipate that the permanent closure of production capacities at the German Bitterfeld-Wolfen site, which is already complete, will result in a rise in utilisation rates for solar cell production capacities overall, which in turn will lead to a fall in conversion costs in euro/Wp.
    - The successful completion of the ramp-up of crystalline module production as well as the implementation of cost-cutting measures already identified are expected to result in a continuous decline in module conversion costs. We also anticipate that module conversion costs in euro/Wp will fall as a result of the change in solar cell production in the new generations of Q.ANTUM technology.
    - We plan to significantly cut Group central costs. Most of the measures required to do this have already been or are being implemented.

For 2012, Q-Cells expects lower sales levels than in 2011, a negative operating result before depreciation (EBITDA) and a negative operating result (EBIT). In addition, the 2012 result will be charged with significant one-off restructuring costs in the mid two digit million range.

For 2013, we expect to achieve a positive EBITDA, achieved largely by improving our cost structure and by the introduction of new products. It is our objective to return to a positive operating result (EBIT) in the year following that.

Planned investments in 2012 and 2013 are primarily targeted to switch existing production capacities to our new generation of Q.ANTUM solar cells, which we presented in 2011. A large portion of planned investments in 2014 and 2015 also relate to the launch of improved manufacturing processes and techniques.

Following the conclusion of the anticipated massive global consolidation and on the basis of the successful implementation of financial restructuring that is likely to result in a much improved balance sheet structure, Q-Cells could profit from market growth, which we predict will be in the double-digit percentage range as of 2014.

The consequences of the changes in the government support systems for photovoltaic systems that have been proposed in recent weeks are very difficult to predict. The implementation of these changes has begun. Despite the expected negative impact on our business in Germany, it remains our objective to minimise the effects on Q-Cells' income and financial position by strengthening the measures already taken. Current trends in purchasing and sales prices, limitations on subventions for open field photovoltaic installations and the movements on the euro-dollar exchange rate will, in our view and also in the opinion of the consultants McKinsey, have a short-term impact, in particular on sales. However, they should have no significant effect on Q-Cells in the medium term. Accordingly the business plan prepared at the end of 2011 remains the basis of our planning.

Bitterfeld-Wolfen, OT Thalheim, 26 March 2012

Q-Cells SE's Executive Board

Dr Nedim Cen | Dr Andreas von Zitzewitz

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CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	Notes	1 Jan.- 31 Dec. 2011 € million	1 Jan.- 31 Dec. 2010 € million
Continuing operations			
Revenues	5.1	1,023.1	1,354.2
Change in stocks of finished and unfinished products		-161.4	170.4
Other own work capitalised	5.2	4.8	0.1
Other operating income	5.3	111.1	76.1
Cost of materials	5.4	828.7	1,157.8
a) Expenses for raw materials, consumables and supplies and for goods purchased		618.4	957.1
b) Expenses for services purchased		210.3	200.7
Personnel expenses	5.5	130.8	109.1
a) Wages and salaries		113.1	95.3
b) Social security contributions and expenses for pensions		16.7	15.2
c) Expenses relating to stock options		1.0	-1.4
Impairment of intangible assets, property, plant and equipment and of assets held for sale		398.5	7.0
Depreciation and amortisation	5.6	97.3	92.9
Other operating expenses	5.7	239.7	151.7
Result from operating activities		**-717.4**	**82.3**
Result from financial assets accounted for using the equity method	5.8	-1.6	-4.9
Interest and similar income	5.9	5.3	33.2
Interest and similar expenses	5.9	63.9	61.1
Net currency gains/losses	5.9	-3.2	36.3
Result from financial instruments	5.9	-3.1	26.5
Result before tax from continuing operations		**-783.9**	**112.3**
Income taxes	5.10	61.9	21.4
Result from continuing operations (net of income tax)		-845.8	90.9
Discontinued operations			
Result of discontinued operations (net of income tax)	3.	0.0	-77.1
NET RESULT FOR THE PERIOD		**-845.8**	**13.8**
Result attributable to other shareholders		**0.0**	**-5.1**
thereof from continuing operations		0.0	0.0
thereof from discontinued operations		0.0	-5.1
NET RESULT FOR THE PERIOD ATTRIBUTABLE TO Q-CELLS SE SHAREHOLDERS		**-845.8**	**18.9**
thereof from continuing operations		-845.8	90.9
thereof from discontinued operations		0.0	-72.0
Earnings per share	5.12		
Earnings per share (undiluted) based on result attributable to ordinary shareholders, in €		-5.55	0.15
thereof from continuing operations		-5.55	0.68
thereof from discontinued operations		0.00	-0.53
Earnings per share (diluted) based on result attributable to ordinary shareholders, in €		-5.55	0.14
thereof from continuing operations		-5.55	0.62
thereof from discontinued operations		0.00	-0.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	Notes	1 Jan.- 31 Dec. 2011 € million	1 Jan.- 31 Dec. 2010 € million
Result for the period		-845.8	13.8
Other comprehensive income			
Changes in value of financial instruments	9.2	0.0	-0.1
Foreign currency translation	3.	-2.1	8.4
Income and expenses recognised directly in equity		**-2.1**	**8.3**
TOTAL COMPREHENSIVE INCOME		**-847.9**	**22.1**
Non-controlling interests		0.0	-4.7
Q-CELLS SE SHAREHOLDERS		**-847.9**	**26.8**

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2011

ASSETS	Notes	31 Dec. 2011 € million	31 Dec. 2010 € million
A. NON-CURRENT ASSETS			
I. Intangible assets	6.1	15.8	14.2
II. Property, plant and equipment	6.2	440.8	880.2
III. Financial assets accounted for using the equity method	6.3	64.1	62.2
IV. Other financial assets	6.4	5.9	2.4
V. Other assets	6.5	19.3	53.8
VI. Deferred taxes	6.6	12.2	70.4
		558.1	**1,083.2**
B. CURRENT ASSETS			
I. Inventories	6.7	142.5	365.7
II. Trade accounts receivable	6.8	135.1	108.7
III. Financial assets at fair value		0.0	0.3
IV. Other financial assets	6.9	24.1	92.5
V. Other receivables and assets	6.10	17.9	52.5
VI. Cash and cash equivalents	6.11	304.9	473.9
VII. Assets held for sale	3.	33.2	2.6
		657.7	**1,096.2**
TOTAL ASSETS		**1,215.8**	**2,179.4**

EQUITY AND LIABILITIES	Notes	31 Dec. 2011 € million	31 Dec. 2010 € million
A. SHAREHOLDERS' EQUITY	6.12		
I. Subscribed capital		176.3	176.3
II. Capital reserve		360.1	359.1
III. Retained earnings, including carryforwards		-509.2	338.2
IV. Other reserves		7.0	9.1
Q-Cells SE shareholders		34.2	882.7
		34.2	**882.7**
B. NON-CURRENT LIABILITIES			
I. Convertible bonds	6.13	330.3	510.2
II. Borrowings	6.14	201.1	199.3
III. Deferred income from government grants	6.15	11.7	55.3
IV. Provisions	6.16	37.0	26.2
V. Other liabilities	6.17	9.1	27.0
VI. Deferred taxes	6.18	2.7	3.1
		591.9	**821.1**
C. CURRENT LIABILITIES			
I. Convertible bonds	6.19	205.3	7.9
II. Borrowings and profit participation capital	6.20	0.0	87.2
III. Trade accounts payable	6.21	99.2	148.8
IV. Other financial liabilities	6.22	80.4	106.3
V. Tax liabilities	6.23	7.5	23.1
VI. Deferred income from government grants	6.24	6.9	9.4
VII. Financial liabilities at fair value		0.0	0.2
VIII. Provisions	6.16	86.7	47.2
IX. Other liabilities	6.25	74.0	45.5
X. Liabilities directly associated with assets classified as held for sale	3.	29.7	0.0
		589.7	**475.6**
TOTAL EQUITY AND LIABILITIES		**1,215.8**	**2,179.4**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	1 Jan.- 31 Dec. 2011 € million	1 Jan.- 31 Dec. 2010 € million
Net result for the period	-845.8	13.8
Income tax expenses	61.9	21.4
Result from financial instruments	3.1	-26.5
Interest and similar expense	63.9	61.2
Interest and similar income	-5.3	-33.2
Result from financial assets accounted for using the equity method	1.6	4.9
Depreciation and impairment	495.8	135.6
Investment subsidies and grants recognised	-43.0	-14.7
Result on the disposal of intangible assets and property, plant and equipment	1.2	1.3
Other non-cash expenses and income	7.9	-36.4
Change in inventories, receivables and other assets	227.7	-68.9
Change in provisions	50.4	-49.5
Change in other liabilities	-4.9	88.5
Interest paid	-34.5	-28.6
Interest received	1.8	5.7
Income taxes paid	-3.6	-4.4
Cash used in/generated by operating activities	**-21.8**	**70.2**
Payments for capital expenditure on intangible assets	-7.5	-4.5
Payments for capital expenditure on property, plant and equipment	-59.5	-114.2
Payments for equity investments	-3.4	-94.8
Cash flows resulting from deconsolidation	0.0	-10.3
Payments for loans granted	0.0	-3.0
Proceeds from the repayment of loans granted	1.7	104.6
Dividends from investments	0.0	65.9
Proceeds from the sale of financial assets	0.0	5.9
Proceeds from the sale of plant, property and equipment	2.8	7.3
Proceeds from government grants	8.6	25.7
Changes in restricted assets	-27.8	-4.8
Cash flows used in investing activities	**-85.1**	**-22.2**
Proceeds from issue of convertible bonds	0.0	128.7
Cost of convertible bond issue	0.0	-6.6
Repayment of convertible loans	-2.1	-277.3
Proceeds from issue of share capital	0.0	127.7
Costs of capital increase	0.0	-8.2
Payment of preferred dividends	-1.6	0.0
Proceeds from loans	0.0	119.1
Repayment of loans	-87.5	-98.6
Changes in restricted assets	72.2	-72.2
Cash flows used in financing activities	**-19.0**	**-87.4**
Change in liquid funds	-125.9	-39.4
Effects of changes in foreign exchange rates	1.3	24.4
Liquid funds at the beginning of the period	360.6	375.6
LIQUID FUNDS AT THE END OF THE PERIOD	**236.0**	**360.6**
LIQUID FUNDS AT THE BEGINNING OF THE PERIOD	**360.6**	**375.6**
Plus restricted cash	113.3	36.3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD AS REPORTED IN THE BALANCE SHEET	**473.9**	**411.9**
LIQUID FUNDS AT THE END OF THE PERIOD	**236.0**	**360.6**
Plus restricted cash	68.9	113.3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD AS REPORTED IN THE BALANCE SHEET	**304.9**	**473.9**

See Note 7 in the notes to the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

	Notes	Subscribed capital	Capital reserve	Retained earnings, including carryforwards	Other reserves		Q-Cells SE shareholders	Non-controlling interests	Total equity
					Market valuation	Foreign exchange differences			
		€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
01 Jan. 2010		**117.5**	**294.3**	**319.3**	**0.1**	**1.1**	**732.3**	**4.7**	**737.0**
Stock option programmes	6.12		-1.4				-1.4		-1.4
Capital increase	6.12	58.8	60.8				119.6		119.6
Option element of convertible bond recognised as equity	6.12		5.4				5.4		5.4
Net result for the period				18.9			18.9	-5.1	13.8
Other comprehensive income					-0.1	8.0	7.9	0.4	8.3
Total comprehensive income				**18.9**	**-0.1**	**8.0**	**26.8**	**-4.7**	**22.1**
31 Dec. 2010		**176.3**	**359.1**	**338.2**	**0.0**	**9.1**	**882.7**	**0.0**	**882.7**
01 Jan. 2011		**176.3**	**359.1**	**338.2**	**0.0**	**9.1**	**882.7**	**0.0**	**882.7**
Stock option programmes	6.12		1.0				1.0		1.0
Dividend on preference shares				-1.6			-1.6		-1.6
Net result for the period				-845.8			-845.8		-845.8
Other comprehensive income						-2.1	-2.1		-2.1
Total comprehensive income				**-845.8**	**0.0**	**-2.1**	**-847.9**	**0.0**	**-847.9**
31 Dec. 2011		**176.3**	**360.1**	**-509.2**	**0.0**	**7.0**	**34.2**	**0.0**	**34.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011 OF Q-CELLS SE, BITTERFELD-WOLFEN, OT THALHEIM

1. BASIC INFORMATION

1.1 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 “the 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.

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 solar modules. Q-Cells also provides a comprehensive range of services for the development and installation of ground-mounted and commercial rooftop photovoltaic systems.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise Q-Cells SE and its subsidiaries, and the Group’s interests in joint ventures and associated companies. Subsidiaries are entities directly or indirectly under Q-Cells’ control. Joint ventures are described in Notes 2.8 and 6.3. The Group has had no interests in associated companies in the current or previous financial year.

For a list of consolidated entities, please refer to the list of the Group’s shareholdings attached as an appendix to these Notes.

No typical business combinations in the sense of IFRS 3 were effected in 2011 or in the previous financial year 2010. In Note 3 we report on the acquisition of a subgroup of companies located in Denmark, for which IFRS 5 applies. The acquisition resulted from the exercise of collateral rights.

Changes in financial year 2011

Certain entities formed for project purposes were deconsolidated in the period. The accounting for project entities is dependent on whether the solar park managed by the entity is sold to an end customer before the start of construction of the park or whether the sale is made on completion of the park. In the first case the entity usually does not have any independent business activities, so that the sale does not have any significant effect on these consolidated financial statements. On the other hand, significant effects on sale arise from the sale of entities which hold a completed solar park.

Sale of a solar park in Finsterwalde

At the end of the second quarter of 2011, three entities formed for project purposes were sold to an investor following the transfer of a solar park connected to the electricity grid into the ownership of those entities.

In addition to the solar park (Finsterwalde II/III), the entities held bank liabilities at the date of sale which had been drawn down under interim financing arrangements in 2010 and subsequently successively replaced by long-term financing arrangements in the first half of 2011. This financing, released for the Group’s use in 2011, together with the project entities’ equity provided in cash, was primarily used to meet the internal purchase cost of the solar park. Accordingly, with the exception of specific elements of the purchase cost relating to warranty retentions, payment for the solar park purchase price had been settled within the Q-Cells Group prior to the sale of the project entities. The investor’s purchase price represented the value of the solar park under consideration of the assumed bank liabilities and cash held by the project entities.

Net cash inflows of € 6.9 million resulted from the sale transaction, which in a deconsolidation would usually be reported within investing cash flows. The financing cash receipts in 2011 described above were reported within financing operations. However, as the substance of the transaction is the sale of a solar park with resulting external sales revenues, presentation of the transaction within operating cash flows is appropriate. Accordingly, the resulting cash flows in the first half year totalling € 67.1 million were reported as operating cash flows.

Further information is provided in Note 11.

Changes in 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, and deconsolidated these companies. A gain of € 0.5 million arose on disposal.

Details of the deconsolidation of VHF Technologies SA and Calyxo GmbH are provided in Note 3.

1.3 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 Group obtains control over the subsidiary. All identifiable liabilities and contingent liabilities are recognised in full at fair value. Any remaining surplus of cost over the fair values of assets and liabilities acquired is recognised as goodwill. Any deficit on comparing cost and acquired assets and liabilities is credited to the income statement immediately. In the periods following the business combination, the fair value 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 – either written down or credited to the income statement.

Goodwill resulting on initial consolidation is not amortised; rather, an impairment test is conducted annually and additionally when there are indications for impairment.

In accordance with IAS 27, a change in the Group's shareholding in a subsidiary is accounted for as an equity transaction with the owners if the transaction does not affect the Group's ability to control the subsidiary. Accordingly, accounting for such transactions does not result in goodwill or in reported 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 reports these in its consolidated income statement as income from financial assets accounted for using the equity method dividends received from associated companies and joint ventures together with its proportional share of their after-tax income, and post-acquisition write-down or reversal of goodwill and of fair value adjustments. Q-Cells' share of amounts, net of tax, recorded directly in equity by these companies is 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 the consolidated income statement within results from financial instruments.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements are prepared under the assumption that the Group can continue its activities as a going concern. Please refer to the management report for a description of the specific going concern risks facing the Group.

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.

From 2011 an additional line ("Impairment of intangible assets, property, plant and equipment and of assets held for sale") has been included in the consolidated income statement in these financial statements to separately report such impairment charges in the current and previous year.

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 the previous year. The application of the following amendments to standards and the following interpretations has been mandatory for Q-Cells since 2011:

Standard/interpretation	Amendment/new statutory regulation
Amendments to IAS 32 "Financial Instruments: Presentation"	Classification of rights issues
Amendments to IAS 24 "Related party disclosures"	Simplification of reporting obligations of state-controlled entities
Amendments to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	Recognition of pension fund prepayments as assets
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	Guidance for the accounting for debt for equity swaps
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Exceptions for first-time adopters
Improvements 2010 to IFRSs	Eleven different amendments to six existing standards and one interpretation

These amendments have had no significant effect on Q-Cells' financial statements.

Hedge accounting

Until 2010, Q-Cells held a small number of derivative financial instruments to hedge currency, interest and raw materials price risks. In the first quarter of 2011, Q-Cells used a larger number of derivative financial instruments for the first time, specifically to hedge currency risks that could have a negative impact on the purchase price of raw materials, consumables and supplies. These derivatives are classified and recognised as cash flow hedges.

A hedging relationship is classified as a cash flow hedge when it is used to safeguard against the risk from cash flow fluctuations that can be attributed to a risk related to a recognised asset or liability, to a transaction that is highly likely to be concluded in the future, or to the currency risk of an unrecognised fixed obligation.

At the beginning of a hedge, both the hedging relationship itself and the risk management targets and strategies of the Group regarding the hedge are formally recorded and documented. This documentation contains a determination of the hedging instrument, the underlying or hedged transaction and the type of hedged risk, as well as a description of how the Group measures the effectiveness of the changes in fair value of the hedging instrument when compensating for risks. These represent risks which could originate from changes to the fair value of, or cash flows resulting from, the hedged underlying transaction, and which are attributable to the hedged risk. For these instruments, the correlation to the changes in fair value or cash flows is deemed to be very high. Assessments are made to ensure that the correlation has actually been highly effective throughout the entire reporting period of the hedging relationship.

The effective part of the gains or losses from a hedging instrument is recognised directly in equity as other income within other reserves, while the ineffective part is recognised directly in income in the net financial result.

Any amounts recognised in other income are transferred to the income statement in the period in which the hedged transaction affects net income; for instance, when an expected purchase transaction is actually realised and is recognised income or expenses.

If, subsequently, a hedged anticipated transaction or fixed obligation is no longer expected to materialise, any accumulated gains or losses previously recognised in equity are transferred to the income statement. If a hedging instrument expires, is sold, terminated or exercised without it being replaced or extended by another hedging instrument or if it no longer meets the criteria for recognition as a hedging relationship, any accumulated gains or losses previously recognised in other income remain within this item until the expected transaction or fixed obligation has an effect on income, or are reclassified from equity to profit or loss if the loss will not be recovered in future periods.

The criteria for the continued application of hedge accounting were subsequently no longer fulfilled. Please refer to section 9.2 for details.

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. Q-Cells did not opt to adopt these pronouncements early.

Date of issue	**Standard/interpretation**	**Amendment/ new statutory regulation**	**Date of first mandatory application**	**Adopted by the EU *)**
7 October 2010	IFRS 7 “Financial Instruments: Disclosures”	Disclosures for the transfer of certain financial assets	Financial years beginning on or after 1 July 2011	Yes
12 November 2009 and 28 October 2010	IFRS 9 “Financial Instruments”	Classification and measurements of financial assets and liabilities	Financial years beginning on or after 1 January 2015	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
12 May 2011	IFRS 10 “Consolidated Financial Statements” and amendments to IAS 27 “Consolidated and Separate Financial Statements” (new: IAS 27 “Separate Financial Statements”)	Amended definition of subsidiary for the purposes of inclusion of entities in consolidated financial statements	Financial years beginning on or after 1 January 2013	No
12 May 2011	IFRS 11 “Joint Arrangements” and amendments to IAS 28 “Investments in Associates” (new: IAS 28 “Investments in Associates and Joint Ventures”)	Accounting for joint arrangements which represent joint ventures or joint operations	Financial years beginning on or after 1 January 2013	No
12 May 2011	IFRS 12 “Disclosure of Interests in Other Entities”	New requirements for disclosures in connection with investments in other entities	Financial years beginning on or after 1 January 2013	No
12 May 2011	IFRS 13 “Fair Value Measurement”	Valuation rules for calculating fair values	Financial years beginning on or after 1 January 2013	No
16 June 2011	Amendments to IAS 1 “Presentation of Financial Statements”	Amended rules for presenting elements of other comprehensive income	Financial years beginning on or after 1 July 2012	No
16 June 2011	Amendments to IAS 19 “Employee Benefits”	Amended rules for accounting for termination benefits and pension liabilities	Financial years beginning on or after 1 January 2013	No
19 October 2011	IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	Accounting for stripping costs in the mining industry	Financial years beginning on or after 1 January 2013	No

Date of issue	Standard/interpretation	Amendment/ new statutory regulation	Date of first mandatory application	Adopted by the EU *)
16 December 2011	Amendments to IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments”	Changes to the obligatory implementation date of IFRS 9 and rules for disclosures on transition to IFRS 9	Financial years beginning on or after 1 January 2015	No
16 December 2011	Amendments to IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures”	Offsetting financial assets and financial liabilities	Financial years beginning on or after 1 January 2013 (IFRS 7) and 2014 (IAS 32)	No

*) As of 7 March 2012

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 to the extent of disclosures required in the notes may be required. Q-Cells will apply the standards listed above for the first time from the dates their adoption becomes mandatory.

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 the 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 under the assumption that the Group is able to continue as a going concern (see management report)
- Determining the recoverable amounts of assets included in cash generating units affected by the allocation of impairment charges (Note 4)
- Determining recoverable amounts in impairment tests (Note 4)
- Capitalisation of internally generated assets (development costs) (Notes 2.6 and 6.1)
- Determining the useful life of intangible assets and of property, plant and equipment (Notes 2.6, 2.7 and 6.1)
- The recoverability of receivables (Notes 2.9, 6.8 and 9.2)
- Measurement of inventories (Notes 2.10 and 6.7)
- Measurement of guarantee and other provisions (Notes 2.16 and 6.16)
- Measurement of share-based payments (Notes 2.12 and 0)
- Measurement of embedded derivatives recognised separately (Note 2.9)

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.

2.2 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 consolidated 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 photovoltaic projects), 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.

2.3 FUNCTIONAL AND PRESENTATION 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.

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 net income for the period, 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 each foreign operation is reclassified to the consolidated income statement upon disposal of that operation.

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

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

Non-current assets and disposal groups held for sale and discontinued operations are measured at the lower of their carrying amount or fair value less costs to sell. Disposal groups are groups of assets, combined with their related liabilities, which are to be sold or otherwise disposed of in one transaction.

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 consolidated income statement for the reporting and the comparison periods, 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.

Gains and losses recorded on disposal of non-current assets or disposal groups are reported in the income statement within other operating income or other operating expenses, as appropriate.

Property, plant and equipment and intangible assets classified as held for sale are not subject to planned depreciation or amortisation (see Note 3).

2.5 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 convertible bonds, share option rights and preference shares are converted or exercised.

2.6 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 consolidated 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 production for the purpose for which they were acquired or manufactured. The useful lives are determined on the basis of the estimated useful life 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. Intangible assets that have an indefinite useful life or which are not yet ready for use are tested for impairment annually. As soon as the carrying amount of an asset exceeds the recoverable amount, an impairment loss is charged as impairment in the consolidated income statement (see Note 4). Write-ups are also recorded within impairments in the income statement.

2.7 PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is recorded on a straight-line basis over the useful lives of the assets.

The depreciation period for the following property, plant and equipment 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

In addition, the carrying values of property, plant and equipment are 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. Impairments and write-ups are recorded in the consolidated income statement within the position impairment of intangible assets, property, plant and equipment, and of assets held for sale.

2.8 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 over which it 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 the 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 Group's proportional share of the investee's 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.

2.9 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 and 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 classified either as loans and receivables, as held-to-maturity investments, as financial assets measured at fair value through profit or loss, or as available-for-sale financial assets. Financial liabilities are classified either 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 as financial assets or liabilities at fair value 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 made by recording specific valuation allowances based on objective information, and they 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. Subsequent to their 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 results from the unwinding of a discount is recorded in the consolidated income statement within interest and similar income. Impairment losses are recognised in the consolidated income statement within other operating expenses. Write-ups are reported within other operating income.

The category of loans and receivables includes trade receivables, loan receivables and other financial receivables included in the category of 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 consolidated income statement within financial expenses.

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 consolidated income statement as financial income or expenses.

At 31 December 2011 the Group held no financial assets of significance meeting the definition of financial assets measured at fair value through profit or loss. At 31 December 2010 the balance sheet included certain embedded foreign currency derivatives with a carrying value of € 0.3 million. The Group has no such embedded derivatives at 31 December 2011. A loss of € 0.3 million is reported from gains and losses on embedded derivatives in 2011 (2010: € -1.3 million). The loss is reported within Result from financial instruments (Note 5.9).

Such financial instruments are classified as separable derivatives as they are embedded in sales and purchasing contracts denominated in USD for which the USD is not, in accordance with usual business practice, the usual currency for such transactions and not the functional currency of one of the parties to the transaction.

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.

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 directly in reserves. Reserves are transferred to the consolidated income statement if the associated financial instruments are sold or if the market value falls permanently below the carrying amounts.

If an asset has been written down in previous years because the fair value of an asset fell below the carrying amount for a prolonged period and a write-up is subsequently required, the reversal of the write-down is 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).

The Group held no financial assets meeting the definition of available-for-sale at the current year or previous year balance sheet date. No voluntary classification of assets to this category was made.

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.

The Group held no financial liabilities meeting the definition of financial liabilities measured at fair value through profit or loss at the balance sheet date. At 31 December 2010 the Group held certain free-standing derivative instruments (interest rate swaps) which were classified as financial liabilities measured at fair value through profit or loss.

On the current and previous year balance sheet dates Q-Cells did not have any financial assets and liabilities that were designated as measured at fair value through profit and loss upon initial recognition (fair value option). No financial instruments were reclassified between categories in 2011 or 2010.

Recognition of financial instruments

Financial assets and financial liabilities are recorded in the consolidated financial statements when Q-Cells becomes 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 expire. 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.

Determining fair values

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, or comparisons with current market prices of similar financial instruments. They include discounted cash flow calculations.

The fair values 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 their carrying amounts due to the short maturities of these instruments.

The fair values 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 using 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 values 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 used to measure fair values are classified according to a hierarchy. More details on this fair value hierarchy are provided in Note 9.2.

2.10 INVENTORIES

Inventories include raw materials, consumables and supplies, finished goods and work in progress (including photovoltaic projects) as well as advance payments for materials.

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.

2.11 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.

2.12 SHARE-BASED REMUNERATION

Under stock options programmes, the employees of the 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 for market conditions, which are only estimated once when measuring the options as at their grant date.

2.13 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. The fair values of the liability components of convertible bonds issued in 2007 and 2009 were determined using Monte Carlo simulations and the fair value of the convertible bond issued in 2010 using a Cox-Ross-Rubinstein model. Based on this, an effective interest rate was determined 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.

2.14 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 under applying the effective interest rate method.

2.15 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 related to assets (investment subsidies) are recognised in the consolidated 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.

2.16 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 historical records of guarantee expenses incurred by Q-Cells in the past. 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.

2.17 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 in which taxable income is generated.

Taxes relating to items recognised directly in equity are not reported in the consolidated 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.

3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Financial year 2011

In the fourth quarter of 2011 Q-Cells exercised collateral rights provided as security for loan receivables with an original value of € 9.4 million. Allowances of € 7.3 million had been recorded against this receivable; of these, € 2.1 million were recorded in 2011. The collateral rights consist of a controlling 62 % majority voting share of a business partnership, which is in turn the owner of two German limited partnerships which are owners of active businesses. In particular given the circumstances of their acquisition, the Group seeks to find a buyer for these businesses without delay. Activities to find a buyer commenced at the start of 2012. In the balance sheet the Group reports the assets of the acquired group totalling € 33.1 million and liabilities totalling € 29.7 million. As the acquired entity is a partnership, the share of the 38 % minority shareholders is recorded as a liability, and not as non-controlling interests in Group equity. The acquisition has had no effect on the consolidated income statement since the impaired receivables are regarded as an appropriate exchange for the fair value of assets acquired. The acquired assets and liabilities are not allocated to a reporting segment.

Assets and discontinued operations held for sale at 31 December 2010 primarily included property, plant and equipment with a carrying value of € 2.6 million and the Group's 43 % interest in Calyxo GmbH, which was valued at zero, being its expected sale price less cost to sell. Almost all of these assets were disposed in 2011. No significant gains or losses resulted from the disposals.

Financial year 2010

Disposal of VHF-Technologies SA (VHF), Calyxo GmbH and its subsidiary Calyxo USA Inc. (Calyxo)
With effect from 29 June 2010 and 23 December 2010 Q-Cells SE sold its shareholdings in VHF, which had previously been written down to zero. In both transactions, the sales proceeds were symbolic in nature.

The reported gain on disposal of € 0.4 million reported within discontinued operations is primarily a result of the so-called recycling of currency gains and losses from equity to the income statement. The reclassification of € 1.2 million is included in foreign currency translation within other comprehensive income. No impairment on the net assets had been recorded in the first instance due to the gain.

On the sale of shares completed in June 2010, Q-Cells SE de facto committed itself to providing VHF with further financial support in the form of a shareholder loan and a guarantee. As it was not to be expected that the loan commitment would be repaid, and 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, 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.

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 %. Accordingly, from mid-2010 Q-Cells SE ceased to control VHF and Calyxo and the investments were no longer consolidated as subsidiaries. The loss on disposal in 2010 amounted to € 21.7 million and is included in the results of discontinued activities after tax in the sub-position expenses.

Sovello AG (former joint venture investment)
All of the conditions precedent 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 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.

Sunfilm AG i.L. (available for sale joint venture)

Sunfilm AG applied for the opening of insolvency proceedings at the end of March 2010. There are no indications that any risks may materialise in addition to those already provided for in the balance sheet as of 31 December 2009. As part of the insolvency process, the production facilities of Sunfilm AG have been sold to an investor, and accordingly the Company no longer has any operations. The Group's investment has not increased as a result of the sale and the carrying value remains zero.
The following table shows net income from discontinued operations:

€ million	1 Jan.- 31 Dec. 2011	1 Jan.- 31 Dec. 2010
Revenues	0.0	3.3
Other income	0.0	7.3
Expenses	0.0	40.3
Impairment charges	0.0	47.4
Result before tax from discontinued operations	**0.0**	**-77.1**
Income taxes	0.0	0.0
Result from discontinued operations (net of income tax)	**0.0**	**-77.1**

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. In addition, the impairment loss in 2010 included further payment obligations committed to Calyxo.

As earnings before taxes from discontinued operations in the previous period were negative, no current taxes were incurred. 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 operations were as follows:

€ million	1 Jan.- 31 Dec. 2011	1 Jan.- 31 Dec. 2010
Operating activities	0.0	-15.7
Investing activities	0.0	4.3
Financing activities (external)	0.0	0.0
Net cash flows	**0.0**	**-11.4**

4. IMPAIRMENT OF NON-CURRENT ASSETS

4.1 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 the amount of any impairment write-down required. 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 to which those assets belong 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 the Q-Cells Group to which cash flows can be separately allocated. Where the carrying amount exceeds the recoverable amount, the Group's most important cash generating units i.e. those with significant assets, in particular property, plant and equipment, under consideration of the detailed planning, correspond to the legal entities in the group. Accordingly, a significant fully consolidated subsidiary or an entity accounted for using the equity method is a CGU. The parent company itself is also a CGU.

4.2 EVENTS IN THE REPORTING YEAR

As at various balance sheet dates in the past, the market capitalisation of Q-Cells SE at 31 December 2011 was lower than Q-Cells' pre-impairment consolidated net equity. Accordingly Q-Cells performed triggering event driven tests to determine whether the values of non-current assets are impaired.

In the 2011 financial year impairment charges totaling € 398.5 million were recorded to reduce the carrying value of intangible assets and property, plant and equipment (including assets held for sale) at the Group's production locations at Bitterfeld-Wolfen (Q-Cells SE and Solibro) and in Malaysia.
The impairment of value was primarily a consequence of the massive falls in sales prices for solar cells and modules and the production reductions made in the face of the difficult market situation. The total includes € 406.6 million of new impairment charges made and is presented net of € 8.1 million of impairment charges recorded in previous periods and reversed in 2011. The net charge affected intangible assets (€ 0.7 million), land and buildings (€ 140.2 million), technical equipment and machinery (€ 218.4 million), other equipment (€ 3.7 million), plant under construction (€ 33.1 million), and assets held for sale (€ 2.4 million).

In determining the impairment charges, the recoverable amounts of the CGUs Q-Cells SE and Malaysia were determined based on sum of the fair value less costs to sell of the affected asset groups. The value in use of both CGUs were determined as a first step, using these values would also have resulted in an impairment charge. Using these values would have however resulted in recording a remaining book value lower than permitted, so that in calculating the impairment charge the higher recoverable amounts were used.

For the Solibro as CGU the recoverable amounts were however determined based on value in use. The discount rate applied to the cash flows was 11 %. The cash flows were determined based on the validated medium term business plan. Impairment charges of € 129.7 were recorded for Solibro. The impairment charge affected intangible assets (€ 0.4 million), land and buildings (€ 28.7 million), technical equipment and machinery (€ 94.8 million), other equipment (€ 5.3 million), and plant under construction (€ 0.5 million). The remaining book value of property, plant and equipment, net of deferred income for investment subsidies, amounted to € 27.1 million at 31 December 2011.

Determining the recoverable amounts

The value of Q-Cells SE's land and buildings at the Bitterfeld-Wolfen site were determined using a discounted cash-flow model. The present value is the discounted value of all future income streams associated with the properties, determined based on market rates, plus the value of the associated land. The present value of the building was determined by multiplying a present value (discounting) factor, which reflects property yields and residual values, to the annual market gross rental values, net of costs of ownership which cannot be recharged to a tenant. The value of the land was determined by comparison with similar properties using standard land value tables.

The value of land and buildings in Malaysia were determined using the direct capitalisation method. Under this method a capital value is determined for a perpetual annuity representing a reasonable recurring rental for the property. No residual value of useful life is considered under this method. Adjustments were made subsequently to make deductions for factors which are relevant to the value of the specific property. The value of the land is implicitly included in the capital value as the rental includes charges for the use of both the building and the land.

The recoverable amounts values of the technical equipment and machinery and of other assets at both locations were determined using the asset value method. Under this method the cost of acquisition or manufacture of individual assets were multiplied by indices appropriate to the relevant asset in order to estimate the replacement cost of the item. These values were adjusted to reflect the age of the individual assets and, where appropriate, other deductions (for example technical or economic obsolescence).

4.3 EVENTS IN THE PREVIOUS YEAR

In the previous year, no material impairment losses were recorded except those related to Calyxo GmbH. However, as Calyxo GmbH is reported within discontinued operations, information on this subject is included in Note 3.

An event-triggered impairment test was carried out on the Solibro subgroup at 31 December 2010, 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.

5. NOTES TO INDIVIDUAL INCOME STATEMENT ITEMS

5.1 SALES REVENUES

Revenues comprise the following:

€ million	1 Jan.- 31 Dec. 2011	1 Jan.- 31 Dec. 2010
Sale of goods	543.9	1,180.3
Services	3.9	2.7
Contracts	438.2	46.4
Other	37.1	124.8
Total revenues	**1,023.1**	**1,354.2**

5.2 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.

5.3 OTHER OPERATING INCOME

Other operating income was as follows:

€ million	2011	2010
Recognition of deferred investment subsidies	32.7	5.5
Damages received	26.6	1.9
Release of provisions	16.1	38.5
Recognition of deferred investment grants	10.3	9.0
Recycling of raw materials	7.1	0.8
Research subsidies	5.0	2.9
Gain on disposal of PV projects	4.5	0.0
Release to income of allowances against bad debts	1.2	4.2
Other operating income	7.6	13.3
	111.1	**76.1**

Details of the release of provisions are provided in Note 6.16.

The comparatively high income from release of deferred investment subsidies is a result of releases corresponding to the impairment charges recorded against assets, to the extent that the impairment charge affected assets for which subsidies were recorded.

Income from the disposal of PV projects primarily includes the gain on deconsolidation of the Finsterwalde solar park II/III project entities (see Note 1.2). As the transaction in substance represented the sale of the solar park, all effects on income which resulted from the deconsolidation are reported within operating income.

The amount recorded under take or pay compensation for 2011 primarily resulted from an out-of-court settlement concluded with a customer.

The remaining other operating income consists of a large number of low-value items reported by various group companies.

5.4 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 96.2 % in financial year 2011 compared to 75.9 % in 2010.

5.5 PERSONNEL EXPENSES

During the financial year 2011, the personnel expense ratio (personnel expenses in relation to sales and changes in inventories) was 15.2 % (previous year: 7.2 %).

Personnel expenses include costs of the personnel capacity adjustment program amounting to € 7.1 million. This includes termination benefits paid to employees of € 0.5 million.Termination benefits payable to members of the Executive Board are described in Note 11.

The employer contributions to defined contribution plans amount to € 7.9 million (previous year: € 7.0 million).

5.6 DEPRECIATION AND AMORTISATION

The breakdown of depreciation is presented in Notes 6.1 and 6.2.

5.7 OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

€ million	**2011**	**2010**
Impairment of receivables, downpayments and other assets	46.7	3.2
Product warranty expenses	34.3	7.7
Expenses for onerous contracts	27.4	2.8
Legal and consulting costs	22.0	26.8
Other external services	19.8	19.6
General and administrative expenses	16.7	13.8
Freight and storage costs	15.0	12.0
Maintenance and repair costs	13.7	23.0
Selling expenses	7.3	3.1
Temporary employee expenses	7.1	10.7
Contract penalties	6.4	0.0
Travel expenses	5.3	5.0
Loss on asset disposals	1.3	2.3
Recruiting	1.3	0.9
Fees and subscriptions	0.9	0.7
Training	0.7	0.9
Supervisory Board remuneration	0.5	0.6
Other operating expenses	13.3	18.6
	239.7	**151.7**

Legal and consulting costs in the financial year 2011 include, inter alia, management and consulting services in connection with business planning and the planned debt restructuring.

Impairment charges recorded of € 31.1 million made in the reporting period relate primarily to a full allowance made against advance payments made to two raw material suppliers (thereof € 21.3 million non-current). One supply contract was cancelled in the period; negotiations for the cancellation of a further contract were at an advanced stage at year end and formally settled subsequent to the balance sheet date. In both cases no repayment of advances made or supply against those advances is anticipated. Further information is provided in the explanatory notes to provisions in Note 6.16.

The product warranty expenses are almost exclusively attributable to Q-Cells SE's legal or contractual obligations from guarantee agreements with customers. These are 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.

5.8 RESULT FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

€ million	2011	2010
Income from joint ventures		
LQ energy GmbH	-1.8	-0.4
Straßkirchen MQ GmbH	0.2	-4.5
	-1.6	**-4.9**

For information on the € 1.8 million loss reported by LQ energy GmbH (LQ) during the reporting period, please refer to Note 6.3.

5.9 NET FINANCIAL RESULT

The net financial result comprises the following:

€ million	2011	2010
Interest and similar income		
Unwinding of discounted interest on financial assets	3.0	23.6
Other interest and similar income (current)	2.3	9.6
	5.3	**33.2**
Interest and similar expense		
Convertible bonds	46.0	47.8
Non-current liabilities	3.8	5.9
Current liabilities	14.1	7.4
	63.9	**61.1**
Result from financial instruments		
Gain resulting from repayment of convertible bonds	0.8	23.9
Change in market value of held for trading financial instruments	-1.5	2.7
Gains/losses on embedded derivatives	-0.3	-1.3
Gains/losses related to Cash Flow Hedges	-2.1	0.0
Other	0.0	1.2
	-3.1	**26.5**
Foreign currency gains and losses		
Net currency gains/losses	**-3.2**	**36.3**
	-64.9	**34.9**

Interest and other similar income in 2011 included income amounting to € 3.0 million resulting from the unwinding of the discount applied to the non-interest bearing loan to LDK Solar. In 2010, income totalling € 23.6 million was reported which resulted from the unwinding of the discount and from changes in the terms and conditions of the loan (see Note 6.9).

Interest and similar expenses include an amount of € 20.3 million (previous year: € 24.9 million) of accrued interest and € 25.7 million (previous year: € 22.9 million) of coupon interest expense for the Group's convertible bonds.

The result from financial instruments is primarily a result of losses in connection with financial instruments designated as cash flow hedges. Please refer to Note 9.2. The gain on repurchase of convertible bonds resulted from the repurchase of bonds with a nominal value of € 3.0 million in January 2011.
Results from financial instruments in the previous year included gains on the sale of securities classified as held for trading amounting to € 1.2 million. There were no sales of financial investments in 2011.

5.10 INCOME TAXES

Income taxes are as follows:

€ million	2011	2010
Corporation tax	2.7	6.4
Trade tax (local tax)	0.6	0.2
Current tax expenses not relating to the period	0.2	0.9
Deferred tax expense	58.4	13.9
	61.9	**21.4**

Current and deferred tax **€ million**	2011	2010
Current tax	**3.5**	**7.5**
thereof Germany	1.5	1.4
thereof Foreign	2.0	6.1
Deferred tax	**58.4**	**13.9**
thereof Germany	59.3	12.0
thereof Foreign	-0.9	1.9
	61.9	**21.4**

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 42 %.

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 15.0 % 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 13.3 % (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 29.13 % (previous year: 22.83 %).

Expense reported for deferred tax results from the occurrence and reversal of temporary differences.

Deferred tax assets and liabilities, both net and gross, have been recognised on temporary differences and on measurement differences on individual balance sheet items and on tax loss carry forwards as follows:

Deferred tax € million	31 Dec. 2011		31 Dec. 2010	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	115.8	8.4	57.7	4.1
Current assets	22.3	4.2	22.1	21.0
Current liabilities	2.5	12.2	13.7	46.2
Non-current liabilities	0.0	13.2	0.0	0.0
Consolidation	1.2	0.0	8.3	0.0
Tax losses carried forward	210.3	0.0	110.1	0.0
Total	**352.1**	**38.0**	**211.9**	**71.3**
Unrecognised deferred tax assets	**-304.6**	**0.0**	**-73.3**	**0.0**
Eliminations	**-35.3**	**-35.3**	**-68.2**	**-68.2**
Deferred tax assets/liabilities	**12.2**	**2.7**	**70.4**	**3.1**
Net deferred tax assets		**9.5**		**67.3**

The differences between expected and actual tax expense in the year under review and in the previous year are shown below:

Tax expense reconciliation € million	2011	2010
Net result for the period	**-845.8**	**13.8**
Plus income taxes	61.9	21.4
Net result before income taxes	**-783.9**	**35.2**
Expected tax expense at 29.13 % (previous year: 22.83 %)	**-228.4**	**8.0**
Changes in the expected tax expense		
Tax impact of tax-free income, other amounts deducted	-6.7	-3.7
Income from companies accounted for using the equity method without tax impact	0.5	0.4
Tax impact of non-deductible operating expenses	1.6	1.3
Tax impact of discontinued operations	0.0	25.9
Tax impact of permanent differences	-1.1	-9.4
Tax impact of tax loss carryforwards	297.1	0.8
Tax rate impact	-1.1	-1.9
Income tax	**61.9**	**21.4**

No deferred tax assets have been recognised on German corporation tax loss carryforwards of € 536.2 million, (previous year: € 37.0 million) or for German trade tax loss carryforwards of € 512.7 million (previous year: € 37.0 million). In addition, no deferred tax assets have been recognised on income tax loss carryforwards of € 296.4 million (previous year: € 36.3 million). Some of these may not be carried forward indefinitely.

Deferred tax assets are recorded on temporary timing differences and on tax loss carryforwards to the extent that they will reverse or be utilised against future taxable income. The business planning is used to determine the deductibility or realisable value of deferred tax assets.

Items of other comprehensive income, including amounts reclassified to the income statement, are not materially affected by taxes.

5.11 RESULT FROM DISCONTINUED OPERATIONS AFTER TAX

Explanatory notes on results from discontinued operations amounting to € -77.1 million in the financial year 2011 are provided in Note 3.

5.12 EARNINGS PER SHARE

Undiluted earnings per share

In calculating undiluted earnings per share, only ordinary shares have been taken into account. 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 shareholders' additional dividend rights (applicable only to the previous year), is allocated based on the ratio of outstanding ordinary and preference shares at the balance sheet date. In accordance with IAS 33 the net result is appropriated between ordinary and preference shareholders based on the number of shares in issue at the balance sheet date. The divisor on the other hand is calculated based on the weighted average number of shares in the respective reporting period in accordance with IAS 33.19.

No cumulated preference share dividends of were carried forward (previous year € 1.6 million). They do not however meet the definition of a liability and therefore no amounts were included in the balance sheet at 31 December 2011 or 31 December 2010.

The undiluted earnings per share for the financial years ending 31 December 2011 and 31 December 2010 are calculated as follows:

NUMERATOR: RESULT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**1 Jan.- 31 Dec. 2011**			**1 Jan.- 31 Dec. 2010**		
€ million	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Net result for the period attributable to Q-Cells' shareholders	-845.8	0.0	-845.8	90.9	-72.0	18.9
Less result for the period attributable to preference shares	0.0	0.0	0.0	13.9	-11.0	2.9
Result attributable to ordinary shareholders (undiluted)	**-845.8**	**0.0**	**-845.8**	**77.0**	**-61.0**	**16.0**

DENOMINATOR: NUMBER OF SHARES	**1 Jan.- 31 Dec. 2011**	**1 Jan.- 31 Dec. 2010**
Shares issued on 1 January	149,461,719	99,464,126
Conversion of preference shares	2,818,570	1,650,927
Effect of the capital increase from share options exercised	0	24,900
Capital increase	0	12,992,177
Shares issued on conversion of convertible bonds by bondholders	0	31
Weighted average number of ordinary shares	**152,280,289**	**114,132,161**

As part of a capital increase completed in 2010, new shares were issued at a ratio of 2:1 to subscribing existing shareholders. The issue price was less than the market price of Q-Cells shares at that time. For the calculation of the earnings per share, the weighted average number of ordinary shares in issue in the previous year up until the effective date of the capital increase was adjusted. 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.

Diluted earnings per share

As a result of the loss reported for the period, 45,655,367 potential ordinary shares from convertible bonds and 24,063,341 potential ordinary shares from preference shares have no dilutive effect on earnings per share. In the previous year, in addition to the preference shares, 29,393,793 potential ordinary shares from the 2015 convertible bonds had a dilutive effect whereas 16,417,822 potential ordinary shares from the convertible bonds 2012 and 2014 were not dilutive as their inclusion would have increased earnings per share due to the effect of the reduction in interest expense.

In addition, 2,927,956 (previous year: 1,012,574) employee stock options with exercise price above the average Q-Cells SE share price during the period are not included in the calculation of diluted earnings per share, as their inclusion would have increased the earnings per share as calculated. The inclusion of a further 119,232 employee stock options with exercise prices below the average Q-Cells SE share price during the period would also improve the earnings per share and are therefore not included in the calculation of diluted earnings per share.

NET RESULT FOR THE PERIOD (DILUTED)	**1 Jan. - 31 Dec. 2011**			**1 Jan. - 31 Dec. 2010**		
€ million	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Result attributable to ordinary sharehold-ers	**-845.8**	**0.0**	**-845.8**	**77.0**	**-61.0**	**16.0**
Plus interest on convertible bond 2015, less tax effect	0.0	0.0	0.0	2.1	0.0	**2.1**
Plus result for the period attributable to preference shares	0.0	0.0	0.0	13.9	-11.0	**2.9**
Result attributable to ordinary sharehold-ers (diluted)	**-845.8**	**0.0**	**-845.8**	**93.0**	**-72.0**	**21.0**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	**1 Jan.-31 Dec. 2011**	**1 Jan.-31 Dec. 2010**
Weighted average number of ordinary shares	**152,280,289**	**114,132,161**
Effect of exercised options	0	17,279
Effect of converting unexcercised options	0	85,943
Effect of convertible bond 2015	0	5,717,772
Effect of converted preference shares	0	216,677
Effect of converting preference shares	0	29,966,308
Weighted average number of ordinary shares (diluted)	**152,280,289**	**150,136,140**

6. NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

6.1 INTANGIBLE ASSETS

Development costs of € 3.8 million were capitalised for in-house intangible assets in the financial year 2011 (previous year: € 0.0 million). Non capitalisable research and development costs totalling € 30.3 million were recorded as expenses in 2011 (previous year: € 27.2 million).

Impairment write-downs were made of € 0.7 million following impairment tests performed persuant to IAS 36.

Q-Cells has no intangible assets with an indefinite useful life as of the balance sheet date.

2011
€ million

Intangible assets	Cost of acquisition or manufacture							
	As of 1 Jan. 2011	Change in consolidation group	Effect of change in exchange rates	Additions	Disposals	Classification as assets held for sale	Adjustments	As of 31 Dec. 2011
Industrial property rights and similar rights and assets	43.9	0.0	0.0	3.7	0.0	0.0	0.3	47.9
Development costs	2.3	0.0	0.0	3.8	-0.4	0.0	0.0	5.7
31 Dec. 2011	**46.2**	**0.0**	**0.0**	**7.5**	**-0.4**	**0.0**	**0.3**	**53.6**

2011
€ million

Intangible assets	Depreciation/Amortisation								Carrying values	
	As of 1 Jan. 2011	Change in consolidation group	Additions	Disposals	Classification as assets held for sale	Impairments	Effect of change in exchange rates	As of 31 Dec. 2011	As of 1 Jan. 2011	As of 31 Dec. 2011
Industrial property rights and similar rights and assets	31.1	0.0	4.9	0.0	0.0	0.7	0.0	36.7	12.8	11.2
Development costs	0.9	0.0	0.3	-0.1	0.0	0.0	0.0	1.1	1.4	4.6
31 Dec. 2011	**32.0**	**0.0**	**5.2**	**-0.1**	**0.0**	**0.7**	**0.0**	**37.8**	**14.2**	**15.8**

2010

€ million	Cost of acquisition or manufacture							
Intangible assets	**As of 1 Jan. 2010**	**Change in consolidation group**	**Effect of change in exchange rates**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Adjustments**	**As of 31 Dec. 2010**
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**

2010

€ million	Depreciation/Amortisation							Carrying values	
Intangible assets	**As of 1 Jan. 2010**	**Change in consolidation group**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Impairments**	**Effect of change in exchange rates**	**As of 31 Dec. 2010**	**As of 1 Jan. 2010**	**As of 31 Dec. 2010**
Industrial property rights and similar rights and assets	57.7	0.1	4.4	-0.6	0.0	0.2	-0.1	31.1	13.0	12.8
Development costs	16.3	0.0	0.2	0.0	0.0	0.0	0.0	0.9	1.6	1.4
31 Dec. 2010	**74.0**	**0.1**	**4.6**	**-0.6**	**0.0**	**0.2**	**-0.1**	**32.0**	**14.6**	**14.2**

6.2 PROPERTY, PLANT AND EQUIPMENT

The following table presents a schedule of changes in property, plant and equipment:

2011
€ million

	Cost of acquistion or manufacture							
Property, plant and equipment	**As of 1 Jan. 2011**	**Change in consolidation group**	**Effect of change in exchange rates**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Reclassi-fications**	**As of 31 Dec. 2011**
Land and buildings	298.0	-0.1	-0.2	1.3	-5.6	0.0	0.1	293.5
Technical equipment and machinery	757.6	0.0	-0.5	32.9	-1.4	-5.6	15.8	798.8
Other equipment, plant and office equipment	43.9	0.0	0.0	4.2	-0.6	0.0	3.4	50.9
Prepayments made and plant under construction	55.0	-0.3	0.3	19.6	-0.4	-0.2	-19.6	54.4
31 Dec. 2011	**1,154.5**	**-0.4**	**-0.4**	**58.0**	**-8.0**	**-5.8**	**-0.3**	**1,197.6**

2011
€ million

	Depreciation/Amortisation									Carrying values	
Property, plant and equipment	**As of 1 Jan. 2011**	**Change in consolidation group**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Impairments**	**Reclassi-fications**	**Reversal of Impairment**	**Effect of change in exchange rates**	**As of 31 Dec. 2011**	**As of 1 Jan. 2011**	**As of 31 Dec. 2011**
Land and buildings	33.6	0.0	8.0	-0.1	0.0	140.2	0.0	0.0	0.4	182.1	264.4	111.4
Technical equipment and machinery	218.7	0.0	78.7	-0.7	-5.6	224.1	0.5	-5.7	1.5	511.5	538.9	287.3
Other equipment, plant and office equipment	19.4	0.0	5.4	-0.5	0.0	5.8	0.0	-2.1	0.0	28.0	24.5	22.9
Prepayments made and plant under construction	2.6	0.0	0.0	-0.1	-0.2	33.4	-0.5	-0.3	0.3	35.2	52.4	19.2
31 Dec. 2011	**274.3**	**0.0**	**92.1**	**-1.4**	**-5.8**	**403.5**	**0.0**	**-8.1**	**2.2**	**756.8**	**880.2**	**440.8**

2010

€ million	Cost of acquistion or manufacture							
Property, plant and equipment	**As of 1 Jan. 2010**	**Change in consolidation group**	**Effect of change in exchange rates**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Reclassi-fications**	**As of 31 Dec. 2010**
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**

2010

€ million	Depreciation/Amortisation									Carrying values	
Property, plant and equipment	**As of 1 Jan. 2010**	**Change in consolidation group**	**Additions**	**Disposals**	**Classification as assets held for sale**	**Impairments**	**Reclassi-fications**	**Reversal of Impairment**	**Effect of change in exchange rates**	**As of 31 Dec. 2010**	**As of 1 Jan. 2010**	**As of 31 Dec. 2010**
Land and buildings	38.4	0.0	8.9	0.0	-18.3	0.0	1.9	0.0	2.7	33.6	268.8	264.4
Technical equipment and machinery	193.1	0.0	74.8	-40.2	-51.1	36.6	1.9	-1.9	5.5	218.7	391.4	538.9
Other equipment, plant and office equipment	16.0	0.0	5.2	-0.7	-1.4	0.2	0.0	-0.1	0.2	19.4	28.2	24.5
Prepayments made and plant under construction	18.4	0.0	0.0	-6.3	-12.8	8.6	-3.8	-1.5	0.0	2.6	155.2	52.4
31 Dec. 2010	**265.9**	**0.0**	**88.9**	**-47.2**	**-83.6**	**45.4**	**0.0**	**-3.5**	**8.4**	**274.3**	**843.6**	**880.2**

Significant additions to property, plant and equipment include € 24.7 million for the purchase of technical equipment and machinery for production of the new high-performance module “Q-Peak” and for new Cell production concept equipment at Thalheim.

In the financial year 2011, impairment losses on property, plant and equipment of € 403.5 million were recorded as a result of impairment testing performed in accordance with IAS 36. A write-down recorded in the prior year in the amount of € 8.1 million was reversed in the current year.

Impairment losses on intangible assets, property, plant and equipment as reported in the consolidated income statement also include impairment charges recorded against non-current assets held for sale.

€ 17.6 million of the amounts reported for prepayments and plant under construction is attributable to plant under construction.

The carrying amount in the financial year 2011 of property, plant and equipment provided as security for the loan granted to Q-Cells by the Malaysian government amounted to € 157.8 million (Note 6.14).

6.3 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The Group has the following shares in joint ventures, accounted for using the equity method:

JOINT VENTURES	31 Dec. 2011		31 Dec. 2010	
	€ million	%	€ million	%
Straßkirchen MQ GmbH, Straßkirchen	0.4	50.0	0.2	50.00
LQ energy GmbH, Berlin	60.3	49.0	62.0	49.00
SilQ PV Energy S.L., Paterna/Spanien	0.0	50.0	0.0	50.00
ONTARIO SOLAR PV FIELDS INC, Ontario/Canada	3.4	50.0	0.0	0.00
	64.1		**62.2**	

In addition, there are shares in joint ventures as of 31 December 2011 not accounted for using the equity method because of their classification as assets held for sale. These are described in Note 3.

Joint ventures

LQ Energy GmbH (Project Finsterwalde)
LQ energy GmbH (LQ), Berlin, formed in 2009, 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.

With the agreement of the contractor for the construction of the solar park, 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 in 2010.

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, in accordance with the agreement between Q-Cells and LDK, Q-Cells is entitled to a larger portion of the expected remaining receipts from LQ investment. Accordingly the payment to LDK was recorded as an increase in the book value of the investment.

A further payment of € 2.7 million was agreed in the reporting period, although this amount has not yet been paid in cash. The payment is to be made by LQ and reduces the expected cash flow attributable to Q-Cells. The carrying value of the investment was reduced by an impairment charge of € 1.8 million.

We draw attention to the fact that a receivable balance of € 5.2 million and a liability balance of € 63.0 million are reported (as a net € 57.8 million) in these consolidated financial statements. Q-Cells expects to receive payment of € 2.5 million, being the difference between this net balance and the carrying value of the investment in LQ, in the first half year 2012.

ONTARIO SOLAR PV FIELDS INC

Q-Cells has a 50 % share in Ontario Solar PV Fields, a joint venture with one other business partner. The joint venture was formed before the beginning of the previous period, did not however have any business activities until the period under report. Business activities began in the current period with the start of construction of several solar parks in Canada. The joint venture is responsible for the project development and planning, not however for the construction work. Individual project entities were formed (which are wholly owned by the joint venture) to own and hold the respective solar parks.

The carrying value of € 3.4 million represents the contributions made, proportionate to their shareholding, to the joint venture in order to finance the solar park project and to generate income from that project. The project itself is accounted for by the joint venture in its own financial statements. The joint venture has not yet generated any significant income or expenses.

Straßkirchen MQ GmbH (Project Straßkirchen)

Straßkirchen MQ GmbH (MQ), Straßkirchen is a joint venture operative since formation in 2009 in which Q-Cells SE and MEMC Electronic Materials Inc. each hold a 50 % shareholding. This joint venture had no significant income or expenses in 2011.

The Group's proportionate share of assets, liabilities, revenues and results of the Group's joint ventures for the period can be analysed as follows:

€ million	2011	2010
Non-current assets	0.0	0.1
Current assets	34.0	35.4
Shareholders' equity	31.3	31.3
Current liabilities	2.7	4.2
Income	0.1	0.5
Expenses	0.3	2.4
Net result for the period	-0.3	-1.9

6.4 OTHER FINANCIAL ASSETS

Non-current other financial assets include project business related receivables in the form of loans (€ 2.4 million; previous year: none) and of retention payments withheld as security on projects of € 2.0 million (previous year: € 2.3 million), and a deposit for a long-term contract.

6.5 OTHER ASSETS

Other non-current assets primarily include the non-current portion of prepayments made for future raw material deliveries. Impairments recorded against these items are described in Note 5.7.

6.6 DEFERRED TAXES

The decrease of deferred tax assets reported in the balance sheet primarily results from derecognition of deferred tax assets on temporary differences and tax loss carryforwards. Further details are provided in Note 5.10.

6.7 INVENTORIES

€ million	31 Dec. 2011	31 Dec. 2010
Raw materials, consumables and supplies	24.0	77.1
Finished and unfinished goods and PV projects	108.3	269.7
Current portion of advance payments made on future raw material supplies	10.2	18.9
	142.5	**365.7**

In the reporting year, the Group's impairment write-downs on inventories increased by € 107.9 million in total (previous year: € 19.2 million). The increase is due to lower sales prices as well as limited usability.

In the 2011 reporting year, no reversals of inventory write-downs were recorded (previous year: € 18.3 million). The reversals recorded in the previous year are reported as a reduction of material expenses.

6.8 TRADE RECEIVABLES

Trade receivables include net receivables from manufacturing contracts of € 78.4 million (previous year: € 12.7 million). This amount is determined after deduction of project-related interim billings and payments received on account of € 177.1 million (previous year: € 32.6 million). Sales revenues for the financial year reported in the income statement include sales revenues from manufacturing contracts totalling € 438.2 million (previous year: € 303.6 million). Project costs of € 164.9 million (previous year: € 43.4 million) and project margins of € 17.9 million (previous year: € 2.9 million) relating to current manufacturing contracts are recognised as at the 2011 balance sheet date.

On the balance sheet date, receivables included amounts denominated in foreign currency of € 21.6 million (previous year: € 14.7 million).

6.9 OTHER FINANCIAL ASSETS

The current financial assets primarily include the LDK Solar loan of € 17.4 million (previous year: € 82.7 million). In 2009 the long-term supply agreement with LDK was renegotiated and modified. As a result, advance payments on account totalling USD 244.5 million at 31 December 2009 were converted into an interest-free loan, secured by bank guarantee. In September 2010 the repayment schedule was amended, resulting in an accelerated repayment schedule to be completed in 2011, associated with a reduced discounting of the remaining repayment amount. Repayments in 2011 were effected by offsetting receivables with accounts payable. The final instalment of the LDK Solar loan was offset in January 2012 and accordingly the receivable balance is thereafter eliminated.

6.10 OTHER RECEIVABLES AND ASSETS

All other receivables and assets have a residual term of less than one year.

€ million	**31 Dec. 2011**	**31 Dec. 2010**
Receivables from tax authorities for taxes	4.8	30.4
Receivables from tax authorities for investment subsidies	3.6	6.1
Receivables from suppliers	1.5	2.5
Prepayments	4.8	3.6
Receivables from at-equity investments	0.0	2.0
Other	3.2	7.9
	17.9	**52.5**

6.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and time deposits of € 304.9 million (previous year: € 473.9 million) which have an original term of less than three months.

The cash and cash equivalents can be analysed as follows:

€ million	**31 Dec. 2011**	**31 Dec. 2010**
Cash and bank balances	72.6	256.7
Time deposits	232.3	217.2
	304.9	**473.9**

As of 31 December 2011, cash and cash equivalents totalling € 68.9 million (previous year: € 113.3 million) are pledged as collateral. The pledges are wholly (previous year € 104.9 million) pledges as security for guarantee credit lines, other liabilities or contingent liabilities (previous year: € 72.2 million for two interim financing loans). Additionally, in the previous year € 8.4 million was pledged as security guarantees for planned projects.

6.12 EQUITY

Please refer to the Group statement of changes in equity for details of the changes in the Q-Cells equity during the financial year 2011.

With equity of € 34.2 million, the equity ratio at the balance sheet date amounted to 2.8 % (previous year: € 882.7 million and 40.5 %).

Capital
On the balance sheet date, **subscribed capital** amounted to € 176.3 million (previous year: € 176.3 million) and was divided into 176,343,630 bearer shares at no par value, of which 176,342,630 were ordinary shares (previous year: 149,461,719 shares) and 1,000 preference shares (previous year: 26,881,911 shares). Ownership of ordinary shares entitles shareholders to voting rights at the Annual General Meeting as well as 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. 2011	31 Dec. 2010
Ordinary shares	176,342,630	149,461,719
Preference shares	1,000	26,881,911
	176,343,630	**176,343,630**

In the 2011 financial year 26,880,911 preference shares (previous year: 1,675,373 shares) were converted to ordinary shares entitled to a share in profits from 1 January 2011. No ordinary shares were created from conditional capital as a result of the exercise of conversion rights. In the previous year 45,264 shares were created from conditional capital (ESOP I) in connection with the 2003 employee share option programme, and 500 shares were created from conditional capital 2006/1 in respect of the exercise of conversion rights under the 2010/2015 convertible bond. No other share issues were made during the year ended 31 December 2011. In the previous year Q-Cells SE issued an additional 58,765,955 shares in an approved capital raising share issue.

The total number of no par value shares in issue during the reporting year was as follows:

Number of shares	2011	2010
1 January	**176,343,630**	**117,531,911**
Capital increase from contingent capital 2003/1, 2005/1, 2006/1 and 2007/1	0	45,764
Capital increase from authorised capital 2011/1	0	58,765,955
31 December	**176,343,630**	**176,343,630**

No preference shares (previous year: 0 shares) were converted into ordinary shares after the reporting date.

Authorised capital 2009/1
Based on 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 date for the new shares to participate in profit sharing from that provided for 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 financial year 2010, a capital increase was performed in two tranches based upon the authorised capital 2009/1: 9,900,000 shares were issued in the first tranche and 40,638,483 shares in the second. Further details of the capital increase in 2010 are provided below. The registration of the first tranche was entered in the commercial register on 29 September 2010, and the second on 13 October 2010. As a result the authorised capital 2009/1 was fully utilised.

Authorised 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 on either the authorisation pursuant to section 4 (4) of the Articles of Association in the version of the resolution from 18 June 2009, or 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 financial year 2010 a capital increase based on the authorised capital 2010/1 was effected, and as a result the authorised capital 2010/1 was fully utilised. Further details of the capital increase in 2010 are provided below. The capital increase was entered in the commercial register on 13 October 2010.

Authorised capital 2011/1

At the Annual General Meeting of 23 June 2011, additional authorised capital (authorised capital 2011/1) was created. The Executive Board is authorised, with the consent of the Supervisory Board, to increase the Company's share capital up until 22 June 2016, 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, in one or more instances, up to a maximum amount of € 88,171,815. The authorisation includes the authority to issue additional preference shares with or without voting rights, which rank ahead of or equal to other preference shares for profit or asset sharing purposes. Subscription rights must be granted to shareholders. Subscription 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.

The new conditional capital was registered at the commercial register on 5 July 2011. No shares have been issued from the conditional capital 2011/1 in the reporting period, and accordingly the conditional capital 2011/1 amounted to € 88,171,815.00 at the balance sheet date.

Contingent capital 2003/1

For the purposes of fulfilling subscription rights under the stock option programme 2003 (ESOP I), the Annual General Meeting of 29 December 2003 approved a contingent capital increase of the Company's equity. Because of the capital increases from reserves in the financial years 2004, 2005 and 2006, the number of contingent shares has subsequently increased in the same ratio as the share capital in accordance with section 218 AktG.

As of 1 January 2011, the contingent capital 2003/1 amounted to € 119,232.00. No shares have been issued from the conditional capital 2003/1 in the reporting period, and accordingly the conditional capital 2003/1 amounted to € 119.232,00 at the balance sheet date.

Contingent capital 2005/1
For the purposes of fulfilling subscription rights under the stock option programme 2005 (ESOP II), the Annual General Meeting of 16 August 2005 approved a contingent capital increase of the Company's shareholders' equity. Because of the capital increases from reserves in the financial years 2005 and 2006, the number of contingent shares has subsequently increased in the same ratio as the share capital in accordance with section 218 AktG.

As of 1 January 2011, the contingent capital 2005/1 amounted to € 493,958.00.

No shares were issued from the contingent capital 2005/1 during the reporting period. Accordingly, at the end of the year the contingent capital 2005/1 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 subsequent Annual General Meetings, was changed most recently by the decision of the Annual General Meeting of 23 June 2011 and provides for the following:

The share capital is contingently increased by up to € 81,802,183.00 by the issue of up to 81,802,183 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 to be 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, 24 June 2010 or 23 June 2011, 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. The new shares are issued at the option or conversion price set out in the terms of the respective resolution. The share issue can be made in exchange for payment in kind, where provided for in the respective resolution. 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.

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 23 June 2011.

The convertible bond is described in Note 6.13.

The contingent capital 2006/1 amounted to € 52,351,059.00 on 1 January 2011. By resolution at the Annual General Meeting of 23 June 2011, the contingent capital 2006/1 was increased to € 81,802,183.00. This registration in the commercial register occurred on 5 July 2011.

No shares were issued from the contingent capital 2006/1 during the reporting period. Accordingly, at the end of the year the contingent capital 2006/1 amounted to € 81,802,183.00.

Contingent capital 2007/1
The Executive Board was authorised by the Annual General Meeting of 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 of 26 June 2008, 18 June 2009 and 24 June 2010.

The contingent capital 2007/1 amounted to € 5,756,442.00 as of 1 January 2011.

No shares were issued from the contingent capital 2007/1 during the reporting period. Accordingly at the end of the year, the contingent capital 2007/1 amounted to € 5,756,442.00.

Capital increase in 2010

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 on a series of measures to secure the timely availability of medium-term financing. The package of measures included a capital increase totalling up to € 58,765,955.00 through the 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 included subscription rights for the ordinary and preference shareholders. Furthermore, an offer to repurchase a portion of the outstanding convertible bond due in February 2012 was 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 on 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 subscription period 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. The new shares were issued from contingent capital 2009/1 and 2010/1.

For further information on the issue of the new convertible bond and the repurchase of a portion of the 2012 convertible bond in 2010, please refer to Note 6.13 and 6.19.

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, employees of Q-Cells SE, and 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, at the discretion of the Executive Board, a cash settlement can be made, 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 between the programmes in respect of the share price performance exercise conditions and differences in the vesting periods and option terms.

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 three and two years from issue (one third after one year, one third after two years and the remaining one third after three years, or half after one year and the remaining half 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 basis 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 issued up until the end of 2009 may only be exercised provided that the share price on exercise of the option is above the basis 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 the 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.

Option rights granted under ESOP III issued from 2010 may only be exercised four years after their issuance, provided that the share price on exercise exceeds the price at the time of issuance and 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 Photovoltaic Global 30 Index calculated by the German Stock Exchange. In addition, the holder must still be an employee of the Group, whereby the Supervisory Board may vary this provision for members of the Executive Board.

By resolution of the Supervisory Board, the basis price of the options issued prior to the capital increase in October 2010 was modified (effective 2 December 2010) 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 was insignificant.

The table below summarises the change in the 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. 2010	1.36	164,496	21.6	234,456	21.8	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 Jan. 2011	**1.36**	**119,232**	**40.82**	**73,178**	**9.41**	**904,401**
Options granted	-	-	-	-	2.74	3,263,800
Options forfeited	-	-	-	-	4.15	1,249,366
Options exercised	-	-	-	-	-	-
Options expired	-	-	41.94	64,057	-	-
31 Dec. 2011	**1.36**	**119,232**	**32.93**	**9,121**	**4.20**	**2,918,835**

Weighted average residual contract term in months	-	25	-	3	-	59

No options are exercisable at the end of the period.

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	501	-
2.74	-	2,289,800
4.68	-	200,000
5.32	-	100,000
13.75 (amended)	-	329,035
34.07	8,333	-
37.29	148	-
69.13	139	-
	9,121	**2,918,835**

No expense was recorded in 2011 or the previous year for options issued under ESOP I and ESOP II. The expense for options issued under ESOP III amounted to € 1.2 million (previous year: € 1.2 million). In the current and previous year an adjustment was made to the estimate of the expected number of options which will ultimately vest, resulting in a reduction of expense totalling € 0.2 million (previous year: € 2.6 million).

Options granted in 2011

Two further tranches were issued in January 2011 from the 2007 stock option programme authorised by the Annual General Meeting of 14 June 2007. 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 predefined terms and conditions.

	ESOP 3.2	ESOP 3.2c
Issue date	3 Jan. 2011	3 Jan. 2011
Share price on the issue date	€ 2.49	€ 2.49
Exercise price per share	€ 2.74	€ 2.74
Vesting period	4 years	4 years
Expected average term of the option	5.5 years	5.5 years
Term of the option	6 years	6 years
Expected volatility in the share price	0.71	0.71
Dividend yield	1.0 % from 2014	1.0 % from 2014
Risk-free interest rate	2.16 %	2.16 %
Number of options issued	2,713,800	550,000

200,000 share options issued as part of tranche ESOP 3.2c were issued to Dr Nedim Cen and 100,000 to Hans-Gerd Füchtenkort. 100,000 options issued to Gerhard Rauter and 150,000 issued to Dr Marion Helmes were forfeited in the second and fourth quarter of 2011 respectively.

Based on the assumptions and the exercise criteria listed above, the relevant fair value of each option (subscription right for a share) for options issued in the tranches ESOP 3.2 and ESOP 3.2c were calculated to be € 1.30 per option. The fair value was determined on the basis of the Monte Carlo simulation. The volatility was established on the basis of historical peer group volatility over the past one, two and three years respectively.

Due to the exercise criteria, it was assumed for valuation purposes that options are exercised at an early stage (i.e. as soon as all criteria are met).

Executive Board share options

Share options provided to Executive Board members who served during the financial year 2011 were as follows:

			1 Jan. 2010	Reporting period 2010		31.12.2010 / 01.01.2011	Reporting period 2011		31 Dec. 2011	
Options	**ESOP programme**	**Weighted average exercise price**	**shares eligible for subscription**	**shares granted**	**shares forfeited**	**shares eligible for subscription**	**shares granted**	**shares forfeited**	**shares eligible for subscription***	**Weighted average residual contract term**
		€	**number**	**number**	**number**	**number**	**number**	**number**	**number**	**in months**
Dr. Nedim Cen	3.2b	4.68	-	200,000	-	**200,000**	-	-	200,000	57
	3.2c	2.74	-	-	-	-	200,000	-	200,000	66
Hans-Gerd Füchtenkort	3.2a	5.32	-	100,000	-	**100,000**	-	-	100,000	56
	3.2c	2.74	-	-	-	-	100,000	-	100,000	66
Dr. Marion Helmes	3.2a	5.32	-	150,000	-	**150,000**	-	150,000	-	-
	3.2c	2.74	-	-	-	-	150,000	150,000	-	-
Anton Milner	3b.1	69.42	75,000	-	75,000	-	-	-	-	-
	3.d	13.75	75,000	-	75,000	-	-	-	-	-
Dr. Marko Schulz	2.d	69.13	163	-	-	**163**	-	163	-	-
	3.d	13.75	50,000	-	50,000	-	-	-	-	-
	3.1	13.75	29,412	-	29,412	-	-	-	-	-
Gerhard Rauter	3.d	13.75	50,000	-	-	**50,000**	-	50,000	-	-
	3.2c	2.74	-	-	-	-	100,000	100,000	-	-
Total			**279,575**	**450,000**	**229,412**	**500,163**	**550,000**	**450,163**	**600,000**	

* The options outstanding at 31 December 2011 are attributable to one current member of the Executive Board (Dr. Nedim Cen) and one past member (Hans-Gerd Füchtenkort).

Of the total share option expense recorded in the period € 0.2 million is attributable to Dr Nedim Cen, € 0.4 million to Hans-Gerd Füchtenkort, and € 0.1 million to Gerhard Rauter. A correction was made in respect of the expense recorded for share options for Dr Marion Helmes which resulted in income of € 0.1 million in the period.

Capital reserves
The increase in capital reserves is primarily a result of the expense recorded for the employee share option programmes described above.

In the previous year 2010, a new unsecured subordinated convertible bond was issued. Further details are provided in Note 6.13. The equity element of the new convertible bonds amounting to € 31.5 million was recorded in the capital reserve.

In addition a partial repayment in 2010 of convertible bonds issued in 2007 was made (see Note 6.19). Accordingly the capital reserve was reduced to reflect the reduction of the associated equity element of the convertible bonds (€ 26.1 million).

The increase of the capital reserve of € 60.8 million in 2010 represents the excess of the payment amount over the nominal value of the 58,765,955 new ordinary bearer shares at no par value issued in connection with the capital increase 2010 described above.

Revenue reserves and other reserves
Revenue reserves include accumulated retained earnings of previous years and the current year's net income for 2011. In 2011 a dividend totalling € 1.6 million (previous year: none) was paid to preferences shareholders in accordance with a shareholders' resolution passed at the shareholders' meeting on 23 June 2011. The dividend represented the preference share dividend of € 0.03 per preference share for the years 2009 and 2010.

Other reserves include income and expenses reported in other comprehensive income separate from the income statement. In 2011 and in 2010 the primary items recorded in other comprehensive income related to exchange rate effects.

Changes in revenue reserves and other reserves are presented in the Group's statement of changes in consolidated equity.

Distributable reserves
Payments of dividends to Q-Cells SE shareholders may be made based on the retained earnings of Q-Cells SE recorded in the single-entity financial statements of Q-Cells SE, which are prepared in accordance with German Commercial Law (Handelsgesetz, or HGB). After reporting a loss of € 976.4 million for the current year, Q-Cells SE's single-entity financial statements report a deficit on retained earnings at 31 December 2011. Accordingly, no dividend may be paid.

The net result recorded under IFRS will be carried forward.

Non-controlling interests
There are no non-controlling interests at year ended 31 December 2011.

Non-controlling interests in 2010 were reported for minority interests in the results of VHF and Calyxo. Since these entities are no longer part of the Q-Cells group, there are no remaining non-controlling interests in the Group's equity.

6.13 CONVERTIBLE BONDS

The liabilities from convertible bonds disclosed in the consolidated balance sheet represent the liability components of the convertible bonds issued in May 2009 and October 2010. The carrying amount of the convertible bonds issued in May 2009 amounts to € 233.0 million as of 31 December 2011 (previous year: € 230.9 million), and the carrying amount of the convertible bonds issued in October 2010 is € 97.3 million as of 31 December 2011 (previous year: € 91.5 million). The convertible bonds mature on 26 May 2014 and 21 October 2015 respectively.

At 31 December 2010 this balance sheet position also included the convertible bond issued in February 2007, which matures in February 2012. At 31 December 2011 this convertible bond is reported within current liabilities (see Note 6.19).

€ 128.7 million was raised on issue of convertible bonds on 21 October 2010. On the basis of the conversion price of € 4.38 per share, the convertible bond is convertible into 29,394,293 new no par value ordinary Q-Cells SE bearer shares. The conversion price represented a premium of 27.5 % above the reference value of the shares, being the issue date market price of € 3.43 per share. Coupon interest at 6.75 % is payable. The convertible bonds were registered for trading in the Frankfurt stock exchange on 21 October 2010.

The unsubordinated and unsecured convertible bond issued in 2009 was issued by Q-Cells International Finance B.V. and guaranteed by Q-Cells SE. The unsubordinated and unsecured convertible bond issued in 2010 was issued by Q-Cells SE.

In January 2011 Q-Cells Malta Ltd., a wholly-owned subsidiary of Q-Cells SE, repurchased nominal € 3.0 million convertible bonds due in May 2014 at a price of 69.0 %. Following this purchase, third-party creditors 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.

The convertible bonds issued in May 2009 may be terminated by Q-Cells International Finance B.V. from 26 May 2012, subject to the precondition that, on at least twenty trading days within a period of thirty consecutive trading days, the share price amounts to at least 250.0 % of the conversion price.

Q-Cells SE is entitled to an early redemption of the convertible bonds issued in October 2010 from 21 October 2013, subject to the precondition that the Q-Cells SE share price amounts to at least 150.0 % of the conversion price on twenty trading days in a period of thirty trading days, or that the total amount of the outstanding bond falls to 15.0 % or less of the original amount.

The conversion price of the convertible bonds issued in 2009 was modified from € 22.94 to € 19.45 to offset the dilution effects from the capital increases in 2010.

6.14 BORROWINGS

The increase in non-current loan liabilities results primarily from the unwinding of the discount on the loan extended to Q-Cells Malaysia by the Malaysian government; the value of this loan as of the reporting date was € 200.2 million (previous year: € 198.1 million). On 29 June 2009, Q-Cells Malaysia entered into a loan agreement for MYR 850 million with a term of five years. The loan is secured on machines and fixtures at the Malaysian factory. Please refer to Note 13, in which events subsequent to the balance sheet dates are described, for details of subsequent changes in the repayment conditions attached to the Group's borrowings.

Non-current loan liabilities to banks are € 0.9 million (previous year: € 1.2 million) as of the reporting date.

6.15 DEFERRED INCOME FROM GOVERNMENT GRANTS

Deferred income under this item represents non-current deferred income from government grants of € 0.7 million (previous year: € 7.6 million) awarded as part of a regional economic structure improvement programme, as well as investment subsidies of € 6.6 million (previous year: € 40.8 million).

€ million	**31 Dec. 2011**	**31 Dec. 2010**
Income from government grants	7.3	48.4
Benefit of loans on favourable terms	4.4	6.9
	11.7	**55.3**

The companies receive government grants in connection with creating and expanding manufacturing capacity. These government grants are tied, in principle, to 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. Such repayment obligations are reflected in the balance sheet if required.

The loan drawn by Q-Cells Malaysia was concluded with the Malaysian government at an interest rate below market rates.

6.16 PROVISIONS

The provision for restructuring measures (restructuring provision) established in 2009 includes provisions for capacity adjustment measures expected to be incurred in the 2012 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 (i.e. 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 to meet the cost of redundancy expenses and the costs of a transfer company to help former employees (€ 5.6 million). This provision was partially utilised in 2011; the remaining unused balance has been released.

The increase of the provision for onerous contracts from € 15.0 million to € 21.6 million is the net result of two contrary effects. In the first quarter of 2011 provisions recorded at 31 December 2010 were reversed in full following the agreement of a new supply contract to replace the onerous contract with the affected supplier. Accordingly the provision was no longer required.

In the second quarter, significant new provisions totalling € 27.0 million were recorded as Q-Cells no longer expected to fulfil its obligations under certain supply contracts, some of which were long term. Accordingly Q-Cells recorded provision for significant amounts of compensation claims expected from these suppliers. The compensation recorded was based on estimates made as of 30 June 2011, which necessarily included significant uncertainty. A settlement was made with one supplier in the third quarter of 2011 and the associated provision was fully utilised. Further negotiations were conducted with a second supplier, with the result that a payment of € 1.9 million was made, significantly less than originally accrued. On completion of business plans covering several years in December 2011 the estimate of onerous contracts from open supply contracts was revised and further accruals in respect of several supplier agreements were recorded.

As a manufacturer and seller of photovoltaic cells, Q-Cells provides guarantees for its products and is thus subject to warranty risks. The Q-Cells Group provides a ten-year guarantee that the cells it supplies are free of material or technical defects. In addition, Q-Cells provides linear guarantees of the performance of modules for periods of up to twenty-five years. Under the performance guarantee, 97 % performance is guaranteed in the first year and a maximum of 0.6 % performance degradation is guaranteed for the following twenty-four years, i.e. the performance of the module is guaranteed to be at least 83% of the performance stated in the product information.

The guarantee provisions on products are long-term guarantees usual in the industry; guarantees vary from ten to a maximum of twenty-five years on cells and modules, and for periods of up to twenty years on photovoltaic projects. The non-current portion of the provision amounting to € 21.0 million (previous year: € 12.5 million) was discounted using interest rates of 0.03 % to 2.51 % corresponding to the remaining term (previous year: 0.56 % to 3.59 %); the current portion is € 28.9 million (previous year: € 4.4 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 on 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 non-current provisions include € 9.1 million to record the risk of repayment obligations in respect of grants and subsidies received, as well as provision for the return and disposal costs of modules sold for which Q-Cells has a constructive obligation to its customers.

€ million	Restructuring	Personnel reorganisation plan	Warranty	Onerous contracts	Other	Total
1 January 2011	26.0	0.0	16.9	25.7	4.8	**73.4**
thereof non-current	0.0	0.0	12.5	10.7	3.0	**26.2**
Utilised	-0.4	0.0	-1.6	-0.2	-1.6	**-3.8**
Unwinding of discounting	0.0	0.0	1.5	0.0	0.0	**1.5**
Reversal	-2.4	0.0	-4.8	-17.6	-0.3	**-25.1**
Changes in entities consolidated	0.0	0.0	0.0	0.0	-0.2	**-0.2**
Addition	1.5	2.3	37.9	22.9	13.2	**77.8**
31 December 2011	**24.7**	**2.3**	**49.9**	**30.8**	**16.0**	**123.7**
thereof non-current	0.0	0.0	21.0	9.2	6.8	**37.0**

6.17 OTHER LIABILITIES

Other non-current liabilities in the financial years 2011 and 2010 include the non-current portion of prepayments received on orders.

6.18 DEFERRED TAXES

Movements on deferred tax balances are presented in Note 5.10.

6.19 CONVERTIBLE BONDS

The liabilities from convertible bonds disclosed in the consolidated balance sheet primarily represent the liability components of the convertible bonds issued in February 2007 which mature in February 2012. The carrying amount of the convertible bonds, € 197.4 million as of 31 December 2011 (previous year: € 187.8 million), was reclassified from non-current liabilities to current liabilities in 2011. The bonds matured on 28 February 2012. Please refer to Note 13 for details of events subsequent to the balance sheet dates, including the revised agreed maturity dates of the bonds due on 28 February 2012.

The unsubordinated and unsecured convertible bonds issued in 2007 were issued by Q-Cells International Finance B.V.; Q-Cells SE has provided Q-Cells International Finance B.V. with guarantees.

In October 2010, Q-Cells repurchased € 281.8 million of the nominal value of the convertible bonds 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. 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.

Since February 2009, Q-Cells International Finance B.V. has been entitled to cancel the convertible bond issued in February 2007. The preconditions for termination were that Q-Cells' share price amounts to at least 130.0 % of the conversion price on twenty trading days in a period of thirty trading days, or the total amount of the outstanding bond falls to 15.0 % or less of the original amount.

The conversion price of the convertible bond issued in 2007 was amended in 2010 from € 66.79 to € 56.62 to offset the dilution effects of the capital increase 2010.

In addition, convertible bonds includes € 7.9 million (previous year € 7.9 million) of accrued coupon interest payable in 2012 for convertible bonds.

6.20 BORROWINGS AND PROFIT PARTICIPATION CAPITAL

At 31 December 2010 the Group reported bank loans of € 72.2 million and profit participation capital of € 15.0 million. The profit participation capital were repaid on maturity in 2011, The bank loans, which had been drawn down by a project entity formed for the purposes of constructing a solar park, were transferred with the solar park to the buyer of the park. More details are provided in Note 1.2.

6.21 TRADE PAYABLES

Trade payables include net liability balances on manufacturing contracts of € 0.5 million (previous year: € 3.4 million). These credit balances result from prepayments received in the amount of € 11.2 million (previous year: € 4.7 million) that exceed the receivables from those customers arising under 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 € 33.3 million (previous year: € 71.4 million).

6.22 OTHER FINANCIAL LIABILITIES

Other current financial liabilities as of 31 December 2011 include a discounted liability denominated in US dollars in the amount of € 17.4 million (previous year: € 43.3 million), resulting from a delivery contract concluded with Q-Cells and a financial liability to LQ Energy of € 63.0 million (previous year: € 63.0 million).

6.23 TAX LIABILITIES

Tax liabilities primarily include liabilities for corporate tax, solidarity surcharge, trade tax and foreign taxes.

6.24 DEFERRED INCOME FROM GOVERNMENT GRANT

Deferred under this item are current amounts of deferred government grants, relating to investment grants of € 1.7 million (previous year: € 0.8 million) under the community task of improvement of the regional economic structure and investment subsidies of € 2.7 million (previous year: € 6.1 million).

€ million	**31 Dec. 2011**	**31 Dec. 2010**
Income from government grants	4.4	6.9
Benefit of loans on favourable terms	2.5	2.5
Expense-related grants	0.0	0
	6.9	**9.4**

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.

6.25 OTHER LIABILITIES

The current liabilities at the balance sheet date are as follows:

€ million	31 Dec. 2011	31 Dec. 2010
OTHER LIABILITIES		
Liabilities to at-equity investments	0.0	1.9
Current portion of payments received on account of orders	15.6	7.6
VAT liabilities	23.1	0.1
Wage tax and social security liabilities	2.7	1.5
DEFERRED LIABILITIES		
Personnel-related liabilities	16.1	17.1
Other current liabilities and other deferred liabilities for the current year	16.5	17.3
	74.0	**45.5**

Included in personnel related liabilities are certain fictive/virtual shares issued as part of a 2010 bonus awarded to one Executive Board member. Details are provided in the remuneration report.

7. NOTES TO THE CASH FLOW STATEMENT

Liquid funds include cash and cash equivalents of € 304.9 million (previous year: € 473.9 million), less restricted cash of € 68.9 million (previous year: € 113.3 million). Cash and cash equivalents not disclosed under liquid funds represent amounts which serve as collateral for bank guarantee credit facilities.

In the reporting period, cash outflow from operating activities amounted to € 21.8 million (previous year: € 70.2 million), and is primarily a result of the high level of interest payments. Operating activities generated a small cash surplus in the period.

Cash outflows from investment activities primarily included investments of € 67.0 million in property, plant and equipment and in intangible assets (previous year: € 118.7 million). These largely represent investments in new cell manufacturing concepts and in module manufacturing capacity.

At the end of 2011 the profit participation capital was repaid. At € 15.0 million this was the most significant cash outflow from financing activities.

As restrictions applying to € 72.2 million of restricted cash and cash equivalents which served as collateral for the interim financing of the Finsterwalde project were released successively in 2011, a corresponding cash inflow of this amount is reported accordingly in the reporting period consistent with the presentation method. As a result of substituting project finance for the interim financing arrangements, net cash inflow from financing arrangements amounting to € 60.2 million was generated after consideration of regular loan repayment instalments made for the interim financing arrangements. As this presentation does not reflect the economic substance of the transaction (the sale of a solar park), the cash inflows are reported as inflows from operating activities. Please refer to Note 1.2.

Changes in balance sheet items used in preparing the cash flow statement cannot be directly derived from the consolidated balance sheet, since effects from non-cash business transactions have been eliminated.

8. 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 at the executive level has also changed as a result.

The former new technologies segment ceased to exist following the decision to focus on core business. The Solibro sub-group, which develops and produces the CIGS modules, has been retained and is now included in the products segment.

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 corresponding modules. Development, production and sale of modules based on CIGS thin-film technology.

- **Systems:** Development and installation of photovoltaic systems, including both large-scale systems as well as 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 segments liabilities.

Disclosures on the reportable segments are presented in the following table:

Reportable segments	Products		Systems		Total reportable segments		Reconciliation		Q-Cells Group	
1 Jan.- 31 Dec. € million	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
External revenue	478.9	909.0	531.6	320.0	1,010.5	1,229.0	12.6	125.2	1,023.1	1,354.2
Inter-segment revenue	275.5	105.0	0.0	0.0	275.5	105.0	-275.5	-105.0	0.0	0.0
Total revenue	**754.4**	**1,014.0**	**531.6**	**320.0**	**1,286.0**	**1,334.0**	**-262.9**	**20.2**	**1,023.1**	**1,354.2**
Segment result	-717.4	56.0	4.7	9.0	-712.7	65.0	-71.2	47.3	-783.9	112.3
Included in the segment results are the following										
Depreciation	487.1	97.8	4.9	0.6	492.0	98.4	3.8	1.5	495.8	99.9
thereof planned depreciation	88.6	90.8	4.9	0.6	93.5	91.4	3.8	1.5	97.3	92.9
thereof impairment charges and write downs	403.7	10.5	0.0	0.0	403.7	10.5	0.0	0.0	403.7	10.5
Reversal of impairments	-5.2	-3.5	0.0	0.0	-5.2	-3.5	0.0	0.0	-5.2	-3.5
Personnel reorganisation plan 2011/ restructuring charges 2009/2010	0.0	0.0	0.0	0.0	0.0	0.0	7.1	1.1	7.1	1.1
Significant non-cash expenses	203.5	29.3	21.4	7.4	224.9	36.8	0.0	0.0	224.9	36.8
Write-downs of inventory and other assets and receivables	146.4	19.6	7.7	2.5	154.1	22.2	0.0	0.0	154.1	22.2
Additions to provisions (excluding personnel reorganisation plan and restructuring)	60.3	9.7	13.7	4.9	74.0	14.6	0.0	0.0	74.0	14.6
Segment assets (assets included in net working capital)	205.7	456.0	172.6	191.0	378.3	647.0	837.5	1,532.3	1,215.8	2,179.4
thereof at equity investments included in project business	-	-	64.1	62.2	64.1	62.2	-	-	64.1	62.2
Segment equity and liabilities (equity and liabilities included in net working capital)	-124.8	-206.0	-89.4	-79.0	-214.2	-285.0	-967.4	-1,011.7	-1,181.6	-1,296.7

Reconciliation

No segments were combined to create the two reportable segments described above. The non-reportable segment in 2010 is the legal entity Q-Cells Clean Sourcing (electricity trading). Other activities include one-off items and non-operating items which cannot be attributed to the two reportable segments.

Reconciliation of segment revenue **€ million**	**2011**	**2010**
Total segment revenue for Products and Systems segments	1,286.0	1,334.0
Revenue of non-reportable segment	0.0	76.4
Other activities	12.6	48.8
Consolidation adjustments	-275.5	-105.0
Revenues as reported	**1,023.1**	**1,354.2**

Sales of the products segment to other segments mainly involve the sale of products to Q-Cells International, the sub-group that manages the project business. Internal selling prices are based on market prices applying in the respective regional markets and are regularly adjusted, taking into account the sales volumes, 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 attributable to non-reportable segments primarily relate to electricity trading. Sales reported under other activities in 2011 primarily relate to electricity feed-in tariff income from solar parks held for sale, and in 2010 to sales of raw materials.

Segment result

Reconciliation of segment results **€ million**	**2011**	**2010**
Total segment result of Products and Systems segments (EBIT)	-712.7	65.0
Result of non-reportable segment	0.0	0.9
Other activities	-4.6	10.6
Consolidation adjustments	0.0	5.8
Net operating result as reported	**-717.3**	**82.3**
Result from financial assets accounted for using the equity method	-1.6	-4.9
Financial result (as summarised in the Notes to the consolidated financial statements)	-65.0	34.9
Result before tax as reported	**-783.9**	**112.3**

Other activities included in the reconciliation include income and expenses not allocated to segment EBIT for reporting purposes. Consolidation effects in the current year result have a net zero effect, being a zero net balance of positive and negative margins.

Reconciliation of net working capital **€ million**	**2011**	**2010**
Total segment assets	378.3	647.0
Consolidation adjustments	-14.2	-18.0
Non-current assets (excluding at-equity investments)	494.0	1,021.0
Other current financial assets not relevant for net working capital	1.7	0.0
Financial assets at fair value through profit and loss	0.0	0.3
Other receivables and assets	17.9	52.5
Cash and cash equivalents	304.9	473.9
Assets held for sale	33.2	2.6
Total assets	**1,215.8**	**2,179.4**
Total segment liabilities	-214.2	-285.0
Consolidation adjustments	-0.1	-3.9
Non-current liabilities	-591.8	-821.1
Borrowings and profit participation capital	-205.3	-95.1
Tax liabilities	-7.5	-23.1
Deferred income from government grants	-6.9	-9.4
Financial liabilities at fair value through profit and loss	0.0	-0.2
Provisions	-86.7	-47.2
Other liabilities (excluding downpayments received and certain accruals)	-39.4	-11.7
Liabilities directly associated with assets classified as held for sale	-29.7	0.0
Total liabilities	**-1,181.6**	**-1,296.7**

Segment assets at the balance sheet dates comprise investments accounted for under the equity method, inventories, trade receivables and other current financial assets.

Segment liabilities comprise trade payables and other current financial and non-financial liabilities. 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 reconciliation.

Significant non-cash expenses

The respective sums across the two reportable segments already correspond to total expenses for the Group. Please refer to Notes 5.7 and 6.16.

Restructuring costs

As in previous periods expenses for restructuring and similar expenses, including personnel reorganisation plan expenses, are not allocated to segments due to their one-off character.

Depreciation

The Group’s total depreciation charge is almost equal to the total of all depreciation allocated to the respective segments.

Entity-wide disclosures

The following table shows the segment analysis of sales revenues by geographic region:

	2011		2010	
	€ million	Share in %	€ million	Share in %
Germany	605.4	59.1	670.8	49.5
Rest of Europe	215.6	21.2	443.4	32.8
Asia	48.4	4.7	122.2	9.0
Africa	3.3	0.3	27.6	2.0
North America	130.2	12.7	74.3	5.5
Central and South America	0.0	0.0	1.0	0.1
Rest of the world	20.2	2.0	14.9	1.1
Revenues	**1,023.1**	**100.0**	**1,354.2**	**100.0**
Export ratio		**40.9**		**50.5**

The above table of sales revenue by region is based on customer location, and in the case of the construction and sale of photovoltaic projects, on the location of the photovoltaic project.

Italy was the largest single market included in the Rest of Europe category with 9 % of total revenues in 2011 (2010: almost 12 %).

There were no sales revenues of more than 10 % of consolidated sales revenues pertaining to a single customer in the current or previous financial year.

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, € 284.3 million related to assets in Germany (previous year: € 642.9 million) and € 197.3 million to Malaysia (previous year: € 294.2 million).

9. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

9.1 CAPITAL MANAGEMENT

Capital management at Q-Cells is primarily geared toward securing the Group's financing requirements. 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 thirteen weeks, and takes amendments to twelve-month budgets into account. The planning is updated twice monthly.

In the short term, the Company is focussed on optimising capital employed. This includes financing the project business. Q-Cells continues to expect customers to make progress payments, common practice in the project business. This will significantly reduce the amount of capital tied up by projects in the future.

In the cell and module product segments the module business launched in 2010 generally led to higher working capital requirements 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 2011, net working capital was € 149.9 million (previous year: € 339.8 million).

Capital management also includes the investment policies, i.e. financing maintenance and expansion investments in the production facilities.

Q-Cells SE implemented refinancing measures in 2010. The capital increase and the new convertible bond issue generated cash inflow of € 256.4 million. These funds were used to redeem 59.0 % of the convertible bond due at the beginning of 2012 totalling € 492.5 million (nominal volume: € 290.8 million). This step made a major contribution towards achieving a significant reduction in Group debt in 2010.

The Group equity ratio decreased from 40.5 % in the previous year to 2.8 % by the end of 2011. The Group is not subject to any external minimum capital requirements.

Cash and cash equivalents decreased from € 473.9 million to € 304.9 million by the end of the year. Primarily the fall was due to the fact that cash flow from operating activities was not sufficient to compensate for interest payments (€ 34.5 million), the repayment of participation capital (€ 15.0 million) and investments in property, plant and equipment (€ 67.0 million).

To ensure the group's liquidity Q-Cells is working on a financial restructuring plan. In a first stage, the maturity of the convertible bonds (outstanding nominal amount of € 201.7 million as of 31 December 2011) which matured on 28 February 2012 has been delayed until 30 April 2012. The financial restructuring plan anticipates that all three outstanding convertible bonds will be converted to equity. More details of the financial restructuring plan are provided in the management report under "financial risks".

In addition, the maturity of the MYR 850 million loan from the Malaysian government has been extended and the loan is now repayable in stages from 2016 to 2021. Please refer to Note 13.

Q-Cells ability to continue business as a going concern is dependent on the success of the restructuring plan. Due to the situation in the sector generally it is not possible to raise capital. Should the restructuring plan not succeed, the ability of Q-Cells to continue as a going concern is severely endangered.

9.2 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 consolidated balance sheet and the consolidated 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 and prepayments, as well as tax receivables and tax payables, do not constitute financial instruments.

The supplementary disclosures are made predominantly on the basis of the classes to which the financial instruments are allocated. The classes correspond to the balance sheet items.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please refer to Note 2.9 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.

€ million	Measurement category under IAS 39	Carrying amount 31 Dec. 2011	Balance sheet carrying amount under IAS 39			Fair Value 31 Dec. 2011
			Amortised cost	At fair value through profit or loss	Carrying amount cash reserves	
Assets						
Other non-current financial assets	LaR	5.9	5.9	0.0	0.0	5.9
Trade accounts receivable	LaR	135.1	135.1	0.0	0.0	135.1
Other current financial assets	LaR	24.0	24.0	0.0	0.0	24.0
	HtM	0.1	0.1	0.0	0.0	0.1
Cash and cash equivalents	-	304.9	0.0	0.0	304.9	304.9
Liabilities						
Non-current convertible bonds	FLAC	330.3	330.3	0.0	0.0	111.8
Non-current borrowings	FLAC	201.1	201.1	0.0	0.0	194.1
Current convertible bonds	FLAC	205.3	205.3	0.0	0.0	205.3
Trade accounts payable	FLAC	99.2	99.2	0.0	0.0	99.2
Other current financial liabilities	FLAC	80.4	80.4	0.0	0.0	80.4

€ million	Measurement category under IAS 39	Carrying amount 31 Dec. 2010	Balance sheet carrying amount under IAS 39			Fair Value 31 Dec. 2010
			Amortised cost	At fair value through profit or loss	Carrying amount cash reserves	
Assets						
Other non-current financial assets	LaR	2.4	2.4	0.0	0.0	2.4
Trade accounts receivable	LaR	108.7	108.7	0.0	0.0	108.7
Financial assets at fair value	FAHfT	0.3	0.0	0.3	0.0	0.3
Other current financial assets	LaR	92.5	92.5	0.0	0.0	92.5
Cash and cash equivalents	-	432.9	0.0	0.0	432.9	432.9
	HtM	41.0	41.0	0.0	0.0	41.0
Liabilities						
Non-current convertible bonds	FLAC	510.2	510.2	0.0	0.0	440.6
Non-current borrowings	FLAC	199.3	199.3	0.0	0.0	199.0
Current convertible bonds	FLAC	7.9	7.9	0.0	0.0	7.9
Current borrowings and profit participation capital	FLAC	87.2	87.2	0.0	0.0	87.2
Trade accounts payable	FLAC	148.8	148.8	0.0	0.0	148.8
Other current financial liabilities	FLAC	106.3	106.3	0.0	0.0	106.3
Financial liabilities at fair value	FLHfT	0.2	0.0	0.2	0.0	0.2

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:

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

No financial instruments of significance are valued at fair value in the consolidated balance sheet at 31 December 2011; accordingly, an analysis of financial instruments at fair value by fair value hierarchy is not provided. At 31 December 2010 embedded derivatives from long-term sale and purchase contracts valued at fair value with a carrying value of € 0.3 million were valued using methods classified as level 3, and interest rate swaps not exchangeable on a trading exchange with a carrying value of € 0.2 million were valued using level 2 methods. There were no reclassifications between the levels in the financial year 2010.

The changes in level 3 are presented below:

	2011		2010	
€ million	**FAHfT**	**FLHfT**	**FAHfT**	**FLHfT**
As of 1 Jan.	**0.3**	**0.0**	**2.0**	**0.4**
With an effect on income	-0.3	0.0	-1.7	0.4
As of 31 Dec.	**0.0**	**0.0**	**0.3**	**0.0**
Effect on income of instruments held at 31 Dec.	-0.3	0.0	-1.7	0.4

Please see Note 2.9 regarding the assumptions made in the application of measurement methods. The fair values of the embedded derivatives in the financial year 2010 were determined using a discount factor of 0.99 and a zero coupon interest rate of 0.83 % p.a.

Disclosures on net profits and net losses

These tables show an analysis by category of financial instruments (categories as defined by IAS 39) of net income from interest, subsequent valuation of financial instruments at fair value, the purchase and sale of financial instruments, valuation allowances and currency translation.

€ million	**Loans and receivables (LaR)**	**Held-to-maturity investment (HtM)**	**Available-for-sale financial assets (AfS)**	**Financial instruments held for trading (FAHfT, FLHfT)**	**Financial liabilities measured at amortised cost (FLAC)**	**Financial instruments which cannot be assigned to an IAS 39 category**	**Non-financial instruments**
From interest income	3.1	0.0	0.1	0.0	0.0	1.7	0.4
From interest expenses	0.0	0.0	0.0	0.0	-60.6	0.0	-3.3
INTEREST, NET 1 Jan.-31 Dec. 2011	**3.1**	**0.0**	**0.1**	**0.0**	**-60.6**	**1.7**	**-2.9**
From fair value adjustments	0.0	0.0	0.0	-1.8	0.0	-5.5	0.0
From purchase / sale of financial instruments	0.0	0.0	0.0	3.4	0.8	0.0	0.0
From impairments	-12.5	0.0	0.0	0.0	0.0	0.0	-33.0
From currency effects	-5.1	0.0	0.0	0.0	1.2	0.9	-0.2
Net effect on the income statement 1 Jan.-31 Dec. 2011	**-17.6**	**0.0**	**0.0**	**1.6**	**2.0**	**-4.6**	**-33.2**
Other income and expenses recorded directly in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL NET EFFECT 1 Jan.-31 Dec. 2011	**-17.6**	**0.0**	**0.0**	**1.6**	**2.0**	**-4.6**	**-33.2**

€ million	**Loans and receivables (LaR)**	**Held-to-maturity investment (HtM)**	**Available-for-sale financial assets (AfS)**	**Financial instruments held for trading (FAHfT, FLHfT)**	**Financial liabilities measured at amortised cost (FLAC)**	**Financial instruments which cannot be assigned to an IAS 39 category**	**Non-financial instruments**
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**

In the financial year 2011 no income or expenses for gains or losses on available for sale financial instruments were recorded which had previously been recorded directly in reserves (previous year: € 0.1 million). The gain in 2010 was originally included in the revaluation reserve for financial instruments and subsequently reclassified to income from the sale of available for sale financial assets in the consolidated income statement on sale. Please refer to the section on currency risks for additional information on gains and losses transferred from other comprehensive income to results from financial instruments as a result of hedge accounting.

Interest expense for financial assets and financial liabilities not recognised at fair value through profit and loss calculated under the effective interest method totalled € 60.6 million (previous year: € 63.2 million), and total interest income was € 4.8 million (previous year: € 33.1 million).

Furthermore, interest expense for financial liabilities not recognised at fair value through profit and loss (FLAC) includes € 0.8 million in expenses incurred for facility loan fees in the financial year 2011 (previous year: € 1.9 million).

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. The Treasury & Corporate Finance department is responsible for managing the Group's capital requirements, for ensuring the availability of adequate liquidity of Q-Cells SE and its subsidiaries at all times, and for executing transactions of a financial nature. The Controlling, Accounting and Tax department and project staff in the Sales department support the accounts receivable process.

It is corporate policy to limit financial risks arising from business operations. Risks are managed using guidelines which apply across the Group as a whole. 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.

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, credit limits are set for customers to reduce the potential risk when default occurs. Receivables for product sales are covered by credit sale insurance. In the first instance, a customer's creditworthiness is assessed by a credit sale insurer. Following that, application is made for full credit insurance. Credit insurers have been very restrictive in granting insurance cover during 2011 and 2010. Nevertheless, Q-Cells has been able to insure some of its accounts receivable.

The management of receivables in the systems business is performed by the Controlling, Accounting and Tax department together with the staff responsible for the projects. Q-Cells' objective is to manage the construction of photovoltaic projects in the Systems segment on a largely cash-neutral basis by using financing commitments of customers' banks, as is typical in the industry. In view of the macroeconomic climate and the specific economics of the industry, this is not always possible. However, the credit risk should be managed by means of progress payments, reservation of title arrangements and payment guarantees.

The management of loans and other financial commitments is managed on a case-by-case basis.

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 managed by using bank guarantees.

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 invested using limits, which are determined based on recognised investment ratings (e.g. Standard & Poor's).

Country risks resulting from deliveries made to customers and from investments made are regularly collated, analysed and managed.

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, without taking account of collateral and other risk reducing, is reflected in their carrying amounts.

The credit risk of derivatives valued at fair value is, as a rule, equivalent to that value. Derivatives with a negative market value do not represent a default risk.

As of 31 December 2011, Q-Cells held insurance/collateral in the amount of € 16.2 million (previous year: € 21.3 million) for trade receivables. Credit insurance/collateral consists primarily of credit sale insurance. Q-Cells has obtained financial assets as a result of the exercise of collateral rights in 2011; details are provided in Note 3.

The following maturity structure analyses provide an overview of the maturity of financial assets for which no specific allowances have been made.

31.12.2011 € million	**Not due**	**Due and up to 30 days overdue**	**Overdue between 31 to 60 days**	**Overdue in excess of 60 days**	**Carrying amount of financial assets not impaired**
Other non-current financial assets	5.9	0.0	0.0	0.0	5.9
Trade accounts receivable	107.0	17.8	2.9	3.1	130.8
Other current financial assets	6.7	17.4	0.0	0.0	24.1
	119.6	**35.2**	**2.9**	**3.1**	**160.8**

31.12.2010 € million	**Not due**	**Due and up to 30 days overdue**	**Overdue between 31 to 60 days**	**Overdue in excess of 60 days**	**Carrying amount of financial assets not impaired**
Other non-current financial assets	2.4	0.0	0.0	0.0	2.4
Trade accounts receivable	80.3	28.1	0.0	0.1	108.5
Other current financial assets	71.5	16.8	0.0	0.0	88.3
	154.2	**44.9**	**0.0**	**0.1**	**199.2**

Specific valuation allowances were recognised for financial assets in the financial year 2011 and in the previous year.

€ million	Valuation allowances as of 1 Jan. 2011	Additions with effect on income	Release with effect on income	Additions with no effect on income	Release with no effect on income	Valuation allowances as of 31 Dec. 2011	Gross carrying amount of financial assets impaired 31 Dec. 2011	Net carrying amount of financial assets impaired 31 Dec. 2011
Other non-current financial assets	0.0	2.1	0.0	0.0	0.0	2.1	2.1	0.0
Trade accounts receivable	8.9	8.3	0.0	1.3	0.0	18.5	22.8	4.3
Other current financial assets	5.7	2.1	0.0	0.0	-7.8	0.0	0.0	0.0
	14.6	**12.5**	**0.0**	**1.3**	**-7.8**	**20.6**	**24.9**	**4.3**

€ million	Valuation allowances as of 1 Jan. 2010	Additions with effect on income	Release with effect on income	Additions with no effect on income	Release with no effect on income	Valuation allowances as of 31 Dec. 2010	Gross carrying amount of financial assets impaired 31 Dec. 2010	Net carrying amount of financial assets impaired 31 Dec. 2010
Trade accounts receivable	16.1	0.2	-1.0	0.0	-6.4	8.9	9.1	0.2
Other current financial assets	4.3	1.4	0.0	0.0	0.0	5.7	9.9	4.2
	20.4	**1.6**	**-1.0**	**0.0**	**-6.4**	**14.6**	**19.0**	**4.4**

Please refer to Note 2.9 for details of the Group's policy for recording impairments.

Loan commitments and financing guarantees

Q-Cells has not made any off-balance-sheet commitments to grant loans to companies outside the consolidated group. Please refer to Note 10 regarding financing guarantees granted for companies outside the consolidated group.

Liquidity risks

Liquidity risk is the risk that Q-Cells cannot meet its contractual liabilities. The Q-Cells Treasury & Corporate Finance department manages this risk centrally for the Group as a whole.

Liquidity requirements and available liquidity are determined based on rolling liquidity planning. The objective is to ensure that the Group is able to meet its payment obligations as they mature by management of receipts, payments and liquid funds on hand.

Liquidity management includes the investment of surplus funds as well as ensuring the availability of funds when funding bottlenecks arise. Q-Cells monitors the financing options available in financial markets, their availability and cost, as part of an active Cash Management system. The objective is to ensure financial flexibility and reduce liquidity risk. Liquid funds are held primarily in call and time deposit accounts and in money market funds.

Q-Cells' most significant financial liabilities at the end of 2011, as at the end of the previous year, are the convertible bonds which mature in 2012, 2014 and 2015 respectively, and the Malaysia government loan, due for repayment in 2014. We refer to the description of events after the balance sheet date (Note 13) for more information about amended maturity of the Malaysia loan. In addition, a restructuring of all three convertible bonds is planned for 2012. More information on the planned debt restructuring is provided in the risk report.

Refinancing measures were carried out in 2010 to secure liquidity (see Note 9.1).

The undiscounted cash flows from financial liabilities and debts represent the Group's maximum liquidity risk exposure (31 December 2011: € 1,054.3 million; previous year: € 1,257.7 million). The decrease in the absolute amount of liquidity risk is mainly due to the sale of a project entity including its liabilities for interim financing loans (€ 72.2 million) and repayment of profit participation capital on maturity in 2011 (€ 15.0 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. 2011 **€ million**	**Total**	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Carrying value 31 Dec. 2011**
Non-current convertible bonds	443.0	0.0	0.0	19.9	423.1	330.3
Non-current borrowings	224.2	0.0	0.2	6.4	217.6	201.1
Current convertible bonds	207.5	0.0	204.5	3.0	0.0	205.3
Trade accounts payable	99.2	63.0	35.2	1.0	0.0	99.2
Other current financial liabilities	80.4	0.0	0.0	80.4	0.0	80.4
	1,054.3	**63.0**	**239.9**	**110.7**	**640.7**	**916.3**

31 Dec. 2010 **€ million**	**Total**	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Carrying value 31 Dec. 2010**
Non-current 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 convertible bonds	8.2	0.0	2.7	5.5	0.0	7.9
Current borrowings and profit participation capital	88.5	0.0	0.0	88.5	0.0	87.2
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**

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 2011 in the amount of € 0.2 million was more than five years.

Q-Cells has granted security for its own liabilities. Please refer to Notes 6.2 and 6.11.

Q-Cells has three convertible bond issues (see Notes 2.13, 6.13 and 6.19) 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, i. e. the holders of the convertible bonds which mature in 2012, 2014 and 2015 may give a ten-day notice of the termination of all or specific bonds if a natural or legal person obtains ownership of 50.0 % of the share capital of Q-Cells. Moreover, notice about the termination of convertible bonds may also 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 of Q-Cells International Finance B.V., Q-Cells SE or a subsidiary (in respect of the 2010 convertible bond a “significant” subsidiary) connected with a loan, 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 International Finance B.V., Q-Cells SE or a subsidiary (in respect of the 2010 convertible bond a “significant” subsidiary) ceases to make payments as they come due or reports insolvency;
- Insolvency proceedings are brought or initiated against Q-Cells International Finance B.V., Q-Cells SE or a subsidiary (in respect of the 2010 convertible bond a “significant” subsidiary);
- 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 go into liquidation except as part of the process of a merger, a business combination or transformation of a company in which 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 or 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, interest rate risk and the volatility of commodity prices.

Q-Cells uses market information and additional analytical data to manage these risks. The Group continuously refines its procedures for assessing and reporting risk; this includes regular reviews of the underlying assumptions and the parameters used.

Currency risk
The international nature of the Q-Cells Group means that currency fluctuations can have a significant impact on the Group's results and equity. We differentiate between the transaction and the translation risk. The transaction risk is reflected in changes in the value of balance sheet positions and of future cash flows denominated in foreign currencies, as a result of changes in currency exchange rates. For example, transaction currency risks arise from purchase and sale arrangements denominated in foreign currencies. Translation risk, on the other hand, results from the translation of the financial statements of subsidies whose functional currency is not the same currency as that of the parent Company. As described in Note 2.3, the effects of such currency changes are reported in other comprehensive income.

The Group is exposed to currency risks associated with receivables, liabilities, cash and cash equivalents in currencies other than the Group's or Company's functional currency. As a result of the international nature of the Group's operations, material currency risks exist regarding the US dollar (USD), Malaysian ringgit (MYR) and Canadian dollar (CAD).

The Treasury & Corporate Finance department manages currency risks for the Group on a central basis. Risk concentration in the group's financial assets and liabilities is examined as part of the currency risk process. Q-Cells aims to minimise the effect of changes in foreign currency exchange rates on operating results.

Any currency translation exposure expected from planned transactions in this financial year will be hedged in accordance with specifications agreed between the Executive Board, the Treasury & Corporate Finance department, and operating units. Currency risks are centrally managed by offsetting opposing cash flows. Remaining uncovered positions will be covered using appropriate hedging instruments under consideration of the associated risks and opportunities. As a result, the potential negative effect on income and expenses can be reduced. Financial instruments are not used for speculative purposes. The hedging instruments used are reviewed regularly.

In principle, a hedge of the Group's loan from the Malaysian government in 2009 totalling MYR 850 million, which matures in the second half of 2014, is possible. The hedging alternatives are regularly reviewed. Until now, Q-Cells has not hedged this item. Please see additional information provided in Note 13 concerning changes to the repayment schedule of this loan.

In the first half of 2011 Q-Cells used derivative financial instruments to hedge exposure to changes in exchange rates which could affect the cost of raw materials, supplies and consumables, and accounted for these as cash flow hedging instruments (hedge accounting). More details are provided in Note 2.

The exchange rate risks arose from firm cash flow commitments under purchase contracts and from highly probable planned transactions denominated in USD. Exclusively derivative financial instruments were used to counteract these risks.

From the second quarter of 2011, due to amendments to Q-Cells' business financial planning made in the second quarter of the year, Q-Cells no longer anticipated that all future planned hedged transactions would take place.

Accordingly, in accordance with IAS 39.101c, the criteria for continued application of hedge accounting were no longer fulfilled.

Therefore, in the second quarter of 2011 hedge accounting for all transactions after 30 June 2011 was discontinued. The instruments were accounted for as freestanding derivatives at 30 June 2011 with a fair value of € -4.2 million and reported within financial liabilities in the balance sheet. The derivatives were sold at the beginning of the third quarter for € -0.7 million.

In the first half of 2011, € -7.3 million of losses on hedging instruments were recorded in other comprehensive income (excluding the effect of € 1.7 million of deferred taxes), of which € -2.4 million, related to completed transactions, was reclassified immediately to material expenses at 30 June 2011 as the amount was not expected to be recoverable. The portion of hedging instruments of € -4.9 million for which the criteria for continued application of hedge accounting were no longer fulfilled were reclassified to results from financial instruments.

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 the Q-Cells Group as of 31 December 2011 and 31 December 2010.

31 Dec. 2011 € million	**Total**	**Thereof in the following transaction currencies**							
		EUR	**USD**	**MYR**	**CHF**	**JPY**	**AUD**	**CAD**	**Other**
Other non-current financial assets	5.9	2.6	0.0	1.3	0.0	0.0	0.0	2.0	0.0
Trade accounts receivable	135.1	113.5	12.7	0.0	0.0	1.8	2.6	4.5	0.0
Other current financial assets	24.1	6.2	17.4	0.4	0.0	0.1	0.0	0.0	0.0
Cash and cash equivalents	304.9	239.9	34.1	1.3	1.3	0.5	1.4	26.1	0.3
Non-current convertible bonds	330.3	330.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current borrowings	201.1	0.9	0.0	200.2	0.0	0.0	0.0	0.0	0.0
Current convertible bonds	205.3	205.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade accounts payable	99.2	65.9	24.7	4.1	0.0	0.3	0.1	3.8	0.3
Other current financial liabilities	80.4	63.0	17.4	0.0	0.0	0.0	0.0	0.0	0.0

31 Dec. 2010 € million	**Total**	**Thereof in the following transaction currencies**							
		EUR	**USD**	**MYR**	**CHF**	**JPY**	**AUD**	**CAD**	**Other**
Other non-current financial assets	2.4	0.1	0.0	0.0	0.0	0.0	0.0	2.3	0.0
Trade accounts receivable	108.7	94.0	6.1	0.0	0.0	0.0	1.3	6.7	0.6
Financial assets at fair value	0.3	0.0	0.3	0.0	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	0.0
Cash and cash equivalents	473.9	411.0	33.7	1.6	1.3	0.0	0.8	25.3	0.2
Non-current convertible bonds	510.2	510.2	0.0	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	0.0
Current convertible bonds	7.9	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current borrowings and profit participation capital	87.2	87.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade accounts payable	148.8	77.4	63.2	3.4	0.0	0.0	0.0	4.5	0.3
Other current financial liabilities	106.3	63.0	43.3	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities at fair value	0.2	0.2	0.0	0.0	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. 2011**	**Balance sheet rate 31 Dec. 2010**
Australian dollar	AUD	1.2723	1.3136
British pound	GBP	0.8353	0.8608
Canadian dollar	CAD	1.3215	1.3322
Hong Kong dollar	HKD	10.0510	10.3856
Indian rupee	INR	68.7130	59.7580
Japanese yen	JPY	100.2000	108.6500
Malaysian ringgit	MYR	4.1055	4.0950
Norwegian crown	NOK	7.7540	7.8000
Swedish crown	SEK	8.9120	8.9655
Swiss franc	CHF	1.2156	1.2504
Thai Baht	THB	40.9910	40.1700
US dollar	USD	1.2939	1.3362

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 key financial assets and liabilities in US dollars, Malaysian ringgits and Canadian dollars is shown below.

In determining the sensitivity analysis, Q-Cells includes all financial assets and liabilities of consolidated entities which are denominated in a foreign currency which is not the Group's functional currency. The effect on the Group's net income and equity is presented net of tax. The tax rate applied for this purpose is 29.13 % at 31 December 2011 (31 December 2010: 22.83 %). At both dates the effects on Group equity result from translation risk.

	Effects of exchange rate risk			
	on profit / loss		on equity	
€ million	**+10 %**	**-10 %**	**+10 %**	**-10 %**
31 Dec. 2011				
USD	-0.2	0.2	-1.4	1.4
MYR	0.0	0.0	14.3	-14.3
CAD	-0.2	0.2	-1.8	1.8
31 Dec. 2010				
USD	-0.4	0.3	-0.7	0.7
MYR	0.0	0.0	15.3	-15.3
CAD	-1.1	1.1	-1.2	1.2

Assuming that the exchange rate of the euro against the US dollar had weakened or strengthened by 10 % on 31 December 2011, net income after taxes for the financial year 2011 would have been € 0.2 million lower or higher if all other variables had remained constant (previous year: € 0.4 million lower or € 0.3 million higher). Group equity would have been € 1.4 million higher or lower (previous year: € 0.7 million lower or higher). This would be primarily attributable to translation gains/losses on cash and cash equivalents, as well as to receivables and trade accounts payable denominated in US dollars.

If the euro had gained or lost 10 % in value against the Malaysian ringgit on 31 December 2011, the after-tax effects on the Group's equity would have been € 14.3 million higher or lower than shown (previous year: € 15.3 million higher or lower). This is primarily attributable to translation gains/losses and long-term borrowings denominated in Malaysian ringgit.

Assuming that the exchange rate of the euro against the Canadian dollar had weakened or strengthened by 10 % on 31 December 2011, net income after taxes for the financial year 2011 would have been € 0.2 million higher or lower (previous year: € 1.1 million higher or lower) if all other variables had remained constant. Group equity would have been € 1.8 million higher or lower (previous year: € 1.2 million higher or lower). This is primarily attributable to translation gains/losses on cash and cash equivalents denominated in Canadian dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash in- and outflows associated with financial instruments change as a result of changes in the market rates of interest.

Interest rate risk is analysed centrally in the Q-Cells Group and managed by the 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's interest rate risk in 2011 is exclusively the risks associated with short-term investments which carry variable interest rates. Risks in the previous year also included risks associated with loans received and interest rate swap arrangements. The risk exposure as of 31 December 2011 and 31 December 2010 is shown in the following table.

€ million	**Carrying value 31 Dec. 2011**	**Thereof at variable interest rates**	**Carrying value 31 Dec. 2010**	**Thereof at variable interest rates**
Cash and cash equivalents	304.9	144.3	473.9	177.4
Current financial liabilities	0.0	0.0	87.2	72.4
Financial liabilities at fair value	0.0	0.0	0.2	0.2

The interest rate risk arising from financial assets and liabilities with variable interest rates is measured based on sensitivity analysis.

Based on the assumption that all other parameters remain constant, consolidated income after taxes (tax rate 29.13 %; previous year: 22.83 %) for the financial year 2011 would have been € 1.0 million higher or lower had market interest rates on 31 December 2011 been 100 basis points higher or lower (2010: € 2.1 million). Equity is not sensitive to interest rate fluctuations at either the current or previous balance sheet date.

Financial assets and liabilities with fixed interest rates only represent an interest rate risk when they are accounted for at fair value. At 31 December 2011 and 31 December 2010 Q-Cells had no such instruments at fixed interest rates accounted for at fair value.

Overall interest rate risks on financial instruments are not significant because the Group's financial instruments are primarily at fixed rates.

Commodity price risk
A commodity price risk is the risk that the fair value or the future cash flows resulting from financial instruments are subject to volatility which is not due to the currency risk or interest rate risk. For Q-Cells, such risks arise from the volatility of commodity prices. These risks are centrally monitored and managed by the Treasury & Corporate Finance department. To minimise these risks Q-Cells uses conventional market tools such as commodity derivatives.

The commodity price risk for the Group's financial instruments is not significant. For the first time, at 31 December 2011 Q-Cells has used derivatives in insignificant amounts to counteract price risks from the movements of silver prices. These derivatives are valued at fair value. The Group's net income and equity is not sensitive to changes in the silver price.

10. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

SHARES IN JOINT VENTURES

There were no contingent liabilities and other financial commitments in connection with Q-Cells' investments in joint ventures on 31 December 2011 or 31 December 2010.

OTHER CONTRACTUAL OBLIGATIONS

Q-Cells has commitments to suppliers for purchasing wafers and silicon for the years 2012 to 2018 totalling € 712.6 million (previous year: € 1,610.5 million); of this amount, € 318.8 million is due within one year (previous year: € 669.1 million).

In addition the Group has obligations under manufacturing contracts for the years 2012 to 2016 totalling € 284.1 (previous year: none), of which € 56.0 million related to 2012 and obligations from other contracts amounting to € 13.5 million (previous year: € 3.6 million), thereof € 5.6 million for 2012.

ORDER COMMITMENTS

Order commitments for property, plant and equipment as of 31 December 2011 amounted to € 19.0 million (previous year: € 82.8 million).

OPERATING LEASES

There were a number of operating leases as of the balance sheet date, primarily for offices, storage space and motor vehicles. Monthly lease rates are recorded on a straight-line basis as expense in the consolidated income statement. As of 31 December 2011, lease payments totalling € 6.9 million (previous year: € 8.3 million) were outstanding; of this total, € 3.3 million (previous year: € 5.0 million) were due within less than a year and € 3.6 million (previous year: € 3.3 million) were due in between one and five years. In the financial year 2011, lease expenses amounted to € 2.9 million (previous year: € 3.9 million).

CONTINGENT LIABILITIES

Q-Cells is liable for the performance of third parties under performance bonds in the amount of € 19.3 million (previous year: € 17.0 million).

11. RELATED-PARTY DISCLOSURES

Related parties as defined by IAS 24 primarily include members of the Executive and Supervisory Boards, including their family members, and subsidiary companies not fully consolidated in the consolidated financial statements.

The remuneration of the Executive Board was as follows:

€ thousand	31 Dec. 2011	31 Dec. 2010
Short-term employee benefits	2,859.2	3,107.1
Post-employment benefits	0.0	0.0
Other long-term benefits	0.0	0.0
Termination benefits	2,014.2	846.7
Share-based payment	715.0	174.1
	5,588.4	**4,127.9**

€ thousand	31 Dec. 2011	31 Dec. 2010
Short-term employee benefits	497.5	703.6
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
	497.5	**703.6**

Supervisory board remuneration for 2011 (including fixed remuneration for committee work) has not been paid and is accordingly accrued within other short-term liabilities as of 31 December 2011.

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 the audited management report.

TRANSACTIONS WITH JOINT VENTURES

Details of transactions with joint ventures are presented in Note 6.3.

Straßkirchen MQ GmbH
Q-Cells holds a 50 % share (previous year: 50 %) in Straßkirchen MQ GmbH.

Trade accounts receivable at 31 December 2011 from Straßkirchen MQ GmbH amounted to € 0.5 million. Revenues from supply in 2011 amounted to € 1.0 million.

Sale of a solar park in Finsterwalde – transaction with a Q-Cells related party

At the end of the second quarter of 2011, three entities formed for project purposes were sold to an investor following the transfer of a solar park connected to the electricity grid into the ownership of those entities. The buyer was, at the date of the sale, a Joint Venture in which a Q-Cells major shareholder was a participant. Accordingly the transaction is classified as a related party transaction.

The sale of the solar park generated revenues of € 81.5 million. In the third quarter of 2011, further receipts were recorded so that as of 31 December 2011 receivables amounting to € 5.2 million from the project entities remain. A fairness opinion was obtained for this transaction, which confirmed the sales price as at arm's length.

Further details of this transaction are provided in Note 1.2.

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 amounting to € 1.2 million in connection with the termination of that contractual relationship.

12. OTHER

12.1 AUDIT FEES

Total fees charged by the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, for the financial year 2011 were € 1.2 million for auditing the financial statements (2010 financial year: € 1.1 million) of which € 0.5 million was for the previous year, € 0.4 million for other audit services (previous year: € 1.6 million), and € 0.0 million for other services (previous year: € 0.3 million).

12.2 HEADCOUNT

The average number of employees for the year, excluding the Executive Board, was 2,416 (previous year: 2,368), of which 1,231 were in production (previous year: 1,279) and 1,185 in business/technical positions (previous year: 1,089). The Q-Cells SE Executive Board had two members (previous year: four). Q-Cells SE also employed an annual average of 93 trainees (previous year: 107) and 32 interns and students (previous year: 32).

12.3 MEMBERS OF THE GOVERNING BODIES

The following individuals acted as members of the Executive Board in the financial year 2011:

	Additional mandates:
Dr. Nedim Cen (CEO)	Member of the Supervisory Board or Advisory Committee of: - Sunfilm AG i.L., Großröhrsdorf (until August 2011)
Gerhard Rauter (COO until 4 May 2011)	Member of the Supervisory Board or Advisory Committee of: - EurAsia M&A Gateway Co. Ltd., Shanghai/China Managing Director of the following companies: - Q-Cells Beteiligungsgesellschaft Bitterfeld-Wolfen OT Thalheim (until May 2011)
Hans-Gerd Füchtenkort (CSO until 11 August 2011)	Member of the Supervisory Board or Advisory Committee of: - TEMPTON GmbH, Frankfurt - Oystar Holding GmbH, Stutensee
Dr. Marion Helmes (CFO until 14 November 2011)	Member of the Supervisory Board or Advisory Committee of: - Fugro N. V., Leidschendam/Netherlands
Dr. Andreas von Zitzewitz (COO since 12 August 2011)	

The following individuals acted as members of the Supervisory Board in the financial year 2011:

		Additional mandates:
Prof. Dr. h.c. Karlheinz Hornung (Chairman of the Supervisory Board)	Honorary Professor TU Dortmund	Member of the Supervisory Board or Advisory Committee of: - Demag Cranes AG, Düsseldorf (until September 2011) - FEV Motorentechnik GmbH, Aachen
Dr. Christian Reitberger (Deputy Chairman of the Supervisory Board) (until 30 September 2011)	Physicist and Managing Director of Wellington Partners, Munich	Member of the Supervisory Board or Advisory Committee of: - Nanda Technologies GmbH, Unterschleißheim - Heliatek GmbH, Dresden - Caoeroscene IT Solutions, Innsbruck/Austria - Azzurro Semiconductors AG, Magdeburg - Orcan Energy GmbH, Munich Managing Director of the following companies: - Wellington Partners GmbH, Munich
Prof. Jörg Menno Harms	Managing shareholder of Menno Harms GmbH International Management Service, Stuttgart	Member of the Supervisory Board or Advisory Committee of: - Hewlett Packard GmbH, Böblingen - Groz Beckert KG, Albstadt (until 30 June 2011) - Management Partner, Stuttgart - regify AG, Hüfingen - regify SE, Luxembourg
Helmut Gierse	Independent Consultant	Member of the Supervisory Board or Advisory Committee of: - Proton Power Systems PLC, Newcastle Upon Tyne/UK
Frauke Vogler	Attorney at law, tax advisor, Berlin	
Prof. Eicke R. Weber (since 13 April 2011)	Director of Fraunhofer Institute	Member of the Supervisory Board or Advisory Committee of: - SOITEC Solar GmbH, Freiburg - Meyer Burger Technology, Thun/Switzerland - PSE AG, Freiburg
Uwe Schmorl (Deputy Chairman of the Supervisory Board) (since 1 October 2011)	Chairman of the works council, Bitterfeld-Wolfen/OT Thalheim	
Constanze Schmidt (Employee representative)	Employee Human Resources, Bitterfeld-Wolfen/OT Thalheim	
Marcel Berghoff (Employee representative)	Employee, Product Management, Bitterfeld-Wolfen/OT Thalheim	

12.4 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 on the internet at all times by shareholders (www.q-cells.com).

13. EVENTS AFTER THE BALANCE SHEET DATE

On the basis of provisional Q-Cells SE annual financial statements as of 31 December 2011, Q-Cells announced the loss of half its share capital in accordance with Article 9 (1) c) lit. ii) of the Statute for a European Company (SE-Reg) in conjunction with Section 92 (1) of the AktG in an ad hoc statement published on 24 January 2012. At an extraordinary General Meeting on 9 March 2012, Q-Cells SE informed its shareholders of the loss of half its capital and explained the status of the planned financial restructuring. No resolutions were adopted at the extraordinary General Meeting.

After intensive negotiations with the ad hoc committees of the convertible bond holders, an agreement in principle was reached on 1 February 2012 concerning a comprehensive financial restructuring. Other bond creditors also supported the agreement.

The key elements of the agreement are: the holders of the 2012, 2014 and 2015 convertible bonds shall, in place of receiving repayment of the face value of their bonds, contribute their bonds to Q-Cells in a debt-to-equity swap. They will waive their claims against Q-Cells for repayment of bonds totalling € 550.0 million in return for shares. The holders of the bonds with an original maturity date of 28 February 2012 will receive a cash payment of € 20 million; however this payment will first be made once the financial restructuring is approved by all parties and completed. In addition, the current planning foresees the distribution of available liquidity to the extent that liquidity exceeds certain minimum levels at the date the financial restructuring is completed.

On 10 February 2012 Q-Cells International Finance B.V., a wholly-owned subsidiary of Q-Cells SE and issuer of the 2012 convertible bond, invited creditors to a bondholders' meeting on 27 February 2012 as a first step toward the implementation of the financial restructuring plan. The invitation to this bondholders' meeting was based on the resolutions of the bondholders' meeting on 25 October 2011. At the meeting, the holders of the outstanding part of the 2012 convertible bond approved the proposal by the management of Q-Cells International Finance B.V. to authorise the common representative appointed at the bondholders' meeting on 25 October 2011 to defer the 2012 convertible bond until 30 April 2012. The deferment also applies to liabilities to 2012 convertible bond creditors from the guarantee given by Q-Cells SE. Approximately 83 % of the outstanding nominal amount of € 198.7 million was represented at the meeting; the approval rate was around 80 %. On the basis of this resolution by the bondholders' meeting, the common representative deferred the 2012 convertible bond, as well as the liabilities to 2012 convertible bond creditors from the guarantee given by Q-Cells SE, until 30 April 2012.

In order to approve the restructuring, Q-Cells International Finance B.V., as issuer of the convertible bonds due in 2012 and 2014, and Q-Cells SE, as issuer of the bonds due in 2015, plan to invite the respective bondholders' to separate bondholders' meetings, respectively for each bond issue. These meetings are expected to take place by the end of April 2012. The bondholders' meetings will be held to receive seek the bondholders' approval for the measures affecting the respective bonds. In accordance with the applicable SchVG legislation, bondholders' meeting resolutions require a majority of at least 75 % of the participating votes (based on nominal amounts represented) and bondholders' meetings are quorate if at least half of the outstanding nominal amount is represented at the meetings. If one of the bondholders' meetings is not quorate, the chairman may convene a second meeting for the purpose of approving a new resolution. Such a second meeting on the proposed financial restructuring shall be quorate if at least 25 % of the remaining nominal amount is represented.

An extraordinary shareholder Annual General Meeting will be called for shareholders to adopt a resolution on financial restructuring measures (capital decrease and capital increase). This is likely to be held either at the end of May 2012 or in June 2012.

On 21 February 2012 the Malaysian government informed Q-Cells that of the MYR 850 million loan drawn down in 2009 is now payable in instalments from 2016 to 2021. The loan was originally due for repayment in three instalments in the second half of 2014.

14. RELEASE FOR PUBLICATION

The Executive Board of Q-Cells SE approved these consolidated financial statements, prepared in accordance with IFRS, which are provisional and subject to amendments for submission to the Supervisory Board on 26 March 2012.

Bitterfeld-Wolfen, OT Thalheim, 26 March 2012

The Executive Board of Q-Cells SE

Dr. Nedim Cen Dr. Andreas von Zitzewitz

LIST OF SHAREHOLDINGS

Name	Registered Office	Amount of Shareholdings
Briest Holding GmbH	Berlin/Germany	100.00 %
Briest Verwaltungs GmbH	Berlin/Germany	100.00 %
FIWA I Verwaltungsgesellschaft mbH	Berlin/Germany	100.00 %
FIWA I Projektgesellschaft mbH	Berlin/Germany	100.00 %
LQ energy GmbH	Berlin/Germany	49.00 %
ONTARIO SOLAR PV FIELDS INC	Ontario/Canada	50.00 %
Q-Cells Asia Limited	Hong Kong/China	100.00 %
Q-CELLS AUSTRALIA PTY LTD	Sydney/Australia	100.00 %
Q-Cells Beteiligungs GmbH	Bitterfeld-Wolfen, OT Thalheim/Germany	100.00 %
Q-Cells Inmobiliaria, S.A. de C.V.	Mexicali/Mexico	100.00 %
Q-CELLS CANADA CORP. (formerly Q-CELLS INTERNATIONAL CANADA CORP.)	Toronto/Canada	100.00 %
Q-Cells International Espana S.L.	Madrid/Spain	100.00 %
Q-Cells International Finance B.V.	Rotterdam/Netherlands	100.00 %
Q-CELLS FRANCE SAS (formerly Q-Cells International France SAS)	Lyon/France	100.00 %
Q-CELLS ITALIA S.R.L. (formerly Q-Cells International Italia S.R.L.)	Rome/Italy	100.00 %
Q-Cells International México, S.A. de C.V.	Mexicali/Mexico	100.00 %
Q-Cells North America (formerly Q-Cells International USA Corp.)	Fremont/California/USA	100.00 %
Q-Cells Japan K. K.	Tokio/Japan	100.00 %
Q-CELLS MALAYSIA SDN. BHD.	Selangor/Malaysia	100.00 %
Q-Cells Malta Holding Ltd.	St. Julians/Malta	100.00 %
Q-Cells Malta Ltd.	St. Julians/Malta	100.00 %
Q-Cells meaux Solaire SAS	Lyon/France	100.00 %
Q-Cells RE Italia S.r.l. (formerly QCII Canosa S.R.L.)	Rome/Italy	100.00 %
Q-CELLS REDORTIERS CLOS MADAME	Lyon/France	100.00 %
Q-CELLS REDORTIERS HUBAC	Lyon/France	100.00 %
Q-CELLS SERVICE ITALIA S.R.L.	Rome/Italy	100.00 %
Q-CELLS SYSTEMS INDIA PRIVATE LIMITED	Bangalore/India	100.00 %
Q-CELLS (THAILAND) LTD.	Bangkok/Thailand	99.97 %
Q-CELLS UNITED KINGDOM LIMITED	Cardiff/United Kingdom	100.00 %
QCII BASILICATA S.R.L.	Rome/Italy	100.00 %
QCII BASILICATA I-XL S.R.L. (40 Companies)	Rome/Italy	100.00 %
Servicios Administrativos QC Int. México, S.A. de C.V.	Mexicali/Mexico	100.00 %
SilQ PV Energy S.L.	Paterna/Spain	50.00 %
SOLAR ENERGY PROJECTS PTY LTD	Victoria/Australia	100.00 %
Solaria Corporation Inc.	Fremont, California/USA	6.30 %
Solibro AB	Uppsala/Sweden	100.00 %
Solibro GmbH	Bitterfeld-Wolfen OT Thalheim/Germany	100.00 %
Solibro Research AB	Uppsala/Sweden	100.00 %
Straßkirchen MQ GmbH	Straßkirchen/Germany	50.00 %
Sunfilm AG i.L.	Großröhrsdorf/Germany	50.00 %

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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, 26 March 2012

Q-Cells SE’s Executive Board

Nedim Cen

Dr Nedim Cen Dr Andreas von Zitzewitz

DISCLAIMER

The consolidated financial statements as of 31 December 2011 drawn up by the Executive Board of Q-Cells SE have not yet been audited by the auditor (KPMG). The prepared consolidated financial statements are based on the assumption of a going concern. The continuation of the Company and the issue of an auditor's report depend on the basic implementation of the planned financial restructuring.

In preparing the consolidated financial statements, the previous year's accounting and valuation measures were retained. Because the consolidated financial statements must comply with the state of knowledge at the time of issue of the auditor's report, changed knowledge as well as the measures implemented by this point in time will be contained in the approved consolidated financial statements (adjusting events). As a result, changes may occur in relation to the current consolidated financial statements. The Executive Board therefore sees these statements as subject to change.

CONTACT INFORMATION

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 – 10101
FAX +49 (0) 3494 66 99 – 10000
EMail investor@q-cells.com

Corporate Communications
Ina von Spies
TEL +49 (0) 3494 66 99 – 10111
FAX +49 (0) 3494 66 99 – 10000
EMail presse@q-cells.com

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