

ANNUAL REPORT 2011

# QUALITY IN ENERGY

WE ARE SHAPING A SUSTAINABLE FUTURE.  
WITH RENEWABLE ENERGY POWERED BY THE SUN.

S.A.G.  
Solarstrom

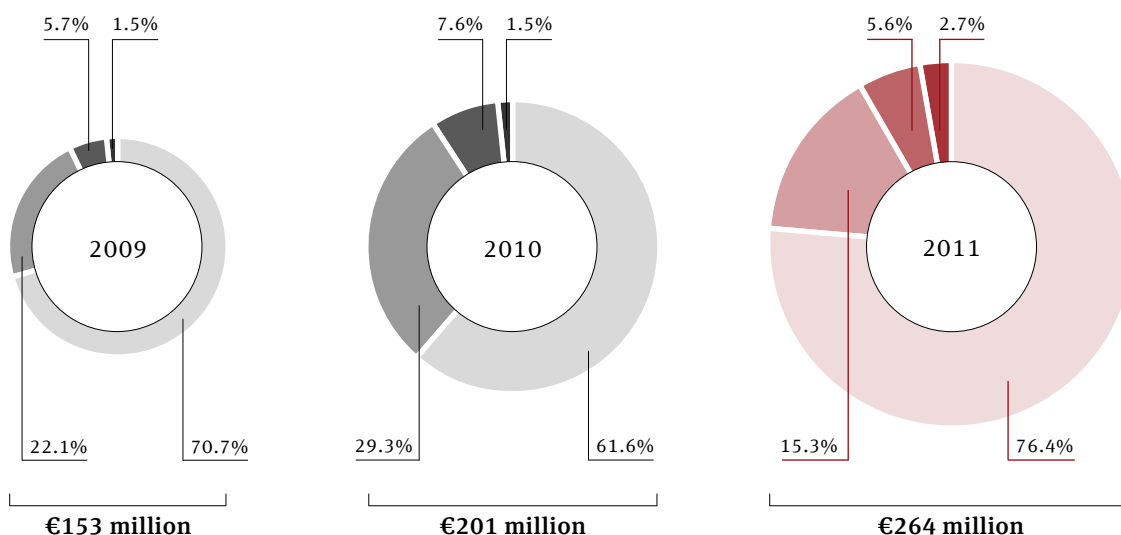
## Overview of Key Figures

IN THOUS. €	2011	2010*	2009	2008*	2007
Sales	263,721	201,032	152,885	97,662	43,036
Overall performance	215,814	253,007	154,269	99,874	46,809
Gross profit	40,251	52,982	27,852	16,520	10,545
Wage costs	-15,633	-10,775	-8,137	-6,457	-4,358
Depreciation	-2,961	-2,206	-1,489	-1,376	-1,089
Other operating expenses	-15,506	-26,879	-9,740	-5,873	-4,327
Operating result (EBIT)	6,151	13,122	8,486	2,814	771
Financial result	-8,428	-3,096	-644	-34	137
Group annual net profit/loss	-3,540	6,257	7,733	1,973	283
Balance sheet total	327,139	246,876	133,569	108,803	72,521
Equity	47,533	50,098	48,877	42,843	41,692
Noncurrent payables	89,269	62,258	24,492	15,385	14,315
Current payables	190,337	134,520	60,200	50,575	16,514
Intangible assets	2,561	2,378	2,396	2,425	1,798
Tangible assets	51,006	30,282	31,328	19,244	20,262
Financial assets	27,734	27,866	16,844	15,918	13,515
Noncurrent receivables and other assets	1,467	2,806	25,996	22,771	583
Deferred tax assets	2,715	1,842	2,999	0	0
Inventories	21,443	85,184	16,563	32,705	14,276
Current receivables and other assets	209,517	86,708	30,222	11,914	12,298
Cash and cash equivalents	10,696	9,810	7,221	3,826	9,789
Profit/loss per share in €	-0.29	0.55	0.64	0.16	0.02
Number of bearer shares without own shares	12,625,718	11,372,388	11,741,441	12,278,641	12,275,846
Nominal value per share in €	2.56	2.56	2.56	2.56	2.56

\* Due to adjustments, some of the amounts presented here deviate from those contained in the company's consolidated financial statements for fiscal years 2008 and 2010. For arithmetical reasons, the tables published in this Annual Report may exhibit rounding differences of plus or minus one of each respective unit (€, %, and so on). Our results are also available for download in PDF format in the "Investor Relations" area of [www.solarstromag.com](http://www.solarstromag.com).

## Consolidated Sales by Business Area in %

□ Project Planning and Plant Construction    ■ Partner Sales    ■ Plant Operation and Services    ■ Power Production



Represented in the world's key solar markets, the S.A.G. Solarstrom Group establishes the prerequisites for high yields, quality and safety with careful planning, high flexibility and sustained commitment, setting the stage for a time after subsidies and feed-in tariffs.

This is our understanding of our responsibility to our customers, business partners, employees and society.

This is our understanding of "Quality in Energy".

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A.

**TO THE SHAREHOLDERS.**

S.A.G. Solarstrom AG is among the very few companies in the solar industry that generated a positive EBIT in the 2011 fiscal year.

The sales volume is expected to increase significantly in 2012, with a sustainable positive EBIT margin as in prior years.

### A.1 Highlights 2011



Under a contract concluded with the vertically integrated module producer Canadian Solar for the purchase of polycrystalline photovoltaic modules with a total capacity of 60 MWp, the S.A.G. Solarstrom Group is broadening its supplier base for high-quality modules and expanding its system partnerships with leading component manufacturers.

2011



End of April 12 MWp of the 48 MWp Serenissima photovoltaic system in the region of Venice, Italy was connected to the public power grid via the ultra-modern transformer substation built specifically for this project. This completes an important stage for the intended sale of the overall project.

APRIL 2011

2011

S.A.G. Solarstrom AG received cash and cash equivalents in the amount of €41 million from the sale of photovoltaic systems in two Italian project companies as planned in the first quarter of 2011. The photovoltaic systems in the two project companies were completed and sold at the end of 2010.



MARCH 2011

At the end of March, S.A.G. Solarstrom AG announced a special conversion period for the 6.25% convertible bonds issued in the year 2007. The conversion privilege for 3,084 partial debentures in the nominal amount of €500 each was exercised. 601,380 new shares were issued via a capital increase from conditional capital.

10.00	10.00	10.00	10.00	10.00
11.98	11.98	11.98	11.98	11.98
13.96	13.96	13.96	13.96	13.96
15.94	15.94	15.94	15.94	15.94
17.92	17.92	17.92	17.92	17.92
19.90	19.90	19.90	19.90	19.90
21.88	21.88	21.88	21.88	21.88
23.86	23.86	23.86	23.86	23.86
25.84	25.84	25.84	25.84	25.84
27.82	27.82	27.82	27.82	27.82
29.80	29.80	29.80	29.80	29.80
31.78	31.78	31.78	31.78	31.78
33.76	33.76	33.76	33.76	33.76
35.74	35.74	35.74	35.74	35.74
37.72	37.72	37.72	37.72	37.72
39.70	39.70	39.70	39.70	39.70
41.68	41.68	41.68	41.68	41.68
43.66	43.66	43.66	43.66	43.66
45.64	45.64	45.64	45.64	45.64
47.62	47.62	47.62	47.62	47.62
49.60	49.60	49.60	49.60	49.60
51.58	51.58	51.58	51.58	51.58
53.56	53.56	53.56	53.56	53.56
55.54	55.54	55.54	55.54	55.54
57.52	57.52	57.52	57.52	57.52
59.50	59.50	59.50	59.50	59.50
61.48	61.48	61.48	61.48	61.48
63.46	63.46	63.46	63.46	63.46
65.44	65.44	65.44	65.44	65.44
67.42	67.42	67.42	67.42	67.42
69.40	69.40	69.40	69.40	69.40
71.38	71.38	71.38	71.38	71.38
73.36	73.36	73.36	73.36	73.36
75.34	75.34	75.34	75.34	75.34
77.32	77.32	77.32	77.32	77.32
79.30	79.30	79.30	79.30	79.30
81.28	81.28	81.28	81.28	81.28
83.26	83.26	83.26	83.26	83.26
85.24	85.24	85.24	85.24	85.24
87.22	87.22	87.22	87.22	87.22
89.20	89.20	89.20	89.20	89.20
91.18	91.18	91.18	91.18	91.18
93.16	93.16	93.16	93.16	93.16
95.14	95.14	95.14	95.14	95.14
97.12	97.12	97.12	97.12	97.12
99.10	99.10	99.10	99.10	99.10
101.08	101.08	101.08	101.08	101.08
103.06	103.06	103.06	103.06	103.06
105.04	105.04	105.04	105.04	105.04
107.02	107.02	107.02	107.02	107.02
109.00	109.00	109.00	109.00	109.00
110.98	110.98	110.98	110.98	110.98
112.96	112.96	112.96	112.96	112.96
114.94	114.94	114.94	114.94	114.94
116.92	116.92	116.92	116.92	116.92
118.90	118.90	118.90	118.90	118.90
120.88	120.88	120.88	120.88	120.88
122.86	122.86	122.86	122.86	122.86
124.84	124.84	124.84	124.84	124.84
126.82	126.82	126.82	126.82	126.82
128.80	128.80	128.80	128.80	128.80
130.78	130.78	130.78	130.78	130.78
132.76	132.76	132.76	132.76	132.76
134.74	134.74	134.74	134.74	134.74
136.72	136.72	136.72	136.72	136.72
138.70	138.70	138.70	138.70	138.70
140.68	140.68	140.68	140.68	140.68
142.66	142.66	142.66	142.66	142.66
144.64	144.64	144.64	144.64	144.64
146.62	146.62	146.62	146.62	146.62
148.60	148.60	148.60	148.60	148.60
150.58	150.58	150.58	150.58	150.58
152.56	152.56	152.56	152.56	152.56
154.54	154.54	154.54	154.54	154.54
156.52	156.52	156.52	156.52	156.52
158.50	158.50	158.50	158.50	158.50
160.48	160.48	160.48	160.48	160.48
162.46	162.46	162.46	162.46	162.46
164.44	164.44	164.44	164.44	164.44
166.42	166.42	166.42	166.42	166.42
168.40	168.40	168.40	168.40	168.40
170.38	170.38	170.38	170.38	170.38
172.36	172.36	172.36	172.36	172.36
174.34	174.34	174.34	174.34	174.34
176.32	176.32	176.32	176.32	176.32
178.30	178.30	178.30	178.30	178.30
180.28	180.28	180.28	180.28	180.28
182.26	182.26	182.26	182.26	182.26
184.24	184.24	184.24	184.24	184.24
186.22	186.22	186.22	186.22	186.22
188.20	188.20	188.20	188.20	188.20
190.18	190.18	190.18	190.18	190.18
192.16	192.16	192.16	192.16	192.16
194.14	194.14	194.14	194.14	194.14
196.12	196.12	196.12	196.12	196.12
198.10	198.10	198.10	198.10	198.10
200.08	200.08	200.08	200.08	200.08
202.06	202.06	202.06	202.06	202.06
204.04	204.04	204.04	204.04	204.04
206.02	206.02	206.02	206.02	206.02
208.00	208.00	208.00	208.00	208.00
210.98	210.98	210.98	210.98	210.98
212.96	212.96	212.96	212.96	212.96
214.94	214.94	214.94	214.94	214.94
216.92	216.92	216.92	216.92	216.92
218.90	218.90	218.90	218.90	218.90
220.88	220.88	220.88	220.88	220.88
222.86	222.86	222.86	222.86	222.86
224.84	224.84	224.84	224.84	224.84
226.82	226.82	226.82	226.82	226.82
228.80	228.80	228.80	228.80	228.80
230.78	230.78	230.78	230.78	230.78
232.76	232.76	232.76	232.76	232.76
234.74	234.74	234.74	234.74	234.74
236.72	236.72	236.72	236.72	236.72
238.70	238.70	238.70	238.70	238.70
240.68	240.68	240.68	240.68	240.68
242.66	242.66	242.66	242.66	242.66
244.64	244.64	244.64	244.64	244.64
246.62	246.62	246.62	246.62	246.62
248.60	248.60	248.60	248.60	248.60
250.58	250.58	250.58	250.58	250.58
252.56	252.56	252.56	252.56	252.56
254.54	254.54	254.54	254.54	254.54
256.52	256.52	256.52	256.52	256.52
258.50	258.50	258.50	258.50	258.50
260.48	260.48	260.48	260.48	260.48
262.46	262.46	262.46	262.46	262.46
264.44	264.44	264.44	264.44	264.44
266.42	266.42	266.42	266.42	266.42
268.40	268.40	268.40	268.40	268.40
270.38	270.38	270.38	270.38	270.38
272.36	272.36	272.36	272.36	272.36
274.34	274.34	274.34	274.34	274.34
276.32	276.32	276.32	276.32	276.32
278.30	278.30	278.30	278.30	278.30
280.28	280.28	280.28	280.28	280.28
282.26	282.26	282.26	282.26	282.26
284.24	284.24	284.24	284.24	284.24
286.22	286.22	286.22	286.22	286.22
288.20	288.20	288.20	288.20	288.20
290.18	290.18	290.18	290.18	290.18
292.16	292.16	292.16	292.16	292.16
294.14	294.14	294.14	294.14	294.14
296.12	296.12	296.12	296.12	296.12
298.10	298.10	298.10	298.10	298.10
300.08	300.08	300.08	300.08	300.08

MAY 2011

Retroactive to January 1, S.A.G. Solarstrom AG extended its power plant portfolio at the beginning of May with the 5.1 MWp system in Kamenicna, Czech Republic which was connected to the grid in the year 2010. The total investment volume is approximately €22.4 million.





In June S.A.G. Solarstrom AG issued another corporate bond in the Entry Standard of the Frankfurt Stock Exchange to finance the company's dynamic growth. The bond issue is endowed with a fixed interest rate of 7.5% p.a. and a term of 6 years ending on July 10, 2017. The emission volume at the end of 2011 is around €17 million.

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JUNE 2011



S.A.G. Solarstrom AG signed the contract of sale for Serenissima on December 31, 2011. Transferring the shares to the European financial investor and remitting the purchase price to the S.A.G. Group are slated for the first quarter of 2012.

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DECEMBER 2011

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MAY 2011

On May 30 the Annual General Meeting of S.A.G. Solarstrom AG approved a dividend of 12.5 € cents per share. This represents a 25% increase compared to the prior year. A total of €1.5 million was paid out for 12,022,388 shares entitled to dividends.




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AUGUST 2011

With the conclusion of a delivery contract with Trina Solar (Germany) GmbH for the supply of 36 MWp polycrystalline modules and approval from Deutsche Bank for interim project financing in the amount of €80 million at the end of June, the 48 MWp Serenissima photovoltaic project slated for completion and connection to the grid by the end of August can proceed as scheduled. The system is expected to generate more than 64 million kWh of electricity annually, enough to supply over 14,000 households. It is the largest project in the history of S.A.G. Solarstrom AG to date.




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DECEMBER 2011

Under the "More Energy for Children" project, S.A.G. Solarstrom AG donated a 11.4 kWp photovoltaic system to the SOS Children's Village Ammersee-Lech in Dießen, Germany. It has a market value of around €22,000 and, with an annual yield of 11,200 kWh, covers the electricity demand of three four-person households. The SOS Children's Village Ammersee-Lech will receive approximately €3,300 annually from electricity fed to the grid.



## A.2 Letter to Shareholders

### *Dear Shareholders,*

Fiscal year 2011 was marked by particular challenges. It is thanks to the high level of commitment of our employees, the stability of our business model and the careful risk assessment in all operative decisions that we have achieved sales of €263.7 million, despite the difficult general conditions, and are thus exactly positioned in the target corridor of our forecast of between €260 and €280 million.

Your company, dear shareholders, is one of the very few companies in the solar industry that has generated a positive EBIT in 2011. However, with an EBIT of €6.2 million, we did not achieve our EBIT goal of between €16 and €18 million. In this, we were thwarted by the European financial and economic crisis and the specific situation in Italy. In the course of the sale of the 48 MWp Serenissima project, we had to cope with one-off costs through additional funding expenses, insurances for even the most unlikely situations and new taxes introduced in Italy in 2011. Overall, this resulted in a double-digit amount in the million Euro range, which reduced our EBIT result accordingly. Without these one-off charges, we would definitely have achieved our EBIT forecast. Our business model is so stable that we are able not only to cope with these exceptional costs but to also achieve a profitable result before interest and taxes in spite of them. In view of the general conditions in fiscal year 2011, this was not a matter of course. The company's solid work could be seen particularly from the strong flow of liquidity in the first quarter of 2012.

**Our business model is so stable that we are able not only to cope with these exceptional costs but to also achieve a profitable result before interest and taxes in spite of them.**

At the start of 2011, we gave a forecast that was based on a completely different market trend. We had taken into account a moderate decline in component prices, but not the massive decline in prices for modules, for example. Although we did not have any significant depreciation on inventory, we still needed to implement considerably more projects than planned at the start of the year on a percentage basis, to achieve the forecast sales. The funding of projects, in addition, became increasingly difficult and more expensive as a result of the European economic and financial crisis over the course of the year. The cutbacks by certain governments also resulted in new, creative taxation models such as those in the Czech Republic and Italy, or in changes at short notice to the feed-in tariffs as in Italy and Germany.

The uncertainty and lack of dependability with regard to the regulatory market environment led at the end of 2011 to an enormous boom in construction in Germany, in which everyone involved lost out. Component manufacturers sold goods below production costs, in order to empty their warehouses before the end of the year, and medium-sized installation companies such as our sales partners, who had waited the entire year for projects, were only able to implement few projects in the fourth quarter for capacity reasons. And many of them were unprofitable, due to the high level of competitive pressure. However, the greatest losers are we consumers, because this "emergency braking" of the feed-in tariff in Germany not only jeopardizes the energy turnaround, but also systematically undermines the cost-cutting impact of electricity from photovoltaic power.





Executive Board of S.A.G. Solarstrom AG (left to right): Christoph Koch, Dr. Karl Kuhlmann and Oliver Günther

Due to the merit order effect, in which electricity from expensive power plants at peak times can be dispensed with due to the feed-in of photovoltaic electricity, the peak price at the electricity exchange has dropped by 40% since 2007 and the average trading price of electricity has dropped by 10%. If this is converted to the total amount of electricity consumption in 2011, it corresponds to a saving of 0.175 € cents/kWh. In contrast, the EEG (Renewable Energy Act) levy increased by 0.06 € cents from 3.53 € cents in 2011 to 3.59 € cents in 2012. The consumers' share of costs of photovoltaic power in the EEG levy is continuously declining, but is still used again and again by the energy companies as a welcome justification for certain significant increases in electricity prices. The providers increased electricity prices by 3.4% on average at the start of 2012, many by even more.

In February 2012, Germany exported electricity from photovoltaic power in Germany to France during the cold spell, despite prophecies of doom by the major energy companies and the transmission network operators, who had forecast a collapse of the power network. Photovoltaic power made a significant contribution to the security of energy supply in this regard. In Germany alone in 2011, photovoltaic power saved as much in CO<sub>2</sub> emissions as two conventional coal-fired power plants produce in one year. And even if it seems to be en vogue to question the connection between the increase in CO<sub>2</sub> in the atmosphere and the climate change – it has, however, been scientifically established that it is vital to counteract CO<sub>2</sub> emissions. We cannot shift the risk of climate warming on to future generations. In addition, a saving in CO<sub>2</sub> also means savings in energy and thus in costs.

**In Germany alone in 2011, photovoltaic power saved as much in CO<sub>2</sub> emissions as two conventional coal-fired power plants produce in one year.**

## A.2 Letter to Shareholders

It is regrettable that the advantages of a decentralized, network-stabilizing technology remains imprudently so ignored by the German Federal Government and instead, central models from the major energy suppliers are favored. This is not, mind you, a matter of establishing subsidies. Sustainability also includes economic stability. The technology must pay off in the long run. And that is what it does. The industry is already in the transition phase towards a competitive market. It is basically correct to organize subsidies on a declining scale. However, this must be carried out on a plannable basis for the companies. The drastic planned cutbacks at short notice are thwarting the very positive development of photovoltaic power in Germany up to now.

**Today, consumers can generate electricity for 20 € cents per kWh using photovoltaic power on the roof of a house. In a few years, this price will decline even further.**

The EEG (Renewable Energy Act) and the feed-in tariffs made the development of a mass market and thus a very fast reduction in costs possible. Today, consumers can generate electricity for 20 € cents per kWh using photovoltaic power on the roof of a house. In a few years, this price will decline even further. 10 € cents per kWh in three to five years is not an unrealistic goal. The generation of electricity from photovoltaic power for own consumption will become increasingly interesting with the rising electricity prices.

But until then, the solar industry will need to overcome a difficult transition phase from a subsidized market to a competitive market – and now even considerably more quickly than previously thought. It will not be easy. However, we are very confident that S.A.G. Solarstrom AG will be one of the solar companies that will emerge strengthened from this difficult phase. In the Group, we have created significant value with our system portfolio and our service unit. Our system portfolio alone has a market value of more than two-and-a-half times our current market capitalization on the stock market. And S.A.G. Solarstrom AG already started, some time ago, to set the course for the period after feed-in tariffs.

**Thanks to our 4-pillar business models, we are in a comparatively stable position, already earn more than 70% of our sales abroad, and have driven international expansion over the past few years.**

Thanks to our 4-pillar business models, we are in a comparatively stable position, already earn more than 70% of our sales abroad, and have driven international expansion over the past few years. However, we have done so with a sense of proportion. We do not implement projects everywhere where the sun shines or the government is in the mood for assigning subsidies. We decide on country markets based on potential analyses, which also take into account the political stability and a secure legal status to a significant degree. We consistently avoid countries with a substantially increased risk of corruption, even if the sun shines very brightly there. Our target markets continue to lie in the countries in the wider European region, including, for example, Turkey. Here, we are already in the process of setting up our first strategic partnerships. However, the USA is also a future market for us, and we are already planning our first projects there. We intend to implement these projects either this year or next year.

In Germany, ground-mounted systems are becoming more unattractive for a transitional phase, as in many other European countries. The focus is rather on own consumption solutions for roof-top systems. However, this might change again in the next few years through the direct marketing of green electricity in a time beyond feed-in tariffs. We will adapt to this changed market.

Due to the difficult general conditions of the photovoltaic market, particularly in Germany and Italy, and the uncertainty of how component prices will develop, a reliable sales forecast for fiscal year 2012 is currently not possible. However, it is our continued goal in 2012 to increase our sales volume and to achieve a lasting, positive EBIT margin. We already adjusted our cost structures at the end of 2011, so that we are well equipped to start this difficult year. We would be delighted if you would continue to accompany us on the journey towards competitive power supply from photovoltaic power.

**We already adjusted our cost structures at the end of 2011, so that we are well equipped to start this difficult year.**

Kind regards,



Dr. Karl Kuhlmann  
Chief Executive Officer



Oliver Günther  
Member of the Executive Board



Christoph Koch  
Member of the Executive Board

### A.3 Supervisory Board Report

*Dear Shareholders,  
Ladies and Gentlemen,*

2011 was a difficult year for the solar industry overall. It is therefore all the more gratifying that S.A.G. Solarstrom AG was able to once again present reliable, positive figures and significantly increase sales in this year, which only very few companies in the field of renewable energies were able to do in 2011. This success is based on the diligent strategic alignment and risk assessment of the company, the fast reaction time to regulatory changes and thus ultimately the excellent work of the Executive Board, as well as that of all employees. The Supervisory Board thanks everyone involved for their outstanding commitment, which was a crucial factor in enabling this success.

The Supervisory Board, with chairman Dr. Peter W. Heller, deputy chairman Dr. Carsten Müller and Dr. Markus Haggenev regularly advised the Executive Board and monitored its activities according to legal provisions and the articles of association of S.A.G. Solarstrom AG in fiscal year 2011. The Supervisory Board was involved early on in all decisions that were of fundamental importance for the company. The Executive Board informed the Supervisory Board regularly and comprehensively of the planned and actual course of business, the prospects and the further planned strategic development of S.A.G. Solarstrom AG and its subsidiaries, both in writing and verbally, and explained to the Supervisory Board any deviations from target figures in detail. The respective estimates of certain risks under the risk management system, the efficiency of the risk management system itself and compliance were also included in the regular information exchange provided by the Executive Board. The Supervisory Board was satisfied that the company identifies possible risks early on, observes them closely and, like compliance, continuously monitors them using internal audit functions. The Supervisory Board is convinced that the company's control and early warning systems are effective.

**The Executive Board informed the Supervisory Board regularly and comprehensively of the planned and actual course of business, the prospects and the further planned strategic development of S.A.G. Solarstrom AG and its subsidiaries, both in writing and verbally, and explained to the Supervisory Board any deviations from target figures in detail.**

In 2011, a total of twelve regular Supervisory Board meetings were held, of which three meetings were held by telephone. All three members of the Board were present both at the actual meetings in person and at the Supervisory Board conference call meetings, and passed all resolutions jointly. No committees were formed by the Supervisory Board during the reporting period. Beyond this, the chairman of the Supervisory Board and the chairman of the Executive Board were in regular contact regarding the current situation and the development of the company, as well as important business events.

### *Priority Topics in the Supervisory Board Meetings*

In addition to the tasks mentioned above, the Supervisory Board also dealt with the following central topics in the reporting year 2011:

- **Current status of major projects:** The Executive Board reported regularly on the construction progress of the 48 MWp project Serenissima in Italy, the current regulatory situation in Italy, the status of contract negotiations and the status of the financial negotiations. In addition, the Supervisory Board was informed about the current status of several ground-mounted and roof-top projects in Germany, France and Italy.
- **Expansion in the USA:** The Executive Board reported regularly on the development of the subsidiary meteocontrol North America Inc., founded in 2011. The planned expansion of S.A.G. Solarstrom AG to the USA with the business area Project Planning and Plant Construction was also discussed together with the Executive Board.
- **Further expansion in Europe:** The Executive Board discussed expansion scenarios in Europe in detail with the Supervisory Board, including the expansion of Partner Sales and the Service area. The subject of expansion of the subsidiary meteocontrol GmbH with its own branch offices in Italy, Spain and France, as well as cooperation partners in India and Israel was also broached.
- **Power plant portfolio:** In addition to the extension of the company's power plant portfolio by the solar park Kamenicna, Czech Republic, with 5.1 MWp and other potential projects, a sale of the majority shares in the power plant portfolio was also discussed. Due to the long-term strategic significance of the portfolio for the Group, these plans were postponed for the time being after detailed discussion. In February 2012, the power plant portfolio was also extended by a 1 MWp roof-top system in Dortmund, with retroactive effect from December 31, 2011.
- **Staff:** The Executive Board informed the Supervisory Board on the staffing of key positions in the company as well as on necessary personnel measures. The potential filling of a management position for the expansion of the business area Project Planning and Plant Construction in the USA was also included in the joint discussion. In addition, the subject of an extension to the Executive Board was broached with the Board, who is closely involved in operative work, so that important strategic measures could be implemented even more effectively. This extension to the Executive Board was put into practice at the start of 2012 with the appointments of Karin Schopf and Ulrich Kenk.
- **Corporate actions:** As part of the preparations for the Annual General Meeting, the Executive Board and Supervisory Board recommended the annulment of existing authorized capital as well as the creation of new authorized capital. A special conversion period was decided upon for the convertible bond. The two corporate bonds were also discussed in the Supervisory Board meetings.

**The Executive Board discussed expansion scenarios in Europe in detail with the Supervisory Board, including the expansion of Partner Sales and the Service area.**

### A.3 Supervisory Board Report

- **New construction:** The Executive Board informed the Supervisory Board regarding various options for a relocation of corporate headquarters. After examining the options, the Executive Board was authorized to press ahead with a new construction project in Merzhausen.
- **Financing:** The Executive Board continuously informed the Supervisory Board of the current financing situation in the company and various projects. This included discussions on general corporate financing, project financing, the dissolution of bridging loans and the status of the respective financing negotiations with various banks.
- **Legal disputes:** The Executive Board regularly informed the Supervisory Board of the current status of ongoing lawsuits, including the assertion of claims for damages against former members of the Executive Board, and at the same time regarding potential risks resulting from the lawsuits. To safeguard the interests of the company, the Supervisory Board empowered the Executive Board to take legal action in certain specific cases, including legal action against the Czech special tax on solar plants, to recover debts and to safeguard warranty claims.

#### *German Corporate Governance Code*

The Supervisory Board has once again compared the corporate governance of the company with the contents of the German Corporate Governance Code. The company continues to comply with the recommendations of the German Government Commission German Corporate Governance Code. The Statement of Compliance resolved on March 30, 2012 by the Executive Board and the Supervisory Board, and published every year according to § 161 of the German Stock Corporation Act (AktG) is on Page 19 of the Annual Report and is also permanently accessible to shareholders and interested parties on S.A.G. Solarstrom AG's website.

**The Supervisory Board has once again compared the corporate governance of the company with the contents of the German Corporate Governance Code. The company continues to comply with the recommendations of the German Government Commission German Corporate Governance Code.**

#### *Audit of the Annual Financial Statement and the Consolidated Financial Statement*

The accounting firm PricewaterhouseCoopers AG, Freiburg im Breisgau, has audited S.A.G. Solarstrom AG's Annual Financial Statement for fiscal year 2011 according to the German Commercial Code (HGB) and has given its certificate of approval with no reservations, as well as S.A.G. Solarstrom AG's Consolidated Financial Statement for fiscal year 2011, drawn up according to § 315 a of the German Commercial Code (HGB) and based on the IFRS (International Financial Reporting Standards) international accounting standards, and the Management Report and the Consolidated Management Report. The auditors have thus confirmed that the Consolidated Financial Statement has been drawn up in compliance with the IFRS and, together with the Consolidated Management Report, conveys a true and fair view of the actual assets, profit and financial situation.

The Supervisory Board extensively discussed and checked the main details of the Annual Financial Statement, the Consolidated Financial Statement, the Management Report and the Consolidated Management Report in its meetings of April 10 and 11, 2012. The auditors of the accounting firm reported on the results of their audit at the meeting and answered all questions in detail. They also informed the Supervisory Board of services provided in addition to the annual audit and that no circumstances of bias exist.

In addition, the Supervisory Board discussed and checked the report drawn up by the Executive Board according to § 312 of the German Stock Corporation Act (AktG) on the relationships with affiliated companies issued by the auditors with a certificate of approval with no reservations. The Supervisory Board agreed with the final declaration of the Executive Board contained in the dependent company report and raised no objections.

As a result, the Supervisory Board agreed with the results of the auditors' reports and approved the Annual Financial Statement and the Consolidated Financial Statement. The Annual Financial Statement is thus adopted. The Supervisory Board consents to the dividend proposal of the Executive Board in the amount of 12.5 € cent per no-par share entitled to dividends. The proposal is to be put to the vote in this year's Annual General Meeting.

Finally, I would like to extend warm thanks to my colleagues on the Supervisory Board, Dr. Müller and Dr. Hageney, for their very constructive and trusting cooperation in the Supervisory Board.



Freiburg im Breisgau, April 11, 2012

A handwritten signature in blue ink, which appears to read "Peter W. Heller". The signature is written in a cursive style and is positioned above a horizontal line that extends across the width of the signature.

Dr. Peter W. Heller  
Chairman of the Supervisory Board

**The Supervisory Board extensively discussed and checked the main details of the Annual Financial Statement, the Consolidated Financial Statement, the Management Report and the Consolidated Management Report in its meetings of April 10 and 11, 2012.**

## A.4 The Executive Board



**Dr. Karl Kuhlmann** <sup>(\*1951)</sup>  
**Chief Executive Officer**

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Dr. Karl Kuhlmann, who earned a doctorate in engineering, has many years of operative management experience. He has been active in various executive positions, including the cement industry, terminating in his position on the executive board of Heidelberger Cement AG, Heidelberg. He subsequently became COO at J.W. Ostendorf GmbH & Co. KG, Coesfeld, one of Europe's leading paint manufacturers – the group was successfully restructured during his time there.

Dr. Karl Kuhlmann is also the sole shareholder of BBV Beteiligung, Beratung und Verwaltung GmbH, Freiburg im Breisgau, which holds 9.4% of the S.A.G. Solarstrom AG shares and almost 98% of the outstanding convertible bond.

Since July 2008 Dr. Karl Kuhlmann has held the position of Chief Executive Officer at S.A.G. Solarstrom AG. He is responsible for strategic corporate development, Marketing and HR, as well as meteocontrol and its further international expansion.





**Oliver Günther** (\*1970)  
**Member of the Executive Board**

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After graduating in business studies, Oliver Günther held a number of sales positions as key account manager and international key account manager with J.W. Ostendorf GmbH & Co. KG, Coesfeld.

Before joining S.A.G. Solarstrom AG, he was responsible for J.W.O.'s international sales and international expansion strategy as Head of Sales for the DACH (Germany, Austria, and Switzerland) and CEE (Central and Eastern Europe) regions following the reorganization and realignment of the company.

Since January 2008, Oliver Günther has been a Member of the Executive Board at S.A.G. Solarstrom AG. His main area of activity is in Sales, which is split up into the three areas of Direct Sales, Partner Sales and Service Sales.



**Christoph Koch** (\*1960)  
**Member of the Executive Board**

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Following his graduation as a business economist, Christoph Koch joined Coopers & Lybrand (now PricewaterhouseCoopers), where he rose to the position of chief auditor.

He subsequently held a number of managerial posts in finance and accounting during his time with the Bombardier Group, J.W. Ostendorf GmbH & Co. KG, Coesfeld, and other companies. Before joining S.A.G. Solarstrom AG he was Head of Finance and Group Accounting at the TA Triumph-Adler Group in Nuremberg.

Since February 2008, Christoph Koch has put his proven talents and credentials as a qualified tax consultant to the service of S.A.G. Solarstrom AG as a Member of the Executive Board. Christoph Koch is responsible for the departments Financing and Liquidity Management, Legal Affairs, and the entire business unit Power Production.

## A.5 Corporate Governance Report

S.A.G. Solarstrom AG has committed to transparent and responsible corporate management, which increases the value of the company on a sustainable basis. The principles of the German Corporate Governance Code are therefore discussed regularly by the Executive Board and the Supervisory Boards in their meetings, and serve as important guidelines for both the Executive Board and the Supervisory Board in corporate management. Due to the size of the company and under specific circumstances, the Executive Board and the Supervisory Board occasionally diverge from the proposals of the Code in justified cases. These divergences are also checked regularly in the meetings. In this section, the Executive Board and the Supervisory Board report on the company's Corporate Governance. The report also contains statements on corporate governance in terms of § 289a Paragraph 1 of the German Commercial Code (HGB).

The most important entity at S.A.G. Solarstrom AG is the Annual General Meeting. Those present at these meetings elect the Supervisory Board and decide on important corporate actions, approve the actions of the Executive Board and the Supervisory Board, and decide upon the appropriation of earnings based on the year end closing and the consolidated financial statement submitted by the Executive Board. At the Annual General Meeting, each share carries one vote. Shares held by the company itself do not carry any voting rights.

The Executive Board, which currently consists of five persons and which always meets together, leads S.A.G. Solarstrom AG independently and follows the interests of the company at all times. The Executive Board decides upon the company's strategic alignment, coordinates it with the Executive Board and ensures that it is implemented. The Board also ensures appropriate Risk Management and Controlling, the efficiency of which is checked on a regular basis, as well as compliance with all regulatory requirements. Internal rules of procedure regulate the responsibilities of the Executive Board.

**The Executive Board, which currently consists of five persons and which always meets together, leads S.A.G. Solarstrom AG independently and follows the interests of the company at all times.**

The Supervisory Board consists of three members, in accordance with § 9 Paragraph 1 of S.A.G. Solarstrom AG's Articles of Association, who are elected at the Annual General Meeting. The Supervisory Board appoints and discharges, advises and monitors the members of the Executive Board and is involved in all decisions that are of fundamental importance for S.A.G. Solarstrom AG. It is also responsible for the definition of an adequate compensation system for the Executive Board, which contains elements of compensation that are oriented to the long-term and to the success of the company, in compliance with the Code. The chairman of the Supervisory Board coordinates the work of the Board and is in constant contact with the CEO, in order to discuss strategy and important key objectives in business development and to advise the Executive Board. His tasks also include monitoring Risk Management and advising the CEO regarding possible new risks. Due to the size of the Supervisory Board with only three persons, the Board abstains from forming committees and always meets together.

The Executive Board and the Supervisory Board work closely together and in a spirit of mutual confidence in the best interests of the company and the Group. S.A.G. Solarstrom AG's articles of association stipulate that the Supervisory Board always be consulted in all business activities of fundamental importance. These include, in particular, decisions or actions that fundamentally change the assets, financial or profit situation of S.A.G. Solarstrom AG and the Group. Changes in the articles of association are possible subject to §§ 133 and 179 of the German Stock Corporation Act (AktG) and the provisions of § 21 of the articles of association – the exception to this are changes to the articles of association which only pertain to the wording. In the reporting period, the share capital and the number of shares were updated in the articles of association since they



Executive Board and Supervisory Board of S.A.G. Solarstrom AG (left to right): Dr. Markus Haggenev, Christoph Koch, Dr. Peter W. Heller, Ulrich Kenk, Dr. Carsten Müller, Dr. Karl Kuhlmann, Karin Schopf and Oliver Günther

had increased after conversion rights were exercised, and the authorized capital was increased to €15 million following the resolution of the Annual General Meeting on May 30, 2011.

For S.A.G. Solarstrom AG, Corporate Governance also requires a transparent information policy. All new, relevant information and facts are always published promptly on S.A.G. Solarstrom AG's website, and share price-relevant information is published immediately. S.A.G. Solarstrom AG thus ensures that all shareholders are treated equally. The Investor Relations section on the website also contains all the annual financial reports and interim reports, the current and historical Corporate Governance Statements, the annual document, all publications made in the fiscal year as well as the articles of association and securities prospectus.

The Annual Report together with the consolidated financial statement is the most important summarizing source of information. However, S.A.G. Solarstrom AG also publishes quarterly reports in German and English during the fiscal year, to ensure that shareholders receive prompt information about the performance of the business. The balance sheet is drawn up taking into account international accounting standards (IFRS).

**The Annual Report together with the consolidated financial statement is the most important summarizing source of information. However, S.A.G. Solarstrom AG also publishes quarterly reports in German and English during the fiscal year, to ensure that shareholders receive prompt information about the performance of the business.**

## A.5 Corporate Governance Report

Diversity is anchored in S.A.G. Solarstrom AG's corporate principles. This includes the promotion of equality of qualified male and female employees of different nationalities in Germany and abroad. Because of the high proportion of engineering occupations with a generally very low proportion of women at around 12.4% according to employment market data of the Association of German Engineers (VDI) 2010, more men than women were employed in the Group. 72 of 260 employees as of December 31, 2011 were women and 188 were men. The proportion of women in management positions within the group is also at just 11% to date. Four of the 37 managers as of December 31, 2011 were women. Since February 2012, a woman in the person of Karin Schopf has also been appointed to the Executive Board with a total membership of five. Taking into account the expansive corporate strategy, securing qualified skilled staff is currently the most important factor – regardless of gender or nationality. However, it is still S.A.G. Solarstrom AG's declared goal to increase the number of female executives.

The Supervisory Board is set up such that its members have overall the required expertise, skills and technical experience to qualify them for the tasks. The Supervisory Board always takes into account the company-specific situation, the international activity of the company, potential conflicts of interest and diversity in the setup of its structure. The appropriate involvement of women should be guaranteed through the selection of candidates in by-elections and regular elections to the Supervisory Board, in which more attention is to be focused on women.

On March 30, 2012, the Executive Board and the Supervisory Board issued the following statement of compliance in accordance with § 161 of the German Stock Corporation Act (AktG) on S.A.G. Solarstrom AG's Corporate Governance.

Since the beginning, S.A.G. Solarstrom AG has been committed to responsible business policies focused on creating value. S.A.G. Solarstrom AG complies with all of the relevant laws and provisions of our own articles of association in ensuring sound, responsible management and monitoring of the company and those associated with it.

**Since the beginning, S.A.G. Solarstrom AG has been committed to responsible business policies focused on creating value.**

The Executive Board and Supervisory Board are dedicated to value-oriented management and monitoring efforts that increase the Group's value and emphasize our duties with regard to our shareholders.

In the spirit of sound corporate governance: The utmost respect for shareholders' interests, a clear definition and separation of tasks between the Executive Board and Supervisory Board, open communication, informative and standardized accounting, and pertinent, up-to-date reporting are all elements S.A.G. Solarstrom AG consider second nature.

## Declaration of Compliance

The Executive and Supervisory Boards of S.A.G. Solarstrom AG hereby declare that the current version of the recommendations of the Government Commission on the German Corporate Governance Code published in the official section of the electronic version of the Federal Official Gazette (Bundesanzeiger) by the Federal Ministry of Justice have been and are in principle complied with.

However, the following recommendations have not been applied, or are only applied in modified versions:

**Point 2.3.2:** The calling of the Annual General Meeting, together with the relevant documents, will not be transmitted to all financial service providers, shareholders and shareholders' associations by electronic means, as S.A.G. Solarstrom AG does not have the necessary contact details at its disposal and the approval requirements are not met. However, all documents are available in electronic form on the company's website and can also be sent electronically upon request.

**Point 4.2.5:** In order to avoid redundancy, the Executive Board's remunerations will not be published in a compensation report as part of the Corporate Governance Report, but in the Notes to the Annual Report.

**Point 5.2:** Accordingly, the Chairman of S.A.G. Solarstrom AG's Supervisory Board is not simultaneously chairman of committees responsible for handling Executive Board contracts and for preparing sessions of the Supervisory Board.

**Point 5.3:** The members of the Supervisory Board do not make up committees, as there are only three members and since under § 108 paragraph 2 of the German Stock Corporation Act (AktG) all members of the Supervisory Board must be party to resolutions. Accordingly, there is neither an Audit Committee (Point 5.3.2.) nor a Nomination Committee (Point 5.3.3.).

**Point 5.4.6 Paragraph 1 Sentence 3:** In contrast to the provisions of the Code, the articles of associations do not provide for standardized remuneration for the deputy Supervisory Board Chairman and the ordinary Supervisory Board members, as the amount of work in a Supervisory Board consisting of only three people is comparable for both positions. Since no committees are formed, chairmanship and membership of committees is not a factor affecting the remuneration of Supervisory Board members.

**Point 5.4.6 Paragraph 3:** In order to avoid redundancy, the Supervisory Board's remunerations will not be published in a compensation report as part of the Corporate Governance Report, but in the Notes to the Annual Report.

**Point 7.1.2 Sentence 3:** In a departure from the Code and the usual practices of S.A.G. Solarstrom AG, the consolidated financial statement for fiscal year 2011 cannot be published within 90 days after the end of the fiscal year, due to limited resources, as the management assigned priority to the closing of the sale of the 48 MWp Serenissima project in March 2012.

Freiburg i. Br., March 30, 2012

Executive Board and Supervisory Board of S.A.G. Solarstrom AG





GROUND-MOUNTED SYSTEM, PROJECT PUGLIA II RIZZO, APULIA, ITALY, 999 KWP





## A.6 Shares, Bonds and Price Development

S.A.G. Solarstrom AG has committed to providing their shareholders and the capital market at large with prompt, transparent and continuous information. IR activities, such as participation in analyst and investor conferences, as well as road shows and regular reporting in German and English ensure continuous dialog with the capital market. Financial analysts, investors and private shareholders receive prompt, competent, and transparent information on the current and future business performance, through the publication of important news, or in one-on-one interviews or conference calls on the quarterly and annual results. Interested parties can subscribe to an e-mail distribution list by sending an informal message to [ir@solarstromag.com](mailto:ir@solarstromag.com) or via the S.A.G. website, to receive all company-relevant information directly.

### *Move to the Prime Standard Completed*

Since May 27, 2011 the S.A.G. Solarstrom AG share has been listed in the Prime Standard of the Frankfurt Stock Exchange, thus meeting the highest transparency standard of the German Stock Exchange. This underscores the Group's international alignment and capital market orientation. Moving from the General Standard to the Prime Standard was basically only an administrative step for S.A.G. solarstrom AG, which has been publishing quarterly reports in both German and English since 2008. In doing so, S.A.G. Solarstrom AG has already been meeting one of the important obligations in this stock market segment. Shareholders, investors and analysts are provided with quick and straightforward access to the relevant performance figures and information on the basis of the quarterly reports.

The S.A.G. Solarstrom AG share was one of the first solar shares in Germany. The share was first traded in the open market on the Munich Stock Exchange in April 1999, and later listed in the m:access segment. This listing has been maintained to this day. On May 17, 2000 the share was also listed for the first time in the open Market of the Frankfurt Stock Exchange. On July 9, 2010 the company advanced to the General Standard of the Frankfurt Stock Exchange. Since May 27, 2011 S.A.G. Solarstrom has been included in trading in the Prime Standard of the Frankfurt Stock Exchange.

### *S.A.G. Solarstrom AG at Conferences, Road Shows and in Personal Consultations*

The management and Investor Relations representatives of S.A.G. Solarstrom AG gave presentations at three capital market conferences in Frankfurt and Munich over the course of the year, including the DVFA Small Cap Conference at the end of August in Frankfurt, the Equity Forum of the German Stock Exchange in November in Frankfurt and the m:access Conference at the 10th Munich Capital Market Conference (MCK) in December in Munich. The focus of the presentations and subsequent personal consultations was on the strategic positioning, business model and business development of S.A.G. Solarstrom AG as well as expected market developments. Investor consultations were held in Düsseldorf in April 2011. In May 2011, management presented S.A.G. Solarstrom AG to potential investors in Lugano, Munich and Zurich in the course of a road show. A second road show in October 2011 returned to Zurich because of the high density of investors focused on sustainability.

In addition, management and the IR team networked with international industry analysts, institutional investors and interested private shareholders at Intersolar, the world's largest photovoltaics trade fair. S.A.G. Solarstrom AG also attended international trade fairs such as Solarexpo 2011 in Verona, Italy in May and the Salon des Energies Renouvelables 2011 in Lyon, France.

In addition, management and the IR team conducted numerous individual consultations with shareholders, investors and analysts as well as economic and financial media and the trade press.

### *Ongoing dialog with financial and industry analysts*

A total of four financial analysis firms and research departments evaluated the S.A.G. share in the course of 2011. Four current analyses from February 2012 put the target price between €3.00 and €4.60. One analyst recommends holding the share and three recommend buying it. The IR department also maintains ongoing dialog with international industry analysts.



### **Director's Dealings**

The following transactions were conducted by management in the 2011 fiscal year:

- **Person subject to the disclosure requirement:**  
**BBV Beteiligung, Beratung und Verwaltung GmbH**  
Trading day: April 1, 2011  
Disclosure requirement: Person performing managerial responsibilities, triggering the disclosure requirement for the legal person  
Financial Instrument: Share S.A.G. Solarstrom AG  
ISIN: DE0007021008  
Type of Transaction: Sale  
Par value in €/Quantity: 4.55/200,000  
Volume in €: 910,000.00
- **Person subject to the disclosure requirement:**  
**BBV Beteiligung, Beratung und Verwaltung GmbH**  
Trading day: April 12, 2011  
Disclosure requirement: Person performing managerial responsibilities, triggering the disclosure requirement for the legal person  
Financial Instrument: Share S.A.G. Solarstrom AG  
ISIN: DE000A1KRJ9  
Type of Transaction: Buy  
Par value in €/Quantity: 2.56/329,940  
Volume in €: 844,646.40  
Remarks: The shares were acquired by executing conversion rights.
- **Person subject to the disclosure requirement:**  
**BBV Beteiligung, Beratung und Verwaltung GmbH**  
Trading day: April 6, 2011  
Disclosure requirement: Person performing managerial responsibilities, triggering the disclosure requirement for the legal person  
Financial Instrument: Share S.A.G. Solarstrom AG  
ISIN: DE000A1KRJ9  
Type of Transaction: Buy  
Par value in €/Quantity: 2.56/252,330  
Volume in €: 645,964.80  
Remarks: The shares were acquired by executing conversion rights.
- **Person subject to the disclosure requirement:**  
**BBV Beteiligung, Beratung und Verwaltung GmbH**  
Trading day: April 19, 2011  
Disclosure requirement: Person performing managerial responsibilities, triggering the disclosure requirement for the legal person  
Financial Instrument: Share S.A.G. Solarstrom AG  
ISIN: DE000A1KRJ9  
Type of Transaction: Sale  
Par value in €/Quantity: 4.46/300,000  
Volume in €: 1,338,000.00
- **Person subject to the disclosure requirement:**  
**BBV Beteiligung, Beratung und Verwaltung GmbH**  
Trading day: August 11, 2011  
Disclosure requirement: Person performing managerial responsibilities, triggering the disclosure requirement for the legal person  
Financial Instrument: Share S.A.G. Solarstrom AG  
ISIN: DE0007021008  
Type of Transaction: Buy  
Par value in €/Quantity: 3.48/34,550  
Volume in €: 120,234.00

## A.6 Shares, Bonds and Price Development

### *Share and Bond Price Development*

2011 was defined by stock market turbulence and unusual price trends. Overall economic and market uncertainty in Europe was reflected by high volatility, with significant price declines in some cases.

The DAX as the German lead index opened at 6,973.39 points in 2011 (all values Xetra). While it benefited from an economic recovery at the start of the year, it sagged to 6,513.84 points by March 16 following the natural and nuclear disaster in Japan. It recovered quickly and rose to the annual high of 7,527.64 points on May 2. Over the coming weeks, it moved at levels above 7,000 points with somewhat higher volatility. The worsening European financial crisis with ongoing discussions of debt relief for Greece and rising concern about the indebtedness of Italy brought about a massive downturn starting at the end of July, which was aggravated when the US credit rating was downgraded at the beginning of August. The annual low of just 5,072.33 points was reached on September 12, 2011. Later the DAX recovered again as agreement was reached on the European stabilization mechanism, but it remained highly volatile. The DAX only exhibited a sustained rising trend beginning in mid-December. Nevertheless, it was down by more than 15% compared to the beginning of 2011 when it closed at 5,898.35 points on December 30. Only at the beginning of February did the DAX once again break the 6,500 point barrier and, powered by the surprisingly positive economic and employment market figures in the face of the European economic and financial crisis, closed at 6,995.62 points on March 23, 2012.

The TecDAX opened at 851.43 points in January 2011. Just like the DAX, the index suffered from the events in Japan after a temporary rally and fell to 854.83 points by March 16, 2011. Solar company shares included in the German technology index benefited from the ensuing nuclear debate, helping it soar to the annual high of 948.59 points on April 5, 2011 within a few weeks. Indications of a very slow solar market, quarterly results of market participants with significant decreases in sales and profits as well as the additional negative impact of macroeconomic conditions as a result of the worsening financial crisis ultimately caused the TecDAX to plummet following a temporary recovery at the start of July, after the index already suffered losses in May and July. The index reached its annual low on October 4 at just 626.22 points and dropped even lower to only 616.87 points in the course of that day. While the index recovered in October, it rarely managed to exceed the 700-point threshold. The TecDAX closed at 685.06 points on December 30, 2011 after losing more than 19% in the course of the year. Similar to the DAX, the TecDAX recovered at the beginning of 2012 and closed at 787 points on March 23, 2012.

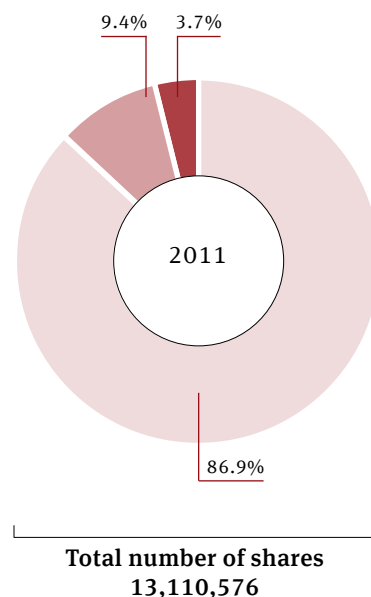
The trend of the Photovoltaic Global 30 index, which models the share price of the 30 leading international companies in the photovoltaic segment, clearly shows the pressure faced by the photovoltaic sector in 2011 due to challenging market conditions and excess capacities in the component market on the one hand as well as the European financial crisis on the other hand. The index opened at 53.91 points at the start of the year and managed to rise to 65.46 points by February 21, 2011. But it later lost ground again rapidly, notwithstanding a temporary recovery as a result of the events in Japan – here the market apparently believed the solar shares would play a major role in the energy turnaround. The index fell more rapidly starting at the end of March, with disproportionate losses in the course of the general price decline. On November 25, the index reached the annual low of just 19.54 points. It remained low until the end of the year. Having lost a good 61% compared to the start of the year, the index closed at 20.94 points on December 30, 2011. Even at the start of 2012, the share performance did not gain in momentum. The Photovoltaic Global 30 Index closed on March 23, 2012 at 21.17 points.

The price of the S.A.G. share closely followed the development of the TecDAX in 2011. After starting the year at an opening price of €4.23, it proved comparatively weak over the coming weeks. The share benefited from the temporary solar share boom in the second half of March following the reactor disaster in Fukushima and the ensuing nuclear debate, closing at its annual high of €4.88 on March 15. Share prices up to €5.43 were recorded in the course of the day. Subsequently the share price proved highly volatile and very susceptible to negative industry and economic news. The share followed the significant downturn of the TecDAX in spite of positive annual and quarterly results. Due to low daily stock market transactions, share price volatility increased significantly in some cases. For example, the share price rose by 70 € cent from December 15 to 16, 2011 but then fell again by 30 € cent within a few days. The share closed at €3 with a loss of nearly 20% on December 30, 2011 (for comparison: TecDAX -19%, Photovoltaic Global 30 -61%). At the start of the year, the share once again faced significant pressure from the ongoing debate regarding the repeated, unplanned reduction of the feed-in tariff in Germany. The share price already fell below €3 on February 13 and presumably triggered stop-loss disposals. This downturn was noticeably accelerated on the following day because of the ad-hoc announcement that S.A.G. Solarstrom AG did not expect to reach the planned EBIT margin of at least €16 million for the 2011 fiscal year. The share price closed at €2.04 on March 23, 2012.

The daily trading volume of the S.A.G. share fell significantly during the second half of 2011. While an average of 17,872 shares were traded per day on the Xetra system in the first quarter, followed by 19,005 shares in the second quarter, the average dropped to 12,287 shares in the third quarter. The daily trading volume fell to just 8,936 shares in the fourth quarter. The share saw its highest trading volumes in March and April, following the reactor disaster in Fukushima. Despite the considerable transparency of the Prime Standard and high visibility of the company due to participation in conferences, road shows and a continuous flow of news, both the share price and trading fell far short of expectations due to the negative macroeconomic and industry-specific environment.

**Fig. 1****Shareholder structure**

- S.A.G. Solarstrom AG
- BBV Beteiligung, Beratung und Verwaltung GmbH
- Freefloat



## A.6 Shares, Bonds and Price Development

### Number of Shares

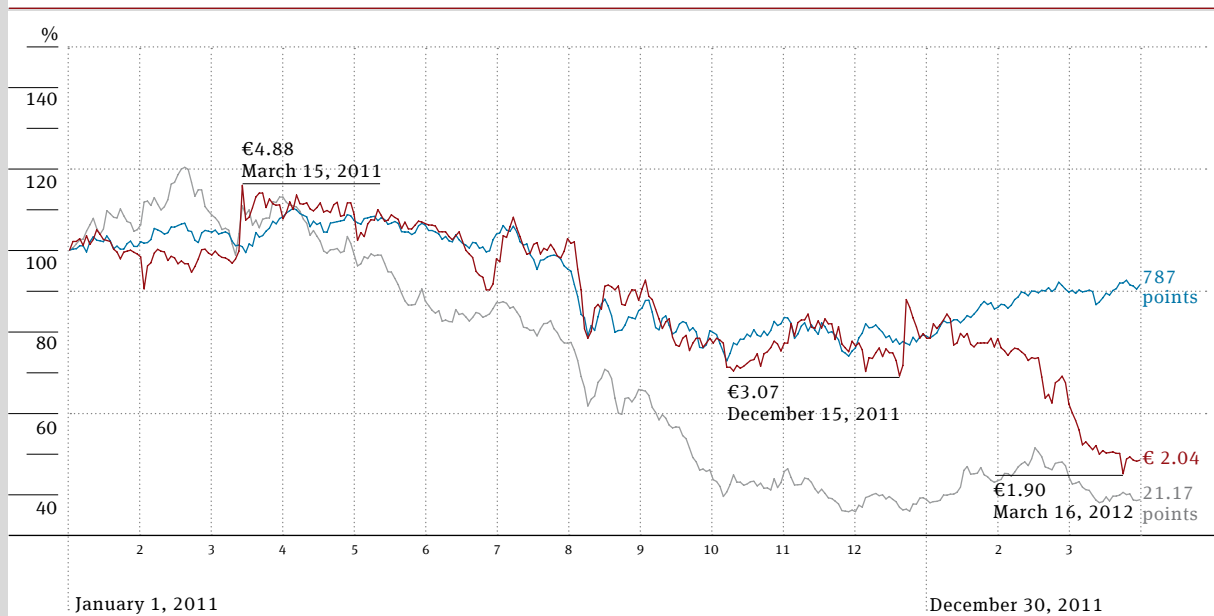
A total of 601,380 new shares were issued to cover conversion rights that were exercised in the course of the special conversion period from April 4 to 15, 2011. 1,950 new shares were issued in the course of the conversion period from June 3 to 17 following the Annual General Meeting. The number of shares increased to 13,110,576 in the course of these two capital increases from conditional capital.

### Dividend Payments for the 2010 Fiscal Year

Following the resolution passed by the Annual General Meeting on May 30, 2011, the dividend for the 2010 fiscal year in the amount of 12.5 € cents per share was distributed to shareholders entitled to dividends on September 15, 2011. Own shares of S.A.G. Solarstrom AG and new shares from conversions in the 2011 fiscal year were not entitled to dividends for the 2010 fiscal year. €1,502,798.50 was therefore distributed for 12,022,388 shares.

Fig. 2

Share Price Performance S.A.G. Solarstrom AG, — S.A.G. Solarstrom AG — TecDAX — Photovoltaik Global 30



### ***S.A.G. Solarstrom AG Bonds in the Entry Standard for Corporate Bonds***

The five-year 6.25% corporate bond (ISIN: DE000A1E84A4) of S.A.G. Solarstrom AG issued in November 2010 with an issue volume of €25 million has been listed in the bond Entry Standard of the German Stock Exchange since April 11, 2011 after it was previously listed in the open market of the German Stock Exchange since December 13, 2010. The bond started the year at 95% and subsequently rose to values of 101% in June 2011. In the course of worldwide price declines starting on August 5, 2011, the share fell significantly with low trading activity and high volatility. This decline accelerated at the beginning of December because of negative market developments. The bond closed at 84% on December 30, 2011 and remained under pressure at the start of 2012. On March 23, 2012 the bond was trading at 74%.

On June 27, 2011 S.A.G. Solarstrom AG announced it was issuing a 7.5% corporate bond to finance further growth, with an issue volume of up to €25 million and a term of six years. With the proceeds from the bond issue, the Group plans to accelerate its profitable growth in the construction of photovoltaic systems in Europe, reduce project financing costs and continue expanding its own power plant portfolio. The subscription period which was extended on July 7 and 29, 2011 closed on January 26, 2012. The corporate bond (ISIN: DE000A1KOK53) has been listed in the corporate bond Entry Standard of the German Stock Exchange since July 11, 2011. A total volume of €16,868,000 was placed. The bond was also unable to escape the effects of stock market turbulences, suffering significant losses at a volatility of up to 10 percentage points for an annual low of 85% on December 28, 2011. It closed at 89.2% on December 30, 2011. The bond remained under pressure in the first few weeks of 2012 as well. It closed at 61.5% on March 23, 2012.

Insofar the price of the two bond issues clearly reflects general market uncertainty, both in the bond market and in the market environment, but not the solid business performance of S.A.G. Solarstrom AG.

# 6,863

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SYSTEMS





Since its founding in 1998, the S.A.G. Solarstrom Group has implemented a total of 6,863 photovoltaic systems across Europe.

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With the 1,000 Roof program, a pilot project that marks the start of a new era was launched in Germany in the autumn of 1990. It marked the birth of solar energy. 1,000,000 solar installations were connected to the German power grid over the next 21 years. Today the domestic photovoltaic market is considered a global example for renewable energy generation. Having emerged from its former niche, it is increasingly assuming a leading role in terms of environmental protection, efficiency and supply security.

The S.A.G. Solarstrom Group is setting quality and sustainability standards in the solar sector as one of the pioneers of this new era. This encompasses its high-quality photovoltaic systems and a variety of services as well as its business activities. With more than 240 employees and sites in seven European countries and the USA, the company with its four business areas of Project Planning and Plant Construction, Partner Sales, Plant Operation and Services as well as Power Production covers the entire lifecycle of photovoltaic systems.



Starting with the consulting and planning phase, each project is managed in the financing and order phases as well as construction and grid connection phases in order to make environmentally-friendly solar energy available to various customers on an independent and profitable basis. Solar energy for private homes, agriculture, companies and investors. Solar installations of all sizes on small homes, large rooftops and undeveloped land. Since its founding in 1998, the S.A.G. Solarstrom Group has implemented a total of 6,863 photovoltaic systems.

After a solar system has been installed, S.A.G. Solarstrom AG is able to provide another core competence: monitoring and service. As a wholly-owned subsidiary of S.A.G. Solarstrom AG, meteocontrol GmbH determines installation ratings and conducts technical due diligence assessments, prepares yield analyses, audits manufacturers and handles the monitoring and technical operation of photovoltaic systems. Including the systems owned by S.A.G., meteocontrol GmbH monitors a total of 25,000 solar installations with an overall output of 4.3 GWp. This corresponds to approximately 7% of the global installed capacity in the photovoltaics market. It makes meteocontrol GmbH the world market leader in the professional monitoring of photovoltaic systems.

With the development of new markets at low risk and the expansion of the international partner network, the S.A.G. Solarstrom Group will reduce its dependency on specific markets with a moderate degree of saturation and simultaneously lay the foundation for the development of business models after feed-in tariffs and legal changes.

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Topics such as quality assurance, service and independence in plant construction and project planning will continue to be the key growth drivers.





SERVICE TECHNICIAN OF S.A.G. SOLARSTROM AG



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POWER PLANTS





Photovoltaic power is a key component of the future energy mix. This is why the S.A.G. Solarstrom Group is investing in its own ecological power plants.

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The S.A.G. Solarstrom Group has solar power plants of all sizes in its portfolio, with different plant configurations and components. Based on the wealth of experience, gained with this portfolio the Group is able to provide insights on the configuration and optimization of potential of photovoltaic systems. On the one hand, this knowledge benefits the S.A.G. engineers and therefore also the S.A.G. customers who consistently receive high-performance systems and, on the other hand, the S.A.G. suppliers with whom S.A.G. Solarstrom AG works over the long term within the scope of system partnerships.

S.A.G. Solarstrom AG and its subsidiaries produce electricity from solar energy in a growing number of the Group's own solar power plants. 88 plants at various sites in Germany, the Czech Republic, Switzerland, Austria, Spain and Italy are currently supplying a total of 26,100 MWh to local power grids. With this output an electric car could cover the distance from the earth to the moon 340 times, a washing machine could wash for 3,000 years at 60 degrees or a laptop could run for 151,000 years. In our case, CO<sub>2</sub> emissions can be reduced by up to 18,000 tons and up to 6,000 households can be supplied with electricity.



Solar electricity has become a viable alternative to conventional energy in the meantime – especially from the perspective of consumers. According to GfK Energy Tracking, around 4.5 million households in Germany switched energy suppliers in the first six months of 2011 alone. Every tenth switch was made based on ecological considerations, in part because of the nuclear disaster in Japan. Almost all energy suppliers now offer a green electricity tariff.

The S.A.G. Solarstrom Group takes this trend into account and continues to invest in expanding its power plant portfolio. The plant portfolio returns very stable and attractive yields as well as offering interesting options over the long term, such as the direct marketing of green electricity.

A 5.1 MWp photovoltaic system in Kamenicna, Czech Republic was added in 2011. It produces around 5,200 MWh of electricity annually and therefore covers the electricity needs of 1,000 four-person households. In Germany the S.A.G. Solarstrom Group expanded its portfolio with a photovoltaic system on the roof of a logistics service provider in Dortmund. With an output of around 919 kWp, it produces approximately 920,000 kWh of electricity annually and supplies around 200 four-person households.

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The thirst for energy and with it the need to replace limited conventional energy sources with renewable energy is growing around the world.





TRANSFORMER SUBSTATION OF THE GROUND-MOUNTED SYSTEM SERENISSIMA, CANARO, ITALY, 48 MWP



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## PILLARS OF SUSTAINABILITY





Even the First Nations people saw the worldly wisdom of sustainability: Before you act, consider the consequences of your actions for the 3<sup>rd</sup> and 5<sup>th</sup> generations after you.

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Socially and ecologically responsible management is no longer the concern of just a few companies today. The topic of corporate social responsibility has found broad acceptance in commerce and industry. From organic, fair trade products to energy-efficient household appliances, fair work conditions to environmental and climate protection – there are many examples of sustainable company activities.

For the S.A.G. Solarstrom Group, social responsibility toward its own employees is a supporting pillar of sustainable business development. This is why the Group employs people of many different nationalities and ages, considering diversity and international cooperation an opportunity and enrichment. The Group also successfully passed the audit for Work/Life Balance by the non-profit Hertie Foundation and obligated itself to implement further family-friendly measures. With the project “More Energy for Children”, the S.A.G. Solarstrom Group also provides international support to the SOS Children’s Village. Since 2008, S.A.G. Solarstrom AG has been donating a photovoltaic system to a chosen SOS Children’s Village site each year. 100% of the resulting energy proceeds benefit this independent, non-governmental organization.



The international suppliers of the S.A.G. Solarstrom Group also assume social responsibility. By signing the “Code of Conduct”, they obligate themselves to observe human rights, fight corruption and ensure occupational and health protection.

The second supporting pillar is defined by the business purpose: ecological responsibility. When you produce green electricity, you also commit to a clean ecological balance sheet. The environmental activities of the S.A.G. Solarstrom Group have been certified according to the DIN EN ISO 14001:2004 standard since September 2009. Among other things, this covers the disposal of solar components at the end of their life in the form of dismantling and recycling, CO<sub>2</sub> emissions and transportation/logistics. In procurement the company emphasizes the energy-efficient supply and delivery of components and coordinates the local assignment of tasks with the support of its partners.

Taking social responsibility requires deliberate and visionary entrepreneurial action and value creation. Diversifying risk, expanding the market position and enhancing profitability constitute the economic backbone and therefore form the third supporting pillar. The goal of the S.A.G. Solarstrom Group is to consistently increase the value of the company. This is why the company with its employees, partners, services and strategic direction is preparing for a time without feed-in tariffs.

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Sustainability continues to gain importance.  
The S.A.G. Solarstrom Group has therefore firmly  
anchored this aspect in its business principles.





GROUND-MOUNTED SYSTEM, RÖLLBACH, GERMANY, 1.04 MWP





GROUND-MOUNTED SYSTEM, SPAICHINGEN, GERMANY, 2.13 MWP

# B.

## MANAGEMENT REPORT.

Notwithstanding unusually challenging overall market conditions for the solar industry in the 2011 fiscal year, the S.A.G. Solarstrom Group managed to increase its sales by 31.2% to €263.7 million and to generate very solid earnings before interest and taxes (EBIT) of €6.2 million.



## B.1 Corporate Profile

### 1. BUSINESS ACTIVITIES

S.A.G. Solarstrom AG is one of the leading manufacturer-independent providers of photovoltaic systems in Europe. The S.A.G. Solarstrom Group plans, installs and supports national and international efficient photovoltaic system of all sizes, together with a network of qualified partners. Within the Group, it renders all manner of services covering the entire life cycle of photovoltaic systems. With a portfolio of own systems, the company also produces solar electricity. The Group has its own companies in France, Italy, Austria, Spain, Switzerland, the Czech Republic and the USA.

Founded in 1998, S.A.G. Solarstrom AG is one of the pioneers in the solar sector and has long-term experience and a comprehensive technical expertise in roof-top systems, in roof-top and facade-integrated systems, and in ground-mounted systems. Since its inception, the Group has installed more than 7,000 systems in Germany and abroad, together with its partners.

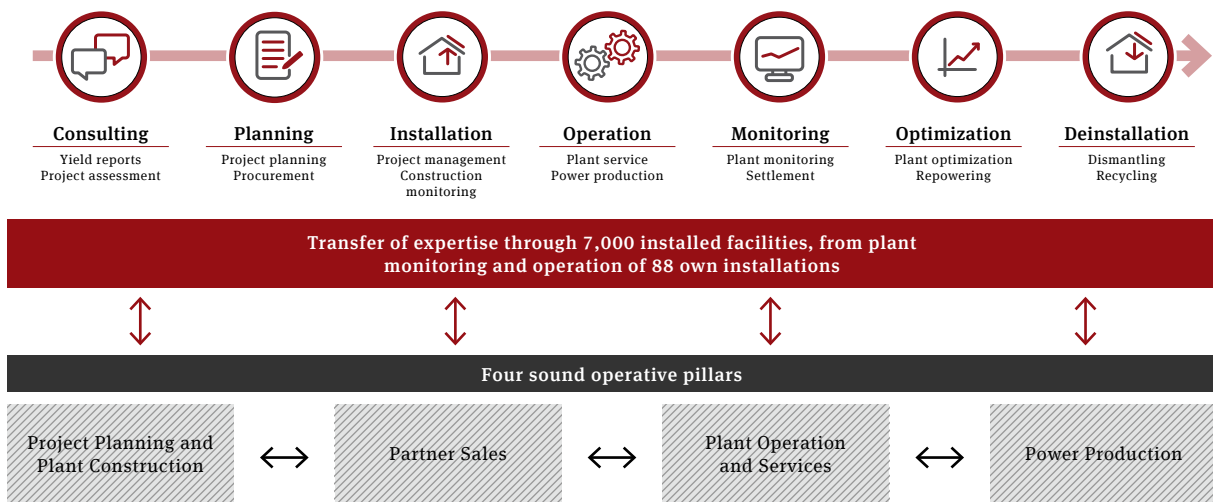
The S.A.G. Solarstrom Group currently operates 88 own photovoltaic power plants in Europe with a total output of 26.1 MWp. Through its subsidiary meteocontrol GmbH, around 25,000 photovoltaic systems with a total output of 4.3 GWp are professionally monitored on a remote basis worldwide. This corresponds to approximately 7% of the total

globally installed power (approximately 10% in Europe) and approximately 14% of the systems above 100 kWp (19% in Europe)\*. meteocontrol GmbH is thus the market leader in professional system monitoring.

The S.A.G. Solarstrom Group's value chain is unique in the photovoltaic sector and covers all services involved in the total life cycle of photovoltaic plants – from the compilation of yield reports, planning, configuration, technical due diligence, installation and monitoring to optimization, repowering and the deconstruction of photovoltaic systems. The competence synergies arising from this value chain enable continuous improvement of the S.A.G. offerings in each phase of the photovoltaic life cycle. The S.A.G. Solarstrom Group thus offers not only turnkey, high-quality photovoltaic systems with a convincing price/performance ratio, but can also make attractive offers with a high level of technical competence and reliability for all individual areas of the solar life cycle. This comprehensive added value is the basis for a solid, long-term and profitable corporate development of the Group.

\* Basis of calculation: Cumulated installed power in Europe (43.090 GWp) and worldwide (60.790 GWp), forecast for December 31, 2011 in policy-driven scenario. In: EPIA (publisher): Global Market Outlook for Photovoltaics Until 2015, May 2011.

Fig. 3  
Value Chain and Business Areas of S.A.G. Solarstrom AG



The S.A.G. Group operates in the four business areas listed below, which also form the basis for the market segment reporting set out in the Notes on the Consolidated Accounts:

**(1) Project Planning and Plant Construction**

**(2) Partner Sales**

**(3) Plant Operation and Services**

**(4) Power Production**

The business area **(1) Project Planning and Plant Construction** comprises project development and project acquisition, as well as Engineering, Procurement and Construction (EPC), i.e. engineering planning, the procurement of components and the construction of high-quality photovoltaic systems of all sizes – from small-scale installations for private house roofs to roof-top installations and building-integrated systems for communal buildings, factories and logistics buildings as well as ground-mounted systems with a total output in the two-digit MWp range.

The business area Project Planning and Plant Construction primarily covers projects that S.A.G. Solarstrom AG supports in the direct marketing business. To ensure cost-effective handling for small-scale photovoltaic projects, small-scale systems outside the Freiburg region are usually planned and installed by S.A.G. partner companies with S.A.G. quality. These sales are included in the business area Partner Sales.

The general independence from manufacturers makes it possible for S.A.G. Solarstrom AG and its partners alike to constantly configure optimum and individual solutions for the respective project. At the same time, the S.A.G. Group maintains systems partnerships with individual suppliers of key components, such as modules and inverters, on the one hand to achieve availability of important components at attractive market prices and to ensure high quality, while on the other hand to contribute to the continuous optimization of components, together with suppliers.

As part of its business activities, S.A.G. Solarstrom AG offers “turnkey” solutions for private and commercial customers with the acquisition or rental of suitable real-estate, project planning and the construction of systems, as well as monitoring and operation activities. As a result, customers benefit from package solutions for sustainable and reliable solar electricity production with plannable yield. In individual cases, S.A.G. Solarstrom AG assembles solar funds from various projects, which are not used as public funds but sold to a few investors.

The business area **(2) Partner Sales** covers the national and international partner activities of S.A.G. Solarstrom AG. In Germany, S.A.G. Solarstrom AG already has an established and resilient partner network, which was expanded from 40 to 85 high-turnover sales partners in 2011. Around 20 of these partners operate in other European countries. In particular, the partner network needs to be further developed abroad.

When selecting partners, the S.A.G. Solarstrom Group focuses on particularly high-performance sales partners, who meet the high quality requirements of S.A.G. Solarstrom AG and thus ensure a high level of customer satisfaction, but who also positively encourage S.A.G. Solarstrom AG’s business development through the close partnership.

The sales partners are supported by S.A.G. Solarstrom AG in consulting, planning and project planning, receive technical support and purchase components via the Central Purchasing department of the Group. Customers thus obtain their solar energy system for their available roof-top or ground area from S.A.G. partners, with the S.A.G. quality standard they have come to expect. S.A.G. Solarstrom AG’s partners benefit both from the Group’s central purchasing as well as from advanced sales and technical trainings and marketing support. In turn, the partners enable a constant level of optimization through their channeled feedback.

## B.1 Corporate Profile

The business area (3) **Plant Operation and Services** covers yield reports, solar energy forecasts, satellite-controlled historic and current solar irradiation data as well as services covering all aspects of plant operation, plant monitoring and plant optimization, and in the long-term, the repowering, dismantling and recycling of plants.

The S.A.G. subsidiary meteocontrol GmbH operates the Internet monitoring portal "saferSun", which currently monitors around 25,000 systems worldwide, with a total output of over 4.3 GWp. The company thus holds a market share of approximately 7% of the installed total power worldwide, with approximately 10% in Europe, and is a market leader in professional system monitoring. meteocontrol GmbH also maintains its own hardware and software production for system monitoring, where the data loggers required for system monitoring are manufactured and configured. In addition, the company offers highly valid irradiation data from satellite measurements. In Europe alone, meteocontrol GmbH has access to more than 700,000 radiation values an hour, both current and historic values over the last 17 years.

Based on the combined data from plant monitoring and satellite data, meteocontrol GmbH also compiles solar electricity forecasts for transmission network providers, which enable the network providers to operate precise load management of electricity from conventional and renewable energy sources. Power production from photovoltaic power can thus be forecast very precisely three days in advance.

A further essential competence of meteocontrol GmbH for the S.A.G. Solarstrom Group is the compilation of yield and valuation reports for renewable energy systems recognized by banks and insurance companies. In addition to the sales it achieves with these reports, this collective experience also offers a basis for the large amount of technical expertise and for the development and optimization work performed on photovoltaic configurations in the entire Group. meteocontrol GmbH draws on over 30 years of experience in the monitoring and assessment of renewable energies. Technically recognized expertise, reliability of the yield forecasts and absolute confidentiality of external system data, even towards the parent company, form the basis of meteocontrol GmbH's strong market position.

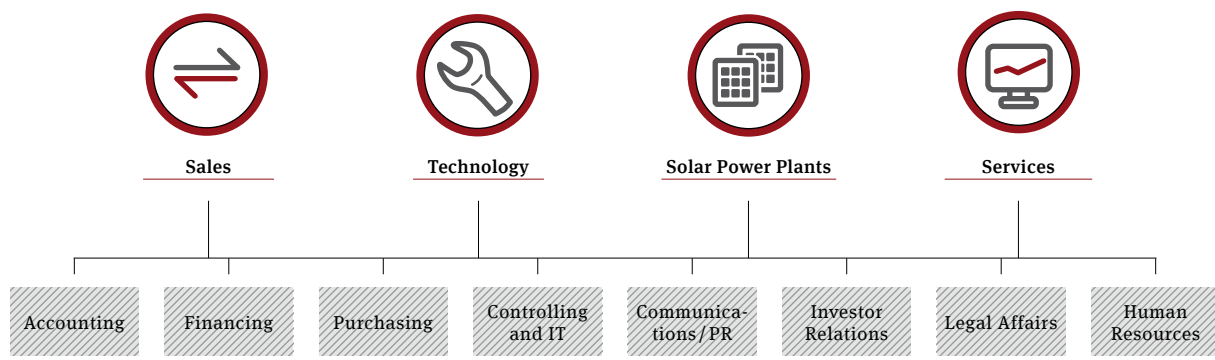
The business area (4) **Power Production**, the original root of S.A.G. Solarstrom AG, comprises 88 photovoltaic systems, either owned by the company itself or through subsidiaries or holding companies in Germany, Switzerland, Austria, the Czech Republic, Spain and Italy, which are held in the long-term portfolio of the Group. This portfolio currently has a total output of 26.1 MWp. In addition to the steady and reliable revenue achievable with the plants, the company has also accumulated a wealth of expertise, particularly through the construction and operation of its own plants. S.A.G. Solarstrom AG holds solar power plants of all sizes with various plant configurations and components, which function as a toolbox for the engineers in the Group. This valuable experience enables the company to gain crucial insights into the configuration and potential optimization of photovoltaic facilities. This competence also enables the S.A.G. Group suppliers to profit during the long-term collaborations in system partnerships.

Thanks to its four strong operative pillars, S.A.G. Solarstrom AG is strongly positioned. The business areas Plant Operation and Services, as well as Power Production, stabilize the revenues, even with a volatile business trend, due to the market environment, in the business areas of Project Planning and Plant Construction, and Partner Sales. Further international expansion also ensures appropriate risk diversification. The range of services provided by the business area Plant Operation and Services, with the two competence centers meteocontrol GmbH and S.A.G. Technik GmbH, not only has a unique selling point in the market, but also offers interesting business opportunities in markets that are saturated in the long-term. The company's own system portfolio also offers reliable cash flows with attractive EBIT margins and furthermore also creates opportunities for the direct marketing of green electricity in the medium term.

## 2. FUNCTIONAL STRUCTURE

S.A.G. Solarstrom AG performs the central tasks in important areas such as Accounting, Financing, Purchasing, Controlling and IT, Corporate Communications/PR and Investor Relations, as well as Legal Affairs and HR, for the entire Group. The operative, centrally managed business is essentially split up into the four functional areas of Sales, Technology, Solar Power Plants and Services. This efficient and lean functional alignment of the Group reduces overhead costs to a minimum and enables the greatest possible commercial planning security and transparency.

**Fig. 4**  
Structure of the S.A.G. Group



The four functional areas in turn manage operative subsidiaries:

### **Sales**

- S.A.G. Solarstrom Vertriebsgesellschaft mbH, Freiburg i. Br., Germany
- TAU Ingenieria Solar S.L., Madrid, Spain
- S.A.G. Solaire France SAS, Toulouse, France
- S.A.G. Solar Italia s.r.l., Milan, Italy
- S.A.G. Solarstrom Czech s.r.o., Prague, Czech Republic

### **Technology**

S.A.G. Technik GmbH, Freiburg i. Br., Germany

### **Solar Power Plants**

- S.A.G. Solarkraftwerke GmbH, Freiburg i. Br., Germany
- S.A.G. Solarstrom AG, Signau, Switzerland
- S.A.G. Solarstrom Handels- und Betriebsgesellschaft mbH, Satteins, Austria
- S.A.G. Solarstrom Beteiligungsgesellschaft mbH, Freiburg i. Br., Germany
- Solarpark Rain GmbH & Co. KG, Freiburg i. Br., Germany
- Solarpark Kamenicna s.r.o., Kamenicna, Czech Republic
- Solarpark Dortmund GmbH & Co. KG, Freiburg i. Br., Germany
- Paymar Avante S.L., Madrid, Spain

### **Services**

- meteocontrol GmbH, Augsburg, Germany
- Meteocontrol Italia s.r.l., Milan, Italy
- Meteocontrol France SAS, Saint Priest, France
- meteocontrol North America Inc., Wilmington, USA

## B.1 Corporate Profile

### 3. EXECUTIVE BOARD AND SUPERVISORY BOARD

In fiscal year 2011, the Executive Board of S.A.G. Solarstrom AG consisted of three persons. As CEO, Dr. Karl Kuhlmann was responsible for the areas Strategy, Technology, HR, Legal Affairs and Services. As members of the Executive Board, Oliver Günther was responsible for Sales and Purchasing and Christoph Koch for the areas Finances and Solar Power Plants.

In February 2012, the Executive Board was extended to five persons and some tasks were then redistributed. The Supervisory Board appointed Karin Schopf, previously Head of Controlling at S.A.G. Solarstrom AG, and Ulrich Kenk, previously Commercial Director at S.A.G. Solarstrom AG, to the Board.

Karin Schopf joined S.A.G. Solarstrom AG in 2009 as Head of Controlling and IT. The bank business management assistant and graduate economist was previously Head of Corporate Controlling at Gütermann AG, where she not only played an important role in setting up the Controlling structures, but was also responsible for operative and strategic planning. In the Executive Board, Karin Schopf will be responsible for the areas of Operations, Controlling, IT and Logistics in particular.

Ulrich Kenk has been working for S.A.G. Solarstrom AG since 2006. He joined the company as Head of Commercial Operations, and was later granted power of procurement and appointed Commercial Director of the Group. The graduate economist came from Ernst & Young, where he held various executive positions, particularly in national and international consulting projects in the areas of Finance and Accounting, Reporting and Risk Management. His areas of activity in the Executive Board are Risk Management and Purchasing, in addition to Financial Accounting.

Oliver Günther's area of activity will remain in Sales, which is now split up into the three areas of Direct Sales, Partner Sales and Service Sales. In addition, he will be responsible for the further internationalization of Sales, so that the company will be able to compensate a foreseeable lower growth in volume in Europe through new markets over the next few years. The services along the photovoltaic value chain also belong to a strategic business area that is now directly assigned to the Executive Board division of Oliver Günther.

In the Executive Board, Christoph Koch is responsible for the departments Financing and Liquidity Management, Legal Affairs, and the entire business area Power Production. Financing is a crucial key subject in the solar industry and is essential for the continued positive development of the Group. The company is providing for this by making an assignment to an Executive Board member and the department is now directly assigned to the Christoph Koch's area of activity. S.A.G. Solarstrom AG's own power plant portfolio, for which Christoph Koch is responsible, offers interesting prospects for S.A.G. Solarstrom AG with the production of green electricity, and is to be further expanded as a result of the strategic significance of this for the Group.

As CEO, Dr. Karl Kuhlmann continues to be responsible for Strategic Corporate Development, Marketing and HR, as well as meteocontrol GmbH and its further international expansion.



The following remuneration regulations were in place for the Executive Board for fiscal year 2011:

The Executive Board's compensation is composed of a fixed element and a performance-related element (profit-sharing bonus) as well as a medium-term and a long-term compensation component. The performance-related profit-sharing bonus is based on the achievement of the planned consolidated EBIT and consolidated sales, while the medium and long-term bonus are bound to the development of the dividend payment and the S.A.G. Solarstrom AG share. In addition, the Executive Board has been provided with company vehicles which are reflected as non-cash benefits under Other Expenses.

In the contract with the three members of the Executive Board, variable compensation elements with medium and long-term incentives as a bonus (medium-term and long-term bonus) have been agreed. Each member of the Executive Board has the same basis of regulation.

The CEO receives a double bonus for his activities. The medium-term bonus takes into account S.A.G. Solarstrom AG's ability to distribute dividends to the shareholders. The Executive Board members each receive €71,250 (CEO €142,500) as a medium-term bonus if the company distributes a dividend in the subsequent year of at least the same amount as in the previous fiscal year. The long-term bonus depends on the increase in corporate value, measured against the average Xetra price of the share during the period July 1, 2011 to July 31, 2016. During this period, the average share price of a S.A.G. Solarstrom AG no-par share must be at least €8 for a reference period of three calendar months, and the share price (closing price) on July 31, 2016 must be at least €7 in order for the bonus to be claimed. The long-term bonus would then be €100,000.

In addition, pension commitments to the Executive Board exist on an individual contract basis. In fiscal year 2011, pension reserves in the amount of €674,000 were set aside for this purpose.

The Supervisory Board also consists of three persons – Dr. Peter W. Heller (Supervisory Board chairman), Dr. Carsten Müller (deputy chairman) and Dr. Markus Haggenev. Ingo Priebisch serves as the Supervisory Board's alternative member. In addition to a fixed basic compensation, the members of the Supervisory Board receive a flat-rate remuneration for meetings, to compensate for loss of earnings during the times of the meetings themselves, preparation and follow-up, as well as travel times. The performance-dependent component of the Supervisory Board's compensation is 0.5% of the approved Group annual net profit after income tax. In accordance with the articles of association, the chairman of the Supervisory Board receives twice the amount of the basic compensation and of the performance-dependent components, but not of the remuneration for meetings, for his activities.

Further details on corporate management in accordance with § 289a Paragraph 1 of the German Commercial Code (HGB) are integrated in this Annual Report in the section A.5 „Corporate Governance Report“ on pages 16 et seq. and on the website [www.solarstromag.com](http://www.solarstromag.com) in the area „Investor Relations“ in the section „Corporate Governance“.

## B.1 Corporate Profile

### 4. INFORMATION ACCORDING TO § 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The number of S.A.G. Solarstrom AG no-par value bearer shares was 13,110,576 at December 31, 2011. Each share has a pro rata portion of the share capital of €2.56, has identical rights and has one vote at the Annual General Meeting.

From the convertible bond issued in 2007, up to 3,071,520 shares can be converted based on the capital increase resolved by the Annual General Meeting on July 20, 2006 and entered in the Commercial Register on September 18, 2006 (Contingent Capital II). These shares have the same securities number and are entitled to dividends in the fiscal year in which they were issued. During the special conversion period from April 4 to 15, 2011, altogether 601,380 new shares were issued to serve exercised conversion privileges. During the conversion period from June 3 to 17, altogether 1,950 new shares were issued. The number of shares increased as a result of these two increases in capital from contingent capital from 12,507,246 to 13,110,576 shares.

The largest single shareholder is the company BBV Beteiligung, Beratung und Verwaltung GmbH, Freiburg im Breisgau, which currently holds 9.4%. Dr. Karl Kuhlmann, CEO of S.A.G. Solarstrom AG, holds 100% of the shares in this company. S.A.G. Solarstrom AG currently holds 3.7% of the shares, stemming from a share buyback program until June 25, 2010. Shares that are held by S.A.G. Solarstrom AG itself are not entitled either to a payment of dividends or a vote at the Annual General Meeting. The company's free float is thus 86.9%.

The company received the following reports in 2011 in terms of § 21 Paragraph 1, Sentence 1 of the German Securities Trading Act (WpHG), according to which a reporting entity had fallen short of exceeded voting rights subject to the reporting obligation.

On May 27, 2011 BBV Beteiligung, Beratung und Verwaltung GmbH, Freiburg im Breisgau, reported that its share of the voting rights in S.A.G. Solarstrom AG, Freiburg im Breisgau, exceeded the 10% threshold on April 18, 2011 and totalled 11.45%, or 1,498,256 voting rights on that day. These voting rights are allocated to Dr. Karl Kuhlmann according to Section 22, Paragraph 1, S. 1, No. 1 of the Securities Trade Act (WpHG).

On May 27, 2011 BBV Beteiligung, Beratung und Verwaltung GmbH, Freiburg im Breisgau, also reported that its share of the voting rights in S.A.G. Solarstrom AG, Freiburg, fell below the 10% threshold on April 19, 2011 and totalled 9.15%, or 1,198,256 voting rights on that day. These voting rights are allocated to Dr. Karl Kuhlmann according to Section 22, Paragraph 1, S. 1, No. 1 of the Securities Trade Act (WpHG).

Taking into account the average presence at the shareholders' meetings of S.A.G. Solarstrom AG as well as the current jurisdiction of the Federal Supreme Court, it is assumed that an interdependency in terms of § 312 of the German Stock Corporation Act (AktG) exists with the BBV. No controlling or profit transfer agreement in favour of the BBV exists.

In the course of the fiscal year, BBV Beteiligung, Beratung und Verwaltung GmbH converted a total of 2,986 convertible bonds into shares of S.A.G. Solarstrom AG. As of December 31, 2011 BBV Beteiligung, Beratung und Verwaltung GmbH therefore held 1,232,806 shares or 9.4% of the share capital.

On December 29, 2011 S.A.G. Solarstrom AG sold its subsidiary Casino Zwei GmbH & Co. KG to the company Zweite BBV Beteiligung, Beratung und Verwaltung GmbH (in the course of incorporation), an affiliated company of BBV Beteiligung, Beratung und Verwaltung GmbH. The Casino Zwei GmbH & Co. KG was founded so that S.A.G. Solarstrom would not have to take over, under a purchase option, portions of a plot in Merzhausen that could probably be used only for residential construction. The plot in Merzhausen is intended for the new construction of the corporate headquarters, but the sale was required because residential construction is not S.A.G. Solarstrom AG's core business. No costs or other disadvantages were incurred for S.A.G. Solarstrom AG for the development of the potential residential construction measure.

In the dependency report in accordance with § 312 of the German Stock Corporation Act (AktG) the Executive Board states to S.A.G. Solarstrom AG that the Zweite BBV Beteiligung, Beratung und Verwaltung GmbH (in the course of incorporation) has acquired Casino Zwei GmbH & Co. KG, defines the suitability, the reasons and the associated advantages and disadvantages of the sale and ultimately determines, in accordance with statutory regulations, "Our company has received an appropriate consideration for the legal transactions specified in the report on relations with associated companies and has not been disadvantaged. This assessment is based on the circumstances that were known to us at the time of the measures subject to reporting. In addition, no legal transactions or measures subject to reporting existed in the fiscal year."

There are no restrictions according to § 315 Paragraph 4 No. 2 of the German Commercial Code (HGB), that affect the voting rights or the transfer of shares, no special control rights according to Paragraph 4 No. 4 of the German Commercial Code (HGB) and there are no particularities for employees of the company in the exercise of voting rights according to Paragraph 4 No. 5 of the German Commercial Code (HGB).

The Executive Board is appointed according to § 7 of the articles of association by the Supervisory Board and according to the legal requirements for the appointment and dismissal of Executive Board members (§§ 84 and 85 of the German Stock Corporation Act (AktG)).

The legal regulations (§§ 133 and 179 et seq. of the German Stock Corporation Act (AktG)) also apply for changes to the articles of association (§§ 133 und 179ff AktG). According to §15 of the articles of association, the Supervisory Board is also entitled to resolve changes to the articles of association that only affect the form.

The Executive Board is entitled to perform a capital increase for outstanding convertible bonds from up to 3,071,520 bearer shares from the conditional capital resolved by the Annual General Meeting in 2006. The Executive Board is also entitled to acquire shares of the company according to the decision by the Annual General Meeting on May 30, 2011. The empowerment is restricted to the acquisition of own shares of a total of up to 10% of the share capital. The empowerment can be exercised as a whole or in partial amounts, on one or more occasions, and for one or more purposes by the company or by third party for its or their account. As the purpose of the acquisition of shares, trade in own shares is excluded. The

shares are acquired through the stock exchange or via a public purchase offer addressed to all shareholders of the company. If the shares are acquired through the stock exchange, the purchase price per share paid by the company (not including any ancillary acquisition expenses) may not be more than 10% higher or lower than the arithmetic mean of the opening price of the share in Xetra trading (or a functional successor system comparable to the Xetra system) at the Frankfurt am Main Stock Exchange on the five trading days before entering into the commitment to acquire own shares. The empowerment is valid until the end of November 29, 2012. The company is empowered to use these shares of the company for all legally permitted purposes.

Furthermore, the Executive Board with the approval of the Supervisory Board is authorized to increase the share capital of the company for a period of five years from the date of registration of this authorised capital in the commercial registry, one time or several times, up to a total amount of €15,000,000 in exchange for cash contributions or contributions in kind by issuing new, no-par bearer shares (authorised capital). The shares can also be transferred to one or more financial institutions with the obligation to offer them to the shareholders for subscription. Subscription rights must be granted to the shareholders. However, the Executive Board with the approval of the Supervisory Board can exclude shareholder subscription rights in some cases, which are specified in more detail in the company's Articles of Association published on the website of S.A.G. Solarstrom AG.

According to § 315 Paragraph 4 No. 8 of the German Commercial Code (HGB), there are no agreements that are subject to change of control provisions as a result of a takeover bid, and no reimbursement agreements according to Paragraph 4 No. 9 of the German Commercial Code (HGB) with the Executive Board or employees in the event of a takeover bid.

## B.2 Research and Development

Research and development work within the S.A.G. Solarstrom Group is mainly performed by S.A.G. Technik GmbH, Freiburg i. Br., and meteocontrol GmbH, Augsburg. S.A.G. Technik GmbH focuses on topics such as fire prevention, yield optimization of photovoltaic systems and the repowering of older systems. meteocontrol GmbH, on the other hand, performs research, based on its extensive data pool of currently 25,000 systems with a total output of 4.3 GWp, on topics such as module efficiency factors and develops hardware and software for the professional monitoring of photovoltaic systems, energy management and controlling own consumption.

Around 47 employees are involved in Research and Development in the S.A.G. Solarstrom Group. The costs for research and development in fiscal year 2011 were €1,117,000 – these are mainly costs for staff and other operating costs. Development costs in the amount of €374,000 were capitalized for the products Local Data Manager, WEB'log Residential and WEB'log Comfort during the reporting period.

In fiscal year 2011, the following projects and products were the focus of research and development activities:

### *Yield Optimization and System Stability*

In the first half of 2011, S.A.G. Technik GmbH put yield-optimized planning for the 48 MWp project in Italy into practice. An ultra-modern transformer substation was designed and constructed specifically for this project, enabling current to be fed in directly to the high-voltage network. In the second half of the year, the focus was on yield optimization of large-scale systems – once again based on the 48 MWp project in Italy. Here, S.A.G. Technik GmbH performed a series of measurements for inverters, filters and cabling together with the Fraunhofer ISE, in order to define possible oscillations that occur in large-scale systems due to a lack of consumption within the power plant and which can lead to shutdowns and thus losses in yield. In addition, S.A.G. Technik GmbH is in close contact with the component manufacturers to optimize products and individualize them for specific solutions.

### *New WEB'LOG COMFORT*

meteocontrol GmbH has introduced new functions to the data logger WEB'log Comfort which was launched on the market in 2010. The compact control unit for photovoltaic systems up to 30 kWp is now equipped with software that combines the monitoring of systems with an intelligent energy management for optimized own consumption control, and which is gaining significant appeal in view of the new feed-in tariff regulations in Germany. The system is not only intended for the new installation of photovoltaic systems, but can also be integrated in existing photovoltaic systems and is compatible with all established inverters.

The WEB'log Comfort can calculate the optimum times for operating energy-intensive domestic appliances up to three days in advance, taking account of the local solar energy forecast, so that these domestic appliances can be controlled using time-based preselection switches such that as high a share of the self-produced solar electricity as possible is used. In addition, connection and visualization of a battery storage system has been developed.

The aim of product development is to provide consumers with improved control options for own consumption so that electricity from photovoltaic power can be used where it is generated.

### ***WEB'log RESIDENTIAL***

In addition, meteocontrol GmbH presented a new data logger for small-scale photovoltaic systems up to 10 kWp at the Intersolar 2011 in Munich. The easy-to-install and user-friendly WEB'log Residential records the electricity yield and issues an acoustic or optical signal if errors occur during the operation of the solar system. Electricity yield can be analyzed via the safer'Sun public portal, which was also launched in 2011 to monitor small-scale systems. The WEB'log Residential takes into account the requirements for network management according to § 12 of the Renewable Energy Act. The network operator can temporarily disconnect the system from the grid via the data logger communication interface or restrict the amount of electricity fed in to the grid if there is a risk of grid overload.

### ***Thermographic Images for Function Analysis***

In the area of Services, meteocontrol GmbH extended its portfolio to include thermographic images via helicopter in 2011, in order to enable exact analysis of the functional status, check effective performance and detect possible defects and safety-relevant deficiencies in large-scale systems. The thermographic images extend meteocontrol GmbH's range of services for external surveys and quality assurance of photovoltaic systems.

### ***Rating for Photovoltaic Systems***

From 2011, meteocontrol GmbH has also offered a rating for photovoltaic systems. In this procedure, photovoltaic systems are assessed according to a very comprehensive catalog of over 450 relevant criteria, including technical planning, component selection and drawing up contracts, contracting companies and quality assurance during operation. The goal is a reliable and comparatively qualitative assessment of photovoltaic projects for investors and banks based on the rating classifications from the financial sector.

### ***Network Stabilization by Power Control Unit***

The EEG (Renewable Energy Act) requires active involvement in network security management from operators of photovoltaic systems which make up an increasing share of the total power production. Firstly, this means that the option of reducing the feed-in power on a remote-controlled basis or completely disconnecting it from the grid must be available. This functionality is already contained in all meteocontrol GmbH data loggers and scheduled for the new products planned in 2012. Secondly, network security management must be able to regulate the reactive power for systems that feed in to the medium-voltage network. meteocontrol GmbH has developed an interface module for the energy providers for this purpose, which can be used to regulate the reactive power at the network connection point according to the network operator's specifications. This enables improved load management in the distribution network and thus serves to stabilize the network. Together with the WEB'log Pro, the PCU performs the new tasks resulting from the medium-voltage guideline. Existing systems can be retrofitted with the PCU.



ROOF-TOP SYSTEM, AGRICULTURAL BUILDING, AMBRIÈRES, FRANCE, 193.2 KWP





### B.3 General Conditions in Fiscal Year 2011

#### 1. ECONOMIC CLIMATE: SLOWDOWN IN DYNAMIC GLOBAL ECONOMIC GROWTH

The global economy once again grew significantly in 2011, but lost increasingly in momentum in the second half of the year. The global gross domestic product (GDP) increased, according to data from the International Monetary Fund (IMF) by 3.8% following 5.2% in the previous year. The growth rates of the national economies in the emerging markets continued to be considerably higher than those of the industrial nations. However, the more restrictive fiscal and especially monetary policies that were implemented due to the risk of overheating, particularly in China, dampened dynamic growth. The economic growth of the export-oriented European industrial nations was also indirectly affected by this.

The sovereign debt crisis in the Eurozone, which became increasingly acute during the course of 2011, caused turbulence in the capital markets and triggered a crisis of confidence among companies and consumers. Due to the budget consolidation measures taken by the governments, there was an increasing lack of stimulus in the Eurozone, so that the economies in 2011 only grew by 1.6% according to the IMF and thus weaker than in the previous year, at 1.9%.

It is estimated that the French economy grew by 1.6% in 2011, according to the forecast of the International Monetary Fund and thus slightly higher than the previous year. In 2010, GDP grew by 1.4%. However, growth dynamics considerably decreased, due in particular to the decline in private consumption and the government's swing towards a path of consolidation in public finances over the course of the year.

The financial markets' loss of confidence in Italy's financial stability, which became apparent in spring, forced the Italian government to heavily intensify its consolidation program. Public demand, which stimulates economic activity, thus also declined. Economic performance only grew by 0.4% following 1.5% in the previous year. The Spanish economy recovered in 2011 from the recession more slowly than the Eurozone altogether. The very high government purchases in advance of regional elections in May only triggered a short-lived increase in growth; the subsequent necessary consolidation policy, in contrast, once again dampened growth. According to the IMF's estimates, the gross domestic product did, however, increase slightly by 0.7%. A decline of -0.1% was recorded in the previous year.

Although the Euro crisis slowed down the growth of the GDP in Germany in the second half of the year, the Germany economy continued to recover – driven particularly by the high level of private consumer demand – and recorded an increase in GDP of 3.0% (previous year: +3.7%) according to the IMF. The Deutsche Bundesbank assumes, however, that the economic growth in the last quarter of 2011 might even have come to a standstill. The declining international dynamic economic growth, in particular, and the irritations caused by the sovereign debt crisis in the Eurozone slowed down German industry. Private consumption, in contrast, increased to the level of five years ago, particularly due to the positive development in the labor market.



## 2. INDUSTRY CLIMATE: PHOTOVOLTAIC MARKET UNDER PRESSURE DESPITE HIGH LEVEL OF NEW INSTALLATION

The global market for photovoltaics once again grew strongly in 2011, according to the European Photovoltaic Industry Association (EPIA), at a rate of 70%. 27.7 GWp of new power was installed in 2011 – 16.6 GWp in the previous year. Italy and Germany alone, with 9 GWp and 7.5 GWp of new installation respectively in 2011, were responsible for 60% of the new installation and were thus the strongest markets worldwide. However, even in the countries China, the USA, France and Japan, over 1 GWp of new power was installed. The global total capacity thus grew to 67.4 GWp, of which almost 50 GWp was installed in Europe.

In Germany, the photovoltaic market started 2011 very restrainedly. In the first half of 2011, the market remained far behind expectations. The cut by 15% of the feed-in tariff was not brought forward to mid-year as new installation was much lower at the beginning of the year than expected. The anticipated positive effects of the energy turnaround in the German sales market after the nuclear disaster in Fukushima, Japan, thus did not materialize. The market revived in the third quarter due to the further significant decline in component prices, but the effects of the very weak German market in the first half of the year were perceptible. Profit warnings from component manufacturers and project planners, reduced working hours and the first insolvencies made news in the sector even outside of Germany. An exceptional year-end rally took place in the last two months of the year. This was due firstly to the ensuing discussion in November regarding the slight increase in the green electricity levy and secondly the scheduled cuts of 15% in the feed-in tariff from January 2012. Altogether in the fourth quarter, 4.15 GWp of new power was installed, according to the Federal Network Agency, 3 GWp alone of which was in December 2011.

The considerable reduction in the feed-in tariff in France on March 10, 2011 and the limitation of new installation approvals to a maximum of 500 MWp per year were barely perceptible in the figures of the newly installed systems in 2011. According to the EPIA, France installed an additional 1.5 GWp of capacity in 2011 – new installations thus doubled in comparison with the previous year (2010: 719 MWp). Many of the systems were already constructed in 2010 with “old” approvals and thus fulfilling the requirement for higher feed-in tariffs, but only connected to grid in 2011. EPIA estimates that only around 10% of the systems connected in 2011 were actually constructed in 2011. In contrast with many other European countries, the time of the approval and not the time of the connection to grid is decisive for the amount of the feed-in tariff.

With the Conto Energia IV approved in May, the Italian government heralded a very considerable cutback in the feed-in tariff. Monthly cuts were made from June, 2011. In addition, a register for photovoltaic systems larger than 1 MWp was introduced from August 2011, with an annual upper limit for the solar subsidy. In September, the Italian energy authority GSE reported new installation in 2011 of 6.5 GWp. According to information from the EPIA, this reached 9 GWp of newly installed power by the end of the year, which tripled the new installation figure of 2010 at 2.3 GWp. With 9 GWp, Italy advanced to become the power house of the global solar market in 2011. Systems between 200 kWp and 1 MWp in size had the largest market share.

### B.3 General Conditions in Fiscal Year 2011

China, with 2 GWp and the USA with 1.6 GWp of new installation in 2011 are also two of the five strongest photovoltaic markets worldwide, together with France at 1.5 GWp, according to the EPIA. In the USA, the current sponsorship program (Federal Cash Grant), under which photovoltaic investors were paid up to 30% of the investment total at the start of construction instead of a tax credit over several years after completion, led to pull-forward effects. In the fourth quarter alone, 0.93 GWp was installed, 59% of which as ground-mounted systems, particularly in the states of New Jersey, California and Arizona, according to the US market research institute Solarbuzz. The state of Ontario recorded the highest number of new installations in Canada.

The solar markets Spain and the Czech Republic, in contrast, remained extremely weak. In Spain, the weak market situation was due to the high administrative obstacles, the general financial situation and the restriction of maximum electricity amount that photovoltaic systems were allowed to feed in. Nevertheless, around 400 MWp of new power was installed, and Spain made it to 10th place on the photovoltaic market worldwide. In the Czech Republic, the solar tax of 26% introduced at the start of 2011 and the cancellation of the sponsorship for ground-mounted systems had a negative impact on income from photovoltaic systems. The market completely collapsed, so that in 2011 only 10 MWp of new power was installed nationwide.

The comparatively weak market in the first half-year led to a high production excesses at module manufacturers. Over the past few years, high levels of production capacity have been set up, particularly in Asia. Full warehouses and few sales opportunities thus led to an enormous decline in prices for modules over the course of the year. Crystalline modules from Germany that cost €1.71 per Wp in January 2011 according to the online trading platform pvXchange, could be had in December 2011 for €1.12 per Wp – a decline of over 34%. The price slide for Asian modules was even greater. At the start of the year, crystalline modules from China cost on average €1.47 per Wp. In December, the price dropped to €0.81 per Wp, corresponding to a decline in price of almost 45%.

According to the German Solar Industry Association, the system prices for photovoltaic systems up to 100 kWp in Germany dropped in a similar manner to the considerable decline in module prices from, on average, €2,546 per kWp in the first quarter of 2011 to €2,082 per kWp in the fourth quarter. The system price was thus a good 18% under the price at the start of the year.

## B.4 Key Events in Fiscal Year 2011

On February 8, 2011, S.A.G. Solarstrom AG reported that it was scheduled to receive liquid funds in the amount of €41 million from the sale of photovoltaic systems in two Italian project companies in the first quarter. The photovoltaic systems contained in the project companies had been completed at the end of 2010 and sold pursuant to a contract signed on December 2, 2010.

On February 18, 2011 S.A.G. Solarstrom AG reported the conclusion of a contract with the vertically integrated module procedure Canadian Solar for the purchase of polycrystalline modules in 2011 with a total output of 60 MWp. S.A.G. Solarstrom AG thus broadened its supplier basis for high-quality modules and extended its system partnerships with leading component suppliers. The modules were intended for projects planned in Germany and Italy and were purchased at standard market conditions at the respective delivery date.

On March 31, 2011 S.A.G. Solarstrom AG announced a special conversion period of the convertible bond issued in 2007 for the 6.25% convertible bond 2007/2010/2012. S.A.G. Solarstrom AG's Executive and Supervisory Boards had decided to concede the holders of the convertible bond a special conversion period from April 4, 2011 to April 15, 2011 (inclusive).

On April 7, 2011 S.A.G. Solarstrom AG reported the intended sale and on the same day private placement of 250,000 own shares to an institutional investor. On April 13, the company also reported the intended sale and on the same day private placement of 400,000 own shares to institutional investors. The shares were sold at a price that did not significantly fall below the share price of shares of the company with the same terms at the point of sale (§ 186 Paragraph 3 S. 4 of the German Stock Corporation Act (AktG)). S.A.G. Solarstrom AG received €2,897,000 from the sale of own shares.

On April 18, 2011 S.A.G. Solarstrom AG reported the conclusion of its special conversion period for the 6.25% convertible bond issued in 2007. The conversion privilege has been exercised for 3,084 partial debentures in the nominal amount of €500 each. 601,380 new shares have been issued from contingent capital via a capital increase in this regard. During the regular 2011 conversion period, a further 1,950 shares were issued from contingent capital pursuant to the exercise of conversion privileges.

On April 29, 2011, S.A.G. Solarstrom AG reported the connection to grid of 12 MWp of the 48 MWp project in the region of Venice, Italy. For this 12 MWp, S.A.G. Solarstrom AG receives a feed-in tariff in the amount of 29.7 € cent per kWh. The Group also reported that this fulfills an important prerequisite for the sale of the entire project at a fair market price, in a three-digit million range and that the sale is thus immanent.

On May 2, 2011 S.A.G. Solarstrom AG reported an extension to its own power plant portfolio with the 5.1 MWp system connected to grid in 2010 in Kamenicna, Czech Republic, retroactively to January 1, 2011. The total investment volume was around €22.4 million. S.A.G. Solarstrom AG receives 12.4 Czech Crowns for each fed-in kWh from its project company (equivalent to €0.4821, status December 31, 2011), so that the funded system presents an interesting extension to the portfolio, despite the Czech solar tax of 26%.

## B.4 Key Events in Fiscal Year 2011

On May 30, 2011 S.A.G. Solarstrom AG's Annual General Meeting consented to a dividend of 12.5 € cent per share, which was paid out on September 15, 2011. Altogether, €1,503,000 was paid out for 12,022,388 shares entitled to dividends.

On June 24, 2011 S.A.G. Solarstrom AG announced the issue of a further corporate bond to finance the dynamic growth of the company. The bond is furnished with a term of six years and an interest rate of 7.5% p.a. The emission volume is up to €25 million. On July 7, 2011 and on July 29, 2011 S.A.G. Solarstrom AG reported the extension of the subscription period of the corporate bond. Termination of the subscription period will be announced by the company in an ad hoc notification. Of the planned emission volume, around €17 million was placed by December 31, 2011.

On June 30, 2011 S.A.G. Solarstrom AG reported on the conclusion of a delivery contract with Trina Solar (Germany) GmbH, for the delivery of 36 MWp polycrystalline modules), which are to be used for the 48 MWp project in Northern Italy. Likewise on June 30, 2011 S.A.G. Solarstrom AG reported on the Deutsche Bank Group's consent to provide a project bridging loan in the amount of €80 million for the 48 MWp photovoltaic project in Northern Italy.

On September 1, 2011 S.A.G. Solarstrom AG reported the scheduled completion and connection to grid of the 48 MWp Serenissima project in Northern Italy on August 31, 2011. An average feed-in tariff of 25.6 € cents could thus be ensured for the entire system. The system, which feeds directly into the high-voltage network via its own transformer substation, will produce over 64 million kWh of electricity per year, with which it will supply more than 14,000 households. The project is the largest in the corporate history of S.A.G. Solarstrom AG to date.

On December 31, 2011 S.A.G. Solarstrom AG signed the contract of sale for the 48 MWp photovoltaic project in Northern Italy. In the negotiations, a European financial investor won out against other prospective buyers and purchased the attractive project. The final handling and payment of the purchase took place in Q1 of 2012.

## B.5 Profit, Financial and Assets Situation

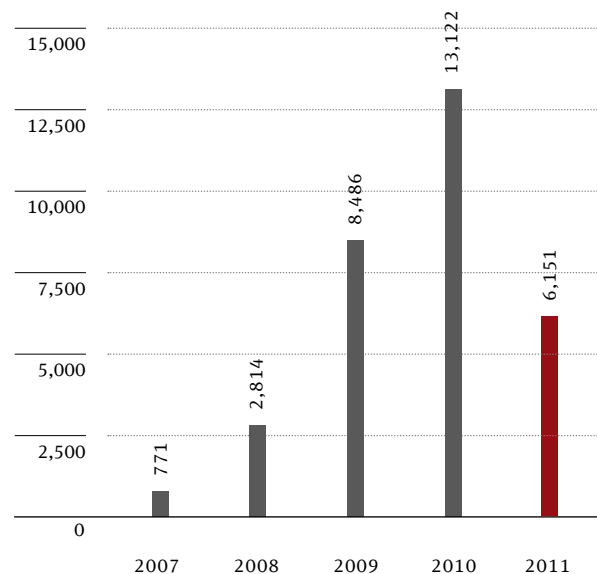
### 1. PROFIT SITUATION

#### *Development of Results and Sales Within the Group*

Despite the extraordinarily different market conditions for the solar industry in fiscal year 2011, which was characterized both by major declines in both prices of components and complete systems, the S.A.G. Solarstrom Group succeeded in achieving a very solid result before interest and taxes (EBIT) at €6,151,000 (previous year: €13,122,000). S.A.G. Solarstrom AG thus succeeded, even under the market conditions prevailing in fiscal year 2011, in achieving a positive EBIT, even though the €16 to €18 million originally announced at the start of 2011 could not be achieved as a result of the difficult market environment.

Particularly in the fourth quarter, the high level of competitive pressure led to a significant decline in margins from the sale of projects both in direct sales in the business area Project Planning and Plant Construction as well as at an even higher level in Partner Sales, so that the EBIT declined by 53.1% to €6,151,000 (previous year: €13,122,000), despite strict cost management. The business area Partner Sales did not achieve the breakeven point, as a result of the difficult market conditions in Germany in the fourth quarter, and had to absorb a considerable drop in earnings at -€2,025,000 (previous year: €3,311,000). The significant drop in the sales share of the business area, which halved to 15.3% (previous year: 29.3%), was able to limit the impact of the negative EBIT of this business area on the Group EBIT, however the result of the business area Partner Sales was still a considerable influencing factor on the Group EBIT margin, which dropped from 6.5% in fiscal year 2010 to 2.3%.

Fig. 5  
EBIT Trend 2007 – 2011 in thous. €



The business area Project Planning and Plant Construction had the largest share of the Group EBIT of 77.7%, with an EBIT contribution of €4,777,000 (previous year: €6,658,000) which was gratifying in view of the turbulent market. However, a solid EBIT from the business area Plant Operation and Services, at €2,123,000 (previous year: €2,470,000) and an EBIT that increased by 86.8% from the area Power Production, at €1,276,000 (previous year: €683,000) due to the extension of the Group's own power plant park contributed to the positive result. In particular, the business areas Power Production with an EBIT margin of 18.2% and Plant Operation and Services at 14.2% had a stabilizing effect on the Group EBIT margin.

## B.5 Profit, Financial and Assets Situation

The European debt and financial crisis, however, increased the financing costs of the large-scale project in Northern Italy and also caused high additional one-time costs to safeguard possible interest rate and legal risks that would not have occurred in a positive market environment, in S.A.G. Solarstrom AG's opinion. In conjunction with the large-scale project, project-specific taxes were also taken into consideration. Under the Italian budget consolidation, the Italian government set in motion new tax legislation in 2011. These effects caused the Group annual result to suffer disproportionately, and it dropped from €6,257,000 in fiscal year 2010 to -€3,540,000. Nevertheless, S.A.G. Solarstrom AG as one of the few companies in the industry succeeded in achieving a positive EBIT in the operative business.

At €263,721,000 (previous year: €201,032,000), sales achieved the target corridor forecast at €260 to €280 million, even though more projects needed to be implemented than originally planned at the start of 2011 due to the drop in system prices over the course of the year. In this planning, a moderate price decline had already been taken into account. The area Project Planning and Plant Construction had a significant share in the gratifying increase in sales of the S.A.G. Solarstrom Group by 31.2% with the 48 MWp project in Northern Italy. However, projects in Germany and France contributed to a significant increase in sales by 62.7% (previous year: 14.5%) of this business area.

The share of sales achieved abroad rose significantly to 73,1% (previous year: 51.5%) and indicates the successful international expansion that played a significant role in the fact that the S.A.G. Solarstrom Group was able to compensate very well for the difficult year in Germany, in contrast to many competitors. Sales in the German domestic market declined to €71,033,000 (previous year: €97,515,000). The essential reason for this was the considerable decline in sales of the business area Partner Sales, which still achieves most of its sales in Germany.

**Fig. 6**  
Sales Trend in the Group in thous. €

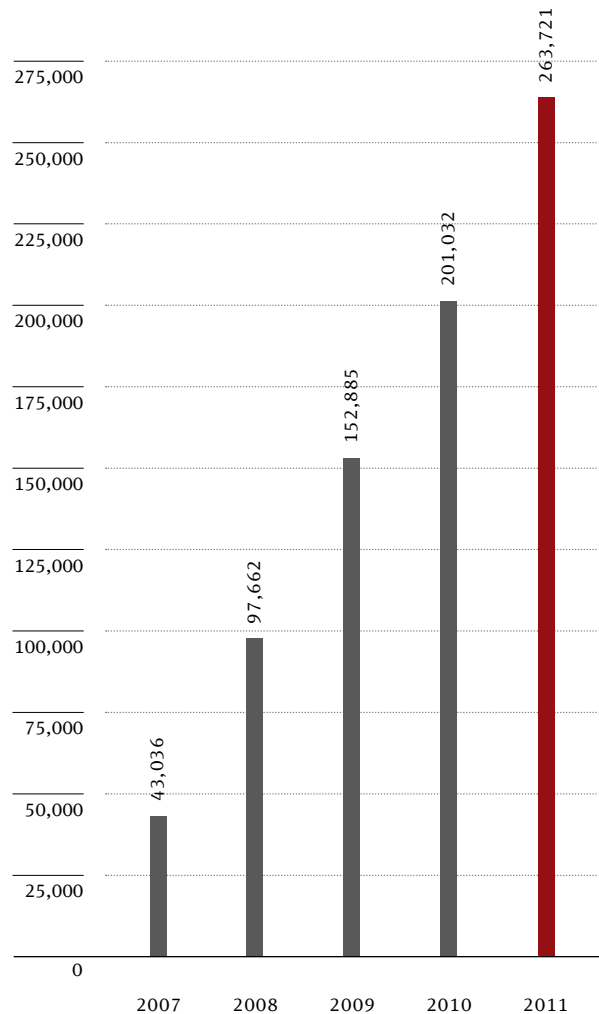
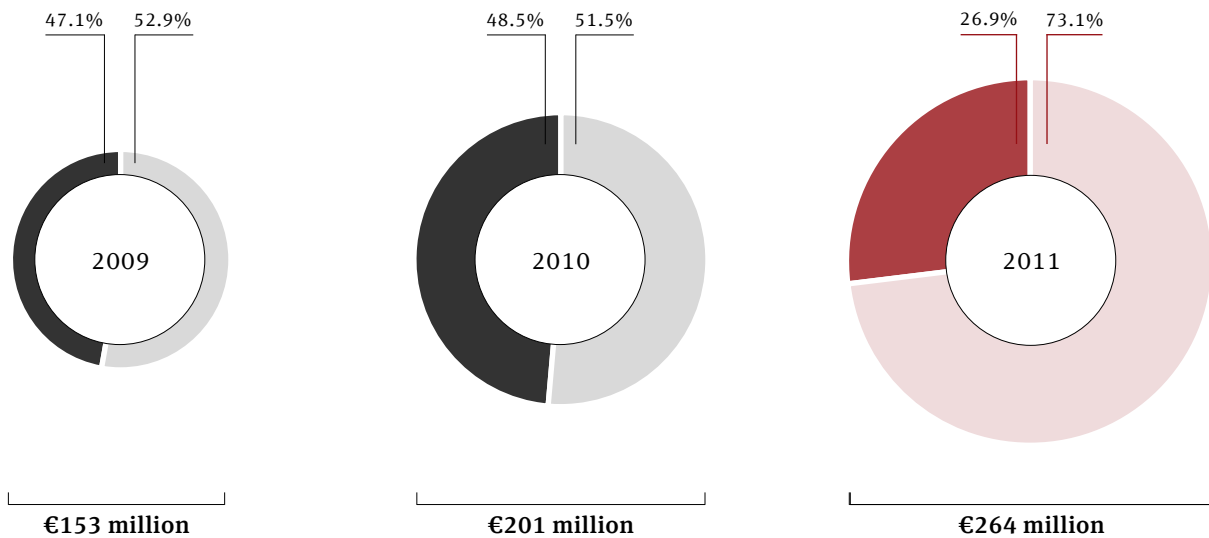


Fig. 7

Domestic and Foreign Consolidated Sales in %

■ Germany □ Abroad



The share in sales of the business area thus rose to 76.4% (previous year: 61.6%). While sales in the business area Plant Operation and Services at €14,906,000 (previous year: €15,313,000) remained comparatively stable despite the considerably weaker market up to the third quarter, sales in the business area Partner Sales dropped, due in particular to the difficult market environment in Germany by 31.6% to €40,285,000 (previous year: €58,858,000). The area Power Production was essentially able to more than double sales from €3,012,000 in fiscal year 2010 to €7,030,000 in fiscal year 2011, due to the extension of the Group's system portfolio by the 5.1 MWp system in Kamenicna, Czech Republic. Due to the considerably stronger growth in the business area Project Planning and Plant Construction, the share of sales in the business area Power Production only increased slightly to 2.7% (previous year: 1.5%). The share of sales of the business area Plant Operation and Services dropped due to the same reason, despite stable sales to 5.6% (previous year: 7.6%).

The Other Operating Income rose in comparison with the previous year by 43.5% to €3,933,000 (previous year: €2,740,000). This essentially includes income from the dissolution of provisions for warranties and legal disputes. Here, possible claims on warranty obligations were considerably reduced, and legal disputes were settled successfully. In addition, it also includes revenue from exchange differences and dissolution of value adjustments.

## B.5 Profit, Financial and Assets Situation

The inventory of work in progress declined, principally due to the completion of the 48 MWp project in Italy, as well as other projects, by €48,206,000 at the end of the year (previous year: €51,975,000). Several projects were completed as scheduled by the balance sheet date.

Material expenditure dropped by 11.1% to €180,357,000 (previous year: €202,765,000). The key factor here was that some components had already been allocated for the large-scale project in Italy, but sales from the large-scale project were only realized in 2011. The material expenditure quota, in relation to overall performance, thus remained comparatively stable in 2011 at 83.6% (previous year: 80.1%).

To drive expansion forward, the S.A.G. Solarstrom Group continued to hire staff in 2011. The average number of employees increased by 42.1% from 159 employees in fiscal year 2010 to 226 employees in fiscal year 2011. Personal expenditure increased accordingly by 45.1% from €10,775,000 in 2010 to €15,633,000 in the reporting period. The personnel expenditure quota, in relation to sales, rose slightly from 5.4% to 5.9%, in relation to overall performance it rose a bit more due to the considerable buildup of the workforce from 4.3% in fiscal year 2010 to 7.2% in the reporting period.

Depreciations increased along similar lines to the expanded business and investment activities from €2,206,000 in 2010 to €2,961,000 in the reporting period. €2,122,000 of this alone (previous year: €1,605,000) is attributable to scheduled depreciation on the Group's own system portfolio, which was extended by the solar park Kamenicna s.r.o., in the Czech Republic, by 5.1 MWp in 2011. Here, depreciation increased accordingly. Added to this is the scheduled depreciation of office furniture and equipment, as well as depreciation on intangible assets.

The Other Operating Expenditure dropped from €26,879,000 in 2010 to €15,506,000 in the reporting period. However, in the previous year this included value adjustments on the receivables entered in the balance sheet on December 31, 2009 from construction contracts in the amount of €13,753,000, which were capitalized in a POC assessment and which accompanied a change of investors for two Italian project companies. Taking into consideration these special effects, the Other Operating Expenditure only increased at a disproportionately low rate at 18.1%, while sales increased by 31.2%. The Other Operating Expenditure essentially includes consulting and auditing costs, particularly legal consultation in conjunction with local regulatory issues, insurance costs, advertising costs, travel costs and costs for other personnel contributions, such as further training.

**Fig. 8**  
Statement of Comprehensive Income

IN THOUS. €	2011	2010	2009
Sales revenue	263,721	201,032	152,885
Share of profit from joint venture companies	861	0	0
Inventory changes of work in progress	-48,206	51,975	1,383
Own work capitalized	299	0	0
Other operating income	3,933	2,740	2,269
Cost of materials	-180,357	-202,765	-128,685
Wage costs	-15,633	-10,775	-8,137
Depreciation	-2,961	-2,206	-1,489
Other operating expenses	-15,506	-26,879	-9,740
<b>Operating result (EBIT)</b>	<b>6,151</b>	<b>13,122</b>	<b>8,486</b>
Financial result	-8,428	-3,096	-644
<b>Earnings before tax (EBT)</b>	<b>-2,277</b>	<b>10,026</b>	<b>7,842</b>
Income tax expenditure	-1,263	-3,769	-109
<b>Group annual result</b>	<b>-3,540</b>	<b>6,257</b>	<b>7,733</b>



The financial result was -€8,428,000 in fiscal year 2011 (previous year: -€3,096,000) and primarily reflects the considerable increase in the utilization of debt financing for corporate growth and project financing as well as the intensification of the general financial situation on the financial markets. Funding, particularly in Southern Europe, has become considerably more expensive due to risk premiums. Funding expenditure almost doubled from €4,831,000 in 2010 to €9,088,000 in the reporting period, while the financial revenue dropped from €1,638,000 in 2010 to €500,000 in 2011. S.A.G. Solarstrom AG has disclosed the share of profit and loss from joint venture companies in the EBIT since Q3 of 2011, as these are joint venture companies whose business activities and strategic alignment is closely connected with the S.A.G. Solarstrom Group. S.A.G. Intersolaire SAS in France is an example of this, a joint venture company implementing photovoltaic systems in France. Fiscal year 2010 was not adjusted according to IFRS due to materiality considerations. While a loss of -€159,000 from joint venture companies occurred in fiscal year 2010, and was disclosed in the financial result, the joint venture companies achieved a profit of €861,000 in fiscal year 2011, which has now been disclosed accordingly in the EBIT.

**Fig. 9**  
Share of EBIT in % by Business Area

	2011	2010	2009
<b>Operating result (EBIT) in thous. €</b>	<b>6,151</b>	<b>13,122</b>	<b>8,486</b>
thereof in %			
Project Planning and Plant Construction	77.7%	50.8%	57.4%
Partner Sales	-32.9%	25.2%	8.0%
Plant Operation and Services	34.5%	18.8%	14.3%
Power Production	20.7%	5.2%	20.3%

The result before tax (EBT) dropped due to the very high debt from the financial result to -€2,277,000 (previous year: €10,026,000). Despite a considerably lower tax expenditure of €1,263,000 (previous year: €3,769,000), the Group annual result dropped from €6,257,000 in 2010 to -€3,540,000.

The relatively high tax expenditure, in view of the negative result, is mainly due to the taxation of positive individual financial statements from foreign subsidiaries, as well as non-deductible operating expenses which were accrued during

the sale of the 48 MWp project. The resulting negative tax quota in fiscal year 2011 can thus not be compared with the previous year's quota of 37.6%.

Due to a substantially lower average exchange rate between the Euro and the Swiss Franc, as well as with the Czech Crown and the US Dollar, the currency conversion differences were -€761,000 (previous year: €286,000).



GROUND-MOUNTED SYSTEM, KAMENICNA, CZECH REPUBLIC, 5.1 MWP





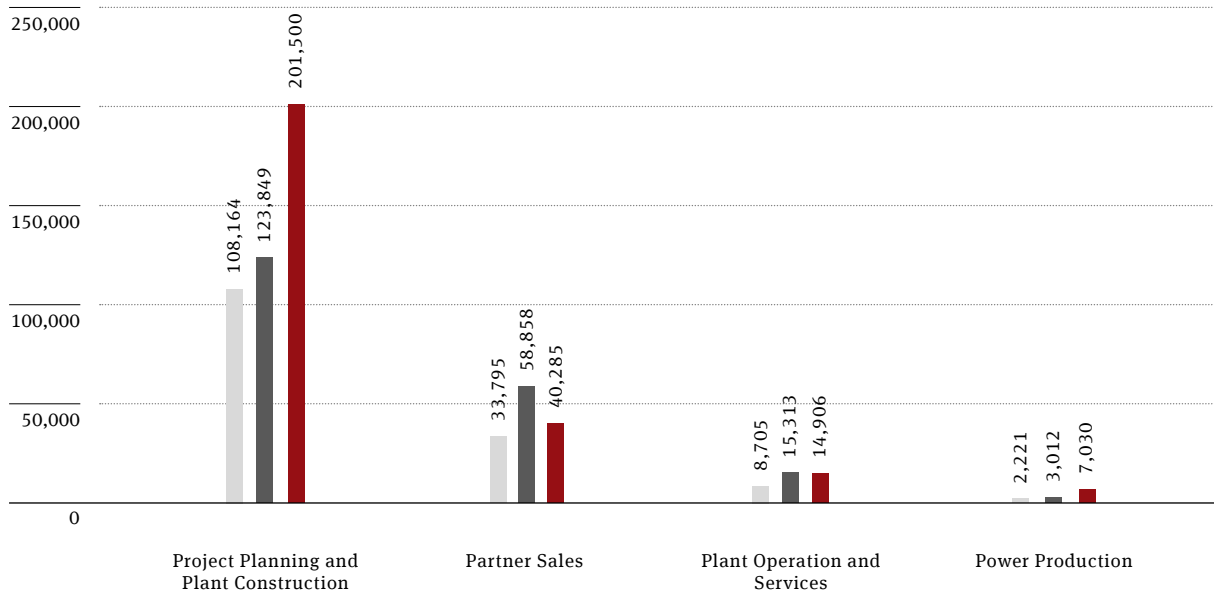
## B.5 Profit, Financial and Assets Situation

In addition, a hedging evaluation had a negative impact on the consolidated Group result, which dropped from €6,543,000 in fiscal year 2010 to -€5,506,000 in fiscal year 2011. To safeguard a combined risk of a change in interest rate and foreign currency, S.A.G. Solarstrom concluded a cross-currency interest swap. This was triggered by the credit financing of the Solarpark Kamenicna in Czech Crowns. The loan in the amount of €14,600,000 has a validity period up to 2025. At December 31, 2011 the swap had a valuation

difference in the amount of -€1,205,000, taking into account the exchange rate on the key date and the market value.

The undiluted result per share dropped in the reporting period accordingly to -€0.29 per share, following €0.55 per share in the previous year. The diluted result per share, which takes into account the outstanding convertible bond of S.A.G. Solarstrom AG, dropped in 2011 to -€0.21 compared with €0.45 per share in the previous year.

**Fig. 10**  
Sales by Business Areas in thous. € □ 2009 ■ 2010 ■ 2011



### *Project Planning and Plant Construction*

The largest business area of the S.A.G. Group increased its sales by 62.7% to €201,500,000 (previous year: €123,849,000) in fiscal year 2011. EBIT however declined by 28.3% to €4,777,000 (previous year: €6,658,000). The S.A.G. Solarstrom Group's direct business thus achieved around 76.4% of Group sales and 77.7% of the Group EBIT in fiscal year 2011. 64 MWp were installed in 2011 in this business area.

The 48 MWp project Serenissima in Northern Italy, which was completely connected to grid at the end of August 2011, played a major role in this development. On December 31, 2011 it was sold to the European financial investor BNP Paribas Clean Energy Partners.

Due to the new regulations for the feed-in tariff in Italy with the Conto Energia IV, completion of the project was considerably accelerated, so that an average feed-in tariff of 25.6 € cents could be secured for the overall project. The S.A.G. Solarstrom Group had originally planned completion by the end of 2011. Construction of the system with a dedicated, ultra-modern transformer substation for direct feed-in of the photovoltaic current to the high-voltage network has definitely become one of the lighthouse projects in the 14-year history of the Group. Measurement data from the previous months has also documented excellent performance of the system.

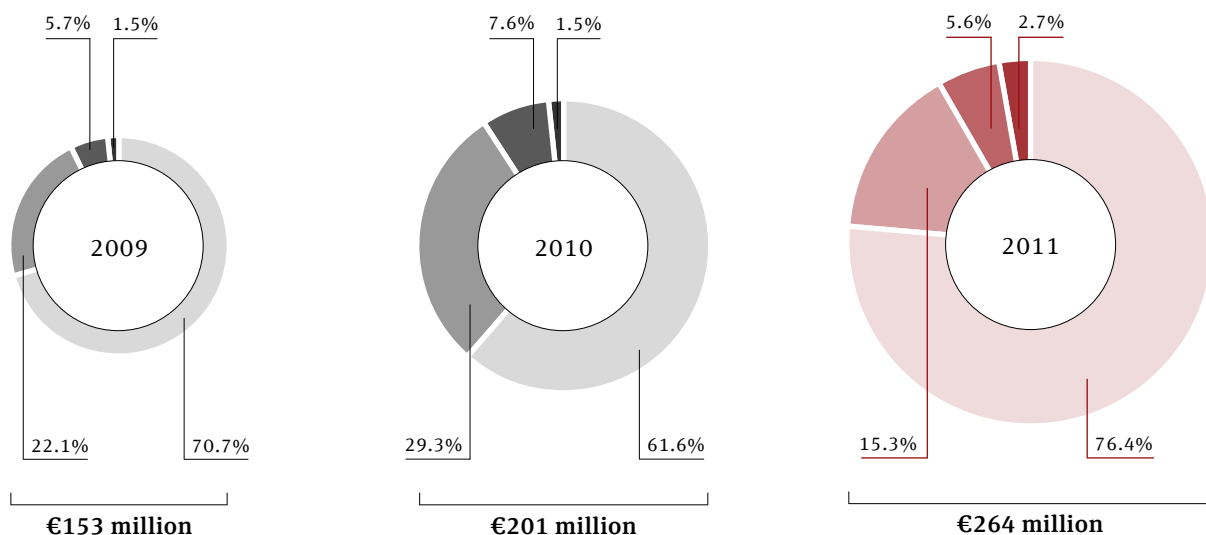
The EBIT margin in the business area Project Planning and Plant Construction declined slightly from 5.4% to 2.4% in fiscal year 2011, which was due both to strong competitive pressure, and to considerably higher project funding costs as a result of the European finance and banking crisis. Increases in interest levels at the time when the contract was signed, as well as costs incurred additionally in refinancing and closing have been reflected in the purchase agreements for the total yield analysis of the investor and were borne by S.A.G. Solarstrom AG. This also included unpredictable cost items to cover a legal risk under the approval of the 48 MWp project, which, according to several legal opinions, was devoid of any substance for which the financing banks and the investor insisted on additional protection. In addition, higher costs to ensure long-term financing conditions for the project company Ener-sol s.r.l. also had a negative impact on the margin. This is due to the restrictive credit policy of the banks as a reaction to the European economic and financial crisis.

While the project business in France developed very gratifyingly, principally with implementation of medium-sized roof-top systems in the agricultural area, direct business in Spain and Germany fell below expectations – in Spain due to the high administrative hurdles and in Germany due to the market situation. Due to identifiable risks at implementation and the achievable yield, S.A.G. Solarstrom AG stopped several projects on the roof-tops of a major logistics provider in Germany. Of the 23 MWp originally planned, 2.7 MWp was implemented. The S.A.G. Solarstrom Group deliberately passed on sales that would not have achieved the desired margin, and focused on the large-scale project in Italy.

Fig. 11

Consolidated Sales by Business Area in %

□□ Project Planning and Plant Construction    ■ Partner Sales    ■ Plant Operation and Services    ■ Power Production





## B.5 Profit, Financial and Assets Situation

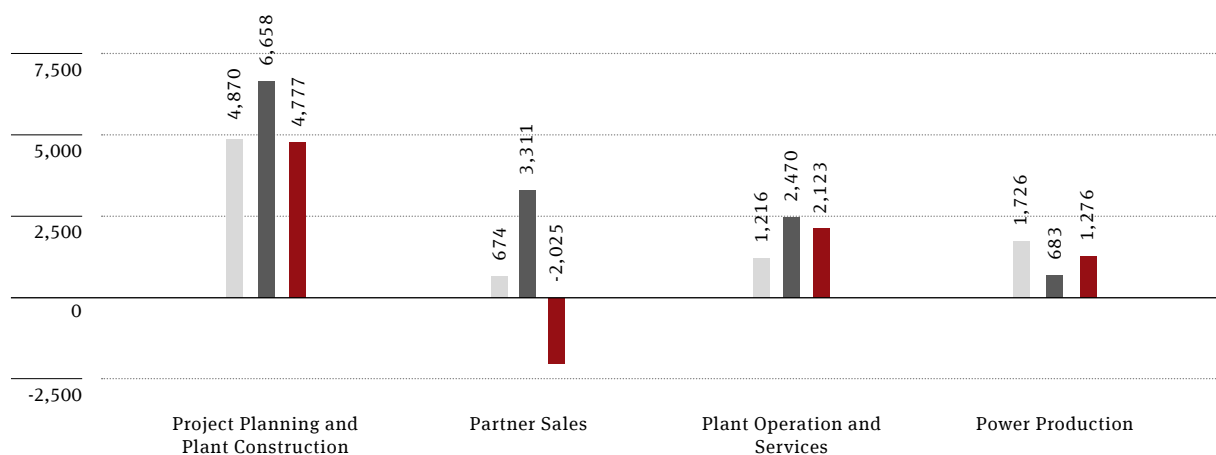
### Partner Sales

Sales in this business area declined by 31.6% to €40,285,000 (previous year: €58,858,000). The share of sales in the business area dropped from 29.3% in fiscal year 2010 to 15.3% in the reporting period. 65 of the current 85 sales partners of S.A.G. Solarstrom AG operate in Germany and were thus particularly affected by the market situation there. Although sales in the fourth quarter, at €20,615,000 were the same as in the first three quarters of 2011 accumulated at €19,670,000, this could not compensate for the first three weak quarters. Due to the high pressure of competition, new installations in the fourth quarter were not profitable for Partner Sales either. Many partner companies granted considerable discounts to their customers that went beyond the percentage-based decline in price, in order to achieve sales at all. This was also reflected in the feasible margin of the business area Partner Sales. The business area's EBIT was considerably affected by the third, but in particular the fourth quarter and slipped into the red at -€2,025,000 (previous year: €3,311,000). Contrary to expectations, the attractive market in the fourth quarter did not lead to a stabilization of the margin in the partner business.

Partner Sales remains an important pillar in the business of the S.A.G. Solarstrom Group, which enables a considerably higher market coverage and market penetration and provides qualified installation capacities for larger projects of Direct Sales for the Group. The margin situation should stabilize through the further development of the sales partners into service partners, as well as the expansion of the partner network, particularly in other European countries. In the third and fourth quarters, S.A.G. Solarstrom AG significantly increased the number of its partners to 85 – 20 of these operate in other European countries – and introduced a graduated partner program. The focus is still on exclusively partners, who enable a higher added value for S.A.G. Solarstrom AG. The goal is to identify high-performance partners from a larger pool of partner companies and to gain them for exclusive partnership with S.A.G. Solarstrom AG.

Fig. 12

Consolidated Operating Result (EBIT) by Business Areas in thous. €, □ 2009 ■ 2010 ■ 2011



### Plant Operation and Services

The business area Plant Operation and Services once again demonstrated its stability and earning power in fiscal year 2011. High-margin services along the photovoltaic value chain, from revenue forecasts and plant monitoring to operation and

optimization of power plant parks are combined in this business area. The service area of the S.A.G. Solarstrom Group also supplies valuable data on the performance of systems and components and is a byword for sustainable business, even in markets that are becoming increasingly saturated.

Sales in the business area Plant Operation and Services remained comparatively stable at €14,906,000 (previous year: €15,313,000) despite the difficult market environment. The gradual decline of 2.7% is principally due to the weak German market. The sales volume from the sale of hardware for monitoring photovoltaic systems as well as sales in the area of yield reports remained lower than the previous year. Recurring sales from solar energy forecasts and plant monitoring, in contrast, continued to increase steadily. Around one-fifth of sales are recurring sales from plant monitoring, technical operation management and forecast services. The EBIT remained gratifyingly stable, at €2,123,000 (previous year: €2,470,000) as did the EBIT margin of 14.2% (previous year: 16.1%), in view of the difficult market environment. Investment costs for the expansion of the service area into new markets were responsible for the slight decline in margin during the reporting period. In this regard, S.A.G. Solarstrom AG founded a service subsidiary in the USA in fiscal year 2011, as well as subsidiaries of meteocontrol GmbH in Italy and France.

meteocontrol GmbH currently monitors 25,000 photovoltaic systems worldwide with a total output of 4.3 GWp and thus has a global market share of approx. 7%, and approx. 10% in Europe\*. Based on the assumption that small systems are rarely monitored and thus only around half of all installed systems are professionally monitored, meteocontrol's market share of monitored systems is considerably higher than these values at 14% worldwide and approx. 20% in Europe. Sales from new monitoring contracts are usually realized with a delay of 2 – 3 months after the systems have been installed, so that here, increases in sales can be expected in the first quarter, due to the high level of new installation in December in Germany. The high innovative ability and the market launch of new hardware components for optimized own consumption should also ensure impetus toward expansion over the following years.

\* Basis of calculation: Cumulated installed power in Europe (43.090 GWp) and worldwide (60.790 GWp), forecast for December 31, 2011 in policy-driven scenario. In: EPIA (publisher): Global Market Outlook for Photovoltaics Until 2015, May 2011.

### **Power Production**

S.A.G. Solarstrom AG's own power plant portfolio currently includes 88 photovoltaic systems with a total output of 26.1 MWp. The yield from altogether 15.2 MWp is fully consolidated and is incorporated directly into the business area Power Production. 9.4 MWp will be accounted for using the At Equity method, 1.5 MWp as investment. The results of these systems are reflected in the consolidated statement of income and accumulated earnings in the share of profit of joint ventures and in the financial result, in particular in the share of profit of associated companies. The system portfolio of the S.A.G. Solarstrom Group offers insights into the long-term performance of photovoltaic systems, functioning as a toolbox for repowering concepts. In addition, it supplies high margins and thus stable cash-flow.

Sales in the area Power Production rose significantly in fiscal year 2011 to €7,030,000 (previous year: €3,012,000). This is primarily due to the expansion of the Group's own power plant portfolio by the 5.1 MWp ground-mounted system in Kamenicna, Czech Republic, and the 919 kWp roof-top system in Dortmund, both of which are incorporated into this business area on a fully consolidated basis. Both are ultra-modern systems with a very high performance, which can be seen very clearly from the increase in sales of 133.4%. EBIT rose in a similar fashion, from €683,000 in fiscal year 2010 to €1,276,000 in the reporting period and thus by 86.8%. The EBIT margin of the business area remained below the previous year at 18.1% (previous year: 22.7%), as additional taxes on electricity revenue, introduced in 2011 had to be paid for the photovoltaic system in Kamenicna, Czech Republic. The business area thus displayed the highest EBIT margin of the four business areas. The commercial value of the portfolio is approximately €78 million, the equity value totals approximately €45 million. Over the past few years, S.A.G. Solarstrom AG has thus built up considerable long-term, useful assets in its system portfolio, which offer interesting opportunities for the direct marketing of green electricity, regardless of feed-in tariff regulations. The Group's own system portfolio will therefore be further developed in future, depending on the available funds.



## B.5 Profit, Financial and Assets Situation

### 2. ASSETS SITUATION

S.A.G. Solarstrom AG's consolidated balance sheet increased very substantially at December 31, 2011 to €327,139,000 (December 31, 2010: €246,876,000). The main reason for this was that although the large-scale project Serenissima was sold on December 31, 2011 the purchase price payment was only made in the first quarter of 2012. In the current assets, trade receivables in particular thus rose significantly to €191,003,000 (December 31, 2010: €67,147,000), and the current assets thus made up for 73.9% of the balance sheet total (December 31, 2010: 73.6%). In the previous year, a similar closing date effect occurred, with a substantial increase in trade receivables. At that time, two project companies in Apulia were sold in 2010, but the purchase price payment was only made in the first quarter of 2011.

On the liabilities side, the bridging loan for the 48 MWp large-scale project also ensured that the balance sheet was extended. Here, noncurrent liabilities increased from €134,520,000 at December 31, 2010 to €190,337,000 on December 31, 2011. Around €80 million alone concerned the bridging loan that the Deutsche Bank Group had granted for the Serenissima project. With the payment of the purchase price from the sale of the project company and repayment of the project bridging loan, the balance sheet for the first quarter 2012 will once again be considerably reduced.

The increase in fixed assets from €30,282,000 at December 31, 2010 to €51,006,000 is attributable to the investments in the Group's own power plant portfolio with the Solarpark Kamenicna, Czech Republic, as well as the roof-top system in Dortmund. For both systems together, S.A.G. Solarstrom AG invested around €24.3 million.

While the financial assets remained very stable at €27,734,000 on December 31, (December 31, 2010: €27,866,000), the noncurrent receivables reduced from €2,806,000 to €1,467,000 at December 31, 2011. This essentially concerns a loan granted by the S.A.G. Solarstrom Group to a joint venture company, which was previously classified as long-term and is now classified as short-term.

Inventories reduced at December 31, 2011 very substantially to €21,443,000 (December 31, 2010: €85,184,000). In the balance sheet item Raw Materials and Supplies, the available components dropped to €13,918,000 (December 31, 2010: €29,565,000), as several systems needed to be completed by the end of the year. In addition, the work in progress, in particular, reduced significantly from €53,374,000 at December 31, 2010 to €7,418,000 at December 31, 2011, due to the completion of the large-scale Serenissima project. The reduction in the work in progress corresponds to the very substantial increases of trade receivables from €67,147,000 at December 31, 2010 to €191,003 at December 31, 2011. This includes the purchase price receivable from Serenissima, in particular, as well as other systems that were bought at the end of the year. The receivables and other assets increased accordingly to €209,517,000 at December 31, 2011 (December 31, 2010: €86,708,000).

The working capital (total of inventories and trade receivables from construction contracts) thus increased considerably to €218,703,000 (December 31, 2010: €160,107,000). Here too, this was due primarily to reporting date effects, which has already been leveled out by the purchase price payment in Q1. However, similar effects can occur again during the year, due to the project activity with various different construction times and sales processes.

The liquid funds – the supply of cash and cash equivalents – increased to €10,696,000 on the balance sheet key date following €9,810,000 at December 31, 2010.

The coverage ratio of the current payables by the current assets indicates the healthy economic foundation of S.A.G. Solarstrom AG. At around 127% (previous year: 135%), it was at a very solid level.

On the liabilities side, the equity of the S.A.G. Group declined to €47,533,000, following €50,098,000 on December 31, 2010. This was due, on the one hand, to the substantial drop from €8,231,000 to €3,188,000 in the accumulated net profit, which is comprised of the consolidated annual result in the amount of -€3,540,000 (previous year: €6,257,000) and the accumulated profit in the amount of €8,231,000, reduced by the dividend paid in September 2011 in the amount of €1,503,000 (previous year: €1,114,000). The accumulated net profit and thus the accumulated profit were adjusted retroactively for 2010 by €2,250,000 from €10,481,000 to €8,231,000 according to IAS 8. Negative hedging valuation in the amount of -€1,205,000 as well as currency conversion differences in the amount of -€761,000 additionally reduced the equity, even though a counteractive positive effect on equity was achieved through the capital increase from contingent capital that was performed in fiscal year 2011, as a result of the conversion of the convertible bond issued in 2007 in the 2011 conversion period in the amount of €1,544,000 and the sale of 650,000 own shares with a sales revenue of €2,897,000.

Own shares reduced from €4,243,000 to €1,812,000 at the balance sheet key date. The own shares were acquired under the share buyback program started by S.A.G. Solarstrom AG in July 2009. At December 31, 2011 S.A.G. Solarstrom AG's portfolio contained altogether 484,858 own shares. Furthermore the capital provisions increased slightly from €13,779,000 to €14,248,000.

The noncurrent payables increased from €62,258,000 on December 31, 2010 to €89,269,000 on December 31, 2011. This item mainly increased through the issue of the second corporate bond in May 2011 by around €17 million, which was placed to investors on the balance sheet key date. The interest-bearing loans increased from €26,390,000 to €36,758,000. The other noncurrent payables include financing of the Group's own power plant portfolio.

The debt ratio thus rose to 588% (December 31, 2010: 393%). It should, however, be noted that this is partially due to a temporary effect caused by the bridging loan of the Serenissima project. On the other hand, the noncurrent loans for the financing of the Group's own system portfolio are usually granted directly to the individual project company – without recourse to S.A.G. Solarstrom AG – as these offer adequate securities and can repay the debt service independently from

the cash flows of the electricity revenue.

The current payables substantially increased at the balance sheet date to €190,337,000, following €134,520,000 at December 31, 2010. €80 million alone is attributable to the bridging loan for the large-scale Serenissima project by the Deutsche Bank Group. The trade payables and other payables remained stable at €83,330,000 (previous year: €81,338,000). These include, in particular, supplier credits to cover the component requirements. The other payables include, in particular, sales tax and staff obligations, as well as payables for open invoices for the fiscal year 2011. The income tax payables dropped to €2,699,000 on December 31, 2011 (December 31, 2010: €3,729,000).

The equity ratio dropped due to the temporary balance sheet effects described above, in conjunction with the 48 MWp project and the associated balance sheet increase to 14.5% (December 31, 2010: 20.3%). The low equity ratio indicates the substantial increase in the working capital as part of the project business and demonstrates in particular, on the balance sheet date, the considerable utilization of external capital in the large-scale Serenissima project.

### 3. FINANCIAL SITUATION AND INVESTMENTS

The S.A.G. Solarstrom Group disclosed a positive net change of cash and cash equivalents in fiscal year 2011 in the amount of €942,000 (previous year: €2,420,000) – despite high prefunding requirements in project activities.

The cash flow from operating activities was -€61,277,000 (previous year: -€84,506,000) due to reporting date effects, which is essentially attributable to the 48 MWp project. The purchase contract with a subsidiary of BNP Paribas Clean Energy Partners was signed on December 31, 2011. However the purchase price was only paid in the first quarter of 2012, together with the dissolution of the bridging loan of around €80 million, with the conclusion of the entire process of sale.



ROOF-TOP SYSTEM, AGRICULTURAL BUILDING, MARCOLES, FRANCE, 97.52 KWP

## B.5 Profit, Financial and Assets Situation

In the previous year, a similar effect occurred from the sale of photovoltaic systems in two Italian project companies. Here too, the purchase price payment was only paid in the first quarter of 2011, and in addition the goods in progress considerably increased at the balance sheet key date under the implementation of the 48 MWp project. Both led to a negative cash flow from operating activities in the amount of -€84,506,000 on the balance sheet key date in fiscal year 2010.

In contrast to several production companies, the cash flow from operating activities can show high fluctuations due to reporting date effects, which are due to the project activities of the S.A.G. Solarstrom Group and in particular to the prefunding requirements of large-scale projects. A temporary negative cash flow from operating activities is thus hardly significant without overall consideration. However, the profitable business activities can be seen, for example, from the payment of income tax. In the reporting period, S.A.G. Solarstrom AG paid income tax in the amount of €3,853,000. In the previous year it was only €1,011,000.

In the change of assets by -€58,062,000 (previous year: -€125,124,000) the increase in receivables from the large-scale project had a considerable impact. The trade receivables rose from €67,147,000 at December 31, 2010 to €191,003,000 at December 31, 2011. The considerable increase in financing requirements due to the large-scale project can be seen from the interest payments, which more than doubled in comparison with the previous year. They rose in the reporting period to €8,050,000 – in the previous year they were €3,138,000.

The cash flow from investment activities was -€22,762,000 (previous year: €11,674,000) in the reporting period, which essentially reflects the investments in the Group's own system portfolio with the Solarpark Kamenicna, Czech Republic, and the Solarpark Dortmund, Germany. Tied funds and funds released from the collateralization of loans led to a positive change of €1,512,000 (previous year: -€694,000).

The cash flow from financing activities was €84,981,000 (previous year: €75,252,000) in the reporting period, which very clearly reflects the high financing requirements of the working capital, in particular in the 48 MWp large-scale project, but also further projects over the course of the year. In the reporting period, S.A.G. Solarstrom AG repaid financial loans in the amount of €43,567,000 (previous year: €12,234,000),

which were offset by new financial loans acquired in the amount of €110,286,000 (previous year: €68,690,000). A considerable portion of this was the project bridging loan from the Deutsche Bank Group in the amount of €80 million for the Serenissima project as well as project funding for the Solarpark Kamenicna and the Solarpark Dortmund.

A further important item in the cash flow from financing activities was the issue of the 7.5% corporate bond from June 2011. S.A.G. Solarstrom AG used these funds, according to the prospectus, both for investments in its own system portfolio as well as for financing components as part of project activities. Payments in the amount of €16,868,000 were received. In the previous year, the first corporate bond issued in November 2010, which has an interest rate of 6.25%, led to payment receipts of €25,000,000.

Altogether, the S.A.G. Solarstrom Group was able to achieve a positive net change of cash and cash equivalents in the amount of €942,000 (previous year: €2,420,000), despite the significant expansion of business activities and substantial financing debit from the interim financing of project activities, particularly the 48 MWp project. The liquid funds increased slightly from €9,810,000 at the balance sheet key date 2010 to €10,696,000 at December 31, 2011.

The operative business of the S.A.G. Solarstrom Group continued to develop positively again in 2011, against the general market trend and despite a very difficult market environment. The Group was able to increase sales by 31.2% from €201,032,000 to €263,721,000 and achieve a positive EBIT in the amount of €6,151,000 despite significant market-induced reductions in margin over the course of the year and high debit from the prefunding of project activity. S.A.G. Solarstrom AG is thus one of the few companies in the solar industry that succeeded in achieving a profitable EBIT result in a very challenging market environment. The four-pillar strategy of the business model, careful risk diversification and the Group's international expansion significantly contributed to this success, even though the consolidated Group annual result for 2011 is negative as a result of the high one-time burdening effect from the sale of the 48 MWp project and negative hedging evaluations.

## B.6 Procurement

As a manufacturer-independent supplier, S.A.G. Solarstrom AG purchases high-quality components all over the world. The Group's Purchasing department uses its expertise in module and inverter performance in its own system portfolio (currently 26.1 MWp) as well as the expertise of meteocontrol GmbH for this purpose. Technology, quality, price-performance, reliability and economic stability serve as criteria in the selection and systematic assessment of suppliers. Systems are individually configured with various components based on existing general conditions such as solar irradiation, available area, orientation and roof-top static to achieve the best possible energy efficiency. New technologies can also be used in projects as soon as they have been tested and advantages can be presented.

The S.A.G. Group regularly carries out systematic market observations. In cooperation with Aachen University of Technology and meteocontrol GmbH, new suppliers are assessed in an extensive process.

In order to ensure the availability of high-grade components, the S.A.G. Group has built up specific system partnerships with individual suppliers of high-quality components and works together with them on a long-term basis. In fiscal year 2011, the S.A.G. Solarstrom Group primarily used modules from the manufacturers Yingli Green Energy, Trina Solar and Canadian Solar in projects. Other modules were also used in individual projects depending on project requirements. The Group collaborated with the manufacturers KACO and SMA regarding inverters. In addition, initial meetings and tests to extend the supplier base for inverters took place in 2011. In order to achieve cost benefits for customers and sales partners, Purchasing also developed a proprietary, easy to install frame for roof-top systems in cooperation with a supplier in 2011, which will be launched on the market in 2012.

In addition, S.A.G. Solarstrom AG also concluded agreements nationwide with providers of installation services in Germany and other countries, particularly in France and Italy in 2011. The Group thus has reliable and cost-optimized access to installation capacities in Europe now.

Based on the system partnerships, the Group was able to reflect current price trends in the purchase prices, despite long-term agreements, so that in fiscal year 2011, which was marked by substantial price declines in the component market, significant depreciation on inventory did not occur, but the company could at any time purchase the volume required to implement projects. S.A.G. Solarstrom AG explicitly avoids purchasing on the global spot market, in order to continuously preserve both high quality and reliable product guarantees for the components it purchases for its customers.

The professionally structured Purchasing organization continuously checks and optimizes all processes in Purchasing and the supply chain. Regular management meetings with the suppliers are considered as necessary as checking that the "Code of Conduct" contractually agreed with the supplier is being complied with. According to the "Code of Conduct", the S.A.G. Solarstrom Group suppliers commit to adhere to issues of human rights, labor and health protection and combating corruption and child labor.

## B.7 Staff

The considerable expansion in business activity was reflected in the increase in S.A.G. Solarstrom Group employees, from an average of 159 employees in fiscal year 2010 to an average of 226 employees in 2011. Hiring was essentially proportionate in all function areas. At December 31, 2011 260 (December 31, 2010: 185 employees) people were employed in the S.A.G. Solarstrom Group, 72 of which were women and 188 were men. 32 employees worked in the foreign subsidiaries, 228 in the German subsidiaries of the Group.

S.A.G. Solarstrom AG has embedded diversity and equality in its company principles. Due to the high portion of engineering positions, which generally include only a very low number of women – around 12.4% according to the labor market data of the German Engineers Association (VDI) in 2010, the quota of women in executive positions in the Group is, however, only 11%. Of the 37 executives (without Executive Board) four women were represented as of December 31, 2011. Since February 2012, a woman – Karin Schopf – has also been included in the Executive Board, which now consists of five persons.

As part of the audit for Work/Life Balance by the non-profit Hertie Foundation successfully performed in December 2009, S.A.G. Solarstrom AG committed to implement further family-friendly measures. The company wants to promote the expansion of a family-conscious corporate culture, in order to reinforce the motivation, creativity, performance and loyalty of the employees. Work time accounts, for example, were implemented all over the Group in 2011, in order to provide employees with more flexibility in balancing career and family through flextime regulations.

At December 31, 2011, 13 young people were in training at the S.A.G. Solarstrom Group. Training courses include Electrical Engineering and Electronic Engineering for Industrial Engineering and Industrial Clerk with an additional qualification in European Business Management.

The S.A.G. Solarstrom Group pursues professional HR management, under which the competence of the employees can be specifically encouraged through advanced training and qualification programs. As part of personnel development, for example, workshops were held in fiscal year 2011 to identify the individual training requirements of employees and, in particular, executives. S.A.G. Solarstrom AG was reacting to feedback from an employee survey held at the end of 2010. The goal of this personnel work is to win qualified employees for the Group and to bind them on a long-term basis in order to support the Group's expansion path.



Since 2009, S.A.G. Solarstrom AG has been certified under the Work/Life Balance audit. You can find more information on the initiative by the charitable Hertie Foundation at: [www.beruf-und-familie.de](http://www.beruf-und-familie.de)



S.A.G. Solarstrom was awarded the Job Driver 2009 prize by the Badische Zeitung. S.A.G. Solarstrom AG was the winner in the category 20 to 199 employees.



## B.8 Corporate Social Responsibility

Social responsibility constitutes an elementary ingredient of the S.A.G. Solarstrom Group's orientation to sustainability. This social responsibility applies both to its own employees, as well as to suppliers, partners and the local communities in which it operates in Germany and abroad.

The Group's staff consists of employees of various different nationalities and age groups. The Group views diversity and international collaboration as an opportunity and an enrichment and is explicitly opposed to the discrimination of employees, applicants, suppliers and sales partners based on gender, age, religion, nationality, ethnic background, sexual orientation or political opinion.

The implementation of family-friendly measures aims to make it easier for employees to balance work and family. S.A.G. Solarstrom AG underwent the audit by the non-profit Hertie Foundation at the end of 2009 and committed to implement further family-friendly measures. This includes, for example, work time accounts, and also the option of being able to work from home in special family situations. Laptops with UMTS Internet access and access to the company's network are available for this purpose.

Suppliers are committed to comply with a separate "Code of Conduct" covering human rights issues, combating corruption and child labor, health and labor protection and environmental protection issues – ethical principles that S.A.G. Solarstrom AG also pursues as a matter of course within its own Group. S.A.G. Solarstrom AG's Executive Board and the responsible Purchasing staff have, in the past, visited the production facilities of several important system partners and have been assured that they adhere to the required social standards.

In large-scale projects, the Group ensures that companies located locally receive orders for any necessary work, so that the respective communities also benefit from projects through the strengthening of the regional economy.

The S.A.G. Solarstrom Group also initiated their own Corporate Social Responsibility (CSR) project in 2008 – "More Energy for Children". This project supports SOS Children's Villages with photovoltaic installations. Each year, a different SOS Children's Village was presented with a photovoltaic system – in 2008, the SOS Children's Village "Schwarzwald" received a 7.5 kWp photovoltaic system, in 2009 it was the SOS Children's

Village "Württemberg" in Schorndorf-Oberberken that received a 17 kWp system and in 2010 the SOS Children's Village in Brno-Medlanky, Czech Republic, received a 10.6 kWp photovoltaic system.

As part of its project "More Energy for Children", S.A.G. Solarstrom AG donated an 11.4 kWp photovoltaic system to the SOS Children's Village Ammersee-Lech in Dießen in December 2011. The SOS Children's Village will profit financially from the revenues for at least the next 20 years. Around 11,200 kWh of green energy is produced every year with the system and 7.6 tons of CO<sub>2</sub> saved.

The cornerstone for the first SOS Children's Village in Germany was laid in Dießen in 1956. Today, around 60 children live in six Children's Village families. The affiliated day-care center, which offers a full-time nursery, kindergarten and children's day care center, is available not only to children from the SOS Children's Village, but also to children from the community of Dießen.

The photovoltaic system was installed on the roof-top of the Children's Village apartment house that offers the best conditions for the system installation from the point of view of size and south-facing orientation. Employees of the SOS Children's Village who are themselves in training or in their probationary period can live in this house for a small all-in fee, in the immediate vicinity of their workplace. Parents can also use the house when they visit the SOS Children's Village.

The 11.4 kWp system has a market value of around €22,000. The SOS Children's Village Ammersee will receive approximately €3,300 per year for the next twenty years from the electricity revenue feed-in. For this photovoltaic system, meteocontrol GmbH has also provided a gratis data logger, as they have done in the projects of the previous years, and will monitor the system in the monitoring portal SaferSun online, free of charge. The SOS Children's Village can thus view the power production of the system at all times. This commitment to SOS Children's Village will be continued.

Socially responsible action is thus a basic management principle and an expression of the reliability of the S.A.G. Solarstrom Group.





ROOF-TOP SYSTEM, SOS CHILDREN'S VILLAGE AMMERSEE-LECH, DIESEN, GERMANY, 11.4 KWP

## B.9 Environment

S.A.G. Solarstrom AG systematically records and manages the environmental impact of its own business activities as part of its orientation to ecological sustainability. The Group's environmental management systems have been certified according to DIN EN ISO 14001:2004 since September 2009. With its portfolio of solar power plants and holdings in photovoltaic installation funds, the Group operates, in the meantime, 88 own solar power plant facilities, currently with an output of around 26.1 MWp. This power can be used to generate around 26,100 MWh of green electricity per year. In 2011, S.A.G. Solarstrom AG produced around 25,100 MWh of electricity using 25.1 MWp from its own systems. The 1 MWp installation in Dortmund has been added to the portfolio at the end of 2011, therefore it is not yet included in this calculation.

One photovoltaic installation emits 85 g of CO<sub>2</sub> per kWh, taking into account the complete life cycle (manufacture of components, transportation, installation and operation as well as dismantling and recycling) (source: own calculations and the Ecological Institute e. V., Darmstadt, 2007). This gives a total emission of 2,219 tons of CO<sub>2</sub> emissions in 2010 of the S.A.G. Group's power production. The S.A.G. Solarstrom Group also generated approximately 988 t CO<sub>2</sub> during their business activities in 2011, with the average number of employees at 226. This includes the production of hardware components and the emissions caused by office activities and business trips by the Group's employees.

According to information provided by the German Federal Environment Ministry, one photovoltaic system saves 679 g CO<sub>2</sub> per kWh generated\*, which means that the S.A.G. Group's installations saved around 17,043 tons of CO<sub>2</sub> in 2011.

According to this, the Group's CO<sub>2</sub> balance is absolutely positive, due to the considerable amount of savings in CO<sub>2</sub> in power production from photovoltaic installations. In the balance, this resulted in a total saving of 13,836 tons of CO<sub>2</sub> in 2011.

Nevertheless, the S.A.G. Group is still striving to further minimize environmental impact through their own business activities as part of their environmental management. S.A.G. Solarstrom AG thus supports their employees, for example, in travelling to work in an environmentally-friendly fashion and was awarded the Green Traffic Seal for this on September 22, 2010 by the city of Freiburg and the districts of Breisgau-Hochschwarzwald and Emmendingen.

In addition, three electric Smart cars were purchased as company vehicles for the company head office in Freiburg in summer 2011. The electricity for the vehicles is obtained from photovoltaic power, thus enabling S.A.G. Solarstrom AG to set a further example of ecological sustainability. The Smarts are used as pool vehicles for city trips in Freiburg. The Smarts have a very low CO<sub>2</sub> emissions and low-priced maintenance costs. With a fully charged battery, the electric Smart has a cruising range of 135 km.

\* Source of the calculation base: Renewable Energies in Figures - National and International Development. German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. Status Dec. 2011



In 2010, S.A.G. Solarstrom AG received the Green Traffic Seal from the city of Freiburg.



## B.10 Supplementary Report

On January 25, 2012 S.A.G. Solarstrom AG announced the termination of subscription to the 7.5% corporate bond (German security identification number: A1K0K5, ISIN: DE000A1K0K53) on January 26, 2012. Of the maximum emission volume of €25 million, altogether 16,868,000 had been placed since June 30, 2011. The solid capital backing by bank funding and the expected inflow from the sale of the 48 MWp project had moved the company to abstain from a further public offer.

On February 17, 2012 S.A.G. Solarstrom AG announced that it had extended its own power plant portfolio by around 1 MWp retroactively to December 31, 2011. The Group had invested in a 919 kWp roof-top system on the roof of a logistics provider in Dortmund. The total investment volume was around €2 million. The Group's own system portfolio thus increased to 88 systems in Germany and abroad, with a total output of 26.1 MWp. S.A.G. Solarstrom is thus underscoring the strategic significance of its own system portfolio, which is to be expanded in the future.

On March 6, 2012 S.A.G. Solarstrom AG reported the conclusion of long-term project funding for the 48 MWp project in Italy with a bank syndicate consisting of the Deutsche Bank AG, Bayerische Landesbank, Landesbank Hessen-Thüringen Girozentrale and the KfW IPEX-Bank. The loan of €118 million at current market conditions has a term of 17 years. Payment is subject to compliance with the usual payment conditions. The borrower is the Italian project company Enersol s.r.l., Rovigo, which was acquired by a European financial investor on December 31, 2011.

On March 16, 2012 S.A.G. Solarstrom AG announced that it had agreed with Hanwha Europe GmbH, Hanwha SolarOne Ltd. and Hanwha SolarEnergy Corp. to work together on implementing several roof-top projects with a total output of 20 MWp. The roof-top systems are to be installed on various industrial roof-tops, mainly in Northern Italy, on behalf of a joint venture company, in which the Hanwha Group holds 85% and S.A.G. Solarstrom AG holds 15%, by the end of June 2012. Modules from Hanwha SolarOne Ltd. will be used. The project has a total investment volume of over €40 million. The agreement also includes an option for constructing further roof-top projects of up to 20 MWp, which are still under development.

On March 30, 2012 S.A.G. Solarstrom AG successfully completed the sale of the 48 MWp project. On this day, the transfer of the project company Enersol s.r.l.'s company shares to a subsidiary of BNP Paribas Clean Energy Partners was certified by notary. The European financial investor acquired the solar farm pursuant to the agreement of sale signed on December 31, 2011.

The purchase price was also paid on March 30, 2012, and was comprised of the investor's equity and the credit payment of €118 million for the long-term financing of the 48 MWp project. After settlement of trade receivables owing to the S.A.G. Solarstrom Group as well as the repayment of the project bridging loan granted by the Deutsche Bank Group in the amount of around €80 million, S.A.G. Solarstrom AG received liquid funds in the amount of over €50 million on March 30, 2012.

On April 3, 2012 S.A.G. Solarstrom AG decided to buy back a maximum of 826,000 of its own shares from April 4, 2012 to the end of May 23, 2012. The Close Brothers Seydler Bank, Frankfurt am Main, has been instructed to purchase the shares as an impartial party. Under the program, may not exceed 25% of the average trading volume on all German stock exchanges on the 20 trading days prior to each day of repurchase. The purchase price may not fall short of or exceed the arithmetic mean of the opening prices of the share in XETRA trading on the five stock market days before the purchase by more than 10%.

## B.11 Report on Opportunities and Risks

### *Opportunity and Risk Management*

The photovoltaic market has grown strongly over the last few years. However, on an international level, developments in the individual countries are often driven by regulatory decisions and are very heterogeneous and often very volatile. Very rapid changes in the market conditions in individual countries require forward-looking opportunity and risk management. S.A.G. Solarstrom AG therefore systematically identifies both market opportunities in potentially upcoming solar markets, as well as corporate and market-related risks. Risks are regularly checked and assessed with regard to their probability of occurrence. The Group pursues the goal of avoiding or minimizing existing and potential risks.

All division managers of the Group who are active in operations are responsible for identifying and assessing risks early on, and for identifying and making use of opportunities. Structured reporting processes have been implemented for this purpose, in order to establish a detailed risk analysis in the respective decision process. In opportunity management, the assessment of future target markets, in particular, plays an important role. This task is performed by the Executive Board together with international Sales based on various information sources such as media reports, market analyses, and meetings with suppliers, local market experts and investors. In regular meetings between the Executive Board and sales managers, future markets are assessed with regard to the opportunities presenting themselves. Criteria include a strong market growth in the field of photovoltaic power, a solid political and economic environment and a strong appeal of these country markets for investors. With these criteria in mind, countries and regions such as North and South America, Bulgaria, Romania and Turkey are also target markets that are being closely observed, and where the Group wants to exploit any opportunities that might present themselves.

Due to the market-leading position of the service subsidiary meteocontrol in Europe, the S.A.G. Solarstrom Group can also rapidly develop new markets for services and function as a springboard for gaining a market foothold in the area of Project Planning and Plant Construction.

Ultimately, the further expansion of the Group's own power plant portfolio also offers long-term opportunities through the potential direct marketing of green electricity. Future country markets were therefore also assessed bearing in mind possible own investments by the Group in photovoltaic systems at these locations.

In risk management, the managing directors of the subsidiaries, as well as the division heads and project managers are responsible for regularly checking the risk situation in their area, identifying new risks and assessing existing risks. S.A.G. Solarstrom AG's risk management system swiftly analyzes and documents these risks on a closely-meshed basis, with regard to their scope and likelihood of occurrence, along with possible measures to prevent, disperse or minimize their impact. Based on the respective risk assessment and changes in their likelihood of occurrence over time, as well as their possible impact, the S.A.G. Solarstrom Group takes steps to avoid, minimize identified risks, or purposefully control them, in order to take advantage of market opportunities. The risk catalog is regularly monitored and adjusted.

The Risk Management Committee is comprised of executives from the areas of Sales, Legal Affairs, Finances, Controlling, Purchasing and Technology as well as the managing directors of the subsidiaries. The Risk Management Committee compiles a regular detailed risk report which is submitted to the Executive Board, who uses it to deal with aspects of risk management in its meetings. Significant new risks, the financial impact of which could exceed €50,000, must be reported immediately to the head of the Risk Management Committee under the risk management system independently of the regular reporting periods. Possible individual risks, the financial impacts of which could exceed €250,000 must be reported immediately to the Executive Board, involving the head of the Risk Management Committee.

At least once a year, the Executive Board briefs the Supervisory Board in a detailed risk report. In addition to the fixed reporting times, the Executive Board informs the Supervisory Board of all essential risks and opportunities.

### *Accounting-Related Internal Control System*

S.A.G. Solarstrom AG uses a comprehensive, central system of controls to ensure compliance with the accounting and financial reporting processes in the S.A.G. Solarstrom Group as a whole.

The accounting activities for the German subsidiaries are performed centrally at corporate headquarters, while the foreign subsidiaries' accounts are handled locally in certified accounting systems according to the local law of the respective company or are outsourced to an external, qualified service provider. IFRS accounting is managed in parallel on a separate IT system. If required, independent experts' opinions can be obtained in the event of ambivalent accounting matters. Treasury is carried out centrally in Freiburg. The taxes for the local companies are calculated by external, independent tax advisers.

The accounting process is performed at reporting dates fixed in a binding closing calendar on a monthly, quarterly and annual basis. Adherence to the reporting deadlines by the subsidiaries is monitored by S.A.G. Solarstrom AG in Freiburg, who also consolidates the individual financial statements and subsequently coordinates the consolidated financial statement, the consolidated management report and the notes on the consolidated accounts with the individual companies. Consolidation of all external and internal business transactions is performed according to standardized principles of accounting and valuation. Access rights regulations in the IT systems prevent subsequent postings in the individual companies after closing of a reporting period. The deferred taxes are also calculated centrally in Freiburg.

During the course of the process, central Group accounting checks, several times, the adherence to fixed accounting principles, such as the initial and subsequent valuation of assets or debits, and the timely and correct supply of all relevant information and business transactions that are subject to disclosure in the accounts, for all individual companies. In addition, the plausibility and consistency with regard to the previous reporting period are checked. The goal is to ensure at least one dual control principle in the entire process. Central accounting also uses internal revisions with neutral, external professional support to process historical data according to accounting guidelines and to develop new, clear guidelines.

Despite these extensive control systems, errors in entry and valuation in the accounting process cannot be excluded, especially in the event of changing general conditions. The internal control system is therefore permanently monitored and developed on an ongoing basis, in order to provide S.A.G. Solarstrom AG's Executive Board with adequate reassurance regarding the reliability of financial reporting and the consolidated financial statement, both now and in the future.

### **Individual Risks**

In this section, S.A.G. Solarstrom AG reports on those financial, strategic and operational risks that are most important in the company's estimation. The sequence of these risks is not relevant to the probability of their occurrence or the extent of their potential economic impact. In addition, further risks and uncertainties could exist, which are currently not known to the company, but which could lead to detrimental consequences on the profit, assets and financial situation of the S.A.G. Solarstrom Group.

### **Capital Risk**

The capital risk, due its potential threat to the survival of the Group is one of the central risks that are monitored in risk management. The goal is not only to ensure the continued existence of the Group but also to realize return for the shareholders and to retain the performance of the Group towards business partners and other interest groups. The S.A.G. Group aims at an ideal capital structure to keep the capital costs as low as possible, but also assesses relevant individual risks with regard to their possible impact on the capital of S.A.G. Solarstrom AG. The net debt ratio – the relationship of the net financial debt to equity – is used as the monitoring and control parameter of the capital risk. The net financial debt covers interest-bearing loans, trade payables and other debts and bonds less payment instruments and fixed deposits. However, in an individual analysis, a distinction must be made regarding the part of this net financial debt that is due to temporary effects which are triggered by project funding for certain major projects that are intended for sale. The net debt ratio at December 31, 2011 was 529.2% (December 31, 2010: 332.6%) due to the temporarily high loan debit of the bridging loan for the Serenissima project.



## B.11 Report on Opportunities and Risks

### *Liquidity Risk*

In the project business, S.A.G. Solarstrom AG has substantial requirements for prefunding, as customers usually pay the predominant part of the purchase price once the project has progressed or after technical and legal acceptance of the projects has taken place. In addition, the agreements with component suppliers often do not provide for project-related purchasing. Up to now, the S.A.G. Solarstrom Group has only been able to fall back on project bridging loans from banks on a restricted basis. Substantial increases in administrative requirements for funding that has already been approved can, in addition, delay the payment of loans considerably. In all projects, the Group therefore needs to ensure that the project progress is precisely coordinated with the payment requirements for module supplies and the available funds. Additional liquidity should be provided via component sales in the business area Partner Sales, with short payment targets.

Considerably restricted access to bank loans for the advance financing of business activity and a lack of options for synchronizing payment flows could seriously damage the business activity of the S.A.G. Solarstrom Group.

Central Financial Management is thus accorded the highest priority in the Group. Cash pooling of all the main subsidiaries and central liquidity planning significantly contribute to the optimization of liquidity flow. S.A.G. Solarstrom AG also ensures that an adequate amount of further liquid funds are held available via the cash inflow from the operative business. The company uses various tools for this purpose, including the corporate bonds issued in November 2010 and in June 2011.

However, the Group pursues the long-term goal of expanding project bridging loans and working capital financing by banks, in order to achieve a higher level of planning reliability of liquidity, so that market opportunities based on reliable project planning can be better utilized.

### *Regulatory Risks*

In many countries, the market for photovoltaic power is still developing in close cooperation with state-funded programs. Short-term changes in such programs could jeopardize the calculation basis of the S.A.G. Solarstrom Group and the profitability of individual projects considerably. The open discussion regarding the intended cutbacks in subsidies and the frequently extremely short transition periods can also lead to reluctance to invest in the respective country and thus negatively impact the market. Key date regulations in subsidy programs also carry the risk of a strongly fluctuating course of business during the year, but can offer opportunities through the utilization of pull-forward effects.

The Group therefore observes the regulatory environment and dialog with the decision-makers very closely. However, it cannot be ensured that regulatory changes will be announced with a sufficient period of notice to be able to react in an adequate manner. The S.A.G. Solarstrom Group therefore aims to minimize regulatory risks in individual countries by a broad international market presence and further international expansion.

### *Risks Concerning Major Projects*

In major photovoltaic projects, there is an increased risk that the planned budget could be exceeded or that due to a longer construction time losses occur if the construction time extends beyond a key date in the event of receivables adjustments. This is all the more true the larger the scope of the individual project. A liquidity risk can also develop due to the high pre-financing requirements of large-scale projects. To minimize the risks from large-scale projects, S.A.G. Solarstrom AG has implemented extensive Controlling and reporting instruments for project planning and plant construction and monitors all projects very closely.

### ***Technology Risks***

The business area Plant Operation and Services has a higher technology risk than the other business areas in the Group, as it is in this area that hardware and software is developed. The risk exists that the needs of rapid technological change cannot be met to a sufficient extent and that the technologies offered by the S.A.G. Solarstrom Group could be ousted from the market by other technologies. In addition, the risk exists that investments in research and development with regard to new products and services could turn out to be bad investments, because development projects cannot be implemented or do not give rise to commercially utilizable products.

In the other three business area, the technological risks are very low in comparison. Due to the general manufacturer-independence of the Group, new technologies in the photovoltaics area can be adopted by new suppliers without supply contracts, without undue effort.

### ***Procurement Market Risks***

S.A.G. Solarstrom AG relies on the availability of high-quality components to construct high-quality photovoltaic systems. A scarcity of these components or quality defects could have a lasting negative impact on the implementation and profitability of S.A.G. Solarstrom AG's projects. S.A.G. Solarstrom AG combats this risk with careful supplier selection, specific risk diversification as well as long-term system partnerships with premier suppliers. These system partnerships enable flexibility in prices in the supplier contracts, which minimize the price risk in procurement, and also ensure an adequate amount of high-quality components corresponding to S.A.G. Solarstrom AG's planning.

### ***Climatic Risks***

Long-term poor weather conditions can considerably delay the completion of projects. Particularly in the case of key date regulations with regard to changes in support conditions, this can have a significant impact on the profitability of projects, which applies both for the sale of certain projects as well as for systems intended for S.A.G. Solarstrom AG's own power plant portfolio. In addition, in the business area Power Production, the earnings of an individual year can lag behind the forecast figures due to weather conditions. However, the increasing international presence considerably reduces the risk from weather conditions in individual regions.

### ***Competition Risks***

There is a risk that electricity from photovoltaic power might be exposed to stronger competition compared with conventional or other renewable energy sources in future and receive less support, and that consequently demand will decline. In increasingly saturated markets, the profitability of the business activity can decline due to the high pressure of competition. S.A.G. Solarstrom AG is combating this risk by offering a broad portfolio range including services and consistently pursuing an international expansion strategy.

Due to low barriers to market entry for project planners without their own component production, a competition risk exists with regard to local competitors in individual countries. S.A.G. Solarstrom AG is confronting this risk by recruiting local market experts, as well as with an offering uncomprisingly oriented to quality with extensive after sales services.

It remains not inconceivable that suppliers will extend their value chain and will become competitors themselves in the area of Project Planning and Plant Construction, or will enter into exclusive partnerships with competitors. S.A.G. Solarstrom AG is combating these risks by collaborating with several suppliers of high-quality components.

## B.11 Report on Opportunities and Risks

### *Risks Due to Product Defects and Guarantees*

Product defects in the components used by the S.A.G. Group or services by subcontractors can present a risk due to warranty claims and guarantees. The guarantees submitted by suppliers sometimes fall considerably short of the warranty submitted to customers, which is why a recourse claim to suppliers in the event of damage in the full amount is not possible in every case. In addition, a recourse claim is only possible if the supplier or subcontractor has a sufficient credit rating. If it is not possible to make recourse to a supplier or a subcontractor in a case of damage, S.A.G. Solarstrom AG bears the warranty risk.

S.A.G. Solarstrom AG counters this risk by ensuring that its suppliers and subcontractors are economically stable in the long-term, but also by creating provisions for possible warranty claims according to a flat-rate empirical value as well as in the event of already identified product defects, for which recourse to suppliers would not be possible or would not be possible for the full amount. At December 31, 2011, provisions to cover warranty claims exist in the amount of €377,000 (previous year: €1,719,000).

### *Currency Risks*

The global photovoltaic market uses the US dollar as its key currency. For S.A.G. Solarstrom AG, this could result in risks due to fluctuations in the US currency against the Euro, which could impact purchase prices, even if the company concluded the supply contracts currently valid on the basis of the Euro. Further currency risks could result from the financing of own photovoltaic systems in the currency of foreign countries. S.A.G. Solarstrom AG combats this risk by obtaining loans for systems in foreign currency countries in local currency. It also operates active currency management using currency hedging instruments in some cases.

In fiscal year 2011 the S.A.G. Solarstrom Group concluded a cross-currency interest swap to safeguard against a combined risk of interest rate change and foreign currency. This was triggered by the credit financing of the Solarpark Kamenicna in Czech Crowns. The loan, in the amount of €14,600,000 has a validity period up to 2025. The derivative will be valued at the period-end exchange rate and at its market value. In certain cases, cross-currency interest swaps can pose a risk of increased costs for the S.A.G. Solarstrom Group in the event of a positive currency and exchange rate development. At the balance sheet key date, the cross-currency interest swap showed a valuation difference in the amount of €1,205,000. This will be disclosed in equity.

### *Interest Risk*

Due to contractual agreements, there are currently no substantial risks from changes in interest rates for investments and loans of the S.A.G. Group. Interest risks for S.A.G. Solarstrom AG could, for example, result from the investment of pledged funds from the convertible bond if the investment options are less than the fixed interest rate of the convertible bond. Any interest coverage ratio risks will be borne by the company. For security reasons, S.A.G. Solarstrom AG nevertheless operates an extremely conservative investment policy and accepts lower financial earnings in favor of a higher level of safety, in view of the prevailing low interest rate.

The profitability of photovoltaic projects can be considerably influenced by the interest rate of bridging loans required during the construction phase. The current situation on the European financial markets has made access to project funding considerably more difficult and loans substantially more expensive. High interest costs both in the interim financing of projects intended for sale as well in the long-term financing of new own photovoltaic systems could influence the profitability of the Group's business activity. S.A.G. Solarstrom AG counters this risk by increasingly using financial resources from the bond issued in November 2010 and in June 2011 for bridge financing, in order to minimize the interest charges. However, this funding can only cover a part of the interest risk, in view of the high sales volume.

### ***Credit and Contingency Risk***

In all business areas, the risk exists that customers will not pay or will not pay on time and thus jeopardize S.A.G. Solarstrom AG's solvency. The Group counteracts this risk through various measures, including the safeguarding of receivables through trade credit insurance, obtaining credit information before concluding a contract and strict Receivables Management.

### ***Staff Risk***

S.A.G. Solarstrom AG's business success is based on the expertise, experience and commitment of all their employees. There is a risk, on the one hand, that a key employee could leave the company at short notice – there is also an additional risk of violation or the loss of intellectual property rights – or that further expansion could be impeded by the lack of availability of qualified staff. S.A.G. Solarstrom AG counteracts this risk by continuously developing its HR policy, corresponding NDAs and noncompetition clauses in the work contracts, accompanied by an improvement in working conditions. The company places a great deal of importance, for example, on the work/life balance and performance-oriented compensation. At the same time, the company monitors employee satisfaction in regular, externally performed employee surveys, in order to be able to take action in individual areas should the need arise. The goals are to minimize fluctuation and to increase S.A.G. Solarstrom AG's as an employer, both for their existing workforce as well as for potential new employees. For this purpose, S.A.G. Solarstrom AG maintains close contacts with well-known colleges and universities. Based on current prospects, the company can assume that sufficiently qualified employees and applicants will be available for the relevant positions in the company in the foreseeable future.

Each of the risks mentioned above could have a substantial negative impact on the profit, assets and financial situation of the S.A.G. Solarstrom Group. From an organizational point of view, all expedient and justifiable conditions have been established in order to be informed early on in the event of a potential risk situation and to be able to act accordingly. As a result of the European economic and financial crisis, an increased interest and liquidity risk currently exists for companies, as bank lending can no longer be realized or is considerably more time-consuming and there is a marked deterioration in certain credit conditions. Currently, the regulatory risk in all relevant European countries has also substantially increased.

Taking into account all current available information, no risks can currently be reasonably identified that would lead to a permanent, fundamental impairment to the assets, financial or profit situation of the S.A.G. Solarstrom Group and which could thus jeopardize the survival of the company.

Nevertheless, the Group's future business development could considerably deflect from the expectations of the S.A.G. Solarstrom Group and its management, as a result of these or other risks. All future-related information in this consolidated management report is based on current expectations and forecasts for future results, and is subject to regular examination under Risk Management.





RESIDENTIAL ROOF-TOP SYSTEM, FREIBURG I.BR., GERMANY, 7.38 KWP







## B.12 Forecast Report

### 1. ECONOMIC CLIMATE: DEBT CRISIS CONTINUES TO DAMPEN GLOBAL ECONOMIC GROWTH

The slowdown in the global economy, which started in the second half of 2011, will probably continue in the first few months of 2012. The consolidation programs for budget reorganization introduced in the industrial nations, and the turbulence in the capital markets are dampening global economic activity, in the view of the German Institute for Economic Research (DIW). In addition, the International Monetary Fund (IMF) predicts a considerable increase in risk due to the intensification of the Euro crisis in the last quarter of 2011. Both in the industrial nations as well as in the emerging markets, such as China and India, the IMF is anticipating weaker economic activity. The Institute forecast the growth rate of the gross domestic product (GDP) at 3.3% following an increase of 3.8% in 2011.

For the Eurozone, the European Central Bank (ECB) is also anticipating a slowdown in economic growth in the first few months of 2012. The reason is, predominantly, the high level of debt of the government budgets in several member states and an associated decline in domestic demand. In the second half of the year, the economy should gradually recover – supported by the global demand, very low short-term interest rates and measures to promote the functional capability of the financial sector in the Eurozone. In fiscal year 2012, the GDP will decline by 0.5% according to the IMF's forecast. While the IMF is forecasting a slight growth for Germany, at +0.3% and France at +0.2%, despite the European debt and financial crisis, the International Monetary Fund is assuming a period of recession in 2012 for Italy and Spain, due to the enforced saving measures of the government budgets. It is anticipated that the GDP of the Italy economy will shrink substantially by 2.2%. For the Spanish economy too, a decline in the GDP by 1.7% is forecast. According to the forecasts to date, both countries will remain in a slight recession in 2013, while the overall economy in the Eurozone will grow again slightly in 2013 at +0.8%.

### 2. INDUSTRY CLIMATE: DYNAMIC GROWTH CONTINUES UNABATED DESPITE FIRST CONSOLIDATIONS IN THE SECTOR

The rapid new installation, particularly towards the end of 2011 to a total of 7.5 GWp has surprised market experts. The banking house Sarasin, in its solar industry study in November 2011 assumed new installation of just less than 6 GWp in Germany and almost 3 GWp in Italy. The EPIA also forecast a maximum of 5 GWp of new installation in its market report "Global Market Outlook for Photovoltaic Until 2015", published in May 2011, for both countries, even under ideal general political conditions. Thus the targets of even optimistic scenarios were significantly exceeded.

The banking house Sarasin is anticipating a slight market decline of 3% on average per year in Europe until 2015, but forecasts that the overall global market will continue on a clear course of growth at an average annual growth rate of 18%. The EPIA also assumes clear growth over the next few years up to 43.9 GWp of new installed power in 2015 (Sarasin: 45.9 GWp), which means that the globally installed total capacity would reach almost 200 GWp. In its study "Solar Annual 2012 – The Next Wave", Photon Consulting is forecasting an average annual growth of 22% by 2015 to 46 GWp. The market experts, however, are anticipating only a very moderate global growth for new installation in 2012, to 25.5 GWp (2011 24.9 GWp). The market analysts from iSuppli are anticipating that new installation will be as high as 61.3 GWp in 2016.

The individual markets will probably develop inconsistently – many of them in close dependency on the respective general political conditions. The market experts forecast large growth potential in countries outside of Europe, in particular the USA, Canada, Japan, China and India. Photon Consulting is assuming that 75% of growth in 2012 will take place outside of Europe.

The high level of competitive pressure already led to the first consolidations in the industry in 2011. Module manufacturers were primarily affected. Both European and Asian module manufacturers were in the red in Q3 of 2011, due to the massive decline in prices. In 2012, there is still no end in sight to this trend. The future general conditions for subsidizing photovoltaic power are still unclear in Italy and Germany, the two most important markets in Europe. If any further substantial cuts are made, a market slump similar to that in Spain or the Czech Republic can be expected. It remains questionable whether the non-European countries can compensate this market volume through stronger growth.

In Germany, the EPIA is reckoning with 5 GWp of new installation for 2012, while Sarasin anticipates 5.4 GWp. Due to the high number of installations in December 2011, the feed-in tariff would have dropped by a further 15% at July 1. However, further cuts exceeding this figure are now planned from April 1, 2012 – 20% for roof-top systems and 30% for ground-mounted systems. In addition, the subsidy for systems above 10 MWp will be completely dropped, own consumption will no longer be subsidized and the feed-in limited to 85% or 90% of the electricity produced. From May, monthly cutbacks of 0.15 € cent are planned. If the new installation did not level off at around 3.5 GWp for 2012, as required by the German Federal Government, a power to issue statutory ordinances would grant the option for further short-term cutbacks by ministerial order. The German Parliament (Bundestag) is to decide on the bill at the end of March 2011, and the German Federal Council (Bundesrat) will agree to the law with retroactive effect on May 11.

Italy had already significantly curtailed the subsidy for ground-mounted systems in 2012 with the degressive structure of the Conto Energia IV. For large-scale ground-mounted systems above 1 MWp and up to 5 MWp, the compensation will drop to 14 € cents by the end of December 2012. Since August 2011, there is also a registration obligation for systems of 1 MWp and above, and entry in the register is a prerequisite for receiving the feed-in tariff. However, more importantly, the maximum subsidy amount of the Conto Energia IV of €7 billion will probably be reached in spring of 2012, due to the high level of new installation. The Ministry of Industry must then decide whether the subsidy amount will be increased, the program stopped or a successor program initiated. Up to now, the EPIA has been forecasting new installation of up to 3 GWp in 2012, and Sarasin 3.5 GWp.

In France, both Sarasin and the EPIA anticipate new installation of up to 800 MWp. The feed-in tariff is redefined each quarter, based on the network connection applications. In 2011, the subsidy was capped at a maximum of 500 MWp, but in 2012, several systems may still be constructed with old approvals and correspondingly higher feed-in tariffs. The French market is still attractive for small-scale roof-top systems. In the first quarter of 2012, between 21.4 € cents and 38.8 € cents per kWh will be paid. Roof-top-integrated systems will be subsidized most heavily. Ground-mounted systems, in contrast, will only receive compensation of 11.08 € cent, even in the first quarter of 2012.

For Spain, market researchers are forecasting 500 MWp (Sarasin) to maximum 600 MWp (EPIA). High administrative hurdles, such as the mandatory registration of large-scale systems in a solar register are still hindering strong growth in this sun-drenched country. In addition, investors have been strongly deterred by amendments to the law, such as the restriction in the amount of electricity that may be fed in. However, after the latest developments, it is unclear whether the 500 to 600 MWp in 2012 can be achieved at all, as a complete stop in the subsidy for new systems was approved by the Spanish parliament at the beginning of February. This was intended to be a temporary measure, but no end date has been given. Accordingly, no feed-in tariff will be paid until further notice in Spain. Only new systems that are in the planning phase and registered in the Spanish solar register RIPRE will continue to receive a feed-in tariff. The right of continuance also applies for all installed systems.

In the Czech Republic, the market experts are anticipating between 120 MWp (Sarasin) and a maximum of 350 MWp (EPIA), but in view of the total slump in 2011 to only 10 MWp, this scenario clearly appears to be too optimistic.

## B.12 Forecast Report

According to the market experts' opinions, the USA will be one of the strongest markets worldwide in the future, next to China and Japan and will make up 34% of the market in 2012, according to photon Consulting. The EPIA is also anticipating up to 4 GWp in 2012, and Sarasin expects 3.5 GWp of newly installed power in the USA. For China – the largest exporter of solar modules by far – new installation of 2 GWp (EPIA) and 2.5 GWp (Sarasin) respectively is expected. Japan, with a forecast 1.5 GWp (EPIA) and 2.2 GWp (Sarasin) respectively, as well as India, with 810 MWp (Sarasin) follow closely. However, Turkey, Portugal, Switzerland and South Africa are also showing high growth rates, even though they are still at a low level.

The prices for modules and systems declined substantially in 2011. Module prices for crystalline modules from China dropped in 2011 according to pvXchange by up to 46.3%, and system prices in Germany by up to 18%. Sarasin is anticipating a decline in the system prices by a further 15% – 20% annually, and the price decline is only expected to level off to between 5% and 10% in 2015. Photon Consulting is reckoning with an even further decline in the price of modules in 2012 by up to 29%, followed, however, by an annual increase in price by 2015 of 4% on average – in parallel, the market researchers are forecasting a decline in system prices by 5% per year on average until 2015.

Both in Italy and in Germany, the costs for small-scale roof-top systems will be considerably below grid parity, according to photon, in other words the costs in comparison with conventional energy sources are already lower in this case. This target mark should be reached in 2012 and 2013 in both these countries, as well as the USA, even for large power plants.

In 2012, the photovoltaic sector is in a difficult transition phase, which is marked by consolidations, from a sponsored, regulated market to a competitive market. Companies that have aligned their business entirely to subsidies will not survive in this highly competitive market. For companies such as S.A.G. Solarstrom AG, who have set the course for growth in good time, regardless of feed-in tariffs and other subsidies, the new growth potential of the competitive capacity of electricity from photovoltaic power compared with conventional energy sources is being established.

### 3. BUSINESS DEVELOPMENT FORECAST FOR 2012 AND 2013

Since 2007, the S.A.G. Solarstrom Group has achieved two-digit sales growth. In 2011, sales growth was 31.2% in comparison with the previous year. A forecast of further growth dynamics for 2012, and prospectively also for 2013, is only possible to a limited extent, based on the general conditions known to date. The main reasons for this will be the uncertainties in the political acceptance of photovoltaic power in Europe. Although the direct and locally obtained electricity from the sun exhibits distinct economic and ecological advantages, the pressure on photovoltaic power has increased, in particular from the large energy producers and politicians. In addition, excessive bureaucratic demands at project implementation and a scarcity of funds, due to the European debt and financial crisis, are intensifying the situation. Due to the substantial price decline for components and, as a result, for complete photovoltaic systems, more projects need to be implemented to achieve the planned volume in sales. Taking a step outside of Europe in order to realize growth potential is the logical consequence of this situation, but must be carefully considered in a medium-sized company. The S.A.G. Solarstrom Group is currently sounding out several markets outside of Europe and is preparing a market entry, in order to create the requirements for further sales growth in 2012 and 2013. However, the focus is on stable corporate development, which is why S.A.G. Solarstrom AG will continue to avoid risky business transactions in new unknown country markets.

The forecast for fiscal years 2012 and 2013 is based on the assumption that adequate amounts of components and qualified trained staff will be available as they have been to date and that the Group will receive the funding required for the business activities. Other influencing factors are the general economic, political and legal conditions in the S.A.G. Solarstrom Group's sales markets, the influence of weather and environmental conditions as well as tax-related and technical aspects.

### ***Increase in Sales Volume in 2012 and 2013***

Due to the unclear general conditions, in particular in Germany, Italy, Spain, France and Great Britain, and the uncertainty of how component prices will develop, a reliable sales forecast is not possible at this time. For 2012, the S.A.G. Solarstrom Group is planning a significant increase in the MWp sales volume which was around 100 MWp in 2011. Similar growth in the sales volume is also planned for 2013. This is to be realized both through the S.A.G. Solarstrom Group's Direct Sales department as well as through Partner Sales. The component prices will have a considerable impact on whether this growth in volume also means a growth in sales. A moderate price decline, together with the development of new markets, would enable a growth in sales, even if it did not cause the same very high dynamic growth of the last few years. A substantial increase in sales is only possible by developing further country markets outside of Central Europe, according to current estimates. In contrast, if prices dropped to a similar extent as in 2011, the S.A.G. Solarstrom Group expects that the sales level for the entire Group would remain the same for 2012 and 2013, according to the current known general conditions and without further expansion of the sales markets. A significant growth in sales is planned in 2012 and the following year in the business areas Plant Operation and Services, and Power Production. A slight growth in sales is planned in fiscal year 2012 and the following year for the business area Project Planning and Plant Construction, under the current general conditions. Partner Sales is slated to stabilize sales in 2012 through the expansion of the partner base and increase again slightly from 2013.

### ***Stability Guaranteed, Even in Difficult Environment***

If the general conditions currently known should continue to deteriorate, even the S.A.G. Solarstrom Group would not be immune and a decline in sales in the current markets would be inevitable. However, the Group has been adjusting its costs structures accordingly since the end of 2011, so that even in the event of a decline in sales, the basic profitability and stability of the Group would be ensured. A substantial deterioration would be, for example, the introduction of a bill to amend the feed-in tariff in Germany, presented in March, without further changes. The significant cutbacks and additional options in cuts announced in the draft bill without approval requirement would make a substantial decline in the market very probable in Germany. An important part of the domestic market that has made up 30% – 50% of sales in the last few years would break away. An abrupt stop to the solar subsidy in Italy would also have a significant negative impact if the maximum subsidy amount of the Conto Energia IV was exhausted and the Italian government decided against the continuation of the subsidy policy in a new Conto Energia. The Executive Board considers this last scenario in Italy less than likely. The funding situation in Europe also has a considerable impact.

Further scarcity and increase in cost of project funding options would significantly limit the number of projects that could be implemented by the Group. Here too, the Executive Board assumes, based on the current planning status, that sufficient funds will be available to implement the planned projects. Even in the event of a decline in sales, it is the declared goal of the S.A.G. Solarstrom Group to achieve a positive operating result (EBIT) in the years 2012 and 2013, even if, in certain cases, the long-term target margin of 5 – 10% might not be achieved due to difficult market conditions.

For the business areas Plant Operation and Services, as well as Power Production, the S.A.G. Solarstrom Group is anticipating EBIT margins comparable with those achieved in 2011 for fiscal years 2012 and 2013. For the business areas Project Planning and Plant Construction, as well as Partner Sales, the Group is aiming for a positive EBIT in these fiscal years.

## B.12 Forecast Report

### *Significant Market Group Only Outside of Central Europe*

According to the current planning status, projects are planned predominantly in Central Europe, with the focus on Germany, Italy, France, Spain, Switzerland and Great Britain. Countries and regions such as North and South America, Bulgaria, Romania and Turkey are also target markets that are being closely observed, and where the Group wants to exploit any opportunities that present themselves.

The S.A.G. Solarstrom Group still intends to implement projects in the US market in late 2012 or 2013, taking the risks involved into careful consideration in each case. A service subsidiary, meteocontrol North America Inc., has already been established in this strongly growing solar market.

Partner Sales is to be expanded in Europe, in order to better address the small-scale roof-top business. In addition, the partner businesses are to take on service tasks in future, in order to improve the margin situation in this business area.

The service portfolio of the S.A.G. Solarstrom Group is also to be further expanded and rounded. The business area offers very positive growth opportunities for the years 2012 and 2013 and beyond.

### *Investments in own power plant portfolio and new corporate headquarters*

Expansion of the Group's own power plant portfolio in 2012 and 2013 is planned for the area Power Production, in a similar scope to fiscal year 2011, depending on the availability of financial resources. Over the next few years, once grid parity has been achieved and subsidies are no longer granted, this portfolio will offer opportunities in the direct marketing of green electricity, which is why this area needs to be further strengthened.

S.A.G. Solarstrom AG is also planning to set up new company headquarters in 2012 and 2013 and to move to it in 2013. For this purpose, the Group wants to construct a new office building with an investment volume in the low double-digit million Euro range.

### *Liquidity Development*

At December 31, 2011 the liquid funds were €10,696,000 (previous year: €9,810,000). The existing financing structure and the net inflow of liquidity of over €50 million from the Serenissima project on March 30, 2012 offer a good basis for further operative business activities and the planned investments in 2012 and 2013. However, the liquidity development is also dependent to a large extent on the viability of financing projects, and could change through macroeconomic and industry-specific developments.

Through the increased implementation of projects in the single-digit MWp range and the expansion of Partner Sales, it is planned to keep the liquidity situation, through a faster turnover of receivables, at a sustainable, solid level at which the Group can react flexibly to market requirements. Cash pooling of the subsidiaries will also enable group-wide liquidity management, independent of individual companies or business areas.

### *Long-Term Growth Opportunities*

The business model of the S.A.G. Solarstrom Group has proven itself in a very difficult market environment in 2011. Risk diversification over four business areas, specific, risk-controlled foreign expansion and a high level of flexibility have paid off. As a roof-top system specialist and provider of services all along the photovoltaic value, chain, S.A.G. Solarstrom AG is outstandingly positioned for the next few years. The increasing demand for renewable energy and a growing competitive ability compared with conventional energy sources offer the Group excellent opportunities for growth in the long-term.





# **CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2011.**

S.A.G. Solarstrom AG prepares its financial statements according to IFRS, the International Financial Reporting Standard. The accounting principles and details of the annual financial statements are explained in the following chapter.



ROOF-TOP SYSTEM, SAINT CHRISTOL, FRANCE, 108.72 KWP

## C.1 Consolidated Statement of Comprehensive Income for 2011

IN THOUS. €	NOTES, SEE SECTION	2011	2010
Sales revenue	6.	263,721	201,032
Share of profit/loss from joint venture companies	7.	861	0
Inventory changes of work in progress	8.	-48,206	51,975
Own work capitalized	8.	299	0
Other operating income	8.	3,933	2,740
Cost of materials	9.	-180,357	-202,765
Wage costs	10.	-15,633	-10,775
Depreciation	11.	-2,961	-2,206
Other operating expenses	12.	-15,506	-26,879
<b>Operating result (EBIT)</b>		<b>6,151</b>	<b>13,122</b>
Share of profit/loss from associated companies		160	71
Share of profit/loss from joint venture companies		0	-159
Other share holding income		0	185
Financial revenues		500	1,638
Financial expenditure		-9,088	-4,831
<b>Financial result</b>	<b>15.</b>	<b>-8,428</b>	<b>-3,096</b>
<b>Earnings before tax (EBT)</b>		<b>-2,277</b>	<b>10,026</b>
Income tax expenditure	17.	-1,263	-3,769
<b>Group annual result</b>		<b>-3,540</b>	<b>6,257</b>
<b>Other results:</b>			
Currency conversion differences		-761	286
Valuation of hedging		-1,205	0
<b>Consolidated group result</b>		<b>-5,506</b>	<b>6,543</b>
IN €			
Results per share	18.		
Undiluted		-0.29	0.55
Diluted		-0.21	0.45

## C.2 Consolidated Balance Sheet as of December 31, 2011

IN THOUS. €	NOTES, SEE SECTION	DECEMBER 31	
		2011	2010*
<b>Assets</b>			
<b>Noncurrent assets</b>			
<b>Intangible assets</b>	<b>19.</b>		
Licenses, rights and software		562	753
Internally generated intangible assets		374	0
Goodwill		1,625	1,625
		<b>2,561</b>	<b>2,378</b>
<b>Tangible assets</b>	<b>20.</b>		
Land and buildings		558	567
Plants and machinery		49,559	28,787
Other fixtures and fittings, tools and equipments		889	928
		<b>51,006</b>	<b>30,282</b>
<b>Financial assets</b>	<b>21.</b>		
Investments		2,902	2,902
Shares in joint venture companies		10,845	9,959
Shares in associated companies		2,221	2,092
Other financial assets		11,766	12,913
		<b>27,734</b>	<b>27,866</b>
<b>Noncurrent receivables and other assets</b>	<b>22.</b>	<b>1,467</b>	<b>2,806</b>
<b>Deferred taxes</b>		<b>2,715</b>	<b>1,842</b>
		<b>85,483</b>	<b>65,174</b>
<b>Current assets</b>			
<b>Inventories</b>	<b>23.</b>		
Raw materials and supplies		13,918	29,565
Work in progress		7,418	53,374*
Down payments made		107	2,245
		<b>21,443</b>	<b>85,184*</b>
<b>Receivables and other assets</b>			
Trade receivables	25.	191,003	67,147
Receivables from construction contracts	26.	6,257	7,776
Other assets	27.	11,177	11,507
Income tax receivables		1,080	278
		<b>209,517</b>	<b>86,708</b>
<b>Cash and cash equivalents</b>	<b>28.</b>	<b>10,696</b>	<b>9,810</b>
		<b>241,656</b>	<b>181,702*</b>
		<b>327,139</b>	<b>246,876*</b>

IN THOUS. €	NOTES, SEE SECTION	DECEMBER 31	
		2011	2010*
<b>Liabilities</b>			
Capital stock		33,563	32,019
Capital provisions		14,248	13,779
Other reserves		-1,205	0
Currency differences		-449	312
Own shares		-1,812	-4,243
Accumulated net profit		3,188	8,231*
<b>Sum total of equity</b>	<b>29.</b>	<b>47,533</b>	<b>50,098*</b>
<b>Noncurrent liabilities</b>			
Bonds	31.	50,306	34,488
Interest-bearing loans	32.	36,758	26,390
Deferred tax liabilities		1,496	1,380
Other noncurrent liabilities		709	0
	<b>30.</b>	<b>89,269</b>	<b>62,258</b>
<b>Current liabilities</b>			
Income tax liabilities	34.	2,699	3,729
Other provisions	35.	740	2,369
Interest-bearing loans	36.	103,568	47,084
Trade payables and other payables	37.	83,330	81,338
		<b>190,337</b>	<b>134,520</b>
<b>Sum total of liabilities</b>		<b>279,606</b>	<b>196,778</b>
		<b>327,139</b>	<b>246,876*</b>

\* Due to adjustments according IAS 8, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for fiscal year 2010 (for details see notes 1).



## C.3 Consolidated Statement of Changes in Equity for 2011

IN THOUS. €	CAPITAL STOCK	CAPITAL PROVISIONS	OTHER RESERVES	CURRENCY DIFFERENCES	OWN SHARES	ACCUMULATED NET PROFIT	TOTAL OF EQUITY
<b>Status January 1, 2010</b>	<b>31,433</b>	<b>13,779</b>	<b>0</b>	<b>26</b>	<b>-1,699</b>	<b>5,338</b>	<b>48,877</b>
<b>Group annual result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,257</b>	<b>6,257</b>
<b>Other results:</b>							
Currency conversion differences	0	0	0	286	0	0	286
<b>Consolidated group result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>286</b>	<b>0</b>	<b>6,257</b>	<b>6,543</b>
Capital increase	586	0	0	0	0	0	586
Acquisition/Sale of own shares	0	0	0	0	-2,544	0	-2,544
Cash dividends paid	0	0	0	0	0	-1,114	-1,114
<b>Status December 31, 2010 before adjustment</b>	<b>32,019</b>	<b>13,779</b>	<b>0</b>	<b>312</b>	<b>-4,243</b>	<b>10,481</b>	<b>52,348</b>
Adjustment at December 31, 2010 according to IAS 8	0	0	0	0	0	-2,250*	-2,250*
<b>Status December 31, 2010 after adjustment</b>	<b>32,019</b>	<b>13,779</b>	<b>0</b>	<b>312</b>	<b>-4,243</b>	<b>8,231*</b>	<b>50,098*</b>
<b>Status January 1, 2011</b>	<b>32,019</b>	<b>13,779</b>	<b>0</b>	<b>312</b>	<b>-4,243</b>	<b>8,231</b>	<b>50,098</b>
<b>Group annual result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,540</b>	<b>-3,540</b>
<b>Other results:</b>							
Currency conversion differences	0	0	0	-761	0	0	-761
Valuation of hedging	0	0	-1,205	0	0	0	-1,205
<b>Consolidated group result</b>	<b>0</b>	<b>0</b>	<b>-1,205</b>	<b>-761</b>	<b>0</b>	<b>-3,540</b>	<b>-5,506</b>
Capital increase	1,544	3	0	0	0	0	1,547
Acquisition/Sale of own shares	0	466	0	0	2,431	0	2,897
Cash dividends paid	0	0	0	0	0	-1,503	-1,503
<b>Status December 31, 2011</b>	<b>33,563</b>	<b>14,248</b>	<b>-1,205</b>	<b>-449</b>	<b>-1,812</b>	<b>3,188</b>	<b>47,533</b>

\* Due to adjustments according IAS 8, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for fiscal year 2010 (for details see notes 1).

## C.4 Consolidated Cash Flow Statement for 2011

IN THOUS. €	2011	2010
EBIT	6,151	13,122
Depreciation	2,961	2,206
Accounting profit/loss on asset disposal	-7	0
Other non-cash charges/earnings	-678	-274
Change to assets	-58,062	-125,124*
Changes to noncurrent liabilities (without financing loans)	1,205	-8
Changes to current liabilities (without financing loans)	-1,273	29,362
Interest paid	-8,050	-3,138
Interest received	329	359
Taxes on earnings paid/received	-3,853	-1,011
<b>Cash flow from operations</b>	<b>-61,277</b>	<b>-84,506*</b>
Released financial assets from secured fixed deposits	2,733	862
Tied-up funds from secured fixed deposits	-1,221	-1,556
Payments for credits and loans granted for third parties	0	12,900
Receipts from noncurrent receivables	910	0
Receipts from associated companies	31	185
Payments for investments to intangible assets	-558	-250
Payments for investments to tangible assets	-24,697	-531
Receipts from disposal of tangible assets	40	64
<b>Cash flow from investment activity</b>	<b>-22,762</b>	<b>11,674</b>
Payments from amortization of financial credits	-43,567	-12,234
Receipts from raising of financial credits	110,286	68,690
Payments received from the issue of a bond	16,868	25,000
Cash payments to the holders of the convertible bond	0	-296
Receipts for divestments of own shares	2,897	0
Payments for acquisition of own shares	0	-2,544
Cash dividends paid	-1,503	-1,114
Payments to minority shareholders	0	-2,250*
<b>Cash flow from financing activity</b>	<b>84,981</b>	<b>75,252*</b>
Net change of cash and cash equivalents	942	2,420
Changes to financial resource funds dependent on the exchange rate	-56	169
Financial resource funds at start of period	9,810	7,221
Financial resource funds at end of period	10,696	9,810
<b>Composition of financial resources</b>		
<b>Liquid assets</b>	<b>10,696</b>	<b>9,810</b>
<b>Financial resource funds at end of period</b>	<b>10,696</b>	<b>9,810</b>

\* Due to adjustments according IAS 8, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for fiscal year 2010 (for details see notes 1).

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 1. GENERAL INFORMATION

The purpose of S.A.G. Solarstrom AG and its subsidiaries is the planning, the production and financing, the acquisition, the operation and the marketing of plants and plant parts as well as the production and sale of energy, and further the trade with goods, licenses and other rights including the provision of services, all in the area of solar energies.

S.A.G. Solarstrom AG, with headquarters in Sasbacher Straße 5, 79111 Freiburg im Breisgau, is a corporation founded in Germany, whose shares, in addition to being listed in the m:access segment of the Munich Stock Exchange, have been included in trading of the Prime Standard of the Frankfurt Stock Exchange since May 27, 2011. The company is entered in the Commercial Register of the District Court of Freiburg im Breisgau. (Germany) under the number HRB 5646.

The Executive Board of S.A.G. Solarstrom AG compiled the consolidated financial statement and the consolidated management report for the fiscal year ending December 31, 2011 on April 5, 2012 and released it for submission to the Supervisory Board.

#### Corrections to Accounting Errors According to IAS 8

The following previous years' values at December 31, will be adjusted retroactively according to IAS 8:

#### Balance sheet adjustment according to IAS 8 at December 31, 2010

##### 1. Work in Progress

(Value before adjustment: €55,624,000; adjusted value: €53,374,000)

The adjustment concerns the difference that was to be paid in the purchase of the remaining shares of the subsidiary Aurumsole GmbH to the second founding partner in the previous fiscal year 2010. This difference was assigned to the Serenissima project in the previous year and thus capitalized as work in progress. However, this transaction concerned the purchase of non-controlling interest in Aurumsole GmbH. Capitalization as work in progress was thus inapplicable. The difference above the book value of the purchased shares in the amount of €2,250,000 was thus entered in equity according to IAS 27 Paragraph 30 et seq.

The adjustment concerns the segment Project Planning and Plant Construction and was taken into consideration accordingly in segment reporting. Segment assets were reduced by €2,250,000.

##### 2. Accumulated Net Profit

(Value of adjustment: €10,481,000; adjusted value: €8,231,000)

The adjustment corresponds to the value change for Work in Progress (see Item 1.).

Essential Financial Statement Data	31. DEZEMBER 2010		
	AS ORIGINALLY DISCLOSED	ADJUSTED ACCORDING TO IAS 8	AFTER ADJUSTMENT
IN THOUS. €			
Work in progress	55,624	-2,250	1. 53,374
Inventories	87,434	-2,250	85,184
Current assets	183,952	-2,250	181,702
Noncurrent assets	65,174	0	65,174
<b>Balance sheet total</b>	<b>249,126</b>	<b>-2,250</b>	<b>246,876</b>
Accumulated net profit	10,481	-2,250	2. 8,231
Total of equity	52,348	-2,250	50,098
Current and noncurrent liabilities	196,778	0	196,778
<b>Balance sheet total</b>	<b>249,126</b>	<b>-2,250</b>	<b>246,876</b>

An opening balance sheet at January 1, 2010 was not specified, as the error corrections did not have any impact on it.

## 2. ACCOUNTING AND VALUATION PRINCIPLES

The most important accounting and valuation principles applied when compiling this consolidated financial statement are presented below. The methods described were consistently applied to the reporting periods presented, unless otherwise specified.

### 2.1 Basic Principles for the Compilation of the Closing

The consolidated financial statement of S.A.G. Solarstrom AG was drawn up according to § 315a of the German Commercial Code in connection with Article 4 of Regulation (EC) no. 1606/2002 according to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), as they apply in the EU, taking into account the interpretations (IFRIC, SIC).

All standards and interpretations are applied that have been declared as binding according to Article 3 and Article 6 of the Regulation (EC) no. 1606/2002.

The consolidated financial statement comprises the consolidated balance sheet, the consolidated statement of income and accumulated earn, the consolidated cash flow statement, the consolidated statement of change in shareholders' equity and the Notes on the consolidated accounts.

The consolidated financial statement was basically drawn up using the cost method, with the exception of the assessment of derivative financial instruments, as well as partially for the sale of assets held for sale. The statement of income and accumulated earn was drawn up according to total cost accounting. In order to improve the clarity of the presentation, various items of the balance sheet and the statement of income and accumulated earn have been combined. These items are shown separately in the Notes and explained.

The consolidated financial statement has been compiled in Euros. For the sake of clarity, all amounts – unless otherwise specified – are given in thousand Euros.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### *Changes to the Accounting and Valuation Principles and Disclosures*

The share in profit of joint venture companies was shown in the operating result (EBIT), in contrast to the consolidated financial statement at December 31, 2010. Up to then, the item had been shown in the financial result. The reason for this change is the business activity closely linked with the Group and the strategic significance of the joint venture company. Disclosing this item in the operating result provides a more precise picture of the actual circumstances of the Group. Due to lack of relevance, the previous year's figures were not adjusted.

Changes to standards and interpretations and how they must be applied, as well as the resulting impact on the consolidated financial statement are presented below.

#### *a) Interpretations and standards that must be applied for the first time in fiscal year 2011*

STANDARDS (IAS/IFRS), INTERPRETATIONS (IFRIC)	TITLE	ACCEPTED BY THE EU	ANTICIPATED IMPACT IN THE S.A.G. GROUP
Amendment to IAS 32	Financial Instruments Presentation: Classification of Rights Issues	Yes	No significant impact
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Yes	No significant changes expected
Improvements to IFRS (May 2010)	Minor changes to several standards: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34, IFRIC 13	Yes	No significant impact
IFRIC 14	Prepayments of a Minimum Funding Requirement	Yes	No significant impact
Amendment to IAS 24	Related Party Disclosures	Yes	Widened range of entities subject to related-party disclosure requirements.



b) Interpretations and standards that must be applied in the future

STANDARDS (IAS/IFRS), INTERPRETATIONS (IFRIC)	TITLE	MUST BE APPLIED IN THE S.A.G. CONSOLIDATED FINANCIAL STATEMENT FROM FISCAL YEAR 2012	ACCEPTED BY THE EU	ANTICIPATED IMPACT IN THE S.A.G. GROUP
IFRS 7	Financial Instruments: Disclosures Transfer of Financial Assets	2012	Yes	Additional disclosure obligations in the write-off of financial assets.
IAS 12	Deferred Tax: Recovery of Underlying Assets (real estate held as financial investments)	2012	No	None
IFRS 7	Financial Instruments: Disclosures on the Netting of Financial Assets and Financial Liabilities	2013	No	None anticipated
IFRS 10	Consolidated Financial Statements	2013	No	Impact will be checked
IFRS 11	Joint Arrangements	2013	No	Impact will be checked
IFRS 12	Disclosure of Interests in Other Entities	2013	No	Further details on the type of risks and financial impacts
IFRS 13	Fair Value Measurement	2013	No	Impact will be checked
IAS 27	Consolidated and Separate Financial Statements	2013	No	None
IAS 28	Investments in Associated Companies and Joint Ventures	2013	No	None
Amendment IAS 19	Employee Benefits	2013	No	No significant impact
Amendment IAS 1	Presentation of Individual Items of the Other Result in the Statement of Income and Accumulated Earn	2013	No	None
Improvements to IFRS (June 2011)	Minor changes to a number of standards: IFRS 1, IAS 16, IAS 32 and IAS 34	from 2013	No	No significant impact
IFRIC 20	Stripping Costs in the Mining Industry	2013	No	None
IAS 32	Netting of Financial Assets and Financial Liabilities	2014	No	None anticipated
IFRS 9	Financial Instruments: Classification and Assessment	2015	No	Changes to the current assessment categories. Changes will be checked

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 2.2

#### Consolidation Principles

##### a) Subsidiaries

The consolidated financial statement covers the year-end closing of the parent company, as well as the year-end closings of 23 (previous year: 8) domestic and 22 (previous year: 22) foreign subsidiaries compiled on the same key date as that of the parent company.

The closings of the subsidiaries are drawn up using standardized accounting and valuation principles at the same balance sheet key date as the closing of the parent company.

The subsidiaries are all companies in which the Group is able to exercise control over the financial and business policy, regularly accompanied by a proportion of voting rates of more than 50%. Subsidiaries are included in the consolidated financial statement from the time at which control was passed to the Group (full consolidation). They are deconsolidated when this control terminates.

Mergers are drawn up in the balance sheet using the purchase method according to IFRS 3 (Business Combinations). The acquisition costs of the merger correspond to the fair value of the acquired assets, the expended equity instruments and any debts that have been incurred or taken over at the time of the transaction. The acquisition costs are shown as expenditure. Assets, debts and contingent liabilities that can be identified within a merger are valued with their fair value at the time of acquisition in the first consolidation, irrespective of the scope of minority interest shares. The balance of the acquisition costs that exceeds the Group's share of the net assets valued at fair value is entered in the balance sheet as goodwill. If the acquisition costs are lower than the fair value of the identifiable assets and debts that have been taken over, the difference is shown directly in the statement of income and accumulated earn.

The sale of project companies (share deal) is reflected as a comparative direct sale of photovoltaic systems (asset deal), because these transactions are an integral part of the main business of the S.A.G. Group. The group's asset, financial and profit situation is thus presented in a suitable manner. This means that the sales price of shares, plus the outgoing debts, minus the outgoing receivables of the project company, will be shown as sales revenue, and the book value of the outgoing photovoltaic systems as material expenditure. For any remaining residual shareholdings, the balance of the proportional group of the assets and debts that are eliminated through the sale counts as acquisition costs.

The consequences of intercompany business transactions will be eliminated. Receivables and payables between the consolidated companies will be cleared against each other; intercompany revenue will be offset with the corresponding expenditure. Unrealized profits and losses in business transactions between consolidated companies will be eliminated. If unrealized losses exist, this will be viewed as an indicator for performing an impairment test for the asset concerned. Accounting and valuation methods of subsidiaries have been, if necessary, adapted to the accounting and valuation methods of the Group.

For the companies included in the consolidated financial statement – S.A.G. Solarstrom Vertriebsgesellschaft mbH and S.A.G. Solarkraftwerke GmbH, based in Freiburg, and meteocontrol GmbH, based in Augsburg – exemptions according to § 264 Paragraph 3 of the German Commercial Code (HGB) have been used.





GROUND-MOUNTED SYSTEM SERENISSIMA, CANARO, ITALY, 48 MWP



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### *b) Joint Venture Companies and Associated Companies*

Joint venture companies and shares in associated companies are entered in the balance sheet according to the equity method. The shares are entered at acquisition costs at the time of their acquisition or foundation. In the following periods, they are increased or reduced by the changes to the net worth of the company that occur after acquisition, such as the proportionate annual profits and profit distributions.

A joint venture company is based on a contractual agreement in which the Group and external parties perform an economic activity in the form of a limited liability corporation which is subject to a joint management.

Associated companies are companies in which the Group has a significant influence but does not have control over the company. The significant influence is always assumed if a proportion of voting rights between 20% and 50% exists.

The Group's share in profits and losses of joint venture companies and of associated companies is entered in the statement of income and accumulated earn from the time of the acquisition onwards, while the share of changes to provisions is entered under Other Provisions. The accumulated changes after the acquisition are settled with the book value of the share in the joint venture company or the share in the associated company.

If the share of losses in the joint venture company or the losses in the associated company exceeds the book value of the investment in the joint venture company, further losses in the statement of income and accumulated earn are only entered if a legal obligation to reconcile the losses exists or if payments are made for the joint venture company or the associated company.

Unrealized profits based on transactions between the Group and the joint venture companies or the associated companies will be eliminated in the amount of the Group's share in the joint venture company or in the associated company. If unrealized losses exist, this will be viewed as an indicator for performing an impairment test for the asset concerned. Accounting and valuation methods of joint venture companies and of associated companies have been, if necessary, adapted to the accounting and valuation methods of the Group.

The joint venture companies and associated companies have the same balance sheet key date as the Group.

If significant influence over an associated company no longer applies (usually accompanied by a share of less than 20%), the remaining shares in the associated company are valued at their fair value according to IAS 39. If a fair value cannot be determined, an assessment is made at amortized acquisition costs according to IAS 39. Differences to the book value are entered according to the equity method as profit or loss. In addition, revenue from the reduction of the remaining shares in the associated company and their book value are entered as profit or loss under Other Operating Income or Other Operating Expenditure.

## 2.3

### Changes to the Consolidation Base

#### *a) Acquisition and Foundation of Companies*

S.A.G. Solarstrom Komplementär GmbH, Freiburg im Breisgau, was founded pursuant to the contract of association signed on April 6, 2011. The capital stock of the company is €25,000, all of which is held by S.A.G. Solarstrom AG, Freiburg im Breisgau. The purpose of the company is to provide a general partner for the following limited partnership companies of the Group.

Pursuant to a company agreement of April 6, 2011, the following companies, based in Freiburg im Breisgau were founded and furnished with a share capital at foundation of €1:

- Orosolar Zwei GmbH & Co. KG
- Solarpark Dortmund GmbH & Co. KG
- Solarpark Worms GmbH & Co. KG
- Solarpark Wiedergeltingen Eins GmbH & Co. KG (former Solarpark Born GmbH & Co. KG)
- Solarpark Wiedergeltingen Zwei GmbH & Co. KG (former Solarpark Greven GmbH & Co. KG)
- Solarpark Muldenstein GmbH & Co. KG
- Solarpark Rövershagen GmbH & Co. KG
- Solarpark Giengen GmbH & Co. KG

Pursuant to a company agreement of June 27, 2011, the following companies, based in Freiburg im Breisgau were founded and furnished with a share capital at foundation of €1:

- Casino Eins GmbH & Co. KG
- Casino Zwei GmbH & Co. KG

Pursuant to a company agreement of December 12, 2011, the following companies, based in Freiburg im Breisgau were founded and furnished with a share capital at foundation of €1:

- Solarpark Wischhafen Eins GmbH & Co. KG
- Solarpark Wischhafen Zwei GmbH & Co. KG
- Solarpark Loxstedt GmbH & Co. KG
- Solarpark Fernwald GmbH & Co. KG
- Solarpark Wiedergeltingen Drei GmbH & Co. KG

Pursuant to the contract of association signed on April 29, 2011, Meteocontrol Italia s.r.l., Milan, Italy, was founded. The company's subscribed capital is €10,000 and the company is wholly owned by meteocontrol GmbH, Augsburg. The company performs the sales function of meteocontrol in Italy.

Pursuant to the contract of association signed on August 1, 2011, Meteocontrol France SAS, Saint Priest, France, was founded. The company's subscribed capital is €37,000 and the company is wholly owned by meteocontrol GmbH, Augsburg. 50% of the subscribed capital has been paid. The company performs the sales function of meteocontrol in France.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

Pursuant to the contract of association signed on October 20, 2011 Orosolar Zwei GmbH, Freiburg im Breisgau, was founded. The company's share capital is €25,000 and the company is wholly owned by Orosolar Zwei GmbH & Co. KG, Freiburg im Breisgau. The purpose of the company is the planning, manufacture and financing, as well as the acquisition and sale of systems and system parts, and the production and provision of services, all in the area of solar energies.

Likewise pursuant to the contract of association signed on October 20, 2011, Solarfonds Deutschland Drei Komplementär GmbH, Freiburg im Breisgau, was founded. The company's share capital is €25,000 and the company is wholly owned by S.A.G. Solarstrom AG, Freiburg im Breisgau. The purpose of the company is the acquisition and management of investments as well as the assumption of personal liability and the management of commercial partnerships.

### b) Sale of Companies

S.A.G. Solarstrom AG concluded a purchase contract on December 21, 2011 for the sale of 100% of the shares in Serenissima Immobiliare s.r.l., Milan, Italy, to Enersol s.r.l., Rovigo, Italy, at a purchase price of €2,749,000. Pursuant to a purchase contract signed on December 31, 2011 Enersol s.r.l., Rovigo, Italy, as well as Serenissima Immobiliare s.r.l., Milan, Italy, were also sold to an European investor for the price of €12,579,000.

Pursuant to a contract signed on December 29, 2011, the company Casino Zwei GmbH & Co KG was sold at the nominal value of the limited partnership shares of €1.

Pursuant to a purchase contract signed on December 31, 2011, Solarpark Worms GmbH & Co. KG and Solarpark Giengen GmbH & Co. KG were sold to an investor for the price of €965,000 (Worms) and €417,000 (Giengen).

Fully consolidated subsidiaries:

NUMBER	JANUARY 1, 2011	FOUNDATIONS	RETIREMENTS	DECEMBER 31, 2011
Germany	8	18	3	23
Abroad	22	2	2	22
<b>Total</b>	<b>30</b>	<b>20</b>	<b>5</b>	<b>45</b>

### Acquisition of Companies and Other Business Units

No companies or other business units were acquired in fiscal year 2011.

The basis of consolidation of the S.A.G. Solarstrom Group consists of the following companies at December 31, 2011:

No.	Company	Investment	Equity	Result
		IN %	IN THOUS. €	IN THOUS. €
	S.A.G. Solarstrom AG, Freiburg im Breisgau		53,848	-1,294
1	S.A.G. Solarstrom Vertriebsgesellschaft mbH, Freiburg im Breisgau	100	7,820	0
2	S.A.G. Solarstrom Beteiligungsgesellschaft mbH, Freiburg im Breisgau	100	5	6
3	S.A.G. Solarkraftwerke GmbH, Freiburg im Breisgau	100	25	0
4	Aurumsole GmbH, Freiburg im Breisgau	100	-6,984	-6,925
5	meteocontrol GmbH, Augsburg	100	1,434	0
6	mc Beteiligungsgesellschaft mbH, Freiburg im Breisgau	100	22	-2
7	S.A.G. Technik GmbH, Freiburg im Breisgau	100	33	0
8	Solarpark Rain GmbH & Co. KG, Freiburg im Breisgau	100	4,447	104
9	S.A.G. Solarstrom Komplementär GmbH, Freiburg im Breisgau	100	100	75
10	Orosolar Zwei GmbH & Co. KG, Freiburg im Breisgau	100	-9	-9
11	Solarpark Dortmund GmbH & Co. KG, Freiburg im Breisgau	100	662	-38
12	Solarpark Wiedergeltingen Eins GmbH & Co. KG, Freiburg im Breisgau	100	-5	-5
13	Solarpark Wiedergeltingen Zwei GmbH & Co. KG, Freiburg im Breisgau	100	-5	-5
14	Solarpark Muldenstein GmbH & Co. KG, Freiburg im Breisgau	100	1,170	-50
15	Solarpark Rövershagen GmbH & Co. KG, Freiburg im Breisgau	100	-17	-17
16	Casino Eins GmbH & Co. KG, Freiburg im Breisgau	100	-4	-4
17	Orosolar Zwei GmbH, Freiburg im Breisgau	100	12	0
18	Solarfonds Deutschland Drei Komplementär GmbH, Freiburg im Breisgau	100	12	0
19	Solarpark Wischhafen Eins GmbH & Co. KG, Freiburg im Breisgau	100	-1	-1
20	Solarpark Wischhafen Zwei GmbH & Co. KG, Freiburg im Breisgau	100	-1	-1
21	Solarpark Loxstedt GmbH & Co. KG, Freiburg im Breisgau	100	-1	-1
22	Solarpark Fernwald GmbH & Co. KG, Freiburg im Breisgau	100	-1	-1
23	Solarpark Wiedergeltingen Drei GmbH & Co. KG, Freiburg im Breisgau	100	-1	-1
24	S.A.G. Solarstrom AG, Signau, Switzerland	100	1,136	172
25	KAZ Holding AG, Zug, Switzerland	100	26	-50
26	RSP Holding AG, Zug, Switzerland	100	72	-6
27	S.A.G. Solarstrom Handels- und Betriebsgesellschaft mbH, Satteins, Austria	100	694	12
28	TAU Ingeniería Solar S.L., Madrid, Spain	100	-1,308	-1,250
29	Solares Casagrande S.L., Albacete, Spain	100	874	0
30	Fotovoltaica TER S.L., Alicante, Spain	100	98	107
31	GIF Ingenieros Asociados S.L., Murcia, Spain	100	81	-15
32	Espejo Inversiones Solares 1 S.L., Madrid, Spain	100	1	-1
33	Paymar Avante S.L., Madrid, Spain	100	20	8
34	Amand Energias S.L., Madrid, Spain	100	-1	0
35	S.A.G. Solar Italia s.r.l., Milan, Italy	100	2,733	2,293
36	Cielo s.r.l., Salerno, Italy	100	12	2
37	Loreto s.r.l., Milan, Italy	100	8	-2
38	Mare s.r.l., Salerno, Italy	100	13	3
39	Venezia s.r.l., Milan, Italy	100	21	9
40	Meteocontrol Italia s.r.l., Milan, Italien	100	0	-10
41	S.A.G. Solarstrom Czech s.r.o., Prag, Czech Republic	100	4,082	2,271
42	Solarpark Kamenicna s.r.o., Kamenicna, Czech Republic	100	9,829	-418
43	S.A.G. Solaire France SAS, Toulouse, France	100	685	886
44	Meteocontrol France SAS, Saint Priest, France	100	-80	-99
45	meteocontrol North America Inc., Wilmington, USA	100	-870	-816
<b>Companies drawn up in the balance sheet according to the equity method:</b>				
1	Solarstrompark Gut Erlasee GmbH & Co. KG, Freiburg im Breisgau	30.67	3,219	292
2	Solar Stribro s.r.o., Mrákov, Czech Republic	50	14,645	-1,363
3	S.A.G. Intersolaire SAS, Mulhouse, France	50	4,004	4,049

The information has been determined in accordance with local law.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 2.4

#### Foreign Currency Conversion

##### a) Functional and Presentation Currencies

The consolidated financial statement is drawn up in Euros, the functional and the presentation currency of S.A.G. Solarstrom AG. Each company within the Group defines its own functional currency. The items contained in the closing of the respective company are valued using this functional currency.

The functional currency of the business operations of S.A.G. Solarstrom AG, Signau, KAZ Holding AG, Zug, and RSP Holding AG, Zug, all located in Switzerland, is the Swiss Franc (CHF). The functional currency of the business operations located in the Czech Republic, S.A.G. Solarstrom Czech s.r.o., Prague, Solarpark Kamenicna s.r.o., Kamenicna and Solar Stribro s.r.o., Mrakov, is the Czech Crown (CZK). The functional currency of the business operation meteocontrol North America, Inc., Wilmington, located in the USA, is the US dollar (USD).

At the balance sheet key date, the assets and liabilities of these subsidiaries are converted to the presentation currency of S.A.G. Solarstrom AG at the key date exchange rate. The profit and expenditure of these subsidiaries are converted at the weighted average rate of exchange of the fiscal year and the equity is converted at the historical rate. The currency differences arising at conversion will be reported as a separate item of equity. When a foreign business operation is sold, the cumulative amount entered in equity for this foreign business operation is dissolved with an affect to net income.

##### b) Transactions, Assets and Liabilities

Foreign currency transactions are first converted into the functional currency at the spot price valid on the day of the business transaction. Monetary assets and liabilities in a foreign currency are converted into the functional currency on each key date using the key date exchange rate. All currency differences are reported as affecting net income. Non-monetary items that are valued with their fair value in a foreign currency are converted at the rate that was valid at the time when the fair value was valid. Any goodwill arising in connection with the acquisition of foreign business operations and any adjustment aligned to the fair value of the accounting values of the assets and liabilities resulting from the acquisition of this foreign business operation will be reported as assets and liabilities of the foreign business operation and converted at the key date exchange rate.

The exchange rates on which currency conversion is based have changed in relation to one Euro as follows:

FOREIGN CURRENCY PER 1 €	SWISS FRANCS	CZECH CROWNS	US DOLLAR
<b>Key date exchange rate</b>			
December 31, 2011	1.2171	25.7195	1.2950
December 31, 2010	1.2468	25.2947	n/a*
<b>Average exchange rate</b>			
2011	1.2341	24.6081	1.3927
2010	1.3838	25.3346	n/a*

\* Details for the US dollar in 2010 have been omitted, as no balances were converted in this currency in 2010.

## 2.5 Tangible Assets

Tangible assets include real estate and buildings, technical systems and machines as well as the other assets furniture and office equipment.

Tangible assets are valued at acquisition or manufacturing costs less accumulated scheduled depreciation and accumulated decline in value expenditure.

Property is not depreciated. For all other assets, depreciation is linear. The remaining accounting values of the assets and the useful life expectancies are checked on an annual basis, and if necessary, adjusted accordingly.

The accounting values of the tangible assets are checked for a decline in value as soon as there is any indication that the accounting value of an asset may fall below its achievable amount.

A tangible asset is either written off at retirement or when no more economic benefit can be expected from the further use or sale of the asset. The profits or losses resulting from the write-off of the asset are determined as a difference between the net sale revenue and the accounting value and entered in the period in which the item is written off in the statement of income and accumulated earn as affecting net income.

The tangible assets described above have the following useful life expectancies:

		USEFUL LIFE IN YEARS
Buildings	Land and buildings	33
IT hardware	Other fixtures and fittings, tools and equipment	3
Leasehold improvements	Other fixtures and fittings, tools and equipment	4
Office equipment	Other plant, operating and office equipment	10
Photovoltaic plants	Plants and machinery	25

## 2.6 Intangible Assets

### a) Goodwill

Goodwill represents the difference between the acquisition costs and the fair value of the identifiable assets and liabilities of the acquired subsidiary.

### b) Other Intangible Assets

Intangible assets that have been acquired individually are valued at acquisition cost the first time they are assessed. The acquisition costs of an intangible asset that has been acquired in a merger correspond to its fair value at the time of acquisition. After the first assessment, intangible assets are entered in the balance sheet at their acquisition costs, less each amount of accumulated depreciation and all accumulated expenditure for decline in value. Costs for self-procured intangible assets are entered as affecting net income in the statement of income and accumulated earn in the period in which they accrue, with the exception of development costs that must be capitalized.

The tangible assets and intangible assets described above have the following useful life expectancies:

		USEFUL LIFE IN YEARS
Licences, rights and software	Intangible assets	3 to 5

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

Development costs that can be assigned directly to the development and inspection of identifiably individual products that fall within the power of disposition of the Group are disclosed under intangible assets if the following criteria are met:

- completion of the products is technically feasible,
- management intends to complete the product, as well as use it or sell it,
- it is possible to use or sell the product,
- it is verifiable that the product will probably generate future economic benefits,
- adequate technical, financial and other resources are available to conclude development and to use or sell the product,
- the costs attributable to the product during its development can be assessed reliably,

The costs directly attributable to the product cover staff costs for the employees involved in the development, as well as costs for external consultants and material.

Costs for the development that do not meet these criteria are entered as expenditure in the period in which they accrued. Development costs that have already been entered as expenditure will not be capitalized in a subsequent period.

Capitalized development costs will be depreciated over their estimated useful life. No depreciation is posted to capitalized development costs for products that are still in the development phase. Research costs are entered as expenditure in the period in which they were incurred.

### 2.7 Leasing Relationships

Leasing relationships in which a substantial part of the chances and risks associated with the ownership of the leasing object remain with the lessor are classified as operating leasing relationships. Payments made in conjunction with an operating leasing relationship are entered on a linear basis over the period of the leasing relationship in the statement of income and accumulated earn. Leasing contracts under which the Group bears the significant risks and the benefits from the ownership of the leasing object are classified as financial leasing. Assets from financial leasing are capitalized at the start of the term of the leasing contract with the lower of the amounts of the fair value of the leasing object and the cash value of minimum leasing payments. A leasing liability is posted on the liabilities side under the Noncurrent Liabilities in the same amount. Each leasing payment is split up into an interest component and a redemption component, so that the interest is constantly charged on the leasing liability. The interest component of the leasing payment is entered in the statement of income and accumulated earn as expenditure. The tangible assets held under financial leasing are depreciated over the shorter of the two following periods: the economic life of the asset or the term of the leasing contract.

No significant financial leasing contracts exist at S.A.G. Solarstrom AG.



## 2.8 Decline in Value of Non-Financial Assets

Assets that have an indefinite useful life, such as goodwill, are not depreciated systematically; they are checked at least once a year and in the case of a “triggering event“ with regard to a decline in value and shown in the balance sheet as acquisition costs less accumulated depreciations. The goodwill is distributed to the cash generating unit for the impairment test. Depreciation that has been performed once is not revised for goodwill even if the value increases again later. Profits and losses from the sale of a cash generating unit also contain the book value of the goodwill of the unit.

Assets that are subject to systematic depreciation are also checked with regard to a decline in value if respective events or changes in circumstances indicate that the accounting value might no longer be achievable. A decline in value loss is entered in the amount of the accounting value exceeding the achievable amount. The achievable amount is the higher amount arising from the fair value of the asset less the costs of sale and the use value. For the impairment test, assets are combined at the lowest level for which cash flows can be separately identified (cash-generating units). If the reason for earlier entry of a decline in value loss no longer applies, this will be written up to the acquisition or manufacturing costs, if admissible.

## 2.9 Financial Assets

### 1. Categorization

The Group categorizes its financial assets into the following categories: financial assets valued at fair value through profit and loss, loans and receivables, financial assets held to maturity and financial assets available for sale. The categorization is dependent on the purpose for which a financial asset has been acquired. The Group determines the categorization the first time that the financial asset is entered in the balance sheet.

#### *a) Financial Assets Valued at Fair Value Through Profit and Loss*

Assets valued at fair value through profit and loss are financial assets that are classified as held for trade purposes. A financial asset is assigned to this category if it has been principally acquired for the purposes of sale in the near future. Derivatives also belong to this category. Both the first valuation and subsequent valuations are made at fair value. Assets in this category are shown as current assets with a positive market value and as current liabilities with a negative market value. Profits and losses from financial assets that are held for trade purposes are entered as affecting net income.



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## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### *b) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or definable payments that are not quoted in an active market. The first valuation of loans and receivables is made at fair value. After the first entry, the loans and receivables for amortized costs are valued using the effective interest method less any decline in values. Profits and losses are entered in the period result if the loans and receivables are written off or reduced in value, as well as during amortizations. This category covers cash and cash equivalents, accounts receivable from goods and services, other receivables and other original financial assets. Loans and receivables are shown under current assets, unless their due date is later than 12 months after the balance sheet date. They are then shown under noncurrent assets.

### *c) Financial Assets Held to Maturity*

Non-derivative financial assets with fixed or ascertainable payment amounts and fixed maturity dates are categorized as financial instruments held to maturity if the Group intends and is capable of holding these investments up to maturity. The first valuation of these financial assets is made at fair value. After they have been entered for the first time, financial investments held to maturity are valued at amortized costs using the effective interest method. Profits and losses are entered in the period result if the financial investments are written off or reduced in value, as well as during amortizations.

### *d) Financial Assets Available for Sale*

Financial investments available for sale are non-derivative financial assets that are categorized as available for sale and are not rated in one of the three aforementioned categories. The first valuation of these financial assets is made at fair value. After they have been valued for the first time, financial assets held for sale are valued at fair value. Profits and losses that have not been realized are entered directly in equity. If this type of financial asset is written off or reduced in value, the accumulated profit or loss entered previously directly in equity is entered as affecting net income. The category also covers other original financial assets. These are shown under Noncurrent Liabilities unless the Group intends to sell the investment within a period of less than 12 months after the balance sheet date.

Shares in non-listed companies are subsequently valued at their acquisition cost, as no active markets exist for these companies and the fair values cannot be determined at affordable cost.

## 2. Entry and Valuation

Derivatives are entered on the trading day, and all other financial assets are entered on the settlement date. The trading day is the day on which the obligation to buy or sell an asset has been received by the Group. The settlement date is the day on which an asset is supplied to or by the company.

A financial asset is written off at the time of sale (trading day) or when the claim expires. A write-off is performed if a receivable has become irrecoverable.

The fair value of financial investments traded on organized markets is determined by the market price (buying rate) quoted on the balance sheet key date.

At every balance sheet key date, the Group checks whether objective indications exist for a decline in value of financial assets. If objective indications exist that a decline in value has occurred for financial assets entered in the balance sheet at amortized costs, the amount of the loss of the decline in value is the difference between the accounting value of the asset and the cash value of the future anticipated cash flow (with the exception of anticipated future loan defaults that have not yet occurred), discounted with the original effective interest rate of the financial asset, in other words the effective interest rate determined at the first valuation. The accounting value of the asset is reduced using a value adjustment account. The decline in value loss is entered as affecting net income.

If the amount of the value adjustment decreases during the subsequent posting periods and if this decrease can objectively be attributed to circumstances that occurred after the decline in value was entered, the value adjustment that was entered previously is reversed. The new accounting value of the asset, however, may not exceed the amortized costs at the point in time of the upward revaluation. The financial assets are written off if they are classified as irrecoverable.

### 2.10 Balancing of Financial Instruments

Financial assets and liabilities are balanced and disclosed in the balance sheet according to the net amount, if there is a legal enforceable right to set off the respective amounts and the Group has the intention of using the balanced amounts.

### 2.11 Derivative Financial Instruments

Derivative financial instruments are used as protection against interest rate change and foreign currency conversion risks. Future payment transactions which result from balance sheet items and firmly contracted underlying transactions are protected.

The derivative financial instruments used in the fiscal year are cross currency interest swaps.

Derivative financial instruments are first valued on the day of conclusion of the contract and in the subsequent periods at fair value. Derivative financial instruments are entered as financial assets (under Other Assets) if their fair value is positive and as financial liabilities (under Other Payables) if their fair value is negative.

If the requirements for the application of hedge accounting in accordance with IAS 39 are met, a hedging relationship (cashflow hedge) is also formed from the hedged underlying transaction and the hedging instrument.

When cash flow hedge accounting is applied, the effective portion of the change to fair value of the hedging instrument is entered in equity with no impact on income (hedging reserve). The ineffective portion of the change to fair value of the hedging instrument is entered directly in the profit and loss statement as affecting net income. At the point in time of entry affecting the profit and loss statement of the hedged cash flows from the underlying transactions, the accumulated changes to the fair value of the hedging instrument in the profit and loss statement entered in equity are reclassified.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

Changes to the fair value of derivative financial instruments that are not included in a hedging relationship according to IAS 39 are entered directly in the statement of income and accumulated earn under Other Operating Income or Expenditure if they are associated with the operative business and in the Financial Result if they are associated with financing activities.

### 2.12

#### Inventories

The raw materials and supplies are valued at acquisition costs that are assigned to particular inventories using the individual assignment process. If this is not possible, accountability is performed according to the average method. The unfinished services are valued with the manufacturing costs or at their lower net sale revenue. The manufacturing costs cover the production-related full costs, i.e. the material and direct labor costs attributable to the manufacturing process and appropriate parts of the material costs and the production overhead costs. Borrowing costs are part of the acquisition and manufacturing costs.

If necessary, value adjustments have been made to lower net sale prices. Value adjustments are shown in the statement of income and accumulated earn under Material Expenditure. Recognizable risks due to an above average period of storage or usability have been taken into consideration by means of appropriate devaluation.

### 2.13

#### Construction Contracts

A construction contract is defined according to IAS 11 as a contract for the customer-specific production of an asset. Anticipated profits from construction contracts are collected on a distributed basis over the term of the contract (partial profit realization). Anticipated losses for orders are taken into consideration in full immediately. Profits are only realized if the result of the completion order can be estimated reliably.

The Group uses the percentage of completion method to determine the appropriate amount that is stipulated as profit in a period. The degree of completion to be valued is determined through the relationship of the incurred project costs and the accumulated planned project costs (cost to cost method). According to this degree of completion, sales revenue and expenditure is entered and partial profits thus realized. If the accumulated payment (order revenue and order

costs) exceeds the down payments in individual cases, the construction contracts are shown on the assets side under the future receivables from construction contracts. If a negative balance remains after the down payments have been deducted, this is shown as an obligation from construction contracts on the liabilities side under the payables. Borrowing costs are part of the construction orders.

### 2.14

#### Trade Receivables and Other Assets

Trade receivables and other assets are valued at the beginning at fair value and subsequently at amortized costs using the effective interest method less decline in value. A decline in value is entered if objective indications exist that the due receivables amounts are not completely recoverable. Significant financial difficulties of a debtor are considered to be an indicator that the receivable must be depreciated.

The amount of the decline in value is the result of the difference between the accounting value of the receivable and the fair value of the future estimated payment flows, reduced by the effective rate of interest. The decline in value is entered in the statement of income and accumulated earn under Other Operating Expenditure as affecting net income. If a receivable is irrecoverable, it is written off.

### 2.15

#### Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet cover the cash balance, bank balance and short-term deposits (fixed deposits) with an original term of up to three months.

For the purpose of the Group cash flow statement, financial resource funds cover cash, cash equivalents and short-term deposits.

## 2.16

### Current and Deferred Taxes

The tax expenditure of the period covers the current and deferred taxes. Taxes are shown in the Group period result, with the exception of the items relating to circumstances that are posted directly against equity. In this case, the taxes are entered directly in equity.

#### a) Current Income Taxes

The current income tax charges are calculated on the basis of the tax laws valid on the balance sheet key date in the countries in which the company and their subsidiaries realize taxable income. The actual tax rebate claims and tax liabilities for the current period and for previous periods must be valued in an amount at which a rebate is anticipated from the tax authorities or a payment is anticipated to the tax authorities.

#### b) Deferred Taxes

Deferred taxes are created using the asset and liability method on all the temporary differences existing on the balance sheet key date between the valuation of an asset or a liability in the balance sheet and the tax valuation.

Deferred tax liabilities are entered for all the temporary differences subject to tax. The following exceptions exist:

- The deferred tax liability from the first entry of goodwill, asset or liability in a business transaction that is not a merger, and that at the time of the business transaction does not influence either the period result based on commercial law or the result to be taxed, may not be offset.

- The deferred tax liability from the temporary differences subject to tax that are associated with investment in subsidiaries, associated companies and shares in joint venture companies may not be offset if the time-dependent course of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are entered for all deductible temporary differences, still unused tax losses carried forward and unused tax credits to the extent that it is probable that taxable income will be available, against which the deductible temporary differences and the still unused tax losses carried forward and tax credits can be used. The following exceptions to this exist:

- Deferred tax assets from deductible temporary differences that arise from the first valuation of an asset or a liability in a business transaction that is not a merger and at the time of the business transaction does not influence either the period result based on commercial law or the result to be taxed, may not be offset.
- Deferred tax assets from temporary differences to be taxed that are associated with investments in subsidiaries, associated companies and shares in joint venture companies may only be entered to the extent to which it is probable that the temporary differences will be reversed in the foreseeable future and a sufficient taxable result will be available, against which the temporary differences can be used.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

The accounting value of the deferred tax assets will be checked on each balance sheet key date and reduced by the extent to which it is no longer probable that a sufficient taxable result will be available, against which the deferred tax asset can be used at least in part. Deferred tax assets that are not entered will be checked on each balance sheet key date and valued to the extent by which it has become probable that a future result to be taxed will enable the realization of the deferred tax asset.

Deferred tax assets and liabilities are determined using the tax rates for which the validity is anticipated for the period in which an asset is realized or a liability is fulfilled. The tax rates (and tax regulations) that are valid and announced on the balance sheet key date are used as the basis here.

Deferred tax assets and liabilities are balanced if they fall under the same tax authorities and an enforceable right to offset exists.

### 2.17 Equity

The common shares are shown as equity.

Costs of capital increase that can be directly assigned to the new shares are deducted directly in equity.

The repurchase of own shares is shown as a deduction from equity. The Group deducts the entire acquisition costs of own shares in one sum (cost method) from equity. If own shares are resold at a later point in time, the profit or loss is offset with the equity as not affecting net income.

When cash flow hedging accounting is used, the effective part of the change to the fair value of the hedging instrument is entered in equity as not affecting net income (hedging reserve). This is disclosed under Other Provisions.

### 2.18 Bonds

The components of a convertible bond issued by the Group are entered as a financial liability according to the economic contents of the agreement. At the time of issue, the fair value of the borrowed capital component is determined using the market interest rate valid for comparable non-convertible instruments. This amount is entered in the balance sheet as a financial liability based on amortized costs using the effective interest method until fulfillment at conversion or until the bond is due.

At the first valuation, bonds are shown in the balance sheet at fair value. In subsequent periods they are shown at amortized cost, using the effective interest method.

### 2.19 Interest-Bearing Loans and Financial Liabilities

Interest-bearing loans and financial liabilities are shown in the balance sheet at fair value at the first valuation. In the subsequent periods, they are valued at amortized costs; each difference between the outgoing payment and the repayment amount is entered over the term of the loan according to the effective interest method in the statement of income and accumulated earn. Interest-bearing loans and financial liabilities are deleted from the accounts if the liability is cashed or expires.

Interest-bearing loans are shown under the current liabilities if they are due within one year. They are shown under the noncurrent liabilities if they are due more than twelve months after the balance sheet key date.

## 2.20

### Trade Payables

Trade payables are shown in the balance sheet at fair value at the first valuation and in the subsequent periods at amortized costs using the effective interest method.

## 2.21

### Other Provisions

Other provisions are capitalized if the Group has a current legal or factual obligation, the cause of which is based on an event in the past and the amount of the provisions can be estimated reliably. No provisions are made for future operational losses.

The valuation is made in the amount of the anticipated claim. If several commitments exist – as in the case of the legal warranty – the probability of an asset debit is determined on the basis of the group of these commitments. Provisions are also recorded as a liability if the probability of an asset debit is low with regard to a commitment contained in this group. The expenditure from the formation of the provision is shown in the statement of income and accumulated earn.

Other provisions are valued at the cash value of the anticipated expenses, whereby a pretax interest rate takes into account the current market expectations with regard to the interest effect as well as specific risks for the commitment. Increases in the provisions resulting from the addition of accrued interest are entered as interest payable in the statement of income and accumulated earn as affecting net income.

## 2.22

### Benefits to Employees

#### *a) Pension Obligations*

In the case of contribution-based pension schemes (such as pension plans, pension funds, and statutory pension insurance) the obligatory payment amounts are charged directly as expenses.

With performance-oriented pension schemes, the amount to be entered in the balance sheet as a debt (defined benefit obligation or DBO) is determined as a cash value of the performance-oriented obligation on the balance sheet date, less any recognized service cost that has not yet been entered, less the fair value of plan assets on the balance sheet date. The DBO is determined each year by an independent actuarial expert using the projected unit credit method. The costs incurred in the period and the anticipated income from plan assets are shown in the statement of income and accumulated earn under the item “Labor Costs”. The interest determined is under the item “Financial Result”. Actuarial profits and losses are posted to equity in the year they have been incurred as an equity entry

#### *b) Share-Based Payments*

Please refer to Section 42 “Payment of Executive Board and Supervisory Board” for details on share-based payments.

#### *c) Profit Sharing and Bonus Plans*

Based on a valuation procedure, the profit to be assigned to an employee is determined and a liability is recorded and an expenditure shown. In the consolidated financial statement, a provision is recorded as a liability in those cases in which a contractual obligation exists or a constructive obligation results, based on past business practice.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### *d) Benefits Resulting from Termination of the Work Contract*

In the Group, benefits resulting from the termination of work contracts are only entered as expenditure and debt if the Group is verifiably obliged to terminate the work contract of an employee or group of employees before scheduled retirement or if the Group is verifiably obliged to provide benefits when a work contract is terminated as a result of mutual consent at the time of premature retirement of an employee or group of employees. The Group is obliged to terminate a work contract verifiably if it has a formal detailed plan for the termination of the work contract and there is no possibility of withdrawing from this contract. Benefits that are due after more than twelve months after the balance sheet key date are discounted on their cash value.

### 2.23

#### **Public Funding**

Public funding is time-restricted and distributed over the term in which the subsidized expenditure occurs on an income-statement related basis. The funding is not entered until adequate certainty exists that the Group will fulfill the conditions associated with the benefits and that the benefits will be granted.

### 2.24

#### **Realization of Income**

Income is entered if it is probable that the economic benefit will be channeled to the Group and the amount of income can be reliably determined. Income is valued at the fair value of the received reciprocation. Income is shown after the deduction of cash discounts, rebates and sales tax.

In addition, the following criteria must be met in order to realize the income:

#### *a) Sale of Goods and Products*

Income is entered if the decisive chances and risks associated with the ownership of the sold goods and products have passed over to the purchaser. This usually occurs with the delivery of the goods and products. Please refer to Note 2.2 "Consolidation Principles" a) "Subsidiaries" regarding special handling of the sale of project companies.

#### *b) Construction Contracts*

Please refer to the information on Construction Contracts under Section 2.13 for balancing construction contracts.

#### *c) Provision of Other Services*

Income from project planning, plant construction, weather services, and similar revenue is only entered to the extent to which the expenditure incurred is recoverable. Income from multi-year license contracts for remote data monitoring is recorded in the appropriate period on a pro rata temporis basis.

#### *d) Interest Earned and Interest Payable*

Interest earned and interest payable are entered on a pro rata temporis basis using the effective interest method (i.e. of the calculated discount rate, with which estimated future cash flows are discounted over the expected term of the financial instrument on the net book value of the financial asset).

#### *e) Dividends*

Income is entered at the time of the formation of the Group's legitimate claim to payment.

#### *f) Rental Income*

Income from the subletting of office rooms is entered on a linear basis over the term of the tenancy.



## 2.25

### Borrowing Costs

Borrowing costs are usually entered immediately as expenditure in the statement of income and accumulated earn when they are incurred. However, borrowing costs that can be directly allocated to the acquisition or manufacture of a qualified asset essentially increase the acquisition or manufacturing costs of the respective qualified asset. Capitalization only needs to be applied for reasons of materiality.

According to IAS 23.7, power supply equipment qualifies explicitly as a qualified asset. At December 31, 2011 borrowing costs in the amount of €241,000 were capitalized at an average interest rate of 7%.

## 2.26

### Contingent Liabilities

Contingent liabilities are possible or existing obligations that are based on past events and to which a claim is not probable. In addition, they also include possible commitments that result from past events and whose existence is yet to be confirmed by uncertain future events that are not completely under the control of the company, or commitments that are not entered because the amount of commitment cannot be estimated sufficiently reliably. They are not entered in the balance sheet.

## 3.

### OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

#### 3.1

##### Financial Risk Factors

In the operative business, the Group is exposed to a series of financial risks: market risk (including currency risk, price risk and interest risk), credit risk and liquidity risk. The risk management system of the Group concentrates on the unpredictability of the financial markets and attempts to minimize negative consequences on the financial development of the Group. In comparison with the previous year, there were no significant changes regarding financial risks. However, the market risks in particular have developed negatively, due to the extremely heterogeneous and very volatile trends in the individual countries – often propelled by regulatory decisions.

Risk management is handled by a central risk committee. The risk committee identifies, assesses and secures financial risks in close cooperation with the business areas. The Executive Board provides the general principles of risk management and defines the procedures for safeguarding the currency exchange rate, credit and interest rate change risks. It also defines the use of derivative and non-derivative financial instruments as well as the investment of excess liquidity. Derivative financial instruments are only used as hedging instruments, in other words, they are not used for trade and speculation purposes. To reduce contingency risks hedging transactions are only concluded with financial institutions with a good credit rating.



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## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### Market Risk

#### a) Currency Exchange Rate Risk

A currency risk is the risk of the exchange rate-induced change in value of balance sheet items. The global assignment of the Group means that both the operative business and the reported financial results and the payment flows are exposed to risks from changes in currency exchange rates. For each currency that represents a significant risk for the company, a sensitivity analysis is performed, which shows the impacts of hypothetical changes in relevant risk variables on results and equity. The periodic impacts are determined by relating the hypothetical changes in the risk variables to the supply of financial instruments on the balance sheet date. It is assumed that the supply on the balance sheet date is representative for the entire year.

All monetary financial instruments of the Group that are not denominated in the functional currency of the respective individual companies are considered in the sensitivity analysis. Differences caused by the exchange rate from the conversion of closings into the Group currency are thus not taken into consideration. The company is still exposed to currency risks from certain derivatives. Exchange rate changes in the currencies on which these transactions are based have no impact on the statement of income and accumulated earn and on the fair value of these hedging transactions.

There is no exchange rate risk for financial instruments that are not monetary items, or for financial instruments that are denominated in the functional currency of S.A.G. Solarstrom AG. The hypothetical effects in the statement of income and accumulated earn and in equity for each original line item that is included in the sensitivity analysis are determined by comparing the book value (determined using the key date exchange rate) with the conversion value that results from using a hypothetical rate of exchange.

If the exchange rate between the Euro and the Czech Crown (CZK) had changed by 10% on the balance sheet key date, the profit after tax would have been €629,000 (previous year: €610,000) higher or lower for the entire year, if all other variables had remained constant. This would have been attributable mainly to the currency conversion profits/losses on receivables from loans based on CZK.

If the exchange rate between the Euro and the Swiss Franc (CHF) had changed by 10% on the balance sheet key date, the profit after tax would have been €6,000 (previous year: €70,000) higher or lower for the entire year, if all other variables had remained constant. This would have been attributable mainly to the currency conversion profits/losses on receivables from loans based on CHF.

If the exchange rate between the Euro and the US Dollar (USD) had changed by 10% on the balance sheet key date, the profit after tax would have been €71,000 (previous year: no USD) higher or lower for the entire year, if all other variables had remained constant. This would have been attributable mainly to the currency conversion profits/losses on receivables from loans based on USD.

If the exchange rates between the local currency and the hedged currency had changed by 10% on the balance sheet key date, with regard to the combined interest rate/currency derivatives, the profit after tax would have been €402,000 (previous year: €576,000) and the equity (hedging reserve) €1,826,000 (previous year: €0) higher or lower for the entire year, if all other variables had remained constant, and before deferred taxes had been taken into account.

#### b) Price Risk

Due to the current decline in prices for modules and other components, there is a risk that the S.A.G. Solarstrom Group could purchase modules but not reflect the prices paid in the achievable sales prices for components or complete systems, due to the high pressure of competition.

#### c) Interest Risk

The interest rates could develop at a negative rate for the company with regard to loans to which a reference rate, such as the EURIBOR, is applied. The risk also exists that the requirements for granting loans increase or that loans will only be granted at increased interest rates. This could impede the raising of loans for the S.A.G. Solarstrom Group.

If the Euro yield curve with regard to the combined interest rate/currency derivatives had changed by +100 basis points on the balance sheet key date, the profit after tax would have been €1,000 (previous year: €14,000) and equity (hedging



reserve) €1,245,000 (previous year: €0) lower. With a change of -100 basis points, the profit after tax would have been €1,000 (previous year: €14,000) and the equity (hedging reserve) +€1,269,000 (previous year: €0) higher.

### **Credit Risk**

The credit and contingency risk results from the risk that business partners might not be able to meet their obligations in a business with an original or derivative financial instrument, thus causing losses in assets.

Credit analyses are performed for new customers. Existing customers are analyzed on an ongoing basis, based on their payment history.

As the Group does not make any general charging agreements with our customers, the totality of the amounts shown on the asset side simultaneously represent the maximum contingency risk. A concentration of contingency risks from business connections with individual debtors or groups of debtors cannot be identified. Sold photovoltaic systems that have not been completely paid for are subject to the reservation of ownership.

It is assumed that the actual risk of loss from the financial instruments is covered through the decline in losses that have been made, in particular on receivables.

The contingency risk of receivables is made up of the total amount of receivables (current and noncurrent) less the value adjustments, as follows:

IN THOUS. €	2011	2010
Noncurrent receivables and other assets	1,467	2,806
Trade receivables and receivables from construction contracts	198,201	76,463
Current loan receivables from joint venture companies	3,424	1,645
Current receivables and other assets	3,196	3,667
Value adjustments	-941	-1,539
<b>Contingency risk receivables (total)</b>	<b>205,347</b>	<b>83,042</b>

### **Liquidity Risk**

In the project business, the Group has, in general, a considerable need for preliminary financing as the customers only make the major part of the payment at a project milestone or after technical and legal acceptance of the project. In addition, there is a special need for financing, as the current supplier conditions with module suppliers do not provide for project-related purchasing. As the Group could only access project building loans by banks to a restricted extent up to now, an exact reconciliation between the time-based structuring of the projects, the need for payment from module deliveries and the available funds is required.

Partner sales including commercial transactions play an important role for short-term liquidity management because liquidity can be provided by the sale of modules. The trade sales are usually made against prepayment or with short payment targets.

It is the goal to achieve reliable and sustained project bridging loans by banks, in order to maintain a stable foundation for project planning and to use the changes on the market to the full to gain projects.

The Group has set up a cash pooling system to optimize the flow of liquidity. The cash pooling system currently exists with all important domestic subsidiaries and the subsidiaries in Italy and Spain.

The Group controls its liquidity by maintaining an adequate amount of liquid assets in addition to the cash flow from operative business. Using suitable liquidity planning tools, the Group monitors the safeguarding of adequate liquidity, taking into account the run times and the expected cash flow.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 3.2

#### Capital Risk Management

The goals of capital risk management of the Group are to ensure the continuity of the Group, in order to enable income for the shareholders and benefits for other interested parties, while at the same time ensuring an optimum financial structure to keep the capital expenditure as low as possible.

To monitor the capital, the ratio of net financial debt to equity is used as a basis. The net financial debt covers interest-bearing loans, trade payables and debts less cash and cash equivalents, as well as the fixed deposits disclosed under "Other financial assets".

The net debt developed as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Interest-bearing loans	140,326	73,474
Trade payables and other payables	83,330	81,338
Bonds	50,306	34,488
<b>Debts</b>	<b>273,962</b>	<b>189,300</b>
Cash and cash equivalents	-10,696	-9,810
Fixed Deposits	-11,730	-12,877
<b>Net debt</b>	<b>251,536</b>	<b>166,613</b>
Equity	47,533	50,098
<b>Net debt to equity</b>	<b>529.2%</b>	<b>332.6%</b>

The net debt increased from 332.6% in the previous year to 529.2% in the fiscal year 2011. This is essentially attributable to the high bridging loan requirements for the implementation of the 48 MWp project in Northern Italy.

Under the loan agreements, adherence to various financial covenants has been agreed, which have all been fulfilled in the reporting period. If the covenants are not fulfilled, the creditors could, under certain conditions, call in loans, regardless of the contractually agreed terms. In corporate planning, adherence to credit agreements is consistently monitored and reported to the creditors on a half-yearly basis. In addition to project loan agreements the company holds loans for which the minimum liquidity requirements to the borrower are calculated via the debt servicing cover quotient, in order not to jeopardize interest payment and repayment of principal.

Financing of project companies involves loans for which the debt service is calculated via a DSCR.

### 3.3

#### Valuation at Fair Value

The valuation at fair value is made according to a three-level hierarchy:

##### *Level 1.*

Quoted prices (unchanged) on active markets for identical assets and liabilities.

Prices within this Group will be taken as a basis, based on their availability on active markets at the balance sheet date.

##### *Level 2.*

Input factors with the exception of quoted prices that are contained in Level 1, which are observable for the asset or the liability – either directly (i.e. as price) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded on an active market is determined on the basis of valuation methods.

These valuation methods optimize the use of market data that can be observed, where this is available, and rely as little as possible on estimates. If all important input factors that are required to determine the fair value of a financial instrument can be observed, the financial instrument is contained in Level 2.

##### *Level 3.*

Input factors for the asset or the liability that is not based on market data that can be observed (input factors that cannot be observed).

If input factors do not exist on the basis of market data that can be observed, the financial instrument is contained in Level 3.

Only the derivative financial instruments were valued at fair value. The valuation was performed exclusively according to the valuation schema of Level 2.

### 4.

#### ESTIMATIONS AND UNCERTAINTIES IN ACCOUNTING AND VALUATION

All estimations and assessments will be revaluated on a continuous basis and are based on historic experience and other factors, including expectations with regard to future events that appear prudent under the given circumstances.

The most important future-related assumptions and any other essential sources of uncertainties in estimation that exist on the key date, based on which a substantial risk exists that a significant adjustment of the book values of assets and liabilities will become necessary within the next fiscal year, are explained below.

##### *a) Decline in Value of Goodwill*

At least once a year, the Group examines whether the goodwill has declined in value. This requires an estimation of the value in use of the units generating cash to which the goodwill is assigned. To estimate the value in use, the Group must estimate the anticipated future cash flow from the cash generating unit and then select an appropriate discount factor to determine the value of this cash flow.

Even if the planned increase of the future cash flow is 5% less than the Executive Board expects, this would not lead to a decline in goodwill.

At December 31, 2011, the book value of the goodwill for S.A.G. Solarstrom Vertriebsgesellschaft mbH was €540,000, and for TAU Ingenieria Solar S.L. €1,085,000.

The book values of goodwill are split up between the cash-generating unit "Project Planning and Plant Construction" (corresponds to the segment "Project Planning and Plant Construction") in the amount of €1,355,000 and the cash-generating unit "Partner Sales" (corresponds to the segment "Partner Sales") in the amount of €270,000.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### b) Provisions for Warranties

A provision is applied if the Group has a current (legal or factual) obligation based on a past event, the outflow of resources with economic profit is probable to fulfill the obligation and a reliable estimation of the amount of the obligation is possible.

Provisions for warranty obligations for projects have been created. When determining the amount of these provisions, assumptions and estimations regarding the discount factor and costs to be expected for the elimination of the defect are required. The book value of the provisions as per December 31, 2011 amounts to €377,000 (previous year: €1,719,000).

### c) Fair Value of Derivative Financial Instruments

The fair value of financial instruments not traded on an active market is determined by applying appropriate valuation techniques that are selected from a variety of methods. The approaches used here are based as far as possible on the market conditions prevalent at the balance sheet key date.

### d) Accounting of Construction Contracts According to IAS 11

The Group applies the percentage of completion method in the accounting of construction contracts according to IAS 11. This method requires an estimate of the positive result from the construction contract. In addition, the degree of completion is estimated as a relationship between the incurred costs for the project and the accumulated project planned costs.

## 5.

### REPORTING BY MARKET SEGMENT

The management has based their definition of the business segments on the information that was submitted to decision-makers. Business segments represent the corporate elements with which sales revenue is generated and in which expenditure can be incurred. The period results of these segments are checked regularly by decision-makers with regard to the allocation of resources and the assessment of their earning power, based on separate information. The Group's management assesses the performance of the operative segments based on the segment sales and EBIT. Returns on interest and interest expenditure are not distributed to the segments, as these transactions are the responsibility of the Group's financial department, by whom they are controlled.

The business segments that are required to report essentially generate their sales through the planning, manufacture, operation and sale of systems and system components as well as the production and sale of energy in the area of solar energies.

Segment profit, segment expenditure and the segment result cover transfers between business segments. Sales between the segments are determined by analyzing the internal cost centers. The transfers are eliminated at consolidation.

IN THOUS. €	Project Planning and Plant Construction		Partner Sales	
	2011	2010	2011	2010
Sales revenue (external customers)	201,500	123,849	40,285	58,858
Sales with other segments	0	0	0	0
<b>Total of sales revenue</b>	<b>201,500</b>	<b>123,849</b>	<b>40,285</b>	<b>58,858</b>
Scheduled depreciation	-479	-226	-20	-29
<b>Operating result (EBIT)</b>	<b>4,777</b>	<b>6,658</b>	<b>-2,025</b>	<b>3,311</b>
Other expenditure not affecting payment	2,584	14,738	0	0
Investments	199	338	12	47
Segment assets	217,123	142,196	3,874	18,840
Segment liabilities	144,555	95,963	5,334	19,634

A considerable amount of the revenue in the segment Project Planning and Plant Construction can be attributed to the 48 MWp project in Northern Italy.

The shares in the result of the associated companies and joint ventures using the at-equity method have been allocated to the business segments as follows:

The Group share attributed to Solarstrompark Gut Erlasee GmbH & Co. KG in the period result of the associated company in the amount of €160,000 (previous year: €70,000) will be allocated to the segment Power Production, due to its clear assignability. The Group share attributed to Solar Stribro s.r.o., Czech Republic, in the period result of the joint venture with a total amount of -€564,000 (previous year: -€159,000) will be completely allocated to the segment Power Production. The Group share attributed to S.A.G. Intersolaire SAS, France in the period result of the joint venture with a total of €1,425,000 (previous year: €0) will be completely allocated to the segment Project Planning and Plant Construction.

The business areas of the S.A.G. Solarstrom Group are split up into the following four segments:

- **Project Planning and Plant Construction**

This segment constitutes the construction and operation of solar power plants for investors. The sales companies of the Group develop the entire added value, from the acquisition of suitable areas, to the project planning of solar plants, the construction, the supply, maintenance, repair and insurance of the plants – all from one source.

- **Partner Sales**

In this segment, the contributions to operating income that arise from trade with individual components, but not from the construction of complete photovoltaic plants, are combined. This usually applies for customers who set up a solar power plant on their own rooftop or open area and operate it themselves. The sale and construction of these plants essentially take place via a partner sales system.

- **Plant Operation and Services**

The services provided by the Group are combined in this segment. In addition to all services in plant operation and meteorological data-based plant monitoring via the Internet (“saferSun”), it also covers the automatic meteorological data collection and processing for other sectors, such as insurance companies or power supply companies.

- **Power Production**

This segment combines the plants of the power plant park of S.A.G. Solarstrom AG, the Solarpark Rain GmbH & Co. KG, the Solarpark Dortmund GmbH & Co. KG, the S.A.G. Solarkraftwerke GmbH as well as the subsidiaries in Switzerland, Austria, Spain and the Czech Republic.

The geographical segments of the Group are determined according to the location of the Group’s assets. Sales to external customers that are specified in the geographical segments are assigned to the individual segments according to the customer’s geographical location.

Plant Operation and Services		Power Production		Consolidation/Transition		Group	
2011	2010	2011	2010	2011	2010	2011	2010
14,906	15,313	7,030	3,012	0	0	263,721	201,032
3,202	2,749	0	0	-3,202	-2,749	0	0
<b>18,108</b>	<b>18,062</b>	<b>7,030</b>	<b>3,012</b>	<b>-3,202</b>	<b>-2,749</b>	<b>263,721</b>	<b>201,032</b>
-340	-346	-2,122	-1,605	0	0	-2,961	-2,206
<b>2,123</b>	<b>2,470</b>	<b>1,276</b>	<b>683</b>	<b>0</b>	<b>0</b>	<b>6,151</b>	<b>13,122</b>
393	135	49	10	0	0	3,026	14,883
718	392	24,326	51	0	-47	25,255	781
4,405	3,640	64,638	34,654	37,099	47,546	327,139	246,876
1,546	1,891	39,731	8,086	88,440	71,203	279,606	196,778

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

The individual segment contributions for 2011 are split up according to their geographical origin as follows:

IN THOUS. €	Germany		Abroad		Consolidation/ Transition		Group	
	2011	2010	2011	2010	2011	2010	2011	2010
Sales revenue (external customers)	71,033	97,515	192,688	103,517	0	0	263,721	201,032
Sales with other segments	3,202	29,938	0	0	-3,202	-29,938	0	0
<b>Total of sales revenue</b>	<b>74,235</b>	<b>127,453</b>	<b>192,688</b>	<b>103,517</b>	<b>-3,202</b>	<b>-29,938</b>	<b>263,721</b>	<b>201,032</b>
Scheduled depreciation	-2,005	-1,545	-956	-661	0	0	-2,961	-2,206
<b>Operating result (EBIT)</b>	<b>2,096</b>	<b>3,908</b>	<b>4,055</b>	<b>9,214</b>	<b>0</b>	<b>0</b>	<b>6,151</b>	<b>13,122</b>
Other expenditure not affecting payment	3,013	530	13	14,353	0	0	3,026	14,883
Investments	2,818	766	22,437	62	0	-47	25,255	781
Segment assets	240,766	130,579	49,274	68,751	37,099	47,546	327,139	246,876
Segment liabilities	160,237	48,230	30,929	77,345	88,440	71,203	279,606	196,778

The shares in the result of at-equity associated companies and joint ventures have been assigned to the geographical segments as follows:

The Group share of the period result of associated companies that can be assigned to the Solarstrompark Gut Erlasee GmbH & Co. KG in the amount of €160,000 (previous year: €70,000) has been assigned to the segment Germany due to its explicit assignability. The Group share of the period result of the joint venture that can be assigned to Solar Stribro s.r.o., Czech Republic, in the amount of -€564,000 (previous year: -€159,000) will be assigned in full to the segment Abroad. The Group share attributed to S.A.G. Intersolaire SAS in the period result of the joint venture with a total of €1,425,000 (previous year: €0) will be completely allocated to the segment Abroad.



## Explanations on the Statement of Income and Accumulated Earn

The statement of income and accumulated earn has been compiled according to total cost accounting.

### 6. SALES REVENUE

Please refer to Section 5 “Reporting by Market Segment” for details on the sales revenue as well as the distribution of sales revenue to the individual segments.

### 7. SHARE OF PROFIT / LOSS OF JOINT VENTURE COMPANIES

The share of profit and loss of joint venture companies was represented as follows:

IN THOUS. €	2011	2010
Share in profit and loss of S.A.G. Intersolaire SAS	1,425	0
Share in profit and loss of Solar Stribro s.r.o.	-564	0
<b>Total</b>	<b>861</b>	<b>0</b>

The portions of profit and loss of joint venture companies in the amount of -€159,000 were disclosed in the financial result in the previous year. Due to the closely linked activity of the joint venture companies with the group’s business activities, this will now be disclosed in the gross profit and loss.

### 8. INVENTORY CHANGES OF WORK IN PROGRESS, OWN WORK CAPITALIZED AND OTHER OPERATING INCOME

The inventory changes in work in progress reflect the value-based change of the projects on which work was performed but not completely concluded by the balance sheet key date. In the previous year, this essentially applied for the 48 MWp project in Italy. Due to the completion of this project in fiscal year 2011 the inventory of Work in Progress dropped accordingly.

“Own work capitalized” contains personnel expenditure in conjunction with the “Internally generated intangible assets”.

The other operating income is essentially comprised of the following:

IN THOUS. €	2011	2010
Rental contracts	15	21
Insurance compensation	99	147
Offset of benefits in kind	150	122
Income from exchange rate differences	208	296
Dissolution of value adjustments	764	206
Dissolution of provisions	1,672	300
Other operating income	1,025	1,648
<b>Total</b>	<b>3,933</b>	<b>2,740</b>

The other operating income includes income relating to other periods in the amount of €2,940,000 (previous year: €1,024,000). The income relating to other periods essentially consists of the dissolution of provisions and the revaluation of value adjustments. The remaining other operating income essentially results from the costs passed on to joint venture companies and from revenue from system retirements.



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## C.5 Notes on the Consolidated Accounts as per December 31, 2011

Altogether, the values developed in comparison with the previous year as follows:

IN THOUS. €	2011	2010
Changes in inventory of work in progress	-48,206	51,975
Own worked capitalized	299	0
Other operating income	3,933	2,740
Share of which relating to other periods	2,940	1,024
<b>Total</b>	<b>-43,974</b>	<b>54,715</b>

### 9. COST OF MATERIALS

The cost of materials is as follows:

IN THOUS. €	2011	2010
Cost of materials	-180,357	-202,765

A determining factor in the decline of the cost of materials is that for the large-scale project in Italy, expenditure for components was already disclosed in the inventory changes in 2010. In addition, the cost of materials ratio remained relatively stable with regard to the overall performance.

### 10. WAGE COSTS

The increase in wage cost can be essentially attributed to the further buildup of the workforce in 2011. In detail, the values are as follows:

IN THOUS. €	2011	2010
Wages and salaries	-12,593	-9,125
Social contributions and expenses for pension scheme	-3,040	-1,650
<b>Total</b>	<b>-15,633</b>	<b>-10,775</b>

Contribution-oriented plans in the form of pension plans and pension funds exist. The amount spent on this was €33,000 (previous year: €29,000). In addition, defined benefit plans exist for which pension provisions are being established. In the reporting year, expenditure for these amounted to €674,000 (previous year: €0). In addition, employee contributions to the pension insurance fund in the amount of €1,073,000 (previous year: €1,262,000) were posted as expenditure.

The employee figures developed in the fiscal year as follows:

	2011	2010
Wage earners	0	10
Salary earners	205	127
Weighted part-time staff	6	9
Temporary staff	15	13
<b>Total</b>	<b>226</b>	<b>159</b>

The employee figures (without members of the Executive Board) were calculated according to the average of key dates to the end of the quarter.

In personnel expenditure, the costs for research and development in the reporting year were €1,054,000 (previous year: €799,000). In this context, personnel expenditure is for employees of meteocontrol GmbH for the development of hardware and software and for employees of S.A.G. Technik GmbH, whose tasks include fire protection, yield optimization and repowering of old systems.

## 11. DEPRECIATION

Depreciation developed as follows:

IN THOUS. €	2011	2010
Scheduled depreciation on:		
- Intangible assets	-375	-270
- Tangible assets	-2,586	-1,936
<b>Total</b>	<b>-2,961</b>	<b>-2,206</b>

The increase in depreciation can be essentially attributed to the investment in photovoltaic systems, Solarpark Kamenicna s.r.o., Czech Republic, and Solarpark Dortmund GmbH. & Co. KG, Germany.

## 12. OTHER OPERATING EXPENSES

The other operating expenses are made up of the following items:

IN THOUS. €	2011	2010
Room costs	-813	-613
Insurances, contributions	-1,314	-784
IT costs	-96	-159
Office and communication costs	-683	-497
Consulting and auditing costs	-4,546	-3,552
Advertising costs	-1,817	-1,214
Investor Relations	-236	-593
Vehicle costs	-756	-495
Travel costs	-1,167	-993
Maintenance, warranty	-345	-637
Value adjustments, default on receivables	-679	-14,914
Exchange rate differences	0	-219
Currency hedging, additional costs of money transfer	-124	-73
Other costs	-2,930	-2,136
<b>Total</b>	<b>-15,506</b>	<b>-26,879</b>

The other costs essentially include costs for the solar tax in the Czech Republic as well as costs for personnel recruitment and development, as well as other operating expenditure.

In the previous year, the Other Operating Expenditure included value adjustments to receivables from construction contracts, due to the change of client, in the amount of €13,753,000, which resulted in the decline in Other Operating Expenditure in the reporting year 2011.

## 13. NET PROFITS AND LOSSES FROM FINANCIAL INSTRUMENTS

The other operating income and expenditure contain the following net profits and losses from financial instruments:

IN THOUS. €	2011	2010
Loans and receivables	609	-709
Financial assets and financial liabilities affecting net income and valued at fair value	208	77
<b>Total</b>	<b>817</b>	<b>-632</b>

The net profits and losses from loans and receivables essentially contain results from the creation or dissolution of value adjustments.

The net profits and losses of the financial assets and liabilities valued at fair value on an income statement-related basis are due to exchange rate differences resulting from loans and bank payables.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 14. AUDITOR FEE

The consulting costs contain fees for the Group auditors in the following amounts:

IN THOUS. €	2011	2010
For annual audit	259	267
For other valuation and accounting services	38	0
For tax consulting services	225	56
For other services	130	84
<b>Total</b>	<b>652</b>	<b>407</b>

In addition, €755,000 (previous year: €408,000) is attributable to the international association of the Group auditor. In fiscal year 2011, €119,000 (previous year: €73,000) was also subsequently incurred as the fee for the audit of the previous year.

### 15. FINANCIAL RESULT

The financial result is made up, in detail, of the following:

IN THOUS. €	2011	2010
Share of profit/loss from associated companies	160	71
Share of profit/loss from joint venture companies	0	-159
Other share holding income	0	185
Financial revenues	500	1,638
Financial expenditure	-9,088	-4,831
<b>Total</b>	<b>-8,428</b>	<b>-3,096</b>

The financial statement contains interest earnings and expenditure for financial assets and financial liabilities that have not been valued at fair value as affecting the profit and loss statement.

### 16. NET CURRENCY PROFITS AND LOSSES

The currency differences are contained in the following items of the statement of income and accumulated earn:

IN THOUS. €	2011	2010
Other operating income	208	296
Other operating expenditure	0	-292
<b>Total</b>	<b>208</b>	<b>4</b>

### 17. INCOME TAX EXPENDITURE

The actual and deferred tax expenditure and earnings concern domestic and foreign taxes of income and earnings and are comprised of the following:

IN THOUS. €	2011	2010
Actual taxes of income and earnings	-2,020	-1,342
Deferred taxes of income and earnings	757	-2,427
<b>Total</b>	<b>-1,263</b>	<b>-3,769</b>

The taxes of income and earnings include domestic corporate tax, including solidarity tax, as well as the tax on profits or similar taxes in the foreign subsidiaries.

The table below shows offset and reconciliation from the anticipated tax expenditure to the expenditure actually stated. As in the previous year, the anticipated tax rate of S.A.G. Solarstrom AG as the parent company is 29.83% and has been determined on the basis of a corporate tax rate including solidarity tax of 15.83% and a tax on profits rate of 14%.

IN THOUS. €	2011	2010
<b>Result before income tax</b>	<b>-2,277</b>	<b>10,026</b>
Tax rate in %	29.83%	29.83%
<b>Anticipated income tax expense</b>	<b>-679</b>	<b>2,991</b>
Tax rate-dependent deviations	-305	-30
Operating expenses that cannot be deducted	1,938	331
Non-assertion of tax loss carried forward	500	542
Non-assertion of capitalized deferred taxes on temporary differences	-140	5
Use of tax loss carried forward	-598	-8
Tax-free amounts	97	0
Capitalization of tax loss carried forward	0	-37
Tax arrears payments for previous years	70	-6
Minimum taxation Italy	238	52
Other deviations	142	-71
<b>Taxes of income and earnings</b>	<b>1,263</b>	<b>3,769</b>
Tax rate in %	-55.5%	37.6%

The deferred taxes are made up of the following at the balance sheet date:

IN THOUS. €	2011	2010
<b>Deferred tax liabilities</b>		
Tangible assets	112	554
Receivables	3,084	634
Inventories	313	0
Accruals and deferrals	0	589
Other/provisions	225	183
	<b>3,734</b>	<b>1,960</b>
<b>Deferred income tax claims</b>		
Tangible assets	1,597	0
Shareholdings	0	291
Provisions	323	102
Inventories/construction contracts	757	768
Other	15	-186
Subtotal	2,692	975
Losses carried forward	2,261	1,448
	<b>4,953</b>	<b>2,423</b>
Balancing	-2,238	-580
<b>Deferred tax assets shown</b>	<b>2,715</b>	<b>1,842</b>
<b>Deferred tax liabilities shown</b>	<b>1,496</b>	<b>1,380</b>

Changes to the deferred income tax assets and liabilities in the current year without taking into account the balance of open items at the same tax authority is determined as follows:

IN THOUS. €	2011	2010
Status January 1	462	2,889
Amount entered in the statement of comprehensive income	757	-2,427
<b>Status December 31</b>	<b>1,219</b>	<b>462</b>

In Germany, tax losses carried forward on corporation tax exist in the amount of €8.6 million (previous year: €5.4 million) and on industrial tax in the amount of €3.7 million (previous year: €4.0 million), which are utilizable for an unlimited period of time. In the year under review, deferred taxes were capitalized on domestic losses carried forward based on the existing tax planning.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

Tax losses carried forward for which deferred taxes were completely established exist in the following countries: USA €816,000 (previous year: €0), France €99,000 (previous year: €210,000), Czech Republic €418,000 (previous year: €0).

In addition, tax losses carried forward of €2,909,000 (previous year: €1,461,000) exist in Spain as well as in Austria in the amount of €832,000 (previous year: €861,000), on which no deferred taxes on losses carried forward have been established in view of the current tax-related planning.

As in the previous year there were no deferred income taxes entered at December 31, 2011 for taxes on non-paid profits from subsidiaries, as the Group established that the profits of its subsidiaries that had not yet been distributed will not be distributed in the foreseeable future.

### 18. RESULTS PER SHARE

#### (a) Undiluted Results per Share

The undiluted result per share is calculated by creating the quotient from the profit to which the investors are entitled and the average number of issued shares during the fiscal year – with the exception of own shares that the company holds.

	2011	2010
Group annual result falling to investors (in thousand €)	-3,540	6,257
Average number of issued shares (in thousands)	12,273	11,392
<b>Undiluted result per share in €</b>	<b>-0.29</b>	<b>0.55</b>

#### (b) Diluted Results per Share

The diluted result per share is derived by increasing the average number of shares in circulation by all the conversion privileges. It is assumed that the convertible bonds will be exchanged for shares and that the net profit will be adjusted by the interest payable and the tax effect.

IN THOUS. €	2011	2010
Group annual result falling to investors	-3,540	6,257
Interest payable for convertible bond (adjusted by tax effect)	349	463
Group annual result for determining diluted result per share	-3,191	6,720
IN THOUSANDS	2011	2010
Average weighted number of issued shares	12,273	11,392
Adjustments for:		
Assumed conversion of convertible bonds	2,942	3,545
Average weighted number of shares for diluted result per share	15,215	14,937
<b>Diluted result per share in €</b>	<b>-0.21</b>	<b>0.45</b>

#### Number of Shares

The number of shares in circulation developed as follows:

	2011	2010
Number of shares on January 1,	11,372,388	11,741,441
Acquisition of own shares	0	-597,658
Sale of own shares	650,000	0
Capital increase	603,330	228,605
Number of shares on December 31,	12,625,718	11,372,388
Weighted average number of ordinary shares	12,273,372	11,392,010
Result apportionable to shareholders of parent company (in thous. €)	-3,540	6,257

During the time between the balance sheet key date and the compilation of the consolidated financial statement, no major transactions with common shares or potential common shares have taken place.



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## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### Explanations on the Balance Sheet

#### 19.

#### INTANGIBLE ASSETS

The intangible assets essentially include goodwill from the first consolidation as well as licenses, rights and software.

In detail, the inventory of intangible assets developed as follows:

IN THOUS. €	Licenses, rights and software	Internally generated intangible assets	Goodwill	Total
<b>Acquisition costs or manufacturing costs January 1, 2010</b>	<b>1,777</b>	<b>0</b>	<b>1,625</b>	<b>3,402</b>
Acquisitions	252	0	0	252
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
<b>Acquisition costs or manufacturing costs December 31, 2010</b>	<b>2,029</b>	<b>0</b>	<b>1,625</b>	<b>3,654</b>
Acquisitions	184	374	0	558
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
<b>Acquisition costs or manufacturing costs December 31, 2011</b>	<b>2,213</b>	<b>374</b>	<b>1,625</b>	<b>4,212</b>
<b>Accumulated depreciations January 1, 2010</b>	<b>-1,006</b>	<b>0</b>	<b>0</b>	<b>-1,006</b>
Acquisitions	-270	0	0	-270
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
<b>Accumulated depreciations December 31, 2010</b>	<b>-1,276</b>	<b>0</b>	<b>0</b>	<b>-1,276</b>
Acquisitions	-375	0	0	-375
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
<b>Accumulated depreciations December 31, 2011</b>	<b>-1,651</b>	<b>0</b>	<b>0</b>	<b>-1,651</b>
Book value December 31, 2010	753	0	1,625	2,378
<b>Book value December 31, 2011</b>	<b>562</b>	<b>374</b>	<b>1,625</b>	<b>2,561</b>

In the Other Intangible Assets, development expenses for the development of hardware and software for the remote monitoring of photovoltaic systems in the amount of €374,000 (previous year: €0) were capitalized for the first time on December 31, 2011. As the capitalized costs concern products that are not yet ready to be launched on the market, the internally generated intangible assets have not been depreciated in the fiscal year.

The goodwill of TAU Ingenieria Solar S.L. in the amount of €1,085,000 is assigned to the segment "Project Planning and Plant Construction". The goodwill of S.A.G. Solarstrom Vertriebsgesellschaft mbH in the amount of €540,000 is assigned to the segments "Project Planning and Plant Construction" and "Partner Sales" in a 50/50 ratio.



This assignment results in the following goodwill:

IN THOUS. €		Total	Project Plan- ning and Plant Construction	Partner Sales
Germany	S.A.G. Solarstrom Vertriebsgesellschaft mbH, Freiburg i. Br.	540	270	270
Spain	TAU Ingenieria Solar S.L., Madrid	1,085	1,085	0
<b>Total</b>		<b>1,625</b>	<b>1,355</b>	<b>270</b>

The goodwill resulting from the consolidation of funds is subjected to an impairment test every year. The respective areas of the subsidiaries to which the corresponding goodwill has been assigned are defined as the cash generating units.

The impairment test of goodwill was performed at the level of the cash generating unit based on the use value, by discounting the cash flow derived from corporate planning with a risk-adjusted interest rate (WACC). This impairment test was based on the following calculations:

- In fiscal year 2011: (WACC) of 8.38% (segment "Project Planning and Plant Construction") and 8.38% (segment "Partner Sales").
- In fiscal year 2010: (WACC) of 7.65% and 7.58% (segment "Project Planning and Plant Construction") and 7.48% (segment "Partner Sales").

The determination of the cash flow is based on a planning horizon of three years. Cash flows accrued based on assumptions regarding future sales price and quantities and associated expenditure. The management has defined the planning data based on past trends and expectations regarding future market development.

The planning horizon for the first 3 years is based on a growth of 5%. A growth rate of 1% is calculated for the subsequent period. Three scenarios with different probability assumptions are used in the analysis.

Even if the average weighted capital costs (WACC) increased by 1% during the impairment tests, there would be no devaluation requirement on the goodwill. Accordingly, there was no devaluation requirement during the fiscal year.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 20. TANGIBLE ASSETS

In detail, the inventory of the tangible assets developed as follows:

IN THOUS. €	Land and buildings	Plants and machinery	Other fixtures and fittings, tools and equipments	Total
<b>Acquisition costs or manufacturing costs January 1, 2010</b>	<b>598</b>	<b>39,513</b>	<b>2,040</b>	<b>42,151</b>
Acquisitions	0	15	515	530
Acquisitions from basis of consolidation	0	0	0	0
Retirements	-5	-47	-47	-99
Transfers	0	0	0	0
Currency differences	0	704	0	704
<b>Acquisition costs or manufacturing costs December 31, 2010</b>	<b>593</b>	<b>40,185</b>	<b>2,508</b>	<b>43,286</b>
Acquisitions	0	24,299	398	24,697
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	-119	-119
Transfers	0	0	0	0
Currency differences	0	-1,338	4	-1,334
<b>Acquisition costs or manufacturing costs December 31, 2011</b>	<b>593</b>	<b>63,146</b>	<b>2,791</b>	<b>66,530</b>
<b>Accumulated depreciations January 1, 2010</b>	<b>-17</b>	<b>-9,530</b>	<b>-1,276</b>	<b>-10,823</b>
Acquisitions	-9	-1,605	-322	-1,936
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	17	18	35
Transfers	0	0	0	0
Currency differences	0	-280	0	-280
<b>Accumulated depreciations December 31, 2010</b>	<b>-26</b>	<b>-11,398</b>	<b>-1,580</b>	<b>-13,004</b>
Acquisitions	-9	-2,170	-407	-2,586
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	86	86
Transfers	0	0	0	0
Currency differences	0	-19	-1	-20
<b>Accumulated depreciations December 31, 2011</b>	<b>-35</b>	<b>-13,587</b>	<b>-1,902</b>	<b>-15,524</b>
Book value December 31, 2010	567	28,787	928	30,282
<b>Book value December 31, 2011</b>	<b>558</b>	<b>49,559</b>	<b>889</b>	<b>51,006</b>

The tangible assets are transferred by way of security on the balance sheet date in the amount of €49,505,000 (previous year: €24,876,000) to credit institutions for the purpose of securing loans. The corresponding liabilities to credit institutions were valued at €34,655,000 (previous year: €19,900,000).

In the fiscal year, as in the previous year, no write-ups were performed. In the statement of income and accumulated earnings, leasing expenditure for leased office equipment was entered in the amount of €466,000 (previous year: €140,000).

## 21. FINANCIAL ASSETS

Apart from the shareholdings, the financial assets essentially cover shares in associated companies (Solarstrompark Gut Erlasee GmbH & Co. KG, Freiburg i. Breisgau) and shares in joint venture companies (Solar Stribro s.r.o., Czech Republic and S.A.G. Intersolaire SAS, France) as well as the fixed deposits shown under Other Financial Assets that have been pledged to secure the repayment claims of the bond creditors in conjunction with the issue of the convertible bond, the proportionate cash collateral for the current aval lines as well as the credits for S.A.G.'s own power plant park. These are not freely available to the company.

The financial assets are comprised of the following:

IN THOUS. €	DECEMBER 31	
	2011	2010
Investments	2,902	2,902
Shares in joint venture companies	10,845	9,959
Shares in associated companies	2,221	2,092
Other financial assets	11,766	12,913
<b>Total</b>	<b>27,734</b>	<b>27,866</b>

### Shares in Joint Venture Companies

The shares in joint venture companies developed as follows in the fiscal year:

IN THOUS. €	2011	2010
Status at start of period	9,959	1,805
Acquisition	0	8,313
Proportional result (corrected by effects of consolidation)	886	-159
<b>Status at end of period</b>	<b>10,845</b>	<b>9,959</b>

At December 31, 2011, the shares to joint venture companies did not include any goodwill, as in the previous year.

A summary of financial information on the Group's joint venture companies is shown below:

IN THOUS. €	DECEMBER 31	
	2011	2010
Noncurrent assets	59,110	62,778
Current assets	17,659	6,833
<b>Total assets</b>	<b>76,769</b>	<b>69,611</b>
Noncurrent liabilities	46,664	52,568
Current liabilities	11,831	804
Currency differences	33	294
<b>Total liabilities</b>	<b>58,528</b>	<b>53,666</b>
<b>Net assets</b>	<b>18,241</b>	<b>15,945</b>
Group share in net assets of the joint venture companies	9,121	7,973
Difference from acquisition	2,760	3,000
Less unrealized profit (net of tax)	-1,036	-1,015
<b>Shares in joint venture companies</b>	<b>10,845</b>	<b>9,958</b>

IN THOUS. €	JANUARY 1 – DECEMBER 31	
	2011	2010
Income	32,282	6,901
Expenditure	-29,970	-7,303
Period result	2,312	-402
<b>Group share in period result of joint venture companies</b>	<b>1,156</b>	<b>-201</b>

There were no contingent liabilities or financial obligations in connection with the joint venture companies.

Apart from the proportional result of the joint venture companies, the deferred taxes on unrealized profits are also contained in the Group share of the period result of the joint venture companies.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### Shares in Associated Companies

The shares in the associated companies developed as follows in the fiscal year:

IN THOUS. €	2011	2010
Status at start of period	2,092	2,053
Retirements	0	0
Distribution	-31	-31
Proportional result (corrected by effects of consolidation)	160	70
<b>Status at end of period</b>	<b>2,221</b>	<b>2,092</b>

A summary of financial information on the associated companies of the Group is given below:

IN THOUS. €	DECEMBER 31	
	2011	2010
Noncurrent assets	15,255	15,284
Current assets	3,342	3,937
<b>Total assets</b>	<b>18,597</b>	<b>19,221</b>
Noncurrent liabilities	9,833	10,836
Current liabilities	1,148	1,281
<b>Total liabilities</b>	<b>10,981</b>	<b>12,117</b>
<b>Net assets</b>	<b>7,616</b>	<b>7,104</b>
Group share of net assets of associated company	2,336	2,179
Distributions accumulated	-62	-31
Less unrealized profit (net of tax)	-53	-56
<b>Shares in associated company</b>	<b>2,221</b>	<b>2,092</b>

IN THOUS. €	JANUARY 1 – DECEMBER 31	
	2011	2010
Income	2,075	1,810
Expenditure	1,563	1,600
Period result	512	210
<b>Group share of period result of associated company</b>	<b>157</b>	<b>70</b>

The shares in associated companies are pledged in the full amount as collateral to secure loans.

### Other Financial Assets

The other financial assets, mainly fixed deposits to secure loans and from the convertible bond issued in 2007, developed as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Pledged fixed-terms deposits to secure the repayment claims of the bond creditors under the procedure of the convertible bond	7,579	9,155
Pledged fixed-term deposits for loans	4,151	3,722
Other financial assets	36	36
<b>Total</b>	<b>11,766</b>	<b>12,913</b>

Of the fixed deposits, €4,151,000 (previous year €3,722,000) are pledged to secure loans and guaranteed credit lines.

## 22. NONCURRENT RECEIVABLES AND OTHER ASSETS

The noncurrent receivables include loan receivables due from associated companies in the amount of €786,000 (previous year: €509,000). In the previous year, they contained loan receivables from joint venture companies in the amount of €1,629,000. In addition, the item also includes receivables from financing sales of photovoltaic plants that have been agreed in previous years, in particular with municipalities or other public bodies. The development in financing sales is proceeding as planned according to the agreed installment payments.

The values are as follows, in comparison with the previous year:

IN THOUS. €	DECEMBER 31	
	2011	2010
Noncurrent receivables	1,194	2,538
Other assets	273	268
<b>Total</b>	<b>1,467</b>	<b>2,806</b>

The other assets are essentially rent deposits that have been paid.

## 23. INVENTORIES

The inventories have developed in the reporting year as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Raw materials and supplies	13,918	29,565
Work in progress	7,418	53,374
Down payments made	107	2,245
<b>Total</b>	<b>21,443</b>	<b>85,184</b>

As a result of the completion of the 48 MWp project in Italy, the raw materials and supplies have been reduced in comparison with the previous year. Liabilities are collateralized by raw materials and supplies in the amount of €13,918,000 (previous year: €29,565,000).

The reduction in work in progress essentially applies for the 48 MWp project in the Venice region.

Due to loss-free valuation and range analyses for photovoltaic modules and other components, a requirement for decline in value of €189,000 (previous year: €191,000) arose in the fiscal year. The net residual value of the inventories declined in value is thus €846,000 (previous year: €216,000).

In the reporting period, inventories in the amount of €159,011,000 (previous year: €170,942,000) were entered as material costs.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 24. FINANCIAL INSTRUMENTS BY CLASSES

In the fiscal year, the financial instruments are split up into classes, separated by financial assets and financial liabilities, and the previous year's figures are also shown. The classes are essentially trade receivables and payables, other financial assets, liquid assets, bonds and liabilities to financial institutions. These are valued at amortized costs. The derivative financial instruments are valued at fair value.

### Allocation of Book Values and Fair Values According to Classes

The table below shows book values and the fair value of all financial instruments entered in the consolidated financial statement. Due to the short terms or anticipated premature amortization of noncurrent receivables, and the fair value valuation of the derivative financial instruments and investments, the book values essentially correspond to the fair values (see table below).

IN THOUS. €	VALUATION CATEGORY ACCORDING TO IAS 39	VALUATION BALANCE SHEET ACCORDING TO IAS 39				VALUATION BALANCE SHEET ACCORDING TO IAS 11	FAIR VALUE AT DECEMBER 31, 2011
		BOOK VALUE AT DECEMBER 31, 2011	AMORTIZED COSTS	FAIR VALUE NOT AFFECTING NET INCOME	INCOME STATEMENT- RELATED FAIR VALUE		
<b>Assets</b>							
Cash and cash equivalents	LaR	10,696	10,696				10,696
Trade receivables	LaR	191,003	191,003				191,003
Receivables from construction contracts (PoC)	n.a.	6,257				6,257	6,257
Other receivables	LaR	11,177	11,177				11,177
Investments	AfS	2,902	2,902				2,902
Other financial assets	LaR	11,766	11,766				11,766
Noncurrent receivables and other assets	LaR	1,467	1,467				1,467
<b>Liabilities</b>							
Trade payables	FLAC	61,714	61,714				61,714
Payables to credit institutions	FLAC	140,326	140,326				135,328
Other payables	FLAC	20,589	20,589				20,589
Derivative financial instruments	FVPL	596			596		596
Derivative financial instruments	n.a.	431		431			431
Bonds and other licensed liabilities	FLAC	50,306	50,306				44,484
<b>Share of which aggregated according to valuation categories in compliance with IAS 39:</b>							
Loans and receivables (LaR)		226,109					226,109
Investments (AfS)		2,902					2,902
Financial liabilities measured at amortized Cost (FLAC)		272,935					262,115
Fair value through profit and loss (FVPL)		596					596

IN THOUS. €	VALUATION CATEGORY ACCORDING TO IAS 39	VALUATION BALANCE SHEET ACCORDING TO IAS 39					VALUATION BALANCE SHEET ACCORDING TO IAS 11	FAIR VALUE AT DECEMBER 31, 2010
		BOOK VALUE AT DECEMBER 31, 2010	AMORTIZED COSTS	FAIR VALUE NOT AFFECTING NET INCOME	INCOME STATEMENT- RELATED FAIR VALUE			
<b>Assets</b>								
Cash and cash equivalents	LaR	9,810	9,810				9,810	
Trade receivables	LaR	67,147	67,147				67,147	
Receivables from construction contracts (PoC)	n.a.	7,776				7,776	7,776	
Other receivables	LaR	8,807	8,807				8,807	
Investments	AFS	2,902	2,902				2,902	
Other financial assets	LaR	12,913	12,913				12,913	
Noncurrent receivables and other assets	LaR	2,806	2,806				2,806	
<b>Liabilities</b>								
Trade payables	FLAC	71,684	71,684				71,684	
Payables to credit institutions	FLAC	73,474	73,474				71,415	
Other payables	FLAC	9,654	9,654				9,654	
Derivative financial instruments	FVPL	727			727		727	
Bonds and other licensed liabilities	FLAC	34,488	34,488				33,238	
<b>Share of which aggregated according to valuation categories in compliance with IAS 39:</b>								
Loans and receivables (LaR)		101,483					101,483	
Investments (AFS)		2,902					2,902	
Financial liabilities measured at amortized Cost (FLAC)		189,300					185,991	
Fair value through profit and loss (FVPL)		727					727	

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### *Credit Quality of Financial Instruments*

The credit quality of financial instruments that are neither overdue nor have declined in value can be measured by external credit ratings (if available) or based on historic information on the failure rates. No conditions of a financial asset that would otherwise be overdue or depreciated were renegotiated in the fiscal year.

### *Financial Instruments*

In order to safeguard the combined interest rate change and foreign currency risk from the loan liability of a subsidiary in foreign currency, the subsidiary has concluded an interest/currency derivative currency contract ("Swap"). The combined interest rate change and foreign currency risk is the result, on the one hand, of the variable half-yearly interest charged on the loan and the accompanying variability of the cash flow in foreign currency, and on the other hand, of the necessary conversion of the half-yearly repayment installments of the loan from the currency of the subsidiary into the currency of the loan that corresponds to the group currency.

The loan agreement and the interest/currency swap have been combined into a cash flow hedging relationship. The prospective and retrospective efficiency of the hedging relationship has been verified. The interest/currency swap had a nominal value in the amount of €14,600,000 at closing and has a term up to the year 2025. At the balance sheet key date, the interest/currency swap had a negative market value in the amount of €431,000 (previous year: €0).

In the reporting year, market value changes in the amount of €1,205,000 (previous year: €0) were entered in equity as not effecting net income (hedging reserve). In the reporting year, €754,000 (previous year: €0) was reclassified in the profit and loss statement from the hedging reserve. Hedging ineffectiveness did not occur.

The table below shows the combined interest/currency derivatives existing on the balance sheet key dates with their nominal values, remaining terms and market values. The market values correspond – relating to the balance sheet key date – to the respective price at which an independent third party would assume the rights and/or obligations from the instruments.

IN THOUS. €	DECEMBER 31	
	2011	2010
<b>Interest/currency swap without hedge accounting</b>		
Nominal value	3,437	4,687
Remaining term > 1 year	2,187	3,437
Market value	-596	-727
<b>Interest/currency swap with hedge accounting</b>		
Nominal value	14,435	0
Remaining term > 1 year	13,869	0
Market value	-431	0

## 25. TRADE RECEIVABLES

The trade receivables are interest-free, with the exception of the short-term share of financing sales mentioned in Section 22 "Noncurrent Receivables and Other Assets".

The following table shows information on the financial risks contained in the trade receivables:

IN THOUS. €	DECEMBER 31	
	2011	2010
<b>Neither overdue nor adjusted in value</b>	<b>186,554</b>	<b>59,341</b>
Overdue receivables that have not been individually adjusted in value		
< 30 days	3,097	4,968
30 to 60 days	325	249
60 to 90 days	101	18
90 to 120 days	13	20
> 120 days	687	630
<b>Total overdue receivables that have not been individually adjusted in value</b>	<b>4,223</b>	<b>5,885</b>
<b>Book value of individually adjusted receivables</b>	<b>226</b>	<b>1,921</b>
<b>Book value</b>	<b>191,003</b>	<b>67,147</b>

With regard to the balance of trade receivables that have neither been declined in value nor are in default of payment, as well as the balance of trade receivables that are in default of payment but have not been adjusted in value, there are no indications on the closing key date that the debtors will not be able to meet their payment obligations.

The following table contains a summary of value adjustments to trade receivables.

IN THOUS. €	INDIVIDUALLY ADJUSTED VALUE
<b>Status on January 1, 2010</b>	<b>830</b>
Allocation reported as expenditure	914
Availment/Dissolution	-205
<b>Status on December 31, 2010</b>	<b>1,539</b>
Allocation reported as expenditure	166
Availment/Dissolution	-764
<b>Status on December 31, 2011</b>	<b>941</b>

The value adjustments are determined in conjunction with the underlying transactions. The maximum contingency risk for the trade receivables is the book value of the receivables less the trade credit insured receivables €2,356,000 (previous year: €2,915,000). The allocation of value adjustments is shown in the statement of income and accumulated earn under Other Operating Expenditure, and dissolution is shown under Other Operating Income.

At December 31, 2012, a framework agreement on the sale of trade receivables with a credit institution existed. The book value of the realized receivables was €353,000 (previous year: €1,116,000) at the balance sheet key date. The receivables will still be shown in the balance sheet, as the company still has the essential opportunities and risks associated with the receivables. The corresponding payables were €353,000 (previous year: €1,116,000), which needed to be classified as current.

Of the trade receivables, €98,392,000 (previous year: €17,932,000) have been transferred to credit institutions to secure loans.





GROUND-MOUNTED SYSTEM, STRIBRO, CZECH REPUBLIC, 13.6 MWP





## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 26. RECEIVABLES FROM CONSTRUCTION CONTRACTS

Current construction contracts on the balance sheet key date:

IN THOUS. €	DECEMBER 31	
	2011	2010
Costs accrued up to balance sheet date plus entered profits	9,029	19,076
Less: entered losses	0	0
Less: partial settlements	2,772	11,300
<b>Total</b>	<b>6,257</b>	<b>7,776</b>

The construction contracts entered on the balance sheet key date essentially concern receivables from projects in Germany (previous year: Italy).

Entered and contained in the closing as due amounts:

IN THOUS. €	DECEMBER 31	
	2011	2010
From customers from construction contracts	6,257	7,776
To customers from construction contracts	0	0
<b>Total</b>	<b>6,257</b>	<b>7,776</b>

Sales from noncurrent construction contracts are €6,049,000 (previous year: €19,076,000).

### 27. OTHER ASSETS

The other assets essentially result from loan receivables from joint venture companies in the amount of €3,425,000 (previous year: €1,645,000) as well as accruals and deferrals in the amount of €4,557,000 (previous year: €3,496,000).

### 28. CASH AND CASH EQUIVALENTS

The cash covers current sight deposits and fixed deposits. The development of the cash that flows into the financial resource fund is shown in the table below.

IN THOUS. €	DECEMBER 31	
	2011	2010
Cash balance	4	3
Credit at financial institutions	10,692	9,807
<b>Total</b>	<b>10,696</b>	<b>9,810</b>

Interest has been paid on the credit at credit institutions at an interest rate of 0.2% to 2.3% (previous year: 0.10% to 1.25%).

Of the credit at credit institutions, €7,078,000 (previous year: €0) is pledged to credit institutions to secure loans.

**29.  
EQUITY***a) Capital Stock*

The share capital amounts to €33,563,074.56 on December 31, 2011 (previous year: €32,018,549.76) and is split up into 13,110,576 (previous year: 12,507,246) no-par shares.

*b) Authorized Capital*

After an increase in capital against a cash deposit on August 6, 2007, the authorized capital amounted to €10,630,161.92. Based on the authorization of May 30, 2011 the Executive Board is authorized to increase the capital stock of the company, with the agreement of the Supervisory Board, for a period of five years from the day of registration of the authorized capital in the Commercial Registry, once or several times, by up to a total of €15,000,000 against a cash deposit and/or assets in kind, by issuing new no-par bearer shares (ordinary shares) (authorized capital).

*c) Conditional Capital*

On July 20, 2006 a conditional capital increase in the share capital up to €10,000,000 was decided by the shareholders' meeting (Conditional Capital II).

*d) Capital Provisions*

Capital provisions developed as follows:

IN THOUS. €	2011	2010
<b>Status on January 1</b>	<b>13,779</b>	<b>13,779</b>
Premium from capital increase	3	0
Premium from the sale of own shares	466	0
Share-based payments	0	0
<b>Status on December 31</b>	<b>14,248</b>	<b>13,779</b>

Capital provisions are ascribed to the premiums received when shares are issued and subject to the restrictions of use according to stock corporation law.

In fiscal year 2011, 650,000 own shares were sold to institutional investors (previous year: 0). The shares were sold at a price that did not significantly fall below the stock market price of shares of the company with the same terms at the time of the sale (§ 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG)). The definitive trading price is the average (arithmetic mean) of the closing rates of the S.A.G. Solarstrom share in Xetra trading at the Frankfurt am Main Stock Exchange on the five trading days preceding the sale of shares. The average price for each share acquired was €3.74. The sales revenue per share from these sales was €4.46 on average. The extra earnings of €466,000 from these transactions are shown in the capital provisions.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### e) Own Shares

The ordinary shares bought back by the company are shown in the balance sheet under the item Own Shares and openly deducted from equity in the balance sheet.

The following table shows the most important information on the development of the Group's own shares:

	DECEMBER, 31
Average price per share acquired in €	3.74
<b>Payment including costs of acquisition in thous. €</b>	<b>1,812</b>

The following transitional calculation shows the change of shares in circulation in fiscal year 2011.

<b>Shares in circulation on January 1, 2011*</b>	<b>11,372,388</b>
Own shares sold in fiscal year 2011	650,000
Capital increase in individual shares	603,330
<b>Shares in circulation on December 31, 2011</b>	<b>12,625,718</b>

\* This number takes into account the retirement of 7,735 shares that were used as of August 6, 2009 to exercise submitted convertible bonds.

The number of own shares of the company developed as follows in fiscal year 2011:

<b>Status January 1, 2011</b>	<b>1,134,858</b>
Retirements	-650,000
<b>Status December 31, 2011</b>	<b>484,858</b>

The sale of own shares was made to institutional investors.

### 30.

#### NONCURRENT LIABILITIES

The noncurrent payables developed as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Bonds	50,306	34,488
Interest-bearing loans	36,758	26,390
Deferred tax liabilities	1,496	1,380
Other noncurrent liabilities	709	0
<b>Total</b>	<b>89,269</b>	<b>62,258</b>

**31.  
BONDS**

The term of the 6.85% convertible bond issued on July 30, 2007 in the total nominal amount of €10,000,000, which had been fixed until July 29, 2010, was extended for two years up to July 29, 2012 following an offer by the Executive Board and the Supervisory Board on April 1, 2010. The convertible bond has an annual conversion period over the term. In the extension of the term, the interest rate is 6.25% from July 30, 2010 (6.85% up to July 29, 2010). All other convertible bond conditions remain unaffected. The precise conditions of the convertible bond can be found on the company's website [www.solarstromag.com](http://www.solarstromag.com) in the section Anleihen.

According to the terms of the extension, the holders of the convertible bond had the choice of either having the convertible bond paid out at the original due date, to use the conversion period 2010 to convert the bond completely or to extend the term of the convertible bond.

The bond is secured up to December 31, 2011 in the full amount of the redemption amount of €7,544,000; (previous year: €9,091,000) by pledging of bank deposits in favor of the paying agent.

In the fiscal year 2010, S.A.G. Solarstrom AG issued a bond with a subscription period from November 25 to December 1, 2010. A total volume of €25,000,000 has been applied for to date. The term is five years, from December 15, 2010 until December 14, 2015, and the redemption price is 100%. The interest rate of the bond is 6.25% and the interest will be paid once a year on December 14 of each year.

In the fiscal year, S.A.G. Solarstrom AG issued a further bond with a subscription period starting on June 30, 2011, which was terminated by the company in an ad hoc notification on January 25, 2012. Up to December 31, 2011 a volume of €16,868,000 had been subscribed. The term is 6 years from July 11, 2011 to July 10, 2017, and the redemption price is 100%. The interest rate of the bond is 7.50% and the interest is paid once a year on July 10 of each year.

**32.  
INTEREST-BEARING LOANS**

The noncurrent liabilities to credit institutions refer essentially to the noncurrent financing of photovoltaic plants of the company's own stock. The runtimes are between 10 and 20 years with an average interest rate of 5.61% p. a..

The total financial debt includes secured liabilities from loans (liabilities to credit institutions) in the amount of €139,783,000 (previous year: €73,211,000). The liabilities to credit institutions are secured by the pledging of fixed deposits and assets at credit institutions, by the security transfer of inventories, tangible assets and shares in associated companies, by the assignment of trade receivables and receivables from future electricity revenue, as well as similar receivables (see Sections 20, 21, 23, 25 and 28).

The interest-bearing loans have the following remaining terms:

IN THOUS. €	REMAINING TERMS		
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
2011	103,568	15,170	21,588
2010	47,084	14,697	11,693





ROOF-TOP SYSTEM, AGRICULTURAL BUILDING, MAURUPT LES MONTOIS, FRANCE, 193.2 KWP





## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 33. PROVISIONS FOR BENEFITS AFTER TERMINATION OF THE WORKING RELATIONSHIP

IN THOUS. €	DECEMBER 31	
	2011	2010
<b>Recognized provision</b>		
Pension benefits	674	0
<b>Expenditure in the statement of comprehensive income</b>		
Pension benefits	674	119
Amount of actuarial losses (before taxes) in the remaining result in the period	0	0
<b>Amount of the net actuarial losses recognized in the cumulative other comprehensive income (before tax)</b>	<b>0</b>	<b>0</b>

The amount of the provision is calculated as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Cash value of the funded obligations	124	119
Cash value of the non-funded obligations	674	0
Fair value of the plan assets	-124	-119
Not yet entered past working time expenditure	0	0
<b>(Excess of plan assets over obligation)</b>	<b>0</b>	<b>0</b>

The defined benefit obligation developed as follows in the fiscal year:

IN THOUS. €	2011	2010
On January 1	119	0
Current service cost	674	119
Interest paid	5	0
Contributions by participants in plan	0	0
Actuarial profits and losses	0	0
Benefits paid	0	0
<b>On December 31</b>	<b>798</b>	<b>119</b>

The fair value of the plan assets developed as follows:

IN THOUS. €	2011	2010
On January 1	119	0
Anticipated returns from plan assets	5	0
Allocation	0	119
Benefits paid	0	0
<b>On December 31</b>	<b>124</b>	<b>119</b>

The cover asset consists of liability insurance submitted and pledged at an insurance company.

The following amounts have been entered in the statement of income and accumulated earn:

IN THOUS. €	DECEMBER 31	
	2011	2010
Current service cost	674	119
Interest paid	5	0
Returns from plan assets	-5	0
<b>Total amount entered in labor cost</b>	<b>674</b>	<b>119</b>

The following essential actuarial assumptions have been taken into consideration in the calculation:

IN %	2011	2010
	5.25 respectively	
Discounting interest rate	5.5	5.0
Anticipated returns from plan assets	3.7	3.7
Future increases in salary	0.0	0.0
	2.0 respectively	
<b>Future increases in pension</b>	<b>1.0</b>	<b>1.0</b>

The sensitivity analysis of changes in the assumptions is as follows:

IN %	CHANGE	EFFECT ON THE COMMITMENT
		4.3 respectively
Discounting interest rate	0.25	3.7

The table above contains two pension commitments to the Executive Board, introduced in fiscal year 2011. One is the pension commitment matched by insurance cover in the amount of €124,000 (previous year: €119,000), which continues unchanged. In addition, a pension commitment without counter guarantee was made in fiscal year 2011 in the amount of €674,000 (previous year: €0).

### 34.

#### INCOME TAX LIABILITIES

The income tax liabilities take into account the anticipated tax liabilities from income and from earnings for the year 2011.

### 35.

#### OTHER PROVISIONS

The provisions developed in the fiscal year as follows:

IN THOUS. €	STATUS JANUARY 1, 2011	CONSUMPTION	DISSOLUTION	ALLOCATION	STATUS DECEMBER 31, 2011
Warranties	1,719	0	1,342	0	377
Legal disputes	650	0	330	43	363
	<b>2,369</b>	<b>0</b>	<b>1,672</b>	<b>43</b>	<b>740</b>

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

The other provisions consist of provisions for warranties and legal disputes. The provisions for warranty affect obligations for projects in which no profitable recourse action against the supplier exists and notice of defects from projects. Due to the low probability of warranty claims – which depends on future events – as well as changes in the possible damage calculation, these provisions have been reduced accordingly.

The provisions for legal disputes in the amount of €330,000 have been dissolved, as pending legal proceedings were concluded with a positive outcome.

Claims to be paid from these provisions depend on future events. All provisions are disclosed under current debts, as claims paid from these provisions can be assumed in the next twelve months after the balance sheet date.

### 36. INTEREST-BEARING LOANS

IN THOUS. €	DECEMBER 31	
	2011	2010
Current liabilities to credit institutions	103,568	47,084
<b>Total</b>	<b>103,568</b>	<b>47,084</b>

The current liabilities to credit institutions are charged interest at an average of 4.42% p.a.. At December 31, 2011, S.A.G. Solarstrom AG had a non-utilized borrowing limit in the amount of €2,033,000 (previous year: €649,000).

Please refer to Section 32 “Interest-Bearing Loans” for details on the collateralization of the interest-bearing loans.

### 37. TRADE PAYABLES AND OTHER PAYABLES

The trade payables and other payables are as follows:

IN THOUS. €	DECEMBER 31	
	2011	2010
Trade payables	61,714	71,684
Down payments made	3,903	972
Other payables	17,713	8,682
<b>Total</b>	<b>83,330</b>	<b>81,338</b>

The reduction in trade payables essentially relates to the completion of the 48 MWp project in Italy. Interest is essentially not charged on trade payables. Interest is not charged on other payables and they have an average due date of four weeks. The other payables also include sales tax obligations, outstanding invoices and staff obligations.



The following table shows the contractually agreed (undiscounted) interest and amortization payments of the original and derivative financial liabilities:

IN THOUS. €	Book value December 31, 2011	Cash flow 2012		Cash flow 2013		Cash flow 2014-2016		Cash flow 2017 ff.	
		INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION
<b>Original financial liabilities:</b>									
Bonds and other licensed liabilities	50,306	3,101	7,544	2,828	0	6,848	25,000	667	16,868
Trade payables	61,714	0	61,714	0	0	0	0	0	0
Other interest-bearing liabilities (to credit institutions)	140,326	2,266	103,568	2,143	5,158	4,062	10,012	4,486	21,588
Other non interest-bearing liabilities	20,589	0	20,589	0	0	0	0	0	0
<b>Derivative financial liabilities</b>									
Derivative financial instruments	1,027	434	0	317	0	822	0	1,017	0

IN THOUS. €	Book value December 31, 2010	Cash flow 2011		Cash flow 2012		Cash flow 2013-2015		Cash flow 2016 ff.	
		INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION
<b>Original financial liabilities:</b>									
Bonds and other licensed liabilities	34,488	2,131	0	2,131	9,091	4,615	25,000	0	0
Trade payables	71,684	0	71,684	0	0	0	0	0	0
Other interest-bearing liabilities (to credit institutions)	73,474	1,700	47,084	1,614	4,258	3,343	10,439	2,519	11,693
Other non interest-bearing liabilities	3,530	0	3,530	0	0	0	0	0	0
<b>Derivative financial liabilities</b>									
Derivative financial instruments	727	124	0	140	0	284	0	0	0

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 38. CONTINGENT LIABILITIES

#### a) Securities

In the reporting year, securities from banks and insurance companies with a total of €12,345,000 (previous year: €10,965,000) existed, and were essentially taken over during the execution of the contract and the warranty. This could result in rights of recourse of the respective guarantor in the event of a claim.

There are also guarantees from project financing to the amount of €124,000,000 for the reinsurance. There is an obligation to pay premiums in connection with the reinsurance. Premiums were recognised in profit and loss if they are regarded as certain. There are contingent liabilities from insurance premiums of €2,999,000.

#### b) Other Contingent Liabilities

S.A.G. Solarstrom Beteiligungsgesellschaft mbH, Freiburg i. Breisgau, is a general partner of the following active companies:

- Solarstrompark Oberrhein GmbH & Co. KG, Freiburg im Breisgau
- Solarstrompark Oberrhein II GmbH & Co. KG, Freiburg im Breisgau
- Solarstrompark Tauber-Franken GmbH & Co. KG, Freiburg im Breisgau
- Solarstrompark BUND Baden-Württemberg GmbH & Co. KG, Freiburg im Breisgau
- Solarstrompark Ortenau GmbH & Co. KG, Freiburg im Breisgau
- Solarstrompark Gut Erlasee GmbH & Co. KG, Freiburg im Breisgau
- Orosolar GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Rain GmbH & Co. KG, Freiburg im Breisgau

S.A.G. Solarstrom Komplementär GmbH, Freiburg im Breisgau, is a general partner of the following active companies:

- Solarpark Dortmund GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Muldenstein GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Rövershagen GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wiedergeltingen Eins GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wiedergeltingen Zwei GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wiedergeltingen Drei GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wischhafen Eins GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wischhafen Zwei GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Loxstedt GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Fernwald GmbH & Co. KG, Freiburg im Breisgau
- Casino Eins GmbH & Co. KG, Freiburg im Breisgau

Paymar Avante is a general partner of the following active company:

- Orosolar GmbH & Co. KG, Freiburg im Breisgau (Spanish branch)

### 39. OTHER FINANCIAL OBLIGATIONS

#### a) Rental and Leasing Contracts

Financial obligations with the following terms exist from operating rental and leasing contracts:

IN THOUS. €	2011	2010
Less than 1 year	718	725
Between 1 and 5 years	767	773
More than 5 years	95	7
<b>Total</b>	<b>1,580</b>	<b>1,505</b>

The obligations essentially concern rental contracts for office rooms, leasing of service vehicles and technical office equipment.

#### b) Acceptance Obligations

According to the contract of November 25, 2010, an obligation with a supplier exists for the years 2011 through 2013, to accept modules with an output of 70 MWp in 2012 and 100 MWp in 2013. The agreed price is variable and can be adjusted depending on market development.

## Other Information

### 40. CORPORATE GOVERNANCE

The Compliance Statement for the German Corporate Governance Code, version of May 26, 2010 according to § 161 of the German Stock Corporation Act (AktG) was issued on March 30, 2012 and made permanently accessible to the shareholders of the company (see website: [www.solarstromag.com](http://www.solarstromag.com)).

### 41. EXECUTIVE BOARD AND SUPERVISORY BOARD

#### *The Executive Board consists of the following persons:*

- Dr. Karl Kuhlmann, CEO,  
Strategy, Marketing, Human Resources and Services Departments
- Oliver Günther (MBA),  
Direct Sales, Partner Sales and Services Sales
- Ulrich Kenk (MBA) (by entry in the commercial register on March 5, 2012, effective retrospectively from January 1, 2012), Accounting, Risk Management and Purchasing
- Christoph Koch (MBA),  
Financing and Liquidity Management, Legal Affairs and Power Production
- Karin Schopf (MBA) (by entry in the commercial register on March 5, 2012, effective retrospectively from January 1, 2012), Operations, Controlling, IT and Logistics

#### *The Supervisory Board consists of the following persons:*

- Dr. Peter W. Heller, Chairman, Freiburg im Breisgau,  
Managing Director of forseo GmbH, Freiburg im Breisgau
- Dr. Carsten Müller, Duisburg,  
Executive Board of X-Wert Bank Technology AG, Rheinbach
- Dr. Markus Haggene, Essen, Attorney

Dr. Peter W. Heller also acted as chairman of the Supervisory Board of Streb AG, Dreieich. Otherwise, no other activities in Supervisory Boards or other controlling bodies were performed.

## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 42.

#### PAYMENT OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The payment to the Executive Board is divided into a performance-related part (bonus) as well as a medium-term and long-term compensation part. The performance-dependent bonus is based on the achievement of the planned Group EBIT and sales, while the medium-term and long-term bonus is bound to the development of the dividend payment and the share price of S.A.G. Solarstrom AG. In addition, the Executive Board was provided with company vehicles, which are reflected as a non-cash benefit in the other payments.

The payments to the Executive Board for the reporting year are calculated in detail as follows:

EXECUTIVE BOARD DETAILS IN €	SHORT-TERM PAYMENT COMPONENTS			TOTAL
	FIXED PAYMENT	OTHER PAYMENTS	BONUS	
Dr. Karl Kuhlmann	310,000	21,655	100,000	<b>431,655</b>
Christoph Koch	180,000	17,052	50,000	<b>247,052</b>
Oliver Günther	210,000	16,979	50,000	<b>276,979</b>
<b>Total</b>	<b>700,000</b>	<b>55,686</b>	<b>200,000</b>	<b>955,686</b>

The members of the Executive Board were not granted any loans in the fiscal year.

Variable payment components with medium-term and long-term incentive effects as bonus (middle-term and long-term bonus) are agreed in the contracts with the three members of the Executive Board. Each member of the board has the same regulation. The medium-term bonus takes into consideration the ability of S.A.G. Solarstrom AG to distribute dividends to the company's shareholders. The members of the board receive a total amount of €20,000 as a medium-term bonus for each €100,000 of dividend payment. Partial amounts of €100,000 dividend payment are taken into account on a proportionate basis. This bonus is only paid out if the company pays a dividend in at least the same amount in the following year. Provisions in the amount of €143,000 (previous year: €143,000) were created for the chairman of the board and €71,000 (previous year: €71,000) each for the other members of the board for this bonus obligation. The long-term bonus depends particularly on the increase in company value, measured with the average Xetra share price in the period from July 1, 2011 to July 31, 2016. During this period, the average share price of

a S.A.G. Solarstrom AG no-par share must be at least €8 for a reference period of three calendar months, and the share price (closing price) on July 31, 2016 must be at least €7 in order for the bonus to be claimed. The long-term bonus would then be €100,000. A total of €35,000 in provisions was created for the bonus obligations in fiscal year 2011 (previous year: €0). The calculation was made based on an expert's report by Heubeck AG, Cologne. Any bonus payments are due on September 30, 2012, but not before approval of the annual consolidated financial statement for fiscal year 2011.

The total payments for the members of the Executive Board, including the required provisions for medium-term and long-term bonus payments were €1,276,000 in the fiscal year (previous year: €1,580,000).

Two pension obligations exist for the Executive Board. One is a pension commitment matched by insurance cover in the amount of €124,000 (previous year: €119,000). Of this, €112,000 is attributed to the CEO Dr. Karl Kuhlmann (previous year: €107,000) and €12,000 (previous year: €12,000) to Oliver Günther.

In addition, pension obligations without reinsurance exist in the amount of €674,000 (previous year: €0). €596,000 (previous year: €0) of this amount pertain to the Chairman of the Executive Board Dr. Karl Kuhlmann as well as €56,000 (previous year: €0) to Christoph Koch and €22,000 (previous year: €0) to Oliver Günther.

In addition to a fixed basic pay, the members of the Supervisory Board also receive a flat-rate payment per meeting, which serves as compensation for loss of earnings for the time of the meetings themselves, the preparations and follow-up actions, as well as the travel times. The performance-related part of the Supervisory Board payments amounts to 0.5% of the approved Group annual net profit after income tax.

The chairman of the Supervisory Board receives a statutory payment of double the basic pay and the performance-related parts, but not of the attendance fees, for his activities.

The payments to the Supervisory Board for the reporting year are calculated in detail as follows:

SUPERVISORY BOARD DETAILS IN €	PAYMENT COMPONENTS			TOTAL
	MEETING FEES	BASIC PAYMENT	PERFORMANCE RELATED PAYMENT	
Dr. Peter W. Heller	6,000	10,000	0	16,000
Dr. Carsten Müller	6,000	5,000	0	11,000
Dr. Markus Haggenev	6,000	5,000	0	11,000
<b>Total</b>	<b>18,000</b>	<b>20,000</b>	<b>0</b>	<b>38,000</b>

The total payments for the members of the Supervisory Board were €38,000 in the fiscal year (previous year: €154,000).

One member of the Supervisory Board recorded income from consultancy services in the amount of €0 (previous year: €4,000).

The members of the Supervisory Board were not granted any loans in the fiscal year.



## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### Relationships with Related Persons and Parties

#### 43.

##### EXECUTIVE BOARD AND SUPERVISORY BOARD

In accordance with IAS 24, the company reports on relationships with related persons and companies, which includes the members of the Executive Board and the Supervisory Board as well as their relatives.

Please refer to the information in Section 42 "Payment of Executive Board and Supervisory Board" for total payments made to the Executive Board and the Supervisory Board.

#### 44.

##### AFFILIATED COMPANIES

Under the increase in capital performed in 2007, the BBV Beteiligung, Beratung und Verwaltung GmbH (in short BBV) took over all available 1,115,986 no-par shares. In addition, the BBV took over €8,856,500 of the convertible bond from a total of €10,000,000. Interest payable to BBV resulted from the convertible bond in 2011 in the amount of €486,000 (previous year: €592,000).

The BBV was identified as a related person, after Dr. Kuhlmann, as shareholder and representative of the BBV, was appointed as Chairman of the Supervisory Board and in 2008 as Chairman of the Executive Board.

Taking into account the average presence at the shareholders' meetings of S.A.G. Solarstrom AG as well as the current jurisdiction of the Federal Supreme Court, it is assumed that an interdependency in terms of § 312 of the German Stock Corporation Act (AktG) exists with the BBV. No controlling or profit transfer agreement in favour of the BBV exists.

In fiscal year 2010, the BBV made use of the offer made by S.A.G. Solarstrom AG to extend the convertible bond.

In fiscal year 2011, the BBV used the special conversion period of the convertible bond and converted 2,986 partial debentures into company shares. Taking into account further share purchases and sales in the reporting period, it holds 9.40% (previous year: 8.92%) of the shares of S.A.G. Solarstrom AG at December 31, 2011.

On December 29, 2011 S.A.G. Solarstrom AG sold its subsidiary Casino Zwei GmbH & Co. KG at nominal value to the company Zweite BBV Beteiligung, Beratung und Verwaltung GmbH i. Gr., an affiliated company of BBV Beteiligung, Beratung und Verwaltung GmbH.

#### 45. ASSOCIATED COMPANIES

The following business was performed with associated companies:

IN THOUS. €	2011	2010
<b>Sales to associated companies</b>		
- Services	165	165
<b>Open items from the purchase/ sale of goods and services to associated companies</b>		
- Receivables	1	20

The business with associated companies refers to the relationship with the company Solarstrompark Gut Erlasee GmbH & Co. KG, with whom services by Group companies in the form of service and maintenance agreements as well as insurances were invoiced in the amount of €165,000 (previous year: €165,000) in the reporting year 2011.

#### 46. JOINT VENTURE COMPANIES

The following business was performed with joint venture companies:

IN THOUS. €	2011	2010
<b>Sales to joint venture companies</b>		
- Goods	17,025	3,638
- Services	109	437
<b>Open items from the purchase/ sale of goods and services to joint venture companies</b>		
- Receivables	4,834	1,255
<b>Loans to joint venture companies</b>		
Start of year	3,232	22,957
Loans granted during the year	94	5,705
Loans amortized during the year	63	25,430
End of the year	3,263	3,232
Calculated interest	159	711

The business with joint venture companies refers to the relationship with Solar Stribro s.r.o., Mrakov, Czech Republic and with S.A.G. Intersolaire SAS, Mulhouse, France. Photovoltaic systems in the amount of €17,025,000 were sold to S.A.G. Intersolaire SAS in the reporting year.



GROUND-MOUNTED SYSTEM, PROJECT PUGLIA II COCCIOLO, APULIA, ITALY, 999 KWP





## C.5 Notes on the Consolidated Accounts as per December 31, 2011

### 47. EVENTS AFTER THE REPORTING PERIOD

S.A.G. Solarstrom AG reported on January 25, 2012, that subscription to the 7.5% corporate bond would be closed on January 26, 2012. Of a maximum issuing volume of €25 million, a total volume of €16,868,000 has been placed since June 30, 2011.

On February 17, 2012 S.A.G. Solarstrom AG announced that it had extended its own power plant portfolio by around 1 MWp retroactively to December 31, 2011. The Group had invested in a 919 kWp roof-top system on the roof of a logistics provider in Dortmund. The total investment volume was around €2 million.

On February 23, 2012, S.A.G. Solarstrom AG reported the extension of the Executive Board by two new members. The Supervisory Board appointed Karin Schopf, previously Head of Controlling at S.A.G. Solarstrom AG, and Ulrich Kenk, previously Commercial Director of S.A.G. Solarstrom AG, to the Board, which now consists of five persons.

On March 6, 2012, S.A.G. Solarstrom AG reported the conclusion of a loan agreement of €118 million for the long-term project funding of the 48 MWp Serenissima project. The loan, which has a term of 17 years, went to the Italian project company Enersol s.r.l. which has been acquired by an European finance investor on December 31, 2011.

On March 16, 2012 S.A.G. Solarstrom AG announced that it had agreed with Hanwha Europe GmbH, Hanwha SolarOne Ltd. and Hanwha SolarEnergy Corp. to work together on implementing several roof-top projects with a total output of 20 MWp. The roof-top systems are to be installed on various industrial roof-tops, mainly in Northern Italy, on behalf of a joint venture company, in which the Hanwha Group holds 85% and S.A.G. Solarstrom AG holds 15%, by the end of June 2012. Modules from Hanwha SolarOne Ltd. will be used. The project has a total investment volume of over €40 million. The agreement also includes an option for constructing further roof-top projects of up to 20 MWp, which are still under development.

On March 30, 2012 S.A.G. Solarstrom AG successfully completed the sale of the 48 MWp project. On this day, the transfer of the project company Enersol s.r.l.'s company shares to a subsidiary of BNP Paribas Clean Energy was certified by notary. The European financial investor acquired the solar farm pursuant to the agreement of sale signed on December 31, 2011.

The purchase price was also paid on March 30, 2012, and was comprised of the investor's equity and the credit payment of €118 million for the long-term financing of the 48 MWp project. After repayment of the project bridging loan of around €80 million granted by the Deutsche Bank Group and further payables, S.A.G. Solarstrom AG received liquid funds of of €50 million on March 30, 2012.



## C.6 Affirmation by Legal Representatives

On April 3, 2012 S.A.G. Solarstrom AG decided to buy back a maximum of 826,000 of its own shares from April 4, 2012 to the end of May 23, 2012. The Close Brothers Seydler Bank, Frankfurt am Main, has been instructed to purchase the shares as an impartial party. Under the program, may not exceed 25% of the average trading volume on all German stock exchanges on the 20 trading days prior to each day of repurchase. The purchase price may not fall short of or exceed the arithmetic mean of the opening prices of the share in XETRA trading on the five stock market days before the purchase by more than 10%.

Freiburg im Breisgau, April 5, 2012

Dr. Karl Kuhlmann (CEO)

Oliver Günther (Member of the Executive Board)

Ulrich Kenk (Member of the Executive Board)

Christoph Koch (Member of the Executive Board)

Karin Schopf (Member of the Executive Board)

We affirm to the best of our knowledge, and in accordance with the applicable financial principles for financial reporting, that the consolidated financial statement conveys a true and accurate view of the earnings, asset and financial situation of the Group, and that the consolidated management report presents the course of business, including the business result and the Group's situation, such as to convey a true and accurate view and to describe the essential opportunities and risks of the likely development of the Group.

Freiburg im Breisgau, April 5, 2012

S.A.G. Solarstrom AG

Dr. Karl Kuhlmann (CEO)

Oliver Günther (Member of the Executive Board)

Ulrich Kenk (Member of the Executive Board)

Christoph Koch (Member of the Executive Board)

Karin Schopf (Member of the Executive Board)

## C.7 Auditor's Report

We have audited the consolidated financial statements prepared by the S.A.G. Solarstrom Aktiengesellschaft, Freiburg im Breisgau, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch“: German Commercial Code) is the responsibility of the parent Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Freiburg im Breisgau, April 10, 2012

*PricewaterhouseCoopers*  
*Aktiengesellschaft*  
*Wirtschaftsprüfungsgesellschaft*

Siegbert Weber	ppa. Marco Fortenbacher
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)



## **CONTACT INFORMATION.**

S.A.G. Solarstrom AG is represented in seven European countries and the USA. We value the interchange with shareholders, investors and other interested parties.

Please contact us if you have further questions on the Group or our services.

## D.1 Contact Information

### Germany

**S.A.G. Solarstrom AG**

Sasbacher Straße 5 · 79111 Freiburg i. Br.  
Tel. +49 (0) 761/47 70 – 0  
Fax +49 (0) 761/47 70 – 440  
mail@solarstromag.com · www.solarstromag.com

**The same contact data applies for:**

**S.A.G. Solarstrom Vertriebsgesellschaft mbH**  
**S.A.G. Solarstrom Beteiligungsgesellschaft mbH**  
**S.A.G. Technik GmbH**

**meteocontrol GmbH**

Spicherer Straße 48 · 86157 Augsburg  
Tel. +49 (0) 821/3 46 66 – 0  
Fax +49 (0) 821/3 46 66 – 11  
info@meteocontrol.de · www.meteocontrol.de

**The same contact data applies for:**

**meteocontrol GmbH** – Office Moers  
**meteocontrol GmbH** – Office Bremerhaven

### Switzerland

**S.A.G. Solarstrom AG**

Dorfstr. 94 · 3534 Signau  
Tel. +41 (0) 34/4 97 70 80  
Fax +41 (0) 34/4 97 70 81  
mail@solarstromag.ch · www.solarstromag.ch

### Austria

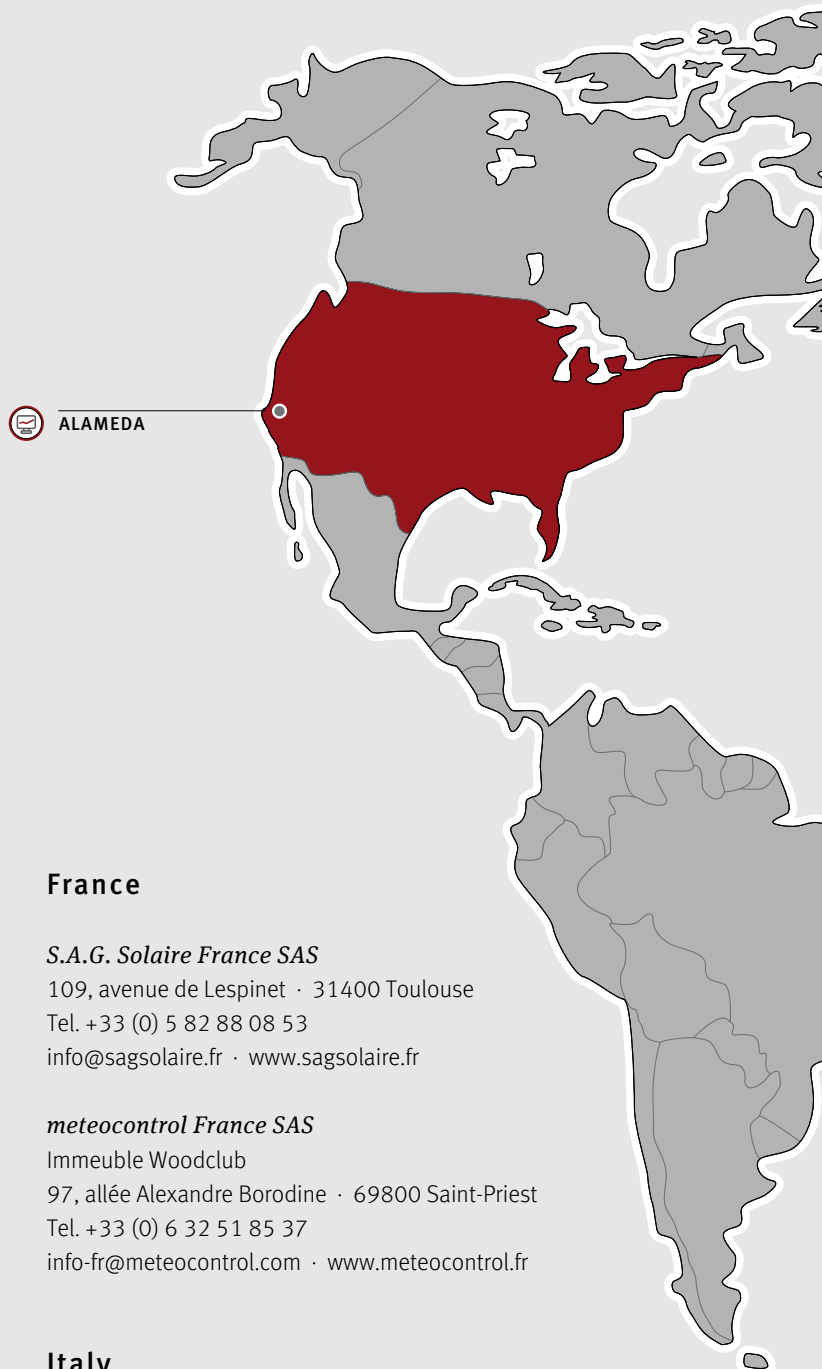
**S.A.G. Solarstrom Handels- und Betriebsgesellschaft mbH**

Sonnenstr. 1 · 6822 Satteins  
Tel. +43 (0) 55 22/4 88 66  
Fax +43 (0) 55 22/4 88 66 45  
mail@solarstromag.at · www.solarstromag.at

### Czech Republic

**S.A.G. Solarstrom Czech s.r.o.**

Ovocny trh 1096/8 · 11000 Prague 1  
Tel. +49 (0) 761/47 70 – 0  
Fax +49 (0) 761/47 70 – 440  
mail@solarstromag.com · www.solarstromag.com



### France

**S.A.G. Solaire France SAS**

109, avenue de Lespinet · 31400 Toulouse  
Tel. +33 (0) 5 82 88 08 53  
info@sagsolaire.fr · www.sagsolaire.fr

**meteocontrol France SAS**

Immeuble Woodclub  
97, allée Alexandre Borodine · 69800 Saint-Priest  
Tel. +33 (0) 6 32 51 85 37  
info-fr@meteocontrol.com · www.meteocontrol.fr

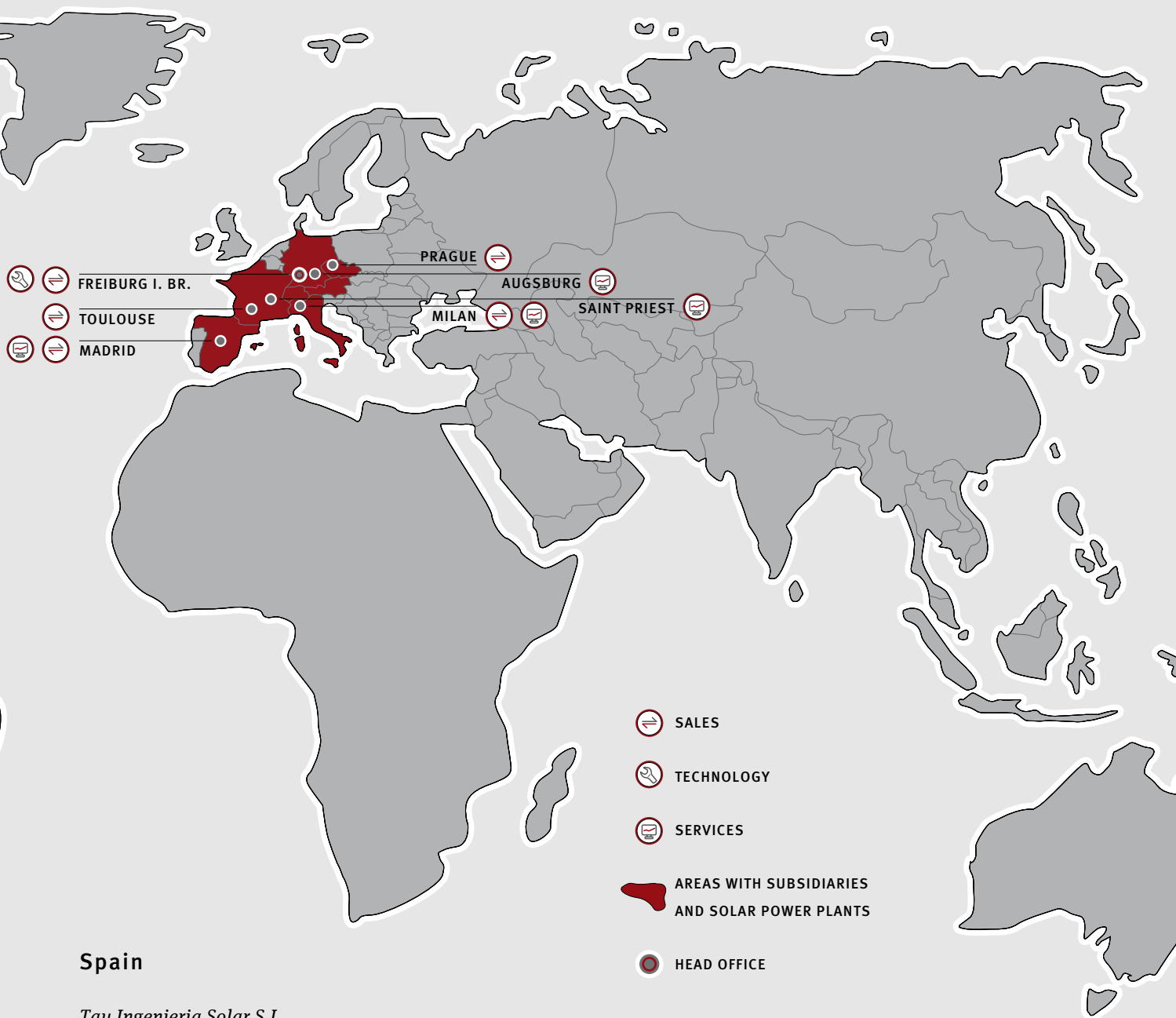
### Italy

**S.A.G. Solar Italia s.r.l.**

Viale F. Restelli 3/7 · 20124 Milan  
Tel. +39 (0) 02/45 49 67 31  
Fax +39 (0) 02/45 49 71 97  
info@sagsolar.it · www.sagsolar.it

**meteocontrol Italia s.r.l.**

Viale F. Restelli 3/7 · 20124 Milan  
Tel. +39 (0) 02/60 73 73 87  
info-it@meteocontrol.com · www.meteocontrol.it



## Spain

### *Tau Ingenieria Solar S.L.*

Andrés Obispo 37, 6º piso · 28043 Madrid

Tel. +34 (0) 91/3 00 44 60

Fax +34 (0) 91/3 00 46 15

tausolar@tausolar.com · www.tausolar.com

## USA

### *meteocontrol North America, Inc.*

Energy & Weather Services

1001 Marina Village Parkway, Suite 403

Alameda, California, 94501

Tel. +1 (5 10) 7 64 – 64 94

info-na@meteocontrol.com · www.meteocontrol.com

## Investor Relations / Public Relations

### *S.A.G. Solarstrom AG*

Sasbacher Straße 5 · 79111 Freiburg i. Br.

Tel. +49 (0) 761/ 47 70 – 311

Fax +49 (0) 761/47 70 – 44 1 42

ir@solarstromag.com

pr@solarstromag.com





ASSEMBLY TECHNICIAN OF S.A.G. SOLARSTROM AG

## D.2 Financial Calendar

**MAY 10, 2012**

Interim Report  
on the 1st Quarter of 2012

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**MAY 24, 2012**

General Shareholder's Meeting,  
Freiburg Trade Fair

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**AUGUST 9, 2012**

Half-Year Report for 2012

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**AUGUST 27 – 29, 2012**

10th DVFA Small Cap Conference, Frankfurt

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**NOVEMBER 8, 2012**

Interim Report  
on the 3rd Quarter of 2012

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**NOVEMBER 12 – 14, 2012**

Equity Conference, Frankfurt

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The latest financial dates will be published on the website of S.A.G. Solarstrom AG  
in the area Investor Relations/Financial Calendar.

### D.3 Legal Information

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S.A.G. Solarstrom AG · Sasbacher Straße 5 · 79111 Freiburg i. Br. – Germany  
Tel. +49 (0) 761/47 70 – 0 · Fax +49 (0) 761/47 70 – 440  
[www.solarstromag.com](http://www.solarstromag.com) · [mail@solarstromag.com](mailto:mail@solarstromag.com)