

2012

ANNUAL REPORT

QUALITY IN ENERGY

WE ARE SECURING AFFORDABLE ELECTRICITY FOR TOMORROW.
AN INDEPENDENT FUTURE WITH PHOTOVOLTAIC POWER.

S.A.G.
Solarstrom

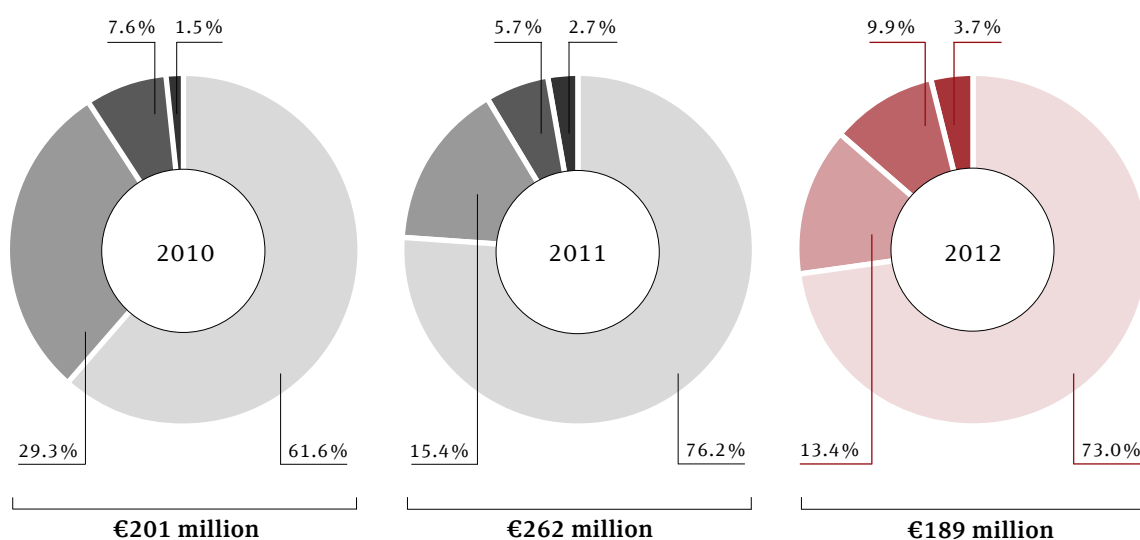
Overview of Key Figures

IN THOUS. €	2012	2011*	2010*	2009	2008*
Sales	188,623	261,811	201,032	152,885	97,662
Overall performance	189,165	213,904	253,007	154,269	99,874
Gross profit	40,807	38,341	52,982	27,852	16,520
Wage costs	-15,191	-15,633	-10,775	-8,137	-6,457
Depreciation	-3,261	-2,961	-2,206	-1,489	-1,376
Other operating expenses	-13,470	-15,931	-26,879	-9,740	-5,873
Operating result (EBIT)	8,885	3,816	13,122	8,486	2,814
Financial result	-6,702	-8,428	-3,096	-644	-34
Group annual net profit/loss	1,105	-5,875	6,257	7,733	1,973
Balance sheet total	299,301	325,229	246,876	133,569	108,803
Equity	44,206	45,198	50,098	48,877	42,843
Noncurrent payables	88,438	89,269	62,258	24,492	15,385
Current payables	166,657	190,762	134,520	60,200	50,575
Intangible assets	2,728	2,561	2,378	2,396	2,425
Tangible assets	48,999	51,006	30,282	31,328	19,244
Financial assets	28,488	27,734	27,866	16,844	15,918
Noncurrent receivables and other assets	8,503	1,467	2,806	25,996	22,771
Deferred tax assets	4,544	2,715	1,842	2,999	0
Inventories	13,478	21,443	85,184	16,563	32,705
Current receivables and other assets	184,018	207,607	86,708	30,222	11,914
Cash and cash equivalents	8,543	10,696	9,810	7,221	3,826
Profit/loss per share in €	0.09	-0.48	0.55	0.64	0.16
Number of bearer shares without own shares	12,406,364	12,625,718	11,372,388	11,741,441	12,278,641
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 2011, 2010 and 2008. 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.

Consolidated Sales by Business Area in %

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



S.A.G. Solarstrom AG has established itself as a key player in the market for photovoltaic power. We have proven our ability to compete in a difficult market environment.

We are driven by our conviction that photovoltaic power is an important building block in the energy supply of the future. Quality is the key to opening up the potential of solar energy – the quality of components, technical planning, installation, financing and the monitoring of services.

This is what S.A.G. Solarstrom AG stands for. We are “Quality in Energy“.

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A.

TO THE SHAREHOLDERS.

In the business year 2012, S.A.G. Solarstrom AG ensured profitability and developed new markets. The Group thus created the basis for further increasing sales and installation volume in 2013 and achieving a continuously positive EBIT margin, as in the previous year.

A.1 Highlights 2012

The Group's own power plant portfolio will be extended by a 919 kWp rooftop system in Dortmund with retroactive effect from December 31, 2011. This increases its own investment holdings to 88 systems in Germany and abroad, with a total output of 26.1 MWp.

FEBRUARY 2012



The Supervisory Board appoints 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 Executive Board.

FEBRUARY 2012



S.A.G. Solarstrom AG successfully concludes the sale of the 48 MWp Serenissima project to BNP Paribas Clean Energy Partners. After the settlement of receivables and repayment of the project bridging loan granted by the Deutsche Bank Group, in the amount of approximately €80 million, liquid funds of more than €50 million accrued to S.A.G. Solarstrom AG from the sales price in the hundreds of millions of Euros.

MARCH 2012



SEPTEMBER 2012

S.A.G. Solarstrom AG put photovoltaic systems with a total output of 15.2 MWp into operation on redevelopment sites in Germany on schedule on September 30. The largest individual project is a ground-mounted system in Jüterbog, Brandenburg, with 10.1 MWp.



OCTOBER 2012

The S.A.G. Solarstrom Group's quality and environment management system was successfully recertified. In its closing report, the audit team particularly emphasized the flexibility and topicality of the management system and its excellent system regarding compliance.



OCTOBER 2012

S.A.G. Solarstrom AG announces that it will develop and construct four photovoltaic power plants with a total output of around 440 MWp in a joint venture with two local solar companies in Badajoz, in the Spanish region of Extremadura. The project has a total investment volume of several hundred million Euros. The start of construction is planned for the second half of 2013.

On May 24, 2012, the Annual General Meeting consented to a dividend in the amount of 12.5 € cents per share. Altogether, €1,550,673.63 was paid out to the shareholders entitled to dividends.

MAY 2012



S.A.G. Solarstrom AG receives the funding commitment for €65 million from the Deutsche Bank Group. The loan is used for the interim financing of various projects planned in 2012 and 2013 by the S.A.G. Solarstrom Group, which will be implemented predominantly in Germany.

JUNE 2012



In Italy, S.A.G. Solarstrom AG successfully connects to grid seven photovoltaic projects with a total output of 3.6 MWp at the feed-in tariff of the Conto Energia IV. The rooftop systems, ranging between 300 kWp and 999 kWp, have been installed in Northern Italy.

AUGUST 2012



NOVEMBER 2012

In Chile, the Group is to implement a 2 MWp pilot project in which the electricity generated is to be directly distributed without a state-guaranteed feed-in tariff. The pilot project is the start of the setup of a project pipeline in Chile.



NOVEMBER 2012

Four photovoltaic systems installed in 2012, with a total output of 15.1 MWp will be sold to an institutional investor – a rooftop system with 740 kWp and a ground-mounted system with 2.5 MWp in Mauna (Saxony), a ground-mounted system with 1.8 MWp in Vahldorf (Saxony-Anhalt) and a ground-mounted system with 10.1 MWp in Jüterbog (Brandenburg).



DECEMBER 2012

S.A.G. Solarstrom AG sells a portfolio of five existing installations in Germany with a total output of 12 MWp, which it had previously acquired and restructured, to an institutional investor. This transaction is the start of the setup of a new business area dealing with the restructuring of solar investments in the secondary market.

A.2 Letter to Shareholders

*Dear Shareholders,
Ladies and Gentlemen,*

The stability of a company can only really be revealed in a crisis situation. I am delighted to be able to present you with a very positive result for fiscal year 2012, which was shaped by considerable turbulence in the market. With an EBIT of €8.9 million and a group annual result of €1.1 million, our 2012 annual financial statement is likely to be one of the exceptions in the solar industry. We installed around 117 MWp in the business area Project Planning and Plant Construction, as well as the business area Partner Sales. We thus fully met our forecast of increasing installation and sales volume and achieving a positive EBIT.

Achieving this result was not an easy task. In fiscal year 2012, we had to make every effort to ensure the profitability of the Group, in view of the continuing decline in market prices and the regulatory changes. It is thanks to the very high level of commitment of our employees and the stability of our four-pillar business model that we were successful in our endeavors.

In fiscal year 2012, we had to make every effort to ensure the profitability of the Group, in view of the continuing decline in market prices and the regulatory changes.

The greatest challenge was to adjust the cost structure of the Group to the lower gross profits expected per kWp. From a percentage point of view, we were able to maintain our gross profit at a stable level, but in absolute figures, we had to cope with a downturn due to the decline in market prices. In 2008, combined sales in the two business areas Project Planning and Plant Construction, and Partner Sales was €89 million, with sales figures of almost 30 MWp, but the sales volume in 2012, with 117 MWp, as mentioned above, was thus almost four times as much. However, sales in both business areas only rose by 83% to €163 million in 2012. This shows the considerable increase in performance of the company, as the number of employees only rose disproportionately by 74% from 116 employees at the end of 2008 to 207 employees at the end of 2012. If one calculates the average market price of the photovoltaic systems, one can observe a price decline by more than half, on average significantly higher than €3,000 per kWp in 2008, to less than €1,500 per kWp in 2012. In contrast to module manufacturers, we benefit first of all from declining prices, because firstly, this improves the competitive ability of electricity from photovoltaic power and the S.A.G. Solarstrom Group can develop attractively priced offers for the market. Secondly, the figures mentioned show that we need to implement more projects in order to achieve certain sales figures. The considerable drop in system prices is reflected in the drop in sales by almost 28% to €188.6 million in fiscal year 2012, although we have increased the installation and sales volume by almost 17% in comparison with 2011. At the end of 2011, we implemented a cost reduction plan called "Slim 2012" to cope with this development. The staff costs also had to be adjusted – not an easy step for us after the successful growth of the company and increases in staff over the past few years. With a stable figure of around 200 employees, we are, however, well equipped for the challenges of fiscal year 2013. We will continue to control our cost structure very carefully and have set up a new program called "Flex 2013" for this purpose, in which we will closely observe the flexible handling of costs in certain areas.

However, our successful project activity – which can be seen not least in our positive operative cash flow in the amount of €85.6 million – and in particular, our own power plant portfolio, has left its traces in our balance sheet. Our equity ratio and our debt ratio are burdened by key date effects with larger projects that we have on our books beyond the balance sheet date, as well as by the financing of our power plant portfolio. The individual photovoltaic systems, however bear the debt completely under their own power and achieve, in addition, very gratifying EBIT margins.



Executive Board of S.A.G. Solarstrom AG (left to right) Ulrich Kenk, Karin Schopf, Dr. Karl Kuhlmann and Oliver Günther

In this respect, a differentiated view is required. Without these burdens, our equity ratio would also be much higher. And to service our two corporate bonds, we already have reserves in the current and noncurrent assets in the amount of around €24 million in our balance sheet, although the bonds will only be due in 2015 and 2017 respectively.

On March 18, 2013 the Deutsche Bank Group once again granted us a project financing framework. With this interim credit line in the amount of €40 million, we will be able to implement projects in our German domestic market with a volume comparable with the previous year, due to the drop in system prices on the market. This is a mark of confidence in the stability of the S.A.G. Solarstrom Group, which once again allows us to provide interim financing in 2013 and 2014 for the planned project activity in Germany through the Deutsche Bank Group. Your company, my dear shareholders, has capital resources for further business activities, thanks to our positive operating result and high operative cash flow, which is definitely a more pleasing situation than currently prevails in many other solar companies.

In 2012, the market has been burdened by often imprudent and short-term regulatory changes or new taxation, in particular in Italy and Spain. However, the various changes made by the German Federal government have also left their marks. Barely has one amendment to the Renewable Energy Act been approved than the next one is already being discussed – without taking into consideration that the discussion alone can lead to substantial pull-forward effects, or as observed with certain system sizes, even to a very distinct reluctance to invest. In the meantime, photovoltaic power is considered by public opinion to be a driver of electricity tariffs, which needs to be tackled with an “electricity tariff brake”. In fact, the high volume of new photovoltaic installation led to the substantial drop in prices at the electricity exchanges. Environment Minister Altmaier lists the total costs of the EEG, including network extension, research and development, electromobility and building restoration at €1,000 billion up to 2042 and thus fuels fears that Germany will not be able to afford the turnaround in energy policy. Even if this figure were correct – which has already

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One of our oldest systems is, in the meantime, 15 years old and still produces very reliable electricity. Lifecycles of 30 years or more are easily conceivable.

been disproved in a study of the forum Ökologisch-Soziale Marktwirtschaft e. V. (Ecological/Social Market Economy Forum) on behalf of Greenpeace Energy eG and the Bundesverband Erneuerbare Energien e. V. (German Association of Renewable Energies), this amount would still have been well invested, as it secures us all an extremely reliable, sustainable and environmentally friendly energy source for at least the next 20 years, and prospectively even longer. An energy source that will not burden future generations with incalculable costs and environmental damage, as do many other forms of fossil energy. In addition, €612 billion in subsidies has gone into the conventional conversion of electricity from coal and uranium since 1970 according to a study by the forum Ökologisch-Soziale Marktwirtschaft e. V. in September 2012. And considerable subsidies will continue to be made until 2042. The subsequent damages caused by CO₂ pollution and the unsolved issue of the final deposit site, as well as the costs of the globally increasing environmental catastrophes, have not even been included in this calculation. In contrast, systems for renewable power generation, such as local photovoltaic systems, exist. One of our oldest systems is, in the meantime, 15 years old and still produces very reliable electricity. Lifecycles of 30 years or more are easily conceivable. This is followed up by dismantling and recycling of the waste materials.

The S.A.G. Solarstrom Group estimates that subsidy models – be they feed-in tariffs, tax concessions or renewable obligation certificates – will expire in certain countries in the medium-term or even in the short-term. We have specifically prepared ourselves for this eventuality. We are in the planning phase of a 440 MWp large-scale project in Spain, which will produce electricity at market prices to be sold to energy providers. The technical, legal and tax-based due diligence procedures are already in motion, as are discussions on the structuring of financing, so that we will be able to start with the construction of the first sub-project this year. In Chile too, we are implementing a market price model.

For all these models, it was necessary that the component prices dropped to the level they have now reached. This was a prerequisite for ensuring the competitive ability of electricity from photovoltaic power compared with conventional energy sources at a global level.

For the construction of our new company headquarters in Merzhausen, we are planning a power, heating, and cooling concept, which includes photovoltaic power and which we have designed ourselves. We are already developing similar concepts for communities and municipalities that are looking for intelligent and cost-efficient options for energy supply in development areas. Even though we already offer battery storage solutions and observe the market very closely, we consider the utilization of thermal storage systems, possibly in combination with battery storage systems, to be currently the most effective and reasonable use of electricity from photovoltaic power that cannot be consumed by the producer immediately. In view of the enormous development success of storage technology manufacturers in the last few years – not least driven by the vision of electromobility – we are confident that in the next few years powerful storage batteries will be available at a reasonable cost. This will support the localization of energy production, which will in turn comply with the requirements of network expansion and thus save costs to a considerable extent.

For all these models, it was necessary that the component prices dropped to the level they have now reached. This was a prerequisite for ensuring the competitive ability of electricity from photovoltaic power compared with conventional energy sources at a global level. We therefore also consider protectionist measures such as anti-dumping penalties for Asian components to be completely misguided. These make components artificially more expensive and prevent grid parity from being achieved. The photovoltaic market has long been a globalized market in which all companies need to exist in international competition. Even German photovoltaic companies will not be able to survive in the long term if this competitive ability is not established, both with

regard to foreign photovoltaic companies as well as the competitive ability towards conventional energy sources. Prices and income will not reach the level of three years ago, even if penalties are levied. The crucial factor here will be whether the companies who operate anti-dumping procedures will be able to repay liabilities that they took on at times when they were achieving high revenues. Such penalties will have devastating consequences for the entire industry, including both manufacturers and system integrators such as S.A.G. Solarstrom AG. It would not be possible to construct any more systems or implement any more projects in Germany at grid parity level and consolidation would only accelerate. This could play into the hands of the current governing parties, as the expansion of energy production by photovoltaic power would be practically thwarted, with catastrophic consequences for the environment and for jobs.

In many countries, competitive ability compared with conventional power generation already exists, due to the current price level of components and the level of solar irradiation. In 2013, we are anticipating only a moderate price decline for components, as in our opinion, the market has already bottomed out. However, based on this estimation, we assume that no penalties will be introduced as in the USA or in an even more exacerbated form on solar modules. We are already active in several countries, or are in the process of sounding them out. Apart from Chile, Mexico and Peru are also of interest in South America, and on the European continent Turkey is attractive as a new potential target market, although Africa, too, offers positive market opportunities. Under the current conditions, Germany remains an important market for us, even if the foreign share of sales is expected to grow once again this year. This year, we also want to increase our installation and sales volume and to continue to fortify our business areas Plant Operation and Services, and Power Production. And we want to do all of this with a positive operating result in view – true to our principle of economic sustainability. However, predictable political conditions in the photovoltaic market are required as well as a policy that bears in mind sustainable expansion in the respective target market.

We are already active in several countries, or are in the process of sounding them out. Apart from Chile, Mexico and Peru are also of interest in South America, and on the European continent Turkey is attractive as a new potential target market, although Africa, too, offers positive market opportunities.

Lastly, a few remarks on the construction of the new company headquarters of S.A.G. Solarstrom AG. We recently signed the financing contract on schedule, will submit the building application shortly and are anticipating the start of construction at the beginning of the second half of 2013. We expect to move in by the end of 2014. We plan certification by the Deutsche Gesellschaft für Nachhaltiges Bauen DGNB (German Sustainable Building Council) for the office building.

My dear shareholders, we are convinced that the S.A.G. Solarstrom Group has proven its resistance to crisis with this annual result for 2012 and that we will continue to be in a position to utilize the highly attractive growth potential of the photovoltaic market worldwide. And you, my dear shareholders, will benefit from this.

Kind regards



Dr. Karl Kuhlmann,
CEO

A.3 Supervisory Board Report

*Dear Shareholders,
Ladies and Gentlemen,*

2012 was another crisis year in the solar industry. A number of bankruptcies have unsettled the industry and discussions and the news headlines were dominated by the decline in feed-in tariffs. Once again, and especially now in this crisis year, S.A.G. Solarstrom AG has proven its reliability and achieved a positive operating result. The Group's successful strategic alignment, combined with careful planning and the consideration of risks have made this result possible. The Supervisory Board thanks the members of the Executive Board and all employees for their outstanding work, their high level of flexibility and fast reaction to market changes, in short, their exceptional commitment.

The Supervisory Board with the chairman Dr. Peter W. Heller, the deputy chairman Dr. Carsten Müller and Dr. Markus Haggney regularly advised the Executive Board in fiscal year 2012, and monitored its activities, in accordance with statutory requirements and S.A.G. Solarstrom AG's articles of association. The Supervisory Board was involved at an early stage in all fundamental decisions. The Executive Board informed the Executive Board regularly and comprehensively on the planned and actual course of business, the prospect and the planned strategic development of S.A.G. Solarstrom AG and its subsidiaries, both in writing and verbally, as well as explaining any variations from planning figures to the Supervisory Board in detail. The current estimations of certain risks in the risk management system, its efficiency and the adherence to "compliance" regulations were also included in the regular information from the Executive Board. The Supervisory Board is convinced that the company can identify possible risks early on, keeps a close check on them and, like compliance, continuously monitors them, the latter also with the aid of internal audits. In the Supervisory Board's opinion, the company has effective control and early warning systems that are incorporated in S.A.G. Solarstrom AG's quality management system.

The Supervisory Board is convinced that the company can identify possible risks early on, keeps a close check on them and, like compliance, continuously monitors them, the latter also with the aid of internal audits.

In 2012, a total of 12 ordinary Supervisory Board meetings were held, five of them by telephone. At all meetings, including those that were held by telephone, all three members of the Board were present. The Supervisory Board did not form any committees in the reporting period. The chairman of the Supervisory Board and the chairman of the Executive Board have also regularly discussed the current situation and the development of the Group, as well as significant business events.

Key area topics of the Supervisory Board Meetings

In addition to the tasks mentioned above, the Supervisory Board dealt with the following central topics in its meetings in fiscal year 2012:

- **Current status of projects:** The Executive Board has reported regularly on the current project pipeline, the general conditions in the respective country, the status of projects in planning or under construction, as well as the status of sales and financing negotiations. The topics discussed in the meetings included the 48 MWp Serenissima project in Italy – the focus here was mainly on the completion of sale, the 440 MWp large-scale Calzadilla project in Badajoz, Spain, the 10 MWp project in Jüterbog, as well as the 2 MWp pilot project and the setup of a project pipeline in Chile. In addition, the Supervisory Board has been informed of the current status of several other ground-mounted and rooftop projects in Germany, Italy and Spain, and on project planning opportunities in various other countries, including the UK and Turkey. The regrouping of project volumes from Italy to Germany due to the difficult financing situation in Italy resulting from the Euro debt crisis was also discussed. The Supervisory Board has also been informed of the possible consequences of regulatory changes promptly and in detail.
- **Implementation of projects without guaranteed feed-in tariff:** Together with the Executive Board, the Supervisory Board has discussed possible projects without a guaranteed feed-in tariff, as well as the integration of photovoltaic power in energy-oriented system solutions.
- **Changes in the Executive Board:** The Supervisory Board has, in order to take into account the increased operative requirements in a challenging market environment, resolved to extend the Executive Board and appoint Karin Schopf and Ulrich Kenk to the Executive Board. Over the course of the year, the Supervisory Board complied with Christoph Koch's wishes to terminate his activity as a member of the Executive Board.
- **Cost reduction program "Slim 2012":** The cost reduction program necessitated by the market situation was discussed in detail in the Supervisory Board meetings, and in particular the staff measures planned in the program were closely examined.
- **Power plant portfolio:** Together with the Executive Board, the Supervisory Board has discussed the strategic option of further expanding the power plant portfolio. The portfolio was expanded by a 1 MWp rooftop system in Dortmund with retroactive effect to December 31, 2011 and, in 2012, by various other investments, including 10% (481 kWp) of the solar fund Orosolar II launch by S.A.G. Solarstrom AG.
- **Capital measures:** The Supervisory Board agreed to an extension of the convertible bond issued in 2007. It also approved the proposal to the shareholders' meeting to extend authorized capital to the maximum amount permitted by the Articles of Association and to empower the company to issue convertible bonds and/or warrant bonds.

Together with the Executive Board, the Supervisory Board has discussed possible projects without a guaranteed feed-in tariff, as well as the integration of photovoltaic power in energy-oriented system solutions.

A.3 Supervisory Board Report

The Executive Board continuously informed the Supervisory Board of the current financing situation of the company and various projects. In particular, interim project financing by the Deutsche Bank Group for €5 million was one of the central themes discussed.

- **Auditors:** Based on the current “compliance” principles, the Supervisory Board discussed a change of auditing firm. The Supervisory Board has obtained various offers from auditing firms, evaluated them and instructed the auditing firm BDO AG to perform the audit of the annual financial statement and the consolidated financial statement for annual financial statement of 2012.
- **New construction:** The Executive Board informed the Supervisory Board of the status of planning and the approval procedure for the new construction project in Merzhausen, approved the new construction after a thorough check of the cost calculations and consented to the purchase of the property required.
- **Financing:** The Executive Board continuously informed the Supervisory Board of the current financing situation of the company and various projects. In particular, interim project financing by the Deutsche Bank Group for €65 million was one of the central themes discussed. The issue of changing the Group’s financing to a segment-related model was also discussed.
- **Legal disputes:** The Executive Board regularly informed the Supervisory Board on the current status of ongoing legal disputes, including the assertion of claims to which the company is entitled, as well as legal action regarding approval procedures.

German Corporate Governance Code

The Supervisory Board once again checked the corporate governance of the company against the contents of the German Corporate Governance Code. The recommendations of the German Government Commission German Corporate Governance Code has essentially been complied with. The annual declaration of compliance resolved and published on December 18, 2012 by the Executive Board and the Supervisory Board, in accordance with § 161 of the German Stock Corporation Act (AktG) can be called up at any time by shareholders and interested parties from S.A.G. Solarstrom AG’s website.

Audit of the Annual Financial Statement and the Consolidated Financial Statement

The auditing firm BDO AG, Freiburg im Breisgau, has audited the annual financial statement of S.A.G. Solarstrom AG for fiscal year 2012 according to the German Commercial Code (HGB) and issued it with an unqualified auditors’ opinion, as well as S.A.G. Solarstrom AG’s consolidated financial statement for fiscal year 2012, drawn up according to § 315 a of the German Commercial Code (HGB) and based on international IFRS accounting standards (International Financial Reporting Standards), and the management report and the consolidated management report. The auditors thus confirmed that the consolidated financial statement has been drawn up in accordance with IFRS and, together with the consolidated management report, conveys a view of the profit, assets and financial situation that complies with the actual circumstances.

In its meeting of March 25, 2013, the Supervisory Board extensively discussed and checked the essential details of the annual financial statement, the consolidated financial statement, the management report and the consolidated management report. In the meeting, the auditors from the auditing firm reported on the results of their audit and answered all questions in detail. They informed the Supervisory Board of services performed in addition to the annual audit and that no conflict of interest exists.

In addition, the Supervisory Board discussed and checked the report to which the auditors had issued an unqualified auditors' opinion, and which the Executive Board had drawn up in accordance with § 312 of the German Stock Corporation Act (AktG) with respect to the relationships with affiliated companies. The Supervisory Board raised no objections to the final statement of the Executive Board in the dependency report.

The Supervisory Board then endorsed the findings of the audit by the auditors and approved the annual financial statement and the consolidated financial statement. The annual financial statements are hereby finalized. The Supervisory Board agreed to the dividend proposal by the Executive Board in the amount of €0.125 per share entitled to dividends. The proposal is to be put to the vote at this year's shareholders' meeting.

Finally, I wish to cordially thank my colleagues on the Supervisory Board, Dr. Müller and Dr. Haggene, for their very constructive, trusting and valuable cooperation.



Freiburg im Breisgau, March 25, 2013

A handwritten signature in blue ink, appearing to read 'Peter W. Heller', written over a horizontal line.

Dr. Peter W. Heller
Chairman of the Supervisory Board

In its meeting of March 25, 2013, the Supervisory Board extensively discussed and checked the essential details of the annual financial statement, the consolidated financial statement, the management report and the consolidated management report.

A.4 The Executive Board



Dr. Karl Kuhlmann (*1951)
Chief Executive Officer

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 Verwaltung GmbH, Freiburg, which holds 9.4% of the S.A.G. Solarstrom AG shares and 99% 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

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.

**Ulrich Kenk** (*1972)**Member of the Executive Board**

After completing his studies in economics, Ulrich Kenk started his career at KPMG Deutsche Treuhandgesellschaft AG. The graduate economist then held various executive positions at Ernst & Young. His work focused mainly on national and international projects in the areas of Finance and Accounting, Reporting, as well as Risk Management for improved corporate management. Ulrich Kenk joined S.A.G. Solarstrom AG in 2006, initially as commercial manager, and was later granted power of procuration and appointed as commercial director of the Group.

In 2012, he was appointed to the Executive Board. His areas of activity in the Executive Board are Risk Management, Corporate Financing, Liquidity Control, Logistics and Purchasing, in addition to Financial Accounting.

**Karin Schopf** (*1964)**Member of the Executive Board**

Following her studies as a bank business management assistant and economist, Karin Schopf started her career at an accountancy firm before becoming a controller at Gütermann AG, where she set up Corporate Controlling. Over the next few years, she rose to become head of Controlling for the entire Group. Her main tasks included setting up reporting structures, as well as operative and strategic planning.

In 2009, the expert joined S.A.G. Solarstrom AG as head of Controlling and IT. In 2012 she was appointed to the Executive Board. Karin Schopf is responsible for the areas of Operations, HR, Project Financing, Controlling, IT and Solar Power Plants in particular.

A.5 Share, 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 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 or via the S.A.G. website, to receive all company-relevant information directly.

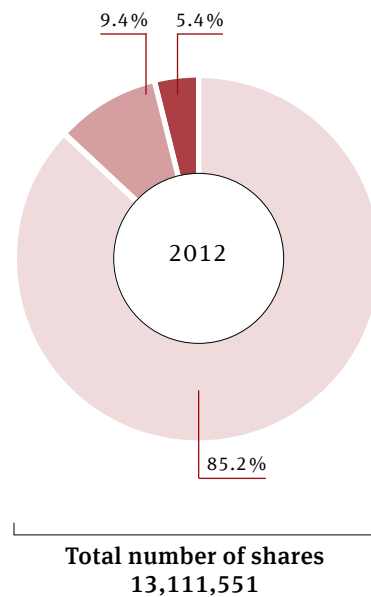
The S.A.G. Solarstrom AG share was one of the first solar shares in Germany. The share was first traded in the Open Market on the Munich Stock Exchange in April 1999, and later listed in the m:access segment. This listing has been maintained to this day. On May 17, 2000 the share was also listed for 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's capital stock is currently €33,565,570.56, split up into 13,111,551 no par value bearer shares with a proportionate amount of the capital stock of €2.56. S.A.G. Solarstrom AG holds 5.4% itself, while 9.4% is held by BBV Beteiligung, Beratung und Verwaltung GmbH with Dr. Karl Kuhlmann as the sole shareholder, and 85.2% of the shares are in freefloat.

Fig. 1

Shareholder structure

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



S.A.G. Solarstrom AG at conferences and in one-to-one meetings

In fiscal year 2012, S.A.G. Solarstrom AG's management presented the S.A.G. Solarstrom Group at three capital market conferences, as in the previous year, in Frankfurt and Munich, including the DVFA Small Cap conference at the end of August 2012 in Frankfurt, at the Equity Forum of the German Stock Exchange in November 2012 in Frankfurt and at the m:access Conference as part of the 14th Munich Capital Market Conference (MCK) in December 2012 in Munich. The presentation and ensuing one-to-one meetings focused on S.A.G.'s strategic positioning and its business model, as well as the company's business development and the anticipated market trend.

The Group's management and IR team also cultivated contacts with international industry analysts, institutional investors and interested private shareholders at the Intersolar, the world's largest photovoltaic trade fair. In addition, the management and IR team held a number of one-to-one meetings with shareholders, investors and analysts as well as with business and financial journalists and the trade press.

Continuous dialog with financial and industry analysts

Over the course of 2012, a total of four financial analyst companies and research departments have assessed the S.A.G. share. Four recent surveys published from November 2012 to March 2013 estimate a target price between €2.80 and €3.70. All four surveys recommend buying the shares. The IR department also maintains a continuous dialog with international industry analysts.

Director's Dealings

During the reporting period, S.A.G. Solarstrom AG did not receive any voting rights notifications and no securities transactions by the management of S.A.G. Solarstrom AG subject to reporting requirements took place.

The following transaction took place between the conclusion of the reporting period and the publication of this annual report:

• *Person subject to the disclosure requirement:****Dr. Carsten Müller***

Trading day: January 8, 2013

Disclosure requirement: Member of the Supervisory Board

Financial instrument: Share

ISIN: DE0007021008

Type of Transaction: Buy

Par value in €/Quantity: €2.92/10,000

Volume in €: 29,200

A.5 Share, Bonds and Price Development

Price Development of Share and Corporate Bonds

DAX on the upswing despite Euro debt crisis

The German leading index DAX started 2012 at 5,900.18 points. The expansion of the credit facilities of the International Monetary Fund and the European Central Bank, together with positive figures from the US banks, initially ensured a rapid increase up to a closing rate of 7,157.82 points on March 16, 2012. However, by the beginning of April, the mood darkened again perceptibly. Disappointing economic figures from China, weak labor market data from the USA as well as fears of an extension in the banking and financial crisis to further countries, in particular to Spain, dragged down the DAX. On June 5, 2012 the index reached its lowest level for the year with a closing rate of 5,969.40 points, but recovered again quickly, buoyed by the outcome of the election in Greece, which was positively received by the stock markets, as well as the implementation of the permanent Euro bailout fund ESM, and stabilized in September and October above the 7,000 point mark. Rumors about the possible application of emergency funding by Spain initially led to a sideways momentum with moderate exchange losses, and the publication of the US budget deficit figures once again caused a sharp drop at the start of November to 6,950.53 points on November 16, 2012, before the upswing continued up to the end of the year. The DAX closed on December 28, 2012 at 7,612.39 points and thus 29.0% higher than at the start of 2012. At the start of 2013, the DAX initially continued to soar but was then somewhat thwarted by the Cyprus crisis. It closed on March 21, 2013 at 7,932.51 points.

Photovoltaik Global 30 Index reflects difficult industry environment

The Photovoltaik Global 30 Index of the largest and most solvent solar companies worldwide, which started the year at 20.96 points, initially profited in a similar manner as the DAX from the economic revival through the provision of liquidity by the IMF and the ECB. On February 9, 2012 the index achieved its annual high with 28.12 points for 2012, but subsequently lost quite considerably due to alarming figures from the industry. The wave of consolidation in the solar industry, with insolvency proceedings and redundancies, from which even large international companies were not spared, pushed the company's prices into minus figures. This was compounded by reductions in the feed-in tariff in almost all the important European solar markets as well as new taxes on energy production, as in Spain. The discussion regarding the new amendment or the abolishment of the Renewable Energy Act (EEG) in Germany, which is still the largest and most important market for photovoltaic power worldwide, also contributed to a further decline in prices. The new all-time low was 10.58 points on November 19, 2012. At the end of the year, the index recovered again slightly and closed on December 28 at 13.04 points – 37.8% lower than at the start of 2012. At the start of 2013, the index benefited from the reports on the entry of the investor Warren Buffet to the solar market. The price increased up to 17.34 points on February 19, 2013, but subsequently became weaker again. The Photovoltaik Global 30 Index closed at 15.82 points on March 21, 2013.

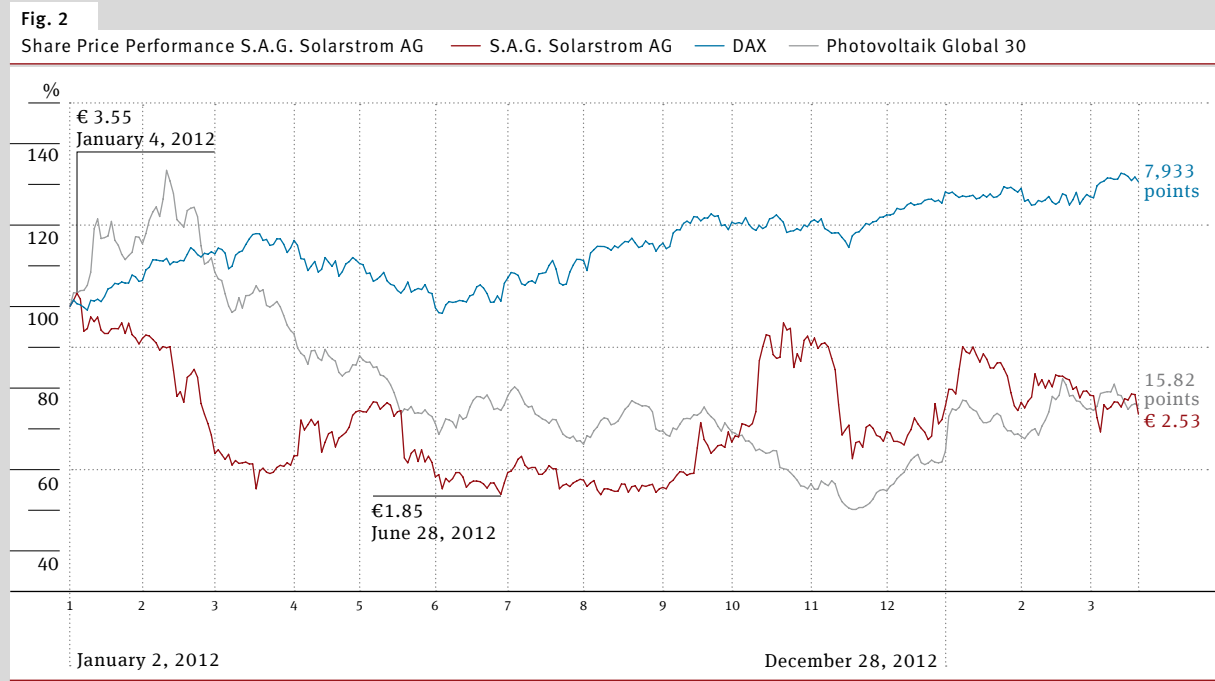
S.A.G. Solarstrom AG's shares and bonds under pressure due to the industry environment

S.A.G. Solarstrom AG's share started 2012 at €3.45. As a result of negative news in the industry, and despite positive news from within the company itself in February and March, the share price came under intense pressure. On March 16, 2012 the share was listed at €1.90. The share price only stabilized once again in April at a level above €2.20 – the positive operating result reported for 2011, the high flow of liquidity from the sale of the major Italian project, the dividend proposal of 12.5 € cent and the share buyback program announced on April 3, 2012 had contributed to a stabilization and recovery of the share price. Nevertheless, the very high influence of the industry environment, which prevented a noteworthy recovery in the share price, was reflected again and again. The perceptible tension of the solar investors manifested itself in repeated, plunging slumps in prices. The annual low was reached on August 8, 2012 at €1.85. The share price increased from September as a result of positive news within the company, and even more strongly in October after the announcement of the 440 MWp project in Badajoz, Spain, to €3.30 on October 22, 2012. It then fell once again by more than one Euro in November to €2.15, despite positive quarterly figures and the announcement of the Chilean pilot project. Shortly before, Siemens had announced its planned exit from the solar market and made it known to Bosch that the solar business was on trial.

At the end of 2012, the S.A.G. share was once again on the upswing, but closed on December 28, 2012 at €2.48 with a minus of 27.8% in comparison to the price at the start of the year. The S.A.G. share also profited in January 2013 from the more optimistic mood on the solar market after the entry of the major investor Warren Buffet, but the share continued to remain very volatile, despite constant positive news from the Group, and closed at €2.53 on March 21, 2013.

The average daily trading volume of the S.A.G. share on all stock markets fluctuated strongly over the course of the year. While January 2012 was restrained, with an average of at least 11,000 shares daily, an average of between 35,000 and around 47,000 shares were traded each day on the stock markets in the months of February, March and April. In May, the volume dropped to just below 17,000 shares and in the months of June, July and August the trading volume was once again considerably lower, at between 8,000 and 9,000 shares. The outlier was the month of October with an average daily trading volume of 70,276 shares, which was mainly caused by very high Xetra trading volumes on October 11, 2012 with 250,673 shares and on October 12, 2012 with 117,717 shares after the announcement of the 440 MWp project in Badajoz, Spain. In November too, more than 100,000 shares were traded in two days, but the average daily trading volume once again dropped to around 46,000 shares in November and fell in December further to 21,000 shares. In January 2013, the interest of investors in solar stocks appeared to increase with an average daily trading volume on the stock market of at least 21,000 shares. Despite this, the average daily trading volume on the stock markets lies in a range in which relatively small trade movements can lead to significant fluctuations in price.

A.5 Share, Bonds and Price Development



The prices of both corporate bonds, which are listed in the Entry Standard for corporate bonds of the Frankfurt Stock Exchange, also lost heavily due to the negative industry environment. The 6.25% bond issued in 2010, with a placed volume of altogether €25 million and a term up to 2015 started the year at 84.5% and appeared to perform well up to the end of February 2012. With the implementation of the planned cuts in the feed-in tariff in Germany, the price dropped within a few weeks to a level under 65%. The bond reached its lowest point with a price of 60.15% on July 4, 2012, however no bonds were traded at this price. The price only stabilized in October following positive news within the company to a level once again above 70%, and in November and in December to above 80%. The bond closed on December 28, 2012 at 85% and thus only marginally higher than at the start of 2012. At the start of the new trading year, the bond also profited from rising prices in the solar market. In January, the bond was listed for a few days at above 90%, was subsequently once again slightly weaker and closed on March 21, 2013 at 87.0%.

The 7.5% bond issued in 2011 started 2012 at 89% and maintained a level above 80% up to the end of February. The price of the bond, with a term up to 2017 and a placed issuing volume of €16,868,000, lost during the industry turbulence in March significantly more than 20 percentage points up to a level of 61.5% on March 23, 2012. Subsequently, the price recovered somewhat, but remained considerably more volatile than the price of the 6.25% bond over the course of the entire year. The 7.5% bond reached its annual low at 60.59 points on September 5, 2012 and only rose again to over 70% towards the end of September, and in October to over 80%. Here too, the reason for this was the continuous stream of positive news from the company. However, the price of the 7.5% bond also dropped slightly at the start of November 2012 after the Siemens and Bosch statements, but rose again subsequently as a result of the continued positive news from S.A.G. Solarstrom AG to 88.15% on December 28, 2012. In January 2013, the bond was once again listed briefly above 90% and stabilized subsequently at 85%. The bond closed on March 21, 2013 at 87.5%.

Dividend payment for fiscal year 2011

S.A.G. Solarstrom AG's Annual General Meeting resolved on May 24, 2012 to distribute a dividend to the shareholders in the amount of 12.5 € cents for each no par value bearer share entitled to dividend for fiscal year 2011, which amounts to a total of €1,550,673.63. The dividend was paid out on May 25, 2012 to the custodian banks via Clearstream Banking AG. The paying agent was the Bankhaus Neelmeyer AG, Bremen.

Predominant portion of the convertible bond extended

On July 30, 2007, S.A.G. Solarstrom AG issued a convertible bond in the total nominal amount of €10,000,000.00 (ISIN: DE000A0TGEV3). In May 2012, the company offered the bond holders the option of extending the term until 2014. The term of the convertible bond, with annual conversion periods in accordance with S.A.G. Solarstrom AG's Annual General Meeting, was originally restricted to July 29, 2010 and was last extended in June 2012 by a further two years up to July 29, 2014 with a fixed interest rate of 6.25%. The interest rate of the convertible bond was 6.85% up to July 29, 2010, and subsequently 6.25%. This offer was accepted by the majority of the holders. During the conversion period from May 30 to June 12, 2012, €7,415,500.00 was extended, €125,506.40 was paid back to the holders of the convertible bond on July 30, 2012, and €2,500.00 was converted into S.A.G. Solarstrom AG shares. 975 new shares were issued for this purpose via a capital increase from contingent capital.

Slight increase in number of shares

The total number of shares of S.A.G. Solarstrom AG increased as a result of a capital increase from contingent capital to 13,111,551 no par value bearer shares.

STABILITY

Sales · Technology · Solar power plants · Services



The stability of a company is only revealed in an economically difficult market environment.

2012 was an extremely challenging year for the solar industry. Many solar companies were not able to cope with the regulatory changes at short notice, combined with the ongoing financial crisis as well as the drop in components and system prices, and had to declare bankruptcy.

S.A.G. Solarstrom AG succeeded in holding the gross margin stable in percent of sales in 2012. The Group considerably reduced operating costs and expanded the sales and installation volume. The result – a clearly positive operating result despite the drop in sales caused by the market prices. S.A.G. Solarstrom AG thus proved its economic stability in a challenging market.

The four pillars of business activity lend the S.A.G. Solarstrom Group stability. The ever growing business areas of Plant Operation and Services, and Power Production are achieving double-digit EBIT margins and reliable cash flows. They are thus able to balance the more volatile business areas of Project Planning and Plant Construction, as well as Partner Sales, which are still heavily influenced by regulatory changes.

S.A.G. Solarstrom AG's business relationships also display stability. The Group has been working together with several component manufacturers for many years on the basis of system partnerships. And some investors are always inquiring about new projects, because they can rely on the stable yields of S.A.G. Solarstrom AG's systems.

FLEXIBILITY

Operative business · Expansion · Cost structure · General conditions



Stability and flexibility do not constitute a contradiction in terms at S.A.G. Solarstrom AG.

It was the high level of flexibility in operative business that enabled the Group to achieve economic stability.

Thus it was that in 2012, Italian projects with a total output of over 20 MWp were originally planned. However, the financing situation for photovoltaic projects deteriorated to such an extent as a result of the finance and debt crisis in Southern Europe over the course of the year that the implementation of the projects would have presented an unacceptable risk. Accordingly, the project volume was regrouped to Germany.

S.A.G. Solarstrom AG uses emerging growth markets flexibly for its continued international expansion. Thus in 2012, a pilot project in Chile was announced and other projects are planned for 2013.

The significant decline in component and system prices posed major challenges for solar companies in 2012. The cost structure of the companies had to be adapted to the trend towards declining sales, as the drop in sales could not be compensated by increases in volume. Many companies did not possess this flexibility in costs. S.A.G. Solarstrom AG succeeded in making costs flexible in several areas and reducing them overall.

The general conditions in the solar industry change so extremely quickly, which is why flexibility is one of the most important criteria for long-term business success. S.A.G. Solarstrom AG has proven this flexibility over the last few years.

INDEPENDENCE

Subsidy models · Feed-in tariff · Electricity tariffs · Fossil fuels



Independence from fossil energy sources and growing energy requirements are the incitement for growth in the photovoltaic industry.

The declared objective of the turnaround in energy policy in Germany is independence from nuclear power. Many investors invest in their own photovoltaic systems in order to be independent from further price increases in electricity.

In an extremely rapidly changing market environment however, the independence of subsidized models through feed-in tariffs, emission permits and tax benefits is becoming more and more important. In the last few years, S.A.G. Solarstrom AG has driven international expansion in order to reduce the dependency of the business on regulatory changes in individual countries. And in 2012, the Group had already planned the first projects without state-guaranteed feed-in tariffs. In two projects, the electricity is to be distributed directly – in Chile in a project directly to the owner of the land, and in Spain in a project to an energy provider under a power purchase agreement. For 2013, the S.A.G. Solarstrom Group is planning, together with two joint venture partners, the start of construction of the largest project in the company's history to date with a total of 440 MWp. This project will also be groundbreaking for the independence from feed-in tariffs, as here too, the electricity is to be distributed directly.

Vendor independence enables S.A.G. Solarstrom AG to purchase high-quality components and the latest technologies at market prices. The Group profits from sustained competition on the global component market. Declining component prices increase the cost effectiveness of power production from photovoltaic power and thus the market opportunities for S.A.G. Solarstrom AG in all four business areas.

Independence is one of S.A.G. Solarstrom AG's principles of conduct and the basis for the economic success of the Group.

QUALITY

Monitoring · Planning · Installation · Components



Quality is the basis of economic success for the S.A.G. Solarstrom Group.

Quality is one of the most important selection criteria for components that are used by the S.A.G. Solarstrom Group in constructing photovoltaic systems. Based on performance data in its own system portfolio and quality tests by meteocontrol GmbH, the Group purchases components all over the world. Our suppliers include leading Asian manufacturers, because they deliver good, reliable quality and have an attractive price-performance ratio.

The S.A.G. Solarstrom Group has a quality management system certified according to DIN EN ISO 9001:2008. All processes in the company are inspected on a regular basis according to various different criteria and adjusted as necessary.

The S.A.G. subsidiary meteocontrol GmbH does not only assess the quality of planned projects in its yield reports, but also checks the quality of existing systems, using a system rating with a checklist of 480 points.

Investors buy systems with the S.A.G. level of quality from S.A.G. Solarstrom AG. The quality of the components, the planning and the installation ensures reliable yields, as does professional system monitoring. Existing systems on the secondary market are also qualitatively assessed by S.A.G. Solarstrom AG and optimized if necessary, so that these systems can also be resold with a high degree of investment security for the investor.

For S.A.G. Solarstrom AG, "Quality in Energy" is therefore a self-commitment and a promise to the customer at the same time.



GROUND-MOUNTED SYSTEM, BADAJOZ, SPAIN, 2,751 KWP

B.

MANAGEMENT REPORT.

With an EBIT of €8.9 million, a consolidated annual result in the amount of €1.1 million and a sales volume of around 117 MWp, S.A.G. Solarstrom AG has proven the reliability of its forecasts and the profitability of its four-pillar model. The Group is one of the very few solar companies with figures in the black during this difficult consolidation phase.

B.1 Company

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 efficient photovoltaic systems of all sizes at national and international levels, together with a network of qualified partners. Within the Group, it provides 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, the UK, 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 comprehensive technical expertise in rooftop systems, rooftop and facade-integrated systems, and ground-mounted systems. Since its inception, the Group has installed more than 8,000 systems in Germany and abroad, together with its partners.

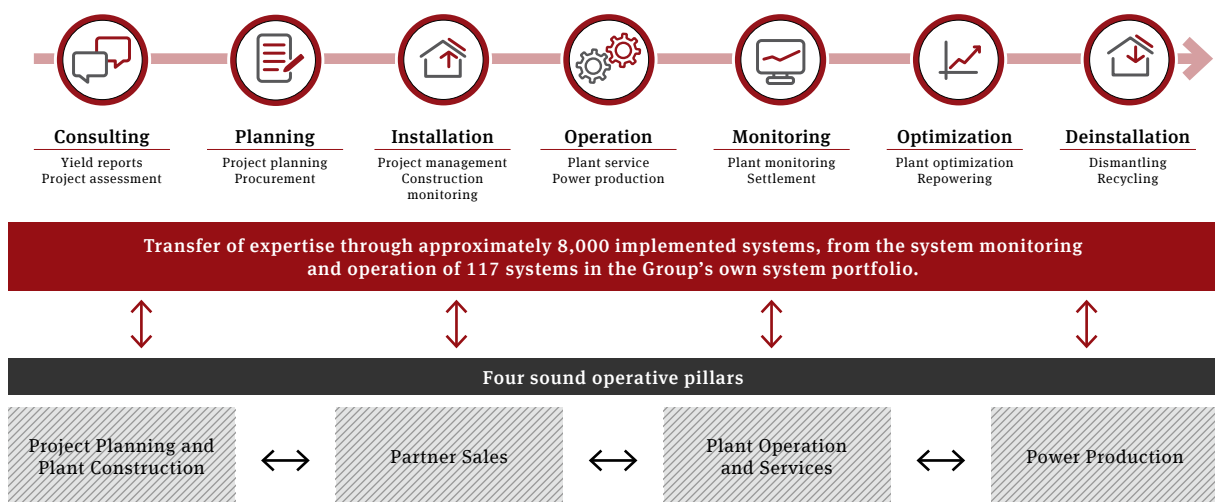
The S.A.G. Solarstrom Group has a power plant portfolio in Europe with a total output of 26.8 MWp, which is comprised of 117 individual systems either in the Group's own portfolio or in its holdings. Through its subsidiary meteocontrol GmbH, around 31,000 photovoltaic systems with a total output of

6.7 GWp are professionally monitored worldwide on a remote basis. This corresponds to almost 7% of the total globally installed power (around 16% in Europe) and almost 14% of the systems above 100 kWp (32% 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 the solid, long-term and profitable corporate development of the Group.

* Basis of calculation: Cumulated installed power worldwide (101 GWp), EPIA press release of February 11, 2013 and EPIA (publisher) Global Market Outlook for Photovoltaics until 2016, May 2012.

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 residential house roofs to rooftop installations and building-integrated systems for municipal buildings, factories and logistics buildings as well as ground-mounted systems with a total output in the double-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 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 system partnerships with individual suppliers of key components, such as modules and inverters, on the one hand to enable the 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.

Since 2012, this area has also included the secondary market business with photovoltaic systems, in which the S.A.G. Solarstrom Group purchases existing systems that it has not installed itself, restructures them as necessary with regard to technical, commercial and legal aspects, and then resells them.

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 85 to 202 sales partners in 2012. Around 30 of these partners operate in other European countries. In partner sales, it is the aim of the S.A.G. Solarstrom Group to focus on a group of around 50 high-turnover exclusive sales partners in Germany and abroad.

When selecting exclusive partners, the S.A.G. Solarstrom Group focuses on particularly high-performance sales partners who meet the high quality requirements of the S.A.G. Solarstrom Group and thus ensures a high level of customer satisfaction, while at the same time also positively encouraging the S.A.G. Solarstrom Group’s business development through the close partnership.

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

B.1 Company

The business area (3) **Plant Operation and Services** covers yield reports, solar energy forecasts, system ratings, satellite-controlled historic and current solar irradiation data, solutions for network management 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 31,000 systems worldwide, with a total output of over 6.7 GWp. Many installers and other market participants use the portal as OEM partners and offer monitoring services under their own brand names. The company thus holds a market share of almost 7% of the total installed power worldwide, with around 16% 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 accurate irradiation data from satellite measurements. In Europe alone, meteocontrol GmbH has access to more than 700,000 radiation values an hour, for both current as well as historic values from the last 18 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, including, for example, a procedure accredited by the German Accreditation Body (DAkkS), which rates photovoltaic systems with regard to quality and the risk of loss of earnings. This technical expertise is also used by meteocontrol GmbH for other service offerings, including, for example, professional and independent manufacturing supervision and the acceptance of construction work in photovoltaic projects.

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. Widely recognized technical 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.

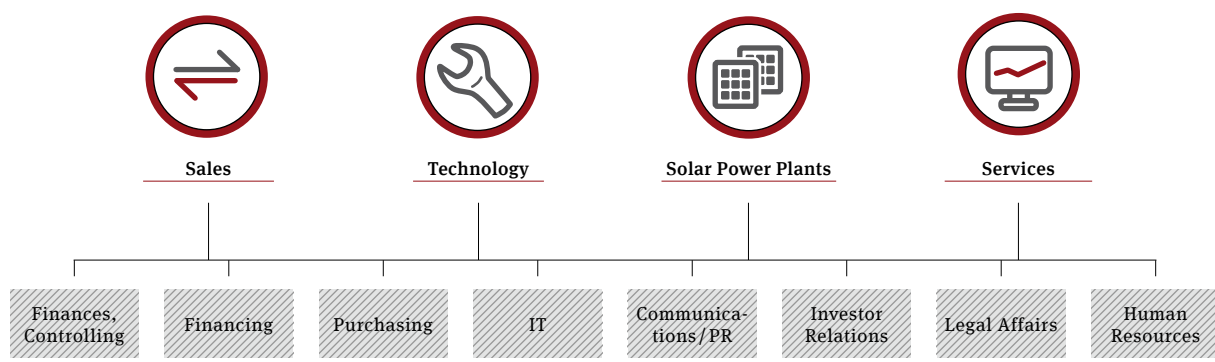
The business area (4) **Power Production**, the original root of S.A.G. Solarstrom AG, comprises 117 photovoltaic systems, either owned by the company itself or through subsidiaries or holding companies in Germany, Switzerland, Austria, the Czech Republic, Spain, Italy and France, which are held in the long-term portfolio of the Group. This portfolio currently has a total output of 26.8 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. The S.A.G. Group's suppliers benefit from this expertise over the long-term collaborations in system partnerships.

Thanks to its four strong operative pillars, the S.A.G. Solarstrom Group is well positioned. The business areas Plant Operation and Services, and Power Production, stabilize the revenues, even with volatile business trend caused by 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, offers both a unique selling point in the market as well as 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 also creates opportunities for the direct marketing of green electricity in the medium term.

2. FUNCTIONAL STRUCTURE

S.A.G. Solarstrom AG performs central tasks for the entire Group in important areas such as Finances and Controlling, Financing, Purchasing, IT, Corporate Communications/PR and Investor Relations, as well as Legal Affairs and HR. 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 im Breisgau, 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
- S.A.G. Solar UK Limited, London, UK

Technology

S.A.G. Technik GmbH, Freiburg im Breisgau, Germany

Solar Power Plants

- S.A.G. Solarkraftwerke GmbH, Freiburg im Breisgau, 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 im Breisgau, Germany
- Solarpark Rain GmbH & Co. KG, Freiburg im Breisgau, Germany
- Solarpark Kamenicna s.r.o., Kamenicna, Czech Republic
- Solarpark Dortmund GmbH & Co. KG, Freiburg im Breisgau, 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
- meteocontrol Iberica S.L., Madrid, Spain

B.1 Company

3. EXECUTIVE BOARD AND SUPERVISORY BOARD

In fiscal year 2012, the Executive Board of S.A.G. Solarstrom AG consisted of four persons following the departure of Christoph Koch, who had been responsible for the areas Finance and Solar Power Plants. As CEO, Dr. Karl Kuhlmann is responsible for the areas of Strategic Corporate Development, Legal Affairs, Marketing and HR, as well as meteorological control and its further international expansion. As a member of the Executive Board, Oliver Günther is responsible for Sales at S.A.G. Solarstrom AG, which is split up into the three areas of Direct Sales, Partner Sales and Services Sales. As a member of the Executive Board, Ulrich Kenk is responsible for the areas Accounting, Risk Management, Corporate Financing, Liquidity Management, Logistics and Purchasing. As a member of the Executive Board, Karin Schopf is responsible for the departments Operations, Project Financing, Controlling, HR, IT and Solar Power Plants.

The following remuneration regulations were in place for the Executive Board for fiscal year 2012:

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 actual consolidated EBIT, while the medium and long-term bonuses are bound to the development of the dividend payment and the S.A.G. Solarstrom AG share. For his activities, the CEO receives a double bonus. The only exception to this is the long term bonus. In addition, the Executive Board has been provided with company vehicles which are reflected as non-cash benefits under Other Expenses.

In the contracts with members of the Executive Board, variable compensation elements with medium-term and long-term incentives have been agreed as a bonus (medium-term and long-term bonus). The same regulations apply for each member of the Board. The medium-term bonus takes into account S.A.G. Solarstrom AG's ability to distribute dividends to the shareholders of the company. CEO Dr. Kuhlmann receives €10,000 as a medium-term bonus for each €100,000 dividend payment, while the other members of the Executive Board receive €5,000. Partial amounts of €100,000 dividend

payments are taken into account proportionately. This bonus is only paid out if the company distributes a dividend in the subsequent year of at least the same amount. The long-term bonus depends particularly 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 per S.A.G. Solarstrom AG 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 to qualify for a bonus. The long-term bonus would then total up to €100,000.

In addition, pension commitments to the Executive Board, based on individual contracts, also exist. In fiscal year 2012, these pension provisions amounted to €1,091,000.

The Supervisory Board consists of three persons – Dr. Peter W. Heller (Supervisory Board chairman), Dr. Carsten Müller (deputy chairman) and Dr. Markus Haggene. Ingo Priebisch serves as the Supervisory Board's alternative member. In addition to a fixed basic compensation of €30,000 (chairman of the Supervisory Board: €60,000), 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. 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.

The variable component of the Supervisory Board remuneration is linked with dividend payments actually made by the company. For each €100,000 of a reference dividend payment (total amount of a dividend paid for a fiscal year, reduced by 4% in accordance with § 113 Paragraph 3 of the German Stock Corporation Act (AktG)) each member of the Supervisory Board receives a variable remuneration of €1,000, and the chairman of the Supervisory Board receives €2,000. Remaining fractional amounts of the reference dividend of less than €100,000 will be taken into account on a proportionate basis. This variable remuneration will only be paid out if in the subsequent year a dividend is paid which leads to a reference dividend in at least the same amount.

The remuneration regulation for the Supervisory Board was applied retroactively for fiscal years 2011 and 2012 based on the resolution of the shareholders' meeting on May 25, 2012.

Further information on corporate governance in accordance with § 289a Paragraph 1 of the German Commercial Code (HGB) is integrated in the website www.solarstromag.com in the area "Investor Relations" under the item "Corporate Governance".

4. DISCLOSURES PURSUANT TO § 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The number of S.A.G. Solarstrom AG no-par value bearer shares was 13,111,551 on December 31, 2012. Each share is equivalent to a proportional amount of the capital stock of €2.56, has identical rights and grants the holder one vote at the shareholders' meeting.

From the convertible bond issued in 2007, up to a further 3,071,520 shares carrying the same rights were entitled to a share in profits from the start of the fiscal year in which they are issued, after conversion of the capital increase (Conditional Capital II) decided upon in the shareholders' meeting on July 20, 2006 and entered in the Commercial Register on September 18, 2006. During the special conversion period from April 4 to 15, 2011, a total of 601,380 new shares were issued to service exercised conversion rights. 1,950 new shares were issued during the conversion period from June 3 to 17, 2011 and in the conversion period from May 30 to June 12, 2012, 975 new shares were issued. The number of shares increased in fiscal year 2012 from 13,110,576 to 13,111,551 shares under the last capital increases from conditional capital.

The largest single shareholder with a total of 1,232,806 shares is 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 5.4% of the shares itself, a total of 705,187. These shares originate from the share buyback program in fiscal years 2010 and 2012. Shares that are held by S.A.G. Solarstrom AG itself are neither entitled to a dividend payment nor do they hold a vote in the shareholders' meeting during this time period. The company's free float is thus 85.2%.

In fiscal year 2012, the company did not receive any notifications according to § 21 Paragraph 1 Sentence 1 of the Securities Trading Act (WpHG), according to which a registrant fell below or exceeded a share of the voting rights subject to reporting.

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 BBV. No controlling or profit transfer agreement in favor of BBV exists.

In fiscal year 2012, no transactions subject to reporting requirements took place with BBV Beteiligung Beratung Verwaltung GmbH, with its associated companies or with third parties either at the behest or in the interest of BBV.

Likewise no measures were implemented on the instructions of BBV or one of its associated companies in fiscal year 2012.

According to § 312 Paragraph 1 Sentence 2 of the German Stock Corporation Act (AktG), the extension of the convertible bond with a fixed term to July 29, 2012 must be classified as in the interests of BBV. The convertible bond was issued in 2007 with a total nominal amount of €10 million. The term, with annual conversion periods as resolved by S.A.G. Solarstrom AG's ordinary shareholders' meeting, was originally fixed to July 29, 2010 and last extended in June 2012 by a further two years until July 29, 2014, with a constant interest rate of 6.25%. The interest rate of the convertible bond was 6.85% up to July 29, 2010, and 6.25% subsequently. The bond is secured up to December 31, 2012 for the full redemption amount of €7,415,500 by pledging of bank deposits in favor of the paying agent. BBV accepted the offer of the extension of the convertible bond in the amount of €7,363,500, which corresponds to 100% of the convertible bonds still in the possession of BBV.

B.1 Company

Based on a detailed analysis, the Executive Board decided to accept the offer of an extension, in order to preserve the company's ability to positively influence the equity capital basis in the future through a possible conversion and thus to also support the acquisition of outside capital. The success of possible future convertible bond placements was also taken into consideration, as the successful placement of a convertible bond is heavily influenced by an assumption of a future positive share price trend. At the time of the extension offer, the share was listed below the nominal value of €2.56, on which the share is based. A conversion was thus unattractive for investors at this time. The adequacy of the extension interest rate has been confirmed by an external expert's report.

In the dependency report according to § 312 of the German Stock Corporation Act (AktG), S.A.G. Solarstrom AG Executive Board states that, based on the analyses made by the Executive Board, the latter considers the extension of the convertible bond to be necessary and the extended interest rate of 6.25% to be adequate and in conclusion takes the following view, according to law: "Our company has not been disadvantaged by the measures reported in the 'Report on relationships with associated companies'. This assessment is based on the circumstances known to us at the time of the reportable transaction. In addition, no reportable legal transactions or measures have occurred in the fiscal year".

There are no restrictions according to § 315 Paragraph 4 No. 2 of the German Commercial Code (HGB) which affect voting rates or the transfer of shares, no special rights according to Paragraph 4 No. 4 of the German Commercial Code (HGB) that confer powers of control, and no specific issues for employees of the company with regard to 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 is further determined by the statutory regulations on the appointment and dismissal of members of the Executive Board (§§ 84 and 85 of the German Stock Corporation Act (AktG)).

The statutory regulations also apply for changes to the Articles of Association (§§ 133 and 179ff of the German Stock Corporation Act (AktG)). The Supervisory Board is authorized, according to § 15 of the Articles of Association, to resolve changes to the Articles of Association that only concern the wording.

The Executive Board is authorized to increase capital from the conditional capital resolved by the shareholders' meeting in 2006 for outstanding convertible bonds from up to 2,892,045 no-par value bearer shares. The Executive Board is further authorized to acquire shares of the company, according to the resolution of the shareholders' meeting of May 24, 2012. This authorization is restricted to the acquisition of own shares from altogether up to 10% of the capital stock. The authorization can be exercised either in full or in partial amounts, once or several times, in pursuit of one or several objectives by the company or by a third party on behalf of the company. Trade in own shares is excluded as an objective of share purchase. Shares are acquired through the stock exchange or by means of a public offer to all shareholders of the company. If the shares are acquired through the stock exchange, the equivalent value of the share paid by the company (without additional purchase costs) may not exceed the opening price for shares of the company in XETRA trading (or a successor system determined by the Deutsche Börse AG) at the Frankfurt Stock Exchange on the respective day of trading before the acquisition of the shares by more than 10% or fall below said price by more than 20%.

If the shares are acquired through a public purchase offer, the average opening price for shares of the company in XETRA trading on the Frankfurt Stock Exchange (or a successor system determined by the Deutsche Börse AG) on the last five trading days before the public announcement of the purchase offer is definitive; in the case of greater differences in prices that require an adjustment of the public purchase offer, the average opening price on the last five trading days before the announcement of the adjustment to the offer applies. The authorization applies until the end of May 23, 2017. The company is authorized to use these shares of the company for all legally admissible purposes, trade with own shares is excluded.

The Executive Board is further authorized, with the consent of the Supervisory Board, to increase the capital stock of the company for a period of five years from the day of registration of this authorized capital, once or several times up to a total amount of €15,000,000.00 against cash contributions and/or contributions in kind through the issue of new no-par value bearer shares (authorized capital). The shares can also be taken over by one or more credit institutions with the obligation to offer them to the shareholders for purchase. The shareholders must generally be granted subscription rights. However, the Executive Board can, with the consent of the Supervisory Board, exclude the subscription rights of the shareholders in individual cases, which are described in more detail in the company's Articles of Association, and which can be called up from S.A.G. Solarstrom AG's website.

The Executive Board is also authorized, as a result of the decision by the shareholders' meeting of May 24, 2012, to increase the capital stock of the company in the time period up to May 23, 2017, with the consent of the Supervisory Board, once or several times by a total of up to €1,779,200.00 by issuing up to 695,000 new no-par value bearer shares against cash contributions and/or contributions in kind (authorized capital 2012). The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders completely or in part. This exclusion of subscription rights is only permitted for those items i to iv listed in the Articles of Association under §4 Paragraph 3.

No agreements in terms of § 315 Paragraph 4 No. 8 of the German Commercial Code (HGB) exist that are subject to a change of control resulting from a takeover bid, and no compensation agreements in terms of Paragraph 4 No. 9 of the German Commercial Code (HGB) exist with the Executive Board or employees in the event of a takeover bid.

B.2 Research and Development

Research and development activities within the S.A.G. Solarstrom Group are mainly performed by S.A.G. Technik GmbH, Freiburg im Breisgau, and meteocontrol GmbH, Augsburg. S.A.G. Technik GmbH's work focuses on such topics as yield optimization (both in the planning phase as well as in daily operation), fire prevention, the integration of photovoltaic power in energy network systems, energy storage and repowering of older systems.

meteocontrol GmbH performs research on topics such as system performance and module quality, and develops hardware and software for professional system monitoring, for energy and network management and for controlling own consumption.

32 employees are involved in research and development in the S.A.G. Solarstrom Group. In fiscal year 2012, the expenditure for this area was €1,004,000 – essentially expenses for staff and other operating expenditure. Development costs in the amount of €474,000 were capitalized for the products Local Data Manager, WEB'log Residential and WEB'log Comfort during the reporting period.

In fiscal year 2012 meteocontrol GmbH's research and development activities mainly focused on the required adjustments to network management requirements of the Renewable Energy Act (EEG), while S.A.G. Technik GmbH concentrated on concepts for own consumption in commercial buildings in Germany and abroad. In addition, S.A.G. Technik GmbH initiated a research project which is to enable the use of photovoltaic power as a control energy supplier, in combination with thermal storage.

meteocontrol GmbH's Network Management Solutions for Photovoltaic Systems

According to network management requirements, photovoltaic systems from 3.8 kWp that were installed after January 1, 2012 must either have a disconnecting device or possess the capacity to be restricted to 70% power. Systems above 100 kWp that were installed before January 1, 2012 had to be retrofitted by July 1, 2012. In fiscal year 2012, meteocontrol GmbH developed the required driver protocols and performed hardware

and software upgrades for various data loggers, so that they can receive, for example, the network operators' ripple control signals to throttle a system if necessary. In critical mains supply phases, energy providers can then throttle the feed-in of electricity from photovoltaic systems or disconnect them from the grid altogether. In addition, meteocontrol GmbH has also developed various individual interfaces to the management and control systems of various energy suppliers for operators of photovoltaic power plants, so that the power plant protocols of these systems can be integrated in the network management of the energy providers.

In cooperation with the University of Wuppertal, meteocontrol GmbH has also developed and tested control algorithms for reactive power management in the feed-in of electricity from photovoltaic systems into the medium-voltage grid. Various inverters are efficiently synchronized by the monitoring system, so that the exact reactive power required by the network operator can be provided at the grid feed-in point. After successful completion of the tests, the control algorithms were implemented in meteocontrol GmbH's data loggers.

meteocontrol GmbH has also integrated new sensors, including weather and radiation sensors, in its monitoring and control solutions, so that customers can choose the sensor most suited to their location and installation from a large number of sensors. Reliable sensor data ensures systems to be monitored precisely and variations in electricity production in photovoltaic systems are identified more quickly.

New Products and Services

In Q1 2012 meteocontrol launched local data managers on the market. For large power plants, this system bundles the data from several data loggers and relays it to the respective monitoring portal. The data is also saved and visualized locally at the power plant, so that service staff have quick access to relevant monitoring data at all times. The system also offers data interfaces to the control systems of energy suppliers.

In Q2, meteocontrol GmbH also presented a version of the WEB'log Residential, adapted to the requirements of the EEG on network management – a data logger for smaller photovoltaic systems.

In Q3, meteocontrol GmbH launched system rating as a new service on the market. The rating procedure, confirmed by the German Accreditation Body (DAkKS) assesses the quality and contingency risk of photovoltaic systems. Using a clearly defined criteria catalog, meteocontrol GmbH's experts test and assess more than 480 criteria. This comprehensive and independent assessment enables objective comparison of various different photovoltaic projects. Photovoltaic projects are assessed on a scale of AAA to C, based on internationally recognized company ratings in the financial sector. To ensure that the high level of quality is retained when performing the rating procedure, meteocontrol GmbH will also run audits through the DAkKS in future.

In addition, meteocontrol GmbH's product portfolio was expanded to include services for wind turbines.

In fiscal year 2012, S.A.G. Technik GmbH developed standardized package solutions for photovoltaic systems on single-family homes, which can be extended either as storage solutions or as a solar carport. The challenge of standardization was a quality-oriented compilation of the respective components and standardized planning, to meet the quality demands of photovoltaic systems with S.A.G. quality. At the same time, the package solutions must be suitable for a broad spectrum of different types of house, roof pitches, etc.

Pilot Projects for Own Consumption Solutions

In fiscal year 2012, S.A.G. Technik GmbH worked together with meteocontrol GmbH on several pilot projects in which electricity from photovoltaic power was generated on the rooftops of commercial properties and used by each building at a rate of 100%, so that no electricity was fed into the grid. According to initial model calculations, the electricity produced can be supplied to consumers in commercial properties at competitive prices. In addition to load curve analyses and

design planning, it is particularly important to clarify account-related and legal licensing in this regard. As not many cost-efficient storage solutions exist at present, it is not possible to cover all the electricity requirements by photovoltaic power. S.A.G. Technik GmbH has also evaluated available storage systems in the market, so that the S.A.G. Solarstrom Group can now also offer interested investors photovoltaic systems with an integrated storage solution – based either on lead-gel or lithium-ion batteries.

During its development of further own consumption solutions, meteocontrol GmbH has been working on another extended function for data loggers, which should increase the share of privately consumed electricity from photovoltaic power in single-family homes. The goal is to consume privately more than 30% of the electricity produced on a single-family home through intelligent control.

Photovoltaics Power as Control Energy in Connection with Local Heating Networks

As part of a pilot project, S.A.G. Technik GmbH is also conducting a research project in which control energy is provided for network management by integrating photovoltaic power in local heating networks. The planned composite system consists of a photovoltaic system as an electricity power plant, a wood chip burning power plant or biogas-fired block heat and power plant (BHKW) and several consumers in the local heating network. The electricity produced by the photovoltaic system is given priority for local consumption and only fed in if it is required to support the network. The rest of the time, it is used to heat a water tank. This completely prevents weather-dependent overload of the network. In addition to the heat base load supply, the combined heat and power unit also produces electricity, which is also consumed directly in the building. As an option, the electricity from photovoltaic power can also be used for air conditioning in the building in one planning variant. S.A.G. Solarstrom AG is working on the research project in cooperation with municipal project partners.

B.3 General Conditions in Fiscal Year 2012

1. ECONOMIC CLIMATE: FURTHER SLOWDOWN IN ECONOMIC GROWTH

The global economy lost further momentum in 2012. The International Monetary Fund (IMF) is anticipating a growth rate in the global gross domestic production (GDP) of 3.2% after a rise in 2011 of 3.9%. However, in Q3 the economy, stimulated by the improvement in financial market conditions, once again expanded more strongly in comparison with the previous year's quarter and trend indicators are signaling a further revival in economic activity for the last quarter of 2012. According to the Kiel Institute for World Economy, the global economy has already bottomed out. In the USA, the GDP grew by 2.3% in 2012 following 1.8% in the previous year. However, economic performance in the last quarter slumped (decline of 0.1%) due mainly to the massive cuts in the national budget, while in the previous three months it had expanded by 3.1%.

The economic downturn could not be overcome in the Eurozone in 2012, despite the improving situation in the financial markets over the course of the year resulting from the expansive monetary policy of the European Central Bank (ECB). The consequences of the financial and debt crisis decreased the GDP by 0.4% in 2012; in 2011 it grew by 1.4%. The necessary budget adjustments in the public and private sectors are still having a negative impact on economic development, so that the GDP in Q3 dropped by 0.1% compared with the previous year's quarter; in the final quarter of 2012, the GDP even dropped by 0.6%. The German economy also dropped by 0.6% in the last quarter of the previous year and thus by an

equivalent amount as at the height of the financial crisis, at the beginning of 2009; in the previous quarter, growth was 0.2%. This weak phase was primarily triggered by the consequences of the Euro crisis, which weighed heavily on economic demand and general mood of the market. Over the whole of the last year, GDP growth dropped to 0.9%, following its increase by 3.1% in 2011. The economies of the two Euro crisis countries, Spain and Italy, contracted considerably in 2012. The Spanish GDP declined by 1.4% (2011: +0.4%) and the Italian GDP dropped even more heavily by 2.1% (previous year +0.4%). France's dynamic economic growth also declined substantially. The GDP only grew by 0.2%, after the economy in 2011 expanded by 1.7%.

The recession in the Eurozone and the largely stable prices for raw materials slowed inflation in 2012. The prices rose in October 2012 by 2.5% and then in the two final months of the year by 2.2%. In Germany, the average annual inflation rate was 2.0% and was thus below that of the previous year at 2.3%. In December 2012, the rate of price increases reached 2.1% and was thus above the inflation rate of 1.9% in November and 2.0% in October. The ECB reduced the key interest rate as a result of the further decline in inflationary pressure and the contingent risks of a further slowdown in the economy in 2012 in July by 25 base points to 0.75%.

The weakness of the economy in the Southern European countries was reflected in a rather restrained market for photovoltaic power. In addition, the ECB's expansive monetary policy did not have a positive impact on the granting of credits for photovoltaic projects by local banks in Europe.

2. INDUSTRY CLIMATE: WAVE OF CONSOLIDATION DESPITE HIGH LEVEL OF NEW INSTALLATION

For the photovoltaic industry, fiscal year 2012 was once again a record year, both in the positive and in the negative sense. According to the European Photovoltaic Industry Association (EPIA), the total installed power worldwide exceeded 100 gigawatts for the first time in 2012, with new installation of around 30 GWp worldwide. The total amount of installed photovoltaic power has thus more than doubled since 2010.

However, never before have there been so many insolvencies in the industry. "A wave of bankruptcies is rolling" was the headline in the Frankfurter Allgemeine Zeitung on July 12, 2012 and the newspaper went on to report how, in Germany alone, eleven solar companies had filed for bankruptcy since the start of 2012, including both module manufacturers and project planning companies. Further news of insolvencies, short-time work and plant closures in Germany and abroad followed over the rest of the year.

The reasons for this negative industry trend were multilayered – the expanded production capacities worldwide had led to a surplus of capacity, which intensified competition and the associated decline in price. Many companies did not have the financial reserves to withstand this price pressure. This was compounded by a considerable strain on the industry resulting from the banking and financial crisis. Financing of photovoltaic companies and projects was being critically assessed by banks. In many Southern European countries, project financing by banks was almost impossible. At the same time, the regulatory conditions were changed at short notice in many European countries, leading on the one hand to high figures for new installations before the respective key dates of the new regulations, but on the other hand to subsequent market downturns.

In Germany, for example, the amendment to the Renewable Energy Act (EEG) was resolved on June 29, 2012 and came into force with retroactive effect on April 1, 2012. According to this, monthly degression steps were scheduled from May, for example, and systems above 10 MWp were no longer to receive a feed-in tariff after a transitional period up to the end of September at the latest. The new EEG triggered a boom in new installations, in particular in March 2012 at 1.2 GWp, in June 2012 at 1.8 GWp and in September with nearly 1 GWp due to key date effects. Altogether, 7.6 GWp (2011: 7.5 GWp) was installed in Germany in 2012. The goal of clearly limiting new installations was thus unsuccessful, due to the key date effects, which further fuelled public discussion. The rapid installation of photovoltaic power in Germany was held responsible for the substantial increase in the levy and thus also conceivably for the rise in electricity prices, when the transmission network operators announced the EEG levy for 2013 in October 2012. Nevertheless, it could be seen from the new installation figures of the last quarter that the monthly reduction had actually effectively restricted new installation and the usual key date effect did not occur in December. Thus only 330 MWp was installed in Germany in December 2012 – compared to almost 3 GWp in December 2011.

B.3 General Conditions in Fiscal Year 2012

As part of its budgetary consolidation, the Spanish government had initially completely stopped all subsidies for photovoltaic projects. In September 2012, an additional tax of 6% was introduced on energy production, which also affected electricity from photovoltaic power. The EPIA market analysts had already forecast additional installation in Spain for the year 2012 at maximum 300 MWp. The Italian market also clearly fell behind the previous year's figures, although Italy was one of the top 3 photovoltaic markets in Europe with additional installation of 3.3 GWp in 2012. The Conto Energia V, introduced on August 27, 2012 markedly worsened the general conditions for photovoltaic projects in Italy. It is now compulsory for all systems above 12 kWp to be entered in a solar register. Accordingly, key date effects also occurred in Italy in June 2012 with additional installation of almost 1.3 GWp and in August 2012 of around 700 MWp. The implementation of projects in Spain and Italy has also been made extremely difficult by the banking and financial crisis. It is now almost impossible to achieve financing at adequate conditions for photovoltaic projects in these countries.

In France, despite the approval cap of 500 MWp introduced in 2011 and the further reduced feed-in tariffs in 2012, around 1.2 GWp was installed. Nevertheless, the approval cap had a successive effect. After 351 MWp in Q1, new installation declined, according to the French solar association Syndicat des Energies Renouvelables and the network operator ERDF, to 254 MWp in Q2 2012 and in Q3, according to the French solar association ENERPLAN, to 158 MWp, and thus also the number of photovoltaic systems with older approvals.

Altogether, 4.9 GWp was additionally installed in 2012 in the other European countries. According to the market analysts Solarbuzz, the UK displayed strong growth of almost 1 GWp.

The strongest growth markets outside Europe in 2012 were China with at least 3.5 GWp, the USA with 3.2 GWp and Japan with 2.5 GWp. In Latin America, Chile in particular displayed a high growth momentum with several announcements of large-scale projects.

In 2012, S.A.G. Solarstrom AG mainly implemented projects in Germany, the UK, Italy and Spain, and evaluated and prepared projects in Chile and other European countries. The S.A.G. Solarstrom Group was thus also present in many of the fastest-growing solar markets in 2012.

According to the wholesale trading platform pvXchange, the prices for components also declined substantially in fiscal year 2012. Since the start of the year, the prices for crystalline modules in Germany had been dropping from €1.07 in January 2012 by almost 26.2% to an average of €0.79 per Wp in December 2012. The prices for crystalline modules from China dropped even more sharply, at around 31.6%, from €0.79 in January 2012 to an average of €0.54 in December 2012. The prices for pre-installed systems likewise fell very considerably over the course of the year. According to the Federal Solar Industry Association, the system price for systems up to 10 kWp in Q4 of 2011 was still €2,197 per kWp, and in Q4 of 2012 it was on average only €1,751 per kWp – a reduction of at least 20%.

As a result of system partnerships and flexible supply conditions, the S.A.G. Solarstrom Group was able to reflect the decline in component prices in its purchase prices. The very substantial decline in the average system price shows however, that despite the expansion in the volume of installation, sales could not be maintained.

B.4 Key Events in Fiscal Year 2012

On January 25, 2012 S.A.G. announced closure of the subscription to the 7.5% corporate bond (German security identification number: A1KOK5, ISIN: DE000A1KOK53) on January 26, 2012. Of the maximum issuing volume of €25 million, a total of €16,868,000 had been placed.

On February 17, 2012 S.A.G. Solarstrom AG announced that, with retroactive effect from December 31, 2011 its own power plant portfolio had been expanded by a 919 kWp rooftop system on the roof of a logistics supplier in Dortmund to currently 88 systems in Germany and abroad, with a total output of 26.1 MWp. The investment volume for the new system was around €2 million.

On March 6, 2012 S.A.G. Solarstrom AG was able to report the finalization of long-term project financing for the 48 MWp project in Italy with a banking syndicate consisting of the Deutsche Bank AG, the Bayerische Landesbank, the Landesbank Hessen-Thüringen Girozentrale and the KfW IPEX Bank. The loan of €118 million, at current market conditions, has a term of 17 years. The borrower is the Italian project company Enersol s.r.l., Italy, which was acquired by a subsidiary of BNP Paribas Clean Energy Partners 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 cooperate on the implementation of several rooftop projects with a total output of 20 MWp. The rooftop systems are to be installed on various industrial rooftops, mainly in Northern Italy. The project has a total investment volume of over €40 million. Over the course of the year, the main part of this Italian project was stopped and the volume shifted to Germany, as a result of the considerable increase in financing risk in Italy.

On March 30, 2012 S.A.G. Solarstrom AG successfully concluded the sale of the 48 MWp project with the notarization of the transfer of corporate shares from the project company Enersol s.r.l. to a subsidiary of BNP Paribas Clean Energy Partners. The purchase price payment was also made on March 30, 2012, consisting of the investor's equity and the credit payment of €118 million of the long-term financing of the 48 MWp project. After settlement of the trade receivables owing to the S.A.G. Solarstrom Group, as well as the payment of the project bridging loan granted by the Deutsche Bank Group in the amount of €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 announced a share buy-back program. The Close Brothers Seydler Bank, Frankfurt am Main, as an independent body, was authorized to handle the proceedings. Under the program, the bank may not purchase each day more than 25% of the average daily share turnover on all stock exchanges on the twenty trading days preceding the day of trade. The purchase price may not exceed or fall below the arithmetic mean of the opening price of the share in XETRA trading on the five trading days before purchase by more than 10%. Between April 4 and May 18, 2012, a total of 220,329 own shares were repurchased at a total price of €546,509.06.

On May 24, 2012 S.A.G. Solarstrom AG announced to the subscribers of the 6.85% convertible bond issued in 2007 its offer to extend the term of the bond, which was fixed until July 29, 2012, by two years until July 29, 2014. The term of the convertible bond, with annual conversion periods as resolved by S.A.G. Solarstrom AG's shareholders' meeting, was originally limited to July 29, 2010 and was last extended in June 2012 by a further two years up to July 29, 2014, with the same interest rate of 6.25%. The interest rate of the convertible bond was 6.85% at July 29, 2010, and subsequently 6.25%. This offer was accepted by the majority of the holders. During the conversion period between May 30 and June 12, 2012, €7,415,000 was extended and €2,500 was converted into S.A.G. Solarstrom AG shares. For this purpose, 975 new shares were issued via a capital increase from conditional capital.

B.4 Key Events in Fiscal Year 2012

On May 24, 2012, S.A.G. Solarstrom AG's shareholders' meeting accepted the dividend proposal of 12.5 Eurocents. Accordingly, a total of €1,550,673.63 was distributed to the company's shareholders. The shareholders' meeting also approved a new remuneration system for the Supervisory Board, which provides for a change in the basic remuneration and the assessment base for variable remuneration components, in line with conventional Supervisory Board remuneration systems.

On June 27, 2012 S.A.G. Solarstrom AG received a financing commitment from the Deutsche Bank for €65 million to fund its project pipeline. The loan contract was signed on June 29, 2012. The loan, at current market conditions, has a term until September 30, 2013. The S.A.G. Solarstrom Group will use the funds to implement projects with a volume of up to 60 MWp, to be installed mainly in Q3 and Q4 2012 in Germany.

On July 30, 2012 and in accordance with the terms of the offer, altogether €125,506.40 was repaid to those holders of the 6.85% convertible bond issued in 2007 and extended at 6.25% in 2010 who neither made use of their conversion rights nor wanted to extend the convertible bond in accordance with the offer.

On September 4, 2012 S.A.G. Solarstrom AG reported the purchase of modules with a total output of around 26 MWp at current market conditions from Suntech Power Deutschland GmbH. The modules were mainly used for projects already under construction in Germany in Q3 2012. The supply agreement is based on a contract between Suntech Power Deutschland GmbH and S.A.G. Solarstrom AG.

In August 2012, S.A.G. Solarstrom AG successfully connected its seven photovoltaic projects in Italy to grid, with a total output of 3.6 MWp. The systems will thus qualify for the feed-in tariff of the Conto Energia IV of 23 Eurocents on average.

On October 10, 2012 the company announced that it had agreed to develop and construct four photovoltaic power plants with a total output of around 440 MWp in Badajoz, in the Spanish region of Extremadura, as part of a joint venture via a subsidiary with the solar companies Valsolar 2006, S.L. and Cavalum SGPS, S.A. The project has a total investment volume in the triple-digit million range. Construction is planned to start in the second half of 2013.

On November 6, 2012 the company announced that it intended to implement a 2 MWp pilot project in Paiguano, in the Coquimbo region of Chile, together with a local cooperation partner in Q1 2013. The owner of the land is to purchase the electricity produced and any electricity surplus will be sold on the spot market. With this pilot project, S.A.G. Solarstrom AG hopes to gain a foothold in the Chilean market and set up a relevant project pipeline, including large-scale projects, from 2013.

On November 22, 2012 S.A.G. Solarstrom AG reported on the sale of four photovoltaic systems with a total capacity of 15.1 MWp, which were installed in 2012 by the S.A.G. Group, to a German institutional investor, including a 10.1 MWp system on a former military site in Jüterbog, Brandenburg. The transaction has a volume in the double-digit million range. It was presented at the end of the year in the receivables from construction orders.

On December 28, 2012 S.A.G. Solarstrom AG announced that it was to purchase premium components with a total output of 33 MWp at current market conditions. The modules and inverters are intended primarily for projects in the UK, which are scheduled for implementation in Q1 2013.

Finally, on December 31, 2012 S.A.G. Solarstrom AG reported on the sale of a portfolio of five German photovoltaic ground-mounted systems with a total output of around 12 MWp to an investor. The transaction has a volume in the double-digit million range. The S.A.G. Solarstrom Group assessed the systems, which had been installed by third parties in 2007 and 2008, as regards technical and legal aspects in advance, then purchased them from a leasing company and restructured them. This transaction is the start of the setup of a new business area for the S.A.G. Solarstrom Group, concerned with the restructuring of solar investments in the secondary market.

B.5 Profit, Financial and Assets Situation

1. PROFIT SITUATION

As part of the consolidated year-end closing activities for 2012, an adjustment according to IAS 8 was made in the previous year's accounts due to a missing disclosure in the previous year. The consolidated company results for 2012 and the presentation in the statement of income and accumulated earn, the balance sheet and the cash flow statement, as well as in the other sections of the annual report are thus based on a comparison of the figures for fiscal year 2012 with the adjusted figures for fiscal year 2011. All figures for fiscal years before 2011 are presented accordingly as originally reported. An overview of the corresponding balance sheet items can be found in the Notes on the Consolidated Financial Statement in section 1.

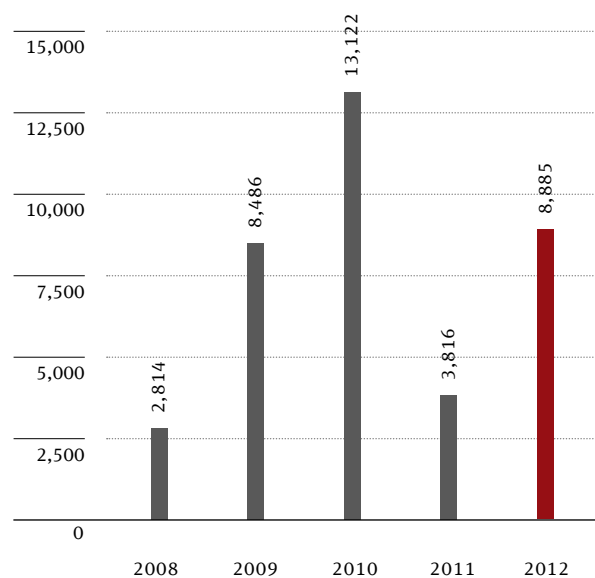
Development of Results and Sales Within the Group

In a fiscal year that was shaped by turbulence in the industry as a result of regulatory changes, market slumps and insolvencies, S.A.G. Solarstrom AG did not merely achieve, as one of the few solar companies to do so, a positive operating result, but also significantly increased the EBIT in comparison with the previous year. The Group has thus once again proven its stability and profitability, as well as the reliability of its forecasts.

EBIT achieved €8,885,000 in fiscal year 2012, following €3,816,000 in the previous year's period. Q4, in particular, with an EBIT of €8,583,000 contributed to the result, which in view of the market environment was outstanding. Although the first two quarters of 2012 were heavily impacted by the pre-production costs for project activity, reinforcing revenue was

already achieved in Q3 from the implementation of these projects and to an even greater extent in Q4. The result is all the more gratifying in view of the fact that sales dropped by 28% from €261,811,000 in fiscal year 2011 to €188,623,000 in fiscal year 2012, as a result of the market environment and despite a significant increase in the installation and sales volume to 117 MWp. The EBIT margin in relation to sales at almost 4.7% significantly improved in comparison with the previous year's figure of 1.5% and was thus near the long-term target corridor of between 5% and 10%. The EBIT margin in relation to overall performance increased by 1.8% to 4.7%.

Fig. 5
EBIT Trend 2008 – 2012 in thous. €



B.5 Profit, Financial and Assets Situation

The S.A.G. Solarstrom Group thus impressively succeeded in adjusting the cost structure of the company to the adverse market conditions, expanding business activities and securing the profitability of the Group. The very positive EBIT in the amount of €8,885,000 and the installation and sales volume of 116.9 MWp (2011: 99.6 MWp) fully complies with the forecast published for fiscal year 2012, in which S.A.G. Solarstrom AG announced a positive EBIT and a substantial increase in the installation and sales volume.

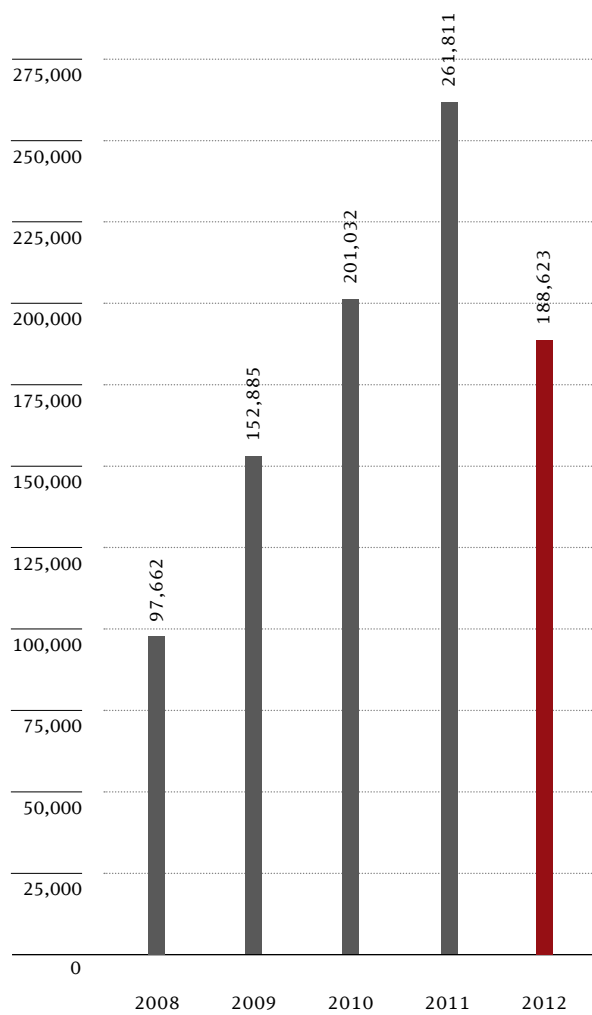
Fig. 6
Share of EBIT in % by Business Area

	2012	2011	2010
Operating result (EBIT) in thous. €	8,885	3,816	13,122
thereof in %			
Project Planning and Plant Construction	61.2%	64.0%	50.8%
Partner Sales	-13.5%	-53.0%	25.2%
Plant Operation and Services	35.8%	55.6%	18.8%
Power Production	16.5%	33.4%	5.2%

The highest EBIT contribution was achieved by the business area Project Planning and Plant Construction, at €5,437,000 (previous year: €2,442,000), followed by the business area Plant Operation and Services at €3,183,000 (previous year: €2,123,000). The business area Power Production also once again reliably delivered a gratifying contribution to the result, with an EBIT of €1,463,000 (previous year: €1,276,000). With an EBIT of -€1,198,000 (previous year: -€2,025,000), the result of the business area Partner Sales very clearly reflected, in contrast, the difficult market situation in Germany. The business areas Project Planning and Plant Construction, as well as Partner Sales, had to withstand a drop in sales due to the market environment with a high level of competitive pressure and difficult financing opportunities in Southern Europe. Sales in the business area Power Production remained stable in comparison with the previous year and only exhibited slight fluctuations in sales caused by the weather. The business area Plant Operation and Services, on the other hand, continued on its successful growth course and increased both sales and result considerably.

At €1,105,000 (previous year: -€5,875,000), the Group annual result was also positive, despite being considerably burdened by the financial and tax result.

Fig. 7
Sales Trend in the Group in thous. €



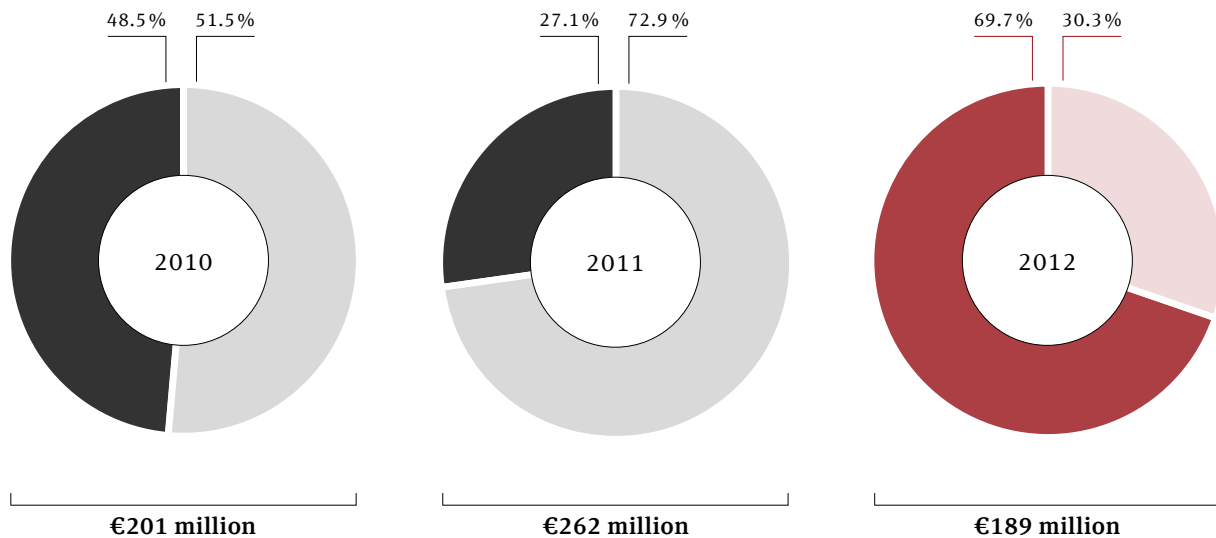
Sales in fiscal year 2012 were €188,623,000 and thus 28% less in comparison with the previous year. The previous year's sales of €261,811,000 heavily reflected the impact of the 48 MWp large-scale Serenissima project, while in 2012, the largest individual project only amounted to 10.1 MWp. Due to the substantial decline in prices of systems, many more projects also need to be implemented in 2012 in order to achieve certain sales revenues. In Southern Europe, the lack of available financing resulting from the banking and financing crisis also increased project risks so substantially that some projects were stopped or postponed. Much of the project volume planned in 2012 for Southern Europe and Italy in particular was successfully shifted to Germany. 69.7% of sales were therefore achieved in Germany (previous year: 27.1%) and only 30.3% abroad. In the previous year's period, the ratio was almost the reverse, with 72.9% foreign sales. However, the foreign share will significantly increase once again in fiscal year 2013, according to current estimates.

B.5 Profit, Financial and Assets Situation

Fig. 8

Domestic and Foreign Consolidated Sales in %

■ Germany □ Abroad



Sales in the business areas Project Planning and Plant Construction, as well as Partner Sales, dropped substantially due to the difficult market situation and the high level of competition by 31% and 37% respectively. The share of sales dropped in both business areas, which is, however, mainly due to the very positive growth in the business area Plant and Operation and Services, with a smaller reference figure of the total sales. The share of sales in the business area Project Planning and Plant Construction was 73.0% (previous year: 76.2%). The share of sales in the business area Partner Sales was 13.4% (previous year: 15.4%). As a result of the lower total sales figure, the share of sales in the business area Power Production also rose to 3.7% (previous year: 2.7%). The business area Plant Operation and Services, on the other hand, was able to almost double its share of sales to 9.9% (previous year: 5.7%) thanks to continued dynamic growth.

Losses from the French joint venture S.A.G. Intersolaire SAS and from Solar Stribro s.r.o., the project company of the 13.6 MWp photovoltaic system in Stribro, Czech Republic, in which S.A.G. Solarstrom AG holds 50%, led to a loss from joint ventures in the amount of -€725,000 (previous year: €861,000). As a result of the approval cap of 500 MWp

introduced by the French government in 2011, S.A.G. Intersolaire SAS recorded a very significant decline in project activity, which could not be absorbed at the same speed by costs. Solar Stribro s.r.o.'s results were heavily impacted by the solar tax introduced in the Czech Republic at the end of 2010.

The changes in inventory of work in progress were €68,000 (previous year: -€48,206,000) and disclose several uncompleted projects that were not yet invoiced at the balance sheet date of 2012. The high level of inventory changes in the previous year's period were due to an effect by the large-scale Italian project, for which work had already been performed in Q4 of 2010, but which was only disclosed as sales in 2011. The overall performance dropped accordingly from €213,904,000 in fiscal year 2011 by 11.6% to €189,165,000 in fiscal year 2012.

The other own work capitalized in the amount of €474,000 (previous year: €299,000) refer to the capitalization of internally produced intangible assets in product development for monitoring and forecasting services of meteocontrol GmbH.

Fig. 9

Statement of Comprehensive Income

IN THOUS. €	2012	2011*	2010
Sales revenue	188,623	261,811*	201,032
Share of profit/loss from joint ventures	-725	861	0
Inventory changes of work in progress	68	-48,206	51,975
Own work capitalized	474	299	0
Other operating income	4,224	3,933	2,740
Cost of materials	-151,857	-180,357	-202,765
Wage costs	-15,191	-15,633	-10,775
Depreciation	-3,261	-2,961	-2,206
Other operating expenses	-13,470	-15,931*	-26,879
Operating result (EBIT)	8,885	3,816*	13,122
Financial result	-6,702	-8,428	-3,096
Earnings before tax (EBT)	2,183	-4,612*	10,026
Income tax expenditure	-1,078	-1,263	-3,769
Group annual result	1,105	-5,875*	6,257

* Due to adjustments, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for the fiscal year 2011 according to IAS 8 (for details see notes 1.).

The other operating income in the amount of €4,224,000 (previous year: €3,933,000) mainly contains revenue from provisions for warranties, the dissolution of value adjustments and revenue from recharged costs.

The material expenditure dropped by 15.8% from €180,357,000 in fiscal year 2011 to €151,857,000 in fiscal year 2012. In the previous year, this item included a considerable degree of material expenditure for the 48 MWp large-scale Serenissima project. The material expenditure quota, in relation to overall performance, dropped slightly from 84.3% in 2011 to 80.3% now – the comparatively stable material expenditure of 80% shows that the S.A.G. Solarstrom Group could compensate the clear price drop on the component market without any major delay.

Personnel expenditure dropped by €442,000 from €15,633,000 in 2011 to €15,191,000 in 2012. Although the average staff level dropped very considerably to 218 employees under the cost reduction program "Slim 2012" in the reporting period (previous year: 226 employees), the job cuts only showed a significant effect on the staff costs over

the course of the year. At December 31, 2011, 260 people were employed by the S.A.G. Solarstrom Group, and at December 2012 this figure was reduced to 207. In Q4 of 2012, personnel expenditure was accordingly at €3,961,000, 22.8% below the personnel expenditure figures for Q4 2011 at €5,134,000. The personnel expenditure quota in relation to overall performance rose slightly, as a result of these follow-up costs of reductions in staff from 7.3% in fiscal year 2011 to 8.0% in fiscal year 2012, and in relation to sales rather more strongly from 6.0% to 8.1%.

Depreciations increased slightly from €2,961,000 in fiscal year 2011 to €3,261,000 in fiscal year 2012 and exhibit in particular the scheduled depreciation of the Group's own power plant portfolio. The increase in depreciation was mainly caused by the expansion of the Group's own assets through Solarpark Kamenicna, Czech Republic, and Solarpark Dortmund, Germany. Depreciation on both these systems only came into full effect in 2012. The depreciations also contain a small amount of scheduled depreciation of operating and business equipment as well as depreciation on intangible assets.

B.5 Profit, Financial and Assets Situation

The other operating expenses clearly show the success of the cost reduction program "Slim 2012". They dropped by 15.4% from €15,931,000 in 2011 to €13,470,000 in 2012 and thus considerably more heavily than overall performance, which dropped by 11.6%. The other operating expenditure mainly includes consulting and auditing costs, particularly legal consulting in connection with local regulatory issues, insurance expenditure, as well as advertising and travel costs and cost for other staff services. Savings under the cost reduction program have been achieved mainly in personnel recruitment, in consulting, advertising and travel costs.

The financial result at -€6,702,000 (previous year: -€8,428,000) was burdened mainly by high financing expenditure. Although it dropped by €1,286,000 from €9,088,000 in fiscal year 2011 to €7,802,000 in fiscal year 2012, it exhibited the expenditure for the two corporate bonds and the partial utilization of the project financing framework for €65 million granted by the Deutsche Bank Group based on expanded construction activity.

Despite the high burden from the financial result, the consolidated annual result was €1,105,000 (previous year: -€5,875,000). S.A.G. Solarstrom AG is thus one of the very few companies in the industry that not only achieved a positive operating result in fiscal year 2012 but also disclosed a positive consolidated annual result.

Currency conversion differences in the amount of €346,000 (previous year: -€761,000) had a positive impact on the consolidated group result, while a negative hedging assessment of the cross-currency interest swap to secure credit financing of solar park Kamenicna in Czech Crowns in the amount of -€220,000 (previous year: -€1,205,000) and the actuarial result from pension obligations in the amount of -€129,000 (previous year: €0) reduced the consolidated group result.

In the reporting period, the undiluted result per share was €0.09 (previous year: -€0.48), and the diluted result, taking into account outstanding convertible debentures, was also €0.09 (previous year: -€0.36).

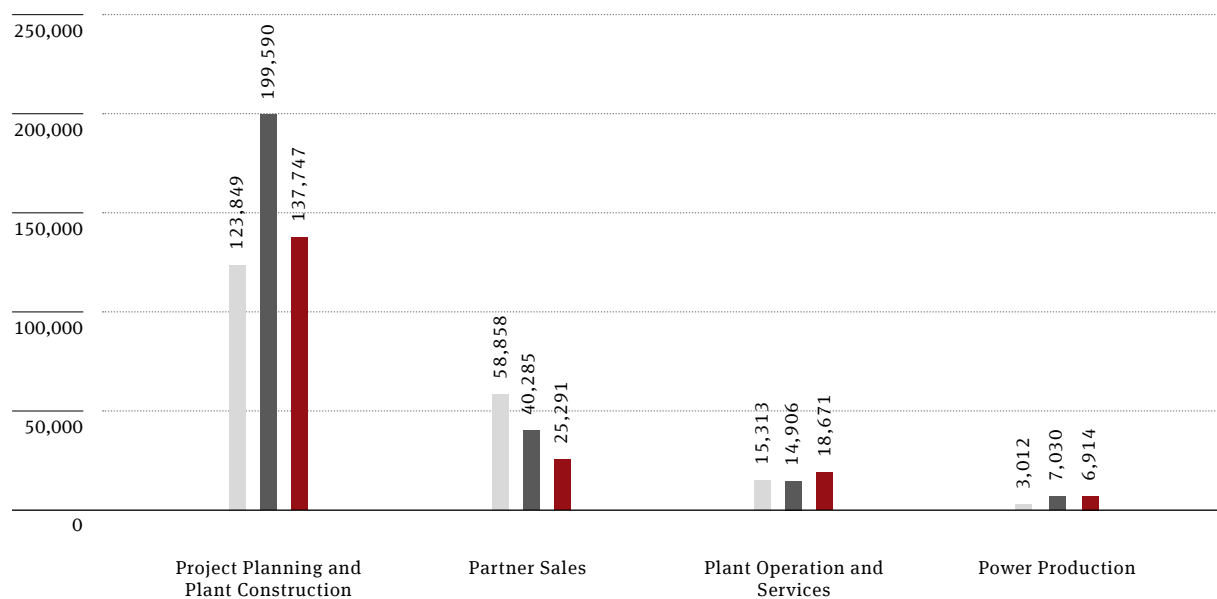
Project Planning and Plant Construction

After a weak first quarter in 2012 due to seasonal factors, followed by a rather reserved second quarter, the S.A.G. Solarstrom Group's project business revived perceptibly in Q3. In Spain, the approval moratorium and in Italy the uncertainty regarding the Conto Energia V, which finally came into effect on August 27, 2012, made new projects difficult. In both Southern European countries, the financial situation also deteriorated considerably. Project volumes were therefore moved to Germany for risk reasons. The S.A.G. Solarstrom Group constructed a total of 82.3 MWp (2011: 63.7 MWp) in fiscal year 2012 in this business area, 39.5 MWp alone of which was in Q4 (Q4 2011: 9.9 MWp), which thus considerably exceeded the already very positive 3rd quarter of 2012 at 28.8 MWp installation volume (Q3 2011: 19.8 MWp). 65.8 MWp was installed in 2012 in Germany – the largest individual project was a 10.1 MWp system in Jüterbog, Brandenburg, on a former military site. This system, together with three other systems, was sold in November 2012 to an institutional investor. The S.A.G. Solarstrom Group had completed several projects on conversion areas on schedule on the key date of

September 30, 2012 and put them into operation. At this point in time, the cuts in feed-in tariff of up to 30% also became effective for systems on conversion areas, after a transition period. In addition, projects in other foreign markets, such as the UK, Italy, Romania and Spain, had also been installed.

Due to the considerable price decline in the market – both in Germany and abroad, substantially higher system prices were paid per kWp in 2011 – sales in 2012 declined despite an increase in installation volume of 29.2%. Nevertheless, the business area Project Planning and Plant Construction remained S.A.G. Solarstrom AG's area with the strongest revenues with sales of €137,747,000 (previous year: €199,590,000). The EBIT was €5,437,000 and was thus able to more than double the previous year's result of €2,442,000. The entry into the secondary market business was one of the positive influencing factors on the EBIT, which increased substantially despite the decline in sales. The S.A.G. Solarstrom Group purchases photovoltaic systems in the secondary market, restructures them as necessary with regard to legal, financial and technical aspects, and then resells them.

Fig. 10
Sales by Business Areas in thous. € □ 2010 ■ 2011 ■ 2012



B.5 Profit, Financial and Assets Situation

Partner Sales

The business area Partner Sales once again reflected the difficult market situation with a very high level of competitive pressure in Germany. Second and third-tier international module manufacturers flooded the distribution market in Germany in 2012 with, at times, dubious product quality. This affected the achievable margins in Partner Sales, as the overall price structure shifted downwards. The deficit at EBIT level was considerably reduced, at -€1,198,000 (previous year: -€2,025,000) in comparison with the previous year, which can be attributed mainly to substantially lower sales. The decline in price on the market for photovoltaic systems that accompanied the lower component prices and the very intensive competition in Germany can be seen clearly in the sales, which dropped from €40,285,000 in fiscal year 2011 by 37% to €25,291,000. The installation volume, on the other hand dropped by only 4% at 34.6 MWp (previous year: 35.9 MWp). Over the course of the year, S.A.G. Solarstrom AG considerably extended the number of partners to 202 partners, 30 of which are abroad (previous year: 85 partners, 20 of which are abroad). Despite this, it was not possible to realize a higher sales volume over a broader partner base. In

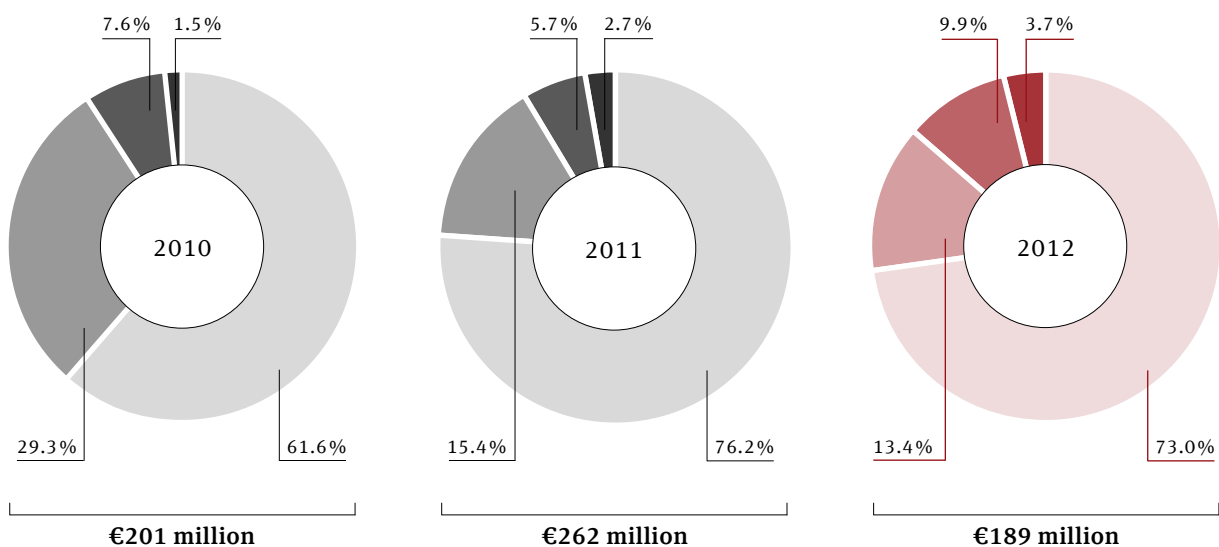
a three-level partner model, the added value for S.A.G. Solarstrom AG within the current industry environment can only be presented with those exclusive partners who, in addition to using Group's central purchasing department, can also use other services provided by S.A.G. Solarstrom AG and develop into service partners. Through its exclusive partners, which currently number around 35, S.A.G. Solarstrom AG is able not only to represent a broad market coverage but can also fall back on installation and service capacities. S.A.G. Solarstrom AG is therefore setting its sights on a target figure of around 50 exclusive partners in Germany and abroad by 2014.

The impact of the EEG amendment on the sales volume in this business area is clearly visible in Q4. While 22.1 MWp was installed via partners in Q4 2011, based on the key date of December 31, 2011, only about half of that amount was installed in Q4 2012, at 10.4 MWp. The monthly reduction in the feed-in tariff resulted in a more equal quarterly distribution of the sales volumes. In Partner Sales, there were no key date effects with high trading volumes as in the previous year. The sales figures of Partner Sales for small and medium-sized systems, on the other hand, remained comparatively stable.

Fig. 11

Consolidated Sales by Business Area in %

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



Plant Operation and Services

The business area Plant Operation and Services continued its dynamic and very profitable growth in fiscal year 2012. EBIT grew by 50% from €2,123,000 in fiscal year 2011 to €3,183,000 in fiscal year 2012, which corresponds to a good third of the total EBIT in the Group, although the business area only contributes to around 10% of the total sales. The EBIT margin increased from 14.2% in the previous year to 17.0%. Sales reached €18,671,000, an increase of 25% in comparison with the previous year at €14,906,000.

The business area continued to profit from a high number of new photovoltaic installations and the accompanying demand for monitoring and forecasting services, as well as the launching of new products and services. The number of systems monitored by meteocontrol GmbH rose to around 30,400 systems with a total output of 6.4 GWp at December 31, 2012 – at the end of December 2011 it was 23,600 systems with 4.2 GWp. In Q1 of 2013, this figure increased again to around 31,000 systems with 6.7 GWp. The service business is growing steadily and profitably at the same

time, almost unaffected by the turbulence in the industry. Around one-fifth of sales in this business area are recurring sales from system monitoring, technical management and forecasting services. meteocontrol GmbH regularly supplies solar electricity forecasts to all four German transmission network operators, as well as a Spanish network operator, so that these operators can calculate the energy mix up to three days in advance for their network management activities. meteocontrol GmbH also achieves one-off sales from other services, such as yield reports, technical due diligence, construction monitoring and construction supervision, rating of solar power systems, interface programming and system adjustments for energy providers, as well as from the sale of hardware for monitoring photovoltaic systems. With a market share of around 7% at present, and almost 16% of the total installed power in Europe, meteocontrol GmbH is the market leader in professional system monitoring, and probably has the most extensive data pool with regard to the long-term performance of solar power systems with many different module and inverter combinations in the climate zones important for the photovoltaic industry.

B.5 Profit, Financial and Assets Situation

Power Production

S.A.G. Solarstrom AG's system portfolio currently contains 117 photovoltaic systems or investments in these systems, with a total output equivalent to 26.8 MWp. 15.2 MWp will be fully consolidated and is incorporated directly into the business area Power Production. 7.8 MWp is accounted using the at-equity method and 3.8 MWp as investment. The revenue from these systems can be found in the consolidated statement of comprehensive income in the share of profit of joint ventures, as well as in the financial report, in particular in the share of profit from associated companies. In fiscal year 2012, the system portfolio was increased by a 10% investment in the solar fund Orosolar Zwei, in which 26 French and 2 German systems with a total output of 4.8 MWp are bundled. S.A.G. Solarstrom AG's arithmetical portion of this portfolio that is accounted as an investment is thus 481 kWp. This addition thus does not have any significant impact on the results in the business area Power Production. The Group's own system portfolio thus offers S.A.G. Solarstrom AG not only high margins and stable cash flows, but also valid data on the long-term performance of photovoltaic systems and can be used as a toolbox for repowering. The oldest system in the portfolio,

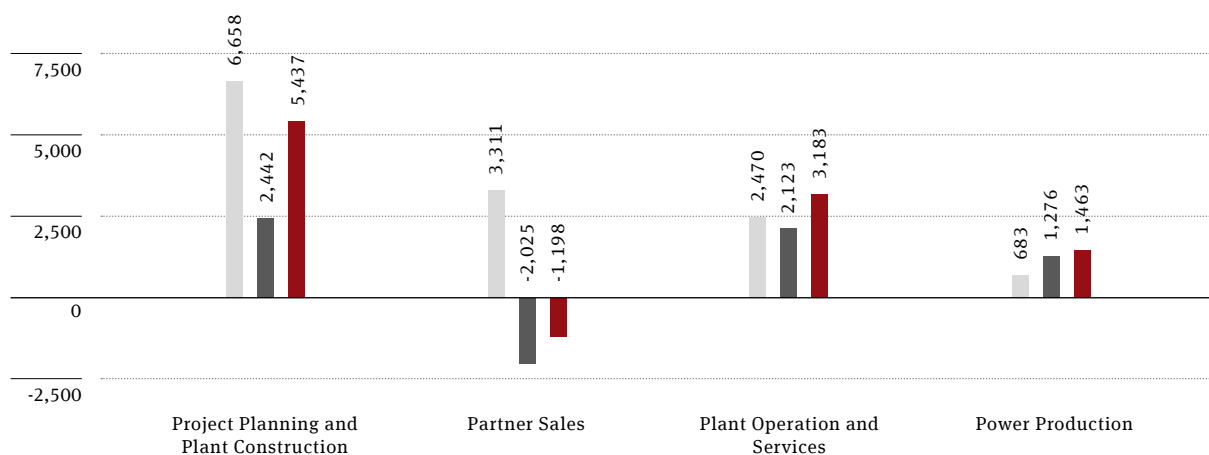
on the rooftop of a brewery in Freiburg, is already 15 years old and still delivers the forecast yield. The predominant part was, however, only included in the portfolio from 2007. The total output rose more than threefold from 6.5 MWp in 2007 to currently 26.8 MWp. The commercial value of the power plant park is around €78 million, and the value of equity for the power plant park is around €45 million (values calculated on the basis of December 31, 2011).

The 15.2 MWp included in the business area Power Production once again supplied reliable high revenue in fiscal year 2012. EBIT reached €1,463,000 following €1,276,000 in the previous year, due to the decline in overhead costs.

The sales of the smallest business area, with a share in sales of 3.7%, remained very stable in fiscal year 2012 at €6,914,000, in comparison with the previous year at €7,030,000 and only exhibits the slight weather-related fluctuations of -2% of an average summer. With an EBIT margin of 21.2% (previous year: 18.2%), the business area Power Production remains the highest-margin business area of S.A.G. Solarstrom AG, accounting for 16.5% (previous year: 33.4%) to the total EBIT.

Fig. 12

Consolidated Operating Result (EBIT) by Business Areas in thous. € □ 2010 ■ 2011 ■ 2012



2. ASSETS SITUATION

S.A.G. Solarstrom AG's consolidated balance sheet total at December 31, 2012 was €299,301,000 and thus dropped by almost 8% in comparison with the previous year at €325,229,000. However, it reflects the high working capital due to dynamic project activities, in particular in the second half of fiscal year 2012.

On the assets side, the lower balance sheet total can be mainly attributed to the decline in trade receivables from €189,093,000 at December 31, 2011 to €86,515,000. A significant factor in this respect was the purchase price payment for the 48 MWp Serenissima project at the end of March 2012. On the liabilities side, the balance sheet total was mainly reduced as a result of the repayment of the bridging loan to the Deutsche Bank in the amount of €80 million. The current interest-bearing loans thus dropped from €103,568,000 at December 31, 2011 to €37,978,000 at December 31, 2012.

The noncurrent assets rose from €85,483,000 at December 31, 2011 to €93,262,000 at December 31, 2012 and now account for 31.2% (previous year: 26.3%) of the balance sheet total. The increase is mainly due to the substantial increase in noncurrent receivables and other assets to €8,503,000 (December 31, 2011: €1,467,000). These, in turn, increased due to loans as well as deposits for performance bonds with a term of maximum five years that were granted to the company Enersol s.r.l., Italy. This company operates the 48 MWp photovoltaic Serenissima system and was sold on December 31, 2011 to a subsidiary of BNP Paribas Clean Energy Partners. However, the deferred tax assets also increased from €2,715,000 at December 31, 2011 to €4,544,000 at December 31, 2012 and thus contributed to the increase in noncurrent assets. In contrast, the tangible assets declined, mainly as a result of the scheduled depreciation of the Group's own power plant portfolio from €51,006,000 at December 31, 2011 to €48,999,000 at December 31, 2012.

While, under intangible assets, the amount for licenses, rights and software dropped from €562,000 at December 31, 2011 to €279,000 at December 2012 as a result of normal depreciation, the internally produced intangible assets rose from €374,000 to €824,000. Under this item, development costs for the meteocontrol GmbH's products Local Data Manager, WEB'log Residential and WEB'log Comfort in the amount of €474,000 were capitalized.

The current assets, which account for a good two-thirds of the balance sheet total at 68.8%, dropped from €239,746,000 at December 31, 2011 to €206,039,000 at December 31, 2012. Inventories also declined by around 37% from €21,443,000 at December 31, 2011 to €13,478,000 at December 31, 2012. At the balance sheet date in 2012, the stock of components dropped in the course of construction activity due to key date effects to €5,922,000, following €13,918,000 at December 31, 2011.

The most significant changes can be seen in the balance sheet item receivables and other assets, which dropped from €207,607,000 at December 31, 2011 to €184,018,000 at December 31, 2012. The trade receivables also dropped from €189,093,000 at December 31, 2011 to €86,515,000 at December 31, 2012. This can mainly be attributed to the purchase price payment for the 48 MWp large-scale Serenissima project, which was made at the end of March 2012. The receivables from construction contracts, on the other hand, once again increased at the balance sheet date in 2012, at the same rate as the extended project activity over the course of the year, very substantially to €63,863,000 (December 31, 2011: €6,257,000). The other assets also increased significantly from €11,177,000 at December 31, 2011 to €33,463,000 at December 31, 2012. This is mainly due to the loans granted as well as deposits for performance bonds, which are also connected with the large-scale Serenissima project. The other assets also include accruals and deferrals, receivables from companies with distribution of ownership and sales tax receivables.

B.5 Profit, Financial and Assets Situation

The working capital (total of inventories, trade receivables and receivables from construction contracts) as a result dropped significantly by 24.4% from €216,793,000 at December 31, 2011 to €163,856,000 at December 31, 2012, but with growth by €99,897,000 since June 30, 2012, once again exhibited the clear increase in project activity in the second half of 2012.

The liquid funds – the supplies of cash and cash equivalents – dropped to €8,543,000 (December 31, 2011: €10,696,000).

On the liabilities side, equity dropped slightly from €45,198,000 at December 31, 2011 to €44,206,000, mainly due to the positive consolidated result in the amount of €1,105,000, the acquisition of 220,329 own shares, which resulted in -€546,000, and the paid dividend, which reduced equity by €1,551,000. For 2011, the accumulated net profit and thus the profit carried forward were adjusted with retroactive effect from €3,188,000 by €2,335,000 to €853,000 in accordance with IAS 8.

The noncurrent debts dropped slightly to €88,438,000 at December 31, 2012 (December 31, 2011: €89,269,000). The amount for the bonds dropped only slightly by €82,000 to €50,224,000 (December 31, 2011: €50,306,000), and the interest-bearing loans due to the scheduled amortization more heavily by €3,426,000 to €33,332,000 (December 31, 2011: €36,758,000). The interest-bearing loans mainly refer to project financing loans for the company's own portfolio. The deferred tax liabilities had an opposing effect and increased from €1,496,000 on the balance sheet date in 2011 to €3,769,000; here too, the expectation of future tax payments on revenue is a sign of the successful business activity of the S.A.G. Solarstrom Group.

The current debts dropped at the balance sheet date to €166,657,000 (December 31, 2011: €190,762,000). The crucial factors here were, firstly, the decline in interest-bearing loans from €103,568,000 at December 31, 2011 to €37,978,000 at December 31, 2012, which is mainly due to the repayment of the project bridging loan for the 48 MWp Serenissima project in the amount of €80 million. Secondly, the trade liabilities and other liabilities rose considerably in conjunction with expanded project activity from €83,755,000 at December 31, 2011 to €127,657,000 at December 31, 2012.

The current debts were thus solidly covered, at 124%, by current assets at the balance sheet date (December 31, 2011: 126%) and the debt ratio dropped to 577% (December 31, 2011: 620%). However, the share of project financing for the Group's own power plant park in the amount of €34 million must be taken into account in the debt ratio. The interests and amortization for these loans are directly achieved and paid by the respective project companies.

Equity ratio improved as a result of the very positive group annual net result to 14.8% (December 31, 2011: 13.9%), but shows very distinctly the increased utilization of borrowed capital for project activity and to finance the Group's own system portfolio.

3. FINANCIAL SITUATION

In fiscal year 2012, the S.A.G. Solarstrom Group achieved a positive operative cash flow in the amount of €85,605,000 (previous year: -€61,277,000). The crucial factor here was the change in assets by +€40,091,000 (previous year: -€56,152,000). This positive change can essentially be attributed to the purchase price payment made on March 30, 2012 for the large-scale Serenissima project, as well as to payments for various other projects.

The change to current debts of €41,309,000 (previous year: -€848,000) shows the increasing liabilities in the course of vigorous project activities. The paid interest in the amount of -€6,878,000 (previous year: -€8,050,000) as well as the payment of income tax in the amount of -€1,049,000 (previous year: -€3,853,000) reduced the operative cash flow.

The cash flow from investment activities in the amount of -€16,591,000 (previous year: -€22,762,000) was significantly influenced by loans and deposits for performance bonds in connection with the large-scale Serenissima project. The change from credits and loans granted to third parties was -€12,890,000 accordingly (previous year: €0). In fiscal year 2012, the increase in noncurrent receivables in the amount of -€3,247,000 (previous year: +€910,000), payments for investments in intangible assets in the amount of -€554,000 (previous year: -€558,000), investments in tangible assets in the amount of -€357,000 (previous year: -€24,697,000) and payments for the acquisition of companies and other business units in the amount of -€494,000 (previous year: €0) – ensured the outflow of funds. The payments for investments in tangible assets in the amount of -€357,000 (previous year: -€24,697,000) are essentially replacement investments for operating and office equipment. In the previous year, the main change in cash flow consisted of the investment activity in the payment for investments in Solarpark Kamenicna, Czech Republic and Solarpark Dortmund, Germany.

The payment for the acquisition of companies and other business units in the amount of -€494,000 (previous year: €0) mainly consists of an investment in the shares of Orosolar Zwei GmbH & Co. KG.

In fiscal year 2012, the cash flow from financing activities was -€71,199,000 (previous year: €84,981,000). The S.A.G. Solarstrom Group had amortized financial loans in the amount of €102,009,000 (previous year: €43,567,000) – this mainly concerned the repayment of the bridging loan for the large-scale Serenissima project in the amount of €80 million. In the previous year's period, the deposit from the borrowing of financial loans at €110,286,000 also still had a strong positive effect due to the bridging loan for the large-scale Serenissima project. During the reporting period, the company took out financial loans in the amount of €33,032,000. The main portion of this was the utilization of the project financing framework from the Deutsche Bank Group. In addition, -€1,551,000 has been used for the payment of the dividend for fiscal year 2011 (previous year: -€1,503,000 dividend for fiscal year 2010), -€546,000 (previous year: €0) for the acquisition of own shares and €128,000 (previous year: €0) for the repayment to holders of the convertible bond issued in 2007 who did not want to make use either of their conversion rights or the extension offer.

This resulted overall in a net change in fiscal year 2012 of cash and cash equivalents in the amount of -€2,185,000 (previous year: +€942,000). At the end of fiscal year 2012, the liquid funds were €8,543,000 (December 31, 2011: €10,696,000).

B.6 Procurement

As a manufacturer-independent supplier, S.A.G. Solarstrom AG purchases high-quality components from all over the world. The Group's Purchasing department uses its expertise in module and inverter performance in its own system portfolio (currently 26.8 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 rooftop 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. Solarstrom Group regularly carries out systematic market observations. In cooperation with meteocontrol GmbH, new suppliers are audited in an extensive process.

In order to ensure the availability of high-grade components, the S.A.G. Solarstrom 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 2012, the S.A.G. Solarstrom Group primarily used modules from the manufacturers Yingli Green Energy, Trina Solar, Suntech Solar and Hanwha in projects. Other modules were also used in individual projects depending on project requirements. The Group collaborated with the manufacturers SMA and KACO regarding inverters. In 2012, meetings and tests also took place to extend the supplier base.

Based on the system partnerships, the Group was able to reflect current price trends in the purchase prices, so that in fiscal year 2012, which was marked, as was the previous year, by substantial price declines in the component market, significant goodwill impairment on stock 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

In fiscal year 2012, the S.A.G. Solarstrom Group implemented the “Slim 2012” cost reduction program, under which the cost structure of the company was adapted to the challenging market environment.

Under this cost reduction program, the number of employees in the S.A.G. Solarstrom Group was reduced from an average of 226 employees in fiscal year 2011 to an average of 218 employees in fiscal year 2012. At December 31, 2012, 207 staff were employed by the Group (December 31, 2011: 260 employees), 62 of which were women and 145 of which were men (December 31, 2011: 72 women and 188 men). 21 employees worked in the foreign subsidiaries, 186 in the German branch offices of the Group. The cutbacks in staff were mainly made by reducing staff in the regions weakened by the regulatory environment and at the Freiburg location, but also by outsourcing certain areas such as Logistics, Assembly and Warehousing. Due its continuing strong growth, meteocontrol GmbH was not affected by the staff measures.

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 necessary. 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 positively support further business development.

S.A.G. Solarstrom AG has embedded diversity and equality in its company principles, however due to the mid-market size of the company, its focus is first and foremost to generally secure qualified skilled personnel.

S.A.G. Solarstrom AG employs several engineers in the Group. In Germany, the number of women with this job profile in total employment is a low 17%, and in the field of electrical engineering it is only 6.4%, according to a publication by the German Engineers' Association (VDI) “2012: Engineers at a Glance“ and other VDI labor market statistics. Accordingly, more men than women are employed in the S.A.G. Solarstrom Group. However, in comparison with the previous year, the number of women in executive positions in the Group increased considerably to 20% (2011: 5%). The 15 executives included three women at December 31, 2012, including Karin Schopf as a member of the Executive Board.

The S.A.G. Solarstrom Group wants to promote a family-conscious corporate culture and therefore introduced work time accounts in 2011, in order to provide employees with more flexibility in balancing career and family through flextime regulations. Company laptops with a UMTS cards and VPN access to the company network also aim to support employees in special family situations to reconcile their work and family obligations.

At December 31, 2012, 10 young people were in training at the S.A.G. Solarstrom Group. Training courses include for example Electronics for Industrial Engineering, Information Technology for Systems Integration and Industrial Clerk with an additional qualification in European Business Management.



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 all 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. 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. Since then, a different SOS Children's Village has been presented each year 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. In 2011, the SOS Children's Village Ammersee-Lech in Diessen received a 11.4 kWp system.

In 2012, the next project was identified as the SOS-Hof Bockum (www.sos-hof-bockum.de). In this project, a barn roof in Rehlingen and the hall roof of a carpenter's workshop in Amelinghausen are to be equipped with photovoltaic systems. The installation planned for the start of 2013 had to be delayed due to snow and ice. However, the two systems are to be connected to grid in the first half of 2013. Around 90 kWp will generate 75,000 kWh electricity per year. The financial revenue will be used exclusively for the benefit of the SOS-Hof.

90 people with intellectual disabilities live and work at the SOS-Hof Bockum. They have found their permanent home here and are integrated in working life. Respect, support and integration are part of the daily life at the SOS-Hof.

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.

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. In fiscal year 2012, the Group successfully passed the required recertification audit.

With its portfolio of solar power plants and investments in photovoltaic systems and funds, the Group operates, in the meantime, 117 of its own power plant parks with a current output of around 26.8 MWp. This power can be used to generate around 26,800 MWh of green electricity per year. In fiscal year 2012, the system portfolio was extended by funds investments of 29 systems, equivalent to 700 kWp of total output.

One photovoltaic installation emits 85 g of CO₂ 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 2,278 tons of CO₂ emissions in 2012 of the S.A.G. Group's power production. The S.A.G. Solarstrom Group also generated approximately 937 t CO₂ during their business activities in 2012, with the average number of employees at 218. 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 664 g CO₂ per kWh generated,* which means that the S.A.G. Group's installations saved around 17,795 tons of CO₂ in 2012.

According to this, the Group's CO₂ balance is clearly positive, due to the considerable amount of savings in CO₂ in power production from photovoltaic installations. In the balance, this resulted in a total saving of 14,580 tons of CO₂ in 2012.

* 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 August 2012

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, S.A.G. Solarstrom AG has been using two electric Smart cars as company vehicles for the company head office in Freiburg since 2011. The Smarts are used as pool vehicles for city trips in Freiburg. 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.



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

B.10 Supplementary Report

On March 18, 2013 S.A.G. Solarstrom AG received a financing commitment from the Deutsche Bank Group for €40 million. Following the project financing framework in the amount of €65 million granted in 2012 as a bridging loan for projects to be implemented mainly in the second half of 2012, the Deutsche Bank Group thus once again granted S.A.G. Solarstrom AG a financing framework for various planned projects that are to be implemented in 2013 and 2014 in Germany. Due to the drop in system prices on the market, projects of a comparable size as last year can be implemented with this project planning framework.

B.11 Risk Report

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 emerging 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 persons with operative responsibility in the Group 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.

Future markets are assessed with regard to available opportunities in regular meetings between the Executive Board and the sales staff. Criteria include strong market growth in the area of photovoltaic power, a solid political and economic environment including currency stability and a high level of appeal of these country markets for investors.

According to these criteria, countries and regions such as North and South America, as well as Turkey, are being closely observed as target markets – as are individual regions in North Africa, in which the Group wants to use the opportunities presenting themselves.

Thanks to the position of the Group's service subsidiary meteocontrol as a market leader in Europe, the S.A.G. Solarstrom Group can also tap new markets for services quickly while at the same time using meteocontrol as a door opener for market entry in the area of project planning and plant construction in new markets.

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, which is why future country markets are also being assessed from the point of view of possible investments by the Group in photovoltaic systems in 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 on a current basis. 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 or 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 operative 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 impact 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 implements a comprehensive, central control system in order to ensure compliance of the accounting and reporting processes in the entire S.A.G. Solarstrom Group.

Accounting of the German subsidiaries is managed centrally at the Group's headquarters, while accounting of the foreign subsidiaries is predominantly managed locally in certified accounting systems according to the local law of the respective company or outsourced to an external qualified service provider. Consolidated Group 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. The Supervisory Board ensures the soundness of the control systems and also uses internal revisions with neutral, external professional support to process historical data according to accounting guidelines and to develop new, clear guidelines.

Despite this extensive control system, 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 have into detrimental consequences on the profit, assets and financial situation of the S.A.G. Solarstrom Group.

Capital Risk

The capital risk, due to its potential threat to the survival of the Group is one of the central risks 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. Solarstrom 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 as well as other debts and bonds less payment instruments and fixed deposits. However, in an individual analysis, a distinction must be made as to what part of this net financial debt has temporary effects that are triggered by project funding for the sale of certain major projects. The net debt ratio at December 31, 2012 was 517.8% (December 31, 2011: 557.5%) and has thus dropped in comparison with the previous year.

B.11 Risk Report

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. The S.A.G. Solarstrom Group cannot fall back on project bridging loans from banks in all cases. 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 component supplies and the available funds. Additional liquidity should be provided via component sales in the business area Partner Sales, with short payment targets. The more restrictive monetary policy of various southern European countries can, in addition, make the granting of credit for photovoltaic projects in these countries considerably more difficult. As a result, projects might not be implemented, be delayed or become so expensive as to become uneconomical.

Risks can result from the withdrawal of joint venture partners, so that the company must provide interim financing for projects that still need to be implemented. The S.A.G. Solarstrom Group counters this risk by appropriate contractual terms and conditions. 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. This has already been impressively demonstrated in 2012 and 2013 by the project financing frameworks provided by the Deutsche Bank Group.

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. Even short-term changes to the tax base, which are intended to both help the budgetary consolidation of the individual countries as well as to develop regulatory effects, can jeopardize efficiency. Short-term changes in tax have already been implemented in the past, for example in countries such as the Czech Republic and Spain.

The open discussion regarding the intended cutbacks in subsidies or planned increases in tax, and the frequently extremely short transition periods can also lead to a 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.

In Germany in particular, the strong growth of renewable energies can lead to further regulatory intervention. The risk exists that under future regulatory changes, the throttling or shutdown of photovoltaic systems will no longer be compensated adequately, resulting in loss of revenue.

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. In addition, the S.A.G. Solarstrom Group is also increasingly implementing market price models without state-guaranteed feed-in tariffs and is thus also reducing regulatory risks.

Legal Requirement Risks

Photovoltaic projects go through an extensive legal requirement process up until construction approval and the point at which the building permit is issued, which varies in complexity in different countries and comprises different requirements as regards to experts' reports and contractual foundations, such as the registration of easements, etc. It cannot be ruled out that, despite careful balancing and examination, legal requirement risk still remain as an inherent aspect of photovoltaic projects. Building permits might not be issued, despite an advanced project status and the required experts' reports, such as environmental impact studies, can considerably delay projects and make them more expensive. The S.A.G. Solarstrom Group carefully checks all legal requirement issues in all projects, involving local specialists, in order to minimize these risks.

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 prefinancing requirements of large-scale projects. The potential or actual loss of a customer for a large-scale photovoltaic project can have considerably negative consequences on the profits, assets and financial situation. 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. In addition, S.A.G. Solarstrom AG maintains continuous contact with various interested investors.

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. There is a risk that the pace of technological change cannot be sufficiently met, and the technologies offered by S.A.G. Solarstrom Group could be superceded in the market by other technologies. In addition, there is an inherent risk that investment in research and development for new products and services could turn out to be bad investments, because development projects cannot be implemented or do not give rise to commercially viable products.

In the other three business areas, the technological risks are comparatively low in comparison. Due to the Group's multi-vendor policy, new technologies in the photovoltaics area can be adopted by new suppliers without supply contracts, without undue effort. The general risk exists, however, that other technologies for producing energy, such as wind power or fracking for the production of natural gas will become more strongly established and thus push back photovoltaic power.

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 price flexibility in the supplier contracts, which minimize the price risk in procurement, and at the same time ensure an adequate amount of high-quality components corresponding to S.A.G. Solarstrom AG's planning.

Local economic barriers, such as punitive tariff duties, as already implemented in the USA for Asian modules, and in Europe are being discussed as part of an anti-dumping procedure, could, however, not only render the procurement of high-quality components more expensive, but also lead to a shortage of supply in the market.

B.11 Risk Report

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, 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 the consistent pursuit of 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 a market offering that is uncompromising on quality, with extensive after sales service.

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.

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. The risk of a warranty failure by suppliers, as well as installation partners and service providers as a result of insolvency is considerably increased as a result of the current consolidation phase in the solar industry. As the S.A.G. Solarstrom Group consistently avoids sourcing on the spot market and only purchases high-quality components, the general probability of warranty cases occurring for components is not substantially increased, however an increased risk of warranty failure by installation partners and service providers exists.

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 a supplier would not be possible or would not be possible for the full amount.

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 the project business, considerable currency risks due to currency fluctuations between the Euro exchange rate and the currency of the target country can occur, particularly if the purchase price is fixed in the currency of the target currency and the Euro, as the calculation basis for S.A.G. Solarstrom AG is currently weaker than expected at the time of sale.

In fiscal year 2012, a cross-currency interest swap was in place for the S.A.G. Solarstrom Group to safeguard a combined risk of a change in interest and foreign currency. This was triggered by the credit financing of Solarpark Kamenicna, Czech Republic in Czech Crowns. The loan, in the amount of €14,600,000 has a term up to 2025. The derivative is evaluated at the key date price and at its market value. In some cases, cross-currency interest swaps can involve the risk of increased costs for the S.A.G. Solarstrom Group, if the currency and interest trend is positive. At the balance sheet key date, the cross-currency interest swap showed a difference in valuation in the amount of €1,997,000. This is disclosed under 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. 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 or in the follow-on financing of the Group's own system portfolio could influence the profitability of the Group's business activity. S.A.G. Solarstrom AG counters this risk by concluding financial frameworks with banking partners for interim project financing, such as the project financing framework from the Deutsche Bank Group. However, the Group, also use funds from the bonds issued in November 2010 and June 2011 for interim financing, in order to stabilize the interest costs.

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. In the area of Project Planning and Plant Construction in particular, large-scale projects implemented with individual customers can constitute a substantial part of the receivables, depending on the project status. 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.

B.11 Risk Report

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 appropriately 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. At the same time, the company monitors employee satisfaction in regular externally managed 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 appeal as an employer, both for its existing workforce as well as for potential new employees. 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 continuing 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.

The continuing consolidation phase in the solar industry offers opportunities for the S.A.G. Solarstrom Group, as in some cases, interesting assets such as photovoltaic systems in need of restructuring or project rights ready for development can be acquired by S.A.G. Solarstrom AG from insolvency estates. However, a recoverability risk always exists when purchasing assets from insolvency estates. The S.A.G. Solarstrom AG counters this risk with an extensive due diligence catalog, in which the financial, legal and technical risks are carefully checked in advance.

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.

B.12 Forecast Report

1. ECONOMIC CLIMATE: REVIVAL OF GLOBAL ECONOMY EXPECTED IN 2013

The global economy is expected to once again grow dynamically in 2013. The measures implemented to consolidate the national budgets have, in the view of the International Monetary Fund (IMF), reduced the risks arising from the sovereign debt crisis in the Eurozone and in the USA and improved the financial market situation. However, the European Central Bank (ECB) still sees significant risks for the global economy resulting from the slow implementation of structural reforms in the Eurozone and existing geopolitical conflicts as well as the imbalances in central industrial nations, so that recovery could be delayed. The gross domestic product (GDP) is expected to grow somewhat more strongly in 2013, by 3.5% (previous year: 3.2%) and in 2014 by 4.1%.

For the USA, the ECB is anticipating a moderate economic recovery in Q1, due to the positive underlying momentum in the areas of investment and private consumption. However, the continuing confusion regarding tax policy and other heavy cuts in government spending are causing uncertainty. For 2013, the IMF is forecasting a slight slowdown in GDP growth to 2.0%, following 2.3% in the previous year, and for 2014 a clear rise in growth rate to 3.0%. Chile's economy is expected to still expand very dynamically in 2013, although at a slightly slower rate, with a rise in GDP of 4.4%, following 5.0% in the previous year.

Based on development in the final quarter and the first indicators for the first quarter of 2013, the European Central Bank is expecting economic activity to initially remain subdued in the Eurozone. Over the course of the year, it is expected to gradually recover due to a stronger domestic demand and more dynamic world trade. For 2013, the International Monetary Fund is forecasting a decline in the GDP by 0.2% and for the subsequent year a rise of 1.0%. For the German economy, the

IMF is anticipating a further slowdown of economic growth in 2013 to 0.6%, but an economic recovery of 1.4% in 2014. The export activities of German industry will gain momentum in the stronger global economy, with domestic demand as the main support of growth, due to the robust labor market and the sharper pay rises expected. The UK's economy will recover slowly. The required tightening in fiscal policy, together with restrictive credit terms and exports, which can only supply moderate growth momentum, are slowing down dynamic growth. After the economy contracted by 0.2% last year, it will expand in 2013 by 1.0% and in the subsequent year by 1.9%.

France's economy, like most of the other economies in the Eurozone, will only be able to detach itself from the economic slump slowly. A rise in GDP of 0.3% (previous year: 0.2%) is forecast for 2013 and 2014. It is anticipated that Italy and Spain will only come out of the recession in 2014, due to the adjustment measures to be implemented to increase the competitive capacity of the economy and to reduce the national debt. For 2013, a further decline in economic performance by 1.0% (previous year: -2.1%) is initially expected in Italy and 1.5% (previous year: -1.4%) in Spain. In the following year, the economy is expected to grow by 0.5% and 0.8%. In Turkey, the IMF is expecting an increase in GDP growth in 2013 by 3.5%, following 3.0% in 2012. Due to the price trend for oil forward contracts, the ECB is anticipating a further decline in inflation rates under 2% for the next few months.

Apart from Italy and Spain, almost all countries in which the S.A.G. Solarstrom Group is active are showing a moderate economic growth, which generally offers favorable basic conditions for the Group's business activities.

B.12 Forecast Report

2. INDUSTRY CLIMATE: NEW INSTALLATION CONTINUES DESPITE INDUSTRY CONSOLIDATION

Despite the continuing consolidation in the solar industry, market experts are in agreement that the new installation of photovoltaic systems will continue to increase in 2013 and over the next few years. A further rise in energy costs, growing energy requirements in emerging markets and a further decline in component prices are the most important growth drivers. It is to be expected that a further drop in system prices will foreseeably encourage the competitive capacity of electricity from photovoltaic power, so that photovoltaics will remain an interesting and sustainable investment for investors, despite regulatory cuts and the withdrawal of subsidy schemes.

The European Photovoltaic Industry Association (EPIA) is anticipating new installation in 2013 of up to 41.4 GWp in its survey "Global Market Outlook for Photovoltaics until 2016", published in May 2012. The IHS iSuppli market analysts are anticipating new installation of 35 GWp in their publication of January 25, 2013. The Swiss banking house Sarasin is also estimating new installation in 2013 at 36.8 GWp and further average market growth up to 2016 at 17%. According to the EPIA, annual new installation up to 2016 should have grown by up to 77.3 GWp.

Growth will be driven in particular by countries outside of Europe, such as the USA, China and Japan, while a slight decline is anticipated in the European market.

According to market analysts' estimations, the German market will also decline slightly. The EPIA is only anticipating new installation of between 2 and 5 GWp in 2013, while Sarasin is reckoning with 5.2 GWp. Germany would thus still be one of the strongest markets worldwide. Although the degressive structure of the Renewable Energy Act with its 2012 amendment already showed its effects towards the end of 2012, a further EEG amendment must be expected in Germany before the Bundestag elections in the fall of 2013 due to the continuing public discussion regarding the consequences of the EEG levy on the electricity price. The change proposals currently under discussion could lead to a very substantial market slump in Germany, particularly if taxes are also introduced for existing installations. Some large investors in the field of renewable energies, such as the Stadtwerke München, had already announced shelving new projects due to lack of

legal certainty. The new subsidy of energy storage devices for systems up to 30 KWp announced by the Federal Government is unlikely to change anything in this development either.

In Italy, the EPIA is anticipating new installation of between 1.5 and 3 GWp in 2013, and Sarasin is estimating growth in Italy at 3 GWp at the upper end of this range. On August 27, 2012 the Conto Energia V came into effect in Italy and with it the final subsidy program, according to current plans. The subsidy will be stopped when a total subsidy of €6.7 billion is reached under the Conto Energia I to V. Of the €700 million subsidy volume of the Conto Energia V, more than €570 million had already been consumed by March 22, 2013 according to the official counter of the Italy energy authorities for renewable energies GSE (Gestore Servizi Energetici).

In France, EPIA is anticipating new installation of between 500 MWp and 2 GWp in 2013, while Sarasin is estimating 1.5 GWp. The French market should benefit from new subsidy momentum, which is currently being discussed by the new French government. Among other issues, the approval cap of 500 MWp is expected to double to 1 GWp, and a tendering platform for large-scale projects, as well as a simplification structure, are planned. In addition, an EU bonus of up to 10% for photovoltaic rooftop systems is scheduled, for which a substantial portion of the modules has been manufactured in Europe.

In Spain, the EPIA market researchers have been anticipating new installation of between 100 and 500 MWp in 2013 up to now. The subsidy moratorium in Spain might however, be able to adjust this value downwards. In September 2012, the Spanish government also decided on the introduction of an additional energy tax of 6% on revenue from power production, which, however, applies for all forms of energy in equal measure.

According to forecasts made so far, the UK will be one of the strongest growth markets in Europe in 2013. Between 250 MWp and almost 1.3 GWp will be installed here according to estimates by the EPIA (Sarasin: 1.2 GWp). In particular, a boom on large-scale open areas is expected in Q1 2013, as new regulations will apply from April 1 for the Renewables Obligation Certificates (ROCs). Using these certificates, the energy providers must prove the purchase of an increasing portion of renewable energy for the total amount of electricity they sell.

High growth rates are also expected by the market experts for Turkey – however the cumulated installed power at the end of 2012 is expected to have been below 100 MWp.

The forecasts for new installation in the various European countries could be substantially adjusted upwards as a result of the increasing competitive capacity of electricity from photovoltaic power. This is due to the expectation that there will be more installations that do not utilize the state-guaranteed feed-in tariff, but sell the electricity through power supply agreements or use it themselves. Hitherto, however, the cuts in the feed-in tariffs have still had a restrained effect on growth, and it is not expected that this will change during the course of 2013.

With a growth of 5.3 GWp forecast by Sarasin (EPIA: 3.7 to 4.6 GWp), the USA is one of the strongest growth photovoltaic markets outside of Europe, next to China at 5.1 GWp (EPIA: 3.3 to 6 GWp) and Japan at 3.1 GWp (EPIA: 2.5 to 3 GWp), according to market experts. However, growth in the North American market could be slowed down by the discovery and exploitation of new gas reserves by “fracking” (extraction in deeper layers of rock by injecting liquids into the rock under high pressure). As a result of the increase in gas supply, the gas prices in the USA have already dropped, so that gas power stations can once again be operated more profitably and are thus in direct competition with large-scale photovoltaic power plant parks.

Chile is being treated by market researchers as a future boom market. iSuppli is thus anticipating in its publication of January 23, 2013 that a total of 5.3 GWp will be installed in Latin America between 2012 and 2016, around 60% of which will be in Chile. The EPIA is also anticipating strong growth. While new installation of between 50 and 250 MWp is being forecast for 2013, the market analysts are already reckoning with new installation of up to 1 GWp in 2016.

S.A.G. Solarstrom AG has announced the start of construction of a 440 MW large-scale project in Spain for the second half of 2013. The Group is also active in the UK with construction on large-scale undeveloped areas, already implementing a pilot project in Chile, investigating projects in Turkey and will also remain active in the domestic market of Germany, as well as in Italy and France, thus benefiting from the market in established photovoltaic countries as well as in new boom regions.

The consolidation pressure in the industry is expected to continue in 2013, due to the difficult financing situation, the high level of competition and the persisting dependency on business models, feed-in tariffs and other subsidy models guaranteed by the state. Surplus production capacities can still be observed on the market, which will probably continue to perpetuate the price pressure in 2013. In this respect, it is expected that component and system prices will decline further in 2013, even if not to the same extent as in the previous year. In 2012, the component prices declined by almost 32% according to the wholesale trading platform pvXchange and the system prices by a good 20% according to the German Solar Industry Association.

The potential consequences of the European Commission’s anti-dumping procedure driven by the EU ProSun Initiative against Asian module manufacturers still remain unclear. According to the S.A.G. Solarstrom Group’s estimates, penal duties on Asian modules could considerably set back the European market as regards to achieving grid parity, the cost parity of electricity from conventional energy sources from photovoltaic power, and lead to a market slump, especially as China had also pursued an anti-dumping test regarding the polycrystalline silicon obtained in Europe as a reaction to the procedure.

As a result of the considerable drop in component and system prices, electricity from photovoltaic power is already directly capable of competing with conventional energy sources in several European countries today. Accordingly, the cost parity with the electricity tariff from conventional energy sources should boost the photovoltaic market to the same extent as the market maturity of new storage technologies, even though topics such as network management and balancing energy need to be addressed more in the future.

Companies such as S.A.G. Solarstrom AG will benefit from this development in the long term, sustaining its stable position in the consolidation phase of the industry and addressing the future challenges of the market, together with meteorological solutions.

B.12 Forecast Report

3. BUSINESS DEVELOPMENT FORECAST FOR 2013 AND 2014

The market environment of the S.A.G. Solarstrom Group has been subject to considerable changes over the last few years. Short-term regulatory changes, new taxes and the financial crisis have made reliable planning almost impossible. During the fiscal year, the company has been compelled again and again to react flexibly to market changes, to change plans and adjust budgets and installation volumes. As market consolidation is continuing and the end of the Euro financial crisis is not yet in sight, the general conditions for 2013 and 2014 can still not be estimated reliably. In particular, the anticipated price decline for components and, as a result, for complete photovoltaic systems, will have a substantial impact on the Group's achievable revenue, as more projects need to be implemented in order to achieve a planned sales volume when prices drop heavily. Further tightening in regulatory requirements and cuts in the feed-in tariffs in Europe also indicate that the political acceptance of photovoltaic power – not least due to the clearly discernible lobby influence of conventional energy providers – is diminishing. S.A.G. Solarstrom AG will therefore not state any specific sales and EBIT goals for 2013 and 2014, due to the substantial market insecurities. Our primary objectives in this market situation remain the continued stabilization of the company, the fortification of the market position and the safeguarding of operative profitability, in order to be able to return very quickly to a sustainable growth rate in a market environment, that in future, will also offer an increased number of international opportunities.

Increase in Installation and Sales Volume and Positive EBIT

Under the regulatory changes known so far, and an accepted drop in price for complete photovoltaic systems, S.A.G. Solarstrom AG is once again planning an increase in the installation and sales volume in 2013, which was 117 MWp in 2012, as well as a positive operating result (EBIT). However, the share of systems that can be implemented in the secondary market business in 2013 will be of significance for the sales volume. This turnover is usually associated with a lower volume of sales. The outcome of the anti-dumping procedure with the European Commission will be of crucial significance for the forecast. If a duty is imposed, its amount will have a massive influence on the volumes that can be constructed and the achievable incomes. An adjustment will then be inevitable.

The long-term EBIT target margin of the entire Group is still between 5% and 10%, although it might not be possible to achieve this target margin in 2013 and 2014 due to difficult conditions.

It is planned to achieve the installation and sales volume both in the business area Project Planning and Plant Construction as well as in the business area Partner Sales. In the business area Project Planning and Plant Construction, it is planned to achieve between 60% and 80% of sales abroad, due to the uncertain regulatory market environment in Germany in 2013. The primary target markets here are the UK, Spain, Chile and possibly other markets such as Turkey or Africa. Due to the development in the gas market influenced by hydrofracking with declining electricity tariffs and a concentration of the available staff resources in country markets in which projects are easier to implement, the USA is currently no longer in the spotlight as a target market, but will remain under observation as a potential target market for Project Planning and Plant Construction. meteocontrol North America Inc. already represents a service subsidiary in this solar market. S.A.G. Solarstrom AG will avoid high-risk transactions in unknown new country markets, as in previous years. Partner Sales' percentage in installation and sales volume, which in fiscal year 2012 was almost 30% and includes both cooperation with exclusive partners as well

as trade with components, is expected to further decline in the long term, as S.A.G. Solarstrom AG will once again focus more strongly on cooperation with exclusive partners for profitability reasons. It is planned to develop these exclusive partners into service partners, in order to improve their margin situation, among other issues. In 2014, the installation and sales quantity is expected to increase in a similar fashion as in 2013, with the development of further new country markets, with the volume in the business area Project Planning and Plant Construction increasing substantially and the volume in the business area Partner Sales expected to remain at the same level as in 2013. Components and system prices will have a considerable impact on whether a growth in the installation and sales volume in 2013 and 2014 will also mean sales growth in the business areas Project Planning and Plant Construction as well as Partner Sales. The S.A.G. Solarstrom Group is planning a positive EBIT in 2013 and 2014 for the business area Project Planning and Plant Construction, and a well-balanced EBIT for the business area Partner Sales, due to the challenging competitive situation. The restructuring of existing systems as a new business subarea within the business area Project Planning and Plant Construction is expected to have positive effects on the achievable EBIT. The market volume of restructuring projects has not, however, been quantifiable up to now.

The general growth of the installation and sales volume beyond 2014 will depend on the feasibility of projects without state-guaranteed feed-in tariffs or other subsidiary schemes. If the market models that have now been designed are successful, substantial market potential can be expected over the next few years. It is the S.A.G. Solarstrom Group's declared objective to prove the competitive ability of electricity from photovoltaic power in market price models and integrated energy supply concepts in 2013 and 2014.

This forecast is based on the assumption that adequate amounts of components and qualified trained staff will still be available to the extent required as they have been to date and that the Group will receive the funding required for business activities. Other influencing factors are the 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 and technical aspects.

Considerable growth in the Business Areas Plant Operation and Services and Power Production

Considerable sales growth is once again planned in 2013 and 2014 for the business area Plant Operation and Services. The business area is to be fortified by the expansion of the service portfolio and the buildup of further qualified staff, as the service business ensures high-margin sales and is not affected by market fluctuations to the same extent as the business areas Project Planning and Plant Construction and Partner Sales.

The business area Power Production is also expected to further increase sales in 2013 and 2014 by stepping up its portfolio. One target is an annual increase in the single-digit MWp range. Investments in the Group's own portfolio are, however, dependent on the funds available. If no new investments can be made due to the financing situation, very stable sales can always be expected in this business area, which might fluctuate only slightly due to normal annual weather conditions. S.A.G. Solarstrom AG is expecting comparable double-digit EBIT margins as in fiscal year 2012 for both business areas in 2013 and 2014.

Cost Structure Adjusted

Under the "Slim 2012" program, the Group adjusted the cost structure to the changing market environment and the anticipated sales in fiscal year 2012, in order to ensure the basic profitability and stability of the Group. This was completely successful. In 2013 and 2014 too, the S.A.G. Solarstrom Group will carefully control the cost structure and adjust it to further market changes as necessary with the new program "Flex 2013". By making installation capacities flexible and outsourcing task areas selectively, the Group is well equipped both for a further possible decline in the market as well as for significant market growth.

B.12 Forecast Report

Investments in Own Power Plant Portfolio and New Company Headquarters

For the area Power Production, an addition to the Group's own power plant portfolio in the single-digit MWp range is planned in 2013 and 2014, dependent on the available funds. In fiscal year 2012, only low investments were made in the power plant park, which did not result in an increase in sales. In a few years, once grid parity has been achieved and subsidies are no longer provided, this portfolio will present opportunities in the direct marketing of green electricity, which is why this area should be further fortified.

S.A.G. Solarstrom AG also plans to start with the construction of new company headquarters at the beginning of the second half of the year 2013, together with an investor, and expects to move into the new building end of 2014. The investment volume will be in the low double-digit million range, but will enable considerable saving in ancillary expenses. In addition, the building will be constructed and certified according to the standards of the Deutschen Gesellschaft für Nachhaltiges Bauen DGNB (German Sustainable Building Council).

According to the current status of planning, the Executive Board is assuming that sufficient funds will be available for the planned investments.

Liquidity Development and Financing Opportunities

At December 31, 2012 the liquid funds amounted to €8,543,000 (2011: €10,696,000). The high net flow of liquidity of over €50 million from the Serenissima project in March 2012 as well as the still expected flow of liquidity from the sale of several systems from 2012 and a large-scale British project from Q1 of 2013 are a solid basis for operative business activity and the planned investments in 2013 and 2014. An interim financing framework from the Deutsche Bank Group for projects, in the amount of €40 million and with a term up to 2014, should also make the implementation of currently planned projects considerably easier. Large-scale projects over 50 MWp, including the planned 440 MWp project in Badajoz, Spain, will only be implemented together with an investor, in order to conserve the liquidity and the Group's balance sheet. Advance financing of projects of this size, which could impact liquidity, is not planned according to the current planning status. Cash pooling of subsidiaries also enables group-wide liquidity management independent of individual companies or business areas.

However, due to the continuing financial crisis, further shortage and cost increases in project financing opportunities for large-scale projects can be expected.

Corporate financing by bank loans and the two corporate bonds, as well as financing of the Group's own system portfolio are contractually secured in the long term. The interest payments are made on schedule, so that no extraordinary developments can be expected to result in 2013 and 2014.

Long-Term Growth Opportunities

The S.A.G. Solarstrom Group's stable four-pillar model has proven to be robust and flexible in a very difficult market environment in 2012. The diversification of risks over four business areas, specific, risk-controlled foreign expansion, and the high level of flexibility have paid off. The Group's own system portfolio, like the service offering, ensures very stable and continuously increasing revenue.

The development of new business subareas, such as the restructuring of solar investments in the secondary market, new services by the service subsidiary meteocontrol GmbH, such as photovoltaic system rating and concepts for the integration of photovoltaic power in local energy supply concepts also offer considerable growth opportunities for the company beyond further increasing installation and sales volume in the future.

As a photovoltaic specialist and provider of services all along the photovoltaic value added chain and with a proven track record in the last few, very turbulent years in the solar industry, S.A.G. Solarstrom AG is excellently positioned. The heavy increase in energy costs should further stimulate demand for efficient, sustainable and low-cost energy production from photovoltaic power in the medium term, while market growth should still be promoted by the increasing proliferation of sophisticated storage models. The increasing demand for renewable energy and its competitive capacity vis-à-vis conventional energy sources, which has already been achieved in several countries, offer the Group outstanding opportunities for growth in the long term.



CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2012.

S.A.G. Solarstrom AG is very well equipped for fiscal years 2013 and 2014 with a positive operative cash flow in the amount of €85.6 million, the positive consolidated annual result and a project financing framework in the amount of €40 million. The Group has a solid capital endowment, even though the dynamic project activity and the financing of the Group's own system portfolio are reflected in the balance sheet.



ROOFTOP SYSTEM, SAN SEVERINO MARCHE, ITALY, 381.47 KWP

C.1 Consolidated Statement of Comprehensive Income for 2012

IN THOUS. €	NOTES, SEE SECTION	2012	2011*
Sales revenue	6.	188,623	261,811*
Share of profit/loss from joint ventures	7.	-725	861
Inventory changes of work in progress	8.	68	-48,206
Own work capitalized	8.	474	299
Other operating income	8.	4,224	3,933
Cost of materials	9.	-151,857	-180,357
Wage costs	10.	-15,191	-15,633
Depreciation	11.	-3,261	-2,961
Other operating expenses	12.	-13,470	-15,931*
Operating result (EBIT)		8,885	3,816*
Share of profit/loss from associated companies		104	160
Other share holding income		126	0
Financial revenues		870	500
Financial expenditure		-7,802	-9,088
Financial result	15.	-6,702	-8,428
Earnings before tax (EBT)		2,183	-4,612*
Income tax expenditure	17.	-1,078	-1,263
Group annual result		1,105	-5,875*
Other results			
Currency conversion differences		346	-761
Valuation of hedging		-220	-1,205
Actuarial result from pension obligations		-129	0
Consolidated group result		1,102	-7,841*
IN €			
Results per share	18.		
Undiluted		0.09	-0.48*
Diluted		0.09	-0.36*

* Due to adjustments, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for the fiscal year 2011 according to IAS 8 (for details see notes 1.).

C.2 Consolidated Balance Sheet as of December 31, 2012

IN THOUS. €	NOTES, SEE SECTION	DECEMBER 31	
		2012	2011*
Assets			
Noncurrent assets			
Intangible assets	19.		
Licenses, rights and software		279	562
Internally generated intangible assets		824	374
Goodwill		1,625	1,625
		2,728	2,561
Tangible assets	20.		
Land and buildings		549	558
Plants and machinery		47,620	49,559
Other fixtures and fittings, tools and equipments		830	889
		48,999	51,006
Financial assets	21.		
Investments		3,296	2,902
Shares in joint ventures		11,140	10,845
Shares in associated companies		2,277	2,221
Other financial assets		11,775	11,766
		28,488	27,734
Noncurrent receivables and other assets	22.	8,503	1,467
Deferred taxes		4,544	2,715
		93,262	85,483
Current assets			
Inventories	23.		
Raw materials and supplies		5,922	13,918
Work in progress		7,486	7,418
Down payments made		70	107
		13,478	21,443
Receivables and other assets			
Trade receivables	25.	86,515	189,093*
Receivables from construction contracts	26.	63,863	6,257
Other assets	27.	33,463	11,177
Income tax receivables		177	1,080
		184,018	207,607*
Cash and cash equivalents	28.	8,543	10,696
		206,039	239,746*
		299,301	325,229*

IN THOUS. €	NOTES, SEE SECTION	DECEMBER 31	
		2012	2011*
Liabilities			
Capital stock		33,566	33,563
Capital provisions		14,248	14,248
Other reserves		-1,554	-1,205
Currency differences		-103	-449
Own shares		-2,358	-1,812
Accumulated net profit		407	853*
Sum total of equity	29.	44,206	45,198*
Noncurrent liabilities			
Bonds	31.	50,224	50,306
Interest-bearing loans	32.	33,332	36,758
Deferred tax liabilities		3,769	1,496
Other noncurrent liabilities		1,113	709
	30.	88,438	89,269
Current liabilities			
Income tax liabilities	34.	786	2,699
Other provisions	35.	236	740
Interest-bearing loans	36.	37,978	103,568
Trade payables and other payables	37.	127,657	83,755*
		166,657	190,762*
Sum total of liabilities		255,095	280,031*
		299,301	325,229*

* Due to adjustments, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for the fiscal year 2011 according to IAS 8 (for details see notes 1.).

C.3 Consolidated Statement of Changes in Equity for 2012

IN THOUS. €	CAPITAL STOCK	CAPITAL PROVISIONS	OTHER RESERVES	CURRENCY DIFFERENCES	OWN SHARES	ACCUMULATED NET PROFIT	TOTAL OF EQUITY
Status January 1, 2011	32,019	13,779	0	312	-4,243	8,231	50,098
Consolidated group result	0	0	-1,205	-761	0	-5,875*	-7,841*
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
Status December 31, 2011	33,563	14,248	-1,205	-449	-1,812	853*	45,198*
Status January 1, 2012	33,563	14,248	-1,205	-449	-1,812	853*	45,198*
Consolidated group period result	0	0	-349	346	0	1,105	1,102
Capital increase	3	0	0	0	0	0	3
Acquisition/Sale of own shares	0	0	0	0	-546	0	-546
Cash dividends paid	0	0	0	0	0	-1,551	-1,551
Status December 31, 2012	33,566	14,248	-1,554	-103	-2,358	407	44,206

* Due to adjustments, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for the fiscal year 2011 according to IAS 8 (for details see notes 1.).

C.4 Consolidated Cash Flow Statement for 2012

IN THOUS. €	2012	2011*
EBIT	8,885	3,816*
Depreciation	3,261	2,961
Accounting profit/loss on asset disposal	-780	-7
Other non-cash charges/earnings	698	-678
Change to assets	40,091	-56,152*
Changes to noncurrent liabilities (without financing loans)	-593	1,205
Changes to current liabilities (without financing loans)	41,309	-848*
Interest paid	-6,878	-8,050
Interest received	661	329
Taxes on earnings paid/received	-1,049	-3,853
Cash flow from operations	85,605	-61,277
Released financial assets from secured fixed deposits	2,672	2,733
Tied-up funds from secured fixed deposits	-2,678	-1,221
Receipts from noncurrent receivables	-3,247	910
Payments for credits and loans granted for third parties	-12,890	0
Receipts from associated companies	48	31
Receipts from participations	126	0
Payments for investments to intangible assets	-554	-558
Payments for investments to tangible assets	-357	-24,697
Receipts from disposal of tangible assets	783	40
Payments for acquisition of companies and other business units	-494	0
Cash flow from investment activity	-16,591	-22,762
Payments from amortization of financial credits	-102,009	-43,567
Receipts from raising of financial credits	33,032	110,286
Payments received from the issue of a bond	0	16,868
Cash payments to the holders of the convertible bond	-128	0
Receipts for divestments of own shares	0	2,897
Payments for acquisition of own shares	-546	0
Capital increase from the issue of the new shares	3	0
Cash dividends paid	-1,551	-1,503
Cash flow from financing activity	-71,199	84,981
Net change of cash and cash equivalents	-2,185	942
Changes to financial resource funds dependent on the exchange rate	32	-56
Financial resource funds at start of period	10,696	9,810
Financial resource funds at end of period	8,543	10,696
Composition of financial resources		
Liquid assets	8,543	10,696
Financial resource funds at end of period	8,543	10,696

* Due to adjustments, the marked amounts presented here deviate from those contained in the company's consolidated financial statements for the fiscal year 2011 according to IAS 8 (for details see notes 1.).

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 systems and system 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, 2012 on March 24, 2013 and released it for submission to the Supervisory Board.

Corrections According to IAS 8 as per December 31, 2011

The following previous year's figures at December 31, 2011 have been adjusted retroactively according to IAS 8:

Important balance sheet data		DECEMBER 31, 2011			
IN THOUS. €	AS ORIGINALLY DISCLOSED	ADJUSTMENT ACCORDING TO IAS 8		AFTER ADJUSTMENT	
Trade receivables	191,003	-1,910	1.	189,093	
Balance sheet total	327,139	-1,910		325,229	
Accumulated net profit	3,188	-2,335	3.	853	
Trade payables and other payables	83,330	425	2.	83,755	
Balance sheet total	327,139	-1,910		325,229	
Important data from statement of comprehensive income		DECEMBER 31, 2011			
IN THOUS. €	AS ORIGINALLY DISCLOSED	ADJUSTMENT ACCORDING TO IAS 8		AFTER ADJUSTMENT	
Sales revenue	263,721	-1,910	4.	261,811	
Other operating expenses	-15,506	-425	5.	-15,931	
Operating result (EBIT)	6,151	-2,335		3,816	
Earnings before tax (EBT)	-2,277	-2,335		-4,612	
Group annual result	-3,540	-2,335		-5,875	
Consolidated group result	-5,506	-2,335		-7,841	
Results per share		DECEMBER 31, 2011			
IN €	AS ORIGINALLY DISCLOSED	ADJUSTMENT ACCORDING TO IAS 8		AFTER ADJUSTMENT	
Undiluted	-0.29	-0.19		-0.48	
Diluted	-0.21	-0.15		-0.36	

Disclosure of the 2011 opening balance has been omitted, as the adjustment of errors has not had any impact on this opening balance.

1. Trade Receivables

The adjustment concerns trade receivables from the 48 MWp major project in Northern Italy, which was sold in 2011. The purchase price was paid on March 30, 2012; thus the receivable would have been discounted to its cash value at December 31, 2011, which resulted in the receivables being €1,718,000 lower. In addition, the contract contained a holdback, the conditions of which led to a devaluation of €192,000.

2. Trade Payables and Other Payables

The adjustment concerns consulting services in connection with the sale of the large-scale 48 MWp project in Northern Italy, for which provisions needed to be created.

3. Accumulated Net Profit

The adjustment corresponds to the change in value for the trade receivables (see section 1.) and the trade payables (see section 2.).

4. Sales Revenue

The discounting in trade receivables and the devaluation (section 1.) leads to a reduction of the sales profit. Profit/loss is balanced in the subsequent period via the financial result.

5. Other Operating Expenses

The provisions for legal advice (section 2.) led to an increase in the Other Operating Expenses.

The adjustments concern the segment Project Planning and Plant Construction and have been taken into account accordingly in segment reporting. The segment assets reduced by €1,910,000 and the segment liabilities increased by €425,000.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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

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.

Changes to the Accounting and Valuation Principles and Disclosures

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 2012

STANDARDS (IAS/IFRS) OR INTERPRETATIONS (IFRIC)	TITLE	ACCEPTED BY THE EU	ANTICIPATED IMPACT IN THE S.A.G. GROUP
IFRS 7	Financial Instruments: Disclosures Transfer of Financial Assets	Yes	Additional disclosure obligations in the write-off of financial assets.

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

STANDARDS (IAS/IFRS) OR INTERPRETATIONS (IFRIC)	TITLE	MUST BE APPLIED IN THE S.A.G. GROUP FROM	ACCEPTED BY THE EU	ANTICIPATED IMPACT IN THE S.A.G. GROUP
Amendment IAS 12	Deferred taxes: Realization of underlying assets (real estate kept as financial investments)	2013	Yes	None
IFRS 13	Fair Value Measurement	2013	Yes	Impact will be checked
Amendment IFRS 1	Severe Hyperinflation	2013	Yes	None
Amendment IFRS 1	First-Time Adoption of the International Financial Reporting Standards	2013	Yes	None
Amendment IAS 1	Presentation of Individual Items of the Other Result in the Statement of Income and Accumulated Earn	2013	Yes	None
Amendment IAS 19	Employee Benefits	2013	Yes	Impact will be checked
Amendment IFRS 7	Financial Instruments: Disclosures on the Netting of Financial Assets and Financial Liabilities	2013	Yes	None anticipated
Amendment IFRS 1	Government Loans	2013	No	None
Annual Improvements to IFRSs 2009-2011 Cycle	Annual Improvements	2013	No	None anticipated
Amendment IFRS 10, IFRS 11, IFRS 12	Transitional Requirements	2013	No	None anticipated
IFRIC 20	Stripping Costs in the Mining Industry	2013	Yes	None
IFRS 10	Consolidated Financial Statements	2014	Yes	Impact will be checked
IFRS 11	Joint Arrangements	2014	Yes	Impact will be checked
IFRS 12	Disclosure of Shares in Other Entities	2014	Yes	Further details on the type of risks and financial impacts
IAS 27	Consolidated and Separate Financial Statements	2014	Yes	None
IAS 28	Investments in Associated Companies and Joint Ventures	2014	Yes	Impact will be checked
Amendment IAS 32	Netting of Financial Assets and Financial Liabilities	2014	Yes	None anticipated
IFRS 10, IFRS 12, IAS 27	Investment Entities	2014	No	Impact will be checked
Amendment IFRS 9	Financial Instruments: Classification and Assessment	2015	No	Changes to the current assessments categories. Changes will be checked

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 42 (previous year: 23) domestic and 23 (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 parent company 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 additional 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 book values of the assets and debts that are eliminated through the sale counts as acquisition costs. The deconsolidation revenue for project companies has therefore not been disclosed separately. The transactions in cash flow from operational activity are disclosed in the cash flow statement.

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, S.A.G. Technik GmbH and S.A.G. Solarkraftwerke GmbH based in Freiburg im Breisgau, and meteocontrol GmbH, based in Augsburg – exemptions according to § 264 Paragraph 3 of the German Commercial Code (HGB) have been used.

b) Joint Ventures and Associated Companies

Joint ventures 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 over which the Group does not have control. 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 ventures 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, 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 ventures 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 ventures and of associated companies have been, if necessary, adapted to the accounting and valuation methods of the Group.

The joint ventures 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 retirements 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.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

2.3

Changes to the Consolidation Base

a) Acquisition and Foundation of Companies

Pursuant to the purchase contract signed on June 13, 2012, S.A.G. Solarstrom AG, Freiburg im Breisgau, acquired 100% of the shares in Green Power Nobitz GmbH & Co. KG, Greiz, at a purchase price of €294,000. The company's subscribed capital is €1. The company is a project company for a solar electricity park in Germany.

Pursuant to the company agreement signed on June 14, 2012, the following companies, based in Freiburg im Breisgau were founded and furnished with a share capital at foundation of €1:

- Solarpark Arneburg GmbH & Co. KG
- Solarpark Cheine GmbH & Co. KG
- Solarpark Finowfurt GmbH & Co. KG
- Solarpark Glöthe GmbH & Co. KG
- Solarpark Hamersleben GmbH & Co. KG
- Solarpark Müheln GmbH & Co. KG
- Solarpark Niedergörsdorf GmbH & Co. KG
- Solarpark Nordhessen GmbH & Co. KG
- Solarpark Windischleuba GmbH & Co. KG

Pursuant to the purchase contract signed on June 25, 2012, Aurumsole Zwei GmbH, Freiburg im Breisgau, acquired 100% of the shares in Green Power Röblingen GmbH & Co. KG, Greiz, at a purchase price of €265,000. The company's subscribed capital is €1. The company is a project company for a solar electricity park in Germany.

Pursuant to the entry in the Commercial Register on June 29, 2012 Aurumsole Zwei GmbH, Freiburg im Breisgau, was founded. The share capital of the company is €25,000 and it is wholly owned by S.A.G. Solarstrom AG, Freiburg im Breisgau. The purpose of the company is the development, planning, construction and sale of photovoltaic power plants over the whole of Europe. The company can acquire companies of the same or similar kind, acquire holdings in such companies as well as represent and manage such companies.

Pursuant to the entry in the Commercial Register on June 29, 2012, Aurumsole Zwei Komplementär GmbH, Freiburg im Breisgau, was founded. The share capital of the company is €25,000 and it is wholly owned by S.A.G. Solarstrom AG, Freiburg im Breisgau. The purpose of the company is to act as a personally liable shareholder of project companies for solar parks in the form of limited partnerships.

Pursuant to the entry in the Commercial Register on July 13, 2012, Meteocontrol Iberica S.L., Madrid, Spain, was founded. The subscribed capital of the company is €10,000 and it is wholly owned by meteocontrol GmbH, Augsburg. The company performs the sales function of meteocontrol in Spain.

Pursuant to the company agreement signed on September 10, 2012 the following companies, based in Freiburg im Breisgau, were founded and furnished with a share capital at foundation of €1:

- Sonnenkraft I GmbH & Co. KG
- Sonnenkraft II GmbH & Co. KG
- Sonnenkraft III GmbH & Co. KG
- Sonnenkraft IV GmbH & Co. KG
- Sonnenkraft V GmbH & Co. KG

Pursuant to the purchase contract signed on September 11, 2012, Aurumsole Zwei GmbH, Freiburg im Breisgau, acquired 100% of the shares in Green Power Daßlitz GmbH & Co. KG, Greiz, at a purchase price of €15,000. The company's subscribed capital is €1. The company is a project company for a solar electricity park in Germany.

Pursuant to the purchase contract signed on October 9, 2012, S.A.G. Solarstrom AG, Freiburg im Breisgau, acquired 100% of the shares in Woodcourt Invest S.L., Madrid, Spain, at a purchase price of €3,000. The company's subscribed capital is €3,000. The company was then renamed S.A.G. Solar Calzadilla S.L. The company is connected with the planned large-scale project in Badajoz, Spain.

Pursuant to the purchase contract signed on October 10, 2012, S.A.G. Solar Calzadilla S.L., Madrid, Spain, acquired 51% of the shares in Iberia Termosolar 2008 S.L., Badajoz, Spain, at a purchase price of €1,020,000. The subscribed capital of the company is €50,000. The company is a joint venture and connected with the planned large-scale project in Badajoz, Spain.

Pursuant to the company agreement signed on November 5, 2012 the company Breisgau Power I GmbH & Co. KG, based in Freiburg im Breisgau, was founded and furnished with a share capital at foundation of €1.

Pursuant to the company agreement signed on November 22, 2012 the following companies, based in Freiburg im Breisgau, were founded and furnished with a share capital at foundation of €1:

- Breisgau Power II GmbH & Co. KG
- Breisgau Power III GmbH & Co. KG

Pursuant to the company agreement signed on November 27, 2012, S.A.G. Solar UK Limited, London, United Kingdom, was founded. The subscribed capital of the company is 1 GBP and it is wholly owned by S.A.G. Solarstrom AG, Freiburg im Breisgau. The company performs the sales function in United Kingdom.

Pursuant to the purchase contract signed on November 27, 2012, S.A.G. Solar UK Limited, London, United Kingdom, acquired 100% of the shares in Ford Farm PV Scheme LLP, London, United Kingdom, at a purchase price of 1,250,000 GBP. The subscribed capital of the company is 4 GBP and it is wholly owned by S.A.G. Solar UK Limited, London. The company is a project company for a solar electricity park in United Kingdom.

Pursuant to the company agreement signed on December 3, 2012 the following companies, based in Freiburg im Breisgau, were founded and furnished with a share capital at foundation of €1:

- Sonnenkraft VI GmbH & Co. KG
- Sonnenkraft VII GmbH & Co. KG
- Sonnenkraft VIII GmbH & Co. KG
- Sonnenkraft IX GmbH & Co. KG
- Sonnenkraft X GmbH & Co. KG

b) Sale and Closure of Companies

In March 2012, the amount of the holding in Orosolar Zwei GmbH & Co. KG, Freiburg im Breisgau changed, and thus also in the wholly owned subsidiaries Orosolar Zwei GmbH and Orosolar Zwei Komplementär GmbH due to the entry of a further limited partner. S.A.G. Solarstrom Group has held 10% of the companies as of December 31, 2012. As the Group does not exercise significant influence on the financial and business policies of Orosolar Zwei GmbH & Co. KG, the share is disclosed in the holdings.

Pursuant to the contract of July 3, 2012 S.A.G. Solarstrom AG sold its shares in Solarpark Muldenstein GmbH & Co. KG to an investor. Under the sale, S.A.G. Solarstrom Komplementär GmbH resigned as a general partner.

Pursuant to the contract of December 7, 2012 Aurumsole GmbH sold its shares in the following companies to an investor:

- Breisgau Power I GmbH & Co. KG
- Breisgau Power II GmbH & Co. KG
- Breisgau Power III GmbH & Co. KG

Pursuant to the contract of December 10, 2012 S.A.G. Solarstrom AG sold 74% of its shares in Casino Eins GmbH & Co. KG at a book profit of €775,000, which is entered in the item other operating income.

Pursuant to the contract of December 28, 2012 TAU Ingenieria Solar S.L. sold its shares in Fotovoltaica TER S.L. to an investor.

The shelf companies Amand Energias S.L. and Espejo Inversiones Solares 1 S.L. were liquidated with the official document of December 28, 2012.

Fully consolidated subsidiaries:

NUMBER	JANUARY 1, 2012	ACQUISITIONS/ FOUNDATIONS	RETIREMENTS	DECEMBER 31, 2012
Germany	23	27	8	42
Abroad	22	4	3	23
Total	45	31	11	65

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

Acquisition of Companies and Other Business Units

In fiscal year 2012, several acquisitions were made. The acquisitions of the fiscal year have been summarized below based on materiality reasons.

The assets and debts that have been taken over directly with the acquisition of the companies consolidated in fiscal year 2012 are displayed in summarized form in the table below:

This essentially involves inventories for German and English project companies (book value: €0, fair value: €1,846,000). Any deferred tax will be entered under the differences from the percentage of completion method.

Entered amount for each main group of assets acquired and debts assumed

	BOOK VALUE IN THOUS. €	FAIR VALUE IN THOUS. €
Cash and cash equivalents	4	4
Intangible assests (apart from goodwill)	0	0
Tangible assets	0	0
Financial assests	0	0
Deferred tax assets	0	0
Inventories	0	1,846
Trade receivables	0	0
Other assets	0	0
Total of assets	4	1,850
Trade payables and other payables	1	1
Interest-bearing loans	0	0
Contingent liabilities	0	0
Deferred tax liabilities	0	0
Total of liabilities	1	1
Net assets	3	1,849
Goodwill		0
Receivables	0	0
Gross amounts of the contractual receivables	0	0
<i>Portion of which irrecoverable</i>	0	0

The acquired companies contributed €0 to sales and -€167,000 to the result of the Group in the period up to December 31, 2012. If the acquisitions had been made on January 1, 2012 the consolidated sales and the Group annual net profit before the allocation of profits would not have changed significantly.

The purchase price for the acquired net assets was financed through €1,543,000 cash and €305,000 through received liabilities. The transaction costs were €3,000.



GROUND-MOUNTED SYSTEM, JÜTERBOG, GERMANY, 10.1 MWP

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

The basis of consolidation of the S.A.G. Solarstrom Group consists of the following companies at December 31, 2012:

No.	Company	Investment	Equity	Result
		IN %	IN THOUS. €	IN THOUS. €
	S.A.G. Solarstrom AG, Freiburg im Breisgau		53,693	1,934
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	0
3	S.A.G. Solarkraftwerke GmbH, Freiburg im Breisgau	100	25	0
4	Aurumsole GmbH, Freiburg im Breisgau	100	-10,524	-3,540
5	meteocontrol GmbH, Augsburg	100	1,434	0
6	mc Beteiligungsgesellschaft mbH, Freiburg im Breisgau	100	21	-1
7	S.A.G. Technik GmbH, Freiburg im Breisgau	100	33	0
8	Solarpark Rain GmbH & Co. KG, Freiburg im Breisgau	100	4,511	64
9	S.A.G. Solarstrom Komplementär GmbH, Freiburg im Breisgau	100	43	-57
10	Solarpark Dortmund GmbH & Co. KG, Freiburg im Breisgau	100	618	-44
11	Solarpark Wiedergeltingen Eins GmbH & Co. KG, Freiburg im Breisgau	100	-27	-22
12	Solarpark Wiedergeltingen Zwei GmbH & Co. KG, Freiburg im Breisgau	100	-27	-22
13	Solarpark Rövershagen GmbH & Co. KG, Freiburg im Breisgau	100	-173	-156
14	Solarpark Wischhafen Eins GmbH & Co. KG, Freiburg im Breisgau	100	-13	-12
15	Solarpark Wischhafen Zwei GmbH & Co. KG, Freiburg im Breisgau	100	-14	-13
16	Solarpark Loxstedt GmbH & Co. KG, Freiburg im Breisgau	100	-14	-13
17	Solarpark Fernwald GmbH & Co. KG, Freiburg im Breisgau	100	-14	-13
18	Solarpark Wiedergeltingen Drei GmbH & Co. KG, Freiburg im Breisgau	100	-16	-15
19	Aurumsole Zwei GmbH, Freiburg im Breisgau	100	-1,302	-1,327
20	Aurumsole Zwei Komplementär GmbH, Freiburg im Breisgau	100	15	-10
21	Solarpark Arneburg GmbH & Co. KG, Freiburg im Breisgau	100	-244	-244
22	Solarpark Cheine GmbH & Co. KG, Freiburg im Breisgau	100	-14	-14
23	Solarpark Finowfurt GmbH & Co. KG, Freiburg im Breisgau	100	-18	-18
24	Solarpark Glöthe GmbH & Co. KG, Freiburg im Breisgau	100	265	-15
25	Solarpark Hamersleben GmbH & Co. KG, Freiburg im Breisgau	100	-14	-14
26	Solarpark Mücheln GmbH & Co. KG, Freiburg im Breisgau	100	-14	-14
27	Solarpark Niedergörsdorf GmbH & Co. KG, Freiburg im Breisgau	100	-7	-7
28	Solarpark Nordhessen GmbH & Co. KG, Freiburg im Breisgau	100	-15	-15
29	Solarpark Windischleuba GmbH & Co. KG, Freiburg im Breisgau	100	1,495	-67
30	Green Power Daßlitz GmbH & Co. KG, Freiburg im Breisgau	100	-31	-31
31	Green Power Nobitz GmbH & Co. KG, Freiburg im Breisgau	100	807	-94
32	Green Power Röblingen GmbH & Co. KG, Freiburg im Breisgau	100	826	-83
33	Sonnenkraft I GmbH & Co. KG, Freiburg im Breisgau	100	-4	-4
34	Sonnenkraft II GmbH & Co. KG, Freiburg im Breisgau	100	-4	-4
35	Sonnenkraft III GmbH & Co. KG, Freiburg im Breisgau	100	-6	-6

36	Sonnenkraft IV GmbH & Co. KG, Freiburg im Breisgau	100	-4	-4
37	Sonnenkraft V GmbH & Co. KG, Freiburg im Breisgau	100	-4	-4
38	Sonnenkraft VI GmbH & Co. KG, Freiburg im Breisgau	100	0	0
39	Sonnenkraft VII GmbH & Co. KG, Freiburg im Breisgau	100	0	0
40	Sonnenkraft VIII GmbH & Co. KG, Freiburg im Breisgau	100	0	0
41	Sonnenkraft IX GmbH & Co. KG, Freiburg im Breisgau	100	0	0
42	Sonnenkraft X GmbH & Co. KG, Freiburg im Breisgau	100	0	0
43	S.A.G. Solarstrom AG, Signau, Switzerland	100	1,282	137
44	KAZ Holding AG in Liquidation, Zug, Switzerland	100	14	-12
45	RSP Holding AG in Liquidation, Zug, Switzerland	100	66	-7
46	S.A.G. Solarstrom Handels- und Betriebsgesellschaft mbH, Satteins, Austria	100	824	130
47	TAU Ingenieria Solar S.L., Madrid, Spain	100	-932	353
48	Solares Casagrande S.L., Albacete, Spain	100	854	-20
49	GIF Ingenieros Asociados S.L., Murcia, Spain	100	77	-4
50	Paymar Avante S.L., Madrid, Spain	100	29	9
51	Meteocontrol Iberica S.L., Madrid, Spain	100	-17	-27
52	S.A.G. Solar Calzadilla, S.L., Madrid, Spain	100	-83	-86
53	S.A.G. Solar Italia s.r.l., Milan, Italy	100	1,639	-1,094
54	Cielo s.r.l., Salerno, Italy	100	7	-5
55	Loreto s.r.l., Milan, Italy	100	-41	-49
56	Mare s.r.l., Salerno, Italy	100	8	-5
57	Venezia s.r.l., Milan, Italy	100	3	-15
58	Meteocontrol Italia s.r.l., Milan, Italy	100	105	95
59	S.A.G. Solarstrom Czech s.r.o., Prague, Czech Republic	100	4,290	114
60	Solarpark Kamenicna s.r.o., Kamenicna, Czech Republic	100	9,811	-244
61	S.A.G. Solaire France SAS, Toulouse, France	100	684	-1
62	Meteocontrol France SAS, Saint Priest, France	100	-237	-176
63	S.A.G. Solar UK Ltd., London, UK	100	-220	-222
64	Ford Farm PV Scheme LLP, London, UK	100	0	0
65	meteocontrol North America Inc., Wilmington, USA	100	-1,820	-989

Companies drawn up in the balance sheet according to the equity method:

1	Solarstrompark Gut Erlasee GmbH & Co. KG, Freiburg im Breisgau	30.67	3,518	299
2	Casino Eins GmbH & Co. KG, Freiburg im Breisgau	26	1,941	-280
3	Solar Stribro s.r.o., Mrákov, Czech Republic	50	14,457	-1,160
4	S.A.G. Intersolaire SAS, Mulhouse, France	50	1,650	-2,185
5	Iberia Termosolar 2008, S.L., Badajoz, Spain	51	387	0

The information has been determined in accordance with local law.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 financial statements of the respective company are valued using this functional currency.

The functional currency of the business operations of S.A.G. SolarstromAG, 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. SolarstromCzech 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). The functional currency of the business operations S.A.G. Solar UK Limited, London and Ford Farm PV Scheme LLP, London located in United Kingdom, is the British Pound (GBP).

At the balance sheet key date, the assets and liabilities of these subsidiaries and joint ventures 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 and joint ventures 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 determined. 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	BRITISH POUND
Key date exchange rate				
December 31, 2012	1.2077	25.1408	1.3218	0.8184
December 31, 2011	1.2171	25.7195	1.2950	n/a*
Average exchange rate				
2012	1.2055	25.2073	1.2933	0.8129
2011	1.2341	24.6081	1.3927	n/a*

* Details for the British Pound have been omitted, as no balances were converted in this currency in the previous year.

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 are based on the following useful life expectancies:

		USEFUL LIFE IN YEARS
Buildings	Land and buildings	33
IT hardware	Other plant, operating and office equipment	3
Leasehold improvements	Other plant, operating and office 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. All other intangible assets are amortized on a straight-line basis. Costs for internally generated 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 intangible assets described above have the following useful life expectancies:

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

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 opportunities 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.

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, as well as 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. Decline in value 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 to which this relates.

Assets that are subject to systematic depreciation are also checked with regard to the requirement for 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.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 as protection 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 (cash flow 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 fair value of the hedging instrument is entered in equity with no impact on income (hedging reserve). The ineffective portion of the change 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 Financial Statement as per December 31, 2012

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 will be capitalized as part of the acquisition and manufacturing costs, if the definition of a qualified assets in terms of IAS 23 apply.

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. The sales revenue is determined via the return service defined in the contract. 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 contracts if the definition of a qualified asset applies.

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 consolidated annual 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 its 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 ventures 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 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 ventures 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 Financial Statement as per December 31, 2012

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 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). 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. The borrowed capital component has been shown at 100% of the nominal value.

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 pre-tax 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 are shown in the statement of income and accumulated earn under the item Labor Costs. The anticipated income from plan assets are disclosed in the item Other Operating Income. 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 as not affecting net income.

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 Financial Statement as per December 31, 2012

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

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 opportunities 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 Section 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.

2.24

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. No borrowing costs had been capitalized at December 31, 2012.

2.25

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. No contingent liabilities existed at December 31, 2012.

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.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

Market Risk

a) Currency Exchange 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 account. The company is still exposed to currency risks from certain derivatives. Exchange rate changes in the currencies on which these transactions are based have an 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 €276,000 (previous year: €629,000) 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 €56,000 (previous year: €6,000) 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 €55,000 (previous year: €71,000) 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 USD.

If the exchange rate between the Euro and the British Pound (GBP) had changed by 10% on the balance sheet date, the profit after tax would have been €129,000 (previous year: €0) 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 GBP.

If the exchange rates between the local currency and the hedged currency had changed on the balance sheet key date, with regard to the combined interest rate/currency derivatives, the equity (hedging reserve) would have been higher or lower.

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 components but cannot 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 interest 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 on the balance sheet key date, the equity (hedging reserve) would have been higher or lower.

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. Due to the size of large-scale projects, large amounts of receivables can be due from individual customers. 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. €	2012	2011
Noncurrent receivables and other assets	8,503	1,467
Trade receivables and receivables from construction contracts	151,134	196,291
Current loan receivables from joint ventures	3,568	3,424
Other current receivables and assets	20,160	3,196
Value adjustments	-756	-941
Contingency risk receivables (total)	182,609	203,437

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.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

Partner sales 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 opportunities 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 main 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.

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 other payables as well as bonds, less cash and cash equivalents, and the fixed deposits disclosed under Other Financial Assets.

The net debt developed as follows:

IN THOUS. €	DECEMBER 31	
	2012	2011
Interest-bearing loans	71,310	140,326
Trade payables and other payables	127,657	83,755
Bonds	50,224	50,306
Debts	249,191	274,387
Cash and cash equivalents	-8,543	-10,696
Other noncurrent financial assets (fixed deposits)	-11,739	-11,730
Net debt	228,909	251,961
Equity	44,206	45,198
Net debt to equity	517.8%	557.5%

The net debt decreased slightly from 557.5% in the previous year to 517.8% on December 31, 2012. The generally high debt ratio is essentially attributable to the high bridging loan requirements within the framework of the company's project activity.

Under the loan agreements for photovoltaic plants, 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 under the contractual agreement. Financing of project companies involves loans for which the debt service is calculated via a DSCR.

3.3

Valuation at Fair Value

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 are 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.

Only if the planned increase of the future cash flow is so considerably less than the Executive Board anticipates as to be improbable, would this lead to a decline in goodwill.

At December 31, 2012, 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 value of the goodwill of TAU Ingenieria Solar S.L. is to be assigned to the cash-generating unit "Project Planning and Plant Construction" at €1,085,000. The book value of the goodwill of S.A.G. Solarstrom Vertriebsgesellschaft mbH is to be assigned to the cash-generating unit "Project Planning and Plant Construction" at €270,000 and to the cash-generating unit "Partner Sales" at €270,000.

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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 for which no suitable rights of recourse to the manufacturer could exist. 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, 2012 amounts to €50,000 (previous year: €377,000).

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 planning costs.

5.

REPORTING BY MARKET SEGMENT

The management has based its 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. Business between the segments is performed at the usual market conditions. Sales between the segments are determined by analyzing the internal cost centers. The transfers are eliminated at consolidation.

Of the sales in fiscal year 2012, a substantial share can be attributed to three individual customers. Sales with these customers amounts to €52,645,000, €31,860,000 and €20,861,000 and are assigned to the segment Project Planning and Plant Construction.

IN THOUS. €	Project Planning and Plant Construction		Partner Sales	
	2012	2011	2012	2011
Sales revenue (external customers)	137,747	199,590	25,291	40,285
Sales with other segments	0	0	0	0
Total of sales revenue	137,747	199,590	25,291	40,285
Scheduled depreciation	-408	-479	-16	-20
Operating result (EBIT)	5,437	2,442	-1,198	-2,025
Other expenditure not affecting payment	410	2,584	0	0
Investments	64	199	17	12
Segment assets	171,594	215,213	1,092	3,874
Segment liabilities	135,733	144,980	2,548	5,334

The share in the result of associated companies and joint ventures accounted on an at-equity basis has been assigned to the business segments as follows:

The share in the result of the associated company attributable to Solarstrompark Gut Erlasee GmbH & Co. KG in the amount of €2,277,000 (previous year: €2,221,000) and the Group share in the period result of the associated company in the amount of €104,000 (previous year: €160,000) will be allocated to the segment Power Production, due its clear assignability. The share of the joint venture attributed to Solar Stribro s.r.o., Czech Republic in the amount of €9,043,000 (previous year: €9,395,000) and the Group share in the period result of the joint venture in the total amount of -€352,000 (previous year: -€564,000) will be completely allocated to the segment Power Production. The share of the joint venture attributable to S.A.G. Intersolaire SAS in the amount of €1,078,000 (previous year: €1,450,000) and the Group share in the period result of the joint venture, in the total amount of -€373,000 (previous year: €1,425,000) will be allocated completely to the segment Project Planning and Plant Construction. The share of the joint venture attributable to Iberia Termosolar 2008, S.L. in the amount of €1,020,000 (previous year: €0) and the Group share in the period result of the joint venture in the total amount of €0 (previous year: €0) will be allocated completely to the segment Project Planning and Plant Construction.

The business areas of the S.A.G. SolarstromGroup 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. This segment also contains the secondary market business, in which the S.A.G. Solarstrom Group purchases existing systems that have not been installed by the Group, restructures them if necessary with regard to technical, commercial and legal aspects and resells them.

- **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 systems of the power plant parks of S.A.G. Solarstrom AG, Solarpark Rain GmbH & Co. KG, Solarpark Dortmund GmbH & Co. KG, S.A.G. Solarkraftwerke GmbH as well as the subsidiaries and holdings in Switzerland, Austria, Spain, the Czech Republic, Italy and France.

Plant Operation and Services		Power Production		Consolidation/Transition		Group	
2012	2011	2012	2011	2012	2011	2012	2011
18,671	14,906	6,914	7,030	0	0	188,623	261,811
3,213	3,202	0	0	-3,213	-3,202	0	0
21,884	18,108	6,914	7,030	-3,213	-3,202	188,623	261,811
-354	-340	-2,483	-2,122	0	0	-3,261	-2,961
3,183	2,123	1,463	1,276	0	0	8,885	3,816
361	393	152	49	0	0	923	3,026
778	718	35	24,326	0	0	894	25,255
5,188	4,405	68,002	64,638	53,425	37,099	299,301	325,229
2,377	1,546	37,704	39,731	76,733	88,440	255,095	280,031

C.5 Notes on the Consolidated Financial Statement as per December 31, 2012

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.

The individual segment contributions for 2012 are split up according to their geographical origin as follows:

IN THOUS. €	Germany		Abroad		Consolidation/ Transition		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
Sales revenue (external customers)	131,508	71,033	57,115	190,778	0	0	188,623	261,811
Sales with other segments	3,213	3,202	0	0	-3,213	-3,202	0	0
Total of sales revenue	134,721	74,235	57,115	190,778	-3,213	-3,202	188,623	261,811
Scheduled depreciation	-2,168	-2,005	-1,093	-956	0	0	-3,261	-2,961
Operating result (EBIT)	4,732	2,096	4,153	1,720	0	0	8,885	3,816
Other expenditure not affecting payment	839	3,013	84	13	0	0	923	3,026
Investments	839	2,818	55	22,437	0	0	894	25,255
Segment assets	191,389	238,856	54,487	49,274	53,425	37,099	299,301	325,229
Segment liabilities	145,932	160,662	32,430	30,929	76,733	88,440	255,095	280,031

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

The share of the associated company attributable to Solarstrompark Gut Erlasee GmbH & Co. KG in the amount of €2,277,000 (previous year: €2,221,000) and the Group share in the period result of the associated company in the amount of €104,000 (previous year: €160,000) will be allocated to the segment Germany due to its explicit assignability. The share of the joint venture attributable to Solar Stribro s.r.o., Czech Republic in the amount of €9,043,000 (previous year: €9,395,000) and the Group share in the period result

of the joint venture, with a total amount of -€352,000 (previous year: -€564,000) will be completely allocated to the segment Abroad. The share of the joint venture attributable to S.A.G. Intersolaire SAS in the amount of €1,078,000 (previous year: €1,450,000) and the Group share in the period result of the joint venture in the total amount of -€373,000 (previous year: €1,425,000) will be completely allocated to the segment Abroad. The share of the joint venture attributable to Iberia Termosolar 2008, S.L. in the amount of €1,020,000 (previous year: €0) and the Group share in the period result of the joint venture in the total amount of €0 (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 AND LOSS OF JOINT VENTURES

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

IN THOUS. €	2012	2011
Share of profit and loss of S.A.G. Intersolaire SAS	-373	1,425
Share of profit and loss of Solar Stribro s.r.o.	-352	-564
Total	-725	861

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, and the dissolution of inventory changes from the previous year. In the previous year, this essentially applied for the 48 MWp project in Italy, which has been completed.

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. €	2012	2011
Rental contracts	0	15
Insurance compensation	31	99
Offset of benefits in kind	158	150
Income from exchange rate differences	18	208
Dissolution of value adjustments	471	764
Dissolution of provisions	450	1,672
Revenue from the retirement of assets	780	7
Remaining other operating income	2,316	1,018
Total	4,224	3,933

The other operating income contains income relating to other periods in the amount of €2,054,000 (previous year: €2,940,000). The income relating to other periods essentially consists of the dissolution of provisions and value adjustments. The remaining other operating income essentially results from the dissolution of accruals and deferrals and costs passed on to joint ventures.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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

IN THOUS. €	2012	2011
Changes in inventory of work in progress	68	-48,206
Own worked capitalized	474	299
Other operating income	4,224	3,933
<i>Share of which relating to other periods</i>	2,054	2,940
Total	4,766	-43,974

9.

COST OF MATERIALS

The cost of materials is as follows:

IN THOUS. €	2012	2011
Cost of materials	-151,857	-180,357

The cost of materials dropped in comparison with the previous year correspondingly with the lower sales revenues. The cost of materials ratio remained relatively stable with respect to the overall performance.

10.

WAGE COSTS

The reduction in wage costs corresponds to the drop in staff. In detail, the values are as follows:

IN THOUS. €	2012	2011
Wages and salaries	-12,609	-12,593
Social contributions and expenses for pension scheme	-2,582	-3,040
Total	-15,191	-15,633

Contribution-oriented plans in the form of pension plans and pension funds exist. The amount spent on this was €43,000 (previous year: €33,000). In addition, defined benefit plans exist for which pension provisions are being established. In the reporting year, expenditure for these amounted to €234,000 (previous year: €674,000). In addition, employee contributions to the pension insurance fund in the amount of €923,000 (previous year: €1,073,000) were posted as expenditure.

The employee figures developed in the fiscal year as follows:

	2012	2011
Salary earners	190	205
Weighted part-time staff	16	6
Temporary staff	12	15
Total	218	226

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 €990,000 (previous year: €1,054,000). At meteocontrol GmbH, the focus was on developing adjustments to the network management requirements of the Renewable Energy Act (EEG), and at S.A.G. Technik GmbH on the concepts of own consumption control. In addition, Technik GmbH initiated a research project, which in combination with thermal storage is to enable the use of photovoltaic power as a control energy supplier.

**11.
DEPRECIATION**

Depreciation developed as follows:

IN THOUS. €	2012	2011
Scheduled depreciation on:		
- Intangible assets	-386	-375
- Tangible assets	-2,875	-2,586
Total	-3,261	-2,961

**12.
OTHER OPERATING EXPENSES**

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

IN THOUS. €	2012	2011
Room costs	-948	-813
Insurances, contributions	-1,676	-1,314
IT costs	-76	-96
Office and communication costs	-616	-683
Consulting and auditing costs	-3,666	-4,971
Advertising costs	-1,036	-1,817
Investor Relations	-410	-236
Vehicle costs	-671	-756
Travel costs	-749	-1,167
Maintenance, warranty	-271	-345
Value adjustments, default on receivables	-433	-679
Exchange rate differences	-198	0
Currency hedging, additional costs of money transfer	-164	-124
Other costs	-2,556	-2,930
Total	-13,470	-15,931

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

**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. €	2012	2011
Loans and receivables	254	609
Financial assets and financial liabilities affecting net income and valued at fair value	-180	208
Total	74	817

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, 2012

14. AUDITOR FEE

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

IN THOUS. €	2012	2011
For annual audit	145	259
For other valuation and accounting services	0	38
For tax consulting services	0	225
For other services	3	130
Total	148	652

In addition €34,000 (previous year: €755,000) is attributable to the international association of the Group auditor.

In fiscal year 2012, €150,000 (previous year: €119,000) 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. €	2012	2011
Share of profit/loss from associated companies	104	160
Other share holding income	126	0
Financial revenues	870	500
Financial expenditure	-7,802	-9,088
Total	-6,702	-8,428

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. €	2012	2011
Other operating income	18	208
Other operating expenditure	-198	0
Total	-180	208

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. €	2012	2011
Actual taxes of income and earnings	-53	-2,020
Deferred taxes of income and earnings	-1,025	757
Total	-1,078	-1,263

The taxes of income and earnings comprise 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. €	2012	2011
Result before income tax	2,183	-2,277
Tax rate in %	29.83%	29.83%
Anticipated income tax expense	651	-679
Tax rate-dependent deviations	410	-305
Operating expenses that cannot be deducted	453	1,938
Non-assertion of tax loss carried forward	341	500
Non-assertion of capitalized deferred taxes on temporary differences	0	-140
Use of tax loss carried forward	-95	-598
Tax-free amounts	-268	97
Tax arrears payments for previous years	0	70
Minimum taxation Italy	0	238
Other deviations	-414	142
Taxes of income and earnings	1,078	1,263
Tax rate in %	49.4%	-55.5%

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

IN THOUS. €	2012	2011
<i>Deferred tax liabilities</i>		
Tangible assets	1,765	112
Receivables	0	3,084
Inventories	20,289	313
Accruals and deferrals	0	0
Other/provisions	1,174	225
	23,228	3,734
<i>Deferred income tax claims</i>		
Tangible assets	5,339	1,597
Investments	0	0
Provisions	1,167	323
Inventories/construction contracts/receivables	13,916	757
Other balance sheet items	50	15
Subtotal	20,472	2,692
Losses/Interest carried forward	3,531	2,261
	24,003	4,953
Balancing	-19,459	-2,238
Deferred tax assets shown	4,544	2,715
Deferred tax liabilities shown	3,769	1,496

The temporary differences essentially result from the use of the percentage of completion method, consolidation measures, value adjustments and various different useful life data.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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. €	2012	2011
Status January 1	1,219	462
Amount entered in the statement of comprehensive income	-1,025	757
Amount entered in the other result	649	0
Currency adjustment	-68	0
Status December 31	775	1,219

The amount of income tax that has been debited or credited directly to the other comprehensive income is made up as follows:

IN THOUS. €	2012		
	before tax	Tax burden / tax -credit	After tax
Currency conversion differences	346	0	346
Valuation of hedging	-815	595	-220
Actuarial result from pension obligations	-183	54	-129
Other results	-652	649	-3

IN THOUS. €	2011		
	before tax	Tax burden / tax -credit	After tax
Currency conversion differences	-761	0	-761
Valuation of hedging	-1,205	0	-1,205
Actuarial result from pension obligations	0	0	0
Other results	-1,966	0	-1,966

In Germany, tax losses carried forward on corporation tax exist in the amount of €8.3 million (previous year: €8.6 million) and on industrial tax in the amount of €3.3 million (previous year: €3.7 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.

Tax losses carried forward for which deferred taxes were completely established exist in the following countries: Italy €694,000 (previous year: €0), USA €1,487,000 (previous year: €816,000), France €274,000 (previous year: €99,000), Spain €86,000 (previous year: €0), Czech Republic €647,000 (previous year: €418,000), UK €222,000 (previous year: €0).

In addition, tax losses carried forward of €2,689,000 (previous year: €2,909,000) exist in Spain as well as in Austria in the amount of €733,000 (previous year: €832,000), on which no deferred taxes on losses carried forward have been established in view of the results history and current tax-related planning. In Spain, the losses carried forward expire after 15 years, while in Austria there is no time restriction on the utilization of losses carried forward.

As in the previous year there were no deferred income taxes entered at December 31, 2012 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.

Deferred tax assets on temporary differences according to IAS 12.82 were created in fiscal year 2012 in the amount of €45,000. Of this, €45,000 are deferred tax assets in Germany. The company concerned was debited by one-time effects in fiscal year 2012.

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.

	2012	2011
Group annual result falling to investors (in thousand €)	1,105	-5,875
Average number of issued shares (in thousands)	12,476	12,273
Undiluted result per share in €	0.09	-0.48

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. €	2012	2011
Group annual result falling to investors	1,105	-5,875
Interest payable for convertible bond (adjusted by tax effect)	328	349
Group annual result for determining diluted result per share	1,433	-5,526
IN THOUSANDS	2012	2011
Average weighted number of issued shares	12,476	12,273
Adjustments for:		
Assumed conversion of convertible bonds	2,892	2,942
Average weighted number of shares for diluted result per share	15,368	15,215
Diluted result per share in €	0.09	-0.36

Number of Shares

The number of shares in circulation developed as follows:

	2012	2011
Number of shares on January 1	12,625,718	11,372,388
Acquisition of own shares	-220,329	0
Sales of own shares	0	650,000
Capital increase	975	603,330
Number of shares on December 31	12,406,364	12,625,718
Weighted average number of shares	12,475,597	12,273,372
Result apportionable to shareholders of parent company (in thous. €)	1,105	-5,875

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

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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
Acquisition costs or manufacturing costs January 1, 2011	2,029	0	1,625	3,654
Acquisitions	184	374	0	558
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
Acquisition costs or manufacturing costs December 31, 2011	2,213	374	1,625	4,212
Acquisitions	79	474	0	553
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
Acquisition costs or manufacturing costs December 31, 2012	2,292	848	1,625	4,765
Accumulated depreciations January 1, 2011	-1,276	0	0	-1,276
Acquisitions	-375	0	0	-375
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
Accumulated depreciations December 31, 2011	-1,651	0	0	-1,651
Acquisitions	-362	-24	0	-386
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	0	0
Accumulated depreciations December 31, 2012	-2,013	-24	0	-2,037
Book value December 31, 2011	562	374	1,625	2,561
Book value December 31, 2012	279	824	1,625	2,728

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 €474,000 (previous year: €374,000) were capitalized on December 31, 2012.

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 Planning and Plant Construction	Partner Sales
Germany	S.A.G. Solarstrom Vertriebsgesellschaft mbH, Freiburg im Breisgau	540	270	270
Spain	TAU Ingenieria Solar S.L., Madrid	1,085	1,085	0
Total		1,625	1,355	270

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 2012: (WACC) of 9,11% and 10.36% for Spain (segment "Project Planning and Plant Construction") and 8.47% (segment "Partner Sales").
- In fiscal year 2011: (WACC) of 8.38% (segment "Project Planning and Plant Construction") and 8.38% (segment "Partner Sales").

The determination of the cash flow is based on a detailed planning horizon of three years. A growth rate of 1% is assumed for the subsequent periods. Three scenarios with different probability assumptions are used in the analysis. 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.

Only if the average weighted capital costs (WACC) for the area Partner Sales increased to 12.86% or in the area Project Planning to 27.80% during the impairment tests, there would be a 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, 2012

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
Acquisition costs or manufacturing costs January 1, 2011	593	40,185	2,508	43,286
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
Acquisition costs or manufacturing costs December 31, 2011	593	63,146	2,791	66,530
Acquisitions	0	13	327	340
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	-25	-25
Transfers	0	-44	0	-44
Currency differences	0	557	-1	556
Acquisition costs or manufacturing costs December 31, 2012	593	63,672	3,092	67,357
Accumulated depreciations January 1, 2011	-26	-11,398	-1,580	-13,004
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
Accumulated depreciations December 31, 2011	-35	-13,587	-1,902	-15,524
Acquisitions	-9	-2,484	-382	-2,875
Acquisitions from basis of consolidation	0	0	0	0
Retirements	0	0	22	22
Transfers	0	44	0	44
Currency differences	0	-25	0	-25
Accumulated depreciations December 31, 2012	-44	-16,052	-2,262	-18,358
Book value December 31, 2011	558	49,559	889	51,006
Book value December 31, 2012	549	47,620	830	48,999

The tangible assets are transferred by way of security on the balance sheet date in the amount of €42,699,000 (previous year: €49,505,000) to credit institutions for the purpose of securing loans. The corresponding liabilities to credit institutions were valued at €30,610,000 (previous year: €34,655,000).

In the fiscal year, as in the previous year, no write-ups were performed.

S.A.G. Solarstrom AG has no significant financing leasing contracts.

21. FINANCIAL ASSETS

Apart from the shareholdings, the financial assets essentially cover shares in joint ventures (Solar Stribro s.r.o., Czech Republic and S.A.G. Intersolaire SAS, France and Iberia Termosolar 2008 S.L., Spain) and shares in associated companies (Solarstrompark Gut Erlasee GmbH & Co. KG and Casino Eins GmbH & Co. KG) 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.

The financial assets are comprised of the following:

IN THOUS. €	DECEMBER 31	
	2012	2011
Investments	3,296	2,902
Shares in joint ventures	11,140	10,845
Shares in associated companies	2,277	2,221
Other financial assets	11,775	11,766
Total	28,488	27,734

Shares in Joint Ventures

The shares in joint ventures developed as follows in the fiscal year:

IN THOUS. €	2012	2011
Status at start of period	10,845	9,959
Acquisition	1,020	0
Proportional result (corrected by effects of consolidation)	-725	886
Status at end of period	11,140	10,845

At December 31, 2012, the shares to joint ventures did not include any goodwill, as in the previous year.

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

IN THOUS. €	DECEMBER 31	
	2012	2011
Noncurrent assets	58,829	59,110
Current assets	9,956	17,659
Total assets	68,785	76,769
Noncurrent liabilities	45,797	46,664
Current liabilities	5,280	11,831
Currency differences	380	33
Total liabilities	51,457	58,528
Net assets	17,328	18,241
Group share in net assets of the joint ventures	8,668	9,121
Difference from acquisition	3,462	2,760
Less unrealized profit (net of tax)	-990	-1,036
Shares in joint ventures	11,140	10,845

IN THOUS. €	JANUARY 1 – DECEMBER 31	
	2012	2011
Income	9,070	32,282
Expenditure	-10,370	-29,970
Period result	-1,300	2,312
Group share in period result of joint ventures	-650	1,156

The Group share in the period result of joint ventures also contains the deferred taxes on unrealized profits, apart from the proportionate period result of the joint ventures.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

Shares in Associated Companies

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

IN THOUS. €	2012	2011
Status at start of period	2,221	2,092
Retirements	0	0
Distribution	-48	-31
Proportional result (corrected by effects of consolidation)	104	160
Status at end of period	2,277	2,221

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

IN THOUS. €	DECEMBER 31	
	2012	2011
Noncurrent assets	16,789	15,255
Current assets	3,798	3,342
Total assets	20,587	18,597
Noncurrent liabilities	8,837	9,833
Current liabilities	1,866	1,148
Total liabilities	10,703	10,981
Net assets	9,884	7,616
Group share of net assets of associated company	2,437	2,336
Distributions accumulated	-109	-62
Less unrealized profit (net of tax)	-51	-53
Shares in associated company	2,277	2,221

IN THOUS. €	JANUARY 1 - DECEMBER 31	
	2012	2011
Income	1,941	2,075
Expenditure	-1,893	-1,563
Period result	48	512
Group share of period result of associated company	28	157
Losses that cannot be set off against shares	-73	0

The shares in associated companies are pledged in the amount of €2,277,000 (previous year: €2,221,000) as collateral to secure loans.

Other Financial Assets

The other financial assets, mainly fixed deposits to secure lines of credit as well as the convertible bond issued in 2007, and extended in 2010 and 2012, developed as follows:

IN THOUS. €	DECEMBER 31	
	2012	2011
Pledged fixed-terms deposits to secure the repayment claims of the bond creditors under the procedure of the convertible bond	7,421	7,579
Pledged fixed-term deposits for credit lines	4,318	4,151
Other financial assets	36	36
Total	11,775	11,766

Of the fixed deposits, €4,318,000 (previous year: €4,151,000) is pledged to secure loans and credit lines.

22. NONCURRENT RECEIVABLES AND OTHER ASSETS

The noncurrent receivables essentially include loans and deposits of performance bonds in conjunction with the 48 MWp Serenissima project. In addition, the item contains loan receivables from holding companies in the amount of €580,000 (previous year: €786,000). 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	
	2012	2011
Noncurrent receivables	8,225	1,194
Other assets	278	273
Total	8,503	1,467

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	
	2012	2011
Raw materials and supplies	5,922	13,918
Work in progress	7,486	7,418
Down payments made	70	107
Total	13,478	21,443

Liabilities are collateralized by raw materials and supplies in the amount of €5,922,000 (previous year: €13,918,000).

Due to loss-free valuation and range analyses for photovoltaic modules and other components, a requirement for a decline in value of €192,000 exists (previous year: €189,000). The net residual value of the inventories declined in value is thus €55,000 (previous year: €846,000).

In the reporting period, inventories in the amount of €148,714,000 (previous year: €159,011,000) were entered as material costs.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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, 2012
		BOOK VALUE AT DECEMBER 31, 2012	AMORTIZED COSTS	FAIR VALUE NOT AFFECTING NET INCOME	INCOME STATEMENT- RELATED FAIR VALUE			
Assets								
Cash and cash equivalents	LaR	8,543	8,543				8,543	
Trade receivables	LaR	86,515	86,515				86,515	
Receivables from construction contracts (PoC)	n.a.	63,863				63,863	63,863	
Other receivables	LaR	33,463	33,463				33,463	
Investments	AFS	3,296	3,296				3,296	
Other financial assets	LaR	11,775	11,775				11,775	
Noncurrent receivables and other assets	LaR	8,503	8,503				8,503	
Liabilities								
Trade payables	FLAC	91,251	91,251				91,251	
Payables to credit institutions	FLAC	71,310	71,310				64,732	
Other payables	FLAC	34,800	34,800				34,800	
Derivative financial instruments	FVPL	0			0		0	
Derivative financial instruments (hedging)	n.a.	1,606		1,606			1,606	
Bonds and other licensed liabilities	FLAC	50,224	50,224				44,484	
Share of which aggregated according to valuation categories in compliance with IAS 39:								
Loans and receivables (LaR)		148,799					148,799	
Investments (AFS)		3,296					3,296	
Financial liabilities measured at amortized Cost (FLAC)		247,585					235,267	
Fair value through profit and loss (FVPL)		0					0	

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			
Assets								
Cash and cash equivalents	LaR	10,696	10,696				10,696	
Trade receivables	LaR	189,093	189,093				189,093	
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	
Liabilities								
Trade payables	FLAC	61,714	61,714				61,714	
Payables to credit institutions	FLAC	140,326	140,326				135,328	
Other payables	FLAC	21,014	21,014				21,014	
Derivative financial instruments	FVPL	596			596		596	
Derivative financial instruments (hedging)	n.a.	431		431			431	
Bonds and other licensed liabilities	FLAC	50,306	50,306				44,484	
Share of which aggregated according to valuation categories in compliance with IAS 39:								
Loans and receivables (LaR)		224,199					224,199	
Investments (AFS)		2,902					2,902	
Financial liabilities measured at amortized Cost (FLAC)		273,360					262,540	
Fair value through profit and loss (FVPL)		596					596	



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C.5 Notes on the Consolidated Accounts as per December 31, 2012

Credit Quality of Financial Instruments

The credit quality of trade receivables 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 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 €1,606,000 (previous year: €431,000).

In the reporting year, market value changes in the amount of €221,000 (previous year: €1,205,000) were entered in equity as not effecting net income (hedging reserve). In the reporting year, €389,000 (previous year: €754,000) was reclassified in the other operating expenditure 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	
	2012	2011
Interest/currency swap without hedge accounting		
Nominal value	0	3,437
Remaining term > 1 year	0	2,187
Market value	0	-596
Interest/currency swap with hedge accounting		
Nominal value	13,869	14,435
Remaining term > 1 year	13,236	13,869
Market value	-1,606	-431

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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	
	2012	2011
Neither overdue nor adjusted in value	83,333	184,644
Overdue receivables that have not been individually adjusted in value		
< 30 days	1,184	3,097
30 to 60 days	113	325
60 to 90 days	208	101
90 to 120 days	473	13
> 120 days	679	687
Total overdue receivables that have not been individually adjusted in value	2,657	4,223
Remaining book value of individually adjusted receivables	525	226
Book value	86,515	189,093

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
Status on January 1, 2011	1,539
Allocation reported as expenditure	166
Availment/Dissolution	-764
Status on December 31, 2011	941
Allocation reported as expenditure	285
Availment/Dissolution	-470
Status on December 31, 2012	756

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 €193,000 (previous year: €2,356,000). 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, 2011 a framework agreement on the sale of trade receivables with a credit institution existed, which has been dissolved in the year under review. The book value of the realized receivables was €0 (previous year: €353,000). The corresponding payables were €0 (previous year: €353,000), which needed to be classified as current.

Of the trade receivables, €15,410,000 (previous year: €98,392,000) has been transferred to credit institutions to secure loans.

26. RECEIVABLES FROM CONSTRUCTION CONTRACTS

Current construction contracts on the balance sheet key date:

IN THOUS. €	DECEMBER 31	
	2012	2011
Costs accrued up to balance sheet date plus entered profits	64,871	9,029
Less: entered losses	0	0
Less: partial settlements	1,008	2,772
Total	63,863	6,257

The construction contracts entered on the balance sheet key date essentially concern receivables from projects in Germany, Italy, the UK and Romania (previous year: Germany).

Entered and contained in the closing as due amounts:

IN THOUS. €	DECEMBER 31	
	2012	2011
From customers from construction contracts	63,863	6,257
To customers from construction contracts	0	0
Total	63,863	6,257

Sales from noncurrent construction contracts are €64,871,000 (previous year: €6,049,000).

Of the receivables from construction contracts, €42,915,000 (previous year: €0) was pledged to credit institutions to secure loans.

27. OTHER ASSETS

The other assets essentially result from short-term loans to Enersol s.r.l., Rovigo, Italy, and deposits of performance bonds for the 48 MWp Serenissima project in the amount of €16,981,000 (previous year: €0). In addition, this item also contains loans to joint ventures and holding companies in the amount of €3,568,000 (previous year: €3,425,000) as well as accruals and deferrals in the amount of €9,734,000 (previous year: €4,557,000).

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	
	2012	2011
Cash balance	4	4
Credit at financial institutions	8,539	10,692
Total	8,543	10,696

Interest has been paid on the credit at credit institutions at an interest rate of 0.1% to 3.0% (previous year: 0.2% to 2.3%).

Of the credit at credit institutions, €3,072,000 (previous year: €7,078,000) is pledged to credit institutions to secure loans.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

29. EQUITY

a) Capital Stock

The subscribed capital amounts to €33,565,570.56 on December 31, 2012 (previous year: €33,563,074.56) and is split up into 13,111,551 (previous year: 13,110,576) no-par shares. The subscribed capital is completely paid up. All shares have equal voting rights.

b) Authorized Capital

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, up to February 12, 2017 once or several times, by up to a total of €15,000,000.00 against a cash deposit and/or assets in kind, by issuing up to 5,859,375 new no-par bearer shares (ordinary shares).

Based on the decision by the shareholders' meeting on May 24, 2012, the Executive Board is authorized to increase the capital stock once or several times, during the period up to May 23, 2017, with the consent of the Supervisory Board, by up to €1,779,200.00, by issuing up to 695,000 new no-par bearer shares (ordinary shares) against a cash deposit and/or assets in kind (authorized capital 2012).

c) Conditional Capital

The Conditional Capital II of up to €10,000,000.00 decided by the shareholders' meeting on July 20, 2006 expired in 2011. The shareholders' meeting of May 24, 2012 decided to increase the capital stock conditionally by up to €8,908,800.00 by issuing up to 3,480,000 new no-par value bearer shares (ordinary shares) (conditional capital 2012).

d) Capital Provisions

Capital provisions developed as follows:

IN THOUS. €	2012	2011
Status on January 1	14,248	13,779
Premium from capital increase	0	3
Premium from the sale of own shares	0	466
Status on December 31	14,248	14,248

Capital provisions are ascribed to the premiums received when shares are issued and subject to the restrictions of use according to stock corporation law.

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.

The following table shows the most important information on the development of the Group's own shares:

	DECEMBER 31, 2012
Average price per share acquired in €	3.34
Payment including costs of acquisition in thous. €	2,358

The following transitional calculation shows the change of shares in circulation in fiscal year 2012.

Shares in circulation on January 1, 2012	12,625,718
Own shares sold in fiscal year 2012	-220,329
Capital increase in individual shares*	975
Shares in circulation on December 31, 2012	12,406,364

* The capital increase was made in the course of the execution of conversion rights by the bondholders.

The number of own shares of the company developed as follows in fiscal year 2012:

Status January 1, 2012	484,858
Retirements	220,329
Status December 31, 2012	705,187

Acquisition was through the stock exchange and financed by own funds.

f) Other Result

The impact of the other result on the equity items is presented as follows:

Other reserves		
IN THOUS. €	2012	2011
Status on January 1	-1,205	0
Valuation of hedging	-220	-1,205
Actuarial result from pension obligations	-129	0
Status on December 31	-1,554	-1,205

Currency differences		
IN THOUS. €	2012	2011
Status on January 1	-449	312
Currency conversion differences	346	-761
Status on December 31	-103	-449

g) Dividends Paid

	2012	2011
Dividends decided upon and paid on ordinary shares in thousand € in the reporting year	1,551	1,503
Closing dividend per share for the previous fiscal year in €	0.125	0.125

30.

NONCURRENT LIABILITIES

The noncurrent liabilities developed as follows:

IN THOUS. €	DECEMBER 31	
	2012	2011
Bonds	50,224	50,306
Interest-bearing loans	33,332	36,758
Deferred tax liabilities	3,769	1,496
Other noncurrent liabilities	1,113	709
Total	88,438	89,269

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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 and again for a further two years up to July 29, 2014, following an offer by the Executive Board and the Supervisory Board. The convertible bond has an annual conversion period over the term. In the two extensions 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 in the section Bonds.

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 2012 to convert the bond completely or to extend the term of the convertible bond.

The bond is secured up to December 31, 2012 in the full amount of the redemption amount of €7,416,000 (previous year: €7,544,000) 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 2011, 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 January 25, 2012 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 5.65% p. a.

The total financial debt includes secured liabilities from loans (liabilities to credit institutions) in the amount of €71,204,000 (previous year: €139,783,000). 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, receivables from construction contracts and receivables from future electricity revenue, as well as similar receivables (see Sections 20, 21, 23, 25, 26 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
2012	37,978	13,413	19,919
2011	103,568	15,170	21,588

33. PROVISIONS FOR BENEFITS AFTER TERMINATION OF THE WORKING RELATIONSHIP

IN THOUS. €	DECEMBER 31	
	2012	2011
Recognized provision		
Pension benefits	1,091	674
Expenditure in the statement of comprehensive income		
Pension benefits	234	674
Amount of actuarial losses (before taxes) in the remaining result in the period	183	0
Amount of the net actuarial losses recognized in the cumulative other comprehensive income (before tax)	183	0

The amount of the provision is calculated as follows:

IN THOUS. €	DECEMBER 31	
	2012	2011
Cash value of the funded obligations	165	124
Cash value of the non-funded obligations	1,091	674
Fair value of the plan assets	-275	-124
Not yet entered past working time expenditure	0	0
(Excess of plan assets over obligation)	-110	0
Provision recognized	1,091	674

The excess of plan assets over the obligation has been entered in the balance sheet item Other Assets. The cash value of the unfunded benefit obligations has been entered under Liabilities in the balance sheet item Other Noncurrent Liabilities.

The performance-oriented benefit obligation developed as follows in the fiscal year:

IN THOUS. €	2012	2011
On January 1	798	119
Current service cost	230	674
Interest paid	45	5
Contributions by participants in plan	0	0
Actuarial profits and losses	183	0
Benefits paid	0	0
Service costs still to be charged	0	0
On December 31	1,256	798

The fair value of the plan assets developed as follows:

IN THOUS. €	2012	2011
On January 1	124	119
Anticipated returns from plan assets	151	5
Allocation	0	0
Benefits paid	0	0
On December 31	275	124

The cover assets 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. €	2012	2011
Current service cost	230	674
Interest paid	45	5
Returns from plan assets	-110	-5
Total amount entered in labor costs	165	674

The following essential actuarial assumptions have been taken into consideration in the calculation:

IN %	2012	2011
Discounting interest rate	3.65	5.25 or 5.5
Anticipated returns from plan assets	3.7	3.7
Future increases in salary	0.0	0.0
Future increases in pension	2.0 or 1.0	2.0 or 1.0

C.5 Notes on the Consolidated Accounts as per December 31, 2012

The sensitivity analysis of changes in the assumptions is as follows:

IN %	CHANGE	IMPACT ON THE OBLIGATION
Discounting interest rate	0.25	-4.11 or 3.7

The table above contains two pension commitments to the Executive Board. One is the pension commitment matched by insurance cover in the amount of €165,000 (previous year: €124,000), which has existed since fiscal year 2010. In addition, a pension commitment without counter guarantee has existed since fiscal year 2011 in the amount of €1,091,000 (previous year: €674,000).

In fiscal year 2010, the pension obligations funded by a congruent reinsurance fund of €78,000 at this time were opposed by plan assets of €119,000. This resulted in a surplus of the plan in the amount of €41,000. In fiscal year 2011, pension obligations and plan assets were opposed in the same amount (€124,000), while in 2012 there was a new surplus of plan assets in the amount of €110,000. The pension obligation was €165,000 in the fiscal year, and the fair value of the plan assets was €275,000.

34. INCOME TAX LIABILITIES

The income tax liabilities take into account the anticipated tax liabilities from income and from earnings for the year 2012.

35. OTHER PROVISIONS

The other provisions developed in the fiscal year as follows:

IN THOUS. €	STATUS JANUARY 1, 2012	CONSUMPTION	DISSOLUTION	ALLOCATION	STATUS DECEMBER 31, 2012
Warranties	377	0	377	50	50
Legal disputes	363	108	73	4	186
	740	108	450	54	236

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 have been reported. 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 €181,000 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	
	2012	2011
Current liabilities to credit institutions	37,978	103,568
Total	37,978	103,568

The current liabilities to credit institutions are charged interest at an average of 4.37% p. a. before fees S.A.G. Solarstrom AG had a non-utilized borrowing limit in the amount of €965,000 (previous year: €2,033,000) at December 31, 2012.

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	
	2012	2011
Trade payables	91,251	61,714
Down payments made	2,676	3,903
Other payables	33,730	18,138
Total	127,657	83,755

The increase in trade payables essentially results from expanded project activity. Interest is essentially not charged on trade payables. Interest is usually 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.

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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, 2012	Cash flow 2013		Cash flow 2014		Cash flow 2015–2017		Cash flow 2018 ff.	
		INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION	INTEREST	AMORTIZATION
Original financial liabilities:									
Bonds and other licensed liabilities	50,224	3,292	0	3,292	7,424	5,358	41,868	0	0
Trade payables	91,251	0	91,251	0	0	0	0	0	0
Other interest-bearing liabilities (to credit institutions)	71,310	2,143	37,978	1,740	4,664	3,971	8,749	4,905	19,919
Other non interest-bearing liabilities	34,800	0	34,800	0	0	0	0	0	0
Derivative financial liabilities									
Derivative financial instruments	1,606	348	0	331	0	883	0	1,167	0

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
Original financial liabilities:									
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	21,014	0	21,014	0	0	0	0	0	0
Derivative financial liabilities									
Derivative financial instruments	1,027	434	0	317	0	822	0	1,017	0

38. CONTINGENT LIABILITIES

a) Securities

In the reporting year, securities from banks and insurance companies with a total of €28,178,000 (previous year: €12,345,000) existed, and were essentially taken over during the execution of the contract and the warranty. These securities were secured at €12,908,000 (previous year: €1,984,000) by cash deposits. This could result in rights of recourse of the respective guarantor in the event of a claim. In addition, securities from project financing exist in the amount of €124,000,000 for liability insurances.

b) Other Contingent Liabilities

S.A.G. Solarstrom Beteiligungsgesellschaft mbH, Freiburg im 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 Wiedergeltingen Eins GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Wiedergeltingen Zwei 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

Aurumsole Zwei Komplementär GmbH, Freiburg im Breisgau, is a general partner of the following active companies:

- Solarpark Arneburg GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Cheine GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Finowfurt GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Glöthe GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Hamersleben GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Mücheln GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Niedergörsdorf GmbH & Co. KG, Freiburg im Breisgau
- Solarpark Nordhessen GmbH & Co. KG, Freiburg im Breisgau

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- Solarpark Rövershagen GmbH & Co. KG,
Freiburg im Breisgau
- Solarpark Wiedergeltingen Drei GmbH & Co. KG,
Freiburg im Breisgau
- Solarpark Windischleuba GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft I GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft II GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft III GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft IV GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft V GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft VI GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft VII GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft VIII GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft IX GmbH & Co. KG,
Freiburg im Breisgau
- Sonnenkraft X GmbH & Co. KG,
Freiburg im Breisgau
- Green Power Daßlitz GmbH & Co. KG,
Greiz
- Green Power Nobitz GmbH & Co. KG,
Freiburg im Breisgau
- Green Power Röblingen GmbH & Co. KG,
Greiz

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. €	2012	2011
Less than 1 year	753	718
Between 1 and 5 years	879	767
More than 5 years	154	95
Total	1,786	1,580

The obligations essentially concern rental contracts for offices and storage rooms, leasing of service vehicles and technical office equipment.

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 December 18, 2012 and made permanently accessible to the shareholders of the company (see website: www.solarstromag.com).

41.

EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board consists of the following persons:

- Dr. Karl Kuhlmann, CEO, Strategy, Legal, Marketing, HR and Services Departments
- Dipl.-Kfm. Oliver Günther, Direct Sales, Partner Sales and Services Sales Departments
- Dipl. Volksw. Ulrich Kenk, Accounting, Risk Management, Corporate Financing, Liquidity Management, Logistics and Purchasing Departments
- Dipl. Volksw. Karin Schopf, Operations, Project Financing, Controlling, HR, IT and Solar Power Plants
- Dipl.-Kfm. Christoph Koch, up to May 31, 2012

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, Managing Director of Dr. Carsten Müller Beteiligungs GmbH, Duisburg
- Dr. Markus Haggeney, Essen, attorney at law

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.

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 actual Group EBIT, 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. For his activities, the CEO receives a double bonus. Only the long-term bonus is exempt from this. 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	23,637	100,000	433,637
Oliver Günther	210,000	21,568	31,000	262,568
Ulrich Kenk	157,500	15,542	31,000	204,042
Karin Schopf	157,500	16,561	31,000	205,061
Christoph Koch (up to May 31, 2012)	75,000	7,105	12,917	95,022
Total	910,000	84,412	205,917	1,200,329

C.5 Notes on the Consolidated Accounts as per December 31, 2012

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 members of the Executive Board. The same regulations apply for all members. The medium-term bonus takes into consideration the ability of S.A.G. Solarstrom AG to distribute dividends to the company's shareholders. The CEO Dr. Kuhlmann receives €10,000 as a medium-term bonus for each €100,000 of dividend payment, while the other members of the Board receive €5,000. 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 €71,000 (previous year: €143,000) were created for the chairman of the board Dr. Kuhlmann, for Mr. Günther €36,000 (previous year: €71,000), for Ms. Schopf €36,000 (previous year: €0), for Mr. Kenk €36,000 (previous year: €0) and for Mr. Koch proportionately €15,000 (previous year: €71,000). 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. For these bonus obligations, provisions in the amount of €21,000 existed at December 31, 2012 (previous year: €35,000). The calculation was made based on an expert's report by Heubeck AG, Cologne. Any bonus payments for fiscal year 2013 et seq. are due after the annual consolidated financial statement has been approved.

The total payments for the members of the Executive Board, including the required provisions for medium-term and long-term bonus payments were €1,505,000 in the fiscal year (previous year: €1,276,000).

Termination benefits were made to Mr. Koch to compensate for vacation entitlement, as well as a compensation payment in the total amount of €91,000.

Two pension obligations exist for the Executive Board. One is a pension commitment matched by insurance cover in the amount of €165,000 (previous year: €124,000). Of this, €79,000 (previous year: €112,000) is attributed to the CEO Dr. Kuhlmann, €79,000 (previous year: €0), to Mr. Koch and €7,000 (previous year: €12,000) to Oliver Günther. The amounts correspond to fair value.

In addition, pension obligations without reinsurance exist in the amount of €1,091,000 (previous year: €674,000). €1,042,000 (previous year: €596,000) pertains to the chairman of the Executive Board Dr. Karl Kuhlmann as well as €49,000 (previous year: €22,000) to Mr. 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. In addition, the members of the Supervisory Board receive a dividend-related variable remuneration, based on a reference dividend. The reference dividend is calculated from the total dividend paid reduced by an amount of 4% of the charges paid on the lowest par value of the share. For each €100,000 of a reference dividend payment, each member of the Supervisory Board receives €1,000, and the chairman of the Supervisory Board receives €2,000. Partial amounts of €100,000 of the reference dividend will be taken into account on a proportionate basis. This variable remuneration will only be paid out if in the subsequent year a dividend in at least the same amount is paid by the company.

The chairman of the Supervisory Board receives a statutory payment of double the basic pay and the dividend-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	PAYMENT COMPONENTS			TOTAL
	MEETING FEES	BASIC PAYMENT	PERFORMANCE RELATED PAYMENT	
DETAILS IN €				
Dr. Peter W. Heller	6,000	60,000	14,886	80,886
Dr. Carsten Müller	6,000	30,000	7,443	43,443
Dr. Markus Haggenev	6,000	30,000	7,443	43,443
Total	18,000	120,000	29,772	167,772

The total payments for the members of the Supervisory Board were €168,000 in the fiscal year (previous year: €38,000). For 2011, a subsequent payment of €100,000 was made.

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, 2012

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 2012 in the amount of €460,000 (previous year: €486,000). At December 31, 2012, it holds 9.40% (previous year: 9.40%) of the S.A.G. Solarstrom AG shares.

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, strictly as a precautionary measure, 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 favor of the BBV exists.

In fiscal year 2012, the BBV made use of the offer made by S.A.G. Solarstrom AG to extend the convertible bond.

45. ASSOCIATED COMPANIES

The following business was performed with associated companies:

IN THOUS. €	2012	2011
Sales to associated companies		
- Goods	0	0
- Services	614	165
Open items from the purchase/ sale of goods and services to associated companies		
- Receivables	375	1
Loans to associated companies		
Start of year	0	0
Loans granted during the year	226	0
Loans amortized during the year	0	0
End of the year	226	0
Calculated interest	1	0

The business with associated companies refers to the relationship with the company Solarstrompark Gut Erlasee GmbH & Co. KG and Casino Eins GmbH & Co. KG, with whom services by Group companies in the form of service and maintenance agreements, insurances and other services were invoiced in the amount of €614,000 (previous year: €165,000) in the reporting year 2012.

46. JOINT VENTURES

The following business was performed with joint ventures:

IN THOUS. €	2012	2011
Sales to joint ventures		
- Goods	758	17,025
- Services	114	109
Open items from the purchase/sale of goods and services to joint ventures		
- Receivables	186	4,834
Loans to joint ventures		
Start of year	3,263	3,232
Loans granted during the year	93	94
Loans amortized during the year	1,074	63
End of the year	2,282	3,263
Calculated interest	117	159

The business with joint ventures refers to the relationship with Solar Stribro s.r.o., Mrakov, Czech Republic and with S.A.G. Intersolaire SAS, Mulhouse, France and Iberia Termosolar 2008 S.L., Badajoz, Spain. Photovoltaic systems in the amount of €758,000 (previous year: €17,025,000) were sold to S.A.G. Intersolaire SAS during the reporting year.

C.5 Notes on the Consolidated Accounts as per December 31, 2012**47.
OTHER ASSOCIATED COMPANIES**

IN THOUS. €	2012	2011
Loans to other related parties		
Start of year	0	0
Loans granted during the year	157	0
Loans amortized during the year	157	0
End of the year	0	0
Calculated interest	0	0

The business with other associated companies refers to the relationship with subsidiaries of associated companies and joint ventures.

The business with related companies, associated companies, joint ventures and other related parties is subject to current market conditions.

**48.
EVENTS AFTER THE REPORTING PERIOD**

On March 18, 2013 S.A.G. Solarstrom AG received a financing commitment from the Deutsche Bank Group for €40 million. Following the project financing framework in the amount of €65 million granted in 2012 as a bridging loan for projects to be implemented mainly in the second half of 2012, the Deutsche Bank Group thus once again granted S.A.G. Solarstrom AG a financing framework for various planned projects that are to be implemented in 2013 and 2014 in Germany. Due to the drop in system prices on the market, projects of a comparable size as last year can be implemented with this project planning framework.

Freiburg im Breisgau, March 24, 2013



Dr. Karl Kuhlmann (Chairman of the Board)



Oliver Günther (Member of the Executive Board)



Ulrich Kenk (Member of the Executive Board)



Karin Schopf (Member of the Executive Board)

C.6 Affirmation by Legal Representatives

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, March 24, 2013
S.A.G. Solarstrom AG



Dr. Karl Kuhlmann (Chairman of the Board)



Oliver Günther (Member of the Executive Board)



Ulrich Kenk (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 S.A.G. Solarstrom Aktiengesellschaft, Freiburg im Breisgau, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1, 2012, to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. 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 of the HGB and the 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 financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the 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, March 24, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

Christian Dyckerhoff
Wirtschaftsprüfer
(German Public Auditor)

Christof-Martin Preis
Wirtschaftsprüfer
(German Public Auditor)

D.

CONTACT INFORMATION.

S.A.G. Solarstrom AG is represented in eight 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.

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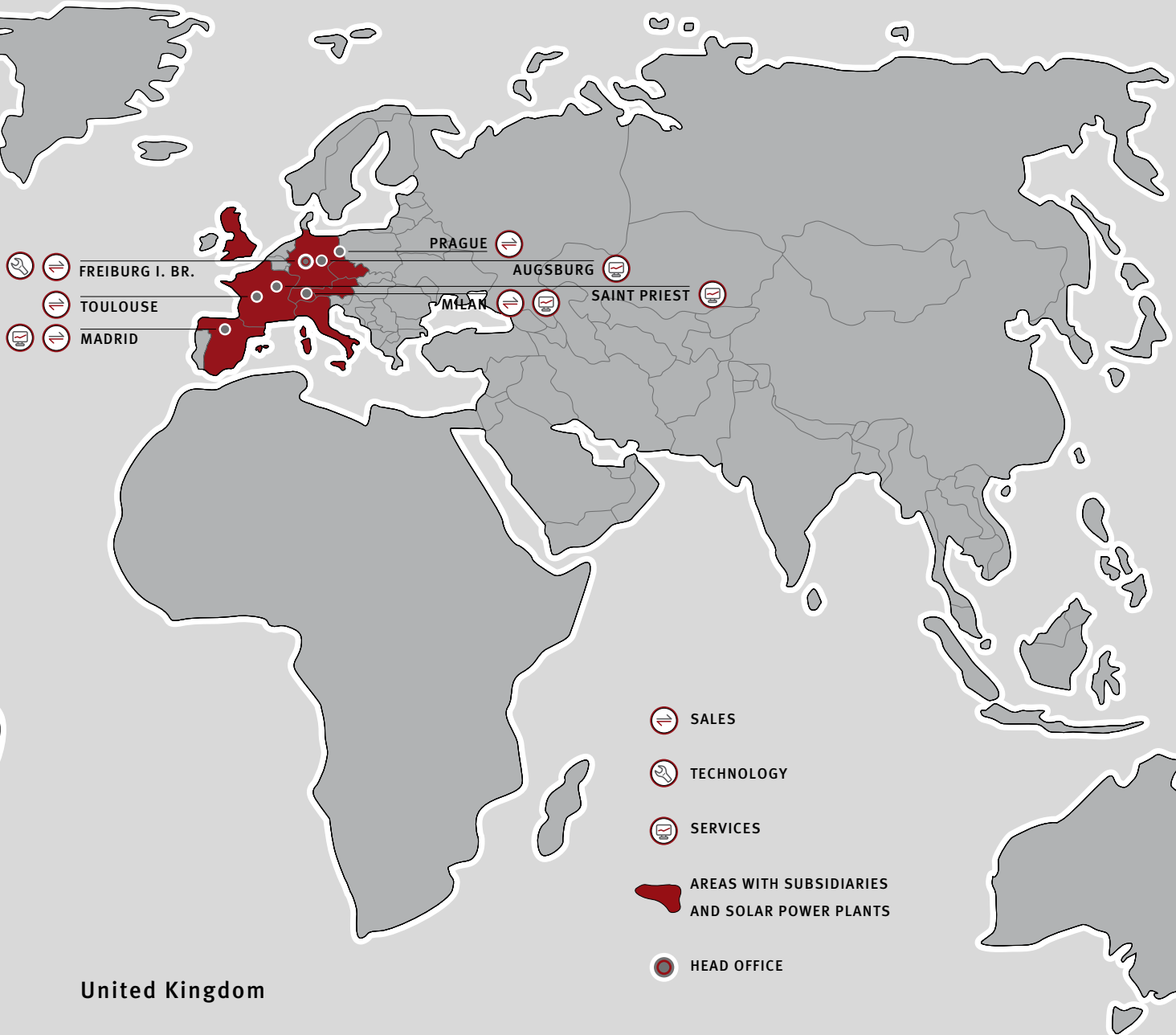
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D.2 Financial Calendar

APRIL 16, 2013

Prior Börse Capital Market Conference

MAY 14, 2013

Interim Report
on the 1st Quarter of 2013

JUNE 12, 2013

General Shareholder's Meeting,
FORUM Merzhausen

AUGUST 8, 2013

Half-year Report for 2013

AUGUST 26 – 28, 2013

11th SCC_Small Cap Conference, Frankfurt

NOVEMBER 7, 2013

Interim Report
on the 3rd Quarter of 2013

NOVEMBER 11 – 13, 2013

German Equity Forum, Frankfurt

DECEMBER 4 – 5, 2013

m:access Analyst Conference
as part of Munich Capital Market Conference (MKK)

The latest financial dates will be published on the website of S.A.G. Solarstrom AG
in the area Investor Relations/Financial Calendar.



ROOFTOP SYSTEM, SAN SEVERINO MARCHE, ITALY, 291.12 KWP

D.3 Legal Information

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In the event of any discrepancies between the English and the German version of the annual report, the German version shall be the valid one.



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