

# REPORT OF THE SUPERVISORY BOARD

The Supervisory Board herewith presents its report to the Annual General Meeting of Shareholders, in particular on its examination of the separate financial statements, drawn up in accordance with the provisions of the German Commercial Code (HGB), and the Management Report on the company as per 31 December 2010, and the consolidated financial statements and Management Report on the Group, as well as on its supervision of management during the financial year and on its statement on the report submitted by the independent auditor, together with the proposal of the Executive Board on the unappropriated retained earnings.

## GENERAL INFORMATION

In the reporting year, the Supervisory Board held twelve regular meetings, including two closed-door sessions. In doing so, it fulfilled the tasks incumbent on it under the law, the Articles of Association and the bylaws of the company. In the case of urgent matters, the Supervisory Board passed resolutions by way of telephone conference or by written circular procedure, whenever necessary. The Executive Board did not participate in the passing of resolutions conducted via telephone and in the five meetings held to decide on personnel-related matters.

Following careful examination and discussion, the Supervisory Board gave its approval to the resolutions put forward by the Executive Board.

The Supervisory Board comprises six members. The members J. Michael Fischl (Chairman), Prof. Dr. Klaus Höfle, Dr. Patrick Schweisthal and Prof. Dr. Thomas Zinser were re-elected in the Annual General Meeting of Shareholders held on 16 June 2010. Members Ulrich Fröhner and Ulrich Th. Hirsch retired from the Supervisory Board at the end of the Annual General Meeting of Shareholders on 16 June 2010. Oliver Gosemann and Dr. Torsten Hass have belonged to the Supervisory Board since the end of the Annual General Meeting of Shareholders on 16 June 2010. Dr. Patrick Schweisthal is successor to Ulrich Fröhner as Vice Chairman of the Supervisory Board.

In order to carry out its tasks efficiently, the Supervisory Board formed three committees of its members, namely the Audit Committee, the Personnel Committee and the Nomination Committee. These committees are tasked with preparing certain decisions for resolution and topics which are to be addressed by the Supervisory Board. As part of the decision-making powers entrusted to them within the scope permitted under the law, the committees made their own decisions. The chairmen reported on the work carried out in their committees at next respective meeting of the Supervisory Board.

The Audit Committee held six meetings, three of which in the presence of the independent auditor, established key audit areas, discussed the interim reports and deliberated on the financial statements and management reports on the company and the Group. The Chief Financial Officer took part in all meetings. Moreover, the committee concerned itself with issues relating to the accounting and risk management and gained an insight into the activities of the departments in the area of finance. In addition, it took receipt of and discussed the reports on the audit activities of Internal Audit. Moreover, the Audit Committee initiated a tender procedure for selecting the external auditor for the financial year 2011. The Audit Committee members are Prof. Dr. Thomas Zinser (Chairman), Oliver Gosemann (since 16 June 2010), Ulrich Th. Hirsch (until 16 June 2010) and Dr. Patrick Schweisthal.

The Personnel Committee is made up of the following members: J. Michael Fischl (Chairman), Ulrich Fröhner (until 16 June 2010), Dr. Torsten Hass (since 16 June 2010) and Prof. Dr. Klaus Höfle. It met three times in the period under review and focused on issues pertaining to the goals agreed and reviewing the extent to which goals were achieved by the members of the Executive Board. In addition, questions relating to the reallocation of the scope of tasks of individual Executive Board members in preparation for contract renewals and in connection with the implementation of the German Act on the Appropriateness of Executive Remuneration (VorstAG) were also discussed. To this end, an external, independent remuneration consultant was involved in developing a new multi-period, index-based remuneration model to reflect a quantitative, performance-based remuneration component which was agreed with the Executive Board members. The committee's work was also determined by Executive Board member Manfred Bächler's wish to terminate the employment contract. Mr. Bächler withdrew from the company's Executive Board at the end of the financial year 2010.

The Nomination Committee is made up of the members J. Michael Fischl (Chairman), Prof. Dr. Klaus Höfle and Prof. Dr. Thomas Zinser. The committee prepared the Supervisory Board's proposal for new elections to the Supervisory Board in the Annual General Meeting of Shareholders 2010. Moreover, it addressed the issues arising from its decisions in the year 2009 pertaining to the concept of a proposal to be put to the Annual General Meeting of Shareholders for replacing members, the issue of diversity and the long-term planning for appointing members to the Supervisory Board in the context of decisions made by way of telephone in preparation for the regular meetings of the Supervisory Board.

In accordance with the resolution passed by the Annual General Meeting, the Chairman of the Supervisory Board mandated the Munich-based auditing company AWT Horwath GmbH Wirtschaftsprüfungsgesellschaft on 5 December 2010 pursuant to Section 111 para. 2, sentence 3 of the German Stock Corporation Act (AktG) to audit the separate financial statements and the management report on the company as well as the consolidated financial statements and the management report on the Group drawn up in accordance with Section 315a of the German Commercial Code (HGB) and based on the standards set out under IFRS/IAS. The independent auditor submitted an Auditor's Independence Declaration to the Audit Committee on 26 March 2010 pursuant to Code Item 7.2.1 of the German Corporate Governance Code, the correctness of which the Supervisory Board does not doubt.

The Supervisory Board agreed the Corporate Governance Report in accordance with the recommendations set out under the German Corporate Governance Code in the version dated 26 May 2010 and the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) with the Executive Board on 26 January 2011. The Declaration of Conformity was published on 18 March 2011 in accordance with the statutory provisions. The complete Corporate Governance Report, together with the Declaration of Conformity, is part of the Annual Report.

The Supervisory Board reviews the efficiency of its work on an ongoing basis. Key areas are the organisation and sequence of meetings, the optimisation of reporting by the Executive Board and resolutions passed on agenda items, as well as risk management. Over the course of the year, the members of the Supervisory Board took part in external continuous professional development in order to build on their expert qualifications.

### REPORT ON THE ACTIVITIES ASSOCIATED WITH THE SUPERVISION OF THE EXECUTIVE BOARD BY THE SUPERVISORY BOARD DURING THE COURSE OF THE FINANCIAL YEAR

The Supervisory Board met regularly, discussed the items on the agenda in depth and analysed the development of the company and situation of the sector. The Supervisory Board consulted regularly with the Executive Board on the management of the company and supervised the latter's activities. The supervision of senior management was made primarily by taking cognizance of regular written and oral reports by the Executive Board and the discussion of these reports. The Executive Board reported in a timely fashion on the course of business, the strategic development and the current situation of the company and the Group. In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Executive Board and kept himself informed about the actual business situation and individual transactions. The Supervisory Board was therefore involved in all decisions of fundamental importance for the company and the Group.

The key areas of the supervising and advisory activities throughout the period of this report are as follows:

- receipt and discussion of the reports prepared by the Executive Board in accordance with Section 90 of the German Stock Corporation Act (AktG) on the liquidity and financial position, the intended business policy and other fundamental issues pertaining to corporate planning (in particular, finance, investment and personnel planning),
- assessment of the impact of political discussions on lowering feed-in tariffs in the key regions, such as Germany, Southern and South Eastern Europe and the USA, in terms of the business policy of the company,
- analysis of alternative or additional lines of business to reduce the risk of strong dependence on the process of political decision-making,
- ongoing development of the corporate strategy and reconciliation of the impact on corporate planning as well as on the organisation structure and organisation of workflows,
- financing of the Group and the subsidiaries,
- monitoring the development of the internal control system (risk monitoring and early warning system in accordance with Section 91 of the German Stock Corporation Act) and the information gained therefrom,
- receipt of reporting in the context of the compliance management system,
- monitoring of the company's stock market value,
- cognizance of the development of instruments designed to optimise procurement and inventory management,
- human resource development within the company,
- discussion on the progress made by individual business segments and the subsidiaries,
- concepts for the market development and sales strategy,
- review and discussion of major contractual problems,
- addressing of the content of German Corporate Governance Code.

Conflicts of interest in respect of the members of Executive Board and the Supervisory Board which must be reported without delay to the Supervisory Board and of which the Annual General Meeting of Shareholders is to be informed did not arise.

## REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS BY THE SUPERVISORY BOARD

Together with the members of the Audit Committee and the other members of the Supervisory Board, the Chairman of the Supervisory Board took receipt of the following on 25 March 2011 in good time before the meeting of the Supervisory Board:

- the annual financial statements and the proposal for the appropriation of profit of the Executive Board for the financial year 2010,
- the report by the Executive Board on the situation of the company in 2010,
- the consolidated financial statements for the financial year 2010 pursuant to the standards laid down under IFRS/IAS,
- the report by the Executive Board on the situation of the Group in 2010.

The separate financial statements and the Management Report on the company, and the consolidated financial statements and the Management Report on the Group were audited by the auditing company AWT Horwath GmbH Wirtschaftsprüfungsgesellschaft. The audit did not give rise to any objections; an unqualified audit opinion was issued.

The Audit Committee examined the annual financial statements and the management reports and discussed them with the Chief Financial Officer and the independent auditor. Similarly, the Supervisory Board examined the financial statements and management reports in its financial statements meeting on 13 April 2011, in which the Executive Board also participated and explained the financial statements it had prepared and the risk management system, and consulted with the independent auditors who reported on the main findings, the key areas and scope of their audit and were available to give additional information. No significant weak points were ascertained in the internal control and risk management system in relation to the accounting process.

The Supervisory Board is satisfied that

- all the components of financial accounting are systematically correct in as much as they form the basis for the annual financial statements;
- the methods for achieving complete, accurate, timely and systematic storage, processing and recording of accounting data have been duly set in place;
- the system of documentation is well organised, and each individual business transaction can be traced through to its presentation in the annual financial statements and back again;
- having conducted sample checks of the underlying substantiation of assets and liabilities, that they accord with the carrying amounts disclosed;
- in connection with the assessment of uncompleted transactions and information in the Notes to the Consolidated Financial Statements, the contract register does not give the impression of being obscure or incomplete;
- the statutory rules governing recognition, disclosure and valuation have been complied with and the annual financial statements give a true and fair view of the net assets, financial position and result of operations of the company.

The Supervisory Board has declared its agreement with the findings of the audit conducted by the independent auditor. Following the concluding results of its audit, the Supervisory Board ascertained that there were no objections to be raised.

The Supervisory Board has ratified the financial statements of the company prepared by the Executive Board, which are thereby adopted. The Supervisory Board has also ratified the consolidated financial statements. The proposal of the Executive Board to use unappropriated retained earnings to pay a dividend of EUR 0.35 per share, which comes to a total of EUR 2,580,445.00 on the dividend-bearing share capital of EUR 7,372,700.00, to the shareholders and to carry forward the balance to new account was examined carefully and approved by the Supervisory Board.

In its meeting on 13 April 2011, and following consultation with the independent auditor pursuant to Section 171 para. 2 of the German Stock Corporation Act, the Supervisory Board resolved upon the following statement:

*Based on its own examination, the Supervisory Board accedes to the results of the audit carried out on the annual financial statements and the Management Report for 2010 at company level and at Group level by the independent auditor who has issued an unqualified audit opinion. Following the final result of the examination by the Supervisory Board, no objections were raised. Accordingly, the annual financial statements as at 31 December 2010 were ratified by the Supervisory Board in its meeting on 13 April 2011, and are thereby adopted.*

*Moreover, the Supervisory Board approves the proposal of the Executive Board to put a resolution to the Annual General Meeting of Shareholders for payment of dividend from the unappropriated retained earnings of EUR 64,046,745.15 in an amount of EUR 0.35 per share and carry forward the remaining balance of EUR 61,466,300.15 to new account.*

*Furthermore, the Supervisory Board ratified the consolidated financial statements as at 31 December 2010 and the Management Report on the Group for the financial year 2010.*

Sulzemoos, 13 April 2011



**J. Michael Fischl**  
(Chairman of the Supervisory Board)