

# Notes to the Condensed Consolidated Interim Financial Statements of Edisun Power Europe Ltd. (unaudited)

(all amounts are in 000 CHF if not otherwise noted)

## 1. General information

Edisun Power Europe AG ('the company') and its subsidiaries (together 'the group') finance and operate photovoltaic systems (PV) in Europe and sell solar energy to the local electricity companies. Its subsidiaries own and operate locally photovoltaic facilities:

• Edisun Power AG, Zürich	98.5%
• Edisun Power GmbH, Sigmaringen (Germany)	100.0%
• Edisun Power Iberia S.A., Sevilla (Spain)	100.0%
• Edisun Power France SAS, Lyon (France)	100.0%
• Yellow Hat AG, Zürich	55.6%
• Edisun Power Finance AG, Zürich	100.0%

Edisun Power Europe AG is a limited company domiciled and incorporated in Switzerland. The address of the registered office is: Universitätstrasse 51, 8006 Zürich, Switzerland.

The Company is listed at the SIX Swiss Exchange.

These half-year group consolidated financial statements were authorized for issue by the board of directors on 18 August 2010.

## 2. Summary of significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation of the Consolidated Financial Statements

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34 'interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### (a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are

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recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period.

*(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group*

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

*(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:*

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. The Group has not yet decided when to adopt IFRS 9.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

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- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

### 3. Segmental information

The chief operating decision maker has been identified as the board of directors, since they review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board of Directors considers the business from a geographic perspective, except for the three group companies Yellow Hat Ltd., Edisun Power Finance Ltd. and Edisun Power Europe Ltd. Yellow Hat Ltd is a buying syndicate founded in December 2008 in order to leverage procurement conditions with three other third-party solar players. Edisun Power Finance Ltd. is the finance company of the Group founded in June 2010 which provides the Group companies with the necessary debt financing. Edisun Power Europe Ltd provides services to the local group companies as well as construction support to third parties, which is neither (yet) a core business nor financially material. The board assesses the performance of the operating segments based on a measure of earnings before interest, taxes, depreciation and amortisation (EBITDA) as well as earnings before interest and taxes (EBIT). The segments at 30 June 2010 are:

- Switzerland
- Germany
- Spain
- France
- Yellow Hat Ltd
- Edisun Power Europe Ltd (EPE)
- Edisun Power Finance Ltd (EPFin)

The reported operating segments derive their revenue from the sale of solar power to local electricity companies and the sale of modules and systems within the group or to third parties.

The segment results for the half-year ended 30 June 2010 are as follows:

	Switzer- land	Germany	Spain	France	Yellow Hat	EPE	EPFin	Elimina- tions	Group
Total segment revenue	931	1'031	954	261	6'028	986	0	0	10'190
Inter-segment revenue	-29	-255	0	0	-2'319	-939	0	0	-3'543
<b>Revenue from external customers</b>	<b>902</b>	<b>776</b>	<b>954</b>	<b>261</b>	<b>3'709</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>6'648</b>
EBITDA	675	439	658	-322	-48	-227	0	-28	1'147
Depreciation	-408	-212	-293	-291	0	-28	0	105	-1'127
<b>Segment EBIT</b>	<b>267</b>	<b>227</b>	<b>365</b>	<b>-613</b>	<b>-48</b>	<b>-255</b>	<b>0</b>	<b>77</b>	<b>20</b>
Finance income - net	-178	-341	-485	-126	-46	623	0	229	-324
Share of loss of associate	0	0	0	-18	0	0	0	0	-18
<b>Profit / (loss) before income tax</b>	<b>89</b>	<b>-114</b>	<b>-120</b>	<b>-757</b>	<b>-94</b>	<b>368</b>	<b>0</b>	<b>306</b>	<b>-322</b>
Income tax income / (expense)	-57	12	27	246	19	-87	0	-51	109
<b>Profit / (loss) for the year</b>	<b>32</b>	<b>-102</b>	<b>-93</b>	<b>-511</b>	<b>-75</b>	<b>281</b>	<b>0</b>	<b>255</b>	<b>-213</b>

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The sale of modules and systems to third parties is included in the revenue of the segments above. The respective sales and the related goods purchased from third parties have been summarised in the following table. Internal costs such as payroll expenses have not been allocated since there is no detailed information available.

	Switzer- land	Germany	Spain	France	Yellow Hat	EPE	Group
Revenue	0	329	0	0	3'650	0	3'979
Goods purchased	0	-150	0	0	-3'506	0	-3'657

The segment results for the half-year ended 30 June 2009 are as follows:

	Switzer- land	Germany	Spain	France	Yellow Hat	EPE	Elimina- tions	Group
Total segment revenue	938	2'119	925	0	6'595	658	0	11'235
Inter-segment revenue	0	-1'650	0	0	-5'890	-639	0	-8'179
<b>Revenue from external customers</b>	<b>938</b>	<b>469</b>	<b>925</b>	<b>0</b>	<b>705</b>	<b>19</b>	<b>0</b>	<b>3'056</b>
<b>EBITDA</b>	<b>623</b>	<b>304</b>	<b>609</b>	<b>-274</b>	<b>104</b>	<b>-278</b>	<b>42</b>	<b>1'130</b>
Depreciation	-372	-189	-206	0	0	-18	-54	-839
<b>Segment EBIT</b>	<b>251</b>	<b>115</b>	<b>403</b>	<b>-274</b>	<b>104</b>	<b>-296</b>	<b>-12</b>	<b>291</b>
Finance income - net	-212	-239	-139	-128	0	482	-141	-377
<b>Profit before income tax</b>	<b>39</b>	<b>-124</b>	<b>264</b>	<b>-402</b>	<b>104</b>	<b>186</b>	<b>-153</b>	<b>-86</b>
Income tax expense	4	24	-81	75	-23	-26	16	-11
<b>Profit for the year</b>	<b>43</b>	<b>-100</b>	<b>183</b>	<b>-327</b>	<b>81</b>	<b>160</b>	<b>-137</b>	<b>-97</b>

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	Switzer- land	Germany	Spain	France	Yellow Hat	EPE	Group
Revenue	0	49	0	0	690	0	739
Goods purchased	0	-60	0	0	-574	0	-634

Segment assets consist primarily of land, plant and equipment, loans, trade and other receivables and cash and cash equivalents. Segment liabilities comprise primarily operating liabilities and borrowings including straight bonds.

The segment assets and liabilities at 30 June 2010 and 2009 are as follows:

	Switzer- land	Germany	Spain	France	Yellow Hat	EPE	EPFin	Elimina- tions	Group
Segment assets 30 June 2010	15'659	16'061	19'775	14'714	1'044	62'393	43'529	-103'804	69'371
Segment assets 30 June 2009	21'272	18'930	20'527	7'074	1'384	54'313	0	-58'634	64'866

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### 4. Land, PV-plants and equipment

	Land	PV Plants	FF&E	Total
<b>Six months ended 30 June 2010</b>				
Opening net book amount as at 1 January 2010	1'421	59'126	33	60'580
Exchange differences	-158	-6'114	-3	-6'275
Additions	0	6'377	20	6'397
Disposals	0	-2'432	-4	-2'436
Depreciation charge	0	-1'076	-12	-1'088
<b>Closing net book amount</b>	<b>1'263</b>	<b>55'881</b>	<b>34</b>	<b>57'178</b>

	Land	PV Plants	FF&E	Total
<b>Six months ended 30 June 2009</b>				
Opening net book amount as at 1 January 2009	1'422	39'726	20	41'168
Exchange differences	34	888	0	922
Additions	0	11'201	39	11'240
Disposals	0	0	0	0
Depreciation charge	0	-819	-20	-839
<b>Closing net book amount</b>	<b>1'456</b>	<b>50'996</b>	<b>39</b>	<b>52'491</b>

The amount of assets under construction included in PV-plants in 2010 is CHF 21'486 (2009: CHF 19'508).

Disposal of PV-plants consist of the sale of one 610 kWp plant in Germany. The sale is shown in the P&L under sale of modules and systems with its net amount of CHF 175. Of the total amount CHF 393 (EUR 297) have been paid after 30 June 2010.

Depreciation excludes depreciation and amortisation of intangible assets (CHF 39).

### 5. Borrowings

	30.06.2010	31.12.2009	30.06.2009
<b>Current</b>			
Loans from third-party	465	325	66
Straight bonds from third-party	2'267	2489	0
<b>Total current borrowings</b>	<b>2'733</b>	<b>2'814</b>	<b>66</b>
<b>Non-current</b>			
Loans from third-party	5'143	2243	3'197
Loans from shareholders	50	0	50
Straight bonds from third-party	32'350	32869	25'839
<b>Total non-current borrowings</b>	<b>37'543</b>	<b>35'112</b>	<b>29'086</b>

Total borrowings include secured liabilities (loans) of CHF 27'902 (2009: CHF 28'320). Third-party loans are secured by PV-Plants of the group and related receivables.

Total borrowings include new bank loans in the amount of 2'688 (CHF 2'116 (EUR 1'600) expiry date: 30.3.2020; interest rate: 4.5% and CHF 572 expiry date: 31.12.2014; interest rate: 3.5%).

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### 6. Acquisition and disposals of non-controlling interests

The company has acquired further 0.2% of Edisun Power Ltd. and as of 30 June 2010 holds a participation of 98.5% of the Edisun Power Ltd's shares (2009: 96%). The shareholders of Edisun Power Ltd had the option between a cash payment, compensation in shares of Edisun Power Europe Ltd. or both. The fair value of the shares of Edisun Power Europe Ltd. was determined based on the consideration paid in cash.

### 7. Dividends per share

No dividends were paid out as of 30 June 2010 and 2009.

### 8. Contingencies

The group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

### 9. Commitments

As of 30 June 2010 the company had no outstanding commitments to buy solar modules compared to CHF 4.05m (EUR 2.7m) as of 31 December 2009.

### 10. Seasonality

The solar electricity business is a seasonal business depending on the power of the sun radiation. The first and fourth quarter of the year have usually a lower production than the average, the second and third quarter produce over the average. The effect of this seasonality equilibrates over the year and within the semesters.

### 11. Events after the balance-sheet date

On 6 August 2010 the PV plant in St. Etienne (359 kWp) was connected to the grid followed by the plant in Haréville (444 kWp) on 11 August 2010.