

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,



**Prof Dr h. c. Karlheinz Hornung,
Chairman of the Supervisory Board.**

The financial year 2010 was marked by restructuring and the strategic repositioning of the Company, as well as a successfully executed complex capital transaction consisting of a capital increase, the issue of a new convertible bond and a partial buyback of the existing convertible bond 2007/2012. The rise in demand and positive developments during the reporting period show that we have embarked on the right course, even if our path continues to be one requiring great efforts. We would like to extend our particular thanks to you, ladies and gentlemen, for your support of our Company during 2010.

CONTINUOUS EXCHANGE OF INFORMATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

In the reporting year, the Supervisory Board performed the functions incumbent upon it by law, the Articles of Association and the Rules of Procedure. We regularly advised the Executive Board on the management of the Company and monitored its work continuously. We were directly involved at an early stage in all decisions of fundamental significance for the Group. The Executive Board regularly provided us with comprehensive information, both in written and verbal form, on the Company's situation, in particular on the developments of its commercial and financial position, its strategic development and on investment projects.

In particular, if business development deviated from plan or targets, we had the reasons for this explained in detail and examined them using the documents submitted by the Executive Board. In addition, the Executive Board agreed on the Company's strategic focus with us. All key business transactions for the Company were discussed in depth in the Supervisory Board on the basis of reports provided by the Executive Board.

A further focus of our work was the discussion and the adoption of resolutions on the transactions of the Executive Board requiring approval. In addition to adopting resolutions in meetings, resolutions were also adopted by way of circular procedure. We also further amended the Rules of Procedure for the Executive Board and Supervisory Board to meet the requirements of the Company.

Above and beyond the formal meetings of the Supervisory Board, the Chairman of the Supervisory Board was in regular contact with the Executive Board and was informed by it in a timely manner of the current development of the business situation and major business transactions. Additionally, the chairs of Supervisory Board committees were in contact with Executive Board members.

MEETINGS OF THE PLENARY SUPERVISORY BOARD

In financial year 2010, the Supervisory Board held a total of five regular meetings (three in the first half of the year and two in the second half of the year) and four extraordinary meetings, two of which were in the form of conference calls. Until October, the Supervisory Board also received regular information via phone from the Executive Board on the implementation of the "Q-Cells Reloaded" restructuring programme. These regular conference calls ceased with the completion of the restructuring programme in October. Discussions in the plenary sessions regularly focused on trends in sales, income and employment, the Group's financial position, the current status of the subsidiaries, the general market situation and the implementation of the new corporate strategy. The Executive Board provided regular and comprehensive reports on corporate planning, strategic development, the course of business and the Group's current position.

Furthermore, the individual meetings dealt, in particular, with the following key issues during the reporting period:

At the meeting on 11 March, the Supervisory Board agreed to the resignation of Anton Milner as CEO and member of the Executive Board. In the same meeting, the appointment of Dr Nedim Cen as an Executive Board member was extended to the end of the year and he was appointed to the position of CEO. Gerhard Rauter was again appointed as member of the Executive Board for the period from 1 October 2010 to 30 September 2013 on the same date.

The Supervisory Board also discussed the market and sales report, the progress of the annual financial statements, and passed a resolution on the new Group corporate strategy.

At the extraordinary meeting on 23 March, the Declaration of Conformity with the German Corporate Governance Code and the agenda for the 2010 Annual General Meeting were approved. Pursuant to the Group's strategic repositioning, the decision was made to dispose of all investments in companies not part of Q-Cells' core business, namely Calyxo, Flexcell, Solaria, Sunfilm and QCCS.

The main topics of the extraordinary meeting on 25 March included the single-entity financial statements, the management report, the consolidated financial statements and the Group management report, which were approved by the Supervisory Board after intensive discussion.

The meeting on 29 April found the Supervisory Board granting approval to the appointment of Dr Marion Helmes as Executive Board member for a term of five years. Additionally, the Supervisory Board addressed the topics of business development in the first quarter, the current state of implementing the new Group strategy and questions of corporate financing. Resolution proposals for the Annual General Meeting in June 2010 were also passed.

On 10 May, the Supervisory Board held a conference call and resolved to prematurely terminate the contract with Dr Marko Schulz as member of the Executive Board and appointed Hans-Gerd Füchtenkort as member of the Executive Board for a term of three years. During the conference call, the Supervisory Board also passed the remaining resolution proposals for the 2010 Annual General Meeting.

At the Supervisory Board meeting following the Annual General Meeting on 24 June 2010, the Supervisory Board elected Prof Dr h.c. Karlheinz Hornung as the new Chairman of the Supervisory Board and determined the new composition of the Supervisory Board committees. The Supervisory Board also discussed capital measures investigated as part of a refinancing concept, and approved the sale of the investment in Calyxo GmbH.

In a conference call on 11 August, the Supervisory Board extended the appointment of Dr Nedim Cen as CEO for an additional term of five years, and approved the adoption of a direct employment contract with Dr Nedim Cen, who up until this time was involved with the Company on the basis of a consultancy contract. Furthermore, the Supervisory Board addressed the topic of the action for annulment raised against the resolution of the Annual General Meeting concerning contingent capital.

In addition to the capital measures carried out, a series of resolutions was passed by way of circular procedure in September/October 2010. In the interests of simplifying the passing of these resolutions, the Supervisory Board created and appointed a committee expressly for this purpose. The package of measures included a capital increase in return for cash contributions and the issuance of a new convertible bond maturing in 2015, both with subscription rights for ordinary and preference shares in the company, combined with an offer to buy back the existing convertible bond 2007/2012.

In the meeting on 6 October, the Supervisory Board listened to reports on the new sales strategy and the strategic orientation in the project business. Furthermore, the change in Executive Board responsibilities and the termination of the regular conference calls of the Supervisory Board regarding the restructuring programme were resolved.

At the last meeting during the reporting period on 2 December, the Supervisory Board discussed the budget for 2011 and the associated business planning. Furthermore, the Supervisory Board resolved to issue additional share options to members of the Executive Board and management.

WORK OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board has created a total of four committees to perform its tasks efficiently. They prepare the resolutions of the entire Supervisory Board on the issues affecting them. Furthermore, the Supervisory Board has assigned individual tasks and parts of its decision making powers to the committees. The committee chairs regularly and comprehensively reported the content and results of committee meetings.

The Presidential Committee, headed by Prof Dr h.c. Karlheinz Hornung since June 2010, previously referred to as the Remuneration Committee, met on a regular basis both in actual meetings and conference calls. The members of the Presidential Committee are the Chairman of the Supervisory Board as well as Prof Jörg Menno Harms, and until his resignation from the Supervisory Board on 30 November 2010, Marcel Brenninkmeijer. It dealt primarily with the employment contracts of Executive Board members, remuneration systems in the Company, the recruitment of replacements for departed Executive Board members and prepared the respective resolutions by the entire Supervisory Board. The Presidential Committee focused its activities on searching for suitable successors as the Chairman of the Executive Board, the CFO and the Marketing & Sales Executive Board member all left during the reporting period. The Presidential Committee also conducts preparatory tasks for Supervisory Board meetings.

The Audit Committee is chaired by the lawyer and tax advisor Frauke Vogler, and is also made up of Helmut Gierse and Prof Dr h.c. Karlheinz Hornung. During the reporting period, the Audit Committee met for six meetings, some of which were in the presence of the financial auditor. It concentrated on the single-entity and consolidated financial statements, the half-yearly financial statements, the quarterly financial statements, the financial auditor's audit reports, the cause-related audit of the Financial Reporting Enforcement Panel (FREP), planning for the financial years 2010 and 2011, risk management and compliance topics as well as the appointment and performance of the audit assignment. Furthermore, the capital measures carried out during the reporting period were the topic of discussion.

Dr. Christian Reitberger is the Chairman of the Strategy Committee. The other committee members are Helmut Gierse, Prof Jörg Menno Harms and Prof Dr h.c. Karlheinz Hornung. The Strategy Committee discussed the new corporate strategy and various strategic options for the Company's future development, both internally and with the Executive Board. In the financial year 2010, the Strategy Committee held numerous meetings. The Committee also addressed the current market and competitive situation.

The Nomination Committee, which besides the chair Frauke Vogler includes Prof Dr h.c. Karlheinz Hornung and Dr Christian Reitberger, supports the Supervisory Board in the search for suitable candidates who are proposed at the Annual General Meeting for election. In financial year 2010, it dealt with changes to the membership of the Supervisory Board in the wake of the resignation of Richard Kauffman, Andrew Lee and Marcel Brenninkmeijer, and the appointment of Helmut Gierse and Prof Dr h.c. Karlheinz Hornung.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance report of the Annual Report as a component of the Declaration on Business Management in accordance with section 289a (2) of the German Commercial Code (HGB) regarding details of the Declaration of Conformity with the German Corporate Governance Code submitted by the Executive Board and the Supervisory Board pursuant to section 161 of the German Stock Corporation Act (AktG).

Conflicts of interest by Supervisory Board members in accordance with the German Corporate Governance Code did not arise in the reporting year.

COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Richard Kauffman resigned his Supervisory Board post effective 24 February 2010 after serving on the Board since June 2007. Andrew Lee resigned his Supervisory Board post after the Annual General Meeting on 24 June 2010 after serving on the Board for one year. Marcel Brenninkmeijer resigned his Supervisory Board post effective 30 November 2010. Marcel Brenninkmeijer served on the Supervisory Board since December 2002, and was Chairman of that body from June 2009 to June 2010. In February 2010, Helmut Gierse was appointed as member of the Supervisory Board and approved by the Annual General Meeting. The Annual General Meeting also appointed Prof Dr h.c. Karlheinz Hornung to the Supervisory Board, and at the meeting following the Annual General Meeting Prof Dr h.c. Karlheinz Hornung was elected Chairman of the Supervisory Board. The Supervisory Board would like to thank Richard Kauffman and Andrew Lee for their services and the trust they have demonstrated in working with the Board. Its particular thanks go out to Marcel Brenninkmeijer, who

was a member of the Supervisory Board for many years and in his role as Chairman contributed greatly to the success of the Company.

During the reporting year, the Supervisory Board accepted the resignation of CEO Anton Milner and appointed Dr Nedim Cen as CEO. At the meeting on 11 March Gerhard Rauter was also again appointed as member of the Executive Board for a term ending 30 September 2013. The Supervisory Board appointed Dr Marion Helmes as CFO of the Company effective 1 July 2010. Furthermore, the Supervisory Board rescinded the appointment of Dr Marko Schulz as an Executive Board member and appointed Hans-Gerd Füchtenkort as Executive Board member for a term of three years. Hans-Gerd Füchtenkort will head the Marketing & Sales division.

The Supervisory Board would like to extend very special thanks to Anton Milner, one of the founding fathers of Q-Cells, for his exceptional contribution to the Company and his years of service working with the Board. The Supervisory Board would also like to thank Dr Marko Schulz for his services and the trust he demonstrated working with the Board.

SINGLE-ENTITY FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Consistent with the resolution passed at the Annual General Meeting on 24 June 2010, KPMG AG Wirtschaftsprüfungsgesellschaft, Leipzig, was appointed by the Supervisory Board to perform the audit of the single-entity financial statements and the management report of Q-Cells SE (individual financial statement) as well as the consolidated financial statements and the Group management report as of 31 December 2010. The individual financial statement was compiled according to German Commercial Code Standards (HGB), the consolidated financial statement in accordance with section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as applicable in the EU. The auditor conducted the audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) of the consolidated financial statements in accordance with International Standards on Auditing (ISA).

Both financial statements were given an unqualified audit certificate by the auditor on 16 March 2011.

The individual financial statements and Management Report of Q-Cells SE, the consolidated financial statements and Group Management Report as of 31 December 2010 and the proposal for the appropriation of retained earnings were passed to the Supervisory Board in good time. The Audit Committee dealt with these documents in its meeting on 16 March 2011 in the presence of the Executive Board and the auditor. The financial statements, reports and the proposal for the appropriation of retained earnings were explained comprehensively by the Executive Board, which answered questions from Supervisory Board members. The auditor presented the audit results, particularly the areas on which the audits had concentrated and the material findings from these audits. The committee members discussed these results with the auditor, which included questions on the nature and scope of the audits as well as the focus of the audit. The Audit Committee then came to the conclusion that the financial statements and reports – as well as the audits carried out by the auditor – comply with the legal requirements and consequently no objections are to be raised. The committee therefore advised the Supervisory Board that the findings of the auditor's audit be accepted and the financial statements approved.

The audited individual financial statement and Management Report of Q-Cells SE, the audited consolidated financial statements and Group Management Report as of 31 December 2010 and the proposal for the appropriation of retained earnings, were debated comprehensively at the balance sheet meeting of the Supervisory Board on 17 March 2011 in the presence of the Executive Board and of the auditor. Furthermore, the Executive Board explained the financial statements of Q-Cells SE and the Group as well as the risk management system and presented the nature, focal points and costs of the audit of the financial statements. The auditor then reported in detail on the audit and its findings, explained the audit reports and answered questions raised by Supervisory Board members. The existing internal control and risk management system in relation to the financial reporting process was subjected to a critical review, particularly against the background of recent market trends. There were no circumstances which

prompted any bias on the part of the auditor. In addition to the audit of the financial statements, the auditor supplied other auditing services in connection with quarterly reporting. The Audit Committee also presented its report on its review of the financial statements together with its recommendation in the same meeting.

The Supervisory Board seconded the findings of the audit of the financial statements on the basis of its own review. The Supervisory Board raised no objections as a result of its review of the single-entity financial statements and consolidated financial statements as well as the Management Report and Group Management Report. The Supervisory Board approved the single-entity financial statements and consolidated financial statements compiled by the Executive Board in agreement with the recommendation of the Audit Committee. The single-entity financial statements are therefore adopted.

The Supervisory Board supports the Executive Board's recommendation for the appropriation of profits. The Company is still in a phase of strategic reorientation and restructuring and hence paying out dividends seems inappropriate, with the exception of dividends on preference shares.

APPRECIATION OF THE SUPERVISORY BOARD

The Supervisory Board would like to thank the Executive Board, the Works Council and all employees of Q-Cells SE and its affiliated companies for their considerable commitment and successful work this past year.

Bitterfeld-Wolfen, 17 March 2011



Prof Dr h. c. Karlheinz Hornung
Chairman of the Supervisory Board