

Conditions for the Issue of Convertible Bonds

for the 6.85% Convertible Bond Issue 2007 / 2010

ISIN DE000A0TGEV3

by

S.A.G. Solarstrom AG, Freiburg

§ 1 Nominal Value, Denomination, Issue Value and Securitization

1. The issuer is S.A.G. Solarstrom AG, Freiburg. The convertible bond issue - total nominal value up to EUR 10,000,000.00 - is divided into max. 20,000 convertible bonds issued in the name of the owner and carrying equal rights, each with a nominal value of EUR 500.00.
2. The amount for which each convertible bond is issued is EUR 500.00 (issue value).
3. The convertible bonds are securitized for the whole term by one or several owner's permanent global certificates (global certificates) without a global interest coupon. The global certificates will be lodged with Clearstream Banking AG, Frankfurt am Main, until all the issuer's obligations arising from the convertible bond issue have been met. The global certificates bear the handwritten signature of the issuer's Board Chairman. Actual convertible bonds are not being issued.
4. If the conversion right is in fact exercised or if convertible bonds are redeemed early, the total nominal value of the convertible bonds securitized by this global certificate will be reduced or they will be transferred to another global certificate.

§ 2 Term of the Issue and Interest Rate

1. The term of the convertible bond issue begins on 30.07.2007 and will end on 29.07.2010 (term).
2. The interest rate is 6.85% and will be so for the whole term, unless it is redeemed beforehand or the conversion right has been lawfully exercised. If the conversion right as specified in § 4 is exercised, interest will be paid only on the reduced bond value. Interest will always be credited on 30.07 of each year.
3. If a bond creditor lawfully exercises his conversion right, the entitlement to interest on the converted portion of the bond will end upon expiry of the last day of the conversion period in which the conversion right was exercised.
4. If interest for a period of less than one year needs to be calculated, this will be calculated on the basis of the days already elapsed of an interest period and the actual number of days in the year (365 or 366).
5. If an amount covered by these convertible bond conditions matures on a day which is not a banking day in Frankfurt, then the next Frankfurt banking day will become the maturity date. A Frankfurt banking day is any on which the commercial banks in Frankfurt am Main are open (Frankfurt banking day).

§ 3 Redemption and Cancellation

1. The issuer shall redeem the convertible bonds – unless they have been converted – on 30.07.2010 to the value of the remaining nominal amount. The paying agent will be the WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank. The depositary banks will receive a credit statement for their customers for their accounts at Clearstream Banking AG.

The issuer shall collateralize the redemption entitlements of the owners of convertible bonds by pledging their payment entitlements arising from the convertible issue to the paying agent.

2. Neither the owners of the convertible bonds nor the issuer will have the right of statutory cancellation. The owners of convertible bonds are however entitled jointly or severally to cancel their convertible bonds early and without notice, especially if the issuer is in arrears regarding the fulfilment of its obligations arising from the convertible bond issue, or if insolvency proceedings are instituted against the assets of the issuer, or if proceedings have been refused for lack of assets, or if the issuer itself institutes insolvency proceedings in respect of its assets. The issuer must be informed of cancellation in writing by registered letter.

3. If cancellation is declared as specified in § 3 clause 2, the issuer shall redeem the convertible bonds – unless they have been converted – to the value of the remaining nominal amount. The depositary banks will receive a credit entry for their customers for their accounts at Clearstream Banking AG.

4. There will be no redemption if and to the extent that conversion as specified in § 4 has taken place.

§ 4 Conversion Right

1. The owners of convertible bonds have, under the terms of these convertible bond conditions, the irrevocable right to convert, without additional payment, any convertible bond at its nominal value of EUR 500.00 into 195 (one hundred and ninety-five) ordinary bearer shares of S.A.G. Solarstrom AG each worth EUR 2.56 as a part of the equity capital (conversion right). The conversion right may be exercised in the following manner, i.e. each year the conversion right relating to only 1/3 of the convertible bond may be exercised - that is to say that in 2008, EUR 166.40, i.e. 1/3 of each convertible bond valued at EUR 500.00, can be converted into 65 ordinary bearer shares, and in 2009, of the remaining EUR 334.00 of the nominal value of each convertible bond a further EUR 166.40 can be converted into 65 ordinary bearer shares and in 2010 the residue of EUR 167.20 can be converted into 65 more ordinary bearer shares. If the conversion right is not exercised in any given year, it may still be exercised additionally in the following year. If the issuer announces special conversion periods as set out in § 4 clause 3, it may stipulate a conversion scope other than stipulated here; however the annual conversion right will not be less than set out here.

2. By resolution of the issuer's General Shareholders Meeting dated 20.07.2006, authorised but unissued capital is set aside as collateral for the conversion right.

3. The conversion right can only be exercised within the conversion periods as defined below (conversion periods).

a)

on the third Frankfurt banking day after each General Shareholders Meeting of the company and the subsequent 9 Frankfurt banking days in the years 2008 – 2010;

b)

within one or several special conversion periods; these cover up to 10 Frankfurt banking days and begin on the Frankfurt banking day which follows the calendar day on which the issuer announces the special conversion period, and especially its duration. Announcement of a special conversion period is at the discretion of the issuer; owners of convertible bonds have no right to the announcement of a special conversion period. The issuer is entitled to announce one special conversion period in each quarter of a calendar year. This must not overlap with the conversion periods specified above.

However, the conversion right may not be exercised in the conversion periods - between the day on which the issuer publishes, in the electronic Federal Gazette, an offer concerning new share purchases or new convertible bonds with conversion or option rights to shares of the issuer and the end of the last Frankfurt banking day of the purchasing period; - on days which are not Frankfurt banking days. Conversion declarations which the conversion centre (§ 4.5) receives in the periods in which conversion is not possible will be deemed to be issued and received on the next subsequent day on which the exercise of the conversion right becomes permissible again.

4. Shares acquired as a result of conversion bring dividend entitlement with them for whole of the issuer's commercial year in which the conversion takes effect. At the end of the conversion period in which the conversion declaration was released, the shares acquired as a result of conversion will be deposited in the securities deposit of the owner of the convertible bonds. The owners of convertible bonds shall have no entitlement with regard to possible price changes of the issuer's shares between exercise of the conversion right and delivery of the shares.

5. In order to exercise the conversion option, the owner of convertible bonds must submit a written conversion declaration, using the forms obtainable from the issuer in original duplicate, to the conversion centre by 5 pm on a Frankfurt banking day within a conversion period. The conversion centre is the WGZ BANK AG (Westdeutsche Genossenschafts-Zentralbank). The conversion declaration is irrevocable. The conversion declaration must, among other things, contain the following details:

- Name and address of person carrying out this task;
- The deposit of securities belonging to the owner of convertible bonds or his depositary bank in the European Economic Area or Switzerland where the stocks are to be delivered;
- If applicable, an account of the owner of convertible bonds onto which any payments are to be paid for compensation of an equity dilution;
- The required entries in the conversion declaration concerning limitations of the ownership of the convertible bonds and/or stocks.

The conversion option is only effectively carried out if and to what extent the convertible bonds, for which the conversion option is exercised, were transferred to the account of the conversion centre by the Clearstream Banking AG, Frankfurt, or the conversion centre was irrevocably directed to withdraw (transfer) the convertible bonds, for which the conversion option is exercised, from one of the deposits kept by the conversion centre. The conversion centre is thereby authorized to release the conversion declaration according to § 198, clause 1 of the German Stock Corporation Act (AktG) for the owner of convertible bonds when the convertible bonds are transferred to the conversion centre for custody on behalf of the owner of convertible bonds until fulfilment of all rights of the owner of convertible bonds resulting from convertible bonds and subsequently for further inducement.

6. The owner of the convertible bonds bears the costs for execution of the conversion option and the acquisition of stocks.

§ 5 Dilution Protection

1. If capital is raised from company resources, the authorised but unissued capital as specified in § 218 German Stock Corporation Act [AktG] will by law be raised at the same rate as the equity capital. The right of the owners of convertible bonds to convert their convertible bonds into shares increases at the same rate, unless the equity capital is raised without issuing new shares.

2. In all instances of a reduction in capital of whatsoever type, the conversion ratio is not adjusted. Therefore, the owners of convertible bonds continue, after a capital reduction, to have the irrevocable right as specified in § 4.1 to convert, without additional payment, any convertible bond at the nominal value of EUR 500.00 into 195 (one hundred and ninety-five) ordinary bearer shares of the issuer each worth EUR 2.56 as a part of the equity capital.

3. If S.A.G. Solarstrom AG raises its equity capital by issuing new shares against deposits (§§ 182, 186 German Stock Corporation Act [AktG]) before the last day of the last conversion exercise period whilst granting a direct or indirect purchasing right to its shareholders, the issuer will grant to every bond creditor a right to purchase the shares which the bond creditor would have been able to purchase if and to the extent that he had already exercised the conversion right to which he was entitled at this point in time.

4. Fractions of shares arising as a result of raising capital when exercising the conversion right will not be made available when exercising the conversion right. The issuer will endeavour to sell any residual fractional shares as there may be for the account of the owner of convertible bonds as soon as the owner of convertible bonds has in fact exercised his conversion right. The proceeds will be delivered to the owner of convertible bonds upon issue of the shares.

5. The conversion ratio is always adjusted from the day on which capital was in effect raised.

6. The issuer shall publish the changes resulting from capital-related action for the owners of convertible bonds in the publications named in the company's Articles of Association.

§ 6 Negative Covenant

Where convertible bonds are still outstanding, the issuer shall not furnish collateral in the form of his assets for any other convertible bond without at the same time or previously collateralizing these convertible bonds in the same way and with the same degree of priority though this applies only until the time at which all amounts payable under these convertible bond conditions have been delivered to the paying agent (point 3.1), subject to applicable mandatory legal provisions. The collateral to be furnished under the foregoing provisions can also be furnished in favour of another person acting in the capacity of trustee for the bond creditor.

§ 7 Statute of Limitations

The presentation period laid down in § 801 clause 1 sentence 1 German Civil Code [BGB] for convertible bonds with reference to capital is reduced to five years.

§ 8 Final Provisions

1. The issuer is entitled at any time to appoint a different bank as the paying agent and / or as the conversion agent by announcing the fact pursuant to clause 2 and giving at least 30 calendar days' notice.

2. Announcements of the issuer regarding convertible bonds will be in the publications named in the issuer's Articles of Association and will apply as released and delivered to the owners of convertible bonds on the day of publication of the last to appear of the publications containing the announcement. There is no requirement to notify the individual owners of convertible bonds separately.

3. Should any one of the provisions of these convertible bond conditions be or become void or unenforceable, this will not affect the applicability of the remaining provisions. Wherever legally possible, the void or unenforceable provisions will be replaced by other suitable provisions meeting the purpose and purport of these convertible bond conditions as they were at the time of the convertible bond issue. Should circumstances arise in which these convertible bond conditions prove to be incomplete, a supplementary interpretation, meeting the purpose and purport of these convertible bond conditions, should be arrived at that also takes due account of the legitimate interests of the parties concerned.

4. Alterations and additions to these convertible bond conditions must be in writing. This applies also to any decision waiving the written form requirement.

5. These convertible bond conditions are subject to the law of the German Federal Republic to the exclusion of the conflicting standards of German international private law.

6. The place of fulfilment and jurisdiction is Freiburg, provided it is legally permissible.