

INTERIM GROUP MANAGEMENT REPORT

06	BUSINESS DEVELOPMENT FIRST QUARTER 2010
06	THE SOLARWORLD STOCK
08	THE MARKET
10	SALES, PRODUCTION, BRAND
12	EARNINGS, FINANCE AND ASSET SITUATION
16	MATERIAL RELATED PARTY TRANSACTIONS
17	SUPPLEMENTARY REPORT
18	REPORT ON EXPECTED DEVELOPMENT WITH ITS MAJOR OPPORTUNITIES AND RISKS
18	FORECAST REPORT

BUSINESS DEVELOPMENT

FIRST QUARTER 2010

THE SOLARWORLD STOCK

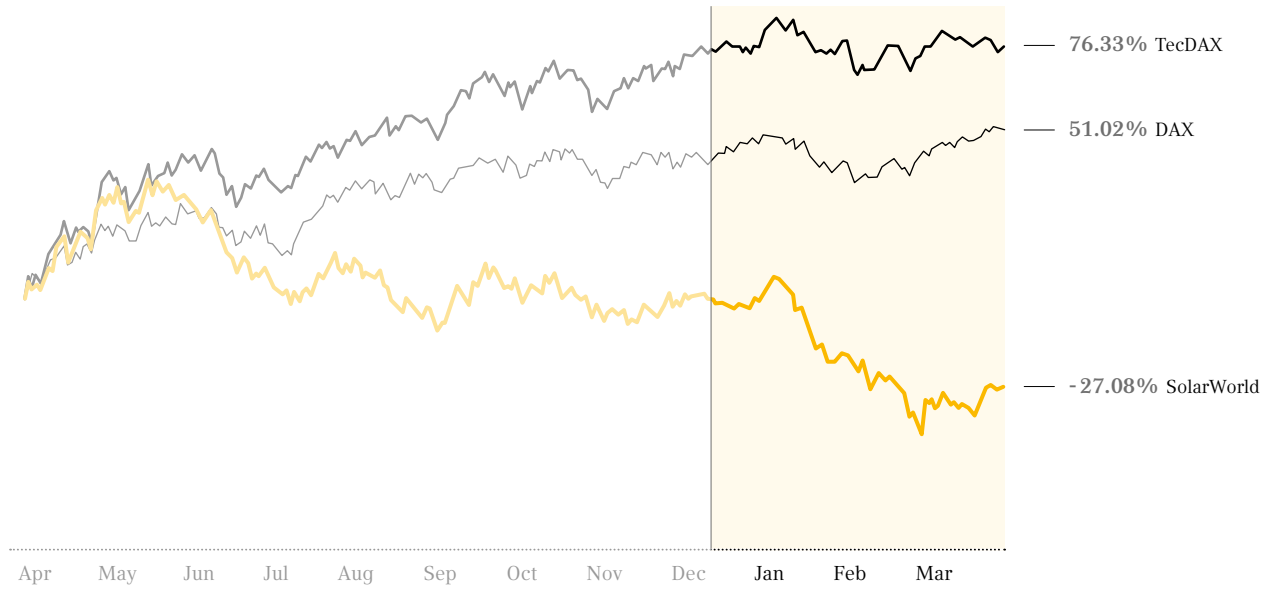
The situation in the international financial markets in Europe and the USA stabilized. There were, however, hardly any new impulses. The **DAX** for example rose only slightly in the first quarter by three per cent to 6,154 points (cut-off date: 31 March 2010). The **TecDAX** even reported a negative result (-0.3 per cent) at 816 points. A faster recovery in the financial markets is hampered by a concern for the financially difficult situation of individual countries.

In the first quarter of 2010 solar stocks were characterized by great volatility. The reason for this was the persistent discussion about the planned amendment of the Renewable Energy Sources Act (EEG) in Germany → *The solar power market • p. 09//* → *Expected development of the solar power market • p. 19//*

The SOLARWORLD stock was not able to resist this trend, either. The value of our securities was also subject to major fluctuations in the first three months of the year: Thus, the lowest stock price in the reporting period was € 9.44 while the highest price was € 16.61. At the cut-off date (31 March 2010) the SOLARWORLD stock closed on € 11.25, which was 26 per cent lower than on 31 December 2009.

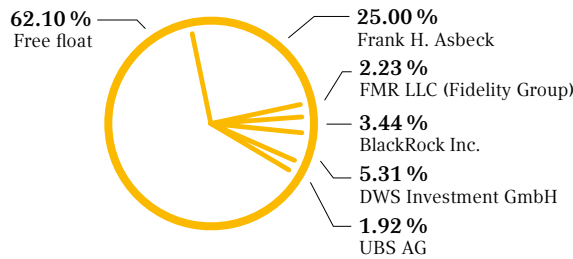
05 SOLARWORLD STOCK IN YEAR-ON-YEAR COMPARISON WITH DAX AND TECDAX

Period: 1 April 2009 - 31 March 2010 // Source: Xetra, 2010



The capital stock of the company remained unchanged in the period under review being divided into 111,720,000 no par value bearer shares with an imputed nominal value of € 1.00. In the first quarter of 2010 the shareholder structure remained unchanged.

06 SHAREHOLDER STRUCTURE AS OF 31 MARCH 2010



The interest in SOLARWORLD on the part of the capital market – as well as of the general public – is sustainably high. We presented the results of the fiscal year 2009 within the context of our **capital market communications** at our annual business and analysts' conference in Bonn on 25 March 2010. In addition, we maintained close contacts to the capital market in the first quarter in the form of individual talks with analysts, investors and shareholders as well as road shows and conferences in Europe and the United States.

THE MARKET

ECONOMIC ENVIRONMENT

In the first quarter the **world economy** was able to recover further from the financial crisis. As the joint diagnosis of leading German economic institutes for the spring of 2010 shows the individual regions did, however, progress at different speeds: In the **threshold countries** the economy picked up sharply. The **industrialized nations**, on the other hand, showed only a slight upward trend in their economic development. The repercussions of the crisis were still felt very strongly there. Thus, the propensity of companies to make investments continued at a low level and consumers also kept a low profile in terms of private household consumption.

In **Germany** the economic development continued to show a basically positive trend in the first quarter even though it slowed down somewhat. Especially the important export rates recovered slowly and industrial production was lower by some 20 per cent than before the beginning of the financial and economic crisis in 2008.

There was a similar development in the **USA**. There the economic dynamism lost its impetus in the last few months after the strong expansion in the second half of 2009.

In **Europe** economic development in the first quarter of 2010 was sluggish. The reason for this was the growing concern about the public budgets of some EU states that also constituted a burden on the common European currency.

THE WORLD ENERGY MARKET

The **oil price** (WTI crude grade) again increased significantly versus the same month of the previous year to US\$ 81 (March 2009: US\$ 48) per barrel. About one third of the German utilities increased their prices for **domestic electricity** by an average of six per cent in the first quarter according to the German consumer portal www.verivox.de/. However, the majority kept electricity prices constant in the first quarter. In the USA the average price for domestic electricity dropped by almost three per cent versus the first quarter of the previous year according to an estimate of the Energy Information Administration (EIA).

THE SOLAR POWER MARKET

The international solar power market developed more dynamically in the first quarter of 2010 than in the same periods of the previous years. This was the result of observations by market experts. The reason for this development was above all the persistent discussion about possible amendments to the Renewable Energy Sources Act (EEG) in the important market of **Germany**, which in 2009 accounted for more than half of the worldwide solar power market. According to the data collected by the Federal Grid Agency 3.8 (2008: 1.5) GW were newly installed in this market in 2009.

The booming demand continued into the first quarter in spite of the hard and long winter. House owners but also planners of large projects want to get their solar power plants connected to the grid before the announced cuts in feed-in compensation. Media reports and government announcements to the effect that an amendment to the law would already come into effect on 1 April 2010 caused a rise in demand throughout the entire first quarter, which cannot yet be quantified. At the moment the bill tabled by the government coalition provides for the feed-in compensation to be reduced by 16 per cent for roof systems, by 15 per cent for free-field systems and by eleven per cent for conversion areas effective 1 July 2010. Funding of solar power plants on arable land is no longer planned. Instead, investors' self-consumption of solar power is to be promoted. At the moment variants are being subject to deliberations. A final decision on the details of the amendment has yet to be made. → [Supplementary report • p. 17//](#)

The other European solar markets also started the year with generally good prospects for growth. An exceptionally strong development was reported by **Italy** – with 582 MW of newly installed output capacity already the second largest market worldwide in 2009 after Germany. According to Gestore dei Servizi Elettrici (GSE) more than 150 (first quarter 2009: 62) MW were already installed in the first quarter of 2010. Also back in the year 2009 the market in **France** had picked up speed. The positive trend can be expected to have continued also after the French amendment of the feed-in tariffs in the first quarter. Also promising albeit somewhat more restrained according to estimates were the markets in the **Czech Republic** and in **Belgium**. In both countries new compensation rates came into force at the beginning of the year. In addition, the winter weather had a dampening effect. A new European market opened up in **Great Britain**. There the Clean Energy Cashback scheme was announced in the first quarter. It came into force on 1 April 2010. This is the first time that feed-in tariffs are paid in Great Britain for renewable energy such as solar power. The scheme funds solar plants with a maximum size of five MW.

There are also new impulses for the solar market in the **USA**. US President Barack Obama announced tax credits amounting to US\$ 2.3 billion in January for companies with activities in the area of renewable energies. In the photovoltaic segment tax credits of US\$ 950 million were reserved for 45 projects and/or companies. Our US subsidiary SOLARWORLD INDUSTRIES AMERICA INC. is to receive US\$ 82.2 million from this. → [Production, sales, brand • p. 10//](#) → [Expected development of the solar power market • p. 19//](#)

EFFECTS OF GENERAL CONDITIONS ON BUSINESS DEVELOPMENT

According to experts the international solar market developed dynamically in the first quarter of 2010. The reasons for this were above all the demand peaks in the wake of the persistent EEG discussion in the important German market. As a well-known branded manufacturer of high-quality products SOLARWORLD has been able to benefit from this. In the first three months of the year 2010 we were able to achieve an above average increase in our shipments in this market. In other solar markets we also succeeded in enhancing the acceptance of our products.

SALES, PRODUCTION, BRAND

SOLARWORLD got off to a good start into the year 2010.

Our cumulative shipments in the first three months went up by 22 per cent to 139 (first quarter 2009: 114) MW. In this process the trend towards a shift to the trading business with modules and solar kits continued. In our core market of **Germany** the EEG debate in the first quarter triggered an additional strong demand that SOLARWORLD benefited from substantially. From the month of March onwards our business developed strongly after the hard winter in January and February had still slowed down sales somewhat. In the other markets our sales also developed positively in the first three months of the year 2010: In **Italy** our business was very strong; in **France** we continue to be successful mainly with the ENERGYROOF® product. And also our business in the **USA** picked up noticeably in the first few months since the beginning of the year.

Our group-wide **production capacities** were fully utilized in the first quarter. The massive expansion to meet the needs of the growing retail market is proceeding according to plan. As a fully integrated group of companies we have secured our raw material supplies with a view to the near future: In cooperation with the Qatar Foundation SOLARWORLD AG signed a contract for the foundation of the joint venture Qatar Solar Technologies (QST) located in the Emirate of Qatar in order to build up a new silicon production facility. ➔ *Notes/Material events subsequent to the end of the interim period • p. 31//* Probably by the end of 2012 we will therefore have available to us a supplementary raw material source for the future stages of our expansion.

Our sales success in the first quarter was not least also the success of a **strong brand** with a clear quality promise. This was again at the focus of our sales and marketing activities including appearances at international exhibitions. In February a SOLARWORLD product once again became the test winner in the module yield test of the trade magazine Photon. In addition, SOLARWORLD was the first company in the industry to give all its modules a 25-year linear performance warranty starting on 1 January. Our quality promise is further supported by the proof of ammonia resistance provided by the Swiss SGS test institute, which is



a selling point that will convince customers in agriculture. We were also able to substantiate our position under the aspect of sustainability. In March SOLARWORLD received the highest score among manufacturers of crystalline solar technology in an international sustainability comparison in the USA. The environmental organization Silicon Valley Toxics Coalition (SVTC), which is independent of the government and of industry, evaluated not only the transparency and social responsibility of the companies in this comparison but also the sustainability of production and delivery relationships, as well as the refusal to use environmentally damaging materials in their production.

At the same time we have been working at full speed in 2010 to reduce our costs. Contributions to this are the further expansion of our capacities (economies of scale) and the highly advanced and ever more efficient manufacturing processes at all the production sites. A role model for this is our new wafer production at the Freiberg Industrial Estate East, whose first stage of construction of 250 MW has by now started to run at full capacity. The entire process chain of wafering is housed on one level here leading to a significantly higher productivity. Further cost cutting potentials are inherent in our **Research and Development**. In March the Technology Center in Freiberg was commissioned so that we can transfer innovations directly into production even more efficiently than before. → [Annual Group Report 2009/Innovation report • p. 090//](#)

EARNINGS, FINANCE AND ASSET SITUATION

EARNINGS SITUATION

DEVELOPMENT OF REVENUES AND PROFIT OR LOSS

In the first quarter of 2010 SOLARWORLD Group was able to increase shipments of wafers and solar modules by 22 per cent over the same quarter of the previous year to 139 (first quarter 2009: 114) MW. As a recognized quality provider SOLARWORLD could thus benefit specially from the persistently high demand in the international solar market.

In comparison with the first quarter of 2009 consolidated revenues increased by 28 per cent or € 49.3 million to € 225.6 million (first quarter 2009: € 176.3m). This enabled SOLARWORLD to compensate for the industry-wide drop in prices by way of increased shipments and a shift in the product mix.

The group-wide foreign quota amounted to 33.2 (first quarter 2009: 49.5) per cent.

Earnings before interests and taxes (EBIT) in the first quarter of 2010 amounted to € 24.8 million (first quarter 2009: € 37.8m). Earnings before interests, taxes, depreciation and amortization (EBITDA) amounted to € 44.0 million (first quarter 2009: € 52.5m). The first quarter EBIT margin for the whole group amounted to 11.0 (first quarter 2009: 21.4) per cent.

Our noncurrent financial liabilities rose by € 503 million to € 1.3 billion during the first quarter 2010. This increase had material impact on the financial result, which amounted to € -13.0 million (first quarter 2009: € -2.8m).

The consolidated net income was negatively influenced by the non-capitalization of deferred taxes and amounted to € 5.3 million (first quarter 2009: € 23.8m) in the period under review.

DEVELOPMENT OF MATERIAL INCOME STATEMENT ITEMS

Staff costs rose by € 1.3 million versus the same quarter of the previous year to € 27.4 million (first quarter 2009: € 26.2m). This increase results from the continuous rise of employment in the course of the worldwide expansion of our locations. The rate of staff costs increased slightly by 0.2 percentage points to 10.8 (first quarter 2009: 10.5) per cent.

The materials cost ratio went up among other things due to the industry-wide drop in prices for solar power products to 68.1 (first quarter 2009: 60.7) per cent.

Depreciations rose as a result of the scheduled continuation of investments into the production capacities by € 4.5 million to € 19.2 million (first quarter 2009: € 14.7m).

Other operating expenses grew by € 4.0 million to € 28.2 million (first quarter 2009: € 24.1m). The reason for this is the increase in investments into the expansion of our brand awareness. The expenditure ratio amounted to 11.1 (first quarter 2009: 9.7) per cent.

Other operating income increased in comparison with the same quarter of the previous year to € 18.3 million (first quarter 2009: € 5.1m) essentially due to the write-back of down payments received and provisions.

FINANCIAL SITUATION

FINANCING ANALYSIS

Equity capital increased versus 31 December 2009 by € 24.8 million to € 890.3 million (31 December 2009: € 865.5m). The equity ratio stood at 32.3 (31 December 2009: 39.0) per cent at the balance sheet date.

Financial liabilities went up by € 510.1 million to € 1,299.6 million (31 December 2009: € 789.5m) of which 96.5 per cent are noncurrent. This increase is especially due to the placement of a bond with a volume of € 400 million in the first quarter and the call of the second part of a syndicated credit line amounting to € 100 million.

The investment grants and allowances carried under noncurrent liabilities totaled € 66.1 million (31 December 2009: € 68.3m) on the balance sheet date. These public funds for the expansion of our production capacity were accrued on the liabilities side of the balance sheet and will be written back through profit and loss over the period of utilization of the subsidized investments.

The other noncurrent liabilities were reduced by € 5.8 million to € 244.9 million (31 December 2009: € 250.7m). The noncurrent share of the received down payment for long-term wafer delivery contracts reported in this figure amounts to € 237.3 million (31 December 2009: € 242.9m) on the balance sheet date.

INVESTMENT ANALYSIS

Investments in intangible assets as well as in property, plant and equipment of SOLARWORLD Group in the first quarter of 2010 amounted to € 49.8 million (first quarter 2009: € 68.4m). The emphasis of our investment activity was placed on the expansion of our integrated cell and wafer production at the location of Hillsboro/USA (€ 25.8 million) as well as on our wafer production (€ 11.5 million) and our module production (€ 7.2 million) at our production site in Freiberg/Germany. We invested € 2.2 million in the expansion of our Research & Development activities. Additionally, a total of € 3.1 million went into the expansion of other locations of SOLARWORLD Group.

LIQUIDITY ANALYSIS

The liquid funds of € 911.0 million (31 December 2009: € 428.1m) include cash and cash equivalents mainly composed of overnight money and fixed-term deposits. In addition, other financial assets amounting to € 93.1 million (31 December 2009: € 81.6m) were held on the balance sheet date.

The cash flow from ongoing business operations in the first quarter of 2010 amounted to € 28.5 million (first quarter 2009: € -83.7m).

The cash flow from investment activities amounting to € -37.9 million (first quarter 2009: € -20.1m) was essentially characterized by pay-outs for investments in fixed assets amounting to € -48.0 million. In contrast to this cash inflows from the disposal of fixed assets ran to € 7.5 million and the pay-in from the release of financial investments amounted to € 2.7 million.

The cash flow from financing activities amounted to € 488.7 million (first quarter 2009: -9.9m) and is influenced by the placement of a bond with a volume of € 400 million and the call for the second part of a syndicated credit line amounting to € 100 million.



ASSET SITUATION

ASSET STRUCTURE ANALYSIS

The balance sheet total increased versus 31 December 2009 by € 537.7 million to € 2,754.7 million (31 December 2009: € 2,217.1m).

The noncurrent assets rose in the first quarter of 2010 by € 39.4 million to € 921.2 million. This development is mainly attributable to the enhancement of the fixed assets by expansion investments. The working capital declined in the first quarter of 2010 by € 24.0 million to € 425.6 million (31 December 2009: € 449.6m). This was due mainly to the level of accounts receivable which in comparison with the same quarter of the previous year had dropped by € 50.7 million to € 160.7 million (31 December 2009: € 211.4m). Inventories in the first quarter increased to € 636.5 million (31 December 2009: € 598.2m). The scheduled higher module inventories at the beginning of the year due to weather-induced seasonal fluctuations contributed to this significantly. The down payments reported as part of the inventories added up to € 389.7 million (31 December 2009: € 384.3m). Trade accounts payable went up versus 31 December 2009 by € 11.7 million to € 95.7 million (31 December 2009: € 83.9m). Down payments received amounted to € 275.9 million (31 December 2009: € 276.0m) at the balance sheet date.

EMPLOYEES

We again hired new employees in the first quarter of 2010. At the cut-off date we employed 2,053 staff members worldwide, which is nine per cent more than in the same quarter of the previous year. In comparison with the end of fiscal year 2009 the headcount has increased by 53 employees. This is a rise in personnel figures of three per cent in the first three months of 2010.

Including our temporary staff there were 2,726 (31 March 2009: 2,518) people worldwide working for the SOLARWORLD Group on the cut-off date.

GROUP EMPLOYEES // AS AT 31 MARCH

	Employees as at 31.03.2010	Employees as at 31.03.2009	+/- absolute
Germany	1,369*	1,255**	+114
USA	668	615	+53
Rest of the world	16	19	-3
Total	2,053	1,889	+164

* incl. 74 trainees/apprentices

** incl. 93 trainees/apprentices

Personnel changes on the Management Board and/or the Supervisory Board of SOLARWORLD AG did not occur in the first quarter of 2010.

MATERIAL RELATED PARTY TRANSACTIONS

In the first three months SOLARWORLD Group did not receive any toll manufacturing services from associated companies (first quarter 2009: € 4.8m), whereas it provided project services amounting to € 2.9 million (first quarter 2009: € 0.2m) to associated companies. In addition, in the first three months, SOLARWORLD Group granted a short-term loan to an associated company in a net amount of € 7 million (first quarter 2009: € 0m). In this connection, interest income of € 0.1 million (first quarter 2009: € 0m) was recognized.

In the first three months fixed assets and toll manufacturing services in amount of € 27.1 million (first quarter 2009: € 8m) were purchased from joint venture companies. Furthermore, SOLARWORLD Group sold goods and provided miscellaneous services to joint venture companies amounting to € 3.7 million (first quarter 2009: € 3.2m). Additionally, in the first three months, SOLARWORLD Group granted a loan to a joint venture company in amount of € 16 million (first quarter 2009: € 0m). In this connection, interest income of € 0.02 million (first quarter 2009: € 0m) were recognized.

Apart from these transactions there were no related party transactions with a material effect on the net assets, financial position and results of operations of SOLARWORLD Group.



SUPPLEMENTARY REPORT

EVENTS OF PARTICULAR IMPORTANCE AND THEIR REPERCUSSIONS

The German parliament passed a final resolution on Renewable Energy Sources Act (EEG) in early May 2010. This means that as of 1 July 2010 the compensation for roof systems will decline by 16 per cent as a one-off, that for free-field systems by 15 per cent and that for conversion surfaces by eleven per cent. Solar plants built on arable land will not receive any funding from 1 July onward. For those plants for which planning permission under building law has been submitted by 25 March 2010 a transitional ruling will apply until 31 December 2010. As of 1 January 2011 the feed-in compensation will drop by nine per cent. If certain growth corridors should be exceeded (3,500 MW, 4,500 MW, 5,500 MW and 6,500 MW) the compensation will additionally be reduced by another percentage point.

The investors' self-consumption of solar power is to be strengthened on the other hand. Own power compensation will come in two stages. If the share of self-consumed power remains below 30 per cent the sum of compensation and domestic electricity price saved will produce an advantage of 3.6 Cent/kWh versus the feed-in compensation. Any additional self-consumed kilowatt hour upwards of the 30 per cent limit can generate an advantage of up to 8.0 Cent/kWh. This regulation will also come into force on 1 July 2010. It will apply to all plants smaller than 500 kW.

OVERALL MANAGEMENT STATEMENT ON THE ECONOMIC SITUATION AT THE TIME OF REPORTING

The management of SOLARWORLD AG judges the economic situation of the company to be positive against the background of the earnings, finance and asset situation as portrayed in the 2009 annual financial statements and the figures of the first quarter of 2010 as outlined above as well as taking into consideration the ongoing business at the time when the group interim report was drawn up.



REPORT ON EXPECTED DEVELOPMENT WITH ITS MAJOR OPPORTUNITIES AND RISKS

OPPORTUNITIES AND RISKS

In the course of the first quarter of 2010 no major changes occurred in the internal and external background conditions and factors of influence. With regard to the individual opportunities and risks we therefore refer you to the → [*Annual Group Report 2009/Report on the expected development with its major opportunities and risks*](#) • p. 114//. At the time of the current reporting on the first quarter of 2010 there existed no risks whatsoever that might jeopardize the continued existence of the SOLARWORLD Group. From today's point of view the Management Board of SOLARWORLD AG does not expect any fundamental changes in the risk situation.

FORECAST REPORT

EXPECTED MACROECONOMIC ENVIRONMENT

According to expert opinion the **world economy** will continue to recover only very slowly from the repercussions of the financial crisis. There was indeed a fundamentally positive trend but the dynamics of the development are predicted to be lower this year and in the coming year than they were in the second half of 2009. This applies above all to the **industrialized countries**. The reason for this is that the post-crisis economic stimulus packages have come to an end and therefore important incentives for a quick recovery have been removed.

For **Germany** experts are working on the assumption that the Gross Domestic Product in real terms will increase by 1.5 per cent in 2010 and by 1.4 per cent in 2011. In the medium term prospects for the German economy have deteriorated due to the financial crisis. Not until 2013 is the Gross Domestic Product expected to return to the level of 2008 again.

In the **USA** experts think that the current upswing will also slow down substantially in comparison with the powerful growth in the second half of 2009. The forecast is for a growth rate of 2.8 per cent in the current year and around 2 per cent in the year 2011.

Europe will be particularly slow in leaving the repercussions of the crisis behind. The economic institutes are expecting a growth rate of as little as 0.9 per cent in the year 2010. In 2011 the growth rate is not expected to be much higher, either.

In the **threshold countries**, on the other hand, development will continue to be dynamic. On the whole **world trade** is expected to grow by 2.9 per cent in 2010 and by 2.7 per cent in 2011.

As before the leading economic research institutes consider the risks for the further economic development worldwide to be high. This danger is exacerbated by the growing concern about the finances of individual states. The situation in the banking sector also remains difficult. This might have a negative impact both on the development at the international financial markets and in the real economy.

EXPECTED DEVELOPMENT OF THE WORLD POWER MARKET

The Energy Information Administration (EIA) assumes that the **oil price** will remain stable in the short and medium term. By the end of the year the average oil price of the WTI crude grade is expected to amount to around 81 US\$/barrel. By the end of 2011 it is forecast to average slightly higher at 85 US\$/barrel. In spite of this generally steady development the oil price may be subject to strong price fluctuations in the course of the year. These will be influenced by potential bottlenecks in refining capacities as well as reductions of production volumes and inventories.

Some German utilities have announced price increases for **domestic electricity** by up to 16 per cent starting this summer. The US-wide average price for domestic electricity in 2010 will, according to estimates by the EIA, remain constant in comparison with 2009. For the year 2011 the EIA is predicting an increase again.

EXPECTED DEVELOPMENT OF THE SOLAR POWER MARKET

Experts expect the **worldwide solar market** to continue to grow vigorously in the years to come. Bank Sarasin, for example, assumes an increase in the newly installed output capacity by 46 per cent to 8.4 (2009: 5.8) GW in the year 2010. The European Photovoltaic Industry Association (EPIA) forecasts a growth of 6.0 to 10.8 GW.

Germany will remain the most important solar market worldwide in 2010 according to expert forecasts. Current estimates assume a newly installed solar capacity of up to around 5.8 GW in 2010. In this context there will probably be renewed demand peaks above all in the first half of the year. If the current plans to



promote the investors' self-consumption of solar power should be implemented in the EEG amendment it is safe to assume that the private demand of complex systems that enable an increase of the share in self-consumption will go up as of the second half of the year. Investments in free-field systems, on the other hand, can be expected to show a declining trend.

It is safe to assume that the other European markets will also continue to grow. Above all **Italy** is described by experts as showing a great deal of dynamism. For 2010 a newly installed solar output capacity of 924 (2009: 582) MW is being forecast. According to information provided by Gestore di Servizi Elettrici (GSE) an accumulated solar power output of more than 1,200 MW will have been installed shortly. As soon as this threshold has been reached the law on feed-in compensation will have to be amended. An announcement to this effect still in the course of the year 2010 might trigger a year-end rally. The **Czech solar market** can be expected to remain an attractive market in spite of the feed-in tariff reduction that came into force on 1 January 2010. For 2010 Barclays expects a newly installed output capacity of 150 (2009: 112) MW. After the amendment of the feed-in tariff law in **France** in early 2010 the market for fully integrated roof systems there can be expected to grow vigorously. Experts expect a quadrupling of the installed output capacity to 400 (2009: 100) MW in the year 2010. On the whole Bank Sarasin expects **Europe** (excluding Germany and Italy) to add an amount of 1,190 (2009: 896) MW of newly installed output capacity in the year 2010.

In the **USA** the demand is expected to pick up considerably in 2010; Barclays Capital forecasts a newly installed output capacity of 1,076 (2009: 468) MW. For 2011 the experts predict 2,945 MW. Growth is mainly expected to occur in the free-field market.

The most important growth driver in **Asia** is probably **Japan**. Experts predict a newly installed output capacity of 547 (2009: 365) MW. In **China** the government wants to make available two billion US dollars for the funding of solar power projects. **Taiwan**, too, has officially announced feed-in tariffs for solar power. In the year 2010 an output of 104 MW is to be funded. In 2011 a newly installed output capacity of 215 MW is to be reached. On the whole the **Asian market** is expected to reach a newly installed output capacity of 1,560 (2009: 896) MW in the year 2010. In 2011 a market volume of 2,475 MW is expected.

FUTURE BUSINESS DEVELOPMENT

SOLARWORLD will continue its successful strategy as a fully integrated, global solar technology group. The objective is to expand the market position we have achieved. This is why we will increase our **production capacity** from wafers, via cells all the way to modules as scheduled in the years 2010 and 2011. In the process we will particularly boost our module capacities at the Freiberg/Germany and Hillsboro/USA sites as well as substantially increase the capacity of our joint venture in South Korea.



For the year 2010 we are expecting another increase in worldwide shipments. Owing to the announced changes to the EEG we are expecting further demand peaks for modules and solar kits especially in **Germany** until the end of the second quarter. From 1 July onward the new funding conditions should then lead to a stronger demand for solar roof systems that make possible a higher self-consumption on the part of investors. To this end SOLARWORLD AG wants to enhance its systems and kits so that customers will be able to control their self-consumption of solar power.

In other European growth markets like **Italy, France, Belgium** and the **Czech Republic** we feel that our differentiated product range and our target-oriented marketing strategy enable us to increase our sales. Thus, we already showed in France in 2009 that with the ENERGYROOF® we were present with the right product – as it has fitted the funding legislation – at the right time.

In the future market of the **USA** we are also expecting a vigorous increase in the demand. We will substantially increase our marketing activities in this market and will focus even more stringently on the retail segment.

EXPECTED REVENUE AND EARNINGS DEVELOPMENT

In the further course of the year 2010 we are planning to increase our production volume by more than 30 per cent, which is to say that we are maintaining our speed of growth. In addition, we will intensify our investments into the expansion of our capacities, into our Research and Development as well as into the awareness of our brand. In this context we benefit from our high equity ratio and liquidity. We are planning to substantially exceed last year's revenue level of € 1 billion. Against the backdrop of the still unsettled legal background conditions in the important German market it will be crucial for our annual result which price reduction can and must be compensated for on the cost side.

EXPECTED FINANCIAL SITUATION

PLANNED FINANCING MEASURES

In January of 2010 we successfully placed a bond with a volume of € 400 million in the capital market. Taking into consideration our existing liquidity and our sustainable earning power we have, from today's point of view, sufficient financial funds to be able to implement our short- and medium-term growth objectives and, at the same time, to have access to a strategic liquidity reserve at any time.

PLANNED INVESTMENTS

We are continuing the worldwide expansion of our production capacities as planned. The major portion of our investments in 2010 will be accounted for by our locations in Freiberg/Germany and Hillsboro/USA. Group-wide we are expecting an investment volume of up to € 300 million in the current fiscal year.

FUTURE DIVIDEND

On 20 May 2010 the Annual General Meeting of SOLARWORLD AG will vote on the appropriation of the balance sheet profit from the financial statements of the stock corporation for fiscal year 2009 with a total dividend distribution of € 17.88 million for the 111.72 million share certificates with a dividend entitlement. The Management Board and the Supervisory Board have proposed a dividend amounting to € 0.16 (2009: € 0.15). After the resolution has been passed the remaining balance sheet profit of SOLARWORLD AG amounting to € 89.6 million will be allocated to revenue reserves. In this way we secure the equity capital base of the group.

EXPECTED DEVELOPMENT OF LIQUIDITY

As per 31 March 2010 the free liquidity (liquid funds) amounted to € 911.0 million (31 December 2009: € 428.1m). We will continue to have a stable liquidity basis.

OVERALL MANAGEMENT STATEMENT ON THE EXPECTED DEVELOPMENT OF THE GROUP

SOLARWORLD AG has established itself as a worldwide leader in the production and distribution of crystal-line solar power technology. The basis for this is above all our high quality product range as well as the positioning of our strong brand. As a fully integrated company we will take on the increased price and margin pressure caused by the planned EEG amendment in the important German market as well as the worldwide increase in competition through cost reductions and technology optimizations along the entire value chain. Following our strategy we will expand our production capacities as planned and further invest in the quality of our products as well as the awareness of our brand so as to consolidate our positioning in our core markets and to open up new growth regions.
