

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.