

BUSINESS DEVELOPMENT FIRST QUARTER 2010

THE SOLARWORLD STOCK

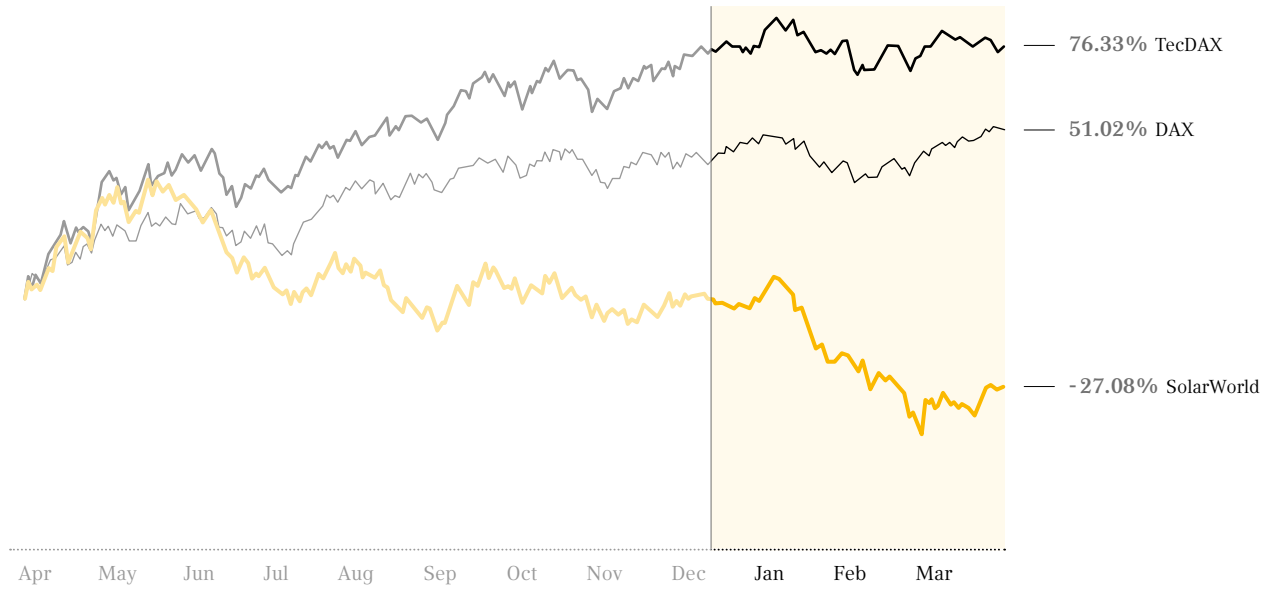
The situation in the international financial markets in Europe and the USA stabilized. There were, however, hardly any new impulses. The **DAX** for example rose only slightly in the first quarter by three per cent to 6,154 points (cut-off date: 31 March 2010). The **TecDAX** even reported a negative 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.

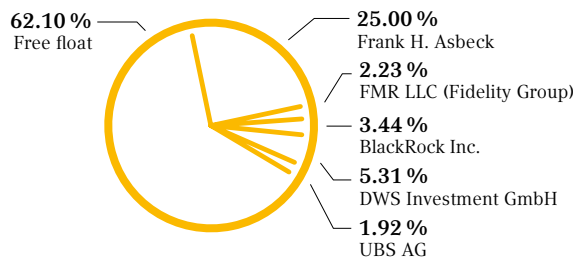
05 SOLARWORLD STOCK IN YEAR-ON-YEAR COMPARISON WITH DAX AND TECDAX

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//](#)
