

# EARNINGS, FINANCE AND ASSET SITUATION

## EARNINGS SITUATION

### REVENUE AND EARNINGS DEVELOPMENT

SOLARWORLD AG was able to use the dynamism of the international solar markets to expand its business significantly. In the second quarter of 2010 we increased wafer and solar module shipments by 90 percent to 237 (Q2 2009: 125) MW. In the first half of 2010 sales rose in comparison with the first half of 2009 by 58 percent to 377 (H1 2009: 239) MW.

Revenues in the second quarter of 2010 grew by 68.6 percent and € 155.7 million respectively to € 382.8 million (Q2 2009: € 227.1m). In comparison with the first half of 2009 (€ 403.4m) revenues increased by 50.8 percent and € 205.0 million respectively to € 608.4 million.

The group-wide rate of international business amounted to 32.6 (H1 2009: 38.1) percent. This is attributable especially to the high demand for SOLARWORLD products in Germany.

Earnings before interest and taxes (EBIT) increased in the second quarter of 2010 by € 10.9 million to € 56.4 million (Q2 2009: € 45.5m). In the first half of 2010 EBIT amounted to € 81.2 million (H1 2009: € 83.3m). Earnings before interest, taxes, depreciation and amortization (EBITDA) went up in the second quarter of 2010 by € 16.7 million to € 77.8 million (Q2 2009: € 61.1m). In the first half of 2010 EBITDA could be increased by € 8.1 million to € 121.7 million. The group-wide EBIT margin in the second quarter was 14.7 (Q2 2009: 20.1) percent; in the first half of 2010 it was 13.3 (H1 2009: 20.7) percent.

The financial result improved in comparison with the second quarter of 2009 by € 2.2 million to € -7.9 million (Q2 2009: € -10.1m). The financial result of the first half of 2010, on the other hand, was significantly marked by the increase of the long-term financial debts and amounted to € -20.9 million (H1 2009: € -12.9m).

Consolidated net income rose in the second quarter of 2010 by € 1.6 million to € 29.5 million (Q2 2009: € 27.9m). In the first half of 2010 consolidated net income amounted to € 34.8 million (H1 2009: € 51.7m).

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## DEVELOPMENT OF MATERIAL INCOME STATEMENT ITEMS

Personnel expenditure changed in the first half of 2010 versus the same period of the previous year by € 7.7 million to € 58.5 million (H1 2009: € 50.8m). This increase results especially from the targeted increase of the headcount in the course of our consistent corporate growth. The rate of personnel expenditure improved in the first half of 2010 to 9.7 (H1 2009: 10.4) percent.

The rate of cost of materials went up in the first half of the year to 64.9 (H1 2009: 61.8) percent but fell 0.4 percentage points short of the same quarter of the prior year in the second quarter of 2010.

Amortization and depreciation increased as a result of the scheduled continuation of our investments in the expansion of our production capacities by € 10.3 million to € 40.6 million (H1 2009: € 30.3m).

Other operating expenses changed by € 18.9 million to € 67.3 million (H1 2009: € 48.4m). This is essentially due to increased expenditure owing to the higher production and sales volumes, the investments in the expansion of our brand awareness and the expenditure on raw materials transactions that are not part of our core business. The rate of expenses amounted to 11.2 (H1 2009: 9.9) percent.

Other operating income increased in comparison with the same period of the previous year mainly due to income from raw material transactions that are not part of our core business by € 10.0 million to € 35.9 million (H1 2009: € 25.9m).

## FINANCIAL SITUATION

### FINANCING ANALYSIS

In comparison with 31 December 2009 the equity capital increased by € 31.4 million to € 896.9 million (31 Dec. 2009: € 865.5m). On the balance sheet date the equity ratio amounted to 31.8 (31 Dec. 2009: 39.0) percent.

The financial liabilities changed in the first half of 2010 by € 553.7 million to € 1,343.2 million (31 Dec. 2009: € 789.5m) of which 96.3 percent are classified as non-current. This increase is especially attributable to the placement of a loan with a volume of € 400 million in the first quarter of 2010 and the call of a syndicated credit line amounting to € 100 million. In addition, the financial liabilities went up especially due to the first-time consolidation of SOLARWORLD AG & SOLARHOLDING GMBH IN GBR AUERMÜHLE → Group of consolidated companies • p. 35// by € 26.5 million.



The investment grants and allowances reported under non-current liabilities amounted to € 64.2 million (31 Dec. 2009: € 68.3m) on the balance sheet date. These public funds for the expansion of the production capacities as accrued on the liabilities side of the balance sheet will be written back over the period of utilization of the subsidized investment with an impact on earnings.

The other non-current liabilities were reduced by € 12.9 million to € 237.8 million (31 Dec. 2009: € 250.7m). The reported non-current portion of the received down payments for long-term wafer delivery contracts amounted to € 230.7 million (31 Dec. 2009: € 242.9m) on the balance sheet date.

## INVESTMENT ANALYSIS

In the first half of 2010 the investments in intangible assets and tangible fixed assets of the SOLARWORLD Group amounted to € 114.1 million (H1 2009: € 135.9m). The emphasis of our investment activities was placed on the expansion of our integrated manufacturing facilities at the Hillsboro/U.S. location (€ 58.4m) as well as our wafer production (€ 23.5m) and our module production (€ 19.0m) at the Freiberg/Germany site. We also invested € 6.9 million in the expansion of our research and development activities. Furthermore, a total of € 6.3 million went into the establishment of additional locations of the SOLARWORLD Group.

As a result of the first-time consolidation of SOLARWORLD AG & SOLARHOLDING GMBH IN GBR AUERMÜHLE the group gained assets worth € 39.5 million. The purchase price of the shareholding amounted to € 9.0 million.

The investments in the QATAR SOLAR TECHNOLOGIES Q.S.C. shareholding valued at equity amounted to € 17.2 million.

## LIQUIDITY ANALYSIS

The liquid funds of € 857.9 million (31 Dec. 2009: € 428.1m) include cash and cash equivalents mainly made up of overnight money and fixed term deposits. Over and above this the other current financial assets amounted to € 92.9 million (31 Dec. 2009: € 81.6m).

The cash flow from ongoing operations reached € 138.5 million (H1 2009: € -100.8m) in the first half of 2010.

The cash flow from investment activities amounted to € -123.9 million (H1 2009: € 24.7m) and was especially characterized by payouts for investments in tangible fixed assets running to € -136.0 million. The payout for the acquisition of a consolidated company amounted to € 9.0 million. On the other hand, in-payments from the divestments of fixed assets ran to € 10.9 million and in-payments from the write-back of financial investments amounted to € 10.2 million.

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The cash flow from financing activities amounted to € 407.8 million (H1 2009: € -44.9m) and was characterized by the placement of a loan with a volume of € 400 million as well as the call of the second part of a syndicated credit line of € 100 million. In addition it contained especially payouts due to dividend distributions and the acquisition of treasury stock amounting to € -59.3 million, interest payments running to € -19.3 million and the departure of funds for the payback of financial credits to the tune of € -8.9 million.

## ASSET SITUATION

### ASSET STRUCTURE ANALYSIS

The balance sheet total increased versus 31 December 2009 (€ 2,217.1m) by € 603.8 million to € 2,820.9 million.

The non-current assets went up in the first half of 2010 by € 178.3 million to € 1,060.1 million. This development is primarily attributable to the increase in tangible fixed assets caused by expansion investments. The working capital declined in the first half of the year by € 23.3 million to € 426.3 million (31 Dec. 2009: € 449.6m). This is especially the consequence of a volume of accounts receivable that was reduced by € 22.2 million to € 189.2 million with effect from 30 June 2010. The level of inventories remained fairly stable at € 600.9 million in comparison with 31 December 2009 (€ 598.2m). The down payments received that are reported within the inventory figure amounted to € 374.8 million (31 Dec. 2009: € 384.3m). Trade payables increased versus 31 December 2009 (€ 83.9m) by € 12.8 million to € 96.7 million. On the balance sheet date the down payments received ran to a total of € 267.1 million (31 Dec. 2009: € 276.0m).

### OFF-BALANCE SHEET FINANCING INSTRUMENTS

Off-balance sheet financing instruments have no influence on the asset situation of our group.

### OFF-BALANCE SHEET ASSETS

At the cut-off date of 30 June 2010 our group had no assets that would not be financially visible.



## HUMAN RESOURCES

The number of SOLARWORLD employees continued to rise in the first half of 2010. At the cut-off date we had 2,149 (30 June 2009: 1,905) employees on our payroll. This is 13 percent more than in the same quarter of the previous year. In comparison with the year-end of 2009 our headcount went up by seven percent.

### Ⓞ GROUP EMPLOYEES // AS AT 30 JUNE

	Employees as at 30 June 2010	Employees as at 30 June 2009	+/- absolute
Germany	1,398*	1,268**	130
U.S.	732	618	114
Rest of the world	19	19	0
<b>Total</b>	<b>2,149</b>	<b>1,905</b>	<b>244</b>

\* incl. 70 trainees

\*\* incl. 68 trainees

Including temporary staff 2,985 (30 June 2009: 2,624) people worldwide worked for the SOLARWORLD Group on the cut-off day.

Personnel changes on the Management Board or the Supervisory Board of SOLARWORLD AG did not take place in the first half of 2010.