

**THIRD QUARTER 2012  
CONSOLIDATED INTERIM REPORT  
SOLARWORLD AG**



**FOR YOUR GUIDANCE**

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- ➞ *Cross reference to text passages in the Group Interim Report • p. 00//* \_\_\_\_\_
- 📊 *Cross reference to charts in the Group Interim Report • p. 00//* \_\_\_\_\_
- @ *www.internetlink.com//* \_\_\_\_\_
- 📄 *Cross reference to Details on Sustainability Performance 2011 • p. S000//* \_\_\_\_\_
- 📅 *Cross reference to financial reports of prior years • p. 000//* \_\_\_\_\_

Rounding differences may occur in this report.

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## MAGAZINE

### THE FUTURE IS SMART AND INDEPENDENT

In our magazine, you will experience how SOLARWORLD together with others is driving forward the future of energy.

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## SUSTAINABILITY PERFORMANCE

### SOLAR SUSTAINABILITY

In our "Details on Sustainability Performance," you will learn how SOLARWORLD's employees are working for a sustainable future – available online or as a print-on-demand copy:

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# SOLARWORLD THIRD QUARTER 2012

04

## 01 SELECTED INDICATORS // IN K€

Financial indicators 3rd quarter	3rd quarter 2012	3rd quarter 2011*	Change
Revenue	128,820	218,759	-41.1 %
EBITDA	-23,702	50,366	n. a.
EBIT	-45,782	19,233	n. a.
EBIT in % of revenue	-35.5 %	8.8 %	-44.3 %-points
Consolidated net result	-68,727	-10,985	-525.6 %

Financial indicators	1st-3rd quarter 2012	1st-3rd quarter 2011*	Change
Revenue	468,900	752,398	-37.7 %
Foreign quota in % of revenue	50.4 %	60.0 %	-9.6 %-points
EBITDA	-123,190	174,234	n. a.
EBIT	-189,579	89,717	n. a.
EBIT in % of revenue	-40.4 %	11.9 %	-52.5 %-points
Capital employed (key date)**	1,155,077	1,677,421	-31.1 %
ROCE*** (in %)	-16.4 %	5.3 %	-21.7 %-points
Consolidated net result	-229,993	11,199	n. a.
Consolidated net result in % of revenue	-49.0 %	1.5 %	-50.5 %-points
Total assets	1,653,741	2,682,919	-38.4 %
Equity	369,803	928,279	-60.2 %
Equity ratio (in %)	22.4 %	34.6 %	-12.2 %-points
Return on equity (in %)	-62.2 %	1.2 %	-63.4 %-points
Cash flow from operating activities	-45,665	-163,364	72.0 %
Net liquidity****	-805,160	-767,709	-5.4 %
Investments in intangible assets and property, plant and equipment	39,162	141,053	-72.2 %

Employee indicators	1st-3rd quarter 2012	1st-3rd quarter 2011*	Change
Employee (key date)	2,478	2,700	-8.2 %
of which trainees (key date)	72	80	-10.0 %
Personnel costs ratio (in %)	21.9 %	11.0 %	10.9 %-points
Revenue per employee (in k€)	189	279	-32.1 %
EBIT per employee (in k€)	-77	33	n. a.

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

\*\* Intangible assets and property, plant and equipment less deferred investments subsidies plus net current assets except for current net liquidity

\*\*\* EBIT/Capital employed

\*\*\*\* Liquid funds and other financial assets less financial liabilities

## 02 QUARTERLY COMPARISON OF THE CONSOLIDATED INCOME STATEMENTS // IN K€

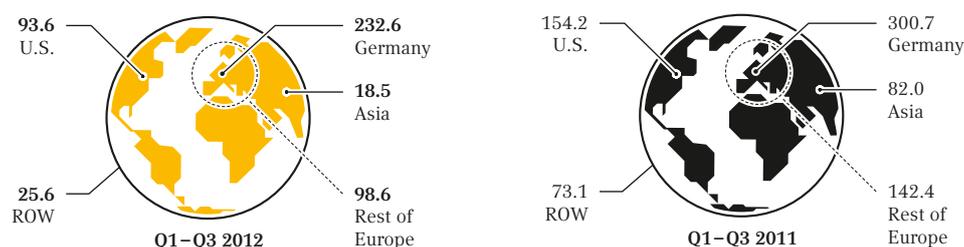
	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q3 2011	Change
Revenue	292,537	170,493	169,587	<b>128,820</b>	218,759	-41.1 %
Inventory change in products	-126,319	-8,584	-9,144	<b>8,721</b>	102,871	-91.5 %
Own work capitalized	12,634	2,662	-2,662	<b>55</b>	445	-87.6 %
Other operating income	122,105	81,038	17,612	<b>22,037</b>	83,169	-73.5 %
Cost of materials	-164,474	-122,997	-163,356	<b>-119,842</b>	-250,675	52.2 %
Personnel expenses	-33,791	-36,158	-35,468	<b>-28,881</b>	-34,391	16.0 %
Amortization and depreciation	-367,997	-21,871	-22,438	<b>-22,080</b>	-31,133	29.1 %
Other operating charges	-68,270	-37,987	-124,524	<b>-34,612</b>	-69,812	50.4 %
<b>Result of operations</b>	<b>-333,575</b>	<b>26,596</b>	<b>-170,393</b>	<b>-45,782</b>	<b>19,233</b>	n. a.
Financial result	-11,620	-17,870	-9,062	<b>-20,539</b>	-16,524	-24.3 %
<b>Pre-income tax result</b>	<b>-345,195</b>	<b>8,726</b>	<b>-179,455</b>	<b>-66,321</b>	<b>2,709</b>	n. a.
<b>Taxes on income</b>	<b>26,862</b>	<b>-9,015</b>	<b>18,477</b>	<b>-2,406</b>	<b>-12,863</b>	81.3 %
Income after taxes from discontinued operations	0	0	0	<b>0</b>	-831	-100.0 %
<b>Consolidated net result</b>	<b>-318,333</b>	<b>-289</b>	<b>-160,978</b>	<b>-68,727</b>	<b>-10,985</b>	<b>-525.6 %</b>

## 03 INDICATORS OF THE SOLARWORLD STOCK

Prime Standard/TecDAX	1st-3rd quarter 2012	1st-3rd quarter 2011
Number of shares	111.72 m	111.72 m
Market capitalization as at September 30	170.9 m€	349.7 m€
Earnings per share	-2.08 €	0.10 €
Lowest price	1.05 €	3.13 €
Highest price	4.38 €	11.95 €
Opening price at beginning of year	3.36 €	7.65 €
Closing price per September 30	1.53 €	3.13 €
Share price development since beginning of year	-54.5 %	-59.1 %

ISIN (International Securities Identification Number): DE0005108401, WKN (Wertpapier-Kenn-Nummer): 510840, Stock exchange abbreviation: SWW

## 04 REVENUE BY REGION // IN M€





BUILD A SOLARWORLD

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*“We will do everything we can to  
help SolarWorld overcome  
this difficult consolidation phase.”*

—

A handwritten signature in black ink, appearing to read "Asbeck", is written over a horizontal line.

*Dr.-Ing. E. h. Frank Asbeck*  
CEO of SOLARWORLD AG

*Dr.-Ing. E. h. Frank Asbeck*  
CEO of SolarWorld AG



## Letter by the Chairman

**Dear customers, shareholders, employees and friends of SOLARWORLD AG,**

The ongoing price decline since the beginning of the year has taken its toll on SOLARWORLD. Although we were able to increase shipments of solar modules and kits, our revenue went down considerably. At the end of the day, the result was significantly negative. Contrary to our expectations, there was no third quarter upswing in the rooftop segment in Germany. Supply far exceeded demand, due in part to clearances from manufacturers that are pulling out of the market and are liquidating their warehouses.

The fact that even those solar manufacturers that have a good handle on their costs aren't able to turn a profit is hard to swallow. The sustainably developed solar industry has been harmed massively, and in parts even destroyed, due to dumping and illegal subsidies. We are on our way in the fight to establish fair international competition, but we have not yet reached the finish line everywhere. The EU in particular must follow the footsteps of the U.S. and take action as quickly as possible!

These legal and political disputes are one aspect. But it is also up to us to make SOLARWORLD as strong as possible so that it can overcome this difficult consolidation phase. We will do everything we can.

First, we will be bringing innovations from our own research and development to production this year and next. These innovations will further boost performance, which will benefit us as well as our customers. We are also ahead of the game by preparing for the solar markets of the future with products for an intelligent energy management as well as ground-mounted solutions. The number-one economic reason to buy will soon no longer be long-term returns, but rather the ability to keep electricity costs low by producing one's own electricity.

Second, we are cutting costs everywhere we can. And that means in every area of our group. It pains us that we have to say goodbye to employees as we adapt to the market situation, but this has been and is a necessary step. Other steps we have taken, in contrast, make us proud. Our purchasing team, for example, has managed to save millions in procurement costs.

Third, we are becoming faster, more flexible, and more focused on service. Our customers' needs are changing; demand on the international solar markets is shifting in the near term. We were among the first to enter new export markets and are well positioned with the SOLARWORLD brand.

Those companies that overcome the current crisis will be among the winners long-term.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Asbeck", is written over a horizontal line.

*Dr.-Ing. E. h. Frank Asbeck*  
CEO of SolarWorld AG



# INTERIM GROUP MANAGEMENT REPORT

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# BUSINESS DEVELOPMENT IN THE THIRD QUARTER OF 2012

## THE STOCK

The **capital markets** saw a positive development in the third quarter of 2012. The DAX closed at 7,216 points at reporting date, September 28, a 13 percent increase in the third quarter of 2012 and a 22 percent increase for the year. Technology stocks were also up. The TecDAX closed at 809 points at reporting date, a 9 percent increase in the third quarter of 2012 and an 18 percent increase in the first nine months of the year.

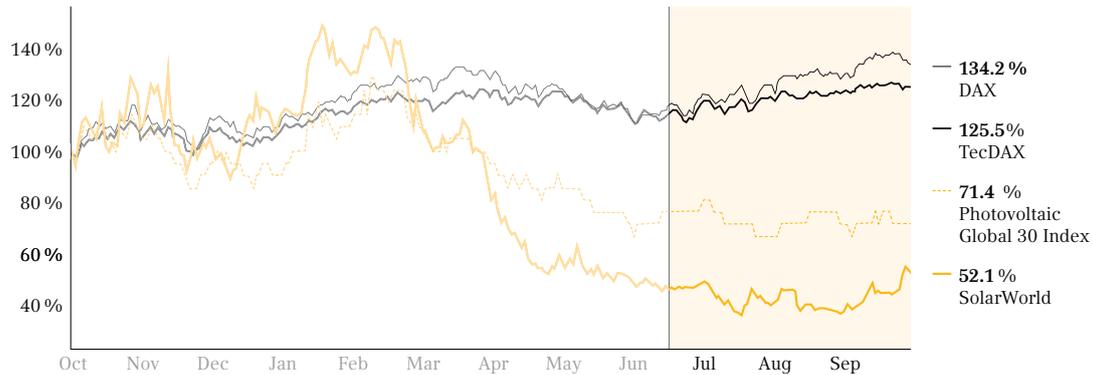
**Solar stocks** did not perform nearly as well. Reports about manufacturers' high debts and about additional bankruptcies, the sharp drop in prices, and the ongoing debates about the Renewable Energy Sources Act (EEG) in Germany caused considerable insecurity among investors. The SOLEX solar stock index dropped by 14 percent in the third quarter, closing at 101 points on September 28, 2012. It fell 36 percent since the beginning of the year. The Photovoltaic Stock Index (PPVX) closed at 619 points at the cut-off date, losing 16 percent in the third quarter and 32 percent for the year. The Photovoltaic Global 30 Index, which comprises the 30 largest companies in the solar energy industry, also fell. It was down 29 percent for the year, closing at 15 points at the cut-off date.

The **SOLARWORLD stock** lost value in the reporting period. It dropped by 54 percent for the year (January 2, 2012: € 3.36), closing at € 1.53 on September 28. Within the third quarter, our stock price managed to gain 10 percent (June 29, 2012: € 1.39). This was mainly due to news that important competitors were pulling out of the solar sector and the European Commission's decision to investigate Chinese manufacturers' dumping practices. (→ [Trade complaints](#) • p. 17// The lowest price in the first nine months of the year was € 1.05, the highest € 4.38. (→ [Indicators for the SOLARWORLD stock](#) • p. 05//

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05 DEVELOPMENT OF THE SOLARWORLD STOCK VS. DAX, TECDAX AND PHOTOVOLTAIC GLOBAL 30 INDEX

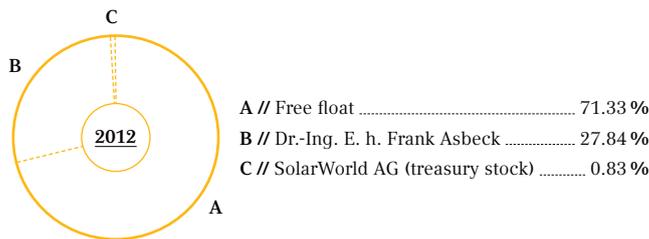
Period: October 1, 2011 – September 30, 2012 // Source: Deutsche Börse, 2012



In the period under review, SOLARWORLD AG’s **capital stock** remained unchanged and stands at 111,720,000 no par value bearer shares with an imputed nominal value of € 1.00. At cut-off date, 924,607 no par value shares were held by SOLARWORLD AG (0.83 percent). These shares do not carry voting or dividend rights.

No voting rights announcements pursuant to §§ 21 et seq. of the German Securities Trading Act (WpHG) were published during the period under review.

06 SHAREHOLDER STRUCTURE AS AT SEPTEMBER 30, 2012 // IN PERCENT



We continued our **investor relations** work – in one-on-one discussions with investors, analysts, and stockholders and by participating in various roadshows and conferences.

SOLARWORLD’s 2011 Annual Group Report placed third in the TecDAX category of the “Best Annual Reports” competition run by Germany’s *manager magazin*.

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## THE MARKET

### ECONOMIC ENVIRONMENT

Despite getting off to a good start in 2012, the **global economy** was unable to continue to expand in the first nine months. Burdened by the European debt crisis and the weaker than expected economy in developing countries, the mood among companies and households darkened in fall 2012. The decision by central banks that they would buy government bonds in unlimited form if necessary stimulated the financial markets in the third quarter. → *Economic development of our sales markets • p. 11 //*

Even **Germany's economy** was not spared the effects of the debt crisis. Worsening outlooks led to lower corporate investments. In contrast, investment in the private construction sector, primarily in residential real estate, has been strong this year. The loss of confidence in the financial sector led many investors to focus increasingly on material assets. German exports benefited from the depreciation of the euro. The Institute for the World Economy (IfW) expects the German economy to improve by 0.8 percent. However, prospects for growth of crisis countries in the **euro zone** have worsened considerably. High unemployment and restrictive financial policies have slowed economic recovery so that a recession can be expected for the euro zone in 2012.

Consumption in the **United States** decreased over the course of the year. Yet, the U.S. real estate market experienced a slight recovery in the third quarter, which could have a positive impact on economic performance. The U.S. labor market also improved somewhat in September, which should boost private consumption again. Prospects for growth remain moderate overall.

#### ① ECONOMIC DEVELOPMENT IN SOLARWORLD'S LARGEST SALES MARKETS // IN PERCENT

Source: Kiel Institute for the World Economy, 2012

	2011	2012 e	2013 e
Germany	3.0	0.8	1.1
U.S.	1.7	2.2	1.5
Euro zone	1.4	-0.4	0.3
<b>World</b>	<b>3.9</b>	<b>3.3</b>	<b>3.6</b>

## THE WORLD ENERGY MARKET

Despite clear signals of a weakening global economy, the **oil price** rose 15 percent in the third quarter. The average price of a barrel of WTI grade oil cost US\$ 94.55 in September (June 2012: US\$ 82.30). Unforeseeable disruptions in supply rates from non-OPEC countries caused prices to soar. On the whole, the price remained below January 2012 levels (US\$ 100.27/barrel).

Further **electricity price** increases are in the public spotlight and the subject of controversy in Germany. Energy providers are not passing the dampening effect of renewable energies on the electricity trading price on to consumers. The Renewable Energy Sources Act (EEG) costs are entirely imposed on private consumers since large-scale consumers, which benefit from low electricity trading prices, are exempt from the EEG apportionment. Parts of the government are currently considering a new way of allocating EEG costs.

In the United States the Energy Information Administration (EIA) is expecting the price of electricity to rise by nearly 1 percent by the end of 2012.

## THE SOLAR POWER MARKET

There was a clear uptrend in **international demand** for solar products in the first nine months of 2012. Although the global market was marked by strong regional shifts, overall demand grew compared to last year. At the end of 2011, experts were still projecting the global market to stagnate at around 22 GW. Now, forecasts predict a global market volume of around 31 GW.

Nevertheless, global production capacity still greatly exceeds demand. The excess capacity is due primarily to strong expansions in Asia. Despite high financial debt and heavy losses, Chinese competitors offer their products at below manufacturing cost. Dumping has led to a menacing crisis in the entire photovoltaic industry, despite growing world demand. Many solar companies had to file for bankruptcy or pull out of the market in the first nine months primarily due to the illegal competition. Some large Chinese companies needed new loan commitments in the billions from Chinese banks for sufficient liquidity to continue their business operations. Legal steps were taken in the United States and the EU to restore fair competition. ➞ Trade complaints • p. 17// ➞ Supplementary report • p. 24//

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In **Germany**, solar market development fluctuated greatly over the course of the first nine months. Fluctuations were caused mainly by the insecurity among market participants about the amendments to the Renewable Energy Sources Act (EEG). The final decision was only reached at the end of the first six months. This triggered massive pull-forward effects in the first quarter. Demand in the small system segment leveled off after April 1. © *Consolidated Interim Report First Half 2012/The solar market* • p. 12// The ground-mounted systems market grew, however, since the transition periods were longer. The sharp drop in the price of solar modules created a greater incentive to build large solar parks. SOLARWORLD was able to complete a few projects in this segment through its subsidiary SOLARPARC AG, which it acquired in 2011. ☞ *Shipments, brand, production* • p. 14// Overall, 6.2 (Q1–Q3 2011: 3.4) GW were installed in Germany in the first three quarters. Market volume increased slightly compared to the previous year’s level in the third quarter to 1.8 (Q3 2011: 1.6) GW. More than 75 percent of the newly installed capacity, however, is due to large-scale solar systems with capacity higher than 500 kWp.

The core market of SOLARWORLD (roof systems below 10 kWp) only made 10 percent of the newly installed market capacity. Private customers in particular remained reluctant even after the final decision about the amendment to the EEG had been made on June 28. They were unsettled because of ongoing price erosion and the controversies surrounding the incentive for renewable energy sources. Furthermore, the potential for small system business was not fully tapped because numerous solar installers in the electrical trades are currently concentrating on the booming construction business.

The **Italian market** was also characterized by pull-forward effects. The market experienced high peaks in demand especially in the second and third quarters. The new “Conto Energia V” went into effect in August 2012. Customers moved up their purchases to be able to install their solar power systems under the terms of the old law. Nevertheless, demand was much lower than in the previous year. According to the Italian power authority, GSE, solar power plants with a total power of around 2.6 (Q1–Q3 2011: 7.6) GW were connected to the grid between January and September 2012.

The solar market in the **United States** continued to grow in the first nine months of 2012. According to the Solar Energy Industry Association (SEIA), the market doubled to 1.2 (H1 2011: 0.6) GW. Many of these systems had already been sold in 2011, however, and only needed to be installed in 2012. As a result, de facto growth in demand was not as strong. The market picked up somewhat in the third quarter although falling prices still kept customers from buying, because they were hoping that prices will drop even further. As for proceedings to establish fair competition, the U.S. International Trade Commission (ITC) on November 7 upheld duties on Chinese imports of solar cells and modules issued by the U.S. Department of Commerce. This marks the official end of the trade case in the United States.

☞ *Supplementary report* • p. 24//

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Some **European markets** like Great Britain, Belgium, and Greece experienced growth, while France and Spain stagnated. In **Asia** and the **Pacific region**, Japan and Australia in particular are on a growth course. China, too, is doubtless a dynamic solar market, but the market seals itself off from foreign companies.

## REPERCUSSIONS OF THE GENERAL CONDITIONS ON BUSINESS DEVELOPMENT

SOLARWORLD AG faced and still faces strong pressure from the crisis in the solar industry. Aggressive dumping and instable legal conditions further intensified competition. Customers were unsettled by the fluctuating market situation and negative economic and industry-specific developments. The group was able to increase its shipments in the “Trade” segment thanks to its project business as well as its sales in export markets. However, shipments remained below plan and were not enough to compensate for the price erosion. Revenue was below the previous year’s level, and the operating result was significantly negative. ➔ *Development of sales and profit or loss • p. 18//*

## SALES, BRAND, PRODUCTION

In the first nine months of 2012, SOLARWORLD’s global shipments of solar modules and kits totaled 431 MW, or 13.3 percent more than in the previous year (Q1–Q3 2011: 381 MW). The foreign shipments quota dropped to 57.3 percent (Q1–Q3 2011: 63.7 percent), a consequence of the first quarter’s pull-forward effects in Germany.

We increased our shipments in **Germany** by one third overall between January and September. SOLARWORLD was affected by the instability of the market caused by politics, price distortions, and the consolidation within the solar market. The short-notice amendment to the Renewable Energy Sources Act (EEG) also led to a boom at SOLARWORLD in the first quarter and caused demand to drop off after April 1. The second quarter was weak in the small system segment because numerous potential customers adopted a wait-and-see attitude. The changes in the EEG settled in late June had little effect, and contrary to our expectations, the situation did not normalize in the third quarter. Customers often put off their decisions to buy because they expected prices to drop further or because they were disturbed by the ongoing industry crisis as well as by energy policy debates. Other German quality providers’ bankruptcies or decisions to pull out of the market have not yet had a positive impact on SOLARWORLD. On the contrary, some of these manufacturers unloaded and still unload their inventories under closeout conditions, which fuels the downward price spiral, even for quality products. Yet, multiple wholesalers and installers that serve the discerning premium segment have already contacted us about future opportunities to cooperate.

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We continued our efforts to attract customers in the third quarter to underpin demand in Germany, particularly from private households. We emphasized that SOLARWORLD products can cut energy costs. In doing so, we are making it clear to our customers that photovoltaics is transforming – from a way of generating income to an investment that can help households slash their utility costs thanks to **self-consumption**. Our commitment to **sales marketing**, with a view to supporting SOLARWORLD Authorized Installers, remains as strong as ever. In light of the tough competition, the aim is also to attract new installers to sell our products and expand the Authorized Installer network.

We were able to compensate for reluctance among potential private buyers of small systems after April 1 in terms of quantity in the **ground-mounted segment**. We held our ground in this area, which is especially sensitive to prices, primarily because our subsidiary SOLARPARC AG is able to build turnkey ground-mounted projects. SOLARPARC completed three large-scale plants with a total volume of 31 MW and put them into operation in accordance with the EEG before June 30. During the third quarter we sold one of these plants to an investor; we expect to sell the remaining plants by year end.

We have pursued a similar strategy in the **United States**, our second domestic market. We strengthened our presence in the ground-mounted segment. One of the projects we have begun is a large-scale turnkey project in California, which we hope to sell by the end of the year. During the reporting period, however, shipments in North and South America as a whole were down 28 percent from the first nine months of last year. The main reason was the fact that large quantities of dumped goods was imported into the U.S. in 2011, i. e. before the trade complaint could take effect. These products filled warehouses and were still being installed in 2012, which meant that some of the demand in the U.S. was met with goods sold the previous year. For the outcome of the trade complaints in the United States, see the ↪ [Supplementary report](#) • p. 24//. The decline in shipments was also due to the fact that we delivered a large-scale project in Canada last year.

Trends in the **export markets** in Europe and other parts of the world were better overall for SOLARWORLD. Our shipments in many regions grew, most notably in **Italy**, a market that, like Germany, was distorted by pull-forward effects.

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We are continuing our efforts to internationalize and tap promising new solar markets. Following **Japan**, we expanded our presence in **Great Britain** in September. From our local office in Salisbury, southwest of London, we can further expand our British Authorized Installer network according to the German model. We have been preparing for our early expansion into other markets over the past few months.

Since SOLARWORLD's shipments remained below our expectations, we could not fully utilize our production capacities. We implemented structural changes in our production to boost the group's competitiveness. Our raw materials subsidiary SUNICON GMBH merged with DEUTSCHE SOLAR GMBH at our Freiberg site on July 1, creating synergies in production and administration. Our focus on the newest production facility, adjustments to the lower production output and margin pressure made personnel cuts at our Freiberg and Hillsboro production sites necessary. ☞ *Employees • p. 22*//

We began bringing further **innovations** to production at both sites. These innovations should go to series production by early 2013. ☺ *Consolidated Interim Report First Half 2012/Sales, brand, production • p. 15*// We will already be introducing a new passivation procedure for the rear side of solar cells in the fourth quarter in Hillsboro. This will increase the power of our products and indirectly reduce costs. We cut wafer thickness from 200 to 180 micrometers at both sites, which lowered costs even further.

**Procurement** is key to cutting costs. For this reason, we have developed our global "Procurement" unit further in recent months and have added staff. ☺ *Annual Group Report 2011/Procurement • p. 042 et seq.*// One of our aims is to improve the group's purchasing conditions based on our long-standing trusting supplier relationships. In light of this, we held our first international supplier symposium in Freiberg on August 28. We invited over 60 global, strategic partner companies, which account for over half of SOLARWORLD's total purchasing volume. Our clear goal of further reducing material and service costs was communicated to suppliers during the event. The majority of suppliers then declared themselves willing to support SOLARWORLD in the joint effort to further cut material and service costs.

## RESEARCH AND DEVELOPMENT

SOLARWORLD INNOVATIONS GMBH in Freiberg is working closely with production to bring innovations to current production quickly. Our focus since the beginning of the year has been on improving our monocrystalline and polycrystalline solar cells, which will increase module performance. For more information about this innovation and new products from SOLARWORLD AG see ☺ *Consolidated Interim Report First Half 2012/Sales, brand, production • p. 13 et seq.*//

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## TRADE COMPLAINTS

In the United States, the International Trade Commission's (ITC) unanimously decided on November 7, 2012, to activate anti-dumping and anti-subsidy duties on Chinese solar products. (→ [Supplementary report](#) • p. 24//

In the European Union, the majority of the EU solar industry has also been taking action against the illegal trade practices of Chinese photovoltaic manufacturers since the third quarter. Based on the trade complaint from the EU ProSun industry initiative, the European Commission opened a case on September 6 to investigate Chinese manufacturers' dumping practices. The European Commission has nine months to come to a decision on provisional anti-dumping duties, but has the option to impose these at an earlier date. Hence, a decision will be made by early June 2013 at the latest. The investigation will last up to 15 months in all, until the end of 2013 at the latest.

Following a second complaint by EU ProSun, the European Commission on November 8 launched another investigation on illegal trade practices and started to examine illegal subsidies for Chinese solar products, too. EU law provides for two separate procedures for dumping and illegal subsidies. The anti-subsidy proceedings will take 13 months at the longest. As in the anti-dumping case, preliminary measures such as anti-subsidy duties will be adopted within nine months at the latest and can be applied three months retroactively.

SOLARWORLD AG is among the supporters of EU ProSun, which represents the majority of Europe's photovoltaic industry. The industry initiative works for fair free trade and sustainable expansion of solar power in Europe. More information is available at @ [www.prosun.org//](http://www.prosun.org//).

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# ECONOMIC POSITION

## INCOME POSITION

### DEVELOPMENT OF SALES AND PROFIT OR LOSS

The SOLARWORLD group was able to increase groupwide shipments of solar modules and kits in the “Trade” segment in the first nine months of 2012 by 13.3 percent to 431 (Q1–Q3 2011: 381) MW, but it was not able to compensate for the massive drop in prices. ➔ *Sales, brand, production* • p. 14// Revenue thus fell 26 percent in the first nine months to € 446 (Q1–Q3 2011: € 602) million. Contrary to our expectations, there was no third quarter upswing in demand in the private rooftop segment in Germany, one of SOLARWORLD’s especially lucrative market segments. Shipments in the “Trade” segment totaled 115 (Q3 2011: 111) MW; revenue for the segment was € 119 (Q3 2011: € 166) million. External wafer business, which has a significant impact on the revenue of the “Production Germany” segment, played a minor role for SOLARWORLD again in the third quarter. The group’s shipments of wafers fell to 39 (Q1–Q3 2011: 195) MW in the first nine months and to 21 (Q3 2011: 84) MW in the third quarter.

Overall shipments of wafers and solar modules totaled 470 (Q1–Q3 2011: 576) MW groupwide. The foreign shipments quota was 61 (Q1–Q3 2011: 71) percent. Total group revenue dropped 37.7 percent or € 283.5 million in the first nine months of 2012 to € 468.9 (Q1–Q3 2011: € 752.4) million. The group’s revenue totaled € 128.8 (Q3 2011: € 218.8) million in the third quarter. The share of foreign revenue was 50.4 (Q1–Q3 2011: 60.0) percent in the first nine months and 48.5 (Q3 2011: 60.3) percent in the third quarter.

Consolidated earnings before interest and taxes (EBIT) totaled € –189.6 (Q1–Q3 2011: € 89.7) million in the first nine months. EBIT for the third quarter of 2012 was € –45.8 (Q3 2011: € 19.2) million. The sharp decline in prices was the main reason for this drop over last year. This was only partially offset by successful implementation of cost-cutting measures. ➔ *Development of material income statement items* • p. 19// Impairments totaling € 39.2 million had to be made to our inventories in the second and third quarter as a result of the drop in prices. In addition, an impairment of € 80.8 million was made on advance payments for silicon in the second quarter. Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) therefore dropped to € –123.2 (Q1–Q3 2011: 174.2) million in the first nine months of 2012 and to € –23.7 (Q3 2011: € 50.4) million in the third quarter of 2012.

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The basic valuation assumptions and premises on which the impairment tests at the end of 2011 were based were reassessed during the first nine months of 2012 and adapted in some areas to reflect current findings since the evaluation as at December 31, 2011. These adjustments led to no further impairments or appreciation for property.

The financial result was € -47.5 (Q1-Q3 2011: € -47.9) million in the first nine months of 2012 and € -20.5 (Q3 2011: -16.5) million in the third quarter.

SOLARWORLD's consolidated result was € -230.0 (Q1-Q3 2011: € 11.2) million in the first nine months, € -68.7 (Q3 2011: 11.0) million of which are attributed to the third quarter.

## DEVELOPMENT OF MATERIAL INCOME STATEMENT ITEMS

Our cost of materials ratio was 88.3 (Q1-Q3 2011: 68.7) percent. Despite the continuous optimization of our groupwide purchasing terms and processes and improvements in the use of materials in production we still could not fully offset the ongoing drop in product prices on the shipments side.

Personnel expenses dropped by 4 percent or € 3.9 million to € 100.5 (Q1-Q3 2011: € 104.4) million. This drop reflected the measures initiated over the course of 2012 to cut personnel costs, which were necessary in part due to under-utilization of our production capacity. (→ *Employees* • p. 22 // The personnel costs ratio increased to 21.9 (Q1-Q3 2011: 11.0) percent due to the drop in total capacity.

Depreciation declined by € 18.1 million to € 66.4 (Q1-Q3 2011: € 84.5) million due to the recognition of impairments on property, plant and equipment at the end of 2011.

Other operating expenses rose by € 39.6 million to € 197.1 (Q1-Q3 2011: € 157.5) million particularly as a result of the impairments made in the second quarter on advance payments and receivables totaling € 88.9 million. In contrast, groupwide cost cutting measures were implemented (particularly in the areas of contract personnel, maintenance, and marketing). The expense rate was 42.9 (Q1-Q3 2011: 16.5) percent in the reporting period.

As compared to the previous year, other operating income fell by € 17.7 million to € 120.7 (Q1-Q3 2011: € 138.4) million. This decline can essentially be attributed to higher income effects in the previous year from non-fulfillment and termination of long-term supply contracts with wafer customers.

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## FINANCIAL POSITION

### FINANCING ANALYSIS

Equity totaled € 369.8 million on September 30 (December 31, 2011: € 614.4 million). The equity ratio was 22.4 (December 31, 2011: 27.5) percent at cut-off date. As at the balance sheet date, our financial liabilities fell by € 234.5 million to € 1,037.4 (December 31, 2011: € 1,271.9) million mainly as a result of our early redemption of U.S. Senior Notes. Of that amount € 133.1 (June 30, 2012: € 530.0) million can be indicated as current, while € 904.3 (June 30, 2012: € 555.7) million can be indicated as non-current. In the previous quarter, financial liabilities had to be indicated as current according to IAS 1.74 since covenants could not be met at the June 30, 2012 balance sheet date and we were still in negotiations with lenders. SOLARWORLD AG concluded these negotiations in July 2012 and entered into new agreements with the lenders. Financial liabilities amounting to € 352 million were able to be moved from the current to non-current category.

Following the negotiations and redemptions, SOLARWORLD AG's financial liabilities as at September 30, 2012 are as follows:

#### ⑧ NON-CURRENT AND CURRENT FINANCIAL LIABILITIES // IN K€

	Sep. 30, 2012	Dec. 31, 2011
Bonds	543,007	554,071
Issued assignable note loads	354,192	380,789
Issued senior notes (US-Private Placement)	0	135,271
Bank loans	105,306	154,449
Purchase price obligation AUERMÜHLE	16,265	16,426
Payment obligation sub-participation Solarparks of Extremadura S.L., Spain	12,667	12,667
Deposits from toll manufacturers	1,409	12,490
Derivative financial instruments	241	585
Of which in hedging relationship: € 0k (prior year € 368k)		
Other	4,284	5,121
<b>Total</b>	<b>1,037,371</b>	<b>1,271,869</b>

Since SOLARWORLD did not meet its covenants as at June 30, 2012, we are not able to use any of SOLARWORLD AG's undrawn credit facilities at the moment.

Investment subsidies and grants shown in non-current liabilities totaled € 65.6 (December 31, 2011: € 56.8) million at cut-off date. These public means accrued on the liabilities side of the balance sheet are released to income over the course of the useful lives of the subsidized investments.

Other non-current liabilities decreased by € 55.0 million to € 28.8 (December 31, 2011: € 83.8) million. This is a result of the reversal in the non-current portion of advances received for long-term wafer supply agreements contained in this item.

## INVESTMENT ANALYSIS

We invested € 39.2 (Q1–Q3 2011: € 141.1) million in all in intangible assets and property, plant, and equipment in the first nine months of 2012. Of that amount € 12.3 million was invested in wafer production and € 2.5 million in solar module production at our German site. We invested an additional € 15.9 million in wafer, cell, and module production at our Hillsboro site in the United States. We invested € 2.1 million in our research and development company SOLARWORLD INNOVATIONS GMBH. We also invested € 6.4 million at other sites of the SOLARWORLD group.

## LIQUIDITY ANALYSIS

At cut-off date, September 30, 2012, liquid funds amounted to € 232.2 (December 31, 2011: € 553.3) million and included cash and cash equivalents that mainly consisted of day-to-day money and fixed deposits.

Cash flow from operating activities was € –45.7 (Q1–Q3 2011: € –163.4) million in the first nine months of 2012.

Cash flow from investment activities amounted to € –12.2 (Q1–Q3 2011: € –10.5) million. Cash outflow for asset investments totaled € –39.9 (Q1–Q3 2011: € –133.5) million compared to cash inflow from investment grants of € 22.0 (Q1–Q3 2011: € 18.4) million and cash inflow from financial investments of € 7.9 (Q1–Q3 2011: € 67.2) million.

Cash flow from financing activities amounted to € –263.8 (Q1–Q3 2011: € 82.2) million. It includes primarily the repayment of borrowings totaling € –192.1 (Q1–Q3 2011: € –63.7) million and interest payments totaling € –61.8 (Q1–Q3 2011: € –49.2) million. Dividend distributions amounted to € –10.0 (Q1–Q3 2011: € –21.1) million.

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## ASSET POSITION

### ASSET STRUCTURE ANALYSIS

As compared to December 31, 2011, SOLARWORLD group's balance sheet total decreased by € 582.1 million to € 1,653.7 (December 31, 2011: € 2,235.8) million.

Non-current assets decreased by € 113.2 million to € 955.3 (December 31, 2011: € 1,068.5) million. Working capital fell € 62.2 million to € 325.4 (December 31, 2011: € 387.6) million. This drop is due in large part to the € 57.1 million drop in receivables to € 65.9 (December 31, 2011: € 123.0) million and the € 15.8 million drop in inventories to € 313.2 (December 31, 2011: € 329.0) million. As at September 30, 2012, inventories included completed solar parks and solar parks under construction with a stock value of € 56.4 million. In comparison, trade payables were reduced € 10.6 million to € 53.8 (December 31, 2011: € 64.4) million. Current prepayments reported under inventories amounted to € 16.3 (December 31, 2011: € 49.4) million. Income tax advance payments decreased by € 32.8 million to € 2.7 (December 31, 2011: € 35.5) million.

### OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments have no impact on our group's asset position.

### ASSETS NOT SHOWN IN THE BALANCE SHEET

Our group had no assets, which were not shown in the balance sheet as at September 30, 2012.

### EMPLOYEES

SOLARWORLD is pursuing its goal of further increasing its competitiveness and continuing to improve its international structures at the human resources level as well. © Annual Group Report 2011, Employees • p. 051//

Restructuring meant staff reduction at both of our production sites, Freiberg and Hillsboro. By the end of September, we had cut 220 jobs in Freiberg by not renewing fixed-term employment contracts and by discontinuing employment of temporary workers. Changes are planned for 100 additional jobs by the end of the year. Most of these employees will continue to be employed by the group, but under new

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terms. This process is scheduled to be completed by the end of the year. Negotiations with the works council are currently under way. We have also downsized our U.S. Hillsboro site: during the course of the year we have cut 100 jobs, further reductions are planned. The efficient use of personnel is also being reviewed in all other business areas groupwide.

In total, we employed 2,923 (September 30, 2011: 3,354) people as at September 30, 2012.

#### 09 HEADCOUNT DEVELOPMENT AS AT SEPTEMBER, 30 // NUMBER OF PERSONS

	Employees as at September 30, 2012	Employees as at September 30, 2011	+/- absolute
Germany	1,593*	1,758**	-165
U.S.	855	917	-62
Rest of the world	30	25	+5
<b>Group</b>	<b>2,478</b>	<b>2,700</b>	<b>-222</b>

\* incl. 72 trainees  
\*\* incl. 80 trainees

In the period under review, there were neither personnel changes on the Management Board nor on the Supervisory Board of SOLARWORLD AG.

## MATERIAL RELATED PARTY TRANSACTIONS

In the first nine months of 2012 goods and toll manufacturing services amounting to € 3.2 (Q1-Q3 2011: € 37.2) million were purchased from joint ventures.

Apart from these transactions and from transactions based on existing long-term agreements (property leasing and management of solar parks), there were no related party transactions with a material effect on the net assets, financial position and result of operations of SOLARWORLD group in the first nine months.

# SUPPLEMENTARY REPORT

## DISCLOSURE OF EVENTS OF PARTICULAR IMPORTANCE AND THEIR REPERCUSSIONS

On November 7, 2012, the U.S. International Trade Commission (ITC) unanimously upheld the U.S. duties on Chinese solar cells and modules with Chinese solar cells and declared that illegally subsidized and dumped Chinese imports have caused significant harm to the U.S. solar industry. This marks the official end of the U.S. lawsuit. The duties, ranging between almost 24 to over 250 percent, are valid for five years and will be levied against imports of Chinese solar cells and modules with Chinese solar cells. The decision is an important step on our way to establish fair competition in the U.S. solar market, which is the second largest sales region of SOLARWORLD with high potential. Additionally, the ITC decision is a positive signal for current investigations in the EU. There, the European Commission opened a second proceeding against Chinese solar products. In addition to the anti-dumping investigation already begun on September 6, a parallel investigation is being made into all illegal subsidies in the Chinese solar industry. With this action, the Commission is pursuing the second complaint by EU ProSun, an industry initiative supported by SOLARWORLD.

In October, 2012, SOLARWORLD successfully closed negotiations on an existing € 75 million loan agreement with the European Investment Bank. SOLARWORLD has now renegotiated all borrowed funds that depend on covenants. → Planned financing measures • p. 29 //

## OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION AT THE TIME OF THIS REPORT

Taking into consideration the earnings, finance and asset situation resulting from the 2011 annual financial statements and the third quarter of 2012 figures as well as the ongoing business at the time of drawing up this report the management of SOLARWORLD AG rates the economic situation of the group as increasingly difficult.

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# EXPECTED FUTURE DEVELOPMENTS

## OPPORTUNITIES AND RISKS

The risk position of the SOLARWORLD group in the first nine months of 2012 was comparable to the detailed risk position presented in the 2011 Annual Group Report in most areas of risk. © [Annual Group Report 2011/Risk report](#) • p. 081 et seq.//

Two of the risks we considered very likely have in fact materialized over the course of 2012: the sales and price risks and the risks from tougher competition. Demand for our products in 2012 has remained far below our original expectations. © [Annual Group Report 2011/Sales and price risks](#) • p. 092// The short-notice changes to the regulatory framework in Germany and abroad paired with dumping prices for solar products © [Annual Group Report 2011/Risks from tougher competition](#) • p. 088// do not allow a reliable investment basis or planning security. As a result of this development, we have made impairments to our inventories totaling € 39.2 million this year. As predicted, the company's revenue and profitability were also negatively affected by the materialized risks. ☞ [Income position](#) • p. 18//

SOLARWORLD AG renegotiated existing loan agreements totaling € 372 million at the beginning of the third quarter of 2012 and adjusted its covenants. ☞ [Financing analysis](#) • p. 20// Despite this successful adjustment, we cannot rule out the risk that the new financial ratios might not be met in the future, especially given that current market distortions could aggravate in the short term. © [Annual Group Report 2011/Liquidity risks](#) • p. 094//

On the procurement side, the risks of our long-term silicon supply agreements were also substantiated in the course of the year. The consolidated interim financial statements for the first half of 2012 accounted for the greater risk with impairments € 80.8 million on advance payments made. © [Consolidated Interim Report First Half 2012/Estimations and assumptions](#) • p. 39 et seq.// As of September 30, 2012, circumstances remained basically unchanged compared to those described in the Interim Report First Half 2012, therefore we did not further adjust these impairments. Nevertheless, we still rate the risks from procurement with the effects described in the 2011 Annual Group Report as high.

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From today's perspective, the Management Board continues to rate the risk situation of the group as high. The individual risks described in the © *Annual Group Report 2011/Risk report* • p. 081 et seq.// and also described in detail above can have a major impact on the income, financial, and asset position of the SOLARWORLD group. Nevertheless, the group's ongoing existence is not in jeopardy at the time of reporting.

## FORECAST REPORT

### EXPECTED MACROECONOMIC ENVIRONMENT

The future development of the European debt crisis remains a major element of uncertainty. Experts at the Institute for the World Economy (IfW) assume the situation will stabilize but stress the high degree of uncertainty behind this assumption. The International Monetary Fund (IMF) advised of the risks of a serious global economic slowdown in 2013.

Many experts predict that the **global economy** will recover in 2013; however, their forecasts assume the debt crisis will stabilize. In all the IfW expects global production to grow by 3.6 (2012e: 3.3) percent. **Germany's** economy is also expected to expand, by 1.1 (2012e: 0.8) percent. Economic forecasts for the entire **euro zone** for 2013 are 0.3 percent better than they were for the current year (2012e: -0.4 percent). Expectations for 2013 in the **United States** (1.5 percent) are below the current year's level (2012e: 2.2 percent), however.

### EXPECTED DEVELOPMENT OF THE WORLD ENERGY MARKET

The Energy Information Administration (EIA) expects an average **oil price** of around US\$ 92/barrel (2012e: US\$ 95/barrel) in 2013. However, the prices assume strong market volatility of around 30 percent. Prices could rise to US\$ 121/barrel depending on the development of the global economy and on other elements of uncertainty, such as political unrest in oil-producing countries.

The **electricity price** is expected to rise in Germany in 2013. The EIA also expects the electricity price to increase in the United States, by around 1.2 percent, in 2013. This will further reduce the gap between the solar incentive and the actual electricity price. In the future, investments in solar power systems will be made less based on returns, and more with the goal of cutting utility costs.

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## EXPECTED DEVELOPMENT OF THE SOLAR POWER MARKET

Analysts expect the **global solar market** to grow by 35 percent in 2012 to 31 (2011: 23) GW. Demand is likely to increase only slightly, by 6 percent, to 33 GW in 2013. The solar market situation will remain extremely challenging despite the forecast growth. Consolidation of the industry will continue. Further competitors will not be able to withstand the adverse competitive conditions and will pull out of the solar business. This will likely destabilize the market in the near term and lead to customer insecurity. The companies that survive will benefit in the medium and long term.

We expect a continued low demand for roof-mounted systems in **Germany** in the fourth quarter. Although analysts currently predict that around 7.0 (2012: 7.5) GW will be installed in 2012, roof-mounted systems ought to be less than 10 percent of the total market. In the year 2013 roof-mounted systems are projected to reach a higher market share. The main reason for this development is that feed-in tariffs for ground-mounted systems were lowered significantly in the newly approved Renewable Energy Sources Act (EEG) and the transition period granted by the law expired in the third quarter of 2012. The current political debates about amending the EEG once again could have a strong impact on demand in the German market in the near term.

Given the falling feed-in tariffs and rising energy prices, the reason for making purchases can be expected to further shift in 2013. Solar power systems will be used increasingly to reduce electricity and utility costs. Opportunities to control and store solar power are especially attractive in this area. This opens up new market prospects for the few providers that offer system solutions like SOLARWORLD. We will establish a stronger position in this area and offer customers “post-EEG solutions.”

In **Italy**, we expect a moderate development in the solar market in the fourth quarter of 2012 following the enactment of the new law on incentives. According to market analysts, market volume in 2013 is expected to drop to 1.8 (2012e: 3.0) GW. Italy will nevertheless remain a promising market because high electricity prices and strong solar radiation make it attractive to purchase solar power systems even as compensation drops.

We expect an upswing in demand in the **United States** in the fourth quarter of 2012. The fourth quarter is traditionally strong in the U.S. because customers want to install their system before the end of the fiscal year to take the 30 percent tax deduction allowed by law. Market experts predict that around 3 (2011: 1.7) GW will be installed in the U.S. in 2012. The market should continue to grow to roughly 4 GW in 2013.

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## FUTURE DEVELOPMENT OF BUSINESS

In **Germany**, we expect fourth quarter shipments to be on the same level as in the third quarter. We anticipate a slight increase in demand in the **United States** since experience has shown that American customers often complete projects at the end of the year for tax reasons. ↻ *Expected development of the solar power market • p. 27*// We plan to further boost our **exports** by taking actions such as expanding our Authorized Installer networks and by being in new sales markets at an early stage. We will continue to position ourselves in the small system segment as a provider of high-quality solar power systems with a good price-performance ratio and will highlight the possibility of saving on utility costs through more self-consumption.

We want to expand our turnkey solar farm business in Germany, which has been especially successful, to select international markets. The **ground-mounted segment** remains promising despite the fierce price war because we can create value added for our customers thanks to the project expertise of our subsidiary SOLARPARC AG.

Cutting costs remains at the very top of our agenda. Our researchers and developers are cooperating with DEUTSCHE SOLAR GMBH and have begun testing new **crystallization processes** on a pilot scale. These processes can further increase cell efficiency and the performance of our modules. Our investments are aimed at bringing the processes to production in full.

Taking into account the continuously low demand, we will not be able to fully utilize our production capacity during the fourth quarter, especially our wafer production.

### ⑩ GROUPWIDE, NOMINAL YEAR-END CAPACITIES 2012 // IN MW

	 Wafers	 Cells	 Modules
Germany (Freiberg)	750	300	500
U.S. (Hillsboro)	250	500	350
<b>Group</b>	<b>1.000</b>	<b>800</b>	<b>850</b>

## EXPECTED DEVELOPMENT OF SALES AND PROFIT OR LOSS

We anticipate aggressive competition and further consolidation of the industry in 2012. Despite the difficult market environment, we expect to be able to increase the volume of module shipments slightly in 2012 compared to the previous year, while wafer shipments will decline significantly. We anticipate a much lower revenue volume than in 2011 due to the strong drop in sales price and a low volume of wafer shipments. Earnings before interest and taxes (EBIT) will be significantly negative in 2012.

## EXPECTED FINANCIAL POSITION

### PLANNED FINANCING MEASURES

SOLARWORLD adjusted the covenants for its existing € 75 million loan agreement with the European Investment Bank in the fourth quarter of 2012. → *Supplementary report • p. 24*// They now equal the covenants we negotiated in July 2012 for our other loan agreements. Thus, SOLARWORLD has finished renegotiating all financial liabilities that depend on covenants.

The group is aiming to preserve its liquidity in the near term and therefore has no plans at this time to buy back the bonds issued in 2010 and 2011.

### PLANNED INVESTMENTS

Our capital expenditure for 2012 is expected to total roughly € 50 million. Investments will focus on incorporating further technological improvements into existing production processes. This will improve the performance of our modules and cut specific production costs per watt peak. © *Consolidated Interim Report First Half 2012/New products in the first half of 2012 and market launches in the second half of 2012 • p. 16*//

### EXPECTED LIQUIDITY DEVELOPMENT

Liquid funds totaled € 232.2 million on September 30, 2012 (December 31, 2011: € 553.3 million). The expected development in liquidity in the fourth quarter of 2012 will be influenced in particular by the current developments of demand and prices in the solar market. In addition, the time of sale of our finished and unfinished projects will have a substantial impact on our liquidity. The sale of all these projects, however, could be delayed into the year 2013.

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## OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE EXPECTED DEVELOPMENT OF THE GROUP

The establishment of fair competition in the international solar markets is one important condition for the SOLARWORLD group's further business development. Provided that sales prices stabilize, the Management Board of SOLARWORLD AG is certain that the group has excellent chances to overcome the consolidation of the solar industry thanks to its business model and to come out of this phase even stronger by 2015.

We will continue to rely on fully integrated production and a premium brand product offered at a good price-performance ratio. Following the market shakeout, we expect SOLARWORLD to be the first choice for quality-conscious customers. Our strategic goal remains to further internationalize our business.

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# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## ⑩ INCOME STATEMENT JANUARY 1 – SEPTEMBER 30, 2012 // IN K€

	1st–3rd quarter 2012	1st–3rd quarter 2011*
1. Revenue	468,900	752,398
2. Change in inventories of finished goods and work in progress	-9,007	198,373
3. Own work capitalized	55	1,715
4. Other operating income	120,687	138,394
5. Cost of materials	-406,195	-654,678
6. Personnel expenses	-100,507	-104,433
7. Amortization and depreciation	-66,389	-84,517
8. Other operating expenses	-197,123	-157,535
<b>9. Operating result</b>	<b>-189,579</b>	<b>89,717</b>
<b>10. Financial result</b>	<b>-47,471</b>	<b>-47,872</b>
<b>11. Income before taxes on income</b>	<b>-237,050</b>	<b>41,845</b>
12. Taxes on income	7,057	-32,454
<b>13. Income from continued operations</b>	<b>-229,993</b>	<b>9,391</b>
<b>14. Income after taxes from discontinued operations</b>	<b>0</b>	<b>1,808</b>
<b>15. Consolidated net result</b>	<b>-229,993</b>	<b>11,199</b>
Attributable to:		
Shareholders of SOLARWORLD AG	-229,993	11,134
Non-controlling interests	0	65
<b>16. Earnings per share</b>		
a) Weighted average number of shares outstanding (in 1,000)	110,795	110,552
b) Income from continued operations (in €)	-2.08	0.08
c) Income from discontinued operations (in €)	0.00	0.02
<b>d) Consolidated net result (in €)</b>	<b>-2.08</b>	<b>0.10</b>

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑫ INCOME STATEMENT THIRD QUARTER 2012 // IN K€

	3rd quarter 2012	3rd quarter 2011*
1. Revenue	128,820	218,759
2. Change in inventories of finished goods and work in progress	8,721	102,871
3. Own work capitalized	55	445
4. Other operating income	22,037	83,169
5. Cost of materials	-119,842	-250,675
6. Personnel expenses	-28,881	-34,391
7. Amortization and depreciation	-22,080	-31,133
8. Other operating expenses	-34,612	-69,812
<b>9. Operating result</b>	<b>-45,782</b>	<b>19,233</b>
<b>10. Financial result</b>	<b>-20,539</b>	<b>-16,524</b>
<b>11. Income before taxes on income</b>	<b>-66,321</b>	<b>2,709</b>
12. Taxes on income	-2,406	-12,863
<b>13. Income from continued operations</b>	<b>-68,727</b>	<b>-10,154</b>
<b>14. Income after taxes from discontinued operations</b>	<b>0</b>	<b>-831</b>
<b>15. Consolidated net result</b>	<b>-68,727</b>	<b>-10,985</b>
Attributable to:		
Shareholders of SOLARWORLD AG	-68,752	-10,979
Non-controlling interests	25	-6
<b>16. Earnings per share</b>		
a) Weighted average number of shares outstanding (in 1,000)	110,795	110,552
b) Income from continued operations (in €)	-0.62	-0.09
c) Income from discontinued operations (in €)	0.00	-0.01
<b>d) Consolidated net result (in €)</b>	<b>-0.62</b>	<b>-0.10</b>

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑬ STATEMENT OF COMPREHENSIVE INCOME JANUARY 1 – SEPTEMBER 30, 2012 // IN K€

	1st–3rd quarter 2012	1st–3rd quarter 2011*
<b>Consolidated net result</b>	<b>-229,993</b>	<b>11,199</b>
<b>Other comprehensive income for the period</b>		
Net result from cash flow hedges	-5,672	-3,118
Currency translation of foreign operations	895	-8,580
Income tax relating to components of other comprehensive income	2,906	6,681
<b>Other comprehensive income for the period, net of tax</b>	<b>-1,871</b>	<b>-5,017</b>
<b>Total comprehensive income for the period</b>	<b>-231,864</b>	<b>6,182</b>
Attributable to:		
Shareholders of SOLARWORLD AG	-231,864	6,117
Non-controlling interests	0	65

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑭ STATEMENT OF COMPREHENSIVE INCOME THIRD QUARTER 2012 // IN K€

	3rd quarter 2012	3rd quarter 2011*
<b>Consolidated net result</b>	<b>-68,727</b>	<b>-10,985</b>
<b>Other comprehensive income for the period</b>		
Net result from cash flow hedges	0	-4,119
Currency translation of foreign operations	-7,201	34,057
Income tax relating to components of other comprehensive income	1,274	-379
<b>Other comprehensive income for the period, net of tax</b>	<b>-5,928</b>	<b>29,559</b>
<b>Total comprehensive income for the period</b>	<b>-74,655</b>	<b>18,574</b>
Attributable to:		
Shareholders of SOLARWORLD AG	-74,680	18,580
Non-controlling interests	25	-6

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑮ BALANCE SHEET AS AT SEPTEMBER 30, 2012 // IN K€

<b>ASSETS</b>	<b>30.09.2012</b>	<b>31.12.2011*</b>
<b>A. Non-current Assets</b>	<b>955,256</b>	<b>1,068,446</b>
I. Intangible assets	21,201	20,521
II. Property, plant and equipment	708,376	744,681
III. Investment property	24,131	27,231
IV. Investments measured at equity	25,385	37,842
V. Other financial assets	1,010	790
VI. Other non-current assets	173,296	235,133
VII. Deferred tax assets	1,857	2,248
<b>B. Current Assets</b>	<b>698,485</b>	<b>1,167,326</b>
I. Inventories	329,544	378,395
II. Trade receivables	65,946	123,021
III. Current income tax assets	2,699	35,472
IV. Other receivables and assets	39,380	32,984
V. Other financial assets	28,705	44,109
VI. Liquid funds	232,211	553,345
	<b>1,653,741</b>	<b>2,235,772</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.09.2012</b>	<b>31.12.2011*</b>
<b>A. Equity</b>	<b>369,803</b>	<b>614,391</b>
I. Equity attributable to shareholders of SOLARWORLD AG	369,803	612,413
1. Subscribed capital	110,795	110,795
2. Capital reserve	296,562	296,562
3. Other reserves	15,652	17,523
4. Accumulated profits	-53,206	187,533
II. Non-controlling interests	0	1,978
<b>B. Non-current Liabilities</b>	<b>1,034,308</b>	<b>1,339,273</b>
I. Non-current financial liabilities	904,256	1,150,888
II. Accrued investment grants	65,554	56,773
III. Non-current provisions	30,729	32,270
IV. Other non-current liabilities	28,830	83,774
V. Deferred tax liabilities	4,939	15,568
<b>C. Current Liabilities</b>	<b>249,630</b>	<b>282,108</b>
I. Current financial liabilities	133,115	120,981
II. Trade payables	53,794	64,433
III. Income tax liabilities	1,343	18,159
IV. Current provisions	18,271	13,004
V. Other current liabilities	43,107	65,531
	<b>1,653,741</b>	<b>2,235,772</b>

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑩ STATEMENT OF CHANGES IN EQUITY AS AT SEPTEMBER 30, 2012 // IN K€

	Subscribed capital	Capital reserve	Other reserves		Accumulated results*	Non-controlling interests	Total
			Currency translation reserve	Reserve from hedging of cash flows			
As at Dec. 31, 2010	106,881	296,489	11,460	6,607	501,442	0	922,879
Restatement according IAS 8.22					-8,507	0	-8,507
As at Jan. 1, 2011 restated*	106,881	296,489	11,460	6,607	492,935	0	914,372
Exchange of treasury shares into shares in SOLARPARC AG	3,914	73			24,818		28,805
Non-controlling interests from first time consolidation						7,689	7,689
Increase of the majority interest in SOLARPARC AG (transaction between owners)					-2,029	-5,688	-7,717
Dividend distribution					-21,051		-21,051
Total comprehensive income 1st-3rd quarter 2011			-2,890	-2,128	11,134	65	6,181
As at Sept. 30, 2011 restated*	110,795	296,562	8,570	4,479	505,807	2,066	928,279
Non-controlling interests from first time consolidation						173	173
Increase of the majority interest in SOLARPARC AG (transaction between owners)					73	-275	-202
Total comprehensive income 4th quarter 2011			5,012	-538	-318,347	14	-313,859
As at Dec. 31, 2011 restated*	110,795	296,562	13,582	3,941	187,533	1,978	614,391
Increase of the majority interest in SOLARPARC AG (transaction between owners)					-774	-1,978	-2,752
Dividend distribution					-9,972		-9,972
Total comprehensive income 1st-3rd quarter 2012			2,070	-3,941	-229,993	0	-231,864
As at Sept. 30, 2012	110,795	296,562	15,652	0	-53,206	0	369,803

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## ⑰ CASH FLOW STATEMENT JANUARY 1 – SEPTEMBER 30, 2012 // IN K€

	1st–3rd quarter 2012	1st–3rd quarter 2011*
Income before tax	-237,050	43,746
+ Amortization and depreciation	66,390	84,517
+ Financial result (without gains/losses from currency translation)	45,907	47,512
+ Loss from disposal of assets	295	6
- Reversal of accrued investment grants	-16,107	-9,014
+/- Other material non-cash expenses/income	17,918	-57,615
= Cash flow from operating result	-122,647	109,152
+ Changes in prepayments and customer advances	13,490	28,859
+/- Decrease/increase of inventories (excl. prepayments)	17,149	-192,261
+ Decrease of trade receivables	57,028	14,484
- Decrease of trade liabilities	-12,541	-17,660
- Changes in other net assets	-15,983	-60,121
= Cash flow from operating result and changes in net assets	-63,505	-117,547
+ Interest received	2,776	3,058
+/- Taxes on income received/paid (balance)	15,064	-48,875
= Cash flow from operating activities	-45,665	-163,364
- Cash outflow for asset investments	-39,902	-133,523
+ Cash inflow from investment grants	21,964	18,386
+ Cash inflow from the disposal of assets	627	21,550
+ Cash inflow from financial investments	7,871	67,179
-/+ Cash outflow/Cash inflow from the acquisition of consolidated entities	-2,713	15,873
= Cash flow from investing activities	-12,153	-10,535
+ Cash inflow from borrowings	0	214,866
- Cash outflow for redemption of borrowings	-192,071	-63,743
- Interest paid	-61,756	-49,175
- Dividend distributions	-9,972	-21,051
- Cash outflow from purchase of treasury shares	0	0
+ Payments from non-controlling interests	0	1,320
= Cash flow from financing activities	-263,799	82,217
- Net changes in cash and cash equivalents	-321,617	-91,681
- Currency and consolidation-related changes of cash and cash equivalents	483	1,078
+ Cash and cash equivalents at the beginning of the period	553,345	606,554
= Cash and cash equivalents at the end of the period	232,211	515,951

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## NOTES ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. ACCOUNTING ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Pursuant to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of International Accounting Standards SOLARWORLD AG is obliged to apply the International Accounting Standards adopted in accordance with Articles 2, 3 and 6 of said regulation. These interim financial statements as per September 30, 2012 have accordingly also been prepared in accordance with IAS 34. These condensed consolidated interim financial statements have not been subject to a review or audit by an auditor.

### 2. ACCOUNTING AND VALUATION METHODS

In preparing the interim financial statements and establishing the comparative figures for the previous year basically the same consolidation principles and accounting and valuation methods as in the 2011 consolidated financial statements have been applied. A detailed description of these methods has been published in the notes to the 2011 annual report which can be reviewed and downloaded from the internet under @ [www.solarworld.de/financial-reports//](http://www.solarworld.de/financial-reports//).

Adjustments were made to the accounting policy for customer advances and prepayments in connection with long-term sale contracts of silicon wafers and long-term purchase agreements of raw material silicon. Up to now, IFRS standards did not provide a clear guidance whether the time value of money for corresponding prepayments, given their implicit character as financial transactions, should be considered by accreting interest. SOLARWORLD had until now, in its interpretation of existing IFRS, accreted interest on customer advances and prepayments in accordance with term-consistent interest rates. Due to the identified differences in the accounting practice the International Accounting Standards Board (IASB) has now explicitly discussed this question for the first time. Based on the results of this discussion within IASB, SOLARWORLD has reviewed its accounting policy and applied an accounting policy change to reflect the current state of this debate. Thus, interest will no longer be accreted any more on customer advances and prepayments. The consequences of this change in accounting policy have been recognized retrospectively according to IAS 8.22. As a result, the previous year's figures have been adjusted as if in fiscal year 2011 as well as in previous reporting periods no interest were accreted. The impact on earnings for previous periods was directly offset against the accumulated profits as of January 1, 2011. The changes to the affected items in the consolidated income statements and in the balance sheet before and after the restatement are shown in the following tables:

## RESTATEMENT TO THE CONSOLIDATED INCOME STATEMENTS // IN K€

	1. Revenue	4. Other operating income	5. Cost of material	10. Financial result	12. Taxes on income
1st-3rd quarter before restatement	754,083	145,909	-664,917	-43,737	-33,374
Restatement	-1,685	-7,515	10,239	-4,135	920
1st-3rd quarter after restatement	752,398	138,394	-654,678	-47,872	-32,454
3rd quarter of 2011 before restatement	219,047	87,254	-253,702	-15,035	-13,710
Restatement	-288	-4,085	3,027	-1,489	847
3rd quarter of 2011 after restatement	218,759	83,169	-250,675	-16,524	-12,863

## RESTATEMENT TO THE BALANCE SHEET // IN K€

	Assets		
	A.VI. Other non-current assets	A.VII. Deferred tax assets	B.I. Inventories
1.1.2011 before restatement	310,788	5,195	337,370
Restatement	-30,709	0	-8,265
1.1.2011 after restatement	280,079	5,195	329,105
31.12.2011 before restatement	268,581	2,479	386,771
Restatement	-33,448	-231	-8,376
31.12.2011 after restatement	235,133	2,248	378,395

	Equity and liabilities			
	A.I.4. Accumulated profits	B.4. Other non-current liabilities	B.5. Deferred tax liabilities	C.5. Other current liabilities
1.1.2011 before restatement	501,442	215,917	37,348	80,069
Restatement	-8,507	-22,971	-3,437	-4,059
1.1.2011 after restatement	492,935	192,946	33,911	76,010
31.12.2011 before restatement	203,901	94,621	28,186	67,753
Restatement	-16,368	-10,847	-12,618	-2,222
31.12.2011 after restatement	187,533	83,774	15,568	65,531

In addition, for project companies that are specially set up for the construction, operation and sale of solar parks the following accounting principles are also taken as a basis: SOLARWORLD's ordinary business activities also include the development, construction and sale of solar parks. Specifically for this purpose project companies may be set up which will be fully consolidated in the consolidated financial statements as long as SOLARWORLD controls these companies according to IAS 27 and SIC 12 or bears the essential economic risks and rewards respectively. The goods and services that SOLARWORLD delivers and renders to the relevant project company during the period the latter is controlled

by the former consequently do not lead to the recognition of revenue but instead increase either work in process or finished goods or if the sale is in a medium term not planned fixed assets. Nevertheless, upon deconsolidation, i. e. at the time at which the project company is no longer controlled by SOLARWORLD, revenue is recognized in profit and loss statement. Due to the fact that the sale of a solar park is part of the ordinary business activities of SOLARWORLD the deconsolidation of these project companies constitutes from the economical point of view a sales transaction. Hence, it is disclosed in the profit and loss statement as a sales transaction and in the cash flow-statement as a cash flow from operating activities.

#### **ESTIMATION AND ASSUMPTIONS**

In connection with the preparation of the group interim financial statements management has to apply estimations and make assumptions. These affect the amounts recognized for assets, liabilities and contingent liabilities as at balance sheet date as well as the amounts recognized for revenues and expenses for the period then ended. Actual amounts may deviate from these estimations.

During the second quarter we booked an impairment on pre-payments relating to long-term silicon supply agreements. This impairment was maintained during the third quarter. Particularly in connection with this impairment significant assumptions and estimates had to be made that are exposed to significant uncertainties. These assumptions and estimations were primarily made with regard to future market price developments for silicon and solar panels, to achievable results from renegotiating terms and conditions with suppliers as well as to our own future silicon requirements according to planned production outputs. Basis for these assumptions and estimations are comprehensive analyses of market development and circumstances, the current state of negotiations as well as the latest internal business plan. The recognized impairment charges take into account risks caused by a reduced internal silicon demand compared with binding contracted silicon quantities. It also takes into consideration the sustained drop in silicon market prices during 2012. If these risks materialize, penalty compensation to suppliers might be due (especially the loss of prepayments) if contracted silicon quantities can no longer be taken; alternatively, losses due to silicon resale to lower market prices might be unavoidable. The impairment charges also take into account that the SOLARWORLD group might no longer be able to produce solar panels to competitive costs if the originally contracted silicon purchase prices need to be applied. As at balance sheet date prepayments amounted to € 221.3 million for a binding agreed purchase volume over the next seven years totaling to € 0.9 billion (calculated based on the last agreed upon price). Recognized impairment charges as at balance sheet date amounted to € 76.7 million. Currently, SOLARWORLD assumes that the remaining prepayments are recoverable.

Given the current market environment and the potential for rash changes of market circumstances, the assessment of the long-term contracts is subject to reviews time and again which take into account changes in future conditions. For instance, the termination of long-term supply contracts and potential corresponding legal proceedings would require a corresponding adjusted evaluation of the recoverability of the prepayments. The current impairment calculations are based on a scenario that, from today's

perspective, has been assessed as the most probable by the Management Board. Other calculated possible scenarios given today's perspective quantify the total risks in a range between € 41.8 million and € 94.2 million.

#### **INCOME TAXES**

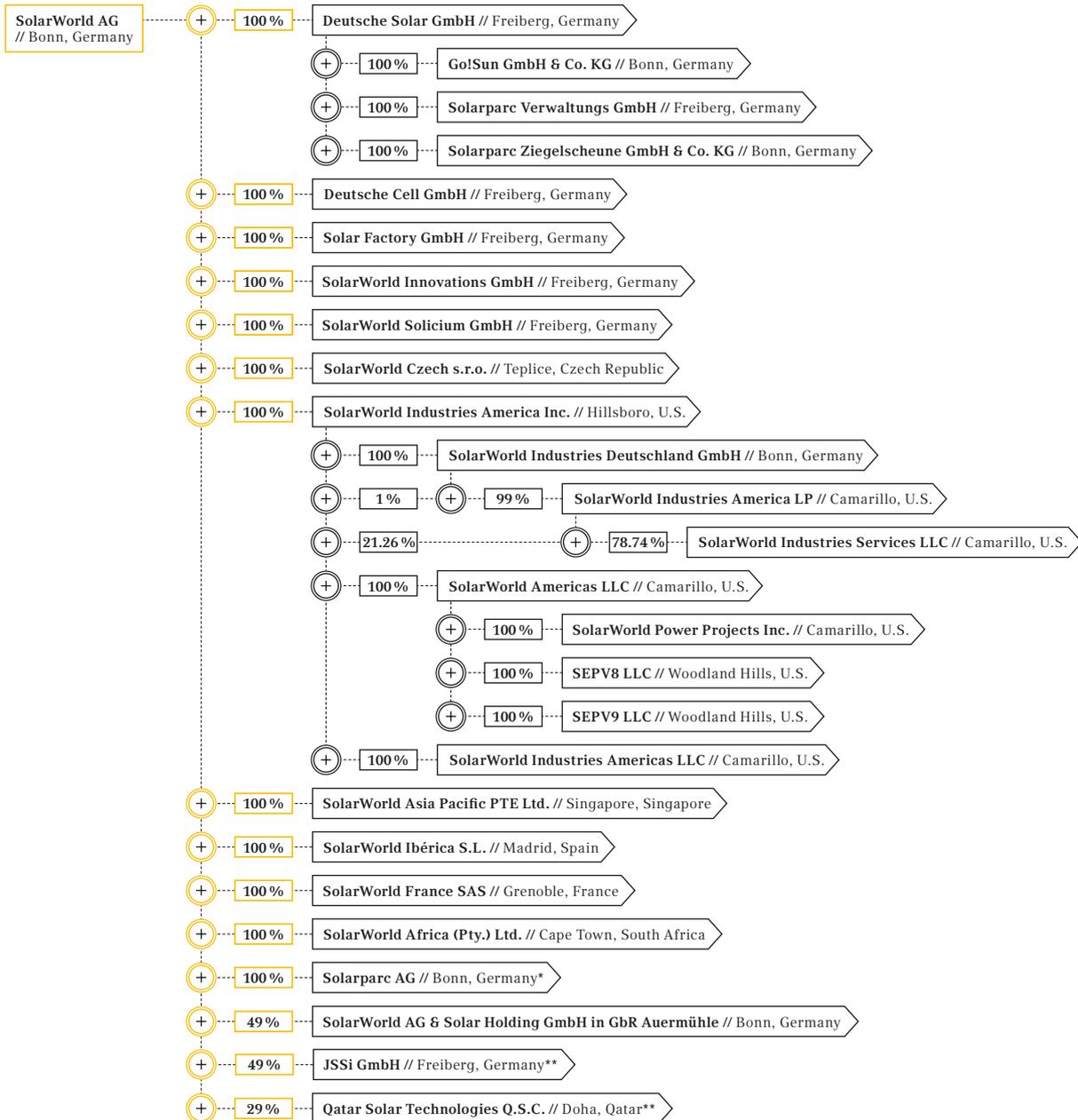
The income tax expense of the interim consolidated financial statements is mainly calculated on the basis of the actual tax rates of the respective group companies considering the effects of material tax neutral revenues and expenses. As at September 30, 2012, for the US subsidiaries, deferred taxes on tax loss carry forwards have not been capitalized.

### **3. GROUP OF CONSOLIDATED COMPANIES**

The group of consolidated companies consists of the following subsidiaries:

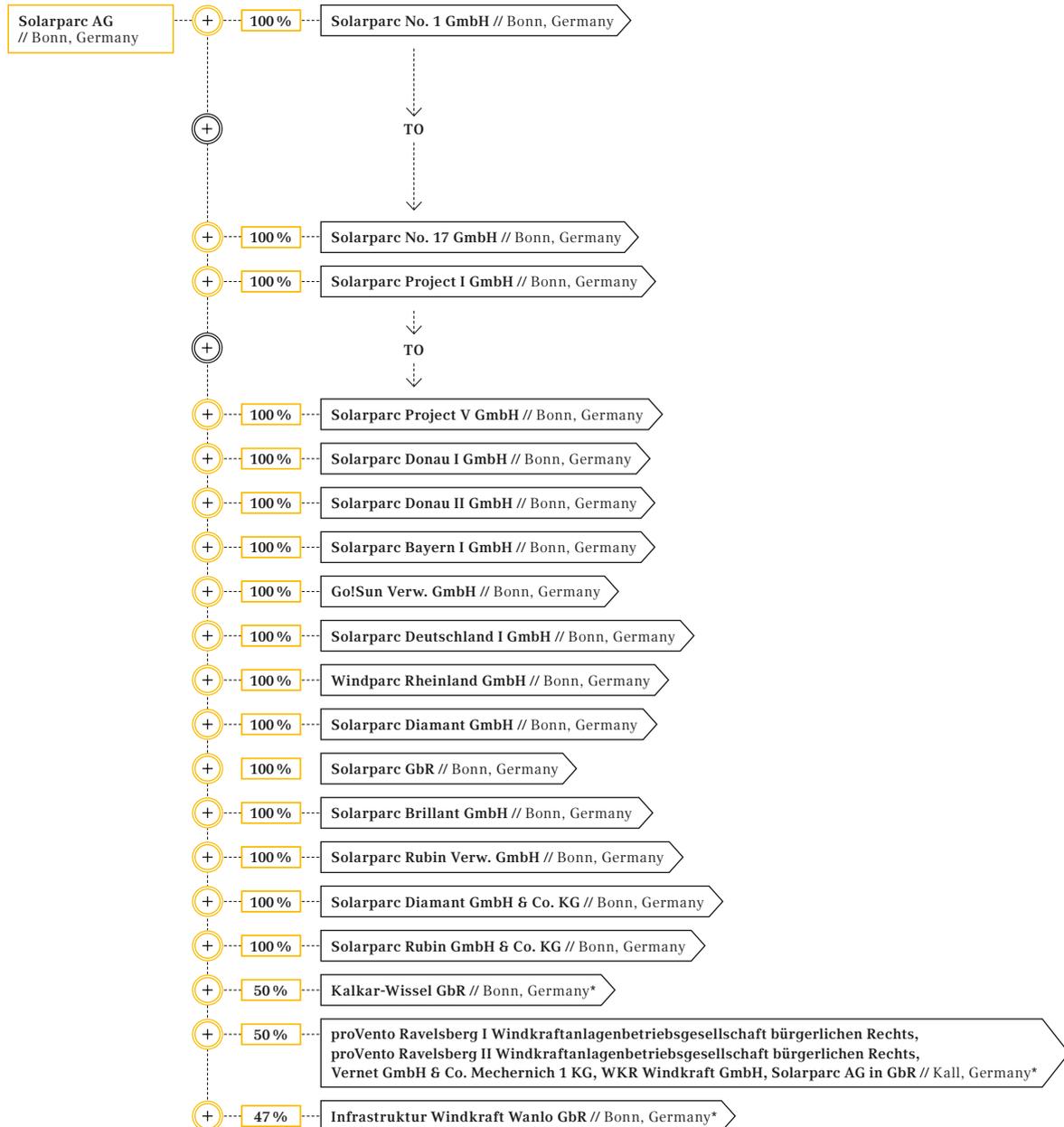
SOLARWORLD 2012  
GROUP STRUCTURE

18 SOLARWORLD GROUP STRUCTURE AS AT SEPTEMBER 30, 2012



\* Structure of the subgroup on next page  
\*\* Consolidated at equity

19 SUB-GROUP STRUCTURE AS AT SEPTEMBER 30, 2012



\* Consolidated at equity

Until September 30, 2012, the remaining 311,286 shares of SOLARPARC AG were acquired at acquisition costs of k€ 2,713 via Squeeze Out procedure. Therefore SOLARWORLD AG's voting rights in SOLARPARC AG amount to 100 percent as of September 30, 2012.

On March 26, 2012, SOLARPARC Teutschenthal GmbH & Co KG was completely sold to an external investor. Due to the accounting method mentioned in Note 2 sales revenues amounting to k€ 14,907 were recognized.

With contractual agreement from June 29, 2012 and supplements to this contract from July 27, 2012 as well as September 24, 2012 SOLARPARC Projekt III GmbH & Co. KG was sold to an external investor. With fulfillment of precedent conditions the company was deconsolidated as of September 30, 2012. Due to the accounting method mentioned in Note 2 sales revenues amounting to k€ 4,162 were recognized.

SUNICON GMBH has been merged with DEUTSCHE SOLAR GMBH with retroactive effect back to January 1, 2012 (effective merger date).

#### **4. OTHER**

##### **CONTINGENT LIABILITIES**

As at September 30, 2012, there are no changes of contingent liabilities compared to December 31, 2011.

##### **COMPOSITION OF CASH AND CASH EQUIVALENTS**

As at September 30, 2012, cash and cash equivalents only consist of liquid funds in amount of k€ 232,211. In prior year cash and cash equivalents consisted of liquids funds in amount of k€ 516,302 that were reduced by a bank overdraft in amount of k€ 351.

##### **IMPAIRMENT TESTS**

The key estimates and assumptions, which served as base for the impairment tests conducted at the end of fiscal year 2011, were reviewed once more during the first nine months of 2012. Partial adjustments were made based on new insights gained since December 31, 2012. The result of these adjustments did not lead to further impairments or appreciation in value to property, plant and equipment.

##### **PRESENTATION OF FINANCIAL LIABILITIES**

As at June 30, 2012, financial liabilities amounting to € 75 million were reclassified out of the non-current financial liabilities and reported as current. The reclassification was necessary since as at balance sheet date SOLARWORLD could not meet covenants, which principally granted creditors the right

to demand early redemption of loans. According to IAS 1.74 a respective reclassification has to take place regardless of the question whether between the balance sheet date and the publication of the financial statements new agreements with creditors had been reached in which creditors renounced their right to early redemption. In this respect we like to refer to the statements in the following note.

## 5. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

In October 2012, SOLARWORLD renegotiated an existing loan agreement amounting to € 75 million with the European Investment Bank and adjusted its covenants.

We also refer to the statements in the [⊗ Supplementary report • p. 24//](#)

## 6. SEGMENT REPORTING

### ⊗ INFORMATION ON OPERATING SEGMENTS JANUARY 1 – SEPTEMBER 30, 2012 // IN M€

	Production Germany	Production U.S.	Trade	All other segments	Reconciliation	Con- solidated
<b>Revenue</b>						
External revenue	21	1	446	1	0	
Intersegment revenue	292	148	2	15	-457	
<b>Total revenue</b>	<b>313</b>	<b>149</b>	<b>448</b>	<b>16</b>	<b>-457</b>	<b>469</b>
<b>Result</b>						
<b>Operating result (EBIT)</b>	<b>-41</b>	<b>-54</b>	<b>-86</b>	<b>2</b>	<b>-11</b>	<b>-190</b>
Financial result						-47
Income before taxes on income						-237
Taxes on income						7
Income from continued operations						-230
Income after taxes from discontinued operations						0
<b>Consolidated net result</b>						<b>-230</b>

②1 INFORMATION ON OPERATING SEGMENTS JANUARY 1 – SEPTEMBER 30, 2011\* // IN M€

	Production Germany	Production U.S.	Trade	All other segments	Reconciliation	Con- solidated
<b>Revenue</b>						
External revenue	221	4	602	1	-76	752
Intersegment revenue	383	361	1	7	-752	
<b>Total revenue</b>	<b>604</b>	<b>365</b>	<b>603</b>	<b>8</b>	<b>-828</b>	<b>752</b>
<b>Result</b>						
<b>Operating result (EBIT)</b>	<b>155</b>	<b>-20</b>	<b>-38</b>	<b>-9</b>	<b>2</b>	<b>90</b>
Financial result						-48
Income before taxes on income						<b>42</b>
Taxes on income						<b>-33</b>
Income from continued operations						<b>9</b>
Income after taxes from discontinued operations						2
<b>Consolidated net result</b>						<b>11</b>

\* Previous year's figures were restated according to IAS 8.22. See note 2 on the consolidated interim financial statements.

## FINANCIAL CALENDAR 2012



**14 NOVEMBER 2012**

**Consolidated Interim Report Q3 2012  
Analysts' Conference Call**  
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## FINANCIAL CALENDAR 2013



**21 MARCH 2013**

**Annual Group Report 2012  
Annual Business Press Conference on financial statements 2012; Bonn  
Analysts' Conference on financial statements 2012; Bonn**  
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**22 MARCH 2013**

**International Conference Call**



**14 MAY 2013**

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**28 MAY 2013**

**Annual General Meeting; Bonn**



**14 AUGUST 2013**

**Consolidated Interim Report 1. Half 2013  
Analysts' Conference Call**  
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**14 NOVEMBER 2013**

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CONTACT OUR TEAM:

**SolarWorld AG**

*Investor Relations*

*Martin-Luther-King-Str. 24*

*53175 Bonn, Germany*

*www.solarworld.com*

*placement@solarworld.de*

*Phone: +49 228 55920-470*

*Fax: +49 228 55920-9470*

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