ANNUAL GROUP REPORT 2008

WITH INTEGRATED SUSTAINABILITY REPORT
SOLARWORLD AG

SolarWorld
THE SUNPOWERED COMPANY®

SOLARWORLD 2008

CORPORATE INDICATORS, DISTRIBUTION OF VALUE ADDED • *Front cover*

03 VALUE ADDED CREATION // IN K€

Results from continued operations

	Value added creation 2008		Value added creation 2007	
Value added origin	**k€**	**%**	**k€**	**%**
Revenues from continued operations	900,311	94.7	689,588	92.2
Other revenues	50,075	5.3	57,985	7.8
Result of operations	950,386	100.0	747,573	100.0
Cost of material	454,060	47.8	333,654	44.6
Depreciation and amortization	55,166	5.8	42,054	5.6
Other expenses	99,883	10.5	80,129	10.7
Value added	341,277	35.9	291,736	39.0

Distribution of value added	**k€**	**%**	**k€**	**%**
Employees	90,130	26.4	75,004	25.7
Company (Treasuring)	131,921	38.7	97,615	33.5
Shareholders [1)]	16,758	4.9	15,641	5.4
Creditors	49,046	14.4	38,449	13.2
Public authorities	53,422	15.7	65,027	22.3
Value added	341,277	100.0	291,736	100.0

1) 2008 based on the dividend proposal for the AGM 2008 of 15 cents per share

04 QUARTERLY COMPARISON OF THE CONSOLIDATED INCOME STATEMENTS // IN k€

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007	Variation (%)
Revenue from continued operations	167,495	259,597	238,282	234,937	219,539	7.0
Changes in inventories of finished goods	7,779	-17,629	7,611	17,399	-16,283	—
Own work capitalized	0	449	838	6,453	16	40,231.3
Other operating income	9,084	7,518	8,302	11,937	16,921	-29.5
Cost of materials	-87,520	-116,401	-106,076	-144,063	-98,763	45.9
Personnel expenses	-19,879	-22,772	-19,725	-27,754	-20,824	33.3
Amortization and depreciation	-11,957	-13,242	-13,163	-16,804	-13,198	27.3
Other operating expenses	-22,141	-21,857	-25,279	-30,606	-26,529	15.4
Operating result	42,861	75,663	90,790	51,499	60,879	-15.4
Financial result	-13,157	-2,618	-37,904	-18,465	-6,960	165.3
Earnings before taxes on income	29,704	73,045	52,886	33,034	53,919	-38.7
Tax on income	-7,815	-21,260	-16,741	-7,606	-20,278	-62.5
Earnings after taxes from discontinued operations	12,774	658	0	0	770	-100.0
Consolidated net income	34,663	52,443	36,145	25,428	34,411	-26.1

05 CORPORATE INDICATORS DEVELOPMENT IN A 5 YEAR PERIOD

Results for 2007 and earlier incl. discontinued operations

Revenues (in m€)

2008	900.3
2007	698.8
2006	515.2
2005	356.0
2004	199.9

EBITDA (in m€)

2008	316.0
2007	244.2
2006	221.7
2005	108.3
2004	49.4

Consolidated net income (in m€)

2008	148.7
2007	113.3
2006	130.6
2005	52.0
2004	18.1

EBIT (in m€)

2008	260.8
2007	202.2
2006	179.8
2005	88.6
2004	32.9

Capex without investments in financial assets (in m€)

2008	271.6
2007	115.2
2006	106.0
2005	52.6
2004	31.7

Equity (in m€)

2008	841.1
2007	691.5
2006	597.3
2005	217.1
2004	124.5

Employees

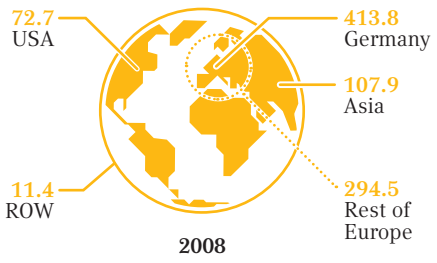
2008	1,825
2007	1,486
2006	1,348
2005	759
2004	616

Total assets (in m€)

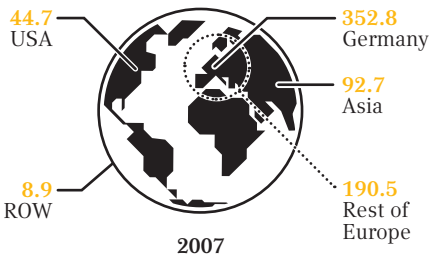
2008	2,120.6
2007	1,704.5
2006	1,004.4
2005	446.6
2004	276.3

06 REVENUES BREAKDOWN BY REGION// IN M€ [1]

[1] *Revenues from continued operations*



2008



2007

SOLARWORLD 2008

DVFA- AND GRI-INDEX • *p. 205 //*

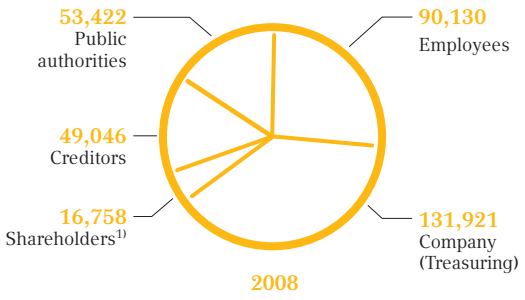
01 SELECTED CORPORATE INDICATORS // IN k€

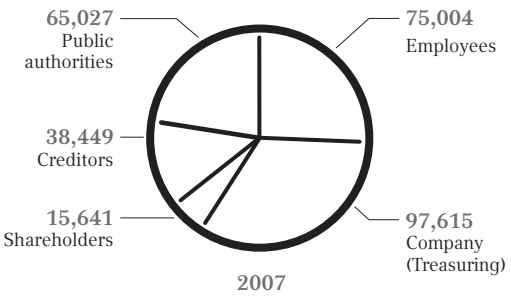
Financial indicators	2008	2007	Variation in %
Revenues from continued operations	900,311	689,588	30.6
Share of foreign revenues	54.0%	48.8%	5.2 %-points
EBITDA	315,979	240,926	31.2
EBIT	260,813	198,872	31.1
EBIT in % of revenues	29.0%	28.8%	0.1 %-points
Capital employed (cut-off-date) [1]	698,661	544,721	28.3
ROCE [2]	37.3%	36.5%	0.8 %-points
Consolidated net income	148,679	113,256	31.3
Consolidated net income in % of revenues	16.5%	16.4%	0.1 %-points
Total assets	2,120,622	1,704,466	24.4
Equity	841,075	691,546	21.6
Equity ratio	39.7%	40.6%	-0.9 %-points
Return on equity	17.7%	16.4%	1.3 %-points
Cash flow from current business activities	320,463	244,026	31.3
Net liquidity [3]	136,560	151,692	-10.0
Investments in intangible assets and in property, plant and equipment	271,594	115,165	135.8

Employees indicators			
Employees (cut-off date)	1,825	1,420	28.5
Thereof trainees (cut-off date)	83	66	25.8
Personnel costs ratio	9.8	11.2	-1.4 %-points
Revenues per capita (in k€)	493	486	1.6
EBIT per capita (in k€)	143	140	2.0

1) intangible assets and property, plant and equipment less accrued investment grants plus net current assets less short-term net liquidity
2) EBIT/Capital employed
3) liquid funds and other financial assets less financial liabilities

02 DISTRIBUTION OF VALUE ADDED // IN k€





1) 2008 based on the dividend proposal for the AGM 2008 of 15 cents per share


SUN
AT WORK
EL SOL BRILLA
PARA TODOS

BUILD A SOLARWORLD

Our vision

The objective of SolarWorld AG is the worldwide establishment of a reliable, environmentally friendly and safe energy supply.

Solar energy is the key to resource and climate protection;
it contributes to the avoidance of military conflicts through growing independence from fossil resources.

We are working on making solar power generation competitive in all markets as quickly as possible and at making the decentralized use of solar energy possible for all people, thus gaining an opportunity for sustainable development.

BE INDEPENDENT
BE SUSTAINABLE
BE SUCCESSFUL

This consolidated Annual Group Report contains a sustainability report based on the framework of the Global Reporting Initiative (GRI). Since we view sustainability as an integral part of our business activity the main aspects are dealt with in the management report (see for example Internal Targets Achieved and Targets Set for 2008/2009+). You will find detailed information in the section on "Sustainability in Fiscal Year 2008". Cross references from this attachment to appropriate sections of the management report will give you a comprehensive overview of our achievements in the area of sustainability.

You will find an extensive table of contents on the pages separating the chapters.

BE INDEPENDENT, BE SUSTAINABLE, BE SUCCESSFUL

SolarWorld is economically successful. This will be demonstrated to you in the present group annual report for fiscal year 2008. But we do not just want to present to you hard facts and figures. Rather, we want to show you where we work and who we work for: the regions, the projects and the people that live with power from the sun to enjoy independence, sustainability and success.

We embarked on a journey: We went there to where our projects are: to China, to Germany, to the Vatican, to South Africa, to Spain and to the USA. And we caught the sun everywhere we went. It gives us its energy – at every spot on earth: clean, safe, inexhaustible and fair. **Sun At Work!**

006

INDEPENDENT THROUGH THE SUN: *Distant provinces in China get access to electrical energy thanks to off-grid solar systems.*


SUN
AT WORK

LIGHT FOR YUNNAN: *The electricity generated by solar modules is primarily used to supply power to private households.*

BE INDEPENDENT: OFF-GRID IN CHINESE PROVINCES

THE PROJECT: In the huts of Shaping, a village in the Chinese province of Yunnan, it never really gets light even during the day. So far there were only weak oil lamps for lighting. The villages are small, only a few huts, the nearest town is often 50 kilometers away: a one-day trip because there are no paved roads on which you could drive a car. Fast contact to the outside world, for example when a medical doctor was needed, has so far been hardly possible. Admittedly, there are functioning mobile radio networks but people had no power to recharge their mobile phone batteries, to operate their radios or their TV sets. No power for refrigerators with which to keep their food or their medical supplies cool. Now some 29,000 people in a total of 142 villages in the thinly populated Chinese provinces of Xinjiang, Qinghai and Yunnan have access to electricity for the first time. SolarWorld has equipped the villages with solar power plants producing a total output of 1.2 Megawatt of electricity for about 7,300 households. Off-grid, i.e. independently of the national power grid, these plants now bring people a certain measure of independence.

EVERYDAY LIFE IN SHAPING: *The villagers maintain and service the solar plant under their own responsibility.*

RELIABLE: *80W modules form the basis of the solar plants supplied and installed by SolarWorld. They work largely maintenance-free and – like here in Shaping – supply energy to some 40 households each.*

THE POTENTIAL: DEVELOPMENT IN OFF-GRID REGIONS

OPPORTUNITIES • *p. 147*

HUGE POTENTIAL:
NUMBER OF PEOPLE IN OFF-GRID REGIONS
(ENERGY OUTLOOK // ENERGY INFORMATION ADMINISTRATION) SOURCE: EIA, 2009

1.6 BILLION

GROWING DEMAND:
POWER DEMAND DEVELOPMENT IN CHINA
(FORECAST 2010) SOURCE: EIA, 2009 // BASE 2006: 2,529 TWH //

2,783 TWh

010

SUCCESSFUL THROUGH THE SUN: *Self-generated solar power produces good returns – not only in Münsterland.*


SUN
AT WORK

ELECTRICITY FROM THE FARMER: *More and more households in Germany feed self-generated solar power into the public grid.*

BE SUCCESSFUL: SAVINGS BANKS ON GERMAN ROOFS

THE PROJECT: Top yields in their fields – that is something farmers in the German Münsterland are often unable to influence as they depend too much on climatic conditions like rain or wind. A safe yield, however, is produced by the generation of solar power. This is a powerful argument especially now, at times that are economically difficult – for farmers as much as for the private home owner! More and more of them therefore decide in favor of a savings bank on their own roof: a solar power system by SolarWorld. With this they can generate clean and climate-friendly electricity and at the same time they get a guaranteed return via the law on renewable energies. This is truly an investment that pays for itself very quickly and provides stable returns, for 20 years.

THE FUTURE: *The sun works for reliable returns – for example in Germany where the law on renewable energies guarantees a fixed feed-in compensation for 20 years.*

SECURE: *More and more people invest in a solar generating plant on their own roof.*

THE POTENTIAL: CLEAN AND PROFITABLE – SOLAR POWER GENERATION

LEGAL AND ECONOMIC FACTORS OF INFLUENCE • *p. 54*

STRONG GROWTH:
NEWLY INSTALLED SOLAR POWER CAPACITY IN GEMANY IN 2008
SOURCE: BSW, 2009 // PRIOR YEAR: 1,135 MW

1,500 MW

BIGGEST MARKET:
CUMULATED SOLAR POWER CAPACITY IN GERMANY
(STATUS 2008) SOURCE: IEA-PVPS,2008 / BSW, 2009 // PRIOR YEAR: 3.9 GW

5.4 GW

014

SUSTAINABLE THROUGH THE SUN: *Solar energy reduces the emission of greenhouse gases – an important contribution to a healthy climate in big cities.*


SUN
AT WORK

ELECTRICITY FOR SAINT PETER'S BASILICA: *A 220 kWp solar power station has been supplying the Vatican with clean energy since the fall of 2008.*

BE SUSTAINABLE: SYMBOL FOR THE PRESERVATION OF CREATION

THE PROJECT: A symbol for the preservation of creation that is visible from far and wide was created by SolarWorld in December of 2008 together with the Vatican. 2,394 solar modules on the roof of the papal audience hall have since been generating electricity: some 300,000 kilowatt hours per year. This would be enough to supply energy to some 100 households – a somewhat small plant in comparison with others but a great symbol. Hundreds of thousands of pilgrims visit the Vatican every year taking back into their respective home countries the vision of preserving our creation. Already in 2002 our CEO Frank H. Asback had handed over a solar cell to the then Pope John Paul II as a gift. The complete solar plant was received by his successor, Pope Benedict XVI. For this exemplary project the Vatican was awarded the European Solar Prize in 2008.

SOME 2,400 SOLAR MODULES *generate electricity on the roof of the papal audience hall – up to 300,000 kilowatt hours per year. As a result some 204,000 kilograms of CO2 emissions can be avoided.*

THE POTENTIAL:

SOLAR POWER: ECOLOGICAL AND ECONOMICAL

LARGE-SCALE PLANTS • *p. 86*

CLEAN ENERGY:

YEARLY SAVED CO_2 EMISSIONS BY SOLAR POWER SYSTEMS

(FORECAST 2010) SOURCE: EPIA, 2008

-17 MT

GROWING MARKET:

NEWLY INSTALLED SOLAR POWER CAPACITY IN ITALY

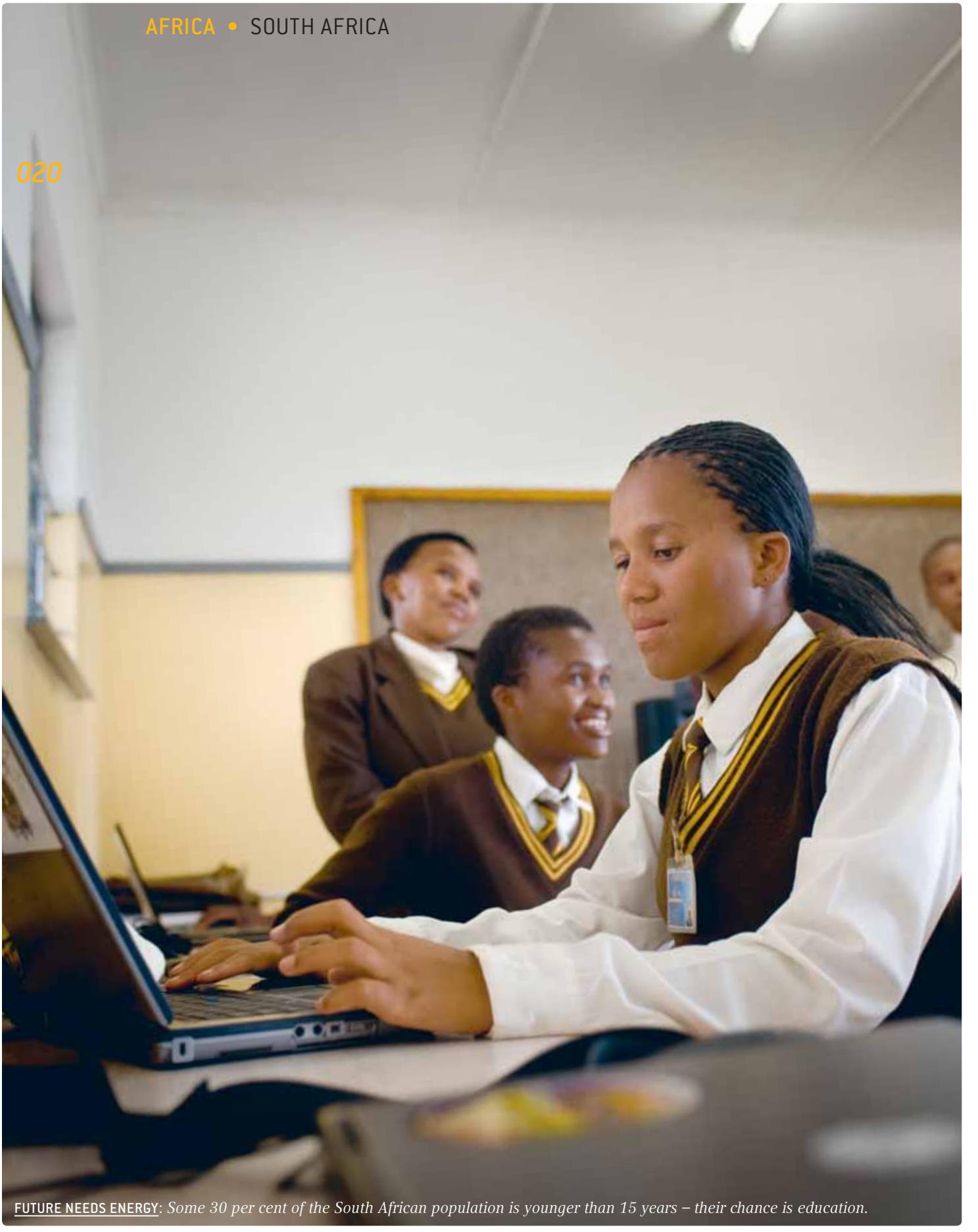
(FORECAST 2010) SOURCE: SARASIN, 2008// STATUS 2008: 142 MW

730 MW

018

INDEPENDENT THROUGH THE SUN: *Power from off-grid plants is the key to independent and sustainable development in Africa.*


SUN
AT WORK



FUTURE NEEDS ENERGY: *Some 30 per cent of the South African population is younger than 15 years – their chance is education.*

BE INDEPENDENT: BASIS FOR SUSTAINABLE DEVELOPMENT CREATED

THE PROJECT: The power generated by the off-grid solar plants of SolarWorld in the school near the South African city of Port Elisabeth is the basis for further projects. 1.6 billion people worldwide have no access to the power grid and are thus deprived of opportunities for a fair and sustainable development. This also holds true for the South African province of Transkei. Some 30 per cent of the inhabitants are younger than 15 years so education is the only chance for the future. The non-governmental organization SELF (Solar Electric Light Fund) supports the educational work by installing solar plants at the schools. In this context SolarWorld supplies the right modules. And it is not only the children who learn. In the meantime many parents and relatives registered for evening classes at the school. So when the sun has long since gone down the electricity gained from its energy is still working for the benefit of these people. Thanks to solar power and electrical lighting they can now do their studies irrespective of the time of day.

FUTURE: *Electrical energy creates the basis for many educational projects.*

INDEPENDENT: *The pupils perform the maintenance on »their« plant under their own steam. That gives self-confidence also for other tasks.*

THE POTENTIAL: ENERGY CREATES THE BASIS FOR DEVELOPMENT

SUSTAINABILITY ANNEX / STRATEGY AND MANAGEMENT • *p. 210*

HUGE ENERGY SOURCE:
SOLAR IRRADIATION IN SOUTH AFRICA (PER M^2 P.A.)
SOURCE: SOLARWORLD // GERMAN IRRADIATION: 900 KWH

2,075 KWH

SHORT ENERGY PAY-BACK:
PAY-BACK FOR THE ELECTRICITY USED DURING MODULE PRODUCTION
(FOR SOUTH AFRICA) SOURCE: UNIVERSITY PETTEN (2002), UNIVERSITY HEIDELBERG (2003), SOLARWORLD

< 1 YEAR

SUSTAINABLE THROUGH THE SUN: *In Spain photovoltaic technology is already used on a large scale for electricity generation.*


SUN
AT WORK
CAFE BAR
LA CANTINA
STOP
STOP

SOLAR MODERN TIMES: *People in the Extremadura region live their traditions – and use modern technologies at the same time.*

BE SUSTAINABLE:
OLD TRADITIONS AND MODERN TECHNOLOGY PRESERVE NATURE

THE PROJECT: It is one of the most barren regions in Spain – the autonomous province of Extremadura. The country is mountainous in the North, arid in the South. It is thinly populated. There are no large cities or industries. The landscape is characterized by oak groves. In these the famous Extramadura pigs sniff their way around. These cerdo ibérico are almost black with long bristles and a longer snout than other races. With this they plough the ground of the Extremadura for acorns on which they feed almost exclusively. This accounts for the unique taste of their ham, the jamón ibérico. The tradition of pig breeding and ham making is centuries old in the Extremadura region. People in the region have preserved their nature around them and want to do the same in the future. A contribution to this is made by the solar park equipped with SolarWorld modules near the towns of Mérida and Don Alvaro. The 30-Megawatt plant supplies 57 million kilowatt hours annually of climate-friendly power. This is enough to supply some 16,000 Spanish households. The electricity which is generated without emissions makes an important contribution to preserving the unique landscape of Extremadura.

HARMONY: *Modern technology and old traditions go well together.*

SUSTAINABLE: *The solar power plant in Extremadura saves 1,500 tons of CO_2 emissions every year thus helping to preserve the climate.*

THE POTENTIAL:
CLEAN ELECTRICITY FOR MANY PEOPLE

TRADING IN MODULES AND SYSTEMS • *p. 84*

WORLDWIDE DEPLOYABLE:
CUMULATED GLOBAL SOLAR POWER CAPACITY OF LARGE-SCALE PLANTS IN 2008
SOURCE: PVRESOURCES, 2009

3.2 GW

SWIFT GROWTH:
INCREASE OF THE NEWLY INSTALLED CAPACITY FOR LARGE-SCALE SOLAR PLANTS WORLDWIDE IN 2008
SOURCE: PVRESOURCES, 2009

+340%

SUCCESSFUL THROUGH THE SUN: *The pioneering spirit and the solar pioneers of SolarWorld live in the "Oregon Silicon Forest".*


SUN
AT WORK

SOLAR ENTHUSIASTS: *Americans and Germans built the largest integrated solar factory in the USA in only 18 months.*

BE SUCCESSFUL: SOLAR PIONEERS IN HILLSBORO

THE PROJECT: There is a mood of moving towards new horizons in Hillsboro, the US production location of SolarWorld newly opened in the fall of 2008. Some 300 million US dollars were invested, 250 new jobs were created and in the years to come several hundreds more will be added. Here in Oregon in the immediate vicinity of the Portland semiconductor industry center we found ideal site conditions and above all qualified and committed employees who are a perfect match with us. And how good the "match" is was shown by the very fast construction time of the new factory. In only 18 months a highly advanced production site for solar power technology was established here. The new employees from Hillsboro and the old employees from our German production site in Freiberg jointly made this possible. Now we are ready to go. We want to have a hand in creating it – the turning of the energy tide as announced by the new US president Barack Obama. And we want to do it with our employees.

FUTURE: *The USA will develop into one of the most important markets in the years to come.*

GROWTH: *250 new jobs have already been created in Hillsboro, more are to follow. SolarWorld works specifically with higher education and research establishments in order to find suitably qualified skilled workers.*

THE POTENTIAL: STRONG GROWTH IN FUTURE MARKET

FUTURE ECONOMIC ENVIRONMENT • *p. 134*

CRUCIAL MARKET:
MARKET POTENTIAL FOR SOLAR POWER SYSTEMS IN USA
(FORECAST 2010) SOURCE: SARASIN, 2008 // STATUS 2008: 350 MW

1,363 MW

PROFITABLE FUTURE:
SOLAR MARKET GROWTH IN USA
(FORECAST 2008 UNTIL 2010) SOURCE: SARASIN, 2008

+300%

THE MANAGEMENT BOARD:

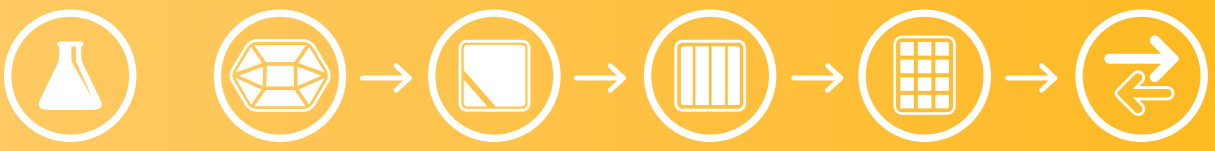
DIPL.-KFM. TECH. PHILIPP KOECKE // CFO (LEFT)
Responsible for Controlling, Investor Relations/Corporate Communications, IT, Human Resources, Bookkeeping, Group Accounting // since 2003

DIPL.-ING. FRANK H. ASBECK // CEO (CENTER LEFT)
As company founder responsible for Corporate Development, Public Relations as well as Energy and Corporate Policy // since 1998

DIPL.-WIRTSCHAFTSING. FRANK HENN // CSO (CENTER RIGHT)
Responsible for the coordination of national and international sales // since 2004

DIPL.-ING. BORIS KLEBENSBERGER // COO (RIGHT)
Responsible for the quality and environmental management as well as for production management and controlling // also responsible for the control of the producing subsidiaries as well as for research and technologies // since 2001

READY FOR THE FUTURE: *On 17 October 2008 the Management Board inaugurated the new production site in Hillsboro/USA.*



RESEARCH AND DEVELOPMENT	RAW MATERIAL PRODUCTION AND RECYCLING	WAFER MANUFACTURE	CELL MANUFACTURE	MODULE ASSEMBLY	TRADE
SOLARWORLD INNOVATIONS GRMANY	SUNICON GERMANY	DEUTSCHE SOLAR GERMANY	DEUTSCHE CELL GERMANY	SOLAR FACTORY GERMANY	SOLARWORLD GERMANY
RGS-DEVELOPEMENT THE NETHERLANDS	SOLARMATERIAL BUSINESS UNIT OF SUNICON AG GERMANY	SOLARWORLD INDUSTRIES USA	SOLARWORLD INDUSTRIES USA	SOLARWORLD INDUSTRIES USA	SOLARWORLD CALIFORNIA USA
	JOINT SOLAR SILICON GERMANY			SOLARWORLD KOREA SOUTH AFRICA	SOLARWORLD IBÉRICA SPAIN
	SCHEUTEN SOLARWORLD SOLICIUM GERMANY				SOLARWORLD AFRICA SOUTH AFRICA
					SOLARWORLD ASIA PACIFIC SINGAPORE

SOLARWORLD
INDEPENDENT, SUSTAINABLE, SUCCESSFUL THROUGH OUR FULLY INTEGRATED VALUE CHAIN – SINCE 1998

Dipl.-Ing. Frank H. Asbeck
Chief Executive Officer/CEO

Letter by the Chairman

Dear Customers, Shareholders, Employees and Friends of SOLARWORLD AG,

"A crisis can be a productive state. One just has to remove the bitter aftertaste of catastrophe." When he said these words Max Frisch did not have today's crisis of the world economy in mind. Still, his dictum is very much applicable to the current situation.

The financial crisis has arrived in the real economy and is not stopping short of a consolidation in the solar industry either. Looking at it "productively" we are right in the middle of a process of change in which the wise implementation of strategies offers interesting perspectives.

On top of this there are trends that are unstoppable despite the world economic situation and that demand solutions – or change, to use a more apt expression. As a case in point there is energy policy for example. We need answers to the increasing energy demand of a growing world population, to the fossil energy sources getting scarcer, to the skyrocketing energy prices. And we must develop ideas for the protection of our world climate. This begs the question: What do we need oil, gas and coal for, if clean power from the sun will soon be just as affordable thanks to technical progress?

As an entrepreneur I tell you: Our vision of a solar world is more cogent and more powerful than ever before! Yet, that is not enough. The strategy and the tempo have to be right as well. Only if you grow profitably and with a sense of balance and act quickly and flexibly will you be able to stand your ground in a sustainable way – particularly at such turbulent times.

In 2008 we made it to the top in the solar world: SOLARWORLD has become one of the largest solar groups with new, highly advanced solar factories now also in the USA and South Korea. After ten years of intensive growth we have succeeded in achieving the large-scale industrial implementation of the principle of energy supply through solar energy.

With our integrated business model we enhance our independence, guarantee SOLARWORLD quality, find answers to the need for annually declining prices on the cost side and meet the challenge of making solar power competitive. We are soundly financed and are economically successful: A strong capital structure and a liquidity framework of well over € 800 million secure our financing and investment ventures; an economic return which by competitive standards is both healthy and clean flows from our operating

business – sales and earnings again grew according to schedule in the year 2008. And last but not least, our economic success enables us to have our corporate value also measured in ecological and social dimensions. Our vision of a solar world does not end with the sales total that we manage to generate with solar power technology: As a "Green Chip" company we meet the demand for both profitability and sustainability.

In view of the current economic environment reliable forecasts across industries have become more difficult – also for us. All the same, SOLARWORLD will maintain its speed of growth in the year 2009 and will expand its production at all locations. So we are ready to pounce on any market opportunities that may come our way. On the North American continent we accompany back the change in energy policy announced by US President Barack Obama.

And there is even more at stake! We will continue to invest in the strengths of SolarWorld: in our innovative power, in our strong name and – which is the most important thing to be successful – in our employees. It is you who shaped these growing structures with your commitment! It is you who again accepted the challenges of a rapidly growing company, who again displayed team spirit and strength in implementation, and who have been growing together regardless of national borders. For this you deserve my heartfelt thanks, my appreciation and above all my trust, also in the future!

Even though the winds of change are blowing harder right now we will remain strong: Our sales are driven by the sun and the sun works for us – on the entire globe, at any time and in an inexhaustible manner. The principle of power generation from the sun is simple, successful and sustainable at the same time – evidence of which we provide in our annual report.

On this note let me say: The future is exciting and we will remain "productive". This is what I look forward to together with you.

With sunny greetings,

Dipl.-Ing. Frank H. Asbeck
Chairman and CEO of SolarWorld AG

THE SUPERVISORY BOARD OF SOLARWORLD AG:
Dr. Georg Gansen • *Deputy chairman*
Dr. Alexander von Bossel, LL.M (Edinb.)
Dr. Claus Recktenwald • *Chairman*
(left to right)

Dr. Claus Recktenwald
Chairman of the Supervisory Board

Report by the Supervisory Board of SolarWorld AG on Fiscal Year 2008

Dear Shareholders of SOLARWORLD AG, dear Employees and Friends of the SOLARWORLD GROUP!

The Supervisory Board of SOLARWORLD AG was re-elected in the Annual General Meeting on 21 May 2008. In this report it provides information about its activities in fiscal year 2008. In doing so it again subjects itself to an increased reporting duty which in turn means that the Supervisory Board made available to the auditors of the company the complete minutes of all the meetings of the Supervisory Board in the year 2008 including all the relevant attachments.

In the year under review the Supervisory Board of SOLARWORLD AG again performed all the tasks imposed upon it by the relevant laws, by the articles of association and by the rules of procedure. It did so in a continuous dialogue with the Management Board of the company which it both advises in managing the company and monitors in its activities pursuant to paragraph 111 AktG (German Stock Corporation Act). At the same time the Supervisory Board was engaged in checking its own efficiency. On the whole no complaints resulted from its activities in general and its monitoring of management in particular. This is why the Supervisory Board will propose in the Annual General Meeting that the Management Board be discharged.

In fiscal year 2008 the Supervisory Board had ten formal meetings four of which were ordinary quarterly meetings. The meetings took place on 9 January, 14 February, 6 March, 21 May, 25 June, 11 August, 29 September, 12 November, 2 December and 18 December 2008. The September meeting was part of a Group Supervisory Board meeting which also took place in addition to project and group related working meetings. On a regular basis at least one member of the Management Board attended the Supervisory Board meetings which took place only in exceptional cases without Management Board involvement. The Management Board on its part kept the Supervisory Board informed about all Management Board meetings by submitting the written agenda and afterwards the minutes of the meeting.

In all decisions of fundamental importance to the company the Supervisory Board was involved in a direct and timely fashion. The Management Board informs the Supervisory Board both in writing and verbally, punctually and comprehensively about all the relevant questions of corporate planning and strategic development, about the earnings, asset and finance situation of the company as well as about current business policy and the risk management system being practiced. The reporting duties

pursuant to paragraph 90 AktG were complied with as much as the recommendations of the German Corporate Governance Code.

The work of the Supervisory Board of SOLARWORLD AG concentrated in the year 2008 on following priority issues: audit and final conference as well as balance sheet meeting with the auditors on all consolidated companies; monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system as well as the audit itself, the independence of the auditors and the additional services rendered by the auditors; further integration of the foreign subsidiaries; international marketing and supplementary international sales and distribution activities; approval of the consulting and representation services rendered to the group by the law firm of Schmitz Knoth Rechtsanwälte, Bonn, which is close to the Chairman of the Supervisory Board as contemplated by IAS 24; move of the SOLARWORLD administration to new premises; constitution of the Supervisory Board after the completed re-election; opening up new business fields including electric cars; consideration of the legal structure of the group including Management Board and general management structure; current and future raw material projects; advance discussion of the quarterly reports pursuant to section 7.1.2 of the German Corporate Governance Code (GCGC); expansion of Freiberg East and the Evonik Joint Venture Rheinfelden; preparation and publication of the Declaration of Compliance pursuant to paragraph 161 AktG concerning the GCGC version of 6 June 2008 as published on 8 August 2008; implementation of the compensation caps for prolongations of contracts of Management Board members as provided for in Section 4.2.3, 4th paragraph, of the GCGC; considering the potential repercussions of the worldwide financial crisis; considering the press response in the Opel case. The plans of the Management Board regarding the latter topic were seen by the Supervisory Board as a constructive contribution to the public discussion in the run-up to the imminent Annual General Meeting as well as another expression of a declared belief in the principle of transparency. The Supervisory Board had already previously been asked to deal with plans for an electric car, especially in the field of battery development, as well as with a possible cooperation venture in automotive engineering. The acquisition of shares in Adam Opel GmbH seemed an interesting idea to the Supervisory Board in this context. However, in the view of the Supervisory Board a sustainable engagement in this area would initially require a modification of the articles of association for which the Annual General Meeting would be responsible.

In all its activities the Supervisory Board has been guided by the recommendations of the German Corporate Governance Code which it and the Management Board on the whole complied with in the year 2008. In the same way in which the Supervisory Board in its meeting on 6 August 2007 approved the previous version of 14 June 2007 both for the year just ended and for the new fiscal year it now approved the current version of the GCGC of 6 June 2008 as published on 8 August 2008 in a repeat resolution passed on 29 September 2008 and made permanently available to all shareholders pursuant to paragraph 161 AktG on the website of the company with the following wording:

"The recommendations by the 'Government Commission on the German Corporate Governance Code' as published by the Federal Ministry of Justice in the official section of the Electronic Federal Gazette are being complied with by the Supervisory Board to the extent that they are applicable to it."

In connection with this the Management Board of SOLARWORLD AG approved and also published pursuant to paragraph 161 AktG an appropriate GCGC compliance declaration. At the same time the section "Corporate

Governance Report" in the present Consolidated Annual Report for 2008 also contains all the relevant details on Management Board remunerations, Supervisory Board compensation and GCGC implementation unless the report by the Supervisory Board also contained in this annual report already includes the information as required by section 3.10 GCGC.

As far as compliance with the GCGC recommendations by the Supervisory Board of SOLARWORLD AG is concerned the coordination of the strategic alignment of the company and the regular discussion of the current state of strategy implementation were dealt with within the framework of the consistently practiced exchange of information with the Management Board (section 3.2 GCGC). In this process the provision of information to the Supervisory Board was and is seen as a joint task of the Management Board and the Supervisory Board (section 3.4 GCGC). Especially the Chairman of the Management Board was regularly informed by the Supervisory Board of the company about his own activities and integrated into these as much as possible. Clashes of interest as defined by section 5.5 GCGC were not observed in the process. Also, the Supervisory Board considers itself to be independent as defined in section 5.4.2 GCGC. To the extent that mandatory approvals were required as per section 5.4.2 GCGC these were invariably obtained.

The tasks described by the new balance sheet modernization law with regard to accounting and auditing are performed by the three-member Supervisory Board itself. To the extent that the law demands in this context that at least one member of the Supervisory Board be independent and have expertise in the areas of accounting or auditing the Supervisory Board as a whole declares itself to be sufficiently qualified. In the first instance it is enough if one member of the Supervisory Board has expertise in the area of accounting or alternatively in the area of auditing. This applies to all Supervisory Board members as fully qualified lawyers who have all specialized in business law. In addition, the necessary expertise is simply taken or granted in the case of "long-standing members in audit committees". As all the Supervisory Board members have been involved in the annual auditing of the SOLARWORLD GROUP since 18 December 1998 – other words for more than ten years – no further explanations are needed at this juncture.

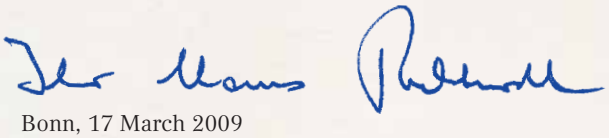
The audit company BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Bonn, which was appointed by the Supervisory Board on the instructions of the Annual General Meeting of 21 May 2008 to audit the financial statements and the consolidated financial statements of SOLARWORLD AG again for fiscal year 2008 first renewed its declaration of independence as defined in section 7.2.1 GCGC thus confirming that no business, financial, personal or other relationships existed between the auditor and his organization and chief auditors on the one hand and the company and its organization members on the other hand that might give rise to doubts about the auditor's independence.

The report to be given by the Supervisory Board on the result of its own examination should according to paragraph 171 Sec. 2 AktG also include the statement on which committees it has formed. As, however, the Supervisory Board of SOLARWORLD AG is limited to three members an extensive formation of committees was also superfluous in the year 2008. To the extent that paragraph 175 Sec. 2 AktG requires an explanatory report on the information pursuant to paragraph 289 Sec. 4 and paragraph 315 Sec. 4 of the German

Commercial Code (HGB) the Supervisory Board adopts the relevant report by the Management Board fully subscribing to the statements made in it. The management and consolidated management reports affected by this were also audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Bonn, which extended the audit to the accounting as well. The annual financial statements for the fiscal year ending on 31 December 2008 drawn up by the Management Board according to the HGB accounting rules and the management report of SOLARWORLD AG were awarded the unqualified auditor's certificate on 16 March 2009. At the same time the auditor also gave his unqualified auditor's certificate to the consolidated management report and the consolidated financial statements of SolarWorld AG which pursuant to paragraph 315a HGB were again drawn up on the basis of the international accounting standards IFRS.

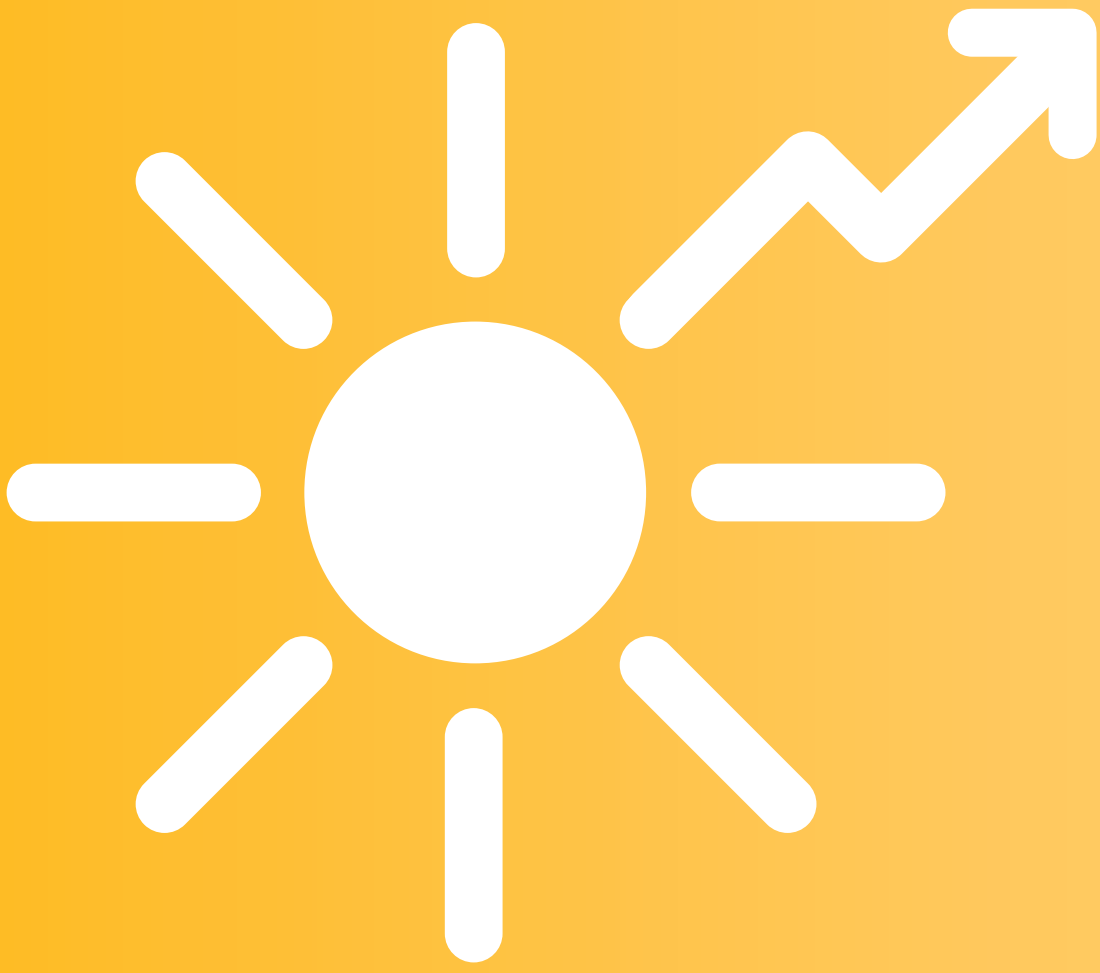
After its own examination of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report the Supervisory Board approved the audit result presented by the auditors. It did not see any reasons for objections. Previously it had discussed the audit priorities with the auditors in a meeting on 18 December 2008 and had met with the auditors for a final conference on 25 February 2009 which took place in the presence of the CFO of SolarWorld AG. In the balance sheet meeting on 16 March 2009 details following from the unqualified auditor's certificates of the same day were finally discussed. Here again no doubts concerning the correctness of the results produced by the auditors were raised which is why a further investigation was not required. In the balance sheet meeting the Supervisory Board then approved the financial statements and the consolidated financial statements as a result of which the financial statements are now adopted. The Supervisory Board also adopted the proposal of the Management Board regarding the appropriation of the balance sheet profit.

The Management Board, the executives as well as all employees of the SOLARWORLD GROUP again produced outstanding work in the year 2008 – and did so worldwide. The Supervisory Board offers heartfelt thanks together with respect and appreciation.



Bonn, 17 March 2009

For the Supervisory Board
Dr. Claus Recktenwald
Chairman



48.4 %

ADJUSTED EBIT GROWTH IN 2008

GROUP MANAGEMENT REPORT

SOLARWORLD STANDS FOR

- INDEPENDENCE
- SUSTAINABILITY
- SUCCESS

SINCE 1998

STRATEGY AND ACTION

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

- Successful concentration on solar core business
- Sound financial base for innovation and growth plans
- "Green chip" through sustainable business model

The year 2008 has shown that we were able to attain our strategic and operational goals. As a global, independent solar technology group, SOLARWORLD AG can look back on ten years of continuous growth. Having started as a solar pioneer in 1998 we are today one of the world market leaders and occupy a strong position in the expanding solar market. Responding quickly and flexibly – that has been and will continue to be our strength. And that has enabled us to successfully complete two crucial acquisitions which catapulted SOLARWORLD to the top of the world market: In 2000 the acquisition of DEUTSCHE SOLAR from Bayer AG, which marked our entry into the integrated value chain, and in 2006 entry into other world markets by way of acquisition of the solar activities of the Shell Group. After a period of intensive growth we reached a stage in 2008 that enabled the group to grow from within in a stable fashion and with a good eye for opportunities.

Our capital structure is firmly grounded. Even at a time of rapid economic change we will be able to secure our short and medium term financing and investment projects through meticulous planning. As a back-up to our economic success, we pursue the objective of making our products and processes sustainable – for example through recycling to save resources or through efficiency improvements.

Our growth strategy is clear: As a leading, fully integrated solar technology group it is our goal to expand our position on the global solar market and, as a result, to further promote the use of solar energy. At the same time we remain open to creative approaches in overlapping business sectors.

SHORT-TERM → STABLE GROWTH EVEN IN THE RECESSION

- Because we have high liquidity and have secured long-term credits at favorable terms and conditions. This provides us with a sound basis for innovations, the development of new products and for investments in additional capacities that make sense.
- Because we operate in a high-growth industry. The expected turn-around in US energy policy will provide the photovoltaic industry with another decisive impetus.
- Because we focused at an early stage on our core competency – solar power technology. In this way we secure for ourselves, even at a time of crisis, a crucial edge in the market place: in terms of technology, in terms of efficiency, and in terms of profitability.

MEDIUM-TERM → AN ESTABLISHED HIGH-GROWTH "GREEN CHIP"

- Because – unlike many classic "Blue Chip" companies – we will benefit from the medium-term price increases for fossil energies. The energy market is at a turning point with respect to new energy supply alternatives.
- Because we can offer the right systems solutions from ready-to-assemble kits all the way through to large solar power plants for on-grid as well as off-grid energy supply.
- Because we are present on the spot in the main markets of Europe, Asia, and North America we have already today established ourselves in these regions as a leading solar company and have the necessary production capacities to serve these markets. For example, we commenced operations at the largest solar factory in the USA at Hillsboro in 2008.

LONG-TERM → WE BUILD THE SOLAR FUTURE

- Because with our business model we give sustainable answers to the worldwide problems of energy hunger and climate protection.
- Because we have risked, and will continue to risk, moving into new markets. In doing so we make use of our technological competency and the knowledge we have gained from our partnerships with polytechnical schools and universities.
- Because we concentrate on our strengths – independence, technology, and systems competency – and prepare the ground for global market leadership in the solar world of tomorrow with innovative products.

To make sure that we implement our strategy consistently, we need feedback in the form of indicators. This is why we developed an optimized system of indicators to implement the group objectives derived from the strategy. *Corporate management and control* • *p. 067//* With regard to the strategic financing measures, please refer to the chapter *Principles and objectives of financial management* • *p. 104//*

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

SUCCESFULL CONCENTRATION ON THE CORE BUSINESS

- In an exclusive study by the management consultancy firm of Bain & Company on behalf of the WirtschaftsWoche business magazine, SOLARWORLD AG was awarded as the fastest growing company in 2008 from among 284 publicly quoted companies in Germany. Concentration on the core business is praised as the most important success factor for the strong growth of SOLARWORLD. The rating was based on factors such as return on investment, return on equity and also growth in sales and in number of employees.

BUSINESS AND GENERAL CONDITIONS

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

- International solar sales markets characterized by strong dynamism
- Worldwide demand exceeds supply
- SOLARWORLD growth as planned // position in world markets expanded

GROUP STRUCTURE AND BUSINESS ACTIVITIES

BUSINESS FIELDS AND ORGANIZATIONAL STRUCTURE. SOLARWORLD AG, founded in Bonn in 1998, is one of the world leaders in the manufacture of crystalline solar power technology. Our emphasis is on solar power applications ranging from roofs to large-scale solar power plants in the worldwide solar markets.

SOLARWORLD AKTIENGESELLSCHAFT, Bonn, is the parent company of the SOLARWORLD Group performing the function of a holding company: The tasks of group management are vested in the Management Board. Central leadership, steering and control functions in the areas of strategic group development, M&A, Finance, Controlling, Corporate Communication, Marketing as well as Sustainability Management as a staff position under the Group Management Board are handled in the holding company. Additionally, SOLARWORLD AG acts as the European sales and distribution center for the trading in modules and kits. In the case of high capacity central solar power stations SOLARWORLD AG also provides the turn-key installation to customers.

A central purchasing unit attached to DEUTSCHE SOLAR AG at the Freiberg production site controls the procurement and purchasing activities for the entire group. Our research and raw materials activities are bundled centrally at subsidiaries such as SOLARWORLD INNOVATIONS (R&D) and SUNICON AG (raw materials activities). In this way we benefit from group-wide synergies and economies of scale, improve the know-how transfer within the group and strengthen our market position. With a uniform group-

wide IT system, we secure the identical acquisition of data, a smooth exchange of information and the efficient handling of projects for all business segments.

LEGAL GROUP STRUCTURE. As at the effective date of 31 December 2008, the SOLARWORLD Group consisted of a total of 28 (previous year: 28) companies. As a result of partial sale of the previously fully consolidated subsidiary, GÄLLIVARE PHOTOVOLTAIC AB (GPV), to Borevind AB on 14 January 2008 the group of consolidated companies has changed in comparison with the 31 December of last year. *Notes/Scope of consolidated financial statements and legal group structure • p. 162 //; Future legal group structure • p. 139 //*

On 17 April 2008 SOLARWORLD KOREA was established in which the partners, SOLARWORLD AG and Korean Solarpark Engineering Co. Ltd., Seoul, hold an equal number of shares (at equity participation).

WORLDWIDE SITES OF THE GROUP

With a total of 13 (previous year: 12) sites worldwide (including two production units, Joint Ventures operations and the holding company), SOLARWORLD AG is today present on the relevant markets. We operate with production facilities in Germany, the USA, and South Korea at the heart of the core markets of Europe, North America, and Asia. Sales teams in Germany, Spain, the USA, Singapore, and South Africa are pushing ahead strategic distribution in the solar growth regions. *World map*

GOOD SITE FACTORS STRENGTHEN EXPANSION. One example of target-oriented location policy is our new manufacturing facility in the US town of Hillsboro. The region known as "Oregon Silicon Forest" offers optimum site conditions for solar production with its local electronics and semiconductor industry, a large pool of competent skilled workers and a reliable infrastructure. The crystallization sub-segment was located in neighboring Vancouver, Washington, in the year under review.

In Oregon, universities such as the Portland Community Center increasingly offer courses in solar manufacturing technologies to qualify and further train the »high-tech workforce« from the chip industry. *Human resources • p. 110 //* In addition, Oregon fights tenaciously for the expansion of »green technologies«. Thus, by adopting the "Renewable Portfolio Standard", the federal state has committed itself to obtaining a fixed per centage of its power offer from renewable energies. Furthermore, companies that produce equipment for renewable energies can claim 50 per cent of the investment costs of their manufacturing facilities against tax (Business Energy Tax Credit).

As a member of Silicon Saxony e.V., the Saxony industrial association of the semiconductor industry, we in Germany also benefit from a number of advantageous site factors: Freiberg has a more than 50-year-old tradition of silicon processing and a broad spectrum of supplier industries; in addition, Freiberg is today one of the five largest centers of the semiconductor and silicon industry worldwide. As a result and thanks to the proximity to the Technical University and Mining Academy (TUBA), we can tap into synergies in research right on the spot as well as benefit from the availability of highly qualified, skilled workers.

COMPETITIVE POSITION AND MAIN SALES MARKETS

SOLARWORLD is one of the leading, fully integrated solar power technology groups. The share of our group-wide foreign sales (wafers, cells, modules/systems) was increased in 2008 to 54 (previous year: 49) per cent – an indication of the expansion of our competitive position on international markets. In the USA we are the largest solar power technology provider with local production ranging from wafers to modules.

In the trade segment, we also succeeded in increasing our foreign sales on markets outside Germany to 53 (previous year: 46) per cent. This is proof of our increased international sales and distribution power with modules and solar kits. The main sales markets were, in addition to Germany, also Spain, the USA, South Korea, and Italy. In Germany we were able to consolidate our good market position thanks to the excellent reputation acquired by the SOLARWORLD brand over many years. In 2008, we again proved to be a reliable trading partner for our customers.

The Spanish market is heavily influenced by local providers. Yet, thanks to our good local sales and distribution work, we succeeded in strengthening our position in the stable, roof-mounted systems market.

Young solar markets such as Italy, France, Belgium, and Greece have developed very dynamically for SOLARWORLD in spite of their moderate market sizes. In those markets we created an excellent starting position for ourselves, and in Italy we were able to generate sales that were clearly in the double digit megawatt range for the first time. In Greece, France, and Belgium we realized successful sales over the one megawatt threshold. Due to our presence on these markets we can actively participate in shaping the emerging distribution structures with increasing market maturity. The objective here must be to establish the company as a quality brand and to form cooperation ventures with other partners.

In the Asia-Pacific region we succeeded in strengthening the quality of our competitive position through our production facility in South Korea.

In 2008 we were again one of the top three wafer manufacturers worldwide: We consolidated this position by way of expansion of our production capacities by more than 50 per cent to 600 megawatt (MW). We sell about 50 per cent of our wafers to external customers in Europe, Asia, and America. Our competitive advantage is based on our long years of experience, our sound capital base in the group for the implementation of additional expansion plans as well as our SOLSIX® wafer brand.

LEGAL AND ECONOMIC FACTORS OF INFLUENCE

FUNDING PROGRAMS IN GERMANY. Germany currently holds a leading position in the world market in the segment of renewable energies. An important driver for the development of this highly efficient industry was the German law on renewable energies (EEG). The proportion of renewable energies in total power generation in 2008 amounted to 15 (previous year: 14) per cent in this market.

Today the country has a high performance solar power industry with a worldwide technology edge and some 48,000 people employed directly and indirectly in the industry. The EEG constitutes an important investment incentive for the solar industry while, at the same time, pushing ahead technological development by way of annual reductions in funding of five per cent until 2008 and eight per cent as from 2009.

This leads to efficiency improvements in production and to price cuts for customers. Thus, it was possible to reduce production costs for solar power technologies by more than 50 per cent since 1996. In the course of further cost reductions, electricity from solar energy will soon be able to compete with the gross electricity prices for private households (i.e. it will reach what is called "grid parity"). *Opportunities • p. 147 //*

FUNDING PROGRAMS IN OTHER COUNTRIES. With a share of less than one per cent, solar power technology has so far played a somewhat small role in the energy mix. *The world electricity market • p. 072 //* Incentive systems are still a decisive investment factor for the solar power industry. Numerous countries have either announced or initiated similar programs for the promotion of renewable energies that are in some cases fashioned on the German EEG. These programs will favor comparable market developments worldwide.

The increasing energy demand, the scarcity of fossil raw materials as well as climate change are creating a great worldwide interest in promoting alternative energy sources such as solar power. Four major funding tools are being used to this end either at regional level (e.g. California, USA) or at national level (e.g. Germany, Spain, Italy or France).

FUNDING INSTRUMENTS. The most successful instrument is the minimum price system as applied in Germany, for example, in which guaranteed minimum feed-in compensation is paid for the electricity generated. It offers the necessary investment security to operators of solar power systems whether on the roof of one's own home or in a large-scale project.

In many countries investment grants and tax relief are additionally granted in order to bring down the very high initial investments for solar plants. As these funding mechanisms are, however, detached from the real efficiency of solar plants, they offer very little incentive to improve product quality. In France, Greece, and the USA, these two mechanisms are therefore only applied as additional bonuses at regional level.

Quota systems are another widely used funding tool: They establish a certain per centage quota of solar power in the energy mix for the utility. Through the certificate trading system, the solar power price is formed from the interaction between supply and demand. However, practical experience has shown that such systems tend to lead to investment uncertainty, especially among private investors, due to high price volatility triggering considerable risk premiums. Numerous countries in which such systems were employed have meanwhile replaced these systems with minimum price systems.

ATTAINMENT OF GRID PARITY. Today, solar power producers still depend on these funding measures. However, probably within the next decade a constellation will be reached where, in the retail business, the price of

conventionally generated electricity will exceed the costs of solar power generated by retail customers themselves. From that point onwards there will be grid parity; i.e. parity between solar power and power from the grid. This means: For the retail customer, the installation of a solar generating plant on the roof will pay for itself even without financial funding. *Opportunities* • *p. 147 //*

IMPORTANT PRODUCTS, SERVICES AND BUSINESS PROCESSES

SUCCESS WITH HIGH PERFORMANCE PRODUCTS. As an integrated group of companies, SOLARWORLD AG possesses a deeply integrated value chain and a broad-based product range. We concentrate on mono- and poly-crystalline solar power applications.

These products combine numerous advantages: a high degree of efficiency, reliable long-term stability, good environmental compatibility and compact design. In addition, the costs of the entire system (systems technology, e.g. sub-frame, DC and/or AC cabling, inverter) are lower because, in comparison with other technologies, it requires less space with the same level of yield.

In our group of companies we consistently rely on the use of standardized components such as plug connections that can be used worldwide on our global modules. In this way we can optimize our automation processes, cut unit costs, and increase availability and on-time delivery for the benefit of our customers. We develop, produce and distribute almost all systems components ourselves, as a result of which we achieve distinct cost advantages.

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

STRONG IN THE WAFER BUSINESS

Around half of the wafers of our SOLSIX® brand are sold to external customers. The remaining 50 per cent are further processed by SOLARWORLD into cells and then to modules.

STRONG IN THE MODULE BUSINESS

SUNMODULE PLUS is a particularly innovative module concept. Globally usable and approved according to IEC and UL norms, it meets worldwide quality requirements. It can be produced fully automatically, which provides us with a consistently high product quality. The Plus assortment (according to the SOLARWORLD Flash Report) renders the time-consuming sorting of modules superfluous during installation and guarantees the highest level of efficiency of the plant.

HIGH SYSTEMS COMPETENCY

Our product range is rounded off by systems such as the SUNKITS® solar kits, the planning software, SUNTOOL®, the SUNTROL® display unit, and the ENERGYROOF® that can be installed as an alternative to a roof-mounted system.

STRONG IN RAW MATERIAL RECYCLING

The reprocessing of spent solar cells and silicon waste is a central element of our closed material cycle. The business unit, SolarMaterial, also offers this service to external customers.

CORPORATE GOVERNANCE

AGAIN UNRESTRICTED DECLARATION OF COMPLIANCE BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD. The principles of good management and supervision (Corporate Governance) have always been of great importance to SOLARWORLD. In 2008, the year under review, the Management Board and the Supervisory Board again issued a Declaration of Compliance that is fully in line with the recommendations of the 6 June 2008 version of the German Corporate Governance Code (GCGC) as published on 8 August 2008. Pursuant to paragraph 161 German Stock Corporation Act (Aktiengesetz = AktG), this declaration will be made permanently accessible to our shareholders on our Internet page. *www.solarworld.de/investorrelations/declaration //* This Internet page will also contain all the previous declarations since 2002. *Report by the Supervisory Board p. 039//*

In order to identify the needs of the different stakeholder groups and to take them into consideration in the decision-making process, we bank (among other things) on employee and customer surveys, road shows, investor conferences and an open dialogue with our works councils. By way of open and transparent communications, we want to strengthen the trust of our investors, customers, employees, suppliers and the public in our corporate policy.

Since the Supervisory Board of SOLARWORLD AG will continue to limit itself to three members, the rephrasing of Item 4.2.2 GCGC has not caused any changes. It continues to be the Supervisory Board on the whole that will dedicate itself to all Management Board issues, including the compensation system, and will conduct the required examination and supervisory measures. In this context the new capping rule on severance pay according to Item 4.2.3 will also be observed. This applies both to newly concluded Management Board contracts and also to the three extensions of service contracts decided upon in 2008. By the same token, the Supervisory Board of SOLARWORLD already implemented the new recommendation of Item 7.1.2 GCGC with effect from the first half year report 2008 to discuss half-yearly and quarterly financial reports with the Management Board before publication. This was in fact also done in the third and fourth quarters 2008 with the Chairman of the Management Board and the Chief Financial Officer.

SOLARWORLD ETHICS AND CODE OF CONDUCT. Ethically unobjectionable conduct in line with legal requirements is a core element of our corporate culture, the very basis for sensible risk management, and thus the essential foundation for the success of SOLARWORLD. In the course of our strong growth and the internationalization of our group of companies, many topics can no longer be organized "at the drop of a hat". As the basis for responsible corporate management (Corporate Governance), we comprehensively revised the originally very short SOLARWORLD Ethics in fiscal year 2008. The ten guidelines of the SOLARWORLD Ethics as well as the Code of Conduct created from scratch in the fiscal year under review are designed to provide board members and staff with guidance concerning ethically correct behavior in the future. In this way we want to consolidate the ethical and social values and principles of the company and embed them in the corporate culture. They are voluntary, group-wide standards of conduct that determine our actions in areas in which economic and legal framework conditions have not been formulated or are not sufficient. The basis of the code is the currently applicable national and international law.

Our objective is to systematically introduce and consistently implement the Code of Conduct developed in 2008 in the company. *www.solarworld.de/sustainability //;* To make sure that the principles are internalized by all employees, adherence to the legal requirements and to the rules of the Code of Conduct will be made the subject of in-company training and further education with effect from the year 2009. Only regular exposure to the topic will create the necessary awareness, so that the principles can be translated into a living corporate culture. The Code of Conduct is therefore binding throughout the group. Over and above this, we will make every effort to persuade our business and contractual partners to adhere to similar standards.

Conflicts of interest will be taken up by the "Ethics Council" and will also be considered within the framework of our integrated steering approach. *Corporate management and control • p. 067 //*

MANAGEMENT AND CONTROL 2008 UNCHANGED. As a German stock corporation, SOLARWORLD AG has a dual management and control structure. The members of the Management Board are appointed, supervised and advised by the Supervisory Board and manage the company under their own responsibility pursuant to the law (paragraphs 77, 78 AktG), to the Articles of Association (paragraphs 5,6), and to the Rules of Procedure. The Rules of Procedure determine the work of the Management Board, define the responsibilities

of individual Management Board members as well as matters reserved for the entire Management Board and the required voting majorities for Management Board resolutions. *Notes/Executive Board and Supervisory Board • p. 197 //* The Management Board of SOLARWORLD AG and the business distribution among its members has remained unchanged in the course of 2008. The Management Board consisted of four members in the year 2008:

Frank H. Asbeck (Chairman of the Management Board and CEO), Frank Henn (Chief Sales Officer), Boris Klebensberger (Chief Operating Officer) and Philipp Koecke (Chief Financial Officer). *Management Board • p. 030 //* The Supervisory Board remained unchanged with three members. By tradition, the Management Board and the Supervisory Board cooperate very closely and in a trustful manner at SOLARWORLD.

Pursuant to paragraphs 95 Sec. 1, 96 Sec. 1, 101 Sec. 1 AktG, the Supervisory Board of SOLARWORLD consists of Supervisory Board members of the shareholders. The Annual General Meeting is not bound by any election proposals. The legal basis for the work of the Supervisory Board at SOLARWORLD AG is provided by the Stock Corporation Act, the Articles of Association, and by the Rules of Procedure. At the Annual General Meeting on 21 May 2008, Dr. Claus Recktenwald, Dr. Georg Gansen and also Dr. Alexander von Bossel were re-elected to the Supervisory Board in individual elections. At its constituent meeting on the same day the Supervisory Board confirmed Dr. Claus Recktenwald as its Chairman, and Dr. Georg Gansen as its Deputy Chairman. *Supervisory Board • p. 037 //*

Dr. Claus Recktenwald is an attorney-at-law and partner in the law firm of Schmitz Knoth Rechtsanwälte in Bonn, and holds the following offices on legally required supervisory boards or similar control and supervisory boards:

- Chairman of the Supervisory Board of SOLARWORLD AG, Bonn
- Chairman of the Supervisory Board of SOLARPARC AG, Bonn
- Deputy Chairman of the Supervisory Board of DEUTSCHE SOLAR AG, Freiberg
- Member of the Supervisory Board of VEMAG Verlags- und Medien Aktiengesellschaft, Cologne
- Deputy Chairman of the Supervisory Board of SUNICON AG, Freiberg
- Member of the Supervisory Board of Wanderer-Werke AG, Augsburg (since 10 July 2008)

Taking into consideration the two cases where he is Chairman of the Supervisory Board that count as double, Dr. Recktenwald has eight mandates, whereby the currently admissible total number of mandates is ten.

Dr. Georg Gansen is an attorney-at-law/Corporate Legal Counsel with Deutsche Post AG with official residence in Bonn and holds the following offices on legally required supervisory boards and similar control and supervisory boards:

- Deputy Chairman of the Supervisory Board of SOLARWORLD AG, Bonn
- Deputy Chairman of the Supervisory Board of SOLARPARC AG, Bonn
- Deputy Chairman of the Supervisory Board of DEUTSCHE SOLAR AG, Freiberg
- Deputy Chairman of the Supervisory Board of SUNICON AG, Freiberg

Dr. Alexander von Bossel is an attorney-at-law and partner in the law firm of CMS Hasche Sigle in Cologne, and holds the following offices on legally required supervisory boards and similar control and supervisory boards:

- Member of the Supervisory Board of SOLARWORLD AG, Bonn
- Member of the Supervisory Board of SOLARPARC AG, Bonn

In the current Group Annual Report 2008 the Supervisory Board reports about its activities in fiscal year 2008 in the chapter "Report by the Supervisory Board". In this report, further details concerning GCGC implementation are also to be found.

The share ownership of the Management Board members of SolarWorld AG amounted to the sum total of 25 per cent of the shares issued as per 31 December 2008. The members of the Supervisory Board did not hold any shares in SolarWorld AG. *The SolarWorld Stock p. 090 //*

TRANSPARENCY VIS-À-VIS SHAREHOLDERS AND THE PUBLIC. We communicate openly and in a transparent manner with our shareholders and the public. When making information available we follow the principle of equal treatment for all shareholders. Via the Internet, all financial reports for the full year or for the respective quarters can be inspected in German and in English. In our financial calendar – which is included on our website, in our annual report and our quarterly reports – we provide information about publication dates as well as dates of business and analysts' conferences and also the Annual General Meeting. Presentations that we make on the occasion of conferences and road shows are carried on our homepage. *www.solarworld.de/presentations //* Our corporate newsletter can be subscribed to directly on the starter page of our website or also by telephone from our Investor Relations department – electronically or by post.

At our AGM our shareholders can exercise their rights as well as cast their votes. For shareholders who are unable to participate in the AGM on the spot, there is the possibility of exercising their voting rights through a personally selected proxy or through an authorized representative of our company who will act on their instructions. All the information on the AGM can be downloaded from our website. Pursuant to paragraph 3, Sec. 2 of our Articles of Association, information such as invitations to AGMs may also be communicated to shareholders by way of electronic media.

Small shareholders, in particular, who want to exercise their shareholder rights effectively will find the representation of their interests facilitated by the electronic shareholders' forum as a communications platform. The legal basis for this is created by paragraph 127a AktG in conjunction with the ordinance on shareholder forums (AktFoV). Immediately after the end of the AGM we publish the attendance figures and the results of the votes on the Internet. *The SolarWorld Stock • p. 090*

CAPITAL MARKET LAW AND COMPLIANCE. In order to adhere to and implement the capital market laws and disclosure rules designed to strengthen investor protection, the Management Board makes the appropriate internal company structures available. An external legal clearing office examines group-wide facts

concerning their ad-hoc relevance. With regard to the legal ban on insider trading pursuant to paragraph 14 of the German securities trading act (Wertpapierhandelsgesetz = WpHG), the appropriate persons are informed about an insider directive on how to handle insider information. Employees and Management Board members for whom access to insider information is indispensable in performing their tasks at SOLARWORLD AG are listed in an Insider Register. In 2008 there were no special occurrences with regard to the insider register and insider trading.

In 2008 there were ten voting rights notifications pursuant to paragraphs 21, 26 WpHG for exceeding or falling short of the voting rights thresholds defined by law. In the year under review no SOLARWORLD stocks were either bought or sold by the Management Board or the Supervisory Board or persons closely related to them (Directors' Dealings) that would have required notifications pursuant to paragraph 15a WpHG. An annual document pursuant to the Securities Prospectus Act (WpPG) will provide information on all publications made in the year 2008 on our Internet page subsequent to the publication of the annual financial statements on 26 March 2009. *www.solarworld.de/investorrelations/yearly-docs* //

COMPENSATION REPORT

With this compensation report the Supervisory Board and the Management Board of SOLARWORLD AG again comply with the recommendations of the German Corporate Governance Code in its most recent version of 6 June 2008. While Section 3.10 GCGC provides for the »Corporate Governance Report« to be included in this annual report under a separate headline and is, incidentally, also covered in the Report by the Supervisory Board, Section 4.2.5 GCGC determines the explanation of the compensation system for the Management Board members, including the disclosure of individualized compensation, and Section 5.4.6 – also as part of the Corporate Governance Report – covers the individualized reporting of the compensation for Supervisory Board members (broken down into its components), including compensation paid and advantages granted for personally rendered services, especially consulting and mediation services.

MANAGEMENT BOARD COMPENSATION. The annual Management Board compensation agreed with all Management Board members and determined in terms of its structure by the Supervisory Board of SOLARWORLD AG is made up of fixed and variable components. It is guided by paragraph 87 AktG, according to which the total compensation for an individual Management Board member must be commensurate with his tasks and with the situation of the company. Furthermore, it must be in line with the criteria of the GCGC and take into consideration the special conditions of the company in the context of the group, as well as the individual link-ups in the human resources and functional areas, taking into account the relevant environmental parameters. At the same time the financial situation of the SOLARWORLD Group is also considered. This in turn is reflected in the profit distribution possibilities, which form the basis for the variable components of compensation for the Management Board.

As fringe benefits, all Management Board members receive the accident and D&O insurance costs as well as the use of an upper mid-range company car. Furthermore all work-related out-of-pocket costs, expenditure and expenses are refunded pursuant to paragraph 670 BGB (German Civil Code). In

addition, the Management Board members in charge of Finance (CFO), Operations (COO) and Sales (CSO) receive grants towards their health insurance. Finally, mention must be made of the compensation for the Chairman of the Supervisory Board of DEUTSCHE SOLAR AG, for the Chairman of the Management Board (CEO), and of the compensation for other Management Board activities at DEUTSCHE SOLAR AG and for the COO. For the CEO, the compensation as Chairman of the Supervisory Board of SUNICON AG will be added with effect from 1 January 2009, which was approved by the latter's AGM on 18 December 2008.

In the event of premature termination of service contracts, these Management Board contracts do not contain any severance pay agreement. The severance pay cap recommended in the latest version of the GCGC of 6 June 2008 has been taken into account in the new appointments made since then. In the follow-up contracts for the COO, the CEO and the CFO, this was already implemented with effect from 1 September 2008, 10 January 2009, and 1 May 2009 respectively.

There are no separate pension entitlements. Management Board members are therefore also allowed to convert part of their compensation into an in-company pension plan.

The fixed annual compensation for Management Board members is payable in twelve monthly installments at the end of each month. In addition, every Management Board member receives a variable, performance-related special payment that is equivalent to an individually negotiated euro amount per cent and share of the dividend distributed to shareholders. The pay-out takes place within four weeks of the AGM at which the underlying dividend distribution was approved. The following individualization of Management Board compensation refers, on the one hand, to the fixed compensation that fell due and was paid out in the year 2008. On the other hand, it also covers variable compensation referring to the 2008 fiscal year which can, however, not fall due before the upcoming AGM and which, incidentally, depends on the profit appropriation proposal by the Management Board being approved that provides for a dividend distribution of 15 eurocents per share.

The variable compensation is capped in such a way that a Management Board member must not be paid more in any one fiscal year than a multiple of the fixed compensation previously agreed with the Supervisory Board. For the CFO and the CSO, it is three times the amount (i.e. the variable component amounts to 200 per cent of the fixed compensation), and for the CEO and the COO, it is four times the fixed amount (i.e. the variable compensation must not exceed 300 per cent of the fixed compensation). For the Chief Operating Officer, the fixed compensation from additional Management Board activity at DEUTSCHE SOLAR AG is included.

The Supervisory Board of SOLARWORLD AG is of the opinion that the limitation of Management Board compensation by law as discussed in a legal policy context right now would not be appropriate. On the other hand, the Supervisory Board would consider a ruling practicable that would impose upon it a compensation cap by way of an AGM resolution and/or amendments to the Articles of Association. To this end, in the agreement reached with the CEO concerning the extension of the Management Board appointment from 10 January 2009 to 9 January 2014, the following regulation was adopted: "In the event of the AGM

of SOLARWORLD AG resolving to cap the overall compensation per Management Board member to an annual amount of 1 million €, Mr. Asbeck already submits to such a resolution now. He does so under the proviso that a farther-reaching renunciation will not include fringe benefits granted by SOLARWORLD AG such as inventor's compensation, a company car and Supervisory Board compensation for subsidiaries, sister companies and other companies. The capping would thus only be accepted for the fixed annual compensation and the variable compensation components. The Supervisory Board now already agrees to such a renunciation by Mr. Asbeck." Here again the Management Board and the Supervisory Board express their respective belief in an appropriate level of Management Board compensation.

The amount and the structure of compensation are continuously verified by the Supervisory Board, made the topic of an annual meeting on Management Board matters, and conjointly updated and agreed upon with every Management Board member.

07 MANAGEMENT BOARD COMPENSATION // IN €

	Non-performance-related		Performance-related	Total
	Fixed	Other compensation	Variable	
Frank H. Asbeck Chairman	280,843.32	29,500.00 (Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 4,500.00) 17,000.00 (Supervisory Board compensation, Sunicon AG incl. attendance fees of € 2,000.00)	810,000.00 [1]	1,137,343.32
Previous year	280,843.32	15,000.00 (Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 2,500.00)	810,000.00	1,105,843.32
Philipp Koecke Chief Financial Officer	136,154.40	2,576.16 (Grants towards health insurance)	240,000.00 [1]	378,730.56
Previous year	136,154.40	2,203.68 (Grants towards health insurance)	224,000.00	362,358.08
Boris Klebensberger Chief Operating Officer	174,423.32	31,515.64 (Management Board Deutsche Solar AG) 2,379.90 (Grants towards health insurance) 2,329.64 (Inventor's compensation)	525,000.00 [1]	735,648.50
Previous year	131,090.00	46,202.83 (Management Board Deutsche Solar AG) 2,233.68 (Grants towards health insurance) 4,566.72 (Inventor's compensation)	464,400.00	648,493.23
Frank Henn Chief Sales Officer	174,337.43	3,375.00 (Grants towards health insurance)	240,000.00 [1]	417,712.43
Previous year	160,382.98	3,120.72 (Grants towards health insurance)	224,000.00	387,503.70
Total	765,758.47	88,676.34	1,815,000.00 [1]	2,669,434.81
Previous year	708,470.70	73,327.63	1,722,400.00	2,504,198.33

1) Resolution on Profit Appropriation – Annual General Meeting 2009

SUPERVISORY BOARD COMPENSATION. The Annual General Meeting of SOLARWORLD AG on 25 May 2005 adopted Supervisory Board compensation consisting of a fixed component, a performance-related variable component, fringe benefits, and the refund of out-of-pocket expenses. This came into effect as of 1 January 2005, and was to apply for the following years unless another AGM passed resolutions of a different content for the future.

In line with paragraph 113 Sec. 1 AktG the Supervisory Board compensation must be in appropriate proportion to the tasks of the Supervisory Board members and to the situation of the company. The AGM of the company also decided that the company will pay the premiums for adequate insurance cover against the legal liability resulting from Supervisory Board activities (D&O insurance).

Accordingly, the members of the Supervisory Board each receive annual compensation of € 17,500.00; the Deputy Chairman of the Supervisory Board receives one and a half times this amount; i.e. € 26,250.00, and the Chairman of the Supervisory Board receives twice this amount; i.e. € 35,000.00, plus in each case, turnover tax if and when applicable. This compensation was paid in the year 2009 retroactively for fiscal year 2008. In addition, each member of the Supervisory Board was paid a costs lump sum of € 250.00 for each Supervisory Board meeting and AGM attendance which, in the year 2008, was triggered ten times adding up to a total of € 2,500.00, again plus turnover tax where appropriate, which the company could however set off as input tax. Over and above this, every member of the Supervisory Board received and receives performance-related special compensation which was originally determined to be € 150.00 per dividend cent, with a capital stock split into 6,350,000 shares, subject to the proviso that the basic amount would go up in line with the increase in the number of shares. As a result of the increase in the number of shares from 6,350,000 to 111,720,000, the multiplier 17.5937 applies in this fiscal year which, in turn, triggers a basic amount of € 2,639.055. With a dividend to be adopted at the next AGM of 15 eurocents per share this will trigger variable special compensation of € 39,585.83 (previous year: € 36,946.77) for every member of the Supervisory Board. However, at its meeting on 6 August 2007, the Supervisory Board of SOLARWORLD AG issued a "Self-Commitment Declaration" that involves a partial renunciation, links up with the agreement made with the Management Board members on variable compensation, and reads as follows: "As long as the resolution of the AGM on 25 May 2005 applies to the compensation for the Supervisory Board, the Supervisory Board members accept capping of the variable compensation that is due to them to double the fixed annual compensation that is due to them, respectively. Consequently, even if due to special results for the year and/or a further increase in the relevant number of shares, more than twice the fixed annual compensation could be claimed as variable special compensation, overall, no more than three times the fixed annual compensation will be paid per fiscal year. The Supervisory Board members thus agree to (and among themselves), the cap ruling provided for in Section 4.2.3, penultimate paragraph of the German Corporate Governance Code."

The performance-related special compensation is also paid out plus turnover tax where it is incurred. Payment is due after the end of that AGM at which the underlying dividend distribution is approved. The

variable compensation shown in the following list for the year 2008 will therefore fall due and be paid out when the AGM approves the dividend proposed by the Management Board and by the Supervisory Board.

With regard to the disclosure recommended in the last paragraph of section 5.4.6 of the German Corporate Governance Code, it is pointed out that the Chairman of the Supervisor Board of SOLARWORLD AG is a partner in the law firm of Schmitz Knoth Rechtsanwälte. Essentially via other partners and employees of the company, this law firm provides legal advice and representation services to the SOLARWORLD Group as well as the international coordination services that are necessary in this context. As far as the provision of its services in the year under review of 2008 is concerned, the law firm Schmitz Knoth Rechtsanwälte charged a total of € 375,129.83 to SOLARWORLD AG, of which € 8,945.93 were tax-free expenses (legal fees and other official fees). Refunds from third parties amounted to € 3,799.60, so that a net amount of attorney's fees of € 362,384.30 remained for SOLARWORLD AG in the year 2008 in which services were received. For this period, further attorney's fees were incurred amounting to € 166,147.20 for DEUTSCHE SOLAR AG, to € 5,306.60 for DEUTSCHE CELL GMBH, to € 2,010.40 for SOLAR FACTORY GMBH, to € 22,448.86 for SOLARWORLD INDUSTRIES DEUTSCHLAND GMBH, to € 130.00 for SOLARWORLD INDUSTRIES SCHALKE I.L. GMBH, to € 21,283.60 for SUNICON AG, and to € 11,590.80 for SOLARWORLD INNOVATIONS GMBH. All individual items as well as the total sum of attorney's fees of € 591,301.76 (previous year: € 387,212.22) to be paid by the group were approved by the Supervisory Board of SOLARWORLD AG, a resolution on the commissioning of relevant legal work was adopted, and the latter's necessity and appropriateness were confirmed at the balance sheet meeting on 16 March 2009.

Finally, it is stated that the Supervisory Board members, Dr. Claus Recktenwald and Dr. Georg Gansen, are concurrently and respectively Deputy Chairmen of the Supervisory Board of DEUTSCHE SOLAR AG. The CEO of SOLARWORLD AG, Frank H. Asbeck, is the Chairman of that Supervisory Board. Compensation for the Supervisory Board at DEUTSCHE SOLAR AG was increased to an annual amount of € 25,000.00 on the occasion of the AGM on 6 December 2007. This compensation of € 25,000.00 (previous year: € 12,500.00) was also the same for each member of the Supervisory Board in the year 2008. Added to this must be in each case the attendance fees of € 750.00 shown in the following list. With the six meetings charged for in the year 2008 this comes to a total amount per Supervisory Board member of € 29,500.00 net which, like all other compensation for the Supervisory Board, will not fall due and be paid until after the end of the fiscal year.

The previously mentioned Messrs Dr. Claus Recktenwald, Dr. Georg Gansen and Frank H. Asbeck are also members of the Supervisory Board of SUNICON AG. At the company's AGM on 18 December 2008, Supervisory Board compensation of € 15,000.00 net per member of the Supervisory Board was decided upon, which will apply for the first time in fiscal year 2008 and which, like the attendance fee of € 400.00 net, will not fall due until 1 January 2009. With five meetings for which a claim is made, the total per member of the Supervisory Board will come to € 17,000.00, plus turnover tax.

08 SUPERVISORY BOARD COMPENSATION // IN €

		Non-performance-related			Performance-related	Total
		Fixed annual compensation	Attendance fee	Other compensation	Variable special compensation	
Dr. Claus Recktenwald Chairman	For 2008 paid in 2009	35,000.00	2,500.00	29,500.00 (Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 4,500) 17,000.00 (Supervisory Board compensation, Sunicon AG incl. attendance fees of € 2,000)	39,585.83 [1]	123,585.83
	For 2007 paid in 2008	35,000.00	2,750.00	15,000.00 Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 2,500)	36,946.77	89,696.77
Dr. Georg Gansen Deputy Chairman	For 2008 paid in 2009	26,250.00	2,500.00	29,500.00 (Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 4,500) 17,000.00 (Supervisory Board compensation, Sunicon AG incl. attendance fees of € 2,000)	39,585.83 [1]	114,835.83
	For 2007 paid in 2008	26,250.00	2,750.00	15,000.00 (Supervisory Board compensation, Deutsche Solar AG incl. attendance fees of € 2,500)	36,946.77	80,946.77
Dr. Alexander von Bossel Member	For 2008 paid in 2009	17,500.00	2,500.00		35,000.00 [1]	55,000.00
	For 2007 paid in 2008	17,500.00	2,750.00		35,000.00 (capped)	55,250.00
Total	For 2008 paid in 2009	78,750.00	7,500.00	93,000.00	114,171.66 [1]	293,421.66
	For 2007 paid in 2008	78,750.00	8,250.00	30,000.00	108,893.54	225,893.54

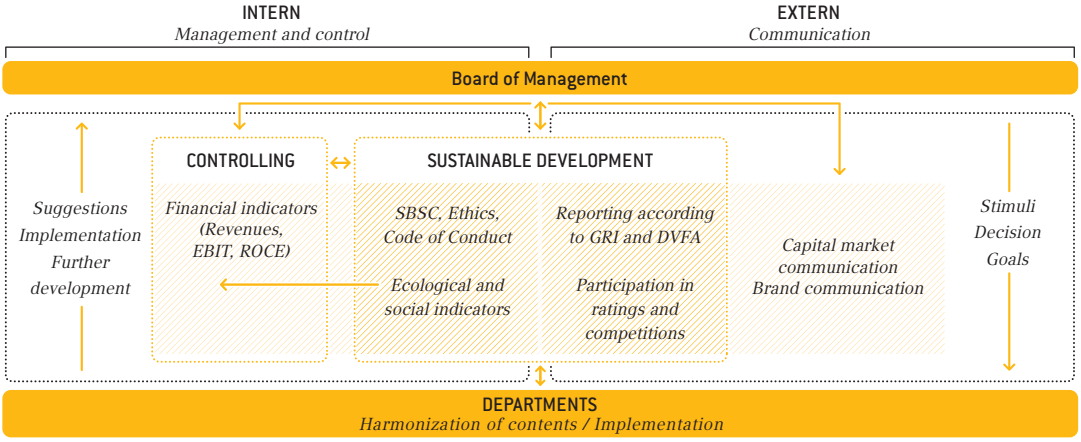
1) Resolution on Profit Appropriation – Annual General Meeting 2009

CORPORATE MANAGEMENT AND CONTROL

VISION. The objective of SOLARWORLD AG is the worldwide establishment of a reliable, environmentally friendly and safe energy supply. Solar energy is the key to resource and climate protection; it contributes to the avoidance of military conflicts through growing independence from fossil resources. We are working on making solar power generation competitive in all markets as quickly as possible and at making the decentralized use of solar energy possible for all people, thus gaining an opportunity for sustainable development.

STEERING AND CONTROL. The group strategy and the resulting group objectives are determined by the SOLARWORLD Management Board. The review, control and further development of our strategic objectives take place in the course of the year during regular strategic meetings attended by the Management Board members and the General Managers of the subsidiary companies. In the "Ethics Council" established in 2007, projects with an emphasis on ethics and sustainability are discussed, further developed and approved. The goals for the business units are then derived from the decisions taken by the top level decision-making bodies.

09 ORGANIZATION CHART MANAGEMENT AND CONTROL



The Target/Actual Comparison Check of financial control indicators performed by our group-wide Investment Controlling, including a report to the Management Board, makes sure that developments are spotted at an early point in time, that appropriate measures can be initiated, and that targets can be adjusted to changing market and corporate developments.

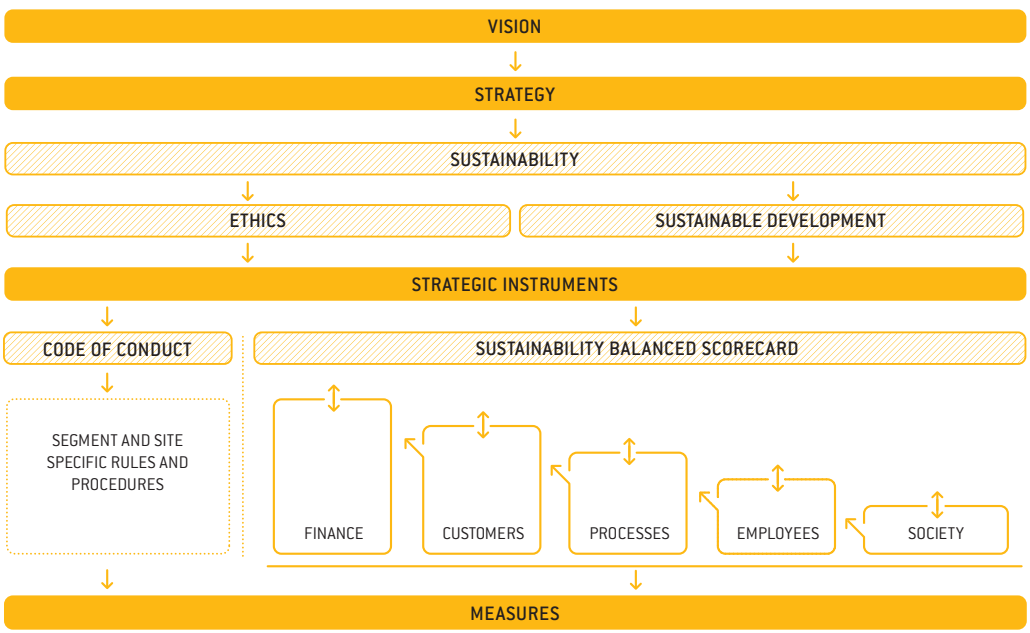
As an instrument of strategy implementation we further developed the indicator-based control instrument of the Sustainable Balanced Scorecard (SBSC) in 2008. In some areas, we are already steering the company according to the targets and indicators of the SBSC today. We will continue to develop and implement the SBSC beyond 2008, the period of review.

As sustainability is an integral part of the SOLARWORLD corporate strategy, the SBSC includes both economic targets (financial control indicators: sales, EBIT, ROCE) and ecological and social aspects (non-financial control indicators: customer satisfaction, employee identification, CO_{2eq}, etc.). In 2008 this involved the definition of group-wide top level targets, performance drivers, measures and indicators in close cooperation with the functional units.

SOLARWORLD SBSC has five perspectives that directly build on one another: Finance, Customers, Processes, Employees, Society.

The cascaded interlinking of the perspectives guarantees that the causal effects of individual factors on long-term success are taken into consideration. In the transition between the perspectives an answer is given to the question as to how the identified strategic targets and performance drivers of the respective higher perspectives can be achieved. In this way we integrate all the factors mentioned into our economic corporate management through cause-and-effect chains.

10 SUSTAINABILITY MANAGEMENT AT SOLARWORLD AG



INTERLINKING OF MANAGEMENT TOOLS

The tools of the SOLARWORLD Sustainability Management are directly linked to other management instruments in which a Target/Actual Comparison Check of financial and non-financial control indicators was performed in the year 2008:

The **Total Productive Management** tool serves continuous process optimization in the group and contributes to accelerated innovation. Thus, it is linked directly to the process perspective and indirectly to the customer perspective. Total Productive Management will make it possible that, by way of cost reduction along the entire value chain and an increase in product efficiency, we will reach grid parity in a few years' time.

Quality management is closely related to the customer perspective. The supreme objective: to offer customers a high quality product that meets their requirements and is easy to handle. The Code of Conduct (under development) contains sections on the topics of product quality and supplier contracts. In addition, SOLARWORLD is developing a Suppliers' Code, which should be adopted in 2009.

Customer Relationship Management is also part of the customer perspective: We want to offer our customers the best possible service and meet their specific wishes. In our own Code of Conduct the rules regarding how to deal with our business partners are clearly laid out.

Environmental Management is closely linked to the process perspective as our production – in contrast to our administration – has a much greater impact on the environment. This is why we set ourselves internal targets for resource utilization in the areas of energy, water, waste and CO_{2eq} emissions that go well beyond the legal requirements. A whole section in our code of Conduct is dedicated to the topic of environmental and resource protection.

Our **Health and Safety Management** is associated with both the process perspective and the employee perspective. As a result, we make sure that the health of our employees is always protected in the best possible way at work. The Code of Conduct contains sections on Health and Safety. Reference is also made to business unit and site specific manuals on these topics.

Risk Management is an instrument that covers all business segments. Risks are recorded in all departments group-wide and can thus concern all the perspectives of SBSC. In turn, risks can also be identified by means of SBSC early indicators. The Code of Conduct deals in detail with topics such as preventing and fighting corruption as well as other aspects of good corporate management (corporate governance).

Sustainable corporate development requires ethical behavior. The ten guidelines of the SOLARWORLD Ethics were prepared in 2008 and are to be approved by top management early in the new fiscal year. They are intended to offer guidance to all our employees. In addition, the group-wide Code of Conduct is to provide our employees with recommendations for concrete action. *www.solarworld.de/sustainability*

(11) INTERNAL TARGETS ACHIEVED AND TARGETS SET FOR 2008/2009+

	Targets for 2008	Actual 2008	Targets for 2009+
Finance	• **Earnings before interest and taxes (EBIT):** growth of 25 to 30% based on adjusted EBIT 2007 of € 171 million • **Margin:** compensating for the expected decline in prices through economies of scale and efficiency enhancements • **Sales:** growth of 25 to 30% based on sales from continued operations • **Cashflow from current business activities:** generating a sustainable cash flow to finance growth	• **Adjusted EBIT**: € 254.2 million (+48.4%) • **EBIT margin** (non-adjusted): 29.0% (+0.2% points) • **Sales**: € 900.3 million (+30.6%) • **Cashflow from current business activities**: € 320.5 million (+ 31.3%)	• **Sales target:** over previous year's level with € 1 billion as next stage's goal (assumption: a stabilizing macroeconomic development) • **Consolidated net income:** Depending on the extent to which the decline in prices can and will have to be offset by cost reductions.
	• Letting our shareholders participate in the success of our company (at least matching the previous level)	• Dividend € 0.15 / share (dividend proposal to our Annual General Meeting)	• Letting our shareholders participate in the success of our company
Customers	• Expanding our product and systems competence and our service approach under the SOLARWORLD brand	• New products: Suntub®, Suntrac® • Customer satisfaction (survey in the fourth year in succession) was increased by more than 70% of the surveyed criteria (basis: Germany and the USA)	• Further development of the SOLARWORLD brand • Achieving further increases in customer satisfaction
	• Enhancing international sales also in new business areas	• Commencing module production in South Korea • Large-scale plants in South Korea, Spain • Rural electrification projects (China)	• Enhancing international sales also in new markets and business areas, with focus on the US market and rural electrification
	• **Share of foreign business:** increasing to up to 60% (previous year: 49%)	• **Share of foreign business:** 54 (previous year: 49)%	• **Share of foreign business:** stabilizing the share at previous year's level
Processes	• Technology development to achieve higher efficiencies and cost reductions in order to further expand our market leadership and achieve grid parity within a few years	• Increase in process efficiency (e.g. reduction in saw wire radius in the wafer process) • More than offsetting the annual feed-in tariff decline of 5% stipulated by EEG by means of internal cost reductions (in €/Wp). • Reducing our consumption of resources (measured through energy, waste, water, CO_{2eq})	• **Minimum target:** offsetting the average annual decline in feed-in tariffs stipulated by the EEG by means of internal cost reductions (in €/Wp). • Achieving ISO 14001 certification of the US production sites (2010 at the earliest)

	• Expanding capacity to serve growing global demand	• **Wafer:** 600 MW year-end nominal capacity
		• **Cell:** 260 MW year-end nominal capacity
		• **Module:** MW year-end nominal capacity
			• Expanding capacity to meet the rise in world market demand:
			  • **Wafer:** 1.000 MW year-end nominal capacity
			  • **Cell:** 450 MW year-end nominal capacity
			  • **Module:** 450 MW year-end nominal capacity

	Targets for 2008	Actual 2008	Targets for 2009+

Employees	• Recruiting and retaining skilled technical and management staff:
	  • increasing our headcount by 25%
	  • Initiating corresponding programs (vocational and further training, incentives, working conditions)
		• Training schemes for senior and junior executives implemented
		• Creating 405 (previous year: 138) jobs (+28.5%); including temporary positions 544 (previous year: 422)
		• Increasing the profit-oriented employee profit-sharing program (GOMAB) at German sites
		• Working on the Code of Conduct
			• Recruiting and retaining skilled technical and management staff:
			  • increasing our headcount by about 25%
			  • Strengthening our profile as an attractive employer through employer branding
			  • Engaging in group-wide development of executives and talents
			  • Completing the Code of Ethics and Conduct and communicating it to our employees

Society	• Sustainably increasing the value of our company on the basis of economic, ecological and social dimensions	• Voluntary disclosures: sustainability reporting according to GRI, Carbon Disclosure Project
		• ISO 14001 certification for Germany
		• Awareness raising concerning climate protection (solar system for the Vatican)
		• Promoting research (SolarRacer, Einstein Award, cooperation scheme with TUBA)
		• Contributing to regional development through Solar2World projects
			• Taking account of our stakeholders' interests: voluntary disclosures through sustainability reporting according to GRI, Carbon Disclosure Project
			• Working on further ISO certifications (US sites)
			• To be continued:
			  • Implementing awareness-raising programs concerning climate protection and conservation of resources
			  • Promoting research: expanding cooperation with universities and institutes
			  • Contributing to regional development through Solar2World projects (non-profit)

BUSINESS DEVELOPMENT 2008

MARKET AND GENERAL CONDITIONS

ECONOMIC FRAMEWORK

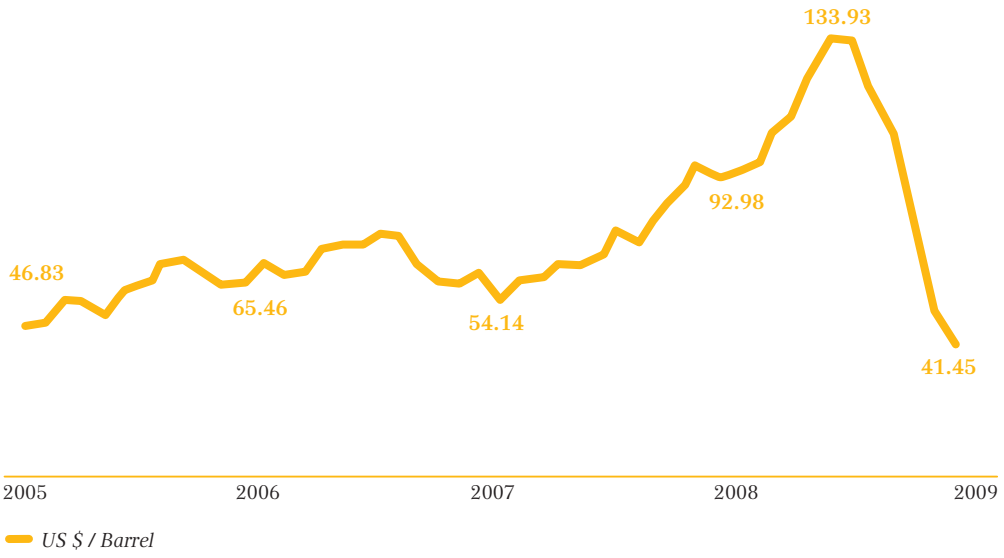
In the first half of 2008 the **global real economy** showed itself to be largely unaffected by the financial crisis triggered in the USA. Even though important international banks had already been pulled into the wake of the US mortgage crisis, the economy was still expanding in the first quarters of 2008. Growing financing problems and the lack of liquidity at major banks then also had an impact on the real economy, starting in the second half of the year 2008. The 5.1 per cent growth of the worldwide GDP that was still predicted at the end of 2007 could not be achieved. The global economy grew by as little as 2.7 (previous year: 3.9) per cent, according to the figures of the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung = DIW). The main drivers of this growth were mainly China, India and Russia.

In the Euro region and in the USA, on the other hand, growth was only very moderate at 1.0 (previous year: 2.6) per cent and 1.2 (previous year: 2.0) per cent respectively. The reasons for this were declining exports, a shrinking real estate market as well as the increasing reluctance of banks to grant credits. Germany did not escape the repercussions of the financial crisis either. Due to declining exports, economic growth slowed down in the second half of the year. Thus, the German GDP grew by as little as 1.6 (previous year: 2.5) per cent in the year under review.

THE WORLD ELECTRICITY MARKET

The **world energy system** also suffered from the negative economic environment. The scarcity of refinery capacities and dependence on the production volumes of the OPEC states exacerbated in the first half of the year 2008 and was reflected in oil prices that had, in the meantime, reached the previously unimaginable record level of 145 US dollars/barrel. Rapid population growth and an increasing urge for a higher standard of living in the developing and threshold countries constitute an additional challenge to the world energy system.

(12) DEVELOPMENT OF AVERAGE OIL PRICE (WTI) // 2005 – 2008
Source: Association of the German Petroleum Industry, 2009



HIGHER ENERGY PRICES WITH STRONG VOLATILITY. The strong volatility of energy prices in 2008 which, by the end of the year once again dropped back to 44.60 US dollars/barrel in view of the emerging recession, shows clearly how sensitively the energy markets respond to short-term market developments: The imbalance between a high demand and a scarce supply led to these violent reactions.

In spite of clear price declines in the past few months, energy prices with an average oil price of 99.56 (previous year: 72.18) US dollars/barrel were higher than ever before in 2008. In fact, the year 2008 showed that the current international energy consumption trend is no longer sustainable over the long term with conventional energy sources, neither in ecological nor in social terms.

ELECTRICITY SECTOR DOMINATES ENERGY CONSUMPTION. The electricity sector, as the most vigorously growing energy segment (ahead of heat and transport), assumes a central role in this context. While total energy consumption has grown by an average of 1.9 per cent annually since 1990, according to the Energy Information Administration (EIA), electricity provision has been going up by 2.9 per cent annually in the same period. This trend can also be expected to continue in spite of the current economic crisis because economic development correlates closely to power consumption. Emerging economies like China, India, and Brazil incessantly need more energy to cover their industrial and private electricity consumption.
Opportunities • p. 147 // This is why the world needs energy resources from which inexhaustible and, at the same time, ecologically compatible power can be generated.

RENEWABLE ENERGY TECHNOLOGIES ARE CATCHING UP. Against this background, political support for renewable energy technologies is growing worldwide. The EU member countries, for example, have agreed to cut their greenhouse gas emissions by 20 per cent by the year 2020 and, at the same time, to increase the share of renewable energies in the total energy mix to 20 per cent. The US President Barack Obama has also announced far-reaching initiatives in favor of alternative energies *The future solar power market • p. 135 //*

Industry has recognized the growth potential of these technologies and has positioned itself in this market of the future at an early point in time. In the year 2008 growing investments in renewable energies were recorded – above all in the area of power provision. According to information provided by the United Nations Environmental Program (UNEP), about one quarter of newly installed power output in early 2008 was accounted for worldwide by renewable energies. At the moment, more than 18 per cent of the worldwide power mix is accounted for by alternative power technologies (including hydropower), according to the International Energy Agency (IEA).

Within this sector solar power has the excellent potential of growing to be the main supporting pillar of worldwide power provision. Since the beginning of the 21st Century, the average annual growth rates of new capacities in solar power (amounting as they do to some 60 per cent) are significantly higher than for all other renewable energy sources. In 2008 alone, investments in the solar power segment rose, according to New Energy Finance, by more than 30 per cent to 31.0 (previous year: 23.5) billion US dollars. This accounted for more than one quarter of the entire capital invested in renewable energies.

In the year 2008, according to conservative estimates of the European Photovoltaic Industry Association (EPIA), 4.2 gigawatt (GW) of solar power capacity (previous year: 2.4 GW) were newly installed worldwide. The power needs of about 4.2 million people can be satisfied with this new capacity. As a comparison: In the field of nuclear power the World Nuclear Association reports that, in the same period, only some 2 GW of newly built capacity were added.

THE SOLAR POWER MARKET

GRID PARITY IN SIGHT. In 2008 the growth of the solar industry was essentially determined by national and regional funding programs which presently still act as important growth drivers and investment engines for the industry. *Legal and economic factors of influence • p. 054 //* The turning point is just ahead: The solar industry is only a few years away from grid parity, which is the time when the costs per Kilowatt hour (kWh) of solar power will be below the power price to final customers. Then, solar power will be competitive without any state funding programs. EPIA predicted in 2008 that this will be the case in Germany and most EU countries by the year 2015. The situation is similar in the United States: A study by the US research agency, Clean Edge Inc., conducted in 2008 concluded that solar power would be an economically viable proposition without state funding in the majority of the US states by the year 2015.

Regulatory uncertainties in core markets such as Germany, Spain, and the USA as well as in the emerging market of South Korea impaired the confidence of investors in the industry in 2008. In the environment of these changes the solar market was repeatedly shaken by waves of euphoria or panic. The dependence on funding programs showed how important the attainment of grid parity is for continuous growth of the solar power market. The financial markets crisis and the associated bottlenecks in obtaining credits were an additional burden for the solar market.

The legal uncertainties were removed in the course of the year as new laws that laid down the framework conditions for the solar industry for the next few years were passed. This guaranteed long-term investment security in the key solar markets. *The future solar power market • p. 135 //* What is more, countries such as the Czech Republic, India, Australia, Belgium, and the Netherlands approved incentive systems for the promotion of solar power for the first time in 2008, and to some extent already implemented them successfully.

SUPPLY – PRODUCTION AND CAPACITIES CLEARLY INCREASED. One important prerequisite for grid parity is the optimization of the manufacturing process for solar modules along the entire solar value chain. Major drivers of this development are an efficient use of materials, higher degrees of efficiency for cells and modules as well as economies of scale and learning curve effects in the production processes.

With regard to all these factors industry has made significant progress during the course of past year. Thus, according to the EPIA, manufacturers succeeded in reducing the average wafer thickness by some 45 per cent in the past five years. Through other technological developments, manufacturers increased the average crystalline cell efficiency by two per centage points to 16.5 per cent in the same period of time. A more efficient use of material by industry also made it possible to reduce the average silicon consumption by seven per cent to 8.5 (previous year: 9.1) g/Wp during the reporting year.

In 2008 the total manufacturing capacities concerning silicon, the most important raw material in the solar industry, were significantly expanded. According to a study by Photon Consulting, they increased by some 40 per cent to 71,000 (previous year: 50,000) tonnes. The study estimates that the solar industry used 69 per cent of the worldwide silicon production while the semiconductor industry – until 2006 still the major customer for silicon producers – consumed as little as 31 per cent of total production. Consequently, the focus of silicon producers shifted to the solar industry.

Nevertheless, the available capacities were not sufficient to meet the silicon needs of a growing solar industry. The development of spot market prices in 2008 that have meanwhile reached record levels of more than 400 US dollars/kg was correspondingly volatile. Only towards the end of the year were there first signs of easing. In December of 2008 the average spot market price for silicon had dropped to about 200 US dollars/kg. High margins attracted new market players who want to enter the capital and know-how intensive silicon market. However, the largest portion of these new capacities was not yet available to industry in the year 2008.

Just as in the silicon segment, increased investments were also made in the expansion of production capacities along the entire value chain (wafers, cells, modules) in the year 2008. This in turn acted as an impetus to the development of the industry in terms of cost reductions due to economies of scale and learning curve effects. According to estimates by the EPIA (moderate scenario), over 50 per cent more than in the previous year was invested in the expansion of production capacities for solar wafers. In the production of solar cells and solar modules, investments in capacity enhancements rose by some 30 per cent.

The limited supply of silicon also favors the further development of alternative solar technologies. According to the Sarasin Bank estimates, the share of thin layer technologies in the international solar power market grew correspondingly to just under 20 (previous year: 12) per cent. The thin layer modules are mainly used for the construction of open-air systems because, due to their low efficiency rate (5 to 11 per cent), larger areas are required in comparison with silicon-based solar modules (efficiency rate: 14 to 19 per cent). This low level of efficiency is admittedly compensated for by the installation of more modules, but these require a larger surface with limited roof dimensions, longer installation times and also more components so that the lower prices of the thin layer technology are put into perspective. In addition, the use of problem chemicals, such as cadmium, found in some thin layer modules suggests that their use on house roofs is questionable. In addition, the natural resources for the substances used in thin layer technology such as tellurium, cadmium, and indium are not sufficient to cover the long-term, worldwide demand for solar power technology. The silicon we use is, on the other hand, the second most frequently occurring element in the earth's crust.

DEMAND – DYNAMIC SOLAR SALES MARKETS. Irrespective of the rapid production growth of the industry, the supply of solar modules again failed to keep up with the demand for solar power technology. The market remained a sellers' market: Demand always exceeded the available supply. To some extent the demand was driven by purchases being brought forward due to temporary uncertainties concerning the funding levels in important core markets from the year 2009 onwards.

Thanks to the strong demand, module prices remained stable during the course of the year 2008 (reduction vs. 2007 pursuant to EEG). The newly installed solar power output worldwide grew by 75 per cent over the previous year. The global market volume of the solar industry increased by 30 per cent according to the EPIA and reached a total value of around € 17 billion (previous year: € 13bn). Thus, the solar market has been able to maintain its high growth dynamics.

GROWTH DRIVERS IN THE SOLAR MARKET. The most important growth drivers were Spain, Germany, and the USA. In 2008 these three markets still accounted for more than 70 per cent of the worldwide solar market.

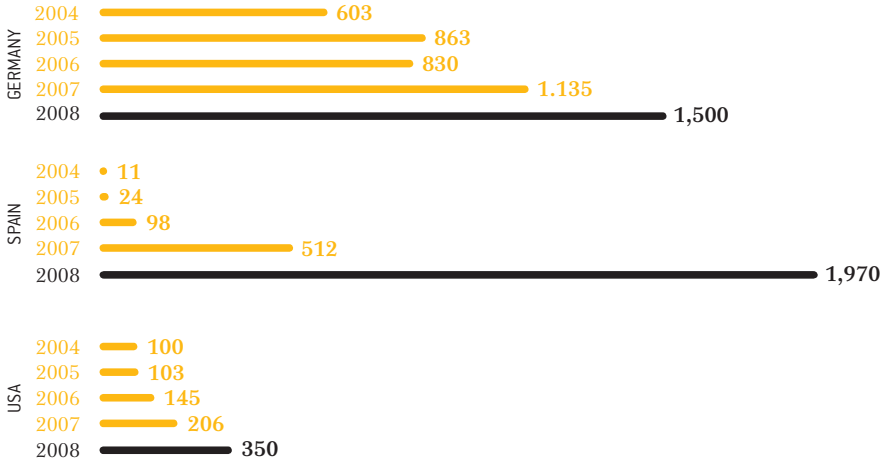
In the year 2008 **Spain** advanced to become the largest solar market worldwide and ousted Germany from its previous top position. According to information supplied by the Spanish Energy Commission (CNE), the newly installed solar power output capacity multiplied to 1,970 (previous year: 512) MW. This record demand was one of the major drivers for the strong growth of the worldwide solar market in 2008. Crucial to the exceptionally high demand was the funding law concerning solar systems that was passed in the

year 2007 (“Real Decreto 661/2007”); this law laid down very good feed-in compensation amounts for roof-mounted and open-air solar systems. Thanks to the high level of sun radiation in Spain, the construction of solar power plants has developed into an attractive and safe investment with rates of return of between 14 and 15 per cent. Investors, above all in the large-scale solar plant segment, made use of the high compensation rates applicable until September of 2008 in order to benefit from the strong returns. Consequently, the construction of large-scale solar power plants accounted for some 90 per cent of the newly installed output capacity in Spain in 2008 and caused an enormous amount of these investments to be brought forward. The readiness of Spanish investors to pay for solar modules was therefore up to 35 per cent higher than in an international comparison, according to information provided by Deutsche Bank.

The **German market** with established and mature distribution channels as well as speedy approval processes continued to be an important solar market worldwide. It is true that Germany only managed to achieve second place in terms of newly installed output capacity due to the extremely high solar market development in Spain, but the country still has the highest cumulative solar power output worldwide: 5,362 (previous year: 3,862) MW. According to the German Solar Industry Association (Bundesverband Solarwirtschaft = BSW), industry sales rose to € 7.7 billion (previous year: € 5.7bn). All in all, some 1,500 (previous year: 1,135) MW were newly installed.

According to the Sarasin Bank, the **US solar market** was the third largest solar market in 2008 with a newly installed output capacity of around 340 (previous year: 207) MW and a growth rate of just under 64 per cent versus the year 2007. 158 (previous year: 78) MW of this additional output was installed in California in the context of the “California Solar Initiative”. New Jersey, Massachusetts, and Colorado were the most important growth drivers in the US solar market after California.

(13) **HISTORIC DEVELOPMENT OF OUR CORE SALES MARKETS** // 2004 – 2008
Source: IEA-PVPS, 2008/BSW, 2009/CNE, 2009



In the core markets (Germany, Spain, and the USA) new funding conditions were approved in the year 2008 that will come into force in 2009. *The future solar power market • p. 135 //*

In the year 2008 other markets such as **Italy, South Korea, France, Belgium,** and **Greece** were able to boost their development. With the increasing experience of their market participants and also supported by a shortening of the approval procedures and an optimization of the distribution channels, Italy and Korea (above all) achieved highly dynamic growth rates. In addition, laws for the promotion of solar power were passed in 2008 that created the basic structures for investments in solar power in new solar markets such as the **Czech Republic, India, Australia** and the **Netherlands**.

REPERCUSSIONS OF THE GENERAL CONDITIONS CONCERNING BUSINESS DEVELOPMENT IN 2008

The year 2008 was an exceptionally dynamic year for the solar industry despite the negative impact of the financial crisis in the second half of the year. Driven by the favorable investment conditions in the core markets of Germany, the USA, and Spain, the solar demand increased very much more strongly than expected. At the same time the competitive pressure also increased.

On the whole 2008 was a successful business year for our group. We made good use of the positive market environment for our own growth. By way of excellence and quality as well as reliable and long-term customer relations, we faced the increasing competition in the solar sector. In Germany, the USA, and South Korea, we strengthened our distribution channels and expanded our production. The result: our strategy of internationalization worked as planned – it was possible to significantly boost sales in the new markets outside Germany.

IMPORTANT EVENTS DURING THE BUSINESS YEAR

→ **INTERNATIONAL GROWTH TARGETS ON PLAN – INTERNATIONAL BUSINESS UP OVER-PROPORTIONATELY.** The group-wide foreign sales (all markets outside Germany involved in the wafer, cell, module and kit/systems business) grew during the reporting year over-proportionately by 44.4 per cent to € 486.2 million (previous year: € 336.8m). In Germany our sales rose by 17.3 per cent to € 413.8 million (previous year: € 352.8m).

→ **MANUFACTURING CAPACITIES EXPANDED IN NEW MARKETS.** We succeeded in significantly advancing our market position in dynamic target markets such as the USA or Asia: In the fourth quarter of the year, integrated mono-crystalline wafer and cell production was commenced at Hillsboro, USA, and also the new module production began operations at Camarillo, USA, in the first half of the year. This has made us the largest integrated solar group in the country with its own production activities from wafers through to modules; a strong and promising starting point for further growth in a market that is opening up to renewable energies. *Future economic environment • p. 134 //*

In South Korea we successfully completed our plans to establish a new module production facility in the fourth quarter of the year after only a ten-month construction period since signing the related agreement in February of 2008. As a result, we now have a logistics center in one of the currently most vigorously growing Asian solar markets for on-grid applications as well as a good starting position for the entire Asian solar market. Our Asian activities are operated under the leadership of SOLARWORLD KOREA LTD., a Joint Venture of SOLARWORLD AG and SolarPark Engineering Co. Ltd., Seoul, in which both partners hold a stake of 50 per cent, respectively.

→ **START OF ECOLOGICALLY EFFICIENT SILICON PRODUCTION.** Against the background of our comprehensive expansion plans we managed to build a sustainable foundation for our raw materials procurement. On 8 August 2008 we launched our own process for the production of solar-grade silicon, the strategically relevant raw material for the solar industry. The Joint Venture established together with Evonik Degussa GmbH in Rheinfelden, Germany – JOINT SOLAR SILICON VERWALTUNGS GMBH (JSSI) – produces solar-grade silicon according to a process that achieves significant savings in terms of energy.

→ **LONG-TERM ORDER BOOK STRENGTHENED.** In 2008 the order book up to 2018 grew in the wafer business alone to seven billion € through supply contracts for solar cells with customers in Asia and Europe involving our wafer brand SOLSIX® .

→ **PRODUCTION STRUCTURE MADE LEANER.** Group-wide we have concentrated on technologically leading production facilities in the markets that are strategically crucial to us. Against this backdrop we sold 65 per cent of the shares in our Swedish subsidiary, GÄLLIVARE PHOTOVOLTAIC AB (GPV), to Borevind AB at the beginning of the fiscal year. The purchase price achieved for the module production facility amounted to a total of € 19.6 million, of which a residual purchase price payment will be made in January of 2009, plus supplier contracts. Via these contracts we have secured the possibility for us to buy modules in the years to come.

→ **INTENTION TO SUBMIT AN OFFER.** Transport constitutes a considerable and growing share of the world energy demand (28 per cent). In this context a major responsibility is incumbent upon the automotive industry. It must increasingly develop and market means of transport fit for the future. In November of 2008 SOLARWORLD AG took part in a public discussion about sustainable transport concepts. In a Corporate News, SOLARWORLD AG reported about its intention to make a take-over bid for the four German Opel factories and the Opel Development Center in Rüsselsheim to the US car maker, General Motors (GM), that had got into economic difficulties. The idea of SOLARWORLD AG was for Adam Opel GmbH to produce a new generation of vehicles with energy-efficient and low-emission drive systems. General Motors rejected the offer.

PROCUREMENT

MATERIAL USAGE RATE DOWN. In the year under review material use accounted for € 454.1 million (previous year: € 333.7m), which is equivalent to 49.2 (previous year: 49.6) per cent of total output. The rate of material usage has thus declined by 0.4 per centage points.

Due to strongly rising raw material prices and owing to capacity bottlenecks, the trend towards price hikes continued in the year under review. We were able to mitigate, and in some cases even to eliminate this trend. We managed to do this through economies of scale but, above all, through the conclusion of long-term supply contracts, larger purchasing quantities, capacity reservations and clearer supplier structuring for strategically important products, some of which extend all the way to the year 2012. The increasing raw material prices refer mainly to consumables: To be mentioned in this context are aluminium, copper, and silver as components of frames, cables, cell connectors, pastes as well as semi-finished products such as raw graphite and also organic and inorganic chemicals. Silicon prices within the framework of long-term contracts were fairly stable in the course of the period under review.

The supply of raw materials and consumables to our manufacturing sites was assured at all times during the year 2008. Thus, the contractually secured quantity of silicon under a supply contract concluded in the first quarter of the year with the Korean silicon producer, DC Chemical Co. Ltd. (DCC), would be enough to produce wafers with an imputed total power output of 600 MW. Furthermore, we concluded another contract for the delivery of solar-grade silicon valued at 580 million US dollars up to the year 2016 that will support wafer expansion in Freiberg and Hillsboro.

For module production in South Korea another long-term contract was concluded in the year under review with the Korean wafer manufacturer, Nexolon Co. Ltd., which is designed to secure the basic supplies for the new module production facility in South Korea as of the year 2009. The contract provides for the supply of 420 MW worth of wafers for seven years.

Internally we strengthen our procurement position regarding the input products for wafers and cells by way of our own integrated production. Around half of the wafers we produce go into the group's internal cell and module production. In this way we secure the solidity of our business and our growth.

GROUP-WIDE ORGANIZATION GUARANTEES EFFICIENCY. Purchasing is organized via our group-wide procurement management at our production location of Freiberg, Germany. Purchasing managers in the USA and South Korea back up group-wide buying. The working contents of the purchasing teams are organized by merchandise categories, thus guaranteeing efficient and short internal information channels.

QUALITY AND ENVIRONMENTAL CLAIM – SUPPLIER CAPITAL. According to an internal supplier survey dating from August 2008, some 77.5 per cent of our suppliers are ISO 9001 certified in the area of quality management and 30 per cent are ISO 14001 certified in the area of environmental management. In addition, we conclude quality assurance agreements with our suppliers. In this way we minimize our own inspection of incoming goods, reduce the risk respecting required environmental and quality standards along the entire supply

chain, cut costs as a result, and substantiate the quality and environmental claim of the SOLARWORLD brand vis-à-vis the customer.

STRATEGIC RAW MATERIAL ACTIVITIES

GROUP GROWTH SECURED THROUGH RAW MATERIAL ACTIVITIES. Silicon, the most important raw material for the solar industry, was subject to violent price fluctuations in the year under review. *The solar power market • p. 074 //* By way of long-term silicon contracts, some of them concluded last year, we were able to minimize the impact that the volatilities had on our purchase prices. With our own silicon production and our recycling activities, we additionally managed to further stabilize our raw material position and costs. We secured our 2008 wafer production as well as further expansion plans by using three independent pillars (1st silicon production, 2nd recycling, 3rd external purchasing).

OWN SILICON PRODUCTION STARTED. Under the coverage of SUNICON AG we are pooling our group's own raw material activities. Within the framework of the Joint Venture, JOINT SOLAR SILICON VERWALTUNGS GMBH (JSSI) with Evonik Degussa GmbH (SOLARWORLD: 49 per cent), we evaluate and develop processes in industrial silicon production with regard to their feasibility and economy.

In 2008 JSSI took up its silicon production. The so far unique JSSI process based on the use of mono-silane is extremely energy-efficient because, in comparison with conventional silicon production, it saves up to 90 per cent of the required energy. The favorable energy efficiency balance was one of the reasons why, in the course of the year under review, SOLARWORLD AG received the German Sustainability Award in the "Production" category. *The brand • p. 098 //*

Another advantage: The investment costs for this process are clearly lower than those for the Siemens process employed so far. The newly developed precipitation process is protected by four patents. All rights are held exclusively by JSSI, whose general conditions are laid down in a master agreement. On the one hand, Evonik Degussa GmbH provides the input product, mono-silane, and on the other acts as a partner (in the context of the Joint Venture) in building the precipitation plant for the subsequent production of solar-grade silicon under the brand SUNSIL®. The Joint Venture thus ensures our supply of inexpensive silicon even at times when silicon is expensive and scarce. On 8 August, industrial production was started with a planned nominal capacity of 850 tonnes per year. After the start-up of the plant the production volumes were increased step by step until the end of the year so that, in 2008, we were able to make available some 46 tonnes of solar-grade silicon from our own internal raw material source for the first time. For further upgrading of the SUNSIL® product, three compaction processes were developed which will enter production as early as in 2009. Regarding the purchase of the input product, mono-silane, Evonik Degussa GmbH, JSSI and SOLARWORLD AG concluded 10-year contracts. In this way we secure the very basis for our silicon production over the long term.

In an additional process development we are working on the production of solar-grade silicon from processed metallurgical silicon. The cleansing process investigated by the Joint Venture, SCHEUTEN SOLARWORLD SOLICIUM GMBH, at the Freiberg site is a new development. By means of different process

steps, boron and phosphorous are eliminated and the silicon is processed as an input product for subsequent wafer block production.

RECYCLING TO SECURE THE SUPPLY OF RAW MATERIALS. With our broad range of recycling activities we hold a leading market position worldwide. Our activities range from by-products of solar and semiconductor production and processing via wafer and cell scrap all the way to the recycling of all commercially available solar modules. Production residues from wafer and column manufacture are also completely recycled.

Cells and modules made from recycled wafers meet the same quality and performance criteria as modules from non-recycled raw materials. We have succeeded in increasingly automating the internal recycling processes thus making them more cost-efficient. For example, in 2008 we used a fully automatic fine grain etching and sorting machine. Another advantage: The energy employed in recycling is substantially lower than that in primary silicon production. The costs of the preparation of secondary silicon amount to between ten and 50 per cent of the raw material purchase prices (excluding spot market transactions), so that, in 2008, recycling also made a contribution to cutting the average raw material costs of the group.

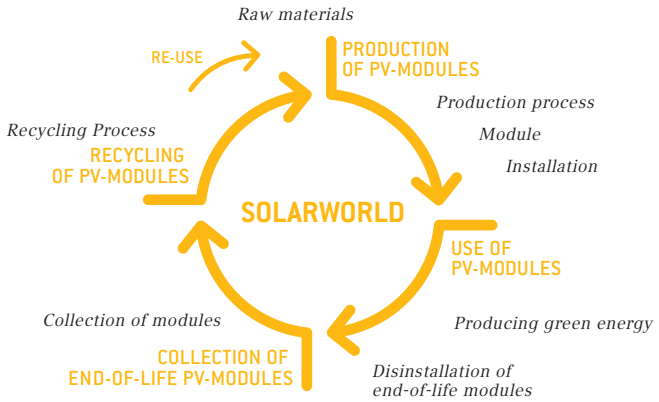
In 2008 we succeeded in optimising the inspection of incoming merchandise and the relevant analysis processes and in implementing new preparation technologies: As a result a wider spectrum of recycling material has become usable.

In the year under review we maintained the recycling result of about 900 tonnes as well as a constant material quality – in spite of the increasingly complex raw materials mix and the greater efforts required. SolarMaterial works at full capacity utilization. All in all, a nominal etching capacity of 1,200 tonnes per annum is available.

As a service to external customers we offer recycling from the preparation of raw materials provided by the customer all the way to block and wafer production. About one third of our recycling sales are generated in this way. However, the priority is on our own raw materials supply within the group. Our recycling contributes about 20 per cent to the raw materials supply of the group.

Above and beyond this commitment within the group, we are among the co-initiators of the PV CYCLE association founded in 2007 and located in Brussels. *www.pvcycle.org* // The tasks of this association include the creation of a voluntary European system for the return of solar power modules as well as the guarantee of expert recycling. PV CYCLE represents some 70 per cent of European module and solar cell producers today. Through its activities, the association preempts the legal duty of redemption that has been announced creating manufacturers' responsibility for the entire product life cycle based on their own initiative. *Opportunities* • *p. 147* //

(14) CLOSED VALUE CHAIN IN THE SOLARWORLD GROUP
Source: Basic Chart: PV CYCLE



PRODUCTION

SOLAR POWER TECHNOLOGY FROM WAFER TO MODULE. Our production ranges across the value chain from wafer to the finished module. This creates a high level of process transparency and facilitates process control and optimization. As a result, we cut the use of resources under economic and ecological aspects. Furthermore this provides us with some additional levers for increasing the performance and competitiveness of our products. Through this value creation we achieve internal cost cutting effects every year through which we can largely compensate for the reduction of feed-in rates provided for by law. *Legal and economic factors of influence • p. 054 //* We have three production sites worldwide and produce directly in our core markets in Europe, the USA, and in Asia. This keeps transport distances short and logistics costs low.

Wafer production is that stage of the solar value chain which requires the highest amount of capital and know-how. In this area we possess a great deal of competency that was acquired over many years and which helped us gain a position of market leadership – which, in turn, gives us essential competitive advantages today. On top of this, wafer production is a valuable business for the group.

NEW PRODUCTION SITES ESTABLISHED, EXISTING ONES EXPANDED. In the USA we created market access for ourselves in 2008 by way of building up an integrated production facility from silicon to the finished module. After a hitch-free construction phase lasting only 18 months, we commenced operations at a highly advanced wafer and cell production facility at our new US location in Hillsboro. This makes us the largest solar integrated technology group (from wafer to module) with its own production in the USA. The official start of production was on 17 October. Optimum site conditions, our group's own "Intellectual Capital" as well as our special technology and process know-how from the Freiberg facility made the expansion possible in such a short time frame. *Human resources • p. 110 //*

Camarillo is another strategically important location for us in the USA – due to its logistic proximity to the important Californian retail market. There, we were able to commence operations at our technologically completely revised plant for module production in the middle of 2008. This means that, group-wide, we are now working at the same high technology level.

Another strategic entry into new markets was successfully completed in 2008 when we established a module production facility in South Korea in less than one year. Towards the end of the year under review production was started and the initially planned capacity was successively reached. The high level of process and plant know-how of the two Joint Venture partners made possible the construction of this modern, fully automatic module manufacturing facility within such a short time frame.
Important events during the business year • p. 078 //

In our cell production at the German location of Freiberg we were able to fully utilize our capacity of 160 MW in 2008. We increased our module production capacities in Freiberg from 120 to 140 MW – which could be realized through rationalization investments in technologically improved plants in the production lines. For the planned expansion of wafer production by 250 MW up to the end of the year 2009 we started construction work at the new Industrial Estate East in the middle of the fiscal year under review.

(15) GROUP-WIDE, NOMINAL END-OF-YEAR CAPACITIES – EXPANSION IN 2008 // IN MW

TRADING IN MODULES AND SYSTEMS

DISTRIBUTION STRATEGY – QUALITY AND COORDINATED SYSTEMS TECHNOLOGY. We position ourselves with our modules and systems as a high quality provider in the volume segment of solar power technology. In line with the concrete demands of individual markets, we continuously fine-tune our already mature systems. Through systems competency we create added value for our brand. *Research and development • p. 116 //*
Our philosophy is based on including our customers in our growth. Our direct customers are the wholesale and the retail trade, through which we reach the installers who in turn sell our modules and kits to the end customers.

STRONG GROWTH OF OUR INTERNATIONAL BUSINESS. We were able to use the strong market growth in 2008 for expansion of our international module and kit business. Thus, the share of our shipments in the trading business outside the German market increased to 54 (previous year: 48) per cent. Germany remained our strongest sales market.

Until the end of the third quarter of 2008 we benefited from the intensive demand and a readiness to pay high prices on the Spanish solar market. *The solar power market • p. 074 //* In 2008 that country was our most important trading market after Germany, as well as a major growth driver for our international business. Despite the exceptionally high module delivery for the large-scale project in Extremadura, we were able to make enough volume available so as to strategically expand our position on the Spanish roof systems market. In Italy we also succeeded in boosting our sales by more than 60 per cent and strategically enhanced our partnerships in distribution. Italy is one of the most important young solar markets in Europe. In France, Benelux, Greece, and the Czech Republic – all of them still fairly new solar markets – we succeeded in placing our customer portfolio on a sound basis for further growth. In these countries we increased our sales significantly.

Outside Europe the USA remained our most important strategic foreign market and, after Germany and Spain, our third largest trading region. Our original target of doubling our sales of modules and kits could be exceeded in 2008. The major sales area in the USA was once again California. Thanks to our module production as well as our sales office in California, we were able to grab additional market shares in comparison with the previous year. One further site advantage: As a result of our logistic proximity to this important sun-drenched retail market, we could cut our transport costs.

Our trading sales in Asia went up in double digits in the year under review. The driver was the South Korean market, where we could use a large-scale project to strengthen our position as market leader and to more than double our sales.

On the African Continent we were able to demonstrate our competency as SOLARWORLD especially by way of off-grid solar systems. Our sales team in Cape Town, South Africa, succeeded in significantly increasing our market share.

PLANT COMPETENCY FOR SOLAR MEGAWATT PARKS ENHANCED. In 2008 we successfully demonstrated our competency in the planning and construction of large-scale solar plants: In a consortium of Deutsche Bank AG, the Spanish ecoEnergias and SOLARPARC AG, we completed a 30 MWp solar park in the autonomous community of Extremadura in the South West of Spain in the third quarter of the year and connected it to the grid in September. The special feature: The plant is equipped with solar tracking technology.

In addition, we equipped one of the largest Asian solar parks with solar power technology on behalf of our South Korean partner, SolarPark Engineering Co. Ltd.. In the Vatican, SOLARWORLD built a 220 kWp solar power roof system on the Papal audience hall.

(16) SELECTED LARGE-SCALE POWER PLANTS WITH SOLARWORLD TECHNOLOGY // COMPLETED IN 2008 [1)]

Place	Total size of plant (in kWp)	Number of SolarWorld modules installed	Quantity of power generated annually (in kWh)	Quantity of CO_2 saved annually (in t)	Number of persons who can be supplied with this power [3)]
Spain	30,000	166,000	57,000,000	38,760	57,000
South Korea	15,000	85,000	23,500,000	15,980	23,500
Vatican [2)]	220	2,400	300,000	204	300
Germany	2,200	12,000	2,200,000	1,496	2,200

1) The specific yields of the plants vary according to the output classes of the modules installed as well as the duration and intensity of solar radiation in the countries concerned. The quantities of CO_2 annually saved by the plants depend on the energy mix of the country concerned.
2) Not relevant for sales
3) Assumption: Yearly power consumption of 1,000 kWh per person

GAINING NEW CUSTOMERS AT INTERNATIONAL TRADE FAIRS. We met the increasing worldwide demand for solar power products by an increased international presence at 15 (previous year: 14) trade fairs. In this process we were also particularly active in the USA, the market of the future. Worldwide we were able to consolidate our position as a wafer supplier, recycling service provider, and integrated module and systems producer with new and existing customers.

Our product and systems competency was evidenced and enhanced over the course of the year under review by several innovations we launched at exhibitions. Specifically, we presented SUNTUB®, SUNTROL® and SUNTRAC®, as well as the new SUNKIT® solar kits that were specifically developed for the flat roof architecture in the Southern European region.

CUSTOMER RELATIONSHIP MANAGEMENT – CUSTOMER SATISFACTION ENHANCED. Our customer networks constitute a strategic resource for us in which we make sustainable investments. Particularly at times of crisis it is indispensable to be seen to be a fair and reliable partner. By the same token, we in turn demand fairness and reliability from our business partners. Our distribution strategy, which even at times of increased demand and a scarce supply, is always geared to the motto that “We make our customers successful”, again paid off in 2008 in the form of stable customer relationships.

In 2008 we expanded our SOLARWORLD specialist partner network significantly both quantitatively and also qualitatively through dealer training. The SOLARWORLD planning software SUNTOOL® was further developed on the basis of customer demands and wishes we identified, and the document output was improved and the computing speed increased.

Our annual international trade customer survey (as part of our quality management) serves the goal of identifying strengths and weaknesses as well as of optimizing our customer service, in particular. The survey profile identifies customer satisfaction with the service of the Sales Team, with the delivery service, with product quality (also in comparison with competitors), as well as with the way we handle complaints. In the year under review we succeeded in maintaining – and in some cases significantly improving on – our good results of the previous year at all our major locations.

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

GERMANY

Our wholesale customers rate the service provided by SOLARWORLD as being "very good" on average. We were able to improve in areas such as "delivery service", "advertising support" and "complaints". Our products also attracted a "very good" score. Our specialist partners declared themselves to be "very satisfied" with our service in 2008.

USA

We substantially improved the satisfaction of trading customers. While our service was still rated as "good" in 2007, our customers gave it a "very good" rating in the year under review. The quality of our products was also "very good", and judged to be "better" in comparison with those of our competitors

Database: 2008 results of an internal customer survey in Germany and the USA. Individual results from the other markets cannot be given due to a very low questionnaire redemption rate.

QUALITY AND ENVIRONMENTAL MANAGEMENT

Environmental policy is an integral part of our quality policy. Through integrated quality and environmental management we counteract the risks in the process chain and guarantee group-wide quality, process, and environmental standards with appropriate efficiency gains. Target agreements and measures derived from them are fixed annually. *Corporate management and control* • *p. 067 //*

SUCCESSFUL CERTIFICATION IN THE YEAR UNDER REVIEW. After the certification of our Singapore sales office according to the ISO 9001 quality standard, almost all our SOLARWORLD locations are now working in line with this recognized standard. The only exceptions are Hillsboro (USA), and South Africa. At our new US production site, Hillsboro, we are already striving for certification – as soon as possible after the ramping-up of all processes. Within the framework of our quality management system the product quality of our external suppliers is also checked permanently. By way of regular auditing and evaluation procedures we guarantee a high and stable quality of the products and merchandise of our suppliers.
Procurement • *p. 080 //*

Our internal processes in Bonn and Freiberg are additionally checked and evaluated with regard to environmental relevance. In 2008 SOLARWORLD AG in Bonn (Holding company and distribution organization) as well as our subsidiaries, DEUTSCHE SOLAR, DEUTSCHE CELL and SOLAR FACTORY, were certified according to the international environmental standard ISO 14001. Other production sites are to follow as soon as all local production processes have started up completely.

ENVIRONMENTAL PROTECTION DEFINED AS A VALUE CONTRIBUTION. We consider effective and continuously monitored environmental management to be an important part of our integrated quality management. In order to continuously improve the environmental performance of SOLARWORLD, measurable environmental targets are an essential feature of our environmental management system. This is why we defined group-wide environmental goals in the course of 2008 and verified them towards the end of the year.

The environmental goals will also be used beyond the year under review for the development of higher level control measures together with the other group objectives. *Corporate management and control • p. 067 //* As an aggregated higher level objective we have defined the "Reduction of the Consumption of Resources". We identify this ecological control variable by using the following sub-targets: energy expenditure, waste quantity, water requirement, amortization time of the most powerful SOLARWORLD module, CO_{2eq} emissions. As these target values also serve for internal control purposes they are not being divulged at this point.

To reach our objectives we developed a special environmental program. At the various locations concrete measures were determined and implemented. These include, for example, the minimization of material use for the design of racks in the product development segment and an increase in the number of environmentally certified suppliers in the area of procurement.

Internal environment audits and annual monitoring of indicators help to check the efficiency of the measures and the degree of target achievement. In addition, the Environmental Management Officers report to management on the basis of a target/actual comparison.

POSITIVE CO_{2eq} BALANCE. We systematically record our group-wide greenhouse gas emissions and also disclose them. *The SolarWorld Stock • p. 090 //* The continuous improvement of our energy and material efficiency enables us to improve the overall processes holistically in the spirit of economic and ecological aspects. *Research and development • p. 116 //* The group-wide CO_{2eq} emissions developed to amount to some 96 (previous year: 77) thousand tonnes of CO_{2eq} in the year 2008 according to provisional estimates and taking into consideration the increase in production.

With the solar power modules which we sold in the year 2008 some 2.7 (previous year: 2.1) million tonnes of CO_{2eq} can be saved during the average module lifetime of 25 years (calculation based on the solar radiation conditions and the power mix in Germany). The costs of environmental damage avoided in this way amount to about 190 (previous year: 144) million €.

If you compare the CO_{2eq} emissions avoided by our modules with the CO_{2eq} emissions caused by our company, the result is a positive CO_{2eq} balance for SOLARWORLD with the avoided emissions exceeding the emissions caused group-wide by a factor of more than 28.

However, this balance only includes the greenhouse gas emissions generated in the group itself. For a comprehensive analysis of the entire product life cycle, one would also have to include emissions from suppliers and service providers. According to our estimates the SOLARWORLD emissions account for some 35 per cent of total emissions in the product life cycle. Suppliers and service providers account for the remaining roughly 65 per cent.

ENVIRONMENTAL COMMUNICATION. External communication of the data collected by the Environmental Management Officers is effected in the framework of the sustainability reporting according to Global Reporting Initiative (GRI), as well as by way of publication of the data in the annual Carbon Disclosure Project (CDP) by the Investor Relations Department. An internal corporate reporting system as well as audit reports and regular management reports make sure that all levels of corporate management are reliably informed. Our environmental reporting system includes a multi-layered network of statistics showing waste, emission, waste water, and electricity figures as well as statistics of auxiliaries and material consumption. *Opportunity and risk management system • p. 126 //*

We refer to the presentation of environmental indicators in the sustainability report (annex to the annual group report for fiscal year 2008).

THE SOLARWORLD STOCK

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COMPACT

- International stock markets under pressure of financial crisis // solar stocks impacted
- SOLARWORLD stock depreciates despite strong operating performance
- Sustainability indicators valid as investment criteria

INTERNATIONAL CAPITAL MARKETS STRONGLY UNDER PRESSURE IN THE 2008 STOCK EXCHANGE YEAR. The worldwide financial crisis – triggered by the distortions in the real estate and mortgage business in the USA – was exacerbated in the course of the year 2008 and threatened the stability of the worldwide banking system. The loss of trust on the part of investors was such that it impacted all international stock markets, and stock exchanges sustained massive value losses. Shareholders not only got rid of their financial stocks but also of shares in all industries right across the board. This development was additionally exacerbated by finance houses that massively placed securities on the capital market in order to compensate for their liquidity bottlenecks that resulted from the crisis.

The Dow Jones Industrial Index, one of the major international key indices, collapsed by 35 (previous year: plus 6.5) per cent closing at 8,668 points. In Europe, the EuroSTOXX declined in the year under review by 44 per cent to 2,451 points. The DAX, the German key index, lost 40 (previous year: plus 22) per cent in the course of the year plummeting to 4,810 points. The technology index, TecDAX, even dropped by as much as 50 (previous year: plus 30) per cent to 483 points. Even sustainable stocks could not resist the pull of the financial crisis. The Dow Jones Sustainability Index lost 45 (previous year: plus 9) per cent, and the Natural Share Index (NAI) dropped by 43 (previous year: plus 26) per cent to only 3,387 points. In Germany, the ÖkoDAX plummeted by 62 (previous year: plus 25) per cent to 267 points.

The negative stock exchange mood also determined the performance of the solar stocks, which was reflected in a high volatility. The significant stock price losses until October 2008 were further

exacerbated by the uncertainties of the industry concerning the unsolved political funding situation in Germany, Spain, and the USA. When legislation was introduced with new funding conditions the situation relaxed slightly towards the end of the third quarter of the year. As a result of growing concern about the negative development of the real economy and fears of a possible "credit crunch" in the financing of future solar projects as well as the bleak growth forecasts for some of the solar companies, stock prices declined again in the fourth quarter. *Future economic environment • p. 134 //* Consequently, the Photon Photovoltaic Stock Index (PPVX) lost some 68 (previous year: plus 150) per cent over the course of the year under review and slipped to 2,095 points. The World Solar Energy Index (SOLEX) showed similar development, also dropping by 68 (previous year: plus 111) per cent to 566 points.

CAPITAL MARKET TURBULENCES SIGNIFICANTLY WEAKENED STOCK PRICES. The SOLARWORLD stock was also massively under the influence of the general downward trend on the international stock exchanges. In early 2008 the security suffered the first stock price losses caused by the poor annual results of the financial sector as well as the arising economic fears in the USA with appropriate stock price corrections.

In spite of strong quarterly operating figures – which initially supported the stock until September – the stock depreciated significantly over the course of the year. Massive pressure on the stock was created by concern about the continuity of the legal framework conditions in the important solar markets of Spain and the USA at the end of September. At the same time the financial crisis deteriorated. Reports about insolvency proceedings of important banks as well as forecasts of a possible recession in the USA and in Europe again triggered massive stock price corrections. The solar stocks that are known to be volatile reacted with particularly high stock price losses – as did the SOLARWORLD stock. Our good figures in the third quarter of the year have meanwhile given the stock price an intensive boost. Pressure in the opposite direction then came in the fourth quarter from the reported capital bottlenecks suffered by competitors. Despite of our comfortable liquidity situation we were unable to avoid the general feeling of insecurity. *Liquidity analysis • p. 106 //* *Development of the SolarWorld stock in comparison • p. 095 //*

The SOLARWORLD stock listed in the Prime Standard of the Frankfurt Stock Exchange (TecDAX) traded at a closing price of € 15.10, which was minus 64 (previous year: plus 74) per cent below the year's opening quotation of € 41.90. However, the stock was still trading four per cent above the average depreciation of the international solar indices, PPVX and SOLEX.

SOLARWORLD continues to be one of the leading companies in the TecDAX. Measured by market capitalization of all technology stocks, we occupied a good third place at the end of 2008 (end of 2007: second place). In the trading volume ranking, our stock continued to be in second place. During the twelve months of the year under review the trading volume in free float amounted to € 10.6 billion (previous year: € 11.4bn). The average daily trading volume in terms of number of shares amounted to 1.6 (previous year: 1.3) million shares. Market capitalization as at 30 December 2008 was € 1.7 billion (previous year: € 4.6bn).

INVESTORS INCREASINGLY GO FOR SUSTAINABLE INVESTMENT CRITERIA. The public and the financial markets are increasingly becoming aware of ecological and social issues such as climate change or the globalization of production and the associated risks. A study by the auditing and tax consultancy firm of Ernst & Young on the perspectives concerning sustainability strategies of companies and the appropriate investment products (Social Responsible Investments – SRI) shows that the importance of social and ecological criteria in capital investment decisions is increasing. Institutional investors, in particular, pay increasing attention to the sustainability performance of the companies in which they invest. Sustainability is viewed more and more as a necessary reaction to future challenges.

SOLARWORLD STOCK RATED AS ECOLOGICAL INVESTMENT. One of the leading rating agencies worldwide in the sustainable investment segment, oekom research, gives SOLARWORLD an overall rating of A- thus rating us as PRIME in the accepted rating methodology. This means that the shares of SOLARWORLD are qualified as an investment from an ecological and a social point of view – supplementary to the evaluation under ROI aspects and subject to individual exclusion criteria of the financial service providers in question. Among the clients of oekom research are financial service providers who have invested a total volume of currently more than € 90 billion on the basis of the sustainability research. *www.oekom-research.com //*

SUSTAINABILITY INDICES MUCH IN DEMAND. At the major international financial centers the number of sustainable index families went up to 34 (previous year: 32) in the year 2008. These sustainability indices summarize the stock price development of the relevant publicly quoted companies in the areas of climate change, environmental technology, social commitment, and renewable energies. The creation of new indices even in a tempestuous stock exchange year like 2008 shows the sound interest of the capital market in the development of sustainable securities.

SOLARWORLD AG LISTED IN MAJOR INDICES. The SOLARWORLD stock in addition to quotation on the TecDAX is listed in several sustainability indices. *Index quotation of the SolarWorld stock • p. 095 //*

CARBON DISCLOSURE PROJECT – TRANSPARENCY IN CLIMATE PROTECTION STRATEGIES AS AN INVESTMENT CRITERION. The Carbon Disclosure Project (CDP) analyzes the effects of global climate change on companies as well as their individual emissions and climate protection strategies. Today the CDP is the world's largest joint initiative of the financial industry and maintains the world's largest freely available emission register on company-related greenhouse gas emissions. It serves sustainability-oriented investors as an information base in their investment decisions. In the year under review, 3,000 (previous year: 2,400) companies worldwide were asked to disclose the appropriate data. Participation is voluntary. The response rate of the companies interviewed in Germany amounted to 55 (previous year: 52) per cent.

The number of institutional investors who signed the CDP increased in 2008 (CDP 6) to 385 (previous year: 315) companies. The investment capital represented in CDP 6 went up by 39 per cent to 57 (previous year: 41) trillion US dollars.

SOLARWORLD HAS BEEN A CDP MEMBER SINCE ITS INTRODUCTION. SOLARWORLD has participated in this project since introduction of the CDP in Germany in the year 2005 (CDP 4) thus meeting the wish of international investors for the disclosure of greenhouse gas emissions. *Quality and environmental management • p. 087 //*

SUSTAINABILITY FACTORS INFLUENCE STOCK PERFORMANCE. Statistical computations of the Center for Corporate Responsibility and Sustainability at the University of Zurich (CCRS) in cooperation with the Swiss Federal Institute of Technology (ETH Zurich), and the Center for European Economic Research (ZEW), Mannheim, prove that there is a clear correlation between the sustainability of companies and their financial performance. Initially, individual economic analyses were performed on some 460 European and US companies that had already been assessed under sustainability criteria by the Sarasin Bank. These criteria include social and ecological risks such as higher energy prices or tougher environmental legislation that may potentially have a negative impact on business results. The analysis shows a significantly positive influence on the average monthly stock return in the years from 2003 through to 2006 from the company rating resulting from the sustainability factors. The study comes to the following conclusion: Investments in companies that act in an environmentally friendly and socially responsible manner open up greater profit opportunities to investors than shares in non-sustainable companies. As examples, Sarasin mentions companies from the renewable energies sector. According to the estimates of the Swiss bank the interaction between sustainability and financial performance can be expected to continue to develop positively due to the increased attention given to risks of all kinds in the current financial crisis.

SOLARWORLD STOCK AMONG TOP SECURITIES IN SUSTAINABILITY FUNDS. According to "Finance & Ethics Research" sustainable share funds returned a performance of minus 43 per cent in the year 2008 (previous year: plus 7.5 per cent) due to the financial market crisis. In spite of this negative development they were still two per centage points ahead of the total funds market. However, the market for sustainable retail funds did not escape the negative stock market mood unscathed. In the year 2008 the sustainable fund assets in the countries of Germany, Switzerland, and Austria dropped from € 30 billion to € 19 billion. SOLARWORLD AG ended the full year of 2008 as the third best individual security in sustainable share funds. On the Internet platform *www.sustainable-investment.org*, which offers an overview of all sustainability funds licensed in the German language region, including their Top Ten investments, SOLARWORLD was listed as a Top Ten investment by more than 40 funds in 2008. This means: Shares of SOLARWORLD AG were the preferred choice of fund managers for sustainability funds.

SHAREHOLDER STRUCTURE OF SOLARWORLD AG AS AT 31 DECEMBER 2008. The capital stock of the company is divided into 111,720,000 no par value bearer shares with an imputed nominal value of € 1. Notifications concerning the amount of voting shares pursuant to paragraph 21 Sec. 1, Sentence 1 WpHG by the shareholders to the company as well as to the Federal Office of Financial Services Supervision (Bundesanstalt für Finanzdienstleistungsaufsicht = BaFin) were given in the year under review and were reported on the company's Homepage. (19) *Shareholder Structure as at 31 December 2008 • p. 095 //*

SHARE BUY-BACK NOT EXERCISED. On 8 October 2008 the Management Board of SOLARWORLD AG decided to make use of the authorization granted by the AGM on 21 May 2008 to acquire treasury stock of up to 10 per cent of the capital stock of the company pursuant to paragraph 71 Sec. 1, No. 8 AktG. No such acquisition took place in the year under review. The authorization to acquire treasury stock is limited in time to the end of business on 21 November 2009.

ANNUAL GENERAL MEETING 2008: DIVIDEND RESOLUTION, RE-ELECTION OF THE SUPERVISORY BOARD, PROFIT AND LOSS TRANSFER AGREEMENTS. At the AGM of SOLARWORLD AG on 21 May 2008 in Bonn in the presence of about 1,000 shareholders, 51.57 per cent of the voting stock was represented. For fiscal year 2007 the distribution of a dividend was approved for the eighth year in succession. The profit share (14 cents per share) increased by 40 per cent per share over the previous year. The rate of dividend distribution was equivalent to 63 per cent of the balance sheet profit in the individual financial statement of the stock corporation as at 31 December 2007.

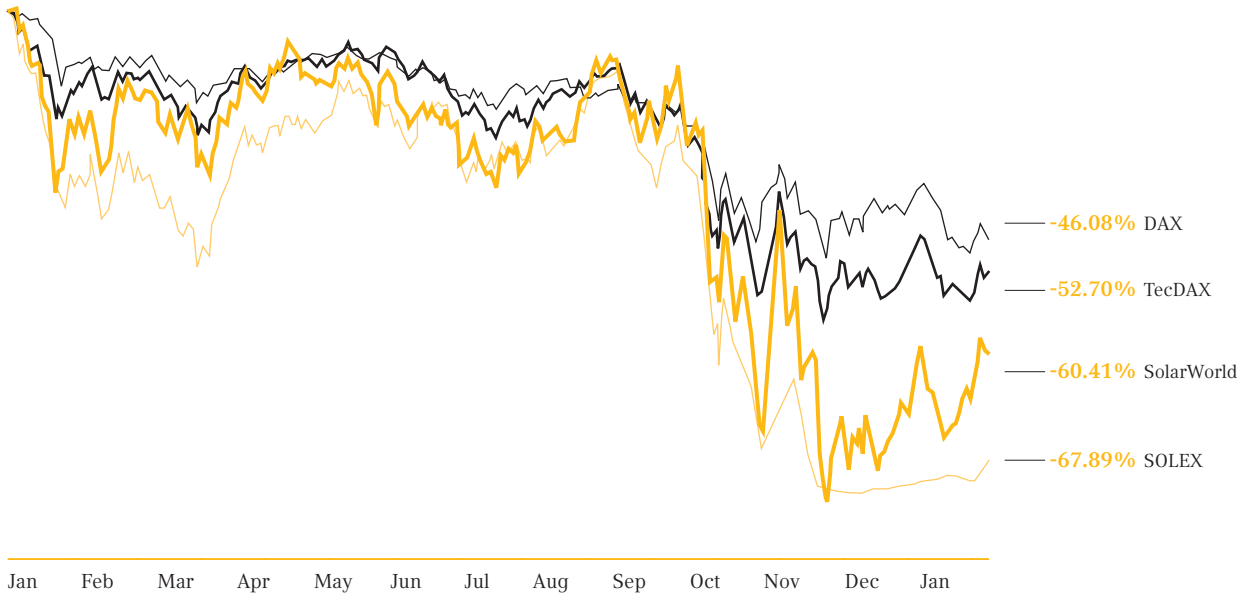
In addition, the Supervisory Board was re-elected until the end of the AGM that will decide on the discharge from duties for the fiscal year ending on 31 December 2012. By way of individual elections, the relevant resolutions were carried with clearly more than 99 per cent in each case.

Furthermore, the resolution on the approval of the profit and loss transfer agreements between SOLARWORLD AG and the Freiberg subsidiaries backdated to 1 January 2008 was carried with a large majority of the votes cast. *Principles and objectives of financial management • p. 104 //*

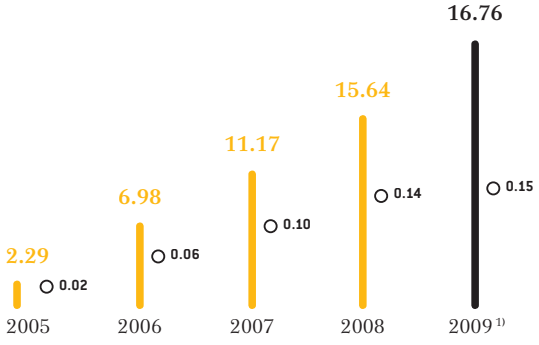
FUTURE DIVIDEND AND DISTRIBUTION. The Management Board and the Supervisory Board of SOLARWORLD AG will propose to the AGM convened for 20 May 2009 a dividend of 15 cents (previous year: 14 cents) per share for fiscal year 2008 on the basis of the good results generated in the year under review. The upcoming AGM will decide on the appropriation of the balance sheet profit from the individual financial statement of the stock corporation for fiscal 2008 with a distribution sum of € 16.76 million for the 111.72 million individual share certificates entitled to a dividend. (18) *Dividend and distribution • p. 095 //*

17 DEVELOPMENT OF THE SOLARWORLD STOCK IN COMPARISON

Source: Deutsche Börse, 2009



18 DIVIDEND AND DISTRIBUTION

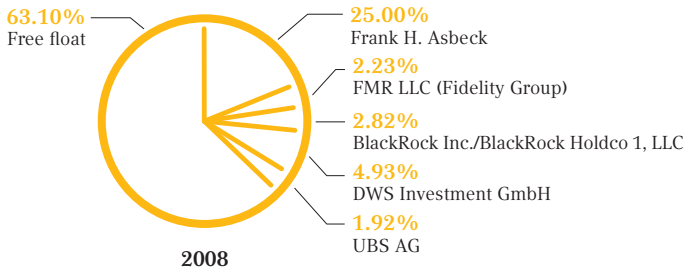


Dividend per share certificate in € [2)]

Distribution in million €

1) Dividend proposal to the Annual General Meeting 2009
2) Adjusted for issue of bonus shares 2005 (1:1), 2006 (1:3) and 2007 (1:1)

19 SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2008



20 INDEX QUOTATIONS OF THE SOLARWORLD STOCK

GERMANY

- **TecDAX** // *Technology companies*
- **GEX** // *Owner-managed companies*
- **ÖkoDAX** // *Renewable energies / Sustainability*

EUROPE

- **Dow Jones STOXX 600** // *Industry*
- **ERIX** // *Renewable energies / Sustainability*

GLOBAL

- **MSCI-World** // *Industry*
- **NAI** // *Environment / Sustainability*
- **Global Challenges Index (GCI)** // *Environment / Sustainability*
- **DAXglobal Sarasin Sustainability Index** // *Environment / Sustainability*
- **DAXglobal Alternative Energy Index** // *Renewable energies / Sustainability*
- **FTSE Environmental Opportunities All Share** [1)] // *Environment / Sustainability*
- **S&P Global Clean Energy Index** // *Renewable energies / Sustainability*
- **WilderHill New Energy Global Innovation Index (NEX)** // *Renewable energies / Sustainability*
- **Merill Lynch Renewable Energy** // *Renewable energies / Sustainability*
- **RENIXX** // *Renewable energies / Sustainability*
- **PPVX** // *Solar / Sustainability*
- **SOLEX** // *Solar / Sustainability*
- **MAC Global Solar Energy Index** [1)] // *Solar / Sustainability*
- **KLD Global Climate 100 SM Index** // *Climate change / Sustainability*

1) 2008 new

TAKEOVER DIRECTIVE IMPLEMANTATION LAW

The information pursuant to paragraph 315 Sec. 4, No. 1 and No. 3 HGB (composition of the subscribed capital and participation in capital) can be obtained from the previous paragraphs.

The provisions concerning the appointment and dismissal of management board members and amendments to the Articles of Association (paragraph 315 Sec. 4, No. 6 HGB) result from the Stock Corporation Act.

Regarding the powers of the Management Board (paragraph 315 Sec. 4, No. 7 HGB) reference is made to the Stock Corporation Act and the comments on Equity Capital contained in the Notes.

As per the due date there were financial liabilities amounting to € 527 million (converted) for which creditors can demand early repayment in the event of a change of control (paragraph 315 Sec. 4, No. 8 HGB). A change of control shall be deemed to occur if and when one party (with the exception of Frank H. Asbeck, members of his family or companies controlled by any of the aforementioned parties), directly or indirectly holds more than 50 per cent of the voting rights for the shares issued or acquires the possibility to nominate or to elect the majority of the Supervisory Board members or to cause such a nomination or election to take place.

Regarding paragraph 315 Sec. 4, No. 2, 4, 5 and 9, no information is required.

HIGH STANDARDS IMPLEMENTED IN INVESTOR RELATIONS. In the year under review SOLARWORLD further intensified the dialogue with international investors in Europe and the USA. All in all, we presented our company at 30 (previous year: 25) Road Shows, Equity Forums and Investors' Conferences such as the 23rd European Photovoltaic Solar Energy Conference and Exhibition in Valencia, Spain, or the Solar Power International in San Diego, USA. In addition to the business press conference and the analysts conference to present our balance sheet in March 2008, we conducted international telephone conferences on the publication dates of our quarterly reports.

Our high demands concerning the quality and transparency of our capital market communications are defined primarily in terms of the information needs of our shareholders and also of our stakeholders. On the basis of permanent demand analyses, market observations and an intensive dialogue with our shareholders, in 2008 we succeeded in enhancing quality and transparency, taking into consideration our disclosure duties at the same time. The increased capital market demands such as the recently defined performance indicators of the German Association for Financial Analysis and Asset Management (DVFA) have been included in our reporting this year. *Key performance indicators of DVFA Criteria • p. 205 //*

We also took account of the societal interest in our business activities: With the publication of our first sustainability report for the fiscal year 2007 we used the reporting framework of the Global Reporting Initiative (GRI), which we then had audited by the BDO audit company (Deutsche Warentreuhand

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft). Even with a short preparation time, we achieved the reporting level of A+.

Our reporting in the area of Investor Relations was again paid tribute to in the year under review. In the evaluation of Manager Magazin, which analyzed some 200 annual reports of German and European stock corporations according to criteria such as content, design and language, we managed to jump into second place (previous year: 3) of the TecDAX.

MEDIA PRESENCE SUBSTANTIALLY INCREASED. In 2008 we were again able to increase the scope of our media reporting by way of intensive press and public relations work. By means of our Corporate News we made comprehensive information available to the public. In fiscal year 2008 the TV, print, and online media carried a total of 12,852 (previous year: 7,796) messages about SOLARWORLD. This is to say that the number of editorial contributions published about us more than doubled and we benefited additionally from the significantly increased media equivalence value. This value determines the value for money that the editorial contributions published give you when converted into the advertising value of a commercial advertisement. In the year under review this value went up by a factor of about six to € 91.4 million (previous year: about € 14.6m).

(21) **MEDIA EQUIVALENCE VALUE** // COMPARISON 2008 AND 2007
Source: Excerpt from media observation/only German editorial entries were counted

	2008	2007	Change in %
Editorial entries (per year) – Print, Online, TV	12,852	7,796	+64.85
Average number of publications per day (365 days)	35.21	21.36	+64.85
Media Equivalence Value (in €)	91.38	14.56	+527.61

OVERALL STATEMENT BY THE EXECUTIVE BOARD ON BUSINESS DEVELOPMENT AND TARGET ACHIEVEMENT

In the year under review we succeeded in expanding our business internationally. With the start of production in the USA and in South Korea, we created a sound starting position for further growth. In the USA, in particular, the energy market is heading for a crucial turn-around through appropriate economic measures to promote renewable energies. Our European sales markets were characterized in 2008 by a high level of dynamic development. In the second and third quarters, in particular, there were demand peaks that we could make positive use of. We therefore also exceeded our earnings and sales forecast from the previous year – as we had already announced in the 2008 First Half Report. (11) *Internal targets achieved and targets set for 2008/2009+ • p. 070 //*

THE BRAND

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COMPACT

- Strength of SOLARWORLD brand confirmed
- Brand identity based on success/independence/sustainability
- Not-for-profit engagement under umbrella of Solar2World expanded

BRAND IDENTITY – ECONOMIC SUCCESS AND SUSTAINABILITY. A strong brand is a key prerequisite for long-term success, in particular amidst increasing global competition and tightening consolidation pressure. The identity of the SOLARWORLD brand is fed from the values with which the company has grown: a pioneering spirit and social responsibility, profitability and solidity despite rapid growth. We wish to remain true to our brand identity for the future and take advantage of sustainable action for further growth. In 2008 the focus was therefore on the development of consistent sustainability management and on communication regarding sustainability issues to sharpen the profile of our brand.

INCREASE IN BRAND VALUE. Brands are not just intangible ideas in consumers' minds. Brands also have a financial value. According to a determination of the brand value by Semion Brand Broker, SOLARWORLD achieved a brand value of € 24 million in 2008. The SOLARWORLD brand thus ranked 48th among the most valuable German brands.

In December 2008, the German Sustainability Award jury presented the award as "Germany's most sustainable brand" to SOLARWORLD, together with Volkswagen and Henkel. 350 companies had applied for that award, including many DAX groups. The companies had to fill in an online questionnaire describing the ecological, economic, and social factors implemented in the individual stages of their value chain. Further aspects of the questionnaire included the impact of sustainable processes and communication about sustainability issues on brand strategy. The assessment was carried out by A.T. Kearney und BBDO Consulting. Also involved were organizations such as the German Council for Sustainable Development,

the Brand Association, the Federal Ministry for the Environment, the Potsdam Research Institute for Climate Effects and the Wuppertal Institute. However, SOLARWORLD not only received an award for its brand; the SOLARWORLD Group was also given an award as "Germany's most sustainable production".
Strategic raw material activities • p. 081 //

SOLAR2WORLD – SOCIAL COMMITMENT UNDER THE SOLARWORLD BRAND. Awareness of the SOLARWORLD brand was reinforced by further activities in fiscal year 2008. Under the cover of Solar2World *www.solar2world.de* we are pooling not-for-profit projects with which our employees support regional development by means of development aid projects for rural electrification based on solar power solutions. Our decentralized off-grid solutions offer people in off-grid regions not only access to power but, at the same time, access to one of the key fundamentals for further economic and social development. In 2008, these projects focused on Africa. *www.solarworld.de/sustainability //*

COMMITMENT TO "CLEAN" MOTOR SPORT AND YOUNG ENGINEERS. Supporting the 'SOLARWORLD NO.1' project, we wish to demonstrate the efficiency of modern solar power technology in the field of mobility. Following a successful race in Australia in 2007, we again demonstrated the enormous potential of photovoltaic power through our participation in the 'North American Solar Challenge' from Dallas, USA, to Calgary, Canada. The solar racer jointly developed with students covered a distance of 2,400 miles in ten days – powered exclusively by the sun and sophisticated engineering. *Human resources • p. 110 //*;
www.solarworldno1.de //

For the fourth year in succession we presented the SOLARWORLD Einstein Award for trail-blazing developments in solar power technology. The award was presented to Professor Antonio Luque López of the Institute for Solar Energy at the University of Madrid, and to Dutch junior physicist Bram Hoex. While López is one of the leading international pioneers in photovoltaic technology, Hoex presented his first contribution to this research area with his doctoral thesis. This deals with alternative coating technologies for the production of silicon-based solar cells and shows how he succeeded in improving the overall efficiency of solar cells.

EARNINGS, FINANCE AND ASSET SITUATION

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

- Sales and earnings increased as planned
- Strong international business // group-wide rate of foreign business expanded
- Existing liquidity and sustainable earnings power strengthen growth financing

EARNINGS SITUATION

SALES AND EARNINGS DEVELOPMENT

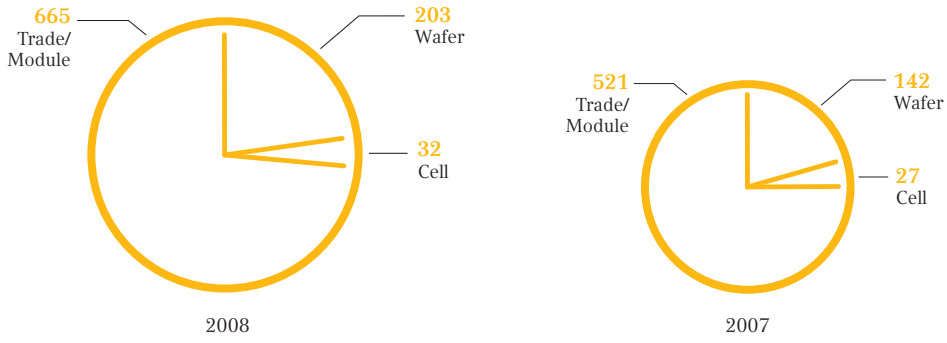
In 2008, the SOLARWORLD Group succeeded, in comparison with the prior year, in increasing the group revenue by 30.6 per cent or € 210.7 million to € 900.3 million (previous year: € 689.6m) due to greater production capacities and strong demand both domestically and internationally. In the process, revenue from the Trade segment increased by 28 per cent or € 144 million to € 665 million (previous year: € 521m), and by 43 per cent or € 61 million to € 203 million (previous year: € 142m) in the Wafer segment. With regard to the Cell segment, revenue increased by 19 per cent or € 5 million to € 32 million (previous year: € 27m).

Domestic sales increased by 17.3 per cent or € 61 million to € 413.8 million (previous year: € 352.8m). Due to a strong Spanish market, in particular, international sales increased by 44.5 per cent or € 149.7 million to € 486.5 million (previous year: € 336.8m). As compared to the prior year, the group-wide foreign quota increased by 5 per centage points to 54 (previous year: 49) per cent.

Earnings before interest and taxes (EBIT) improved by 31.1 per cent or € 61.9 million as compared to the prior year, now amounting to € 260.8 million (previous year: € 198.9m). Earnings before interest, taxes and depreciation and amortization (EBITDA) exceeded the prior year by € 75.1 million and increased to € 316.0 million (previous year: € 240.9m).

The 2008 EBIT-margin amounted to 29.0 (previous year: 28.8) per cent. As compared to the prior year, group profit increased by 31.3 per cent or € 35.4 million to € 148.7 million (previous year: € 113.3m). This increase can primarily be attributed to the positive development in operations, a decreased tax burden due to the 2008 corporate tax reform in Germany and to income from the disposal of 65 per cent in GÄLLIVARE PHOTOVOLTAIC AB in the amount of € 13.4 million.

(22) SALES BY SEGMENT // IN M€



The 2007 and 2008 fiscal year results include income from expense grants agreed in the scope of the acquisitions carried out in 2006. In 2008, these expense grants amounted to € 6.6 million (previous year: € 27.6m) before tax and were released to income in the second quarter of 2008 for the last time. The key components, EBIT and group profit, for both 2007 and 2008 are shown adjusted by these special items in order to allow better assessment of the development of the SOLARWORLD group's operations.

In 2008, EBIT adjusted for the expense grants increased by € 82.9 million to € 254.2 million (previous year: € 171.3m).

The adjusted EBIT margin reached 28.2 (previous year: 24.8) per cent.

The adjusted group profit – including the income from the disposal of 65 per cent of the shares in GPV – increased by € 46.8 million to € 144.1 million (previous year: € 97.3m) in 2008.

ORDER TREND

With the conclusion of new, long-term delivery contracts, the group-wide volume of orders received until 2018 in the wafer business amounted to € 7 billion (previous year: € 5.4bn) as of the cut-off date of 31 December 2008. The well-filled order books strengthen our competitive position in the wafer market over the long term and are proof of the acceptance and quality of our wafer brand SOLSIX® in the world market.

With this development we are creating a solid order base to support the expansion of our wafer production.

In the trading segment with modules and solar kits, we already had an order book volume for 2009 at the beginning of the year that exceeded the total volume delivered in 2008.

DEVELOPMENT OF SIGNIFICANT PROFIT AND LOSS ACCOUNT ITEMS

The cost of materials quota decreased by 0.4 per centage points to 49.2 (previous year: 49.6) per cent.

As compared to the prior year, employee expenses increased by € 15.1 million to € 90.1 million (previous year: € 75m) – especially because of the new hires due to manufacturing expansion in Freiberg, Germany and Hillsboro, USA. The employee expense ratio could be reduced by 1.4 per centage points to 9.8 (previous year: 11.2) per cent due to the continuous increase in our productivity.

(23) DEVELOPMENT OF SIGNIFICANT PROFIT AND LOSS ACCOUNT ITEMS // IN M€

Due to the group-wide expansion of our manufacturing capacities, amortization and depreciation increased by € 13.1 million to € 55.2 million (previous year: € 42.1m) as compared to the prior year.

The increase of other operating expenses by € 19.8 million to € 99.9 million (previous year: € 80.1m) can be attributed, in particular, to the change in sales-related expenses in the course of the business volume increase, e.g. transportation and travel expenses as well as expenses for external staff. However, it was possible to reduce the expense ratio by 1.1 per cent to 10.8 (previous year: 11.9) per cent.

The decrease in other operating income by € 20.4 million to € 36.8 million (previous year: € 57.3m) is mainly due to the decrease in expense grants (as compared to the prior year) by € 21 million to € 6.6 million (previous year: € 27.6m) that had an effect on profit and loss in the 2nd quarter of 2008 for the last time.

In 2008, the financial result reached € -72.1 million (previous year: € -23m). In particular, it was negatively impacted by the valuation allowance of a promissory note amounting to € 29.6 million, and by adjustments to the decreased market value of a fund invested in Asset Backed Securities (ABS) products amounting to € 24.1 million as a result of the global financial crisis.

(24) MULTI-PERIOD OVERVIEW OF THE EARNINGS SITUATION // IN K€

	2004	2005	2006	2007	2008
Revenues	199,933	355,971	515,246	698,818	900,311
Revenues from continued operations			509,139	689,588	900,311
Changes on inventories of finished goods and work in process	-14,658	12,387	30,916	-17,670	15,160
Own work capitalized	0	3,359	590	542	7,740
Other operating income	10,616	14,856	96,185	57,253	36,841
Operating performance	195,891	386,573	636,830	729,713	960,052
Cost of materials	-93,005	-210,902	-302,988	-333,654	-454,060
Personnel expenses	-30,833	-37,780	-54,958	-75,004	-90,130
Amortization and depreciation	-16,456	-19,687	-41,954	-42,054	-55,166
Other operating expenses	-22,706	-29,590	-59,351	-80,129	-99,883
Sub-Total	-163,000	-297,959	-459,251	-530,841	-699,239
Operating result	32,891	88,614	177,579	198,872	260,813
Financial result	-4,356	-4,850	1,285	-22,962	-72,144
Taxes on income	-10,421	-31,782	-49,811	-65,027	-53,422
Income from discontinued operations			1,513	2,373	13,432
Consolidated net income	18,114	51,982	130,566	113,256	148,679

(25) INDICATORS // IN %

	2004	2005	2006	2007	2008
Return on sales (Consolidated net income/revenues)	9.1	14.6	25.3	16.2	16.5
Cost of material quota (cost of materials/revenues from continued operations plus changes in inventory and own work capitalized)	50.2	56.7	56.0	49.6	49.2
Employee expenses ratio (personnel expenses/ revenues from continued operations plus changes in inventory and own work capitalized)	16.6	10.2	10.2	11.2	9.8

FINANCIAL SITUATION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The structure of our financial management is geared to both our business strategy and the requirements of operations.

Our financial policy aims at having respective liquidity reserves available at any time in order to provide the group with the financial flexibility necessary for further international growth, at limiting financial risks, and at optimizing capital costs by way of an appropriate capital structure. For the most part, group funding is carried out centrally via SOLARWORLD AG. To ensure tax-optimized and more cost effective financing of the group's growth, the funding structure of the holding is strengthened through profit pooling agreements concluded with the wholly owned German subsidiaries: this way, profit and loss of the subsidiaries goes right into SOLARWORLD AG. This includes, inter alia, the management of liquidity as well as borrowing for the funding of the business expansion. This provides a group-wide basis for our shareholder-oriented dividend policy regarding the profits of the AG (Aktiengesellschaft – public limited company).
The SolarWorld Stock p.090 //

The group's most important source of liquidity is the operations of our group companies. Via central cash management, current liquidity positions are invested in an up-to-date daily manner, mostly in the fixed deposit area (day-to-day money, weekly and monthly deposits) in the public and private German bank sector. *Notes/Liquidity risks p. 191 //*

We aim to achieve a stable equity ratio of around 50 per cent. In addition to the financial resources requirements that we safeguard via the operational cash flow, we also use different debt financing instruments in accordance with the market situation. The long-term alignment of our financial management ensures solid funding of the group's expansion plans. Our international credit agreements have terms that, in part, run until 2018 and will require respective follow-up financing no sooner than 2014. A list of the repayments of our non-current loans can be found in item 58f. Central financing strengthens our bargaining power with banks and other market participants and enables borrowing at the best possible conditions. *Notes/Financial instruments p. 189 //*

FINANCING ANALYSIS

Compared to 31 December 2007 equity increased by € 149.5 million to € 841.1 million. The equity ratio amounts to 39.7 (Dec 31, 2007: 40.6) per cent.

Financial liabilities increased by € 58.4 million because a further non-current loan amounting to € 75 million was taken out in order to fund the expansion of capacities of DEUTSCHE SOLAR AG in Freiberg. The scheduled redemption of existing loans counterbalanced this to some extent. Thus, financial liabilities

per balance sheet date amount to € 699.5 million (Dec 31, 2007: € 641.2m), 96.5 per cent of which are non-current liabilities. *Notes/Noncurrent and current financial liabilities p.186 //.*

Investment subsidies and grants shown in non-current liabilities amounted to € 78.8 million (Dec 31, 2007: € 54.9m) as at the balance sheet date. These public means for the expansion of the manufacturing capacities deferred on the liabilities side of the balance sheet will be released to income over the course of the useful lives of the subsidized investments.

The remaining non-current liabilities increased by € 104.1 million to € 292.5 million (Dec 31, 2007: € 188.4m). This largely results from the increase in pre-payments for long-term wafer-supply agreements in an amount of € 100.6 million.

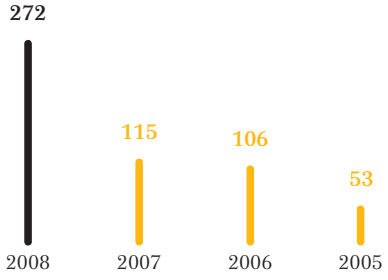
SIGNIFICANCE OF OFF-BALANCE FINANCING INSTRUMENTS FOR THE FINANCIAL SITUATION

Off-balance financing instruments were not used in the group's financing.

INVESTMENT ANALYSIS

In 2008, investments in intangible assets and property, plant and equipment amounted to € 271.6 million (previous year: € 115.2m). The investment activities mainly focused on the expansion of integrated cell and wafer manufacturing at the Hillsboro location where a total of € 143.1 million were used. SOLARWORLD invested € 87.5 million in the further expansion of wafer manufacturing by DEUTSCHE SOLAR AG in Freiberg in 2008. Investment expenditures at the module manufacturing locations, Freiberg and Camarillo, added up to a total of € 16 million. In addition, € 13 million were used for infrastructure upgrading for research and development activities of SOLARWORLD INNOVATIONS GMBH in Freiberg.

26 **INVESTMENT DEVELOPMENT** // IN M€



The group-wide investment ratio, shown as the relation of investment expenses and amortization and depreciation, amounted to 492 (previous year: 274) per cent and underlines SOLARWORLD's strategy aimed at internal growth along the value added chain.

In 2008, investments in the participating interests, JOINT SOLAR SILICON VERWALTUNGS GMBH, RGS DEVELOPMENT B.V., SCHEUTEN SOLARWORLD SOLICIUM GMBH and the newly founded SOLARWORLD KOREA LTD. – all of which are recognized at equity – added up to a total of € 16 million (previous year: € 4.3m).

LIQUIDITY ANALYSIS

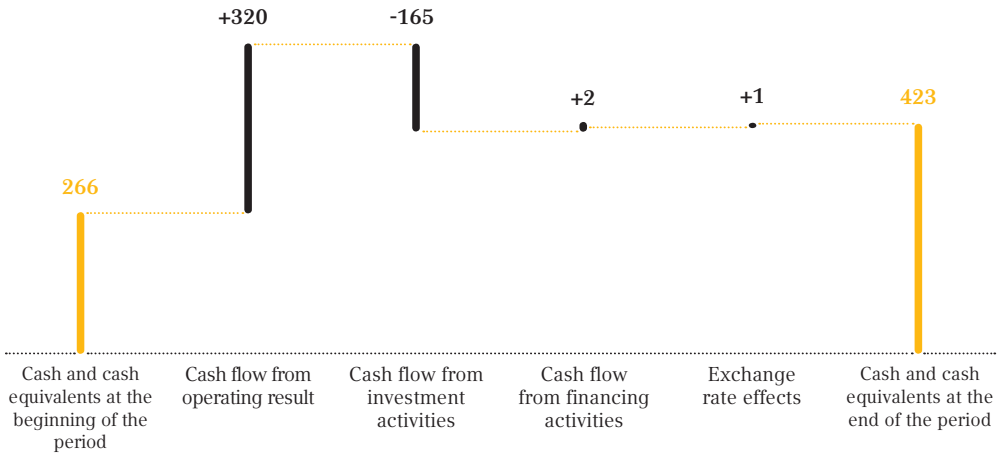
Free funds – liquid funds and other financial assets – amounted to € 836.1 million (Dec 31, 2007: € 792.9m) as at the balance sheet date. Liquid funds in the amount of € 431.7 million (Dec 31, 2007: € 263.9m) include cash and cash equivalents that mainly consist of day-to-day money and fixed term deposits. In addition, capital market products in an amount of € 404.4 million (Dec 31, 2007: € 529.0m) are held per balance sheet date.

Cashflow from operating activities reached € 320.5 million (previous year: € 244.0m) and was particularly influenced by the increase in the operating result and, as compared to the prior year, lower corporate income tax payments in the amount of € 40.1 million (previous year: € 69.3m). A funds lockup due to the increase in inventories by € 42.5 million could be compensated for especially by way of a reduction of trade receivables in an amount of € 41.7 million and through increased trade liabilities which exceeded those of the prior year by € 38.1 million.

Cashflow from investment activities amounted to € -165.2 million (previous year: € -622.3 m) and was influenced by payments for fixed asset investments amounting to € -269.5 million (previous year: € -117.8m). Investment expenses were partially balanced by a cash inflow from investment grants of € 29 million (previous year: € 6.5m) and by the disposal of shares (65 per cent) in GÄLLIVARE PHOTOVOLTAIC AB in the amount of € 13.0 million, and by the disposal of fixed assets amounting to € 8.6 million. Incoming payments from financial assets amounted to € 53.6 million (previous year: € -517.4m).

Cashflow from financing activities amounted to € 1.8 million (previous year: € 451.3m) and was primarily influenced by taking out a loan in the amount of € 75 million. In addition to the current interest payments of € 33.0 million and redemption payments for loans of € 28.2 million, this also includes the € 15.6 million dividend payment made in the 2nd quarter of 2008.

27 CASH FLOW-RECONCILIATION // IN M€



28 MULTI-PERIOD OVERVIEW OF THE FINANCIAL SITUATION // IN K€

	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Consolidated net income	18,114	51,982	130,566	113,256	148,679
Liabilities (current and noncurrent)	151,801	229,523	407,089	1,012,920	1,279,547
Equity	124,488	217,056	597,321	691,546	841,075
Total assets	276,289	446,579	1,004.410	1,704.466	2,120.622

29 INDICATORS

	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Return on equity (Consolidated net income/equity); in %	14.6	23.9	21.9	16.4	17.7
ROCE (cut-off date) (EBIT/capital employed)[1]; in %	19.1	49.4	38.4	36.5	37.3
Cash ratio (liquid funds plus other financial assets/current liabilities)	0.5	1.4	2.3	7.0	4.5
Quick ratio (liquid funds plus short term available funds/current liabilities)	0.7	1.7	3.0	8.1	5.0
Current ratio (current assets/current liabilities)	1.5	2.7	4.8	11.3	7.8

1) Intangible assets and property, plant and equipment less accrued investment grants plus net current assets less short-term net liquidity

ASSET SITUATION

ASSET STRUCTURE ANALYSIS

The balance sheet total increased by € 416.2 million to € 2,120.6 million (Dec 31, 2007: € 1,704.5m) as compared to 31 December 2007.

The increase in non-current liabilities by € 244.2 million to € 666.9 million can be attributed to the increase in property, plant and equipment due to expansion-related investments and the increase in participating interests, recognized at equity, where for the first-time 35 per cent of the shares in GPV were recognized. *Investment analysis p. 105 //*

In comparison to 31 December 2007 working capital decreased by 8.9 per cent to € 237.6 million. These changes are due to the € 41.7 million decrease in trade receivables, despite the fact that fourth quarter sales exceeded those of the prior year, as well as the fact that trade liabilities increased by € 38.1 million. Inventories increased by € 42.5 million, whereas this figure does not consider prepayments included in this item. Prepayments recognized within the inventory item make for a total of € 377.9 million (previous year: € 246.6m).

Other receivables and assets increased by € 16.2 million to € 21.2 million (previous year: € 5.0m). Mainly for reason of the increased proportion of current prepayments received, other current liabilities increased by € 25.7 million to € 65.5 million (previous year: € 39.8m).

OFF-BALANCE ASSETS

As at the balance sheet date, our group does not have any financially invisible assets.

SIGNIFICANCE OF OFF-BALANCE FINANCING INSTRUMENTS FOR THE FINANCIAL STANDING

Off-balance financial instruments do not influence the financial standing of our group in any way.

OTHER INTANGIBLE VALUES

We strengthen our capital market contacts by way of transparent and comprehensible strategic positioning. We assess our international investor relations as stable. *The SolarWorld Stock p.090//*

We significantly generate process advantages regarding current and future business by way of our integrated research and development activities at all levels of value creation. In this respect, we refer to the respective sections of the group management report. *Research and development p.116 //*; *Future products and services p.143 //*

The expansion of customer relations that are of value is part of our sales strategy. Our increased group-wide sales are an indicator for stable and improved customer relations. In the face of increased brand awareness, the value of the SOLARWORLD brand increased in 2008. *The brand p.098 //*

(30) MULTI-PERIOD OVERVIEW OF THE ASSET SITUATION // IN K€

Assets	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Noncurrent assets	184,955	219,776	362,514	422,725	666,884
Current assets	91,334	226,803	641,896	1,281,741	1,453,738
Total assets	276,289	446,579	1,004,410	1,704,466	2,120,622
Equity and liabilities					
Equity	124,488	217,056	597,321	691,546	841,075
Noncurrent liabilities	91,984	144,284	273,722	899,266	1,093,559
Current liabilities	59,817	85,239	133,367	113,654	185,988
Total equity and liabilities	276,289	446,579	1,004,410	1,704,466	2,120,622

(31) INDICATORS

	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Equity ratio (equity/total assets); in %	45.1	48.6	59.5	40.6	39.7
Investment intensity (noncurrent assets/ total assets); in %	66.9	49.2	36.1	24.8	31.4
1st degree investment cover (equity/noncurrent assets)	0.7	1.0	1.6	1.6	1.3
2nd degree investment cover (equity plus noncurrent liabilities/ noncurrent assets)	1.2	1.6	2.4	3.8	2.9

HUMAN RESOURCES

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

- Group-wide employment boosted by 28 per cent
- Focus on gaining skilled workers // cooperation with universities intensified
- Rising investments in education and training will up-skill our employees

SUCCESSFUL INCREASE IN WORKFORCE ACCOMPANIES GROWTH. In order to achieve our growth targets of around 25 to 30 per cent, we increased our headcount year-on-year by 28 per cent. As at 31 December 2008, the group employed a total of 1.825 staff. Female employees accounted for 19 (previous year: 23.2) per cent.

In 2008 we created a sound staffing basis for the growth of our group. Due to worldwide production growth and entry into new global markets, new recruitments focused on production, research and development (SUNICON und SOLARWORLD INNOVATIONS), international distribution, and central group functions such as controlling, accounting, human resources, purchasing, technical services, logistics, investor relations, and marketing.

One of the key instruments of our human resources policy at our production sites is the selective use of temporary staff. Many of our temporary employees have qualified technical skills. We were therefore highly flexible, e.g. in performing comprehensive capacity expansion within the framework of the different expansion projects and the steady automation of production processes in 2008. Moreover, a number of these temporary employees have been offered permanent employment with SOLARWORLD following their temporary contracts (temporary staff offered permanent positions in 2008: 90). Including temporary staff, the group employed 2.498 (previous year: 1.954) people as at the cut-off date.

In the fiscal year under review, personnel costs accounted for € 90 million (previous year: € 75m), which corresponds to a proportion of 13 (previous year: 22) per cent of total operating expenses and 10 (previous year: 11) per cent of consolidated sales.

(32) GROUP WORKFORCE // AS AT 31 DECEMBER 2008

Location	2008	Trainees included	2007	Trainees included	+/- absolute
Germany	1,198	83	1,000	66	+198
USA	609	0	400	0	+209
Rest of world	18	0	20[1)]	0	-2
Total	1,825	83	1,420[1)]	66	+405

1) For better comparability, the previous year's figures were adjusted for the number of employees of the divested company GPV.

GROWTH MEANS CONVERGENCE. We shoulder our ambitious goals as one global SOLARWORLD. We therefore need highly qualified and motivated employees and a work environment that is conducive to performance and new ideas. Accordingly, our focus is on the development of our corporate culture and the qualification of our employees for more advanced tasks and positions. We are convinced that these efforts will pay off – in particular in the light of our internal growth process, the bottleneck of skilled labor on the market, and the growing market requirements caused by globalization, competition, and innovation.

In 2008 we conducted our group-wide executive survey, MisSun Leadership (participation: 81 per cent), in order to analyze and subsequently strengthen our internal processes. We also developed programs focusing on human resources, IT and ethics, which were subsequently adopted by our Management Board. The first few elements of these programs have already been implemented.

SOLARWORLD CORPORATE CULTURE – A STRONG ASSET. Our organically grown corporate culture is one of our particular strengths when it comes to competing for skilled employees. It is characterized by openness, flexibility, and trust. Our principle »Trust comes from confidence« stands for cooperative leadership and promotes autonomous action by our employees and also staff development. SOLARWORLD has created the

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

LOW EMPLOYEE TURNOVER AND ABSENTEEISM REFLECT EXCELLENT WORKING CONDITIONS

- Employee turnover
  SOLARWORLD: 3.6% (previous year: 6.6%) // National German average: 27.4%
- Absenteeism
  SOLARWORLD: 2.5% (previous year: 3.1%) // National German average: 3.4%

The national German average was chosen as comparison basis; worldwide averages were not available.

necessary framework: flat hierarchies, short decision-making paths, direct and open feedback, fast implementation of good ideas and individual solutions to achieve a work-life balance. We also started to further develop our uniform understanding of the SOLARWORLD leadership culture since our executives are change agents for our corporate culture.

COMPETITIVE EDGE – GROUP EXPERTS AND GLOBAL MOBILITY. We managed to achieve a crucial competitive edge by means of the global networking of our sites. The combination of internal engineering know-how 'made in Germany', about a decade of technology and process experience in the wafer, cell, and module areas and highly qualified employees from the electronics and semi-conductor industries in the region around Portland, Oregon, cleared the way for the North American market. We only took around one year to establish our integrated production site at that location. We built our module production in South Korea within only ten months together with our Joint Venture partner. Here, too, we promote an intensive international exchange of our skilled employees. In 2008, around 60 US-American and Korean employees came to Freiberg for training sessions. We also filled positions at our sites abroad with experts from Germany. Our commitment to promoting global mobility is rounded off by group-wide programs aimed at helping our employees and their families to adjust more easily to new living and working environments. We have developed a posting policy, and increasingly offer intercultural training schemes in order to reduce potential language and cultural barriers. We thus support the transfer of knowledge within our company and the career opportunities of each individual employee.

USING EXISTING RESOURCES BY MEANS OF QUALIFIED INITIAL AND FURTHER TRAINING. In order to optimally incorporate our existing employees with their personal skills into our growth process, we continued to invest heavily in initial and further training in 2008. Investing to improve skills and knowledge motivates each individual employee and, at the same time, enhances the value for our company. Direct training costs totaled k€ 697 (previous year: k€ 566). They thus rose proportionately in relation to the headcount increase.

Personal development perspectives are determined in various ways including annual employee review sessions. With the planned introduction of talent management, we intend to ensure early identification and selective promotion of high potentials in order to increasingly recruit junior executives internally. Our training program for 2008 comprised training sessions for senior and junior executives in order to strengthen our management culture, language training to harmonize international cooperation, and a large number of additional technical and non-specialized training schemes.

In addition, we offered qualified vocational training to 83 (previous year: 66) young people group-wide. In Germany our training ratio remained at 7 (previous year: 7) per cent. In 2008 we newly recruited 26 trainees in Germany, in full compliance with our goal. In the year under review, 64 (previous year: 100) per cent of the trainees were offered permanent employment contracts when they had completed their training course. We also offered 8 (previous year: 5) young people the opportunity to take part in a practice-oriented sandwich-course type training combining shop-floor-level learning with a university course.

MEASURES TO SUCCESSFULLY RECRUIT STAFF. In 2008, SOLARWORLD continued to develop its employer positioning with a view to taking new employees on board. The measures included a significant expansion of contacts with candidates at international trade and job fairs by means of an active dialogue and new career brochures. A further measure was the renewed intensification of our university marketing policy, including a vast array of practical placements, dissertations and PhDs as well as dialogue with professors teaching electrical engineering, mechanical engineering, process engineering, physics and chemistry, i.e. our target disciplines. We are whetting young engineers' appetite for solar power as a future-oriented technology by developing (for example) the solar-powered racer »SOLARWORLD NO. 1« at Bochum University of Applied Science, or the annual presentation of the SOLARWORLD Einstein Junior Award. Thanks to our cooperation with Bochum University of Applied Science we have established contact with promising junior experts who have experienced the spirit of the »solar power« idea.

EXPANSION OF OFFERINGS AT PARTNER UNIVERSITIES. In order to win engineers for photovoltaic studies via special university courses, the »photovoltaic technology associate's degree« was created in partnership with the Portland Community College (PCC). The program includes a scholarship scheme. This degree builds upon existing courses in chip technology, complementing them with a corresponding solar technology qualification. We expect the first students to finish this two-year university course in 2009. In addition, a »solar technology certificate«, obtainable within the short term, offers young engineers and technicians further training and provides them with additional skills in this technical field. In 2008, around 25 job candidates who had completed this program joined SOLARWORLD at our Hillsboro site.

SOLARWORLD has traditionally maintained close cooperation with the Technical University and Mining Academy (TUBA), Freiberg, in particular in the field of research and development. Our solar experts give guest lectures on photovoltaic issues at the Mining Academy. In addition, a large number of TUBA graduates and post-graduate students have joined SOLARWORLD. Many students also gain practical experience at our companies as trainees or working students. In 2008 we launched an excellence program for doctoral theses in the field of silicon-based photovoltaic ("Post-graduate Photovoltaic College"). Under this scheme we sponsor up to 15 young researchers for a period of up to three years. The program is aimed at imparting technical knowledge and also at developing soft skills so as to provide the participants with team player skills and project organization skills for future executive functions. Cooperation between university and industry is intended to pave the way for PhD students to have a successful start in a solar power technology job by offering them targeted academic and application-oriented training. The SOLARWORLD Foundation Fund for Teaching and Research, founded in 2006, supports scientific work at the chemical and physical faculty of TUBA Freiberg. Since the fund was created, SOLARWORLD has committed to donating the amount of € 250,000.

PROFIT-SHARING SCHEME CREATES FINANCIAL INCENTIVES. A company such as SOLARWORLD, characterized by remarkable success and over-proportional growth, demands a great deal of commitment and performance from its employees. Since our success is driven by people, our philosophy includes making it possible for our employees to participate in our business success (financially also).

Our compensation system therefore comprises a variable component related to our business performance. In 2008 this compensation component accounted for personal costs amounting to € 14.2 million (previous year: € 10.9m).

At our locations in Germany, our employees receive a performance-related bonus ranging from between 10 to 30 per cent of the annual salary, depending on the performance of the group and the relevant subsidiary, in addition to their salary in the framework of the employee profit-sharing program (GOMAB). The group-related performance indicators are EBT return and return on equity before tax. In addition, individual target and bonus agreements apply at all our sites.

At our Freiberg site, more than 92 per cent of employees earn the rates agreed in collective bargaining. GOMAB is part of the company agreement of the Freiberg-based companies and replaces other components of the collective agreement. Following several months of negotiations with the German Mine, Chemical and Energy Workers' Union (IG BCE), a long-term collective bargaining agreement covering the period from 2008 until the end of 2010 was agreed this year. Besides modifications to the compensation structure and the revision of GOMAB in Freiberg, the introduction of a performance-related compensation component into the collective agreement as of 2009 is another key result of the company agreement currently applicable to the Freiberg-based subsidiaries.

In addition, we offer a company pension scheme (BAV) and capital-forming benefits with full employer's contribution in Germany.

HEALTH PROTECTION: OFFERING SAFE WORKING CONDITIONS. We ensure safe working conditions for our employees and support their efforts to protect and maintain their health. As before, regular meetings of the health and safety committees, health and safety check-ups, hazard analyses and health and safety training schemes were conducted throughout the group in 2008. Each company has its own safety officer. In addition, the manufacturing companies have special safety engineers.

We refer to the presentation of social performance indicators in the sustainability report (annex to the annual group report for fiscal year 2008).

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

PERSONNEL STRATEGY 2008/2009

- Global integration – harmonization of standards and directives, further development of the SOLARWORLD leadership culture, strengthening of worldwide team spirit and commitment
  - Achieved in 2008: Advanced or completed organizational development and new recruitments in the newly formed companies, SOLARWORLD INDUSTRIES AMERICA (production), SUNICON (commodity), SOLARWORLD INNOVATIONS (R&D).
  - Achieved in 2008: Expansion of headcount in line with group expansion
  - Achieved in 2008: Development of a posting policy
  - Achieved in 2008: Further development of SOLARWORLD's Code of Ethics and Conduct (to be adopted in 2009)
  - Achieved in 2008: Successful launch of an international executive development program
- 'Employer branding' – external and internal positioning of SOLARWORLD as an attractive employer brand
  - Achieved in 2008: Further development of the strategy on internal and external positioning as an attractive employer
- Talent management – development and qualification of employees with high potential and talent
  - To be launched in 2009

RESEARCH AND DEVELOPMENT

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

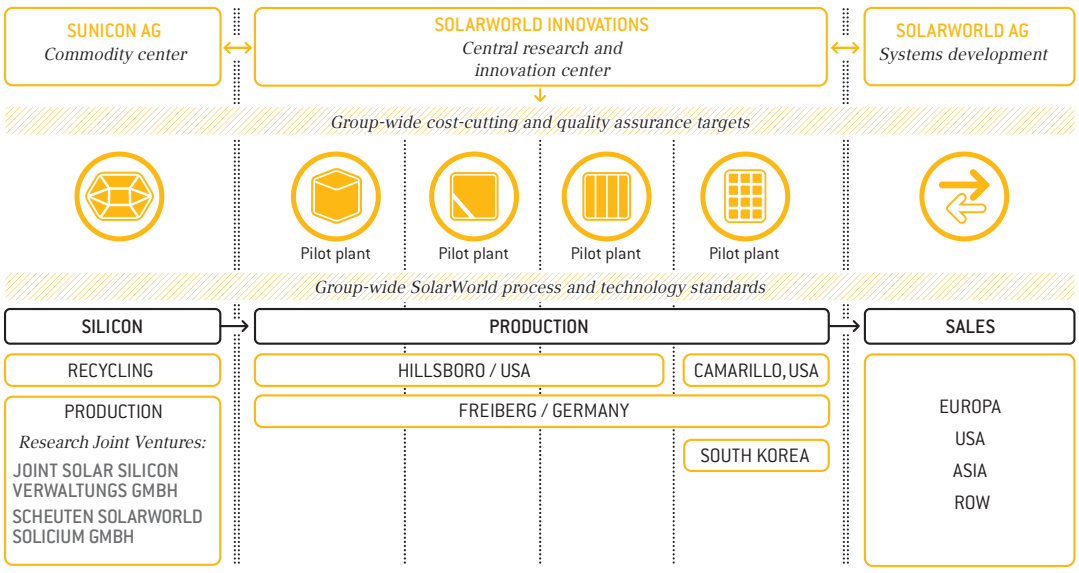
- Holistic R&D strengthens competitive edge in costs and innovations
- Spending on R&D increased in year under review
- Investments in infrastructure for research close to production

International solar markets are characterized by growing competition, above all from low-wage countries and declining annual feed-in tariffs, but at the same time by double-digit growth rates.

As a result, the key innovation task of our research and development activities is to continually reduce the cost of solar power by means of improvements in processes and products and make solar power 'made by SOLARWORLD' competitive in the near future.

Our advantage over other manufacturers of solar power technologies: SOLARWORLD's research and development activities cover the entire value chain together with SOLARWORLD INNOVATIONS, SUNICON and the System and Frame Technology Design Department at SOLARWORLD AG, Bonn. We develop technology based on an understanding of the causes and effects all the way from silicon to the finished system. This gives us a crucial competitive edge in terms of innovative strength and cost-cutting potential.

(33) ORGANIZATION OF RESEARCH AND DEVELOPMENT



BENEFITING FROM HOLISTIC RESEARCH AND DEVELOPMENT APPROACH. SOLARWORLD INNOVATIONS was founded in mid-2007 as a strictly research and development company of the SOLARWORLD Group at the German site in Freiberg. We have thus built a group-wide strategic platform for technology and product development and have created the necessary resources so that we will be able to deliver synergies, including development and test laboratories, to support quality assurance, a central patent and literature administration system, Intellectual Property (IP) management, and central project management that also serves to coordinate state-funded development projects.

Our production technology teams show just how closely our research and development is linked with production. Employees from the individual production areas and SOLARWORLD INNOVATIONS cooperate closely within these teams. Our research and development is therefore guided by the principle of direct implementation in production, which creates time and efficiency gains for our innovations.

In the year under review, we implemented corresponding investments in infrastructure. The focus was on the construction of two pilot plants that provide an opportunity to carry out development activities under conditions that are very close to actual production conditions. Process and plant development and evaluation will be completed on a pilot scale all the way through to series production at these plants.

The wafer pilot plant, focusing on the development of crystallization and wafers, covers an area of around 2,000 square meters. The cell and module pilot plant covers an area of around 2,800 square meters.

Its focus is primarily on efficiency enhancements in cell and module technology. We are also building laboratories for development, reliability tests, and quality assurance as well as additional office and conference rooms covering around 2,500 square meters.

The structural work for the wafer pilot plant was completed in the autumn of 2008. We are planning to install the machinery and equipment at the beginning of 2009 and start production soon thereafter. Construction of our module pilot plant was initiated in October, and we are expecting to complete the structural work by July 2009. *Research and development 2009+ • p. 143 //*

OUR KEY STRATEGIC RESEARCH GOALS

REDUCING COSTS: Production and installation costs are crucial with regard to the competitiveness of solar energy. If we succeed in reducing average production costs by around eight to ten per cent per annum by means of productivity improvements – all the way from silicon, wafer, cell and modules to complete systems – we will be able to cope with the expected price reductions in the market without any major margin losses. At the same time, solar power will thus gradually move closer to grid parity. *Vision • p.002 //* We therefore place one of the key development priorities on efficiency enhancements, accompanied by reductions in silicon consumption, e.g. by means of reducing wafer waste. Other priorities are to increase throughput while maintaining plant investments and to substitute for cost-intensive consumables.

INCREASING INNOVATION: The competitive edge of the SOLARWORLD brand is based on our quality assurance and our ability to innovate. We exclusively rely on wafer-based silicon technology since, in our view, it offers major cost reduction potential due to a large number of fundamental technology development projects. From a sustainability viewpoint, this also includes manufacturing solar systems under ecologically compatible conditions. Our environmental management for 2008 sets targets for reducing energy and water consumption and for our production-related CO_{2eq} emissions and waste volumes. *Quality and environmental management • p.087 //*

SECURING RAW MATERIALS: Group-wide silicon supplies are the key strategic issue for our group. They are covered by SUNICON AG (our subsidiary which was specifically established for that purpose), all the way from development to production. The SolarMaterial recycling unit, which was a business unit of DEUTSCHE SOLAR AG in 2008, will be transferred to our commodity subsidiary, SUNICON AG, in 2009. *Future legal group structure • p.139 //*

MAIN RESEARCH AND DEVELOPMENT AREAS AND NEW PRODUCTS IN 2008

ENHANCING EFFICIENCY. Researchers of SOLARWORLD INNOVATIONS are already working full steam to develop poly-crystalline cells with efficiency rates of more than 18 per cent and mono-crystalline cells with efficiency rates of more than 20 per cent, both in production and in cooperation with corresponding research partners and plant manufacturers. Efficiency enhancements already achieved at our laboratory are to be implemented at our production sites as soon as the Freiberg pilot plants are finished. Average industry efficiency rates are 15 to 16 per cent for poly-crystalline silicon and around 17 per cent for mono-crystalline silicon.

ENSURING QUALITY. We consider comprehensive product testing at all stages of the value chain to be our second core task. This enables us to meet our customers' demand for long durability of our solar modules. We already provide a guarantee of 25 years on the solar modules of our product range. However, quality implies further developing and not just maintaining our strengths. In order to continually secure our product quality, we are expanding our test laboratories: the chemical, materials, solar cell and module test laboratories will be incorporated into the future module pilot plant and will facilitate extended tests of manufacturing processes. *Research and development 2009+ • p. 143 //* This will help SOLARWORLD production sites worldwide in monitoring their industrial processes, thus avoiding manufacturing defects and securing the quality of our products in future, too.

EXPANDING SYSTEMS COMPETENCE. Our quality claim at SOLARWORLD does not end with our modules; it builds on the technological maturity of our systems. This allows us to differentiate our brand from the strongly expanding module portfolio offered by our competition and to position ourselves with industry partners and end customers. *Risks from from tougher competition • p.129 //*

Our R&D activities drive our growth and contribute considerably to group performance because boosting our innovation enables us to cut costs.

- Thanks to the optimization of wire sawing technology, we achieved a relative yield increase of five per cent.
- The reduction in wafer thickness from 210µm to 180µm which we realized for numerous wafer customers in 2008 resulted in an effective reduction in silicon consumption of five to six per cent.
- We gained a further technology edge in the market by means of joint development projects in material and solar cell characterization with DEUTSCHE SOLAR and DEUTSCHE CELL. In 2008 we achieved a four per cent increase in the mean efficiency rate of poly-crystalline solar cells.

- In cooperation with SOLARWORLD INDUSTRIES AMERICA we planned a 100 MW line for mono-crystalline silicon-based solar cells for the new site at Hillsboro, based on production experience in Freiberg. Since the launch of production in the autumn of 2008, solar cells with efficiency rates of more than 17 per cent have been produced at Hillsboro. Thanks to our successful transfer of know-how, we have not just successfully expanded our top position in this product area but also transferred it to one of the key markets of the future, the USA.

- In the year under review we also performed successful work in the field of crystallization of poly-crystalline silicon. We substantially increased the mean block mass and reduced mean cycle times. As a result, we achieved overall productivity increases of up to 18 per cent.

- We recorded a further achievement in the field of commodity-saving RGS (Ribbon Growth on Substrate) technology, which forms an alternative to classical wafer production (block crystallization and sawing process) and was further developed by our affiliate, RGS DEVELOPMENT B.V. *Notes/Scope of consolidated financial statements and legal group structure • p. 162 //* Reducing losses of materials by 50 per cent, this wafer technology is significantly more productive than competing processes. We already built a 60 MW pilot plant for RGS wafer manufacturing in prior years. The first casting tests took place at the end of 2008 so that we are planning plant ramp-up for 2009. In the year under review we also intensified our solar cell production activities from RGS wafers based on a publicly sponsored project funded by the Federal Ministry for the Environment. The goal is to develop solar cells with enhanced efficiency rates on RGS wafers by means of further improvements in crystallization, and the development of a solar cell process geared to RGS. Corresponding planning activities for an RGS solar cell pilot line at the Freiberg module pilot plant have been launched.

- In systems and frame technology we achieved cost cuts with newly developed products and launched the product test phase for new markets in 2008. Examples include the patented SUNTUB® assembly system, launched on the market at the end of 2008 and designed for the installation of photovoltaic modules on flat roofs without interfering with the fragile roof covering. By means of a fast-assembly system we achieved a substantial reduction in assembly times at customers thus strengthening a key factor for customer satisfaction and retention. Our ENERGYROOF®, already successfully established on the German market, and our systems for inclined roofs were further developed for new markets and entered the long-term test phase which will expire at the end of 2009. This allows us to respond to regional authorization prerequisites and opens up market opportunities in new European markets and the US market.

- We also achieved a substantial increase in the sustainability of our solar cell production by further cutting greenhouse gas emissions in 2008. We achieved complete avoidance of perflourocarbons emissions in cleaning boats for silicon nitride deposition in 2008. We also implemented preparatory activities to recycle energy from process cooling water and water reprocessing. We will complete these measures in 2009 and thus further enhance the ecological efficiency of our products.

DEVELOPMENT COOPERATION WITH RESEARCH PARTNERS AND UNIVERSITIES

Scientific support by universities, institutes, and other external centers of excellence is and continues to be a key pillar of our development activities, despite the strengthening of our internal research operations. In the year under review, we continued to expand our external research cooperation activities, which range from scientific cooperation with institutes all the way to the specific development of processes with suppliers. The goal of these cooperation schemes is to evaluate and develop new processes and technologies before transferring them to our pilot plants from the laboratory stage and testing them on production plants.

In 2008 we maintained development cooperation schemes with more than 21 international research institutes, including the Technical University and Mining Academy Freiberg (TUBA) and the Technology Center for Semi-Conductor Materials (THM).

For many years, TUBA has been cooperating closely with SOLARWORLD in research activities concerning silicon-based solar power technology. The programs which we support include the "Post-Graduate Photovoltaic College", which addresses highly qualified junior scientists wishing to do a PhD in photovoltaic. *Human resources • p. 110 //* We also offer periods of practical training, dissertations, and doctoral theses for students. In addition, SOLARWORLD experts offer lectures and seminars complementing the curriculum of the Mining Academy within the framework of the new course on photovoltaic materials. The topics covered range from solar-grade silicon and the breeding of mono-crystals to manufacturing processes for solar cells.

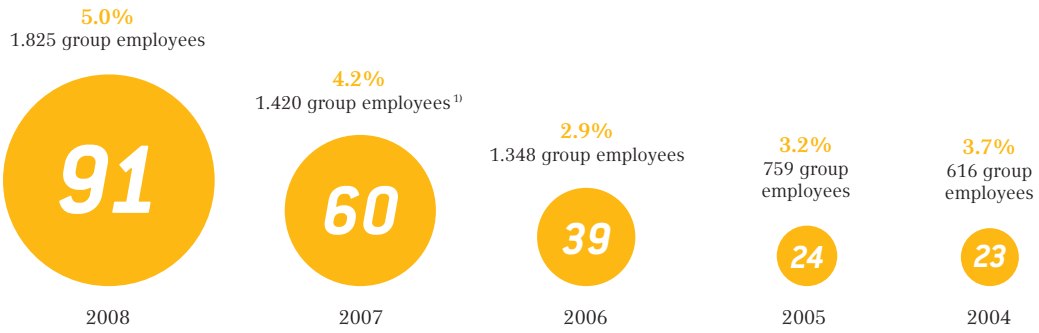
The Technology Center for Semi-Conductor Materials is located close to SOLARWORLD in Freiberg. The THM is jointly operated by the Fraunhofer Institute for Integrated Systems and Construction Element Technology (IISB) and the Fraunhofer Institute for Solar Energy Systems (ISE). Based on the expertise of these two institutes, the THM supports the photovoltaic and microelectronic industries in the development of materials and wafers. A large number of projects are implemented with SOLARWORLD, with THM supporting the crystallization production area of DEUTSCHE SOLAR by means of measurement and simulation tasks in order to increase yields. In addition, we maintain cooperation schemes for the development of the next generation of silicon-based crystallization processes.

We also benefit from the direct vicinity of the Freiberg Start-up and Innovation Center. In the year under review, further photovoltaic and microelectronic companies moved to the area and the Freiberg technology campus was further expanded. SOLARWORLD provided start-up funding in combination with research projects to facilitate new start-ups by strategic partners in 2008. Examples include the Freiberg-based »Instruments inline Metrology«, a spin-off of TUBA Freiberg, with seven employees developing and producing measuring devices for the non-destructive electrical testing of semi-conductors. With these companies located close to our site, SOLARWORLD benefits from short communication paths, rapid and uncomplicated support of production inquiries, and synergies in joint development activities.

FURTHER RISE IN NUMBER OF R&D STAFF

Our R&D headcount rose by 52 (previous year: 54) per cent year-on-year. Where necessary, we drew on the skills of related external institutes and universities.

34 R&D STAFF



1) Adjusted by the number of employees from GPV

PURCHASE OF KNOW-HOW IN RESEARCH AND DEVELOPMENT

As in 2007, we did not purchase any essential know-how in 2008 either. Of course, SOLARWORLD drew on the supplementary know-how of third parties (primarily equipment manufacturers or research institutions), within the framework of contracts or cooperation schemes.

FURTHER INDUSTRIAL PROPERTY RIGHTS SECURED

In 2008, 18 (previous year: 12) inventions were registered, including, for example, activities concerning the galvanic coating of solar cell contacts that facilitate, among other things, a significant increase in the efficiency of solar cells.

The group holds a total of 103 (previous year: 85) industrial property rights families and over 220 (previous year: 170) industrial property rights and/or registrations.

RESEARCH AND DEVELOPMENT EXPENSES – RATIO AND INTENSITY

RESEARCH EFFICIENCY. The indicators used to display research efficiency are the annual rise in efficiency (efficiency rate/Wp) and average group-wide cost reductions. Our minimum goal has been determined in the light of the annual decline of five per cent by 2008, and eight per cent as from 2009, established by the German Renewable Energies Act. (11) *Internal targets achieved and targets set for 2008/2009+* *• p. 070 //* This decline has to be offset on an annual average by means of internal cost reductions (€/Wp). In 2008 we achieved cost reductions in line with this target corridor thanks to our continuous improvement process.

In the year under review, consolidated sales rose by 30.3 per cent while research and development expenditure grew by 20.4 per cent in the same period. The research ratio declined due to disproportionate sales growth (research ratio = R&D expenditure/revenues x 100).

In the framework of the growth in our business volume, our cost of materials and personnel expenses as well as depreciation/amortization due to capacity expansion rose more strongly than our research and development expenditure. Our research intensity thus decreased year-on-year. We also invested an additional € 13.0 million in expansion of the infrastructure of SOLARWORLD INNOVATIONS GMBH at our Freiberg site (research intensity = R&D expenditure/total expenditure x 100).

(35) RESEARCH COSTS

Excluding Research and Development by our Joint Ventures

	2008	2007	2006
R&D expenditure (in m€)	13.0	10.8	8.6
publicly funded share (in %)	18.5	34.2	45.3

(36) RESEARCH RATIO AND INTENSITY // IN %

	2008	2007	2006
Research ratio	1.4	1.6	1.7
Research intensity	1.8	2.0	1.8

SUPPLEMENTARY REPORT

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COMPACT

- Shareholder structure modified
- SOLARWORLD modules occupy top place in long-term test

LIST OF TRANSACTIONS OF PARTICULAR IMPORTANCE

QUALITY OF THE SOLARWORLD BRAND CONFIRMED. In a quality study by the Photon trade journal in which module types of different competitors were tested in a test field (under standardized test conditions) the solar power modules of SOLARWORLD came out in the top position: The SOLARWORLD Module SW 210 poly achieved the highest standardized annual yield, generating more electricity than comparable competitive products.

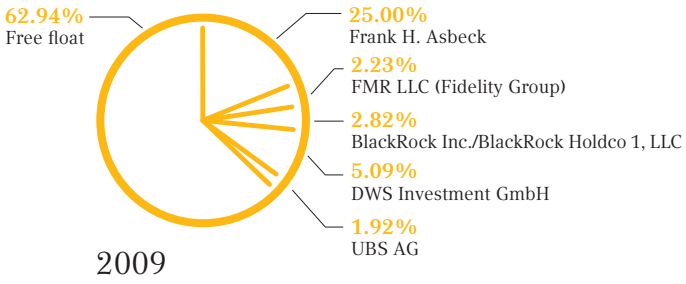
SHAREHOLDER STRUCTURE CHANGED. DWS Investment GmbH increased its shareholding on 27 January 2009 from 4.93 to 5.09 per cent.

REPERCUSSIONS OF TRANSACTIONS OF PARTICULAR IMPORTANCE

In view of the good rating received by our solar power module we see our quality strategy for the SOLARWORLD brand confirmed. In particular, in a competitive environment that is growing tougher and tougher, the quality parameter is crucial in strengthening our market position in the trading business as well as of supreme importance for sustainable customer relations.

The shareholder structure of SOLARWORLD AG has thus changed as follows as at the above mentioned effective off date:

(37) SHAREHOLDER STRUCTURE AS AT 27 JANUARY 2009



OVERALL STATEMENT ON THE ECONOMIC SITUATION AT THE TIME OF THE REPORT

The economic situation of the group is rated as positive by the management of SOLARWORLD AG taking into consideration the earnings, finance and asset situation resulting from the 2008 consolidated annual financial statements and outlined above, as well as considering the ongoing business in 2009 at the time of drawing up the group annual report. A sound order book situation in the wafer and trading business with established market participants and a strong customer base are proof of the positive further development of our business.

RISK REPORT

BE INDEPENDENT	BE SUSTAINABLE	BE SUCCESSFUL

COMPACT

- Risk management as integrated group-wide process
- Risks in the year under review limited and clearly identifiable
- Risks endangering the continued existence of the company not discernable

OPPORTUNITY AND RISK MANAGEMENT SYSTEM

Any company wishing to operate must inevitably take risks – and this also applies to us. Long-term economic success primarily means using opportunities while, at the same time, responsibly managing and thus limiting the associated risk.

This is guaranteed through a variety of tools, including our group-wide opportunity and risk management system that is integrated into the structural and procedural organization of our business processes. Our early risk identification system is assessed by our auditors on an annual basis.

Based on our corporate strategy, the Management Board defines the risk policy. In addition, all fully consolidated companies of the SOLARWORLD group are incorporated into our opportunity and risk management system. *Notes/Scope of consolidated financial statements and legal group structure • p. 162 //* Risks are identified and monitored in a decentralized manner by the management of the operating business units. On the basis of a standardized reporting system, monthly overviews are presented to the Management Board; any current risks and opportunities are immediately notified to the Board. In close alignment with Group Controlling, the Executive Board is able to assess the impact of the identified risks and opportunities on our net assets, financial position and results of operations without delay and to initiate counter-measures where required.

Group-wide bodies to identify, analyze and handle risks and opportunities are not only the Management Board meetings but also the general strategy meetings. At these meetings, which take place several times a year, the Management Board discusses with the managing directors and board members of the subsidiary companies any possible opportunities and risks. The Group Committee, which meets once a year, involves the Management Board, the managing directors and the senior managers of the operating units. These bodies form a broad, group-wide basis for our opportunity and risk management and enable us to rapidly implement the decisions taken at all management levels.

Opportunities and risks arising from the general economic conditions are determined, evaluated, and reported to the Management Board in the form of a monthly executive summary based on market, tendency and competition analyses by the departments Investor Relations, Marketing and Distribution.

In order to minimize ecological and social risks and tap economic opportunities, we have developed an integrated sustainability management system which reports directly to the Board in its function as a control and monitoring tool.

We also operate an integrated group-wide quality and environmental management system in order to counter risks in our process chain and make quality, process and environmental standards transparent. *Quality and environmental management • p. 087 //* Statistics on waste, emissions, waste water, power consumption and the consumption of consumables facilitate early detection and risk identification with regard to consumption data. Monitoring of laws and regulations against insider trading, for example, is effected by our Compliance Officer, backed by legal advice from external lawyers.

The Management Board weighs risks off against acceptable overall risks and decides whether any strategically useful risks are taken in a controlled manner in order to seize opportunities. Where the decisions taken are of fundamental importance to the company, the Supervisory Board is also involved. We thus identify developments that might jeopardize the continued existence of our company at an early point in time.

In order to limit the remaining risks, SOLARWORLD has taken out corresponding insurance cover to minimize risks. The extent of cover is regularly reviewed in order to keep pace with our steady growth.

RISK MANAGEMENT WITH RESPECT TO FINANCING INSTRUMENTS. In view of the worldwide financial crisis, our risk management takes account of the fact that there is a greater probability that delivery defaults, cancellations or renegotiation will arise in 2009 than in a stable economic environment. Although our strong liquidity situation ensures our safe position for further growth, suppliers and customers might be unable to fulfil their contracts due to financing difficulties. *Default risks • p.130 //*

Responsibility for minimizing risks arising from the use of various financing instruments rests with the Management Board and the managing directors and boards of the respective subsidiaries. The business units report to the management on any risks and any hedges entered into. The direct allocation of financial instruments used to specific projects enhances transparency and facilitates direct risk control.

Financial risks such as price, currency, and interest rate risks arising within the framework of our increasing international business are countered by means of general contracts, maturity structures and hedges in line with our risk management. *Notes/Principles and objectives of financial risk management • p.189 //*

(38) INDIVIDUAL RISKS

Year-on-year risk assessment

↗	Macroeconomic risks
Risks	1. Start of a recession and/or worsening of the financial crisis: falling propensity to invest among private end customers, tighter financing terms and conditions for investors in large-scale solar projects 2. Falling electricity prices for private households: delays in solar power reaching grid parity, slowdown in tapping new markets
Probability	1. **Medium:** We assess the risk of a falling propensity to invest among private end customers as medium. They will continue to have access to loans (e.g. loans by the German Reconstruction Loan Corporation KfW, loans in the framework of programs designed to support economic activity) for solar power systems, i.e. investments with precisely calculable returns. **High:** We assess the probability of the risk of tighter financing terms and conditions for large-scale projects as higher since the financial crisis may create credit bottlenecks for such investment projects. 2. **Low:** Falling costs of primary sources of energy are seldom passed on to consumers.
Effect	1. A decline in demand from end consumers might have a relatively negative effect on our group sales and earnings. Large-scale projects only represent a small portion of our business. A decline in such investments would therefore only have a minor negative effect on SolarWorld. 2. In the short to medium term, household power prices will only have a minor effect on our business since solar power tariffs do not depend on temporary fluctuations in electricity prices due to incentive systems.
Counter-measures	✳ Our internationalization strategy may help us spread the risk of a decline in consumption between several markets. *Future sales markets 2009+ • p.142 //* ✳ Ongoing cost reductions and efficiency enhancements facilitate competitive pricing in the long term *Research and development • p. 116 //*

↗ higher ↘ lower → same year-on-year-assessment ⊗ not present

	Political and regulatory risks
Risks	Changes in laws to promote solar power: slower market growth due to a reduction in, or even abolition of, financial incentives in individual countries
Probability	**Low:** In 2008, the regulatory framework for our key sales markets was amended *The future solar power market • p. 135 //*
Effect	Declines in demand in individual regions might temporarily impact our sales and earnings
Counter-measures	✳ Our internationalization strategy may help us spread the risk between several markets *Future sales markets 2009+ • p. 142 //* ✳ Ongoing cost reductions and efficiency enhancements facilitate competitive pricing in the long term without state funding *Research and development • p. 116 //*

	Risks from tougher competition
Risks	Intensification of competitive pressure: A tendency towards consolidation at all stages of the value chain in the industry, change from a suppliers' to a buyers' market
Probability	**Medium:** Based on our solid market position in the wafer and trading segments, we assess the probability of a significant impact of this risk on our group as moderate.
Effect	Potential loss of market shares and stronger margin pressure due to tighter price competition may have adverse effects on sales and earnings.
Counter-measures	✳ Ongoing expansion of production capacity to secure economies of scale and optimize our cost structure *Research and development • p. 116 // Planned group-wide expansion 2009+ • p. 139 //* ✳ Utilization of existing and future wafer capacity through conclusion of long-term contracts; strong diversification with numerous customers *Order trend • p. 101 //* ✳ Further strengthening of the brand and implementation of customer retention programs *The brand • p. 098 //; Trading in modules and systems • p. 084 //*

	Risks arising from alternative technologies
Risks	Technological breakthrough of alternative technologies: Risk of substitution for crystalline technologies
Probability	**Medium:** A large number of companies operate in the field of alternative technologies but only very few of them produce on an industrial scale. Given the future tightening of the financing environment, the prospects of success for these companies will deteriorate. Thanks to falling silicon prices, the price/performance ratio of crystalline technologies will improve. This applies above all to roof applications, our core trading business. Moreover, alternative technologies are faced with additional challenges, e.g. the finite nature of the raw materials used such as tellurium, cadmium and indium, as well as disposal risks in the cadmium/telluride technology (governed by the EU Chemicals Regulation) *The solar power market • p. 074 //*
Effect	Potential loss of market shares and increasing price competition with stronger pressure on margins may adversely affect our sales and earnings.
Counter-measures	✳ Ongoing research and development activities to enhance efficiency and optimize costs *Research and development • p. 116 //* ✳ Regular, analytical observation of the development of alternative technologies in the market. *Opportunity and risk management system • p. 126 //*

→	**Procurement risks**
Risks	1. Convergence of contract and spot market prices for silicon due to rise in supplies: long-term silicon contracts less advantageous 2. Scarcity of silicon supply capacity: security of supply
Probability	1. **Medium:** Long-term contracts are expected to remain more cost-effective than spot market prices. As a major silicon customer, we also have good long-term relationships with our suppliers so that we assess this risk as medium for our business. 2. **Low:** Due to the establishment of new silicon capacity in the market, market demand is expected to be sufficiently met.
Effect	1. Should procurement costs remain unchanged, they might cause margin erosion if wafer and module prices should fall. 2. Long-term capacity utilization might be more difficult
Counter-measures	✳ Downpayments for wafer contracts to compensate for the downpayments due for raw materials contracts ✳ Expansion of our own solar silicon production and increased silicon recycling → *Procurement* • *p. 080 //*; → *Strategic raw material activities* • *p. 081 //;*

↗	**Default risks**
Risks	1. Insolvency of individual customers: Non-performance of contracts 2. Falling demand: Products are not purchased
Probability	1. **Medium**: The financial crisis increases the risk of customer insolvency. We assess this risk as medium for us since we have contracts with established market participants with a sound customer base. Should the financial crisis be sustained, this risk would increase. 2. **Low:** None of our customers accounts for more than ten per cent of our sales. Our trading customers above all secure their basic sales volumes via general agreements with us; these volumes are expected to remain stable. In the wafer segment, our sales are secured by means of long-term contracts.
Effect	Sales and contractual defaults might adversely affect earnings and our order book. Should any long-term contracts be cancelled, the customer down-payments already made would even represent windfall profits for us.
Counter-measures	✳ **Wafer:** strong diversification of our long-term contracts with numerous customers. **Trading:** risk diversification across a customer base comprising considerably more than 100 international systems integrators, specialized wholesalers and installers. ✳ Further strengthening of our brand and customer retention programs. → *The brand* • *p. 098 //* ✳ Ongoing monitoring and analysis of receivables and selective conclusion of credit insurance. ✳ Flexibility through vertical integration: Wafer quantities not delivered on call can be upgraded into branded modules in our own value chain.

↗ higher ↘ lower → same year-on-year assessment ⊗ not present

	Corporate strategy risks
Risks	Misjudgments concerning future development: Wrong investment and technology decisions
Probability	**Low:** Thanks to our long-standing market experience and the conclusion of important partnerships and strategic alliances we assess the probability of this risk as low.
Effect	Losses of market shares, image and capital due to wrong strategic decisions might adversely affect the economic situation of our group.
Counter-measures	✳ Identifying market trends by means of market analyses in all business segments and long-term relationships with customers, suppliers and political decision-makers *Opportunities and risk management system* • p. 126 // ✳ Concluding strategic alliances and joint ventures to split up the investment risk ✳ Performing broadly based research and development activities and cooperation schemes with universities and research centers *Research and development* • p. 116 //

	Human resources risks
Risks	Shortage of highly qualified specialist staff and executives: Difficulties in filling key positions
Probability	**Low:** Due to our reputation as an attractive employer and increasing personnel marketing, we assess this risk as low for us. Moreover, a larger number of highly qualified staff from the semi-conductor industry will be available in future. *Worldwide sites of the group* • p. 053 //
Effect	Potential reduction in our technological edge and corporate growth due to shortage of specialist staff may adversely affect our economic situation.
Counter-measures	✳ Selective, needs-oriented development of skills of our existing staff ✳ Strengthening of our image as an attractive employer (employer branding), university marketing, research cooperation schemes *Human resources* • p. 110 //; *Human resources – future development* • p. 145 // ✳ Promoting employee motivation through strong leadership and corporate culture, working hour schemes and profit-oriented variable compensation systems ✳ Defining deputies and powers within the framework of our quality management system

	IT risks
Risks	Disturbances in the operation of IT systems and networks: Data security risks and interruption of work at the worldwide group sites
Probability	**Low:** Our IT systems comply with state-of-the-art safety standards and undergo regular maintenance. This virtually rules out the risk of failure in the overall group.
Effect	Productivity losses due to interruption of production and workflows might have a relatively negative impact on our productivity.
Counter-measures	✳ Regular investments in updates and soft- and hardware systems; current software and virus scanners reduce risk of virus attacks ✳ Certified systems to enhance safety and reliability ✳ Separation of IT systems from production and administration in order to minimize potential failure risks ✳ Regularly multiple daily backup of data

↗	**Liquidity risks**
Risks	1. Credit crunch: More difficult access to credit markets; rise in financing costs due to widening of interest spreads and shorter maturities in lending 2. Investment losses: Price losses in the securities market and default of individual capital market partners
Probability	1. **Low:** Due to our long-term credit agreements and our strong liquidity we assess the short-term risk as low for us. Should the situation in the credit business not improve in the medium to long term, we would have to accept a corresponding widening of spreads in future financing measures. 2. **Medium:** Most of our liquid funds have been invested as term deposits in large German commercial banks. Defaults are highly improbable.
Effect	1. Tougher lending commitments would have a relatively negative impact on the funding options for our expansion plans. 2. The loss of liquid funds might adversely affect our earnings.
Counter-measures	✳ Diversification and expansion of the capital base of our group by means of capital measures concluded in 2006 and 2007. ✳ Cash-in-advance arrangements, ongoing monitoring and analysis of receivables and targeted conclusion of credit insurance ✳ Ongoing monitoring of the development of our partners in plant engineering, and strong diversification of our investment structure and creditor banks. ✳ → *Notes/Liquidity risks • p. 191 //*

↗	**Other financial risks**
Risks	Currency, interest rate and price risks
Probability	**Low to Medium:** Thanks to the pro-active, regular, careful review of our financial instruments we assess this risk as controllable.
Effect	Impact on the financial results of our business operations
Counter-measures	✳ We refer to 'Other explanations/Financial instruments' in the consolidated notes → *Notes/Financial instruments • p. 189 //*

→	**Legal risks**
Risks	A wide range of tax, competition, patent, anti-trust and environmental provisions in the framework of our international business operations: Legal risks
Probability	**Low:** SolarWorld is currently not aware of any risks from litigation, patent infringement or other legal risks which could significantly impact the business situation of our company.
Effect	Litigation could have an impact on earnings from business operations since it would tie up financial resources and could jeopardize our reputation.
Counter-measures	✳ Integrated legal advice from external legal experts

↗ higher ↘ lower → same year-on-year assessment ⊗ not present

	Warranty, liability and other risks
Risks	1. Warranty risks: granting of a warranty of 25 years for solar modules sold by us 2. Other customary operational and liability risks
Probability	1. **Low:** Due to the careful review of our process and product quality, we assess the risk of claims being made against our product warranty as low. 2. **Low:** Thanks to pro-active regular controls concerning protection against hazards and health and safety protection at our sites we assess the probability of these risks as low.
Effect	1. Potential negative impacts on our net assets, financial position and results of operations in the event of warranty 2. Production loss, loss of assets, potential claims for damages
Counter-measures	✳ Risk provisioning in our balance sheet for our warranty commitment through the formation of a provision. *Notes/Noncurrent and current provisions • p. 187 //* ✳ Securing other risks via comprehensive insurance cover based on customary market concepts. Regular review of the extent of insurance cover of our risks based on site inspection.

OVERALL STATEMENT ON THE RISK SITUATION OF OUR GROUP

Our assessment of the risks described in the Risk Report shows no negative departure from the risk levels set out in the Forecast Report. Overall, the risks are controllable and do not jeopardize the continued existence of the SOLARWORLD group at the time of reporting. This applies both to the individual companies and to the group. The overall risk situation resulting from the individual risks presented above has changed year-on-year due to the financial crisis. Based on the assumption that the economic situation will not deteriorate further, we do not expect any major changes in the risk situation from the present viewpoint.

	Risks endangering the continued existence of the company
Risks	Risks threatening the SolarWorld group's continued existence as a going concern
Probability	From the management perspective, there are no specific trends apparent which could constitute a major long-term negative risk to the result of operations, financial position and net assets of the SolarWorld Group for the future.
Effect	Adverse effect on the earnings from our business operations, risk endangering the going concern assumption
Counter-measures	✳ Our opportunities and risk management systems observe external and internal developments in order to be able to act in good time ✳ At present there are no risks apparent which would endanger the SolarWorld group's continued existence as a going concern

FORECAST REPORT

BE INDEPENDENT | BE SUSTAINABLE | BE SUCCESSFUL

COMPACT

- Effects of financial crisis on real economy fraught with uncertainties
- Energy markets moving // price volatility, economic and stimulus programs
- SOLARWORLD plans to maintain speed of growth with stable overall economy

FUTURE ECONOMIC ENVIRONMENT

FORECASTS DIFFICULT IN LIGHT OF THE WORLD ECONOMIC SITUATION. Due to the current financial crisis and its increasing effects on the real economy, a specific outlook on the world economy in 2009 and 2010 entails a major element of uncertainty. However, the economic institutes agree that the gross domestic product (GDP) will stagnate or even decline in most industrialized countries in 2009. Major emerging economies such as China, India, and Brazil, however, are expected to record further growth, albeit at significantly more moderate rates than before. The German Institute for Economic Research (DIW), for instance, expects economic performance to decline by 0.8 per cent in the Eurozone in 2009. Economic activity in the USA is even expected to decrease by 2.0 per cent. In 2010 the economic situation is expected to improve again so that slight growth of 0.5 per cent is expected for the Eurozone. The USA may achieve growth of 1.8 per cent. The German economy is expected to show a similar trend. For 2009, the DIW expects a decline in GDP of minus 1.1 per cent, while the economy is expected to grow again by 1.1 per cent in 2010.

PRICE VOLATILITY ON ENERGY MARKET WILL CONTINUE. 2009 and 2010 will also be crucial years for the development of world energy supplies. Crucial factors already influencing the development of energy prices in 2008 will continue to cause strong price volatility on the power market. They include, for example, the increasing shortage of energy resources, capacity bottlenecks in refineries and concerns about potential reductions in oil production volumes by OPEC.

The international attempts to reduce greenhouse gas emissions will strongly influence future investments in the energy sector. The World Climate Conference held in Poznan at the end of 2008 paved the way for future negotiations within the framework of the Climate Conference in Copenhagen at the end of 2009. At that conference, a follow-up agreement on the Kyoto Protocol will be presented for ratification, obliging the international community of states to achieve further reductions in greenhouse gas emissions. Such an agreement will probably have far-reaching consequences for the structure and technological development of worldwide energy supplies. The economic scope of such an agreement is expected to increase with the active participation of the United States in emissions reduction, as announced by the new US President Obama.

RENEWABLE ENERGIES ACCOUNTING FOR A LARGER PORTION OF POWER GENERATION. In the next two years, the market shares of renewable energies as a portion of the international energy mix will grow rapidly, thanks to broader political support and improved technological maturity. The IEA expects renewable energies to replace natural gas in the ranking shortly after 2010, rising to second rank among the most important sources of energy for power generation (figures according to reference scenario). *Opportunities • p. 147 //* Distinguishing between different forms of renewable energies, the IEA expects above all solar and wind energy as well as geothermal power to grow. This evaluation is gaining in importance as, according to a forecast by the Energy Information Administration (EIA), the electricity market will grow more strongly than all other energy sectors and account for almost half the expected growth in worldwide energy consumption. This suggests an enormous market potential for solar power technologies.

THE FUTURE SOLAR POWER MARKET

2009/2010 WILL BE CRUCIAL FOR THE FUTURE OF THE SOLAR ELECTRICITY SECTOR. The amendments to the feed-in schemes in the key markets, Germany and Spain, adopted in 2008, establish a decline in feed-in tariffs as of 2009, which will have to be offset by corresponding price cuts of at least eight to ten per cent for solar modules. As a result, the solar industry will focus on reducing manufacturing costs along the entire value chain in the next two years.

FUTURE SUPPLY – CHARACTERIZED BY RAPID CAPACITY EXPANSION. As early as in 2009, the expected mitigation of bottlenecks in the silicon market may produce a cost-cutting effect. According to the Sarasin Bank, global solar silicon capacity will double to 63.5 (2008: 35.9) thousand tonnes with the commissioning of new production plants in the course of the year. Thanks to technological progress, alternative silicon sources such as metallurgical or recycled silicon may increasingly be used and gain market shares in the commodity market. We therefore presume that silicon prices passed their peak in 2008 and will decline again as of 2009. The decline in procurement costs has a positive effect on the cost structure in the industry.

In addition, the sector will optimize materials usage through investments in research and development as well as continuous improvement of production steps. EPIA expects further cuts in average wafer thickness of around twelve per cent to 150 µm and an increase in average cell efficiency to 17.5 per cent by 2010. This would cause a drop in average silicon requirements per watt peak of around ten per cent to 7.5 (2008: 8.5) g/Wp.

Although many companies may experience difficulties in financing this growth (above all in the Asian region), due to the financial crisis and the associated credit crunch, analysts continue to expect investments to be made in capacity expansion at all stages of the value chain. EPIA, for instance, expects investments for the expansion of wafer, cell and module capacity to rise by up to 75 per cent in the year 2009. Analysts of Sarasin Bank forecast an expansion of cell production capacity to around 7.9 GW in 2009, and 13.2 GW in 2010 (2008: 4.2 GW). During the same period, production capacity for alternative solar technologies such as thin layer is to grow to around two GW in 2009 and four GW in 2010 (2008: 1 GW).

The steady expansion of production is expected to create capacity overhangs in the cell and module segments as of 2009. Increasing overcapacity will then cause margins to drop in these segments. Manufacturers will only be able to defend their market positions if they manage to cut costs by means of economies of scale and efficiency leaps. Companies driven out of the market due to this effect will primarily include independent cell and module manufacturers with little bargaining power concerning pricing negotiations with suppliers and customers, but also new market participants who have not been able to build up long-term supplier and customer relationships. Large, established market participants such as SOLARWORLD AG, in contrast, will probably be less strongly affected by this trend – they may even win additional market shares thanks to the consolidation tendencies.

FUTURE DEMAND – SALES MARKETS STABLE. The year 2009 will pose a major challenge for the solar industry. On the one hand, the usual pace of growth in the sector will slow down substantially due to declining feed-in tariffs in various markets and the tightening of access to capital for investors. On the other hand, optimizations of production processes and better supplies of raw materials are to be expected. The best players in the sector should be able to overcome the expected decline in prices through corresponding reductions in production costs. At the same time, this will be a major step forward on the path to grid parity for all players.

The legal framework in the key markets Germany, Spain, and the USA, expected to account for around 60 per cent of worldwide demand (2008: over 70 per cent) in 2009 and 2010, has been amended in 2008. The global market thus shows a solid investment framework for the future.

According to EPIA, market volume will double to € 24 billion to € 30 billion (2008: € 13bn) by 2010. For 2009, market growth of almost 25 per cent to 5.1 GW of newly installed solar power capacity (2008: 4.2 GW) has been forecast. However, sales in the first quarter of 2009 will initially remain weak due to declines in compensation and financial bottlenecks. In some regions this will be exacerbated by the weather not being very conducive to the assembly of our systems. However, demand is expected to pick up again in the course of the year due to price adjustments. According to the forecast for 2010, the installed solar power output is expected to grow by a further 35 per cent to around 7.0 GW.

The challenges for solar companies in 2009 will primarily result from the amendment of the grid feed-in legislation in **Spain**, fixing an upper limit for the installation of new solar power systems with a total output of 500 MW for this period. The market volume is expected to decline strongly year-on-year in 2009.

The feed-in tariff for solar power will also decline as of 2009 under the new grid feed-in tariff act »Real Decreto 1578/2008«. Since, however, the rates of return for Spanish solar projects will remain very attractive despite the forthcoming reduction in feed-in tariffs, it is to be expected that the planned 500 MW output will be completely realized.

According to the recently published study by the Sarasin Bank (November 2008), the **German market** is expected to grow by around 25 per cent to 1,870 (2008: 1,500) MW of newly installed power in 2009 and more than 2,240 MW in 2010. Deutsche Bank analysts even expect growth to more than 2,200 MW in 2009 and 2,800 MW in 2010, despite financial crisis.

Additional sales opportunities in **Europe** are offered by new growth markets such as Italy, France, the Czech Republic, and Belgium. These markets already recorded strong growth in 2008. *The solar power market • p. 074 //* With the experience gained in 2008, approval processes as well as distribution channels and installation processes will have become more efficient, benefiting the entire European market. According to forecasts from the Sarasin Bank, despite the strong declines in sales in Spain, Europe might therefore continue to be an attractive sales market in 2009 and grow by more than 25 per cent year-on-year in 2010 with newly installed solar power capacity of around four GW.

One of the 2009 growth drivers will be the **US solar market**. The Renewable Energy Tax Credit Act, adopted at the end of 2008, offers private households and industry tax credits of 30 per cent of the investment costs of solar systems. The act extends the previous act which expired at the end of 2008 by a further eight years. What is new is that energy utilities will also be able to benefit from corresponding tax credits, a signal expected to provide strong growth momentum to the US market, in particular since some US regions are already close to achieving grid parity for solar power thanks to high end consumer prices and strong solar radiation. As of 2009, investments in large-scale solar power systems will therefore be a promising business with attractive interest rates for US electricity utilities. Unlike private investors, energy utilities with their traditionally strong liquidity should not have difficulties funding similar large-scale projects. The project launched by US President Barack Obama for doubling the share of renewable energies in the US energy mix in the USA is expected to further boost growth in the US solar sector. In the framework of the program to promote economic activity, Obama intends to provide up to 150 billion US dollars for a realignment of energy supplies in the USA over the next ten years.

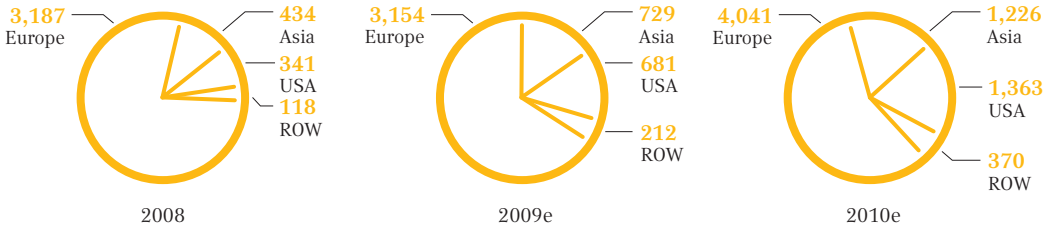
Above all in US federal states that already operate renewable portfolio standards comprising minimum standards for solar energy, interest in large solar power plants is expected to surge in the next two years. *Legal and economic factors of influence • p. 054 //* For 2009, the Sarasin Bank expects the US solar market to double to around 680 MW of newly installed capacity (2008: 340 MW). In 2010, the USA may break the threshold of 1,000 MW and achieve newly installed power of almost 1,400 MW.

The **Asian-Pacific area** is also expected to develop into one of the key demand drivers in 2009. Established markets such as South Korea and Japan are expected to show dynamic growth, but new markets

such as India and Australia, which adopted acts to promote solar power for the first time in 2008, will also create momentum for the international market. Overall, Sarasin experts expect the Asian region to show growth of more than 65 per cent to around 730 MW in 2009 (2008: 430 MW). By 2010, newly installed power is expected to account for around 1.2 GW.

The closer the solar sector moves towards grid parity, the faster the key sales markets will shift away from Europe towards sunnier regions such as Asia or the USA. Nevertheless, Europe will remain the world's key sales region in 2010.

(39) **BREAKDOWN OF MARKET SHARES BY REGION**
Source: Sarasin Bank, 2008



FUTURE ORIENTATION OF THE GROUP

PLANNED CHANGES IN BUSINESS POLICY IN THE FORTHCOMING TWO FISCAL YEARS

Our strategy of a fully-integrated global solar technology group has proven to be extremely successful. *Strategy and action • p. 050 //* We will therefore focus on the expansion of our market position by means of expanding our production capacity and secure organic growth in future.

Our recognized competence as a wafer supplier will be underpinned with the expansion of our group-wide wafer capacity to one GW by the end of 2009. Corresponding production volumes will secure our current order book, with orders well into 2018, as well as cell and module production and the associated module and kit business. We will continue to expand our group-owned commodity sources. In 2009 the focus will be on our Joint Venture, JSSI, and our recycling activities.

We are constantly probing new markets as we are planning to increase the relative sales share of our group-wide foreign operations. We intend to expand our process competence by means of strategic alliances with local partners along the lines of our Joint Venture in South Korea. Local module production helps us to cut transport costs. *Corporate strategy opportunities • p. 150 //*

Should corresponding opportunities arise, we will examine new strategic business areas in order to drive forward our vision of clean, infinite and fair energy supplies for the future.

We intend to boost our corporate and brand value in a sustainable manner. SOLARWORLD will therefore continue to anchor ecological and social sustainability as an integral element of our corporate strategy through corresponding management systems, based on economic stability. On the basis of indicators defined for the overall group, some of which are to be devised in 2009, we will make our performance drivers measurable and verifiable.

FUTURE LEGAL GROUP STRUCTURE

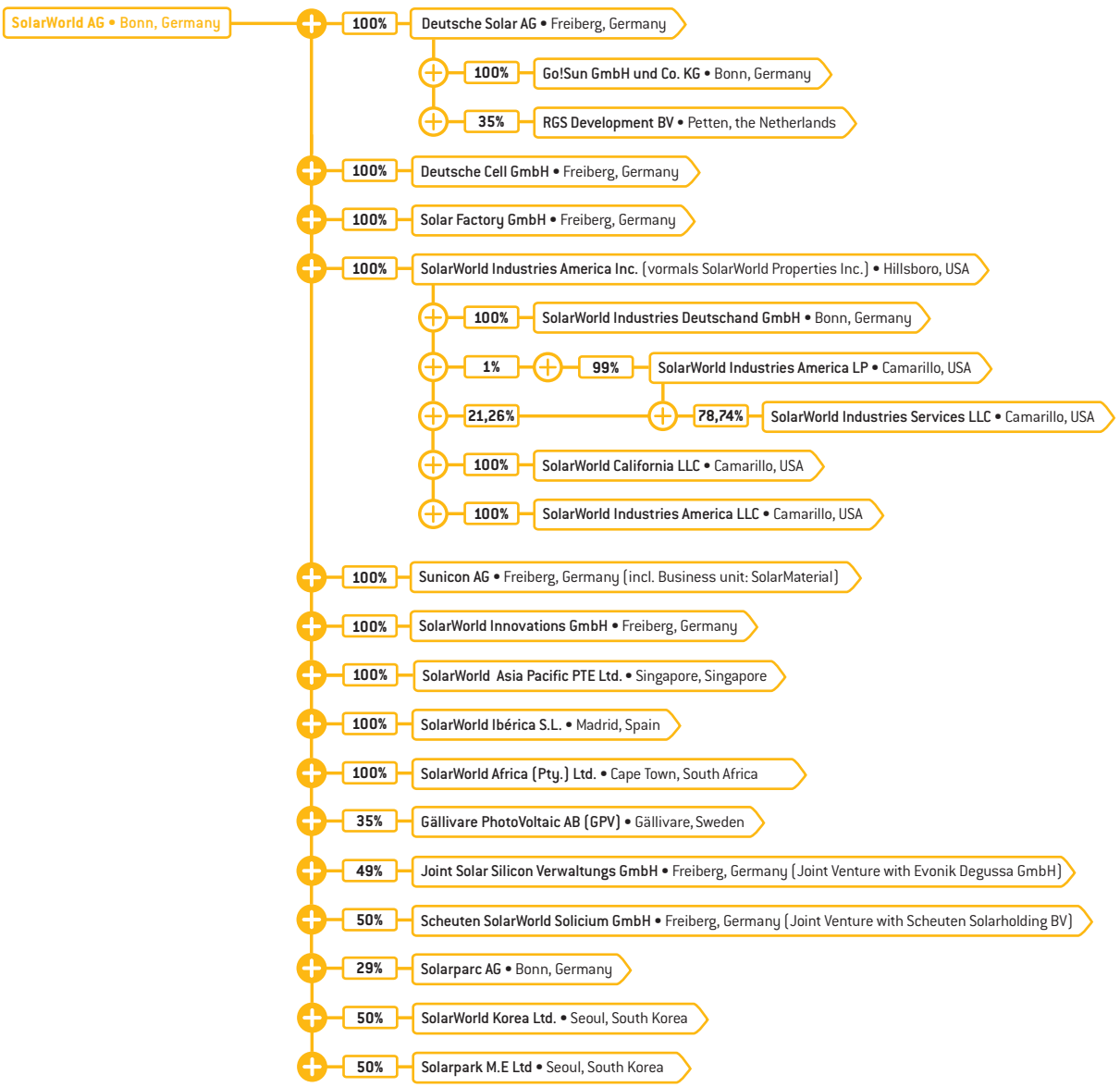
With effect from the turn of the year we modified the legal structure of our group: Our US companies were newly aligned in terms of corporate and tax law and also with regard to their fields of activity. With this measure we bundled SOLARWORLD INDUSTRIES AMERICA INC. (formerly: SOLARWORLD PROPERTIES INC.) as an operating parent company of the US business into a subgroup, creating one single tax unit in the USA at the same time. (40) *SolarWorld legal structure as at 1 January 2009 • p. 140 //*

As of 1 January 2009, we transferred the SolarMaterial division to SUNICON AG. With this transfer under company law, we will bundle all group-wide raw material activities into one company in future.

PLANNED GROUP-WIDE EXPANSION 2009+

PRODUCTION EXPANSION FROM WAFER THROUGH TO MODULE. The group will expand at all stages of the value chain. In the light of strong worldwide demand for wafers, our expansion plans focus in particular on wafer capacity, while the internal expansion of cell and module capacity in our group will probably be somewhat more moderate.

40 SOLARWORLD LEGAL STRUCTURE AS AT 1 JANUARY 2009



41 **GROUP-WIDE NOMINAL YEAR-END CAPACITY** // EXPANSION 2009+

in MW

Germany (Freiberg)	500 → *750*	160 → *200*	140 → *150*
USA (Hillsboro,Camarillo)	100 → *250*	100 → *250*	100 → *150*
South Korea			70 → *150*
Group	600 → *1,000*	260 → *450*	310 → *450*

We are planning to build a nominal wafer capacity of 750 MW at our production site in Freiberg, Germany, by the end of 2009 and expand it to one GW by the end of 2010. The additional capacity at the new production buildings in the Eastern Industry Park will be fully available in the following year. Seamless production workflows from raw material input to wafer output with corresponding volumes will probably boost our cost and materials efficiency further. In contrast, we will realize our capacity expansion in cell and module production by means of an optimization of logistics processes and technical workflows within our existing infrastructure.

While our US manufacturing produces mono-crystalline solar power products, we primarily process poly-crystalline wafers and cells in Freiberg.

We are planning to expand our wafer and cell capacity at Hillsboro, USA, to 250 MW respectively by the end of 2009. For further expansion stages we will benefit from the size of our site, where only one third of the land is covered with production buildings so far.

Our South Korean module production will reach full utilization as of 2009. Production is based on a modular approach so that a production capacity of up to 500 MW will be feasible at that site. Our further site expansion will be flexibly handled and geared to demand in Korea. In terms of procurement, the market is expected to ease substantially by 2010 due to corresponding capacity expansion by suppliers so that we will be able to secure additional growth in the short term.

GROWTH UNDERPINNED BY SILICON PRODUCTION AND RECYCLING. The nominal year-end capacity of our Joint Venture, JSSI, will be 850 tons of solar-grade silicon in 2009. *Strategic raw material activities • p. 081 //*

A second silicon-based technology for the processing of metallurgical silicon is in the development phase and will be further developed within the framework of the Joint Venture, SCHEUTEN SOLARWORLD SOLICIUM, in 2009. We will wait for further results before taking an investment decision for the group.

Of greater current strategic relevance is our recycling competence. As before, we will underpin our commodity position with recycling, which will account for around 20 per cent, alongside the proceeds from this service. SolarMaterial, which will be part of SUNICON AG as of 2009, is preparing vigorously to accompany the expansion of wafer capacity. A business plan for the 2010 expansion has been prepared. Moreover, our engineers are already implementing selective technical improvements in the workflows of our recycling systems and eliminating bottlenecks in the run-up to expansion. Our production unit in Vancouver, close to Hillsboro, USA, will focus on reprocessing activities for American sites in future.

Through the expansion of our recycling capacities and the resulting extension of our international customer relations, a diversity of opportunities is opened up for our group business: Thus, with consistent automation, a cost-cutting potential of some 30 per cent would be possible in the medium term, and of 50 per cent over the long term. The further growth of the overall market can also be expected to increase the proportion of secondary (i.e. recycled) silicon. Recycling will take on additional importance through the discussion about the duty of solar power manufacturers to practice waste disposal which recently also started in the USA. For companies such as SOLARWORLD AG who already do a lot of recycling, this is an important opportunity and a competitive advantage. *Economic performance opportunities • p. 151 //*

FUTURE SALES MARKETS 2009+

STRONG BRAND AND CUSTOMER TRUST AS A BASIS. Our group is positioned in the key solar core and growth markets. *World map //* Thanks to our solid market position, based on good, stable customer relationships and the value of the quality brand, SOLARWORLD, we expect global sales growth for SOLARWORLD in the module and kit business for 2009.

In Germany we also expect a growth in sales. In the USA we are planning to double our sales in 2009 due to positive market expectations, also driven by the expansion of our local production. The Spanish solar market was characterized by extraordinary market conditions, benefiting from above-average growth rates. *The solar power market • p. 074 //* With the introduction of the market cap in 2009, the market will decline considerably. This trend may also affect our sales in this market. Nevertheless we expect a consolidation of our market position thanks to our established position in the roof system business. In the young EU solar markets of Italy, France, Greece, and the Benelux countries, we expect growth for our business. In France and the Benelux countries, for instance, we can build upon a sound customer base that was created in 2008. In Italy we are benefiting from our strong positioning with systems integrators and specialized wholesalers.

In the light of their increasing energy requirements, the emerging economies and developing countries offer major sales potential. We will therefore strategically expand the off-grid solar business. It includes the development of logistics through regional production – as successfully demonstrated by the South Korean example – as well as investments in our distribution networks in Asia, Africa, Australia, and South America and in products specifically developed for rural electrification.

In the external wafer business, we will continue to serve international customers and expand our market position as a quality supplier with our SOLSIX® brand.

FUTURE PRODUCTS AND SERVICES

NEW PRODUCTS FOR OFF-GRID MARKETS. In 2009 we will launch new solar modules – our rural modules – on the market.

With their compact construction, these modules are ideally suited for solar home systems, i.e. stand-alone power supply solutions in rural off-grid regions. Their quality features match those of our on-grid standard modules. They include the processing of internally produced quality solar cells, the use of high-quality films, frames and glass geometries similar to those in standard modules as well as certification according to the global standards: IEC 61215 and IEC 61730 (planned to be listed with UL).

Crystalline solar power products with continually optimized price/performance ratios will continue to be our core business in the near future. We will successively include more advanced wafer, cell and module generations with higher efficiencies, better materials yield and corresponding cost efficiency.
Research and development • p. 116 //

The market launch of our solar tracking systems SUNTRAC®, which we developed ourselves to reach series production, is planned for 2009. These systems comprise a sensor-controlled solar tracking mechanism and thus enhance yields by around 35 per cent.

RESEARCH AND DEVELOPMENT 2009+
DEVELOPMENT OF NEW PROCESSES AND PRODUCTS

SECURING AND EXPANDING OUR COMPETITIVE EDGE. We intend to significantly boost our competitive edge in terms of innovation and cost containment from silicon all the way through to systems. In this regard, we are guided by our internal cost-cutting and efficiency enhancement targets. *Research and development • p. 116 //*

In order to achieve this goal, we launched development projects for 2009 with a view to achieving corresponding annual cost reductions along the entire value chain. Activities include projects to enhance efficiency and further increase production of thinner wafers and reduce kerf losses and wafer rupture. Additional development projects are aimed at increasing plant throughput by means of the production or larger blocks and reduced cycle times in crystallization as well as substituting for cost-intensive consumables.

With the commissioning of the wafer pilot plant in the spring of 2009 and the cell and module pilot plant at the end of 2009, we will be able to transfer fully tested automation solutions, process variants and also optimizations of consumables to production. We thus ensure high quality standards and efficient

workflows throughout our group in order to promote a 'corporate technology' and will thus leverage cost potentials in production. This creates a considerable competitive edge for our group as this type of core know-how cannot be purchased from institutes or suppliers.

New highly efficient technologies such as the wafer RGS procedure currently developed can be used as new production methods in the medium term. Silicon requirements could be cut by 50 per cent in industrial production. *Main research and development areas and new products in 2008 • p. 119 //*

FUTURE R&D EXPENDITURE. The spending on research and development in the period 2009+ is to develop in line with the growth of our production. Excluding the research and development activities of our Joint Ventures that have their own R&D functions, we are planning a stable and/or slightly elevated research rate (R&D expenditure/revenues x 100) versus the previous year. *Research and development expenses • p. 123 //*

FURTHER INCREASE IN RESEARCH AND DEVELOPMENT HEADCOUNT. In order to push technological development correspondingly ahead in our company, we will increase our headcount in research and development. According to our plan, our headcount in SOLARWORLD INNOVATIONS will rise by about 40 per cent (2008: 80 employees) in 2009.

FUTURE PROCUREMENT

The planned growth of our group in 2009 as against 2008 has been fully secured in the field of raw materials, e.g. by means of long-term delivery contracts unaffected by declining purchasing prices in the raw materials area. For consumables, secure supplies for 2009 have been contractually fixed.

We will further expand our internal raw materials position through JSSI and recycling operations and conclude additional raw material contracts to achieve further expansion steps in 2009 and 2010.

Since worldwide silicon capacities are expected to double by the end of 2009, silicon prices are also expected to drop as of 2009. *The future solar power market • p. 135 //*

HUMAN RESOURCES – FUTURE DEVELOPMENT

The principal goal of our human resources management will be qualitative and quantitative employment growth. We also aim to develop a corresponding organizational structure to support our planned expansion phases.

We are planning to create around 250 new positions at our production and research site in Freiberg as of 2009. At group level, we will create up to 450 additional permanent jobs in 2009.

We intend to employ almost 3,000 employees by the end of 2010, including physicists, chemists, electrical engineers, mechatronics and semi-conductor experts.

We also want to expand strategic core areas such as the securing of raw materials (SUNICON AG) as well as research and development (SOLARWORLD INNOVATIONS GMBH).

For 2009 we are planning to introduce talent management in order to identify top performers or employees with high potential for executive or technical careers. This approach is intended to help us prepare highly motivated, competent junior staff even better for leadership positions.

2009 will be an important year for the promotion of cooperation spanning different companies and sites. We will, for instance, further develop and anchor a group-wide uniform understanding of a SOLARWORLD leadership culture, based for example on additional group-wide executive training, and introduce an enlarged code of conduct.

In 2009 we will actively implement our »Employer Branding Strategy«. The focus of our campaigns to position SOLARWORLD as an employer of choice will initially be on Germany and the USA in 2009. Our goal is to continue winning the best in »Competing for the right talents«.

EXPECTED EARNINGS SITUATION

EXPECTED DEVELOPMENT OF SALES AND EARNINGS

We will continue to increase our production by 20 to 30 per cent on a cash flow basis at favourable terms and conditions in 2009. We will thus retain our growth pace. In parallel, we will invest in research and the further development of the SOLARWORLD brand. Here, too, our strong equity ratio and liquidity will provide us with a major competitive edge. Against the backdrop of the fall in prices required on the path to achieving grid parity and based on the assumption that the macroeconomic development will stabilise in the second half of 2009, we are planning to generate sales over previous year's level with 1 billion € as our next stage's goal.

Wafer volumes from long-term contracts can shift here towards processing for the manufacture of solar modules or kits. Our consolidated net income for the year will depend on the extent to which the decline in prices can and will have to be offset on the cost side.

EXPECTED DEVELOPMENT OF DIVIDENDS

SOLARWORLD AKTIENGESELLSCHAFT pursues a consistent dividend policy that is geared to the company's earnings. In the event of a positive development of earnings, our shareholders can expect continual dividend yields in subsequent fiscal years. For fiscal year 2008, the Executive Board will propose the distribution of a dividend to the Annual General Meeting in May 2009 for the ninth time in succession. The dividend proposed by the management is € 0.15. *The SolarWorld Stock • p. 090 //*

EXPECTED FINANCIAL SITUATION

PLANNED FINANCING MEASURES

In 2009 we are planning to benefit from the low interest rate phase and the good credit rating of SOLARWORLD AG by raising additional outside funds in the order of magnitude of a low three digit million € amount. Taking into consideration the current level of liquidity and the sustainable earnings power of SOLARWORLD we have sufficient funds from today's point of view to finance our short and medium term growth targets and to be able to maintain a strategic liquidity reserve at the same time.

PLANNED INVESTMENTS

From the present point of view we will continue the approved projects for the expansion of production capacities in 2009 as planned. The majority of the investment expenditure will therefore be accounted for by the sites of Freiberg, Germany, as well as Hillsboro, USA. In Freiberg we will promote the expansion of the local wafer production while in Hillsboro we will increase the production capacity of the local integrated cell and wafer manufacturing facility. By making further investments we plan to more than double the current capacity of the module production of our Joint Venture in South Korea by the end of 2009.

The establishment of our central Research and Technology Center at the Freiberg location should also be continued as scheduled in 2009.

For 2009 we are presently expecting a group-wide investment volume of around € 300 million.

ANTICIPATED DEVELOPMENT OF LIQUIDITY

As per 31 December 2008, the free liquidity (liquid funds and other financial assets) amounted to € 834.8 million (Dec 31, 2007: € 792.9m). Under the assumption of stable market development we are expecting to generate a positive operating cash flow which, based on this premise, we will then use to finance a major portion of our corporate growth.

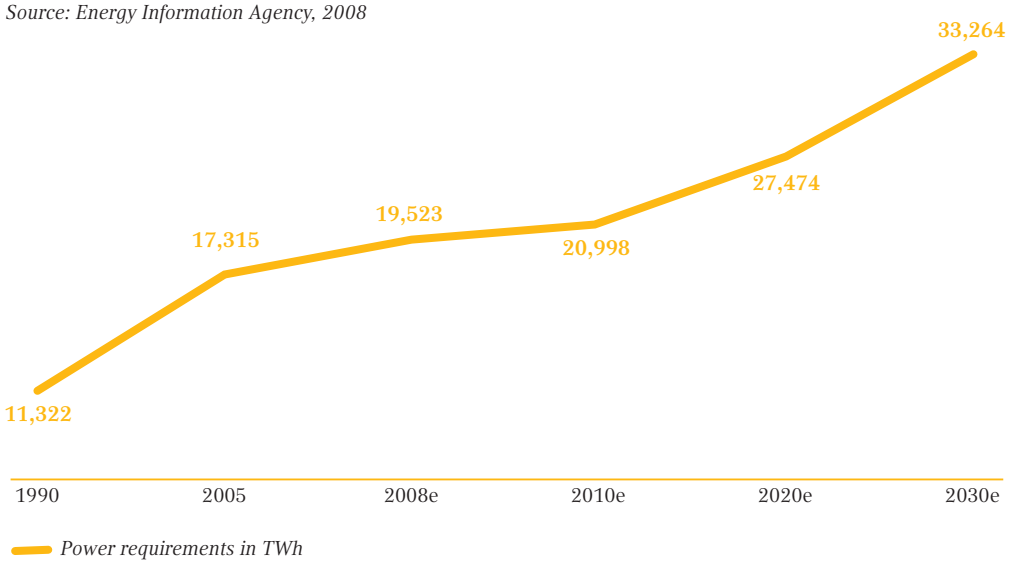
OPPORTUNITIES

OPPORTUNITIES FROM THE DEVELOPMENT OF THE GENERAL CONDITIONS

ENERGY DEMAND WILL RISE FURTHER. One of the key challenges of the 21st century will be global supplies of energy. In the reference scenario of its World Energy Outlook 2008, the International Energy Agency (IEA) assumes a rise of 45 per cent in the demand for energy by 2030. Demand for oil is expected to rise from currently 85 to 106 million barrels per day in the same period of time. Since fossil fuels are becoming increasingly scarce, a steady rise in fuel costs is to be expected. The IEA expects an average oil price of 100 US dollars per barrel during the period from 2008 to 2015, which will rise further to 120 US dollars per barrel by 2030.

This process is primarily triggered by the increase in demand for energy in developing countries and emerging economies, which are demanding their share in wealth and technical progress. A figure not to be underestimated is that around 32 per cent of the population in non-OECD countries, which is equivalent to around 1.6 billion people – currently have not yet got access to electricity. With an increase in electrification, the share of electricity in overall energy requirements will rise in the future.

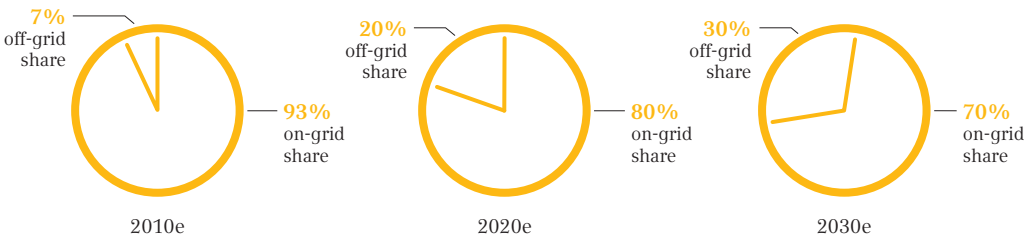
42 **DEVELOPMENT OF WORLDWIDE POWER REQUIREMENTS** // 1990 – 2030
Source: Energy Information Agency, 2008



This will create many opportunities for solar power technology as solar energy can be produced in a reliable, uncomplicated and decentralized manner. Solar power technology may be used to supply power even to off-grid areas in rural regions without having to first build a power grid with a significant input of

time and costs. EPIA therefore expects the market share of off-grid solar applications to rise significantly by 2030. Up to 3 billion people are to use this type of power supply by then. *World map* // For SOLARWORLD AG this development offers an opportunity because, to date, we have positioned ourselves in strategically important off-grid markets such as Asia (SOLARWORLD ASIA PACIFIC PTE.) and Africa (SOLARWORLD AFRICA LTD.) and successfully realized numerous off-grid projects. We have thus gained a competitive edge and consolidated our market position as a future-oriented solar power technology supplier in this market, which hitherto has been hardly tapped.

(43) **DEVELOPMENT OF THE SOLAR MARKET BY APPLICATION**
Source: EPIA/greenpeace, 2008

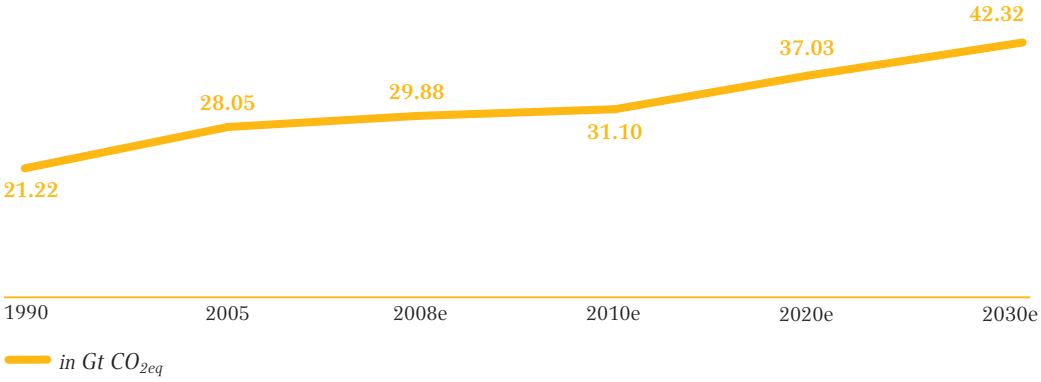


GRID PARITY NEAR. However, solar technology will make its major contribution to worldwide power supplies on-grid, i.e. via feed-in into power grids. Thanks to economies of scale and volume effects, technical progress, and declining costs of materials as a result of lower silicon prices, grid parity is expected to be achieved within one decade. When exactly it will be achieved will depend on a variety of specific country factors, e.g. solar radiation and the respective prices for household power. In California, Hawaii, and Italy, where both solar radiation and household electricity prices are very high, EPIA expects to achieve grid parity as early as in 2009/2010. Germany, France, and most EU countries will probably follow suit by 2015. In Italy, for example, where the average radiation of the sun amounts to some 1,400 kWh per square meter a year, grid parity would be reached at a module price of around 3 €/Wp (including installation). Because, due to the favorable radiation conditions, the costs of solar power generation would then amount to about 0.23 €/kWh and this would be on a par with the Italian electricity retail price. This development-oriented forecast will result in enormous potential for the solar industry since solar power will be a competitive competitor for all conventional energy sources upon the achievement of grid parity. The previous market shares of solar power in the various regional power markets are expected to grow strongly.

We presume that this development will particularly benefit the SOLARWORLD group and that we will be able to further expand our sales in a large number of markets. In this respect, we benefit in particular from our international sales structure that enables us to serve these markets if and as required. We are planning to achieve grid parity early on and thus benefit in particular from the expansion of market potentials. This will be based on our intensive research activities at all stages of the value chain and on strict control of cost and materials usage in all process steps to reduce the production costs for our solar modules. *Research and development • p. 116 //*

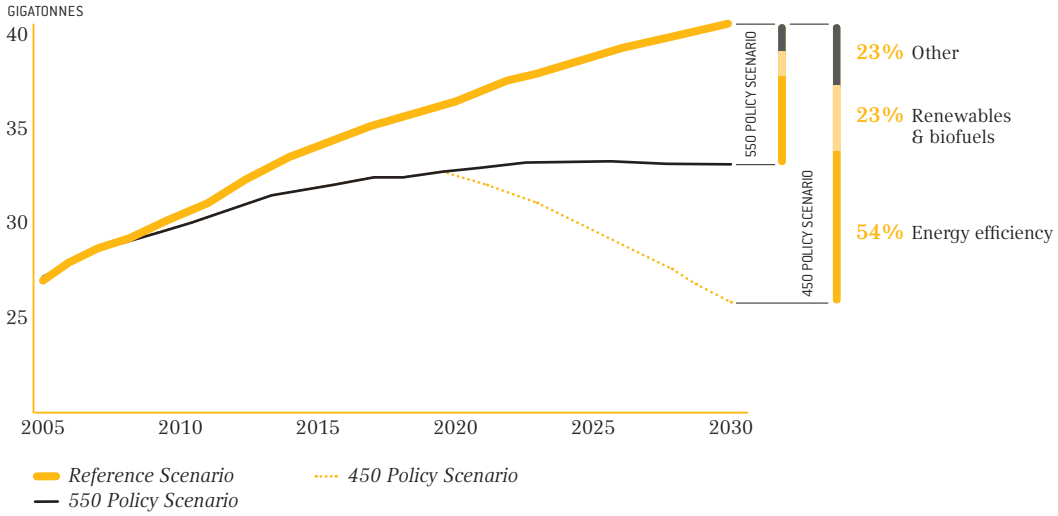
CLIMATE CHANGE CHALLENGE. Another key growth driver for the solar sector is the global concern about the increase in greenhouse gas emissions and the associated negative effects not just on the world climate but also on the world economy. According to the IEA, emissions would amount to 41 Gt CO_{2eq} by 2030 if current energy trends are continued. In accordance with calculations carried out by former World Bank economist Nicholas Stern, a dramatic development of this type will correspond to economic damage of at least five per cent of the Global Gross Domestic Product. In other words: the world cannot afford a fossil-based future of energy following the current pattern neither in ecological nor in economic terms.

(44) **FORECAST DEVELOPMENT OF GREENHOUSE GAS EMISSIONS BASED ON CURRENT TRENDS**
Source: Energy Information Agency, 2008



Against this backdrop, the IAS is calling for increasing usage of renewable energies alongside an increase in energy efficiency. According to a forecast by the IEA, renewable energies may account for up to 40 per cent (currently around 18 per cent) of worldwide total power generation in 2030, provided the governments would rapidly, persistently and emphatically promote their expansion. This would be the equivalent of up to 23 per cent reductions in the greenhouse gas emissions forecast in the reference scenario.

(45) SCENARIOS CONCERNING THE DEVELOPMENT OF GREENHOUSE GAS EMISSIONS BY 2030
Source: World Energy Outlook 2008, International Energy Agency



The expected rise in demand for low-carbon technologies for power generation such as solar energy will create opportunities for SOLARWORLD. Our group persistently works to reduce greenhouse gas emissions at all stages of our value chain. Our emissions are disclosed within the framework of the Carbon Disclosure Project. *The SolarWorld Stock • p. 090 //*

CORPORATE STRATEGY OPPORTUNITIES

SOLARWORLD derives corporate strategy opportunities from the further expansion of our established market position as a fully-integrated solar technology group. We attach particular importance to a secure and stable growth strategy in order to expand our international competitiveness in a sustainable manner. *Strategy and action • p. 050 //*

We have the necessary financial resources available to successfully expand production. Due to our solid liquidity basis we have safe access to the required financial resources and the capital market, even in difficult phases of the economy. We expand our capacity at all stages of the value chain in a coordinated and moderate manner and secured by our strong commodity basis with internal and external procurement parameters. Comprehensive research and development results and our long-standing customer and supplier relationships are excellent prerequisites for further expansion of our leading market position on the world market.

We expect to tap opportunities in future growth markets through the formation of new companies or the expansion of existing sites in the corresponding region. The Joint Venture SOLARWORLD KOREA LTD., formed in 2008, enables us to better serve the strongly growing Asian solar market. *Planned group-wide expansion 2009+ • p. 139 //*

We expect the expansion of our wafer and cell production at our Hillsboro site in the USA, opened in 2008, to create additional growth opportunities for the future: the US solar market is expected to grow strongly as of 2009 and offers us enormous potential as a local supplier. *Worldwide sites of the group • p. 053 //*

ECONOMIC PERFORMANCE OPPORTUNITIES

Market analysts expect silicon prices to fall as of 2009. *The future solar power market • p. 135 //* This will benefit the procurement market for the key raw material in our solar sector and thus create opportunities for SOLARWORLD.

Additional perspectives for the SOLARWORLD group relate to the implementation of process and product innovation. We are confident that we will be able to generate additional economic performance potential in the form of a crucial competitive edge from our recycling unit, SolarMaterial.

A topical survey by the US environmental protection organization, Silicon Valley Toxics Coalitions, deals with the question of production and disposal of solar power technology. The organization calls upon industry to take used modules back and recycle them. This far, solar manufacturers have not been obliged to do so, neither under the German Act on Electrical Equipment nor under the EU regulations (WEEE Directive: Waste Electrical and Electronic Equipment; RoHS Directive: Restriction of Hazardous Substances). Nevertheless, the European Union already expects the companies to install responsible waste management systems. In the USA, too, pressure is rising to transfer responsibility for the entire product lifecycle to the manufacturers.

SOLARWORLD has already taken its recycling responsibility seriously for several years. Our Freiberg business unit, SolarMaterial already has a vast array of finished recycling solutions for silicon available. This results in diverse possibilities for the SOLARWORLD group:

- All-round customer service via a module recycling system
- Avoidance of expensive, legally prescribed solutions by means of actively assuming manufacturer responsibility
- Strengthening of group-owned raw materials basis
- Image gains with positive proof as a sustainable solar power manufacturer.

The efficient design of our distribution channels also results in opportunities for SOLARWORLD. In logistics, for example, we can draw cost benefits from the expansion of our Joint Venture module production in South Korea. *Production • p. 083 //*

OVERALL STATEMENT BY THE EXECUTIVE BOARD ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

We continue to see a good market environment for long-term growth. The current financial crisis is clearly less of a burden to us than for companies in other industries and for competitors because we can rely not only on our substantial liquidity position but have also largely avoided becoming dependent on individual banks. As one of the leading providers of solar power technologies, we have positioned ourselves to be very competitive. Economies of scale and technological progress in manufacturing technology as well as an easing on the raw materials side will further consolidate our position. As a fully integrated company, we are particularly well equipped to withstand the competitive and price pressure. Following our strategy we will further expand our position in our core markets and open up new growth regions at an early point in time.

900.3 M€

REVENUES

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE BUSINESS YEAR 1 JANUARY 2008 TO 31 DECEMBER 2008

OPERATING CASH FLOW: IN M€	**320.5**
EBIT: IN M€	**260.8**
CONSOLIDATED NET INCOME: IN M€	**148.7**
EARNINGS PER SHARE: IN €	**1.33**

CONSOLIDATED INCOME STATEMENT // IN K€

	Notes	2008	2007
1. Revenue incl. discontinued operations		900,311	698,818
2. Revenue from discontinued operations	34	0	-9,230
3. Revenue from continued operations	22, 23	900,311	689,588
4. Changes in inventories of finished goods and work in progress	22	15,160	-17,670
5. Own work capitalized	24	7,740	542
6. Other operating income	25, 33	36,841	57,253
7. Cost of materials	22, 26	-454,060	-333,654
8. Personnel expenses	22, 27	-90,130	-75,004
9. Amortization and depreciation	28	-55,166	-42,054
10. Other operating expenses	22, 29, 33	-99,883	-80,129
11 . Operating result from continued operations		260,813	198,872
12. Income from investments measured at equity	31	-8,612	-1,830
13. Interest and similar income	22, 31	41,438	20,581
14. Interest and similar expenses	22, 31	-49,046	-38,449
15. Other financial result	6, 22, 31	-55,924	-3,264
16. Financial result		-72,144	-22,962
17. Income from continued operations before taxes on income		188,669	175,910
18. Taxes on income	32	-53,422	-65,027
19. Income from continued operations		135,247	110,883
20. Income after taxes from discontinued operations	34	13,432	2,373
21. Consolidated net income		148,679	113,256
22. Earnings per share	35		
a) Weighted average number of shares outstanding (in 1,000)		111,720	111,720
b) Income from continued operations (in €)		1.21	0.99
c) Income from discontinued operations (in €)		0.12	0.02
d) Consolidated net income (in €)		1.33	1.01

BALANCE SHEET PER DECEMBER 31, 2008 // IN K€

Assets	Notes	Dec 31, 2008	Dec 31, 2007
A • Noncurrent assets		666,884	422,725
I. Intangible assets	7, 37, 38	33,861	32,675
II. Property, plant and equipment	8, 37, 39	575,406	349,602
III. Investments measured at equity	9, 40	30,544	21,630
IV. Deferred tax assets	32, 41	27,073	18,818
B • Current assets		1,453,166	1,270,011
I. Inventories	10, 42	523,766	350,053
II. Trade receivables	11, 43, 58	71,219	112,922
III. Current income tax assets	44	914	9,180
IV. Other receivables and assets	6, 12, 45	21,164	4,999
V. Other financial assets	13, 17, 46, 58	404,414	528,995
VI. Liquid funds	14, 47, 58, 59	431,689	263,862
C • Assets held for sale	15, 48	572	11,730
		2,120,622	1,704,466
Equity and liabilities			
A • Equity	49	841,075	691,546
I. Subscribed capital		111,720	111,720
II. Capital reserve		296,489	296,489
III. Other reserves		6,311	-10,180
IV. Accumulated profits		426,555	293,517
B • Noncurrent liabilities		1,093,559	899,266
I. Noncurrent financial liabilities	16, 17, 50, 58	675,406	620,722
II. Accrued investment grants	18, 51	78,842	54,925
III. Noncurrent provisions	19, 20, 52	23,242	20,195
IV. Other noncurrent liabilities	21, 53	292.485	188,405
V. Deferred tax liabilities	32, 54	23,584	15,019
C • Current liabilities		185,988	110,384
I. Current financial liabilities	16, 17, 50, 58	24,137	20,443
II. Trade payables	58	70,413	32,306
III. Income tax liabilities	55	20,219	15,171
IV. Current provisions	20, 52	5,716	2,679
V. Other current liabilities	6, 21, 53	65,503	39,785
D • Liabilities of assets held for sale	15, 48	0	3,270
		2,120,622	1,704,466

CHANGES IN EQUITY STATEMENT // IN K€

			Other reserves			
Notes 4, 49	**Subscribed capital**	**Capital reserve**	**Exchange reserve**	**IAS 39 reserve**	**Accumulated profits**	**Gesamt**
As per Dec 31, 2006	55,860	352,349	-1,929	-392	191,433	597,321
Capital increase	55,860	-55,860				0
Differences from currency translations			-11,553			-11,553
Consolidated net income					113,256	113,256
Dividend distribution					-11,172	-11,172
Hedge reserve changes				3,694		3,694
As per Dec 31, 2007	111,720	296,489	-13,482	3,302	293,517	691,546
Differences from currency translations			10,359			10,359
Consolidated net income					148,679	148,679
Dividend distribution					-15,641	-15,641
Changes in available-for-sale reserve due to fair value measurement				286		286
Hedge reserve changes				5,846		5,846
As per Dec 31, 2008	111,720	296,489	-3,123	9,434	426,555	841,075

CASH FLOW STATEMENT 2008 // IN K€

	Note 59	2008	2007
	Income before tax	202,355	179,216
+	Amortization and depreciation	55,166	42,807
-/+	Financial result	72,144	22,962
+/-	Loss/profit from disposal of assets	322	-1,036
-	Profit from the sale of consolidated companies	-13,686	0
-	Reversal of accrued investment grants	-10,210	-8,170
=	Cash flow from operating result	306,091	235,779
-	Increase of prepayments and customer advances (balance)	-10,790	-28,026
-/+	Increase/decrease of inventories (devoid of prepayments)	-42,459	19,707
+	Decrease of securities (categorized as trading)	17,041	82,507
-/+	Increase/decrease other net assets	59,097	-9,111
=	Cash flow from operating result and changes in net assets	328,980	300,856
+	Interest received	31,623	12,421
-	Taxes on income paid	-40,140	-69,251
=	Cash flow from operating activities	320,463	244,026
-	Cash outflow for asset investments	-269,515	-117,755
+	Cash inflow from investment grants	29,042	6,453
+	Cash inflow from the disposal of assets	8,602	3,957
+/-	Cash inflow/outflow from financial investments	53,627	-517,404
+	Cash inflow from the disposal/acquisition of consolidated companies	12,996	2,465
=	Cash flow from investment activities	-165,248	-622,284
+	Cash inflow from borrowings	78,711	559,628
-	Cash outflow for redemption of borrowings	-28,228	-71,859
-	Interest paid	-33,008	-25,330
-	Cash outflow due to distributions	-15,641	-11,172
=	Cash flow from financing activities	1,834	451,267
+/-	Net changes in cash and cash equivalents	157,049	73,009
+/-	Exchange rate effects on cash and cash equivalents	725	-1,682
+	Cash and cash equivalents at the beginning of the period	265,580	194,253
=	Cash and cash equivalents at the end of the period	423,354	265,580

NOTES

GENERAL INFORMATION

1. BASIC PRINCIPLES, ACCOUNTING POLICIES

In accordance with § 315a para. 1 HGB, SOLARWORLD AG prepared its consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS) as applicable in the European Union and in consideration of the commercial law regulations further stated in § 315a para. 1 HGB. All mandatory applicable standards and interpretations were taken into account. IFRS not yet compulsory were not applied.

The consolidated financial statements were prepared in k€.

The income statement was prepared in accordance with the nature of expense method. The balance sheet classifications follow maturity.

With regard to other accounting policies applied, we refer to the illustration of the accounting principles below.

Initial mandatory application of standards and interpretations in 2008

The following standards and interpretations or essential changes were to be initially applied in 2008:
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

SOLARWORLD AG did not issue any instruments that fall into the scope of application of IFRIC 11.

IFRIC 14 provides general guidance on how to assess the maximum amount of the surplus from a defined benefit plan that can be recognized as an asset in accordance with IAS 19 "Employee Benefits". The application of this interpretation did not have any effects on the Group's financial position, financial performance and cash flows as compared to the prior year.

Not yet mandatory application of standards and interpretations

SOLARWORLD AG did not apply any standards that are not yet mandatory. In accordance with today's knowledge, we expect the potential effects of the following standards and interpretations applicable as of January 1, 2009 to be marginal:
- IAS 1 "Presentation of Financial Statements (revised)"
- IFRS 2 "Share-based Payment"
- IFRS 8 "Operating Segments"
- IAS 23 "Borrowing Costs (revised)"
- IFRIC 13 "Customer Loyalty Programs"

IAS 1 "Presentation of Financial Statements (revised)" requires separate presentation of other changes in equity and changes in equity resulting from transactions with equity holders in their capacity as equity contributors. In addition, the standard introduces a presentation of the total profit or loss for the period in which all recognized profit or loss components are either presented in a single statement or in two interconnected statements. In this respect, the Group has not yet made a final decision.

IFRS 2 "Share-based Payment" will probably not have any effects on the Group's financial position, financial performance and cash flows as facts and circumstances that would require the application of this new regulation are not foreseeable.

As per January 1, 2009, IFRS 8 replaces IAS 14 "Segment Reporting". In accordance with the preliminary evaluations of the Group, the business segments identified pursuant to IFRS 8 basically correspond with those identified pursuant to IAS 14.

The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Until now, SOLARWORLD AG recognized borrowing costs with effect on income in the period in which they were incurred. At present, the effects on the financial position, financial performance and cash flows in 2009 are under examination.

For lack of customer loyalty programs, IFRIC 13 does not apply to SOLARWORLD AG.

The following accounting standards were passed in or before 2008 but were not yet adopted into European law by the EU as per December 31, 2008:

- IFRS improvements (2007)
- IFRS 1 "First-time Adoption of International Financial Reporting Standards (revised)"
- IFRS 3 "Business Combinations (revised)"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- Modification of IFRS 1 and IAS 27 "Costs of Investments in a Subsidiary, Jointly Controlled Entities or Associates"
- Modification of IAS 27 "Consolidated and Separate Financial Statements"
- Modification of IAS 32 and IAS 1 "Puttable Financial Instruments and Liabilities in Connection with Liquidation"
- Modification of IAS 39 "Financial Instruments – Recognition and Measurement: Qualifying Hedged Items" and IAS 39 "Reclassification of Financial Assets: Effective Date and Transitional Provisions"

The following content of the general standard regarding the improvements of IFRS may become relevant for SOLARWORLD AG:

- IAS 1 "Presentation of Financial Statements": In correspondence with IAS 39 "Financial Instruments: Recognition and Measurement", assets and liabilities held for trading are not automatically classified as current on the balance sheet. This does not have any effects on the consolidated financial statements.
- IAS 16 "Property, Plant and Equipment": The term "net selling price" is replaced by "fair value less cost to sell". No effects on the Group's financial position, financial performance and cash flows arise therefrom.
- IAS 28 "Investments in Associates": For the purpose of conducting an impairment test, an investment in the associate constitutes a separate asset. Thus, impairments are no longer separately allocated to the goodwill included in the recognition of the investment in the associate. This modification may have an effect on the Group.
- IAS 36 "Impairment of Assets": Additional disclosures regarding the discount rate are necessary if the fair value less cost to sell is determined on the basis of a discounted cash flow method. The disclosures correspond with those mandatory disclosures required if a discounted cash flow method is used for determining the "value in use". The Group will make the necessary disclosures.
- IAS 10 "Events after the Balance Sheet Date": The standard clarifies that dividends declared after the balance sheet date do not constitute liabilities. This does not have significant effects on the consolidated financial statements.
- IAS 39 "Financial Instruments: Recognition and Measurement": After initial recognition, derivatives may be designated "recognized at fair value through profit or loss" or removed from this category due to a change in surrounding conditions as this does not constitute a reclassification in terms of IAS 39.50. In IAS 39.73, the reference to a "segment" with regard to the statement of whether an instrument meets the criteria of a hedging item was deleted. The use of a recalculated effective interest rate is required if a financial asset is reclassified in accordance with IAS 39.50B, 50C or 50E and the company subsequently increases its estimations regarding the future cash inflows. The modifications of IAS 39 "Reclassification of Financial Assets: Effective Date and Transitional Provisions" merely include clarifications. The facts and circumstances do not have significant effect on the consolidated financial statements.

The modifications of IFRS 1 are no longer applicable to SOLARWORLD AG. IFRIC 12, 15, 16 and 17 will neither be applicable.

The revised IFRS 3 and IAS 27 are to be applied for the first time for periods beginning on or after July 1, 2009. IFRS 3 introduces changes of balance sheet recognition of business combinations that will have effect on the recognized amount of goodwill, the results of the period in which the acquisition was carried out and on future results. IAS 27 dictates that a change in the amount of interest in a subsidiary (without the loss of control) shall be recognized as an equity transaction. Thus, such a transaction will neither result in goodwill nor profit or loss. In addition, regulations regarding the allocation of losses to the parent and interests without controlling influence and the accounting principles regarding transactions that result in the loss of control are changed. The modifications in accordance with IFRS 3 and IAS 27 will have effect on future business transactions.

The modifications of IAS 32 and IAS 1 with respect to the puttable financial instruments will not have any effect on the financial position, financial performance and cash flows of the Group as SOLARWORLD AG did not issue any such instruments.

The modifications of IAS 39 regarding qualifying hedged items are applicable for the first time for periods beginning on or after 1 July 2009. The modification substantiates in what way the principles regarding the presentation of the hedging relationship included in IAS 39 are to be applied to the designation of a one-sided risk in the scope of hedged items as well as on the designation of inflation

risks as hedged items. In addition, it will be admissible to designate only part of the changes of the fair value or cash flow fluctuations of a financial instrument as hedged item. The effects on the consolidated financial statements depend on the extent to which the Group will conduct hedging in the future, thereby using hedge accounting.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS AND LEGAL GROUP STRUCTURE

The consolidated financial statements include SOLARWORLD AG and all domestic and foreign entities of which SOLARWORLD AG directly or indirectly owns the majority of the voting power of the company or can otherwise control the company's activities. These companies are included in the consolidated financial statements as per the time SOLARWORLD AG is able to exert control. Joint ventures are capitalized using the equity method.

As of December 31, 2008, the following companies are part of the SOLARWORLD Group in the structure presented below:
(46) *Legal group structure 2008 • p. 163 //*

DEUTSCHE SOLAR AG, DEUTSCHE CELL GMBH, SOLAR FACTORY GMBH, SUNICON AG and SOLARWORLD INNOVATIONS GMBH make use of the disclosure and preparation facilitiations of § 264 para. 3 HGB.

3. CONSOLIDATION PRINCIPLES

The financial statements of domestic and foreign companies included in the consolidation are reconciled to a uniform accounting policy for the purpose of preparing the consolidated financial statements.

For capital consolidation, cost of the participating interest is set off against the equity attributable to it – assessed at fair value – at the time of acquisition.

Any resulting positive difference is allotted to the assets to the extent to which their carrying amount differs from fair value. Any remaining positive difference is considered goodwill.

Any arising negative difference is recognized in profit or loss.

Balances, expenses and revenue resulting from intercompany transactions as well as intercompany profits are eliminated.

4. CURRENCY TRANSLATION

Financial statements of the consolidated companies that are presented in foreign currencies are translated into Euro (€) in accordance with the concept of functional currency as set forth by IAS 21. The functional currency of foreign companies is determined by the primary economic environment in which the company principally generates and uses means of payment. Within SOLARWORLD AG, functional currency basically equals the domestic currency with the exemption of SOLARWORLD ASIA PACIFIC PTE LTD. whose functional currency is the US dollar. For the purpose of translating the foreign companies' financial statements into the reporting currency of the group, assets and liabilities are translated per closing rate while expenses and revenue are translated by means of the average annual rate.

Due to the application of the closing date method, differences resulting from the translation are transferred to an exchange reserve, thereby not affecting profit or loss.

The following exchange rates were decisive for currency translation:

		Closing rate		Average rate	
1 € (EUR) =		2008	2007	2008	2007
USA	USD	1.39	1.47	1.47	1.38
Sweden	SEK	9.44	9.44	9.26	9.26
South Africa	ZAR	13.07	10.03	12.09	9.68
Korea	KRW	1,839.00	-	1,788.65[1)]	-

1) Average rate Oct. -Dec. 2008

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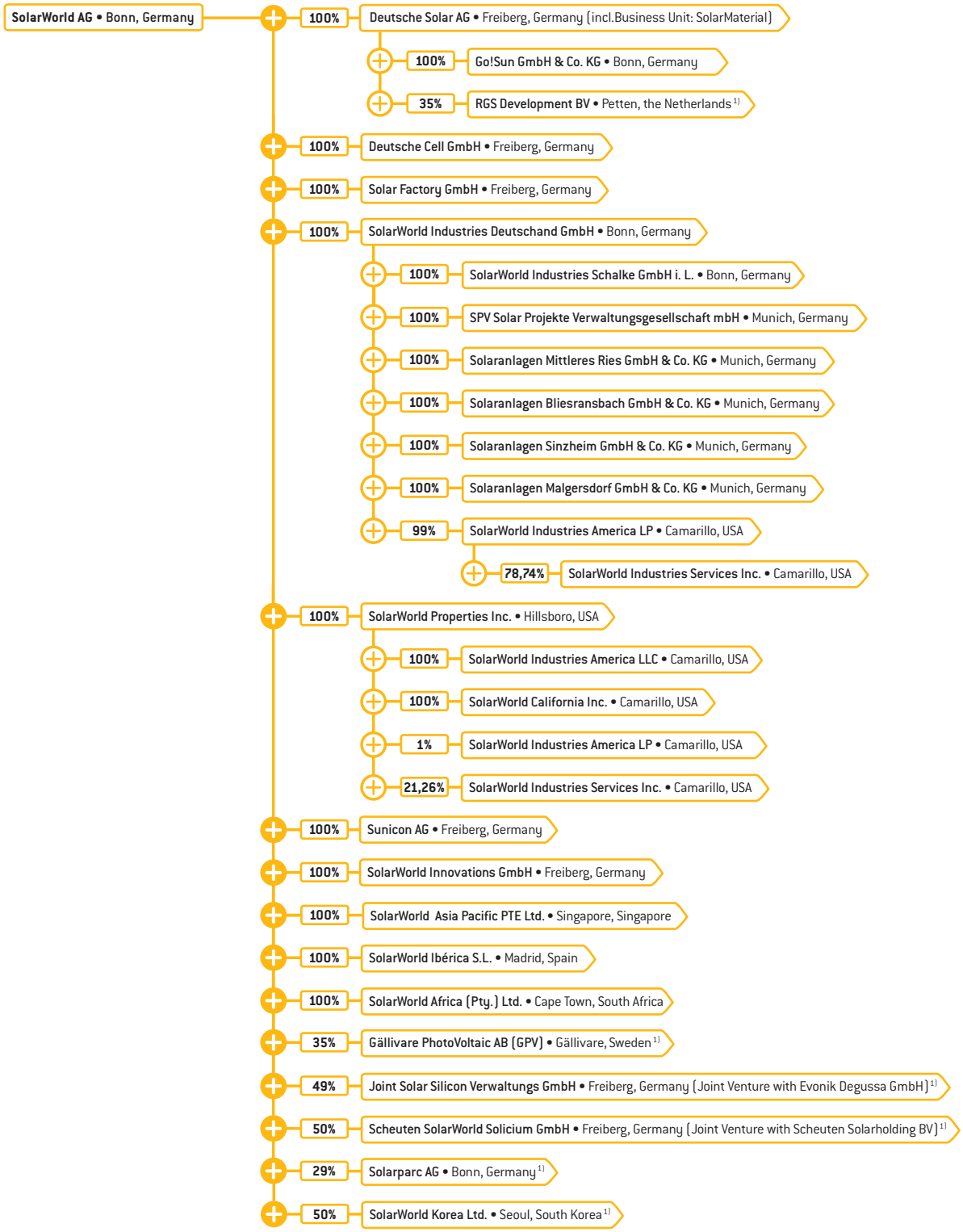


1) Consolidated at equity

5. SUBSTANTIAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS OF MANAGEMENT

In the scope of preparing the consolidated financial statements in consideration of IFRS, some items require that judgements, estimations and assumptions are made which affect recognition and measurement of assets and liabilities on the balance sheet or the amount and presentation of revenue and expenses on the group's income statement as well as the statement of contingent assets and liabilities. The uncertainty of these assumptions and estimations might make for results leading to significant adjustments of the carrying amount of the respective assets or liabilities in future periods.

The following substantial judgements were made when applying the Group's accounting principles in 2008:

In 2008, SOLARWORLD Group concluded supply and purchase agreements that are – from an economic point of view – to be considered toll manufacturing and were therefore accounted for accordingly.

Customer advances and prepayments particularly include those in connection with long-term sale contracts regarding silicon wafers and long-term purchase agreements regarding elemental silicon. According to the agreements concluded, these advances and prepayments are non-interest-bearing. Due to the fact that from an economic standpoint these agreements contain a financing component, an implicit or matched maturity interest rate is compounded.

The most significant assumptions and estimations concern the evaluation of the potential need for a goodwill impairment, the usability of deferred tax assets, the uniform group specifications regarding the economic useful lives of property, plant and equipment, the measurement of financial instruments as well as the recognition and measurement of provisions. These assumptions and estimations are based on premises that are, in turn, based on the respective state of knowledge currently available.

Assumptions regarding expected business development particularly include as a basis the circumstances in existence at the time of preparation of the consolidated financial statements and the future development of the global and sector-specific environment as is deemed realistic at the time.

The Group's impairment tests regarding goodwill are based on calculations using the discounted cash flow method. The cash flows are derived from the finance plan of the next five years whereas restructuring measures the Group has not yet pledged to undertake as well as future expansion investments that are not yet being implemented and will increase the earning power of the tested cash generating unit are not included. The recoverable amount greatly depends on the discount rate used in the scope of the discounted cash flow method as well as on the expected future cash inflows and the growth rate used for extrapolation. Details on the basic assumptions for determining the recoverable amount for the cash-generating unit are described in item 7 below.

Deferred tax assets are recognized for any unused tax loss carryforward to the extent to that it is probable that taxable income will be available in order to actually utilize the loss carryforward. When determining the amount of deferred tax assets suitable for capitalization, substantial management assumptions and estimations are necessary with respect to the expected time of occurrence and the amount of the future taxable income as well as future tax planning strategies. Further details can be found in item 32.

To the extent to that the fair value of financial assets and liabilities recognized on the balance sheet cannot be determined by way of active market data, it is determined in application of measurement procedures including the discounted cash flow method. If possible, the factors included in the model are based on observable market data. Should this be impossible, determination of the fair values is – to some extent – a decision based on judgement. Judgements concern parameters like liquidity risk, credit risk and volatility. Any change in the assumption of these factors could have an effect on the recognized fair value of the financial instruments. For further details, we refer to item 46.

Expenses from post-employment defined benefit plans and the present value of pension obligations are determined on the basis of actuarial computations. The actuarial measurement is carried out on the basis of assumptions regarding discount rates, future increases in wages and salaries, mortality and future increase in pensions. All assumptions are subject to evaluation at each balance sheet date. When determining the appropriate discount rate, management keeps to the interest rates of corporate bonds with AAA or AA ratings. The mortality rate is based on publicly accessible mortality tables. Future increases in wages, salaries and pensions are based on expected future inflation rates. Further details regarding the applied assumptions can be found in item 52.

With respect to the exact specification of assumptions made in connection with the determination of further provisions, we refer to the respective disclosures in items 20 and 52.

ACCOUNTING POLICIES

6. CHANGES IN DISCLOSURE

The consolidated income statement shows an additional separate item "other financial result" within the scope of the financial result. This additional item contains the net result from financial assets designated as at fair value through profit or loss as well as those classified as held for trading. In the prior year, this result was included in the item interest and similar income.

On the balance sheet, the deferred items that were individually shown on the prior year's balance sheet are now included in "IV. Other receivables and assets" and "V. Other current liabilities".

7. INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost and – with the exception of goodwill – are subject to regular straightline amortization, their useful lives ranging between 4 and 15 years. Expenses on research incurred upon generation of intangible assets are immediately recognized as an expense. The same applies as regards development expenses because research and development are iteratively linked and reliable severability therefore does not exist. Sustained impairments are taken into account by extraordinary amortization.

Goodwill – including that from capital consolidation – is subjected to an annual impairment test in accordance with IFRS 3 and IAS 36 and 38. As in prior years, the impairment test per December 31, 2008 again showed that goodwill recognized is not impaired.

For the purpose of the impairment tests, the goodwill's carrying amounts were assigned to the respective cash generating unit (CGU) "wafer-production".

Prior to and, for lack of devaluation, also after the impairment test, the carrying amount of the goodwill assigned to the CGU "wafer production" amounted or amounts to k€ 29,587 (prior year: k€ 29,587).

Recoverable amounts were assessed as fair value less cost to sell. Determination was carried out via discounted cash flow procedures. Cash flow forecasts based on the most up-to-date planning approved by management were used for determining the recoverable amount. The forecasts, in turn, were based on the basic assumptions stated below. Basic assumptions are those that, if subjected to change, make for the highest level of sensitivity as regards the recoverable amount of the CGU.

With regard to the CGU "wafer production", the forecasts are based on the following basic assumptions:

- Prices for raw materials (silicon) decreasing in the short and medium term; basis of this assumption are the long-term contracts concluded with silicon manufacturers.
- Increase of sales volume to at least 1,000 MW in 2011; basis of this assumption is the current expansion of capacities at the German and US locations as well as the market expectations and supply contracts already in existence.
- Annual decrease of the sales' market prices in a high one-digit percentage range; basis of this assumption are relevant third party market surveys.

Cash flow forecasts for the CGU "wafer production" were derived from the company's detailed budgeting for a five-year period. For the period beyond that, an extrapolation was performed on the basis of the last detailed forecast year. In doing so, a growth rate of 2.5% (prior year: 3%) was assumed in accordance with growth expectations for SOLARWORLD AG from long-term external surveys.

For determining the recoverable amount, the future cash flows of the CGU "wafer production" were discounted using a risk adequate discounting rate after taxes of some 9.4 % (prior year: 9.3%). External analysts of SOLARWORLD AG corroborate this interest rate.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less regular physical depreciation. Cost comprises all individual expenses directly attributable to the manufacturing process as well as appropriate proportions of the necessary cost of materials and manufacturing overhead. In addition, cost includes depreciation caused by manufacturing and the manufacturing-related pro-rata costs for company retirement benefit plans as well as the voluntary social benefits of the company. Administration costs are considered to the extent to which they can be attributed to manufacturing. Cost also includes – in addition to the purchase price after reduction of discounts, rebates and cash discounts – all directly attributable costs incurred to bring the asset to a location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing expenses are not capitalized.

With regard to own work capitalized in this connection, we refer to item 24.

Useful lives between 15 and 45 years are used as a basis for buildings while buildings and fixtures on leasehold land are depreciated in accordance with the terms of the respective lease agreements or a lesser useful life. Technical equipment and machinery is predominantly assessed with useful lives of up to 10 years. Factory and office equipment is depreciated over a period of 3 to 5 years if subjected to a common level of wear and tear.

Leased property, plant and equipment subject to economic ownership, i.e. cases in which the lessee basically carries all risks and rewards connected with the leased object, are, in accordance with IAS 17, recognized at market value to the extent to which the present value of the lease payments does not turn out to be lower. Depreciation expenses and useful lives equal those of comparable acquired assets.

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to extraordinary depreciation per balance sheet date if impairment is indicated and if the then performed impairment test shows that the recoverable amount of the asset fell below the carrying amount. Irrespective of such indications, an impairment test is performed annually as regards assets assigned to a goodwill-bearing CGU. Insofar, we refer to item 7 above. No indications for impairment of the other essential assets arose in the course of the business year.

9. INVESTMENTS MEASURED AT EQUITY

Investments in other companies accounted for using the equity method are recognized on the balance sheet at cost in consideration of changes that occurred after the acquisition date regarding the Group's participation in the investee's equity, of the hidden reserves and burdens recognized at acquisition as well as of the unrealized proportionate intercompany results from transactions to the investee. The goodwill connected with the investment is included in the carrying amount of the investment and is subject to neither regular amortization nor separate impairment tests.

The consolidated income statement contains the Group's share in the profit or loss of the investee, the effects of the development of the disclosed hidden reserves and burdens included. This concerns profit allocable to the investor and, thus, profit after tax and minority interests in the investee's subsidiaries. The Group recognizes any changes recognized directly in the investee's equity to the extent of its share and, if applicable, shows this in the scope of the change in equity statement. Unrealized intercompany results from transactions of the investee to the Group are eliminated in accordance with the latter's share in the investee.

The financial statements of the associate companies are prepared as per the same balance sheet date as those of the parent. To the extent to which it is necessary, adjustments are made to conform the associates' accounting policies to those of the investor.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investment. As per each balance sheet date, the Group determines whether there is any evidence indicating that the share in an associate could be impaired. If this is the case, the difference between the recoverable amount of the share in the associate and the carrying amount of the share is recognized in profit or loss.

10. INVENTORIES

Inventories include raw materials and supplies, work in process and finished goods, merchandise and prepayments for inventories. Purchased inventories are recognized at acquisition cost that, depending on the type of inventory, is determined either on the basis of average costs or in accordance with the first-in-first-out (FiFo) method. Inventories of the Group's own making are recognized at production cost. In addition to the individual costs, cost includes adequate proportions of the necessary cost of materials and manufacturing overhead based on regular capacity utilization of the production facilities. Cost also includes depreciation caused by manufacturing which can be directly allocated to the manufacturing process and, to the extent to that they are manufacturing-related, pro-rata

expenses for company retirement benefit plans and voluntary social benefits. Administration costs are taken into account to the extent to that they concern manufacturing. Borrowing costs are not taken into account.

Measurement per balance sheet date occurs at the respective lower amount of cost on the one hand side and net realizable value on the other. The latter is the estimated sales proceed of the final good realizable in the normal course of business less estimated costs until completion of the good as well as estimated necessary distribution costs.

Finished goods and merchandise are disclosed as one line item on the balance sheet due to the prevailing manufacturing circumstances in both company and industry.

Some of the prepayments recognized in inventories were paid in US dollar. Measurement was carried out at historic rate as per payment date because the prepayments are no monetary items in accordance with IAS 21.16. Though these prepayments are stipulated to be non-interest bearing, the circumstances, however, imply that the respective agreements contain a financing component, and therefore an implicit or matched maturity interest rate is compounded.

11. TRADE RECEIVABLES

Trade receivables are accounted for at nominal value. Should doubts exist with regard to the collectability of the debt, the receivables are recognized at lower realizable value. In part, allowances are made using a contra account. Receivables stated in foreign currencies are accounted for at an average rate of bid rate and asked price per balance sheet date. The decision whether an allowance is made via contra account or by directly reducing the carrying amount depends on the probability of the expected loss.

Receivables from construction contracts were accounted for in accordance with the percentage-of-completion-method as set forth by IAS 11.

We refer to our statements in item 22 (revenue and expense recognition).

12. OTHER RECEIVABLES AND ASSETS

As a basic principle, other receivables and assets are accounted for at nominal value. Identifiable individual risks and general credit risks are taken into consideration by making corresponding value adjustments.

13. OTHER FINANCIAL ASSETS

Other financial assets mainly include securities. These are categorized either as financial assets “measured at fair value through profit or loss”, “held-to-maturity investments”, “financial assets available for sale” or “loans and receivables”. Upon initial recognition, they are measured at fair value plus transaction costs. This does not, however, apply to financial assets categorized as “measured at fair value through profit or loss” as these are initially recognized at fair value devoid of transaction costs.

As per balance sheet date, no securities categorized as “held-to-maturity investments” exist.

Securities are “measured at fair value through profit or loss” if they are either designated as such or “held for trading”.

Securities are categorized as “held for trading” if they were acquired with the intention to sell them in the short term.

They are designated as “at fair value through profit or loss” if they are part of a portfolio that is evaluated and managed on the basis of fair values. Acquisition and sale of securities take place with regard to revenue-optimized liquidity management and are, for the most part, centrally managed by SOLARWORLD AG.

Financial assets “at fair value through profit or loss” are recognized at fair value. Each profit or loss resulting from measurement is recognized with effect on income. The recognized net gain or loss also includes possible dividends and interest of the financial asset.

Securities categorized as “financial assets available for sale” are recognized at fair value. Any profit or loss resulting from the measurement is recognized in the scope of the IAS 39 reserve, thereby not affecting profit or loss.

As a general rule, fair values recognized correspond with the market prices of the financial assets. Should these figures be unavailable, they are calculated in application of measurement methods based on discounted cash flow analyses and observable current market parameters. If corresponding market parameters are unavailable, fair values are estimated in consideration of indicative evaluations and other information available.

Securities categorized as "loans and receivables" are measured in accordance with the effective interest method at amortized cost less possible impairments.

In consideration of IFRIC 14 and IAS 19, SOLARWORLD AG capitalized liability insurances in other financial assets. These insurances serve as insolvency insurance with regard to early retirement obligations. Recognition is based on the insurance company's statements regarding the asset value and conducted in the amount in that the insurance value exceeds the amount of the early retirement obligations (plan asset surplus).

14. LIQUID FUNDS

Liquid funds include cash and cash equivalents in the form of cash accounts held and current investments made with banks that fall due within three months when acquired. They are categorized as "loans and receivables" and measured at amortized cost less possible impairments in accordance with the effective interest method.

15. ASSETS AND LIABILITIES OF ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Individual noncurrent assets, asset groups or assets of discontinued operations are recognized as "assets held for sale" if their carrying amounts are largely realized via sales transactions as opposed to via continued usage and if, additionally, they meet the criteria set forth in IFRS 5. Regular depreciation or amortization on these assets ceases. Impairments are only recognized if the fair value less costs to sell is lower than the carrying amount. Any impairment previously recognized needs to be reversed if the fair value less costs to sell is increased later on. The addition is limited to the impairments previously recognized for the respective assets.

The item "liabilities of assets held for sale" includes liabilities that are part of a discontinued operation.

Expenses and income from discontinued operations as well as gains and losses from their measurement at fair value less costs to sell are disclosed as result of discontinued operations on the face of the income statement. Gains and losses from the sale of discontinued operations are also recognized in this line item.

16. FINANCIAL LIABILITIES

At first-time recognition, financial liabilities are measured at fair value. The transaction costs directly attributable to the acquisition are also recognized with regard to all liabilities that are, subsequently, not measured at fair value through profit or loss.

Trade liabilities and other original financial liabilities are measured at amortized cost in accordance with the effective interest method.

Upon first-time recognition, financial guarantees issued by the Group are recognized at fair value less transaction costs directly connected with issuing the guarantee. Subsequently, the liability is measured at the best estimate of the expenses required for meeting the current obligation per balance sheet date or at the higher recognized amount less accumulated amortization.

17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Financial derivatives not included in an effective hedging relationship in terms of IAS 39 are categorized as "held for trading" and are, thus, measured at fair value through profit or loss.

SOLARWORLD Group utilizes derivatives for hedging interest rate risks and changes in foreign currency exchange rates resulting from operating activities, financial transactions and investments.

Upon first-time recognition and subsequent measurement, derivatives are measured at fair value. The recognized fair values of derivative financial instruments for which there is an active market correspond with the market price. Derivatives for which no active market exists are measured in application of accepted measurement models on the basis of discounted cash flow analyses and by reverting to current market parameters.

SOLARWORLD Group applies hedge accounting in accordance with IAS 39 for cash flow hedges.

The decisive factor for recognition of changes in fair value – recognition on the balance sheet through profit or loss or recognition in equity not affecting profit and loss – is whether or not the derivative is included in an effective hedging relationship in accordance with IAS 39. If hedge accounting is not applied, changes of the derivatives' fair values are immediately recognized through profit or loss. If, however, an effective hedge relationship in terms of IAS 39 exists, the hedging relation as such is accounted for.

At inception of the hedging relation, the relation between hedged item and hedging instrument is documented including risk management objectives. In addition, both at inception and in the course of the hedge, documentation is carried out continuously as to whether the designated hedging instrument is highly effective with regard to compensation of cash flow changes in the hedged item.

The effective part of the change in fair value of a derivative or a non-derivative financial instrument designated as a hedging instrument is recognized in equity. Profit or loss falling upon the ineffective part is immediately recognized through profit or loss in either "other operating income" or "other operating expenses".

Amounts recognized in equity are transferred to the income statement in that period in which the hedged item becomes effective through profit or loss. Recognition on the income statement occurs within the same item in which the hedged item is recognized. If, however, a hedged forecast transaction leads to the recognition of a non-financial asset or a non-financial liability, the profits and losses previously recognized in equity are derecognized and taken into consideration at initial determination of cost of the asset or liability.

Hedge accounting is discontinued if the hedging relationship is revoked, the hedging instrument expires or is sold, terminated or exercised or is no longer appropriate for hedging purposes. All profits or losses recognized in equity at this time remain in equity and are only accounted for through profit or loss once the forecast transaction is also recognized on the income statement. If the transaction is no longer expected to occur, the entire profit recognized in equity is immediately transferred to recognition on the income statement.

18. ACCRUED INVESTMENT GRANTS

Investment grants accounted for are accrued in application of IAS 20 and released to income over the course of the useful lives of the respective assets. Thus, the item is allocated to the periods of useful lives of the subsidized property, plant and equipment, and gradually increases future business years' pre-tax income. This increase in income occurs alongside amortization and depreciation expenses of corresponding amounts, which are, therefore, neutralized upon balancing. In addition, tax effects will arise whereas income-increasing reversals of the accrued investment grants occur income tax exempt to the extent to which they result from tax-exempt investment grants.

Income from investment tax credits also falls into the application of IAS 20. Claims for tax credits are recognized if there is reasonable assurance that the material requirements for receipt are met and they are granted. The claims are measured at present value.

19. RETIREMENT BENEFITS

Group retirement benefits predominantly occur via defined contribution plans. The company pays contributions into a state or private pension fund on the basis of statutory or contractual obligations or on a voluntary basis and, once the contributions are paid, has no further benefit obligations. The annual contributions are recognized as personnel expenses.

A defined benefit plan exists in one case. Pension provisions are measured in accordance with the actuarial projected unit credit method as required by IAS 19 for defined benefit plans. Actuarial profits and losses are recognized as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10 % of the present value of the defined benefit obligation at that date.

The interest proportion included in the pension expenses is recognized in the financial result.

20. OTHER PROVISIONS

Other provisions are recognized to the extent to which an obligation to third parties exists that will probably make for a future outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the extent of the obligation. Provisions for obligations that will probably not make for an outflow of resources in the year following the reporting year are recognized at present value of the expected outflow of resources.

If a provision cannot be set up because some criteria is not met but the possibility of an outflow of resources embodying economic benefits is all but remote, the respective obligations are recognized as contingent liabilities.

21. OTHER LIABILITIES

Accrued liabilities included in the balance sheet item "other liabilities" are recognized for services and goods received that do not yet meet the requirements for payment. With regard to these liabilities, future outflow of resources is, on the merits, certain and is merely subject to minor uncertainties as regards the amount. Measurement is conducted at best estimate of the expenditure required.

A proportion of the customer advances recognized in other liabilities is denominated in US dollar. As the customer advances are no monetary items in terms of IAS 21.16, they were recognized at historic exchange rates valid at the date of collection. Though these customer advances are stipulated to be non-interest bearing, the circumstances, however, imply that the respective long-term agreements contain a financing component, and therefore a compounding was conducted at matched maturity or implicit interest rate.

22. REVENUE AND EXPENSE RECOGNITION

Revenue from the sale of goods or products is recognized at the time the significant risks and rewards are transferred if – as commonly true – the other requirements (no continued involvement, reliable estimation of the amount of revenue and probability of inflow) are also met.

Revenue from project business is recognized in accordance with the percentage of completion method set forth by IAS 11. Under this method, a pro-rata profit realization is recognized by reference to the state of completion if the assessment of the state of completion, total costs and total revenue of the respective contract can be reliably estimated in terms of IAS 11. The state of completion is assessed in accordance with the cost-to-cost method pursuant to IAS 11.30a. If the stated requirements are met, the overall contract revenue is recognized on a pro-rata basis in compliance with the state of completion. Contract expenses include the costs directly attributable to the contract and a proportion of overhead. Borrowing expenses are not recognized.

Grants related to expenses are recognized on an accrual basis through profit corresponding to the occurence of the respective expenses.

Operating expenses are recognized when goods and services are received or at the time of their occurrence respectively. Provisions for warranties are set up upon realization of the corresponding revenue. Interest income and expenses are recognized on an accrual basis.

COMMENTS ON THE INDIVIDUAL ITEMS OF THE INCOME STATEMENT

23. REVENUE

Revenue and its allocation to the business segments and regions can be taken from segment reporting (item 36) in these consolidated notes. Consolidated revenue consist of the following products and services:

in k€	2008	2007
Module- and assembly kit sales (group and third party manufacturing)	653,882	489,147
Project proceeds	11,187	31,388
Cells	32,178	26,844
Wafers	203,064	142,209
	900,311	689,588

Project proceeds basically result from the construction of major solar plants.

As per balance sheet date, project proceeds include finalized and invoiced projects as well as projects in process whose revenue is accrued in accordance with the percentage of completion method as stated in IAS 11. Per balance sheet date, this revenue amounts to k€ 2,944 (prior year: k€ 3,549).

24. OWN WORK CAPITALIZED

For one, own work capitalized concerns the construction of photovoltaic plants operated by the Group companies Go!SUN GMBH & CO. KG and SOLAR FACTORY GMBH.

The item also concerns costs of own work directly attributable to bringing new production facilities to the condition necessary for them to be capable of operating.

25. OTHER OPERATING INCOME

in k€	2008	2007
Foreign currency gains	10,718	4,116
Reversal of accrued investment grants	10,210	8,009
Income from other grants related to expenses	6,608	27,615
Income from other trade	2,366	2,034
Earnings from grants related to research and development	2,353	3,678
Reversal of provisions	348	495
Gain from asset disposals	138	4,046
Other operating income	4,100	7,260
	36,841	57,253

Income from other grants related to expenses results from an agreement of SOLARWORLD INDUSTRIES DEUTSCHLAND GMBH (SWID) and SHELL GROUP according to which SWID was awarded grants for expenses from anticipated under-utilization, necessary restructuring measures and the purchase of silicon.

The research and development grants received are subject to a number of requirements. In accordance with today's knowledge, we will be able to meet all of these requirements. Thus, repayment obligations are not expected to arise.

Foreign currency gains primarily consist of gains from exchange rate movements in between the time of origin and payment of foreign currency receivables and liabilities and foreign currency gains from measurement at closing rate. Respective foreign currency losses are recognized in other operating expenses.

26. COST OF MATERIALS

in k€	2008	2007
Cost of raw materials, supplies and merchandise	395,540	316,184
Cost of purchased services	58,520	17,470
	454,060	333,654

27. PERSONNEL EXPENSES

in k€	2008	2007
Wages and salaries	74,814	60,947
Social securities and pensions	15,316	14,057
	90,130	75,004

28. AMORTIZATION AND DEPRECIATION

The composition of amortization and depreciation can be taken from the fixed assets movement schedule. Of the additions to accumulated amortization and depreciation recognized in the fixed assets movement schedule in an amount of k€ 55,166 (prior year: k€ 42,807), amortization and depreciation of discontinued operations make for k€ 0 (prior year: k€ 753).

29. OTHER OPERATING EXPENSES

in k€	2008	2007
External staff	14,900	12,648
Maintenance expenses	13,683	14,277
Foreign currency losses	13,165	6,354
Marketing costs and travel expenses	9,629	5,720
Selling expenses	8,549	5,415
Expenses from additions to other provisions	4,162	3,697
Rent and lease expenses	4,041	3,624
Legal fees, consultancy and audit expenses	4,032	3,956
Insurances	3,945	3,749
Expenses from additions to warranty provision	2,936	1,349
Data processing expenses	2,317	1,302
Research and development costs (third parties)	2,180	2,870
Allowances for receivables and uncollectible receivables	1,024	604
Losses from the disposal of assets	460	2,602
Other operating expenses	14,860	11,962
	99,883	80,129

30. RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SOLARWORLD Group made for a total amount of k€ 13,024 (prior year: k€ 10,802), the largest part of which results from personnel expenses.

31. FINANCIAL RESULT

a) Income from investments measured at equity

in k€	2008	2007
Income from investments measured at equity	1,376	673
Expenses from investments measured at equity	-9,988	-2,503
	-8,612	-1,830

b) Interest and similar income

in k€	2008	2007
Interest income	24,491	11,548
Other financial income	16,947	9,033
	41,438	20,581

Income from interest includes interest from interest-bearing securities, fixed term deposits and other bank balances categorized as "loans and receivables" or "financial assets available for sale".

c) Interest and similar expenses

in k€	2008	2007
Interest expenses	38,250	33,154
Other financial expenses	10,796	5,295
	49,046	38,449

Interest expenses exclusively consist of interest payable for financial liabilities categorized as "measured at amortized cost". They result from bank loans, from financial instruments issued by SOLARWORLD AG and from interest-bearing liabilities of SOLARWORLD Group towards its employees in the scope of an internal plan with regard to a profit-oriented employee compensation.

d) Other financial result

in k€	2008	2007
Net gains and losses from		
financial assets designated as at fair value through profit or loss	-56,221	-5,895
assets held for trading	297	2,631
	-55,924	-3,264

The net gains and losses of the category "designated at fair value through profit or loss" are attributable to changes in credit risks in amount of approximately m€ -30 (prior year: m€ 0).

Derivatives being part of a hedging relationship are not taken into account when it comes to the presentation of net gains and losses. Derivatives that are not accounted for as hedging instruments are included in the measurement category "financial assets and financial liabilities held for trading".

32. TAXES ON INCOME

The following chart shows the composition of recognized tax expenses devoid of discontinued operations:

in k€	2008	2007
Actual domestic tax expenses (+)	56,079	63,798
Actual foreign tax expenses (+)	759	380
Total actual tax expenses (+)	56,838	64,178
Deferred domestic tax expenses (+)	5,038	10,765
Deferred foreign tax income (-)	-8,454	-9,916
Total deferred tax expenses (+) / income (-)	-3,416	849
Total recognized tax expenses (+)	53,422	65,027

Taxes paid or owed on income in the individual countries and deferred taxes are recognized as taxes on income. Deferred taxes are determined with regard to temporary differences between the amounts of assets and liabilities as stated on the IFRS and tax balance sheet, consolidation entries and realizable tax loss carryforwards. Calculation is based on the tax rates to be expected in the individual countries per realization date. The tax rates are based on the statutory regulations effective or passed per balance sheet date.

Deferred taxes are only recognized for tax loss carryforwards if their utilisation is sufficiently probable in the medium term (within the next five years). No deferred taxes were recognized with regard to tax loss carryforwards at SOLARWORLD INDUSTRIES AMERICA LP originating from a time prior to its acquisition by SOLARWORLD AG, as it is assumed that these cannot be utilized by SOLARWORLD AG.

For the rest, all deferred tax assets on existing tax loss carryforwards are regarded utilizable because sufficient positive future results can be expected on the basis of continuously updated plans and the Group's strategic alignment. As in the prior year, no impairments were made with regard to deferred tax assets.

The following chart shows unbalanced and balanced deferred tax assets and liabilities with regard to accounting differences in the different balance sheet items as well as with regard to tax loss carryforwards:

	Deferred tax assets		Deferred tax liabilities	
in k€	2008	2007	2008	2007
Intangible assets / property, plant and equipment	1,655	27	15,919	12,890
Current assets	5,531	3,953	8,549	3,809
Accrued investment grants	1,890	1,656	0	0
Other noncurrent liabilities	3,750	3,998	6,007	3,754
Current liabilities	1,227	598	56	0
Tax loss carryforwards	19,967	14,020	0	0
	34,020	24,252	30,531	20,453
Offsetting	-6,947	-5,434	-6,947	-5,434
Recognized deferred taxes	27,073	18,818	23,584	15,019

Deferred tax assets and liabilities are set off if they concern the same tax authority and the same tax subject.

In connection with hedge accounting as well as in connection with the accounting for financial assets available for sale, deferred tax assets of k€ 282 (prior year: k€ 673) and deferred tax liabilities of k€ 4,508 (prior year: k€ 2,268) resulting in neither profit nor loss were recognized in equity at balance sheet date.

The substantial differences between nominal and effective tax rates in the course of the business year and the prior year with regard to continued operations are illustrated below:

in k€	2008	2007
Income before taxes	188,669	175,910
Expected income tax rate (incl. trade tax)	30.0	40.0
Expected income tax expenses (+)	56,601	70,364
Tax rate changes	0	-3,617
Deviating domestic and foreign tax burden	-2,280	-775
Tax reductions due to tax exempt gains	-5,227	-1,244
Taxes from other non-deductible expenses	1,850	102
Current taxes relating to other periods	-371	-291
Other tax deviations	2,849	488
Recognized income tax expenses (+)	53,422	65,027
Effective income tax rate	28.3	37.0

With effect from 2008 on, due to the Corporation Tax Reform Act 2008 SOLARWORLD AG calculates with an income tax rate of 30%.

33. SUBSTANTIAL EXPENSES AND INCOME RELATING TO OTHER PERIODS

As in the prior year, substantial expenses and income relating to other periods did not exist in the reporting year 2008.

34. INCOME AFTER TAXES FROM DISCONTINUED OPERATIONS

In late 2007, SOLARWORLD AG concluded an agreement regarding the sale of 65 % of the shares in its subsidiary GÄLLIVARE PHOTOVOLTAIC AB, which was executed in January 2008.

The components of the result from discontinued operations separately recognized on the income statement are shown below.

in k€	2008	2007
Revenue	0	9,230
Other income	0	1,367
	0	10,597
Expenses and changes in inventory	0	-7,291
Profit from disposal of discontinued operations	13,686	0
Income before tax	13,686	3,306
Allocable income tax expenses	-254	-933
Result from discontinued operations after tax	13,432	2,373

The disclosures of the prior year concern income and expenses after expense and income consolidation entries.

Cash flows attributable to discontinued operations are presented in item 59.

35. EARNINGS PER SHARE

Earnings per share are calculated as ratio of the consolidated net income and the weighted average of the number of shares in circulation during the business year. The key figure "diluted earnings per share" was not applicable as option rights or conversion privileges are not outstanding.

36. SEGMENT REPORTING

a) Business segments

The business segments constitute the primary format for the Group's segment reporting. In 2008 as in the prior year, SOLARWORLD Group operated in four vertically integrated business sectors on a worldwide scale:

- Manufacturing of silicon wafers (wafer production and sale),
- Manufacturing of solar cells (cell production),
- Manufacturing of solar modules (module production),
- Solar module trade (trade).

Inter-segment sales and revenue are carried out in compliance with the arm's length principle. Administration services as well as the exertion of holding functions are, in part, charged by way of cost allocations.

Segment assets and segment liabilities shown below are initially disclosed including intragroup receivables and liabilities and then reconciled to the Group's consolidated values.

Segment revenue and results illustrated below exclusively concern continued operations. Revenue and result from discontinued operations soley concern the segment "module". We refer to item 34.

INFORMATION ON BUSINESS SEGMENTS FOR THE BUSINESS YEAR 2008 // IN M€

	Wafer	Cell	Module	Trade	Eliminiation	Consolidated
Revenue						
External revenue	203	32	0	665		
Inter-segment revenue	253	327	455	2	-1,037	
Total revenue	456	359	455	667	-1,037	900
Result						
Segment result	123	64	35	52	-2	272
Unallocated gains						1
Unallocated expenses						-12
Operating result (EBIT)						261
Financial result						-72
Taxes on income						-54
Result for the period						135
Other disclosures						
Assets						
Segment assets	816	190	116	479	-426	1,175
Unallocated assets						945
Consolidated assets						2,120
Liabilities						
Segment liabilities	285	92	51	108	-421	115
Unallocated liabilities						1,164
Consolidated liabilities						1,279
Intangible assets and property, plant and equipment						
Investments	172	67	16	2		257
Unallocated investments						15
Consolidated investments						272
Regular amortization and depreciation	32	16	6	1		55

INFORMATION ON BUSINESS SEGMENTS FOR THE BUSINESS YEAR 2007 // IN M€

	Wafer	Cell	Module	Trade	Elimination	Consolidated
Revenue						
External revenue	142	27	0	521		
Inter-segment revenue	259	264	319	3	-845	
Total revenue	**401**	**291**	**319**	**524**	**-845**	**690**
Result						
Segment result	**83**	**45**	**27**	**39**	**4**	**198**
Unallocated gains						4
Unallocated expenses						-3
Operating result (EBIT)						199
Financial result						-23
Taxes on income						-65
Result for the period						**111**
Other disclosures						
Assets						
Segment assets	**542**	**145**	**81**	**237**	**-169**	**836**
Unallocated assets						868
Consolidated assets						**1,704**
Liabilities						
Segment liabilities	**282**	**35**	**25**	**91**	**-155**	**278**
Unallocated liabilities						734
Consolidated liabilities						**1,012**
Intangible assets and property, plant and equipment						
Investments	**71**	**29**	**13**	**2**		**115**
Regular amortization and depreciation	**23**	**14**	**4**	**1**		**42**

b) Geographical segments

Geographical segments constitute the secondary segment reporting format. The following chart illustrates the allocation of consolidated revenue in accordance with regional sales markets irrespective of the goods' place of production. The carrying amounts of the segment assets as well as the investments in property, plant and equipment and intangible assets are recognized in accordance with the location of the assets.

GEOGRAPHICAL SEGMENTS BUSINESS YEAR 2008 // IN M€

	Sales	Assets	Investments
Germany	414	1,760	117
Rest of Europe	294	9	0
Asia	108	8	0
USA	73	341	155
Others	11	2	0
Total	900	2,120	272

GEOGRAPHICAL SEGMENTS BUSINESS YEAR 2007 // IN M€

	Sales	Assets	Investments
Germany	353	1,539	52
Rest of Europe	190	12	0
Asia	93	18	0
USA	45	133	63
Others	9	2	0
Total	**690**	**1,704**	**115**

COMMENTS ON THE BALANCE SHEET

37. DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Composition and development of intangible assets and property, plant and equipment can be taken from the following chart:

FIXED ASSETS MOVEMENT SCHEDULE// IN K€

	Cost			
	As per Jan 1, 2008	Reclassification	Addition	Disposal
I. Intangible assets				
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	10,219	152	1,869	77
2. Goodwill	34,882	0	0	335
3. Prepayments	0	-133	249	0
	45,101	19	2,118	412
II. Property, plant and equipment				
1. Land and buildings	122,190	441	15,846	2,407
2. Technical equipment and machinery	306,943	16,861	106,898	17,736
3. Other equipment, factory and office equipment	14,453	-1,544	4,523	217
4. Construction in progress and prepayments	33,753	-15,777	142,208	22
	477,339	-19	269,475	20,382
	522,440	0	271,593	20,794

	Cost			
	As per Jan 1, 2007	Reclassification	Addition	Disposal
I. Intangible assets				
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	8,976	641	1,564	875
2. Goodwill	37,018	0	0	2,136
	45,994	**641**	**1,564**	**3,011**
II. Property, plant and equipment				
1. Land and buildings	80,951	105	45,124	966
2. Technical equipment and machinery	280,631	11,978	28,750	11,422
3. Other equipment, factory and office equipment	9,341	3,241	3,130	975
4. Construction in progress and prepayments	12,800	-15,965	39,780	1,420
	383,723	**-641**	**116,784**	**14,783**
	429,717	**0**	**118,348**	**17,794**

		Amortization and depreciation						Carrying amounts	
Currency difference	As per Dec 31, 2008	As per Jan 1, 2008	Reclassi-fication	Addition	Disposal	Currency difference	As per Dec 31, 2008	As per Dec 31, 2008	As per prior year
104	12,267	7,131	0	1,012	73	39	8,109	4,158	3,088
0	34,547	5,295	0	0	335	0	4,960	29,587	29,587
0	116	0	0	0	0	0	0	116	0
104	46,930	12,426	0	1,012	408	39	13,069	33,861	32,675
2,933	139,003	16,598	-1,762	8,257	2,259	204	21,038	117,965	105,592
4,905	417,871	103,100	3,253	43,570	16,024	470	134,369	283,502	203,843
200	17,415	8,039	-1,491	2,327	75	85	8,885	8,530	6,414
5,247	165,409	0	0	0	0	0	0	165,409	33,753
13,285	739,698	127,737	0	54,154	18,358	759	164,292	575,406	349,602
13,389	786,628	140,163	0	55,166	18,766	798	177,361	609,267	382,277

		Amortization and depreciation						Carrying amounts	
Currency difference	As per Dec 31, 2007	As per Jan 1, 2007	Reclassi-fication	Addition	Disposal	Currency difference	As per Dec 31, 2007	As per Dec 31, 2007	As per prior year
-87	10,219	6,201	496	1,096	608	-54	7,131	**3,088**	2,775
0	34,882	5,295	-31	31	0	0	5,295	**29,587**	31,723
-87	**45,101**	**11,496**	**465**	**1,127**	**608**	**-54**	**12,426**	**32,675**	**34,498**
-3,024	122,190	9,537	37	7,452	179	-249	16,598	**105,592**	71,414
-2,994	306,943	79,613	-2,985	31,604	4,603	-529	103,100	**203,843**	201,018
-284	14,453	3,927	2,483	2,624	790	-205	8,039	**6,414**	5,414
-1,442	33,753	0	0	0	0	0	0	**33,753**	12,800
-7,744	**477,339**	**93,077**	**-465**	**41,680**	**5,572**	**-983**	**127,737**	**349,602**	**290,646**
-7,831	**522,440**	**104,573**	**0**	**42,807**	**6,180**	**-1,037**	**140,163**	**382,277**	**325,144**

38. INTANGIBLE ASSETS

Goodwill recognized in intangible assets results from the acquisition of DEUTSCHE SOLAR AG in 2000. The goodwill is attributed to the Cash Generating Unit (CGU) "wafer-production".

39. PROPERTY, PLANT AND EQUIPMENT

As per balance sheet date, leased property, plant and equipment to be capitalized did not exist.

40. INVESTMENTS MEASURED AT EQUITY

in k€	Dec 31, 2008	Dec 31, 2007
Joint Solar Silicon Verwaltungs GmbH	11,166	6,346
Solarparc AG	8,285	12,757
SolarWorld Korea Ltd.	4,683	0
Gällivare PhotoVoltaic AB	4,564	0
RGS Development BV	1,261	2,193
Scheuten SolarWorld Solicium GmbH	585	334
	30,544	21,630

The investment in the listed SOLARPARC AG is held via SOLARWORLD AG and concerns a 29 % share in assets, result and voting rights. Aside from regenerative power generation, the company's operations include management, project planning, conceptual design and marketing of solar parks and wind power plants. An impairment of the at equity value in an amount of k€ 4,051 became necessary due to decreased stock market valuation. SOLARWORLD AG's profit share amounted to k€ 18 (prior year: k€ 545) in the reporting year. Attributable equity amounted to k€ 7,262 (prior year: k€ 7,522). The fair value of the investment in SOLARPARC AG derived from its stock market price amounted to k€ 8,285 (prior year: k€ 16,229) at balance sheet date.

The investment in JOINT SOLAR SILICON VERWALTUNGS GMBH (JSSI GMBH) is held via SOLARWORLD AG and concerns a 49 % share in the assets and result. In 2008, JSSI GMBH has taken over the business acitivities of Joint Solar Silicon GmbH & Co. KG (JSSI KG) by way of upstream merger. In prior year, the only function of JSSI GMBH has been the one of the partner with unlimited liability. Therefore, prior year figures refer to JSSI KG. JSSI GMBH's purpose is the joint development of solar silicon production with Evonik Degussa GmbH, which holds the remaining shares. SOLARWORLD AG's share in the loss amounted to k€ 1,175 (prior year: k€ 1,208). Attributable equity amounted to k€ 11,166 (prior year: k€ 5,783).

The investment in RGS DEVELOPMENT B.V. is held by DEUTSCHE SOLAR AG. The interest concerns a 35 % share in the assets and result. The company's purpose is the joint development of a new process for producing silicon wafers for use in solar cells. There are two further Dutch shareholders, holding 35 % and 30 %. DEUTSCHE SOLAR AG's share in the loss for the year amounted to k€ 991 (prior year: k€ 1,078). Attributable equity amounted to k€ 546 (prior year: k€ 1,986).

SOLARWORLD AG holds the investment in SCHEUTEN SOLARWORLD SOLICIUM GMBH, which concerns a 50 % share in the assets and result. The company's purpose is the joint development of a process for processing metallurgical silicon to high purity solar silicon. SOLARWORLD AG's share in the loss amounted to k€ 157 (prior year: k€ 216). Attributable equity amounted to k€ 335 (prior year: k€ -8).

The investment in GÄLLIVARE PHOTOVOLTAIC AB is held by SOLARWORLD AG. After selling 65 % of the shares in January 2008, SOLARWORLD AG holds a mere 35 % per December 31, 2008 and therefore has a 35 % share in the investee's assets and results. The company operates a module plant. SOLARWORLD AG's share in the profit for the year amounted to k€ 1,376 (prior year: k€ 0). Attributable equity amounted to k€ 3,613 (prior year: k€ 0).

The investment in SOLARWORLD KOREA LTD. is held by SOLARWORLD AG and concerns a 50 % share in the assets and result. The company also operates a module plant. SOLARWORLD AG's share in the loss amounted to k€ 721 (prior year: k€ 0). Attributable equity amounted to k€ 5,204 (prior year: k€ 0).

The investments in JOINT SOLAR SILICON VERWALTUNGS GMBH, RGS DEVELOPMENT B.V., SCHEUTEN SOLARWORLD SOLICIUM GMBH and SOLARWORLD KOREA LTD. are jointly controlled entities in terms of IAS 31 as all significant decisions regarding business and finance policy can only be made in unison.

We refer to item 61 as regards the disclosures on related parties.

The following chart includes summarized financial information regarding the investments measured at equity:

in k€	Dec 31, 2008	Dec 31, 2007
Attributable assets	62,663	31,791
Attributable liabilities	35,300	16,493
Attributable revenue	27,011	10,314
Attributable profit or loss for the year	-4,562	-1,959

41. DEFERRED TAX ASSETS

Deferred tax assets are calculated in accordance with IAS 12 (Income Taxes). Impairments on deferred tax assets have not been required. The development of deferred tax assets is included in the comments on tax expenses.

42. INVENTORIES

in k€	Dec 31, 2008	Dec 31, 2007
Raw materials and supplies	56,521	33,693
Work in process	39,156	45,663
Finished goods and merchandise	50,220	24,084
Prepayments	377,869	246,613
	523,766	350,053

Finished goods of the Group in terms of the aforestated itemization only concern photovoltaic modules and wafers at DEUTSCHE SOLAR AG.

Of the prepayments, a partial amount of k€ 333.972 (prior year: k€ 233.271) will not be due to be set off with raw material supplies for more than 12 months after balance sheet date.

43. TRADE RECEIVABLES

in k€	Dec 31, 2008	Dec 31, 2007
Trade receivables	66,860	106,509
Receivables from construction contracts	4,359	6,413
	71,219	112,922

The following chart illustrates the aging structure of the receivables:

in k€	Dec 31, 2008	Dec 31, 2007
Neither past due nor impaired	60,431	88,525
Past due but not impaired		
up to 30 days	6,528	14,624
between 31 and 60 days	2,034	4,372
between 61 and 90 days	234	97
between 91 and 180 days	1,230	4,222
between 181 and 360 days	737	1,006
exceeding 360 days	3	73
Impaired	22	3
	71,219	112,922

We did not identify any indications requiring valuation allowances for those trade receivables not impaired. Approximately half of the receivables included in the cluster ”between 91 and 180 days“ were paid in the course of preparation of the financial statements. Those receivables included in the cluster ”between 181 and 360 days“ concern security deposits in connection with completed major projects.

Valuation allowances developed as follows:

in k€	Dec 31, 2008	Dec 31, 2007
As per Jan 1	629	225
Utilization	-47	-24
Net additions/reversals	739	428
Currency difference	-82	0
As per Dec 31	1,239	629

44. INCOME TAX RECEIVABLES

Tax receivables concern refund claims for corporation and trade tax paid or corresponding foreign taxes due to excessive prepayments and necessary changes to the tax assessment of previous business years.

45. OTHER RECEIVABLES AND ASSETS

in k€	Dec 31, 2008	Dec 31, 2007
VAT receivables	5,808	951
Residual receivable sale Gällivare PhotoVoltaic AB	5,775	0
Tax credit claims	4,822	0
Deferred items	1,869	1,410
Electricity tax refund	1,699	1,165
Suppliers with debit balances	267	126
Others	924	1,347
	21,164	4,999

Financial assets included in other receivables and assets are not significantly past due. The residual receivable from the sale of GÄLLIVARE PHOTOVOLTAIC AB was settled within the period of preparation of the financial statements.

46. OTHER FINANCIAL ASSETS

Accrued interest receivables, fixed-term deposits and securities in the form of investment funds, assignable loans and certificates are recognized in this item. They fall upon the following asset categories:

in k€	Dec 31, 2008	Dec 31, 2007
Money market and similar investments	89,638	102,657
Debt securities and similar investments	303,569	409,766
Real estate funds	0	14,026
Derivative financial instruments of which in a hedging relationship: k€ 6,924 (prior year: k€ 411)	6,924	411
Other financial assets	4,283	2,135
	404,414	528,995

Money market and similar investments include shares in an investment fund (Oppenheim ABS Fund) that are categorized as financial assets designated as at fair value through profit or loss. Payment of the return price and its calculation and publication was temporarily suspended per balance sheet date and until the time of preparation of the financial statements. Until the end of the preparation of the financial statments, an active market did also not exist for most of the securities included in the fund's portfolio. In addition, no valid market data was available for measuring the fund shares in application of the discounted cash flow method. Thus, starting point for determining the fair value of the fund shares was an indicative value determined by the fund management company while this indicative value, in turn, was derived from indicative measurements of the portfolio's individual securities. For validating this value, alternative computations were carried out on the basis of discounted cash flow procedures in application of market data from different sources. Likewise, development of the fund management company's indicative value after the balance sheet date was assessed. In consideration of these analyses, fund shares were measured at k€ 23,238 (prior year: k€ 55,027) per balance sheet date. This amount equals a valuation ranging 13 % below the one that would result in application of the fund management company's indicative value.

Moreover, SOLARWORLD AG's securities portfolio contains an assignable loan of an international business bank with a nominal value of m€ 32.5. The security is categorized as financial asset designated as at fair value through profit or loss. In the meantime, the debtor filed for insolvency due to the international financial crisis. On the basis of an actual purchase proposal, the security was recognized at k€ 1,300 (prior year: k€ 30,250) per balance sheet date. For the rest and as regards the investment strategy, measurement and risks, we refer to our comments on financial instruments in items 5, 13 and 58.

Other financial assets include accrued interest receivable as well as liability insurances in an amount of k€ 1,051 the latter being recognized in compliance with IFRIC 14 and IAS 19.

47. LIQUID FUNDS

Liquid funds almost entirely concern bank balances. As per balance sheet date, these were invested in – mostly short-term – fixed term deposits and day-to-day money at different banks.

48. ASSETS AND LIABILITIES OF ASSETS HELD FOR SALE

in k€	2008	2007
Noncurrent assets of discontinued operations	0	2,964
Current assets of discontinued operations	0	8,106
Assets of discontinued operations	0	11,070
Property, plant and equipment held for sale	572	660
Assets held for sale	572	11,730
Noncurrent liabilities of discontinued operations	0	1,714
Current liabilities of discontinued operations	0	1,556
Liabilities of assets held for sale	0	3,270

The prior year's assets and liabilities of discontinued operations concern the assets and liabilities of GÄLLIVARE PHOTOVOLTAIC AB. In this regard, we also refer to our comments in item 34. The disclosures concern assets and liabilities after elimination of intercompany accounts.

Property, plant and equipment held for sale concern several facilities that are no longer employed in the manufacturing or research process and are scheduled for sale in the short run. Impairments and losses of k€ 1,332 were recognized with regard to assets held for sale. These mainly result from research facilities of the Munich research location, which was shut down in the course of the reporting year. The remaining amount equals the expected net realizable value and results from market observations with regard to used machinery of this kind. Impairments and losses are recognized in other operating expenses.

49. EQUITY

Subscribed capital

Per balance sheet date, the capital stock amounts to m€ 111.72 (prior year: m€ 111.72) and exclusively comprises common stock, a total of 11,720,000 non-par bearer shares.

The shareholders' meeting of May 24, 2007 decided an increase in capital stock from m€ 55.86 to m€ 111.72 from company resources. The capital increase was entered in the commercial register on June 22, 2007.

Authorized capital

The shareholders' meeting of May 25, 2005 authorized the Executive Board to increase – upon approval of the Supervisory Board – the capital stock by a total of € 2,100,000.00 until December 31, 2009. After partial utilization of the authorization granted by the shareholders' meeting of May 25, 2005 in the scope of a capital increase in 2006, the remaining approved capital amounts to € 1,510,000.00.

At the shareholders' meeting of May 24, 2006, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 5,472,500.00 until December 31, 2010.

At the shareholders' meeting of May 24, 2007, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 20,947,500.00 until December 31, 2011.

At the shareholders' meeting of May 21, 2008, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 27,930,000.00 until December 31, 2012.

Conditional Capital
SOLARWORLD AG does not have any conditional capital.

Own shares
By resolution of the shareholders' meeting of May 21, 2008, the Executive Board was authorized to purchase own shares. In accordance with § 71 para. 1 No. 8 AktG, the authorization is subject to a fixed-term and expires per 12 midnight of November 21, 2009, and is limited to an extent of up to 10 % of the capital stock. The earlier authorization for acquisition of own shares, granted by resolution of the shareholders' meeting of May 24, 2007, was revoked as of the new authorization taking effect.

Other reserves

Exchange reserve
The exchange reserve includes differences arising from currency translation in the course of translating financial statements of foreign subsidiaries.

IAS 39 reserve
An amount of k€ 9,148 of the reserve are gains and losses from hedging relations that were classified as highly effective in the scope of cash flow hedges. Also included is an amount of k€ 286 resulting from the change in fair value of assets available for sale. With regard to deferred taxes set off against the IAS 39 reserve, we refer to item 32.

Dividend suggestion
The Executive Board suggests the distribution of a dividend of € 0.15 per share for the reporting year 2008. The payment of this dividend depends on the approval of the shareholders' meeting in May 2009 and will, if approved by the shareholders, amount to some m€ 16.8.

50. NONCURRENT AND CURRENT FINANCIAL LIABILITIES

in k€	Dec 31, 2008	Dec 31, 2007
Issued promissory note loans	407,888	421,137
Issued senior notes (US-Private Placement)	126,045	118,678
Bank loans	153,401	82,017
Bonds	9,042	9,286
Derivative financial instruments of which in a hedging relationship: k€ 1,100 (prior year: k€ 9,707)	2,407	9,707
Others	760	340
	699,543	641,165

Bank loans are hedged by customary chattel mortgages of property, plant and equipment and inventories as well as by land charge creation in an amount of m€ 24,3 (prior year: m€ 35,2) that are the respective group companies' responsibility.

Other financial liabilities contain an amount of k€ 42 for a financial guarantee issued by SOLARWORLD AG.

51. ACCRUED INVESTMENT GRANTS

The item includes accrued investment subsidies and investment grants as well as accrued tax credits, even to the extent to which they are to be reversed in the course of the following year because they exclusively concern property, plant and equipment.

The investment subsidies and investment grants are subject to a number of requirements. Based on today's knowledge, all of those requirements will be met. Thus, repayment obligations are not expected to arise.

52. NONCURRENT AND CURRENT PROVISIONS

in k€	As per Jan 1, 2008	Utilization	Reversal	Addition	Currency difference	As per Dec 31, 2008
Warranties	9,628	1,273	83	3,136	76	11,484
Pensions	7,823	267	0	356	0	7,912
Building restoration obligations	4,899	73	184	171	233	5,046
Pending losses from onerous contracts	0	0	0	1,378	0	1,378
Other provisions	524	99	81	2,797	-3	3,138
	22,874	1,712	348	7,838	306	28,958

The provision for warranties is set up for specific individual risks, for the general risk of being called upon in accordance to statutory warranty regulations and performance guarantees granted with regard to photovoltaic modules sold. The provision for the risk of being called upon for performance guarantees is set up in an amount of .25 % of all of SOLARWORLD Group's module revenue. Due to the noncurrent nature of the provision (performance guarantees are granted for a period of 25 years), it is subject to compounding at matched maturity interest rate.

The provision for building restoration obligations concerns tenant fixtures that have to be removed by SOLARWORLD Group after expiration of the lease term. Due to the noncurrent nature of the provision, it is subject to compounding at matched maturity interest rate.

Other provisions include provisions for risks of litigation in an amount of k€ 2,555 (prior year: k€ 0), which concern possible claims from pending legal disputes.

Provisions for pending losses from onerous contracts include expected losses from rental and service agreements.

PENSION PROVISIONS

Pension provisions include promises of retirement benefits to employees of the Group on the basis of direct compensation. The pension claims earned depend on the amount of pay at the time of retirement.

The following measurement parameters were uniformly used as a basis for calculating the DBO (defined benefit obligation):

in %	Dec 31, 2008	Dec 31, 2007
Discount rate	5.5	5.4
Future salary increase	2.5	2.5
Future pension increase	2.0	2.0

The Heubeck standard tables RT 2005 G were used with regard to mortality and invalidity.

Reconciliation of the DBO with the balance sheet is illustrated below:

in k€	Dec 31, 2008	Dec 31, 2007
Present value of funded obligations	7,407	7,419
Unrecognized actuarial gains (+)	505	404
Pension provision	7,912	7,823

The following chart illustrates the DBO's development:

in k€	2008	2007
Extent of obligation per Jan 1	7,419	8,200
Interest cost	401	349
Current service cost	35	82
Benefits paid	-267	-357
Curtailments	-48	0
New actuarial gains (-)	-133	-855
Extent of obligation per Dec 31	7,407	7,419

Unrecognized actuarial gains (+) and losses (-) are the result of:

in k€	2008	2007
As per Jan 1	404	-451
Additions	133	855
Curtailments	-32	0
As per Dec 31	505	404

53. OTHER NONCURRENT AND CURRENT LIABILITIES

in k€	Dec 31, 2008	Dec 31, 2007
Customer advances	286,976	169,844
Profit-oriented employee compensation	34,244	24,746
Other personnel obligations	11,880	10,564
Outstanding invoices	7,675	6,759
VAT	5,585	3,546
Claimed contributions	1,424	1,508
Others	10,204	11,223
	357,988	228,190

54. DEFERRED TAX LIABILITIES

Deferred tax liabilities entirely result from accounting policies for recognition and measurement of assets and liabilities that differ from tax principles. The item's development is included in the comments on tax expenses.

55. INCOME TAX LIABILITIES

The item includes corporation and trade tax assessed by the tax authorities and calculated or estimated by the group companies as well as corresponding foreign taxes resulting from tax laws, including those amounts that will probably result from tax field audits performed.

With regard to potentially generated future taxable profits of SOLARWORLD INDUSTRIES AMERICA LP, SOLARWORLD Group is additionally burdened with German corporation tax plus solidarity surcharge irrespective of American taxation. This might make for future tax payments in a maximum amount of k€ 19,244 for SOLARWORLD Group. No current or deferred tax liabilities had to be recognized in this respect as these tax payments neither concern the current period or previous periods nor result from temporary differences.

OTHER COMMENTS

56. OTHER FINANCIAL OBLIGATIONS

in m€	Dec 31, 2008	Dec 31, 2007
Financial commitments from raw materials and license agreements	2,465	1,586
Financial commitments from investments in property, plant and equipment	104	138
Financial obligations from lease agreements concluded for several years	17	9
	2,586	1,733

Per February 29, 2008, SOLARWORLD AG issued an absolute guarantee in an amount of k€ 12,667 for SOLARPARC AG to Deutsche Bank AG, Düsseldorf. The guarantee was accounted for in compliance with the regulations concerning financial guarantees. The respective amount is disclosed in current financial liabilities (item 50).

57. CONTINGENCIES AND EVENTS AFTER THE BALANCE SHEET DATE

A comprehensive presentation of corporate risks and events after the balance sheet date is included in the group management report which, in accordance with German laws and regulations, is to be prepared and published at the same time as these consolidated financial statements. Amongst others, the group management report goes into detail with regard to the expectations for future development of selling prices and the overall market.

58. FINANCIAL INSTRUMENTS

a) Capital management

A comprehensive presentation of the principles and objectives regarding the Group's capital management is included in the group management report that, in accordance with German laws and regulations, is to be prepared and published at the same time as these consolidated financial statements. The details are given in the scope of the Group's financial position.

b) Principles and objectives of financial risk management

With regard to its assets, liabilities and future transactions already set and planned, SOLARWORLD Group is exposed especially to risks from changes of exchange and interest rates. Objective of financial risk management is the limitation of these market risks by way of operating and finance-oriented activities.

For this purpose, harmonization processes are carried out across the Group on a regular basis during which the hedging strategy is aligned with the current situation and uniform group requirements are determined. Selected derivative and non-derivative financial instruments are utilized depending on the respective risk assessment, planning ability regarding future transactions and current market situation. As a basic principle, however, only those risks are addressed that have consequences on the Group's cash flow.

Derivative financial instruments are exclusively used as hedging instruments but not for trading or speculation purposes. To minimize default risks, hedging agreements are only concluded with leading financial institutions that have a credit rating in the investment grade area.

With regard to the investment of liquid funds, SOLARWORLD Group aims at attaining a rate of return slightly exceeding the money market level. Thus, SOLARWORLD Group basically invests free liquid funds in financial investment products in the form of sight deposits

(fixed-term deposits as well as day-to-day money) with financial institutes, investment funds, assignable loans and investment certificates. To limit the risks from changes in market prices, the investments are limited to financial investment products whose risk structure can be allotted to the money or debt securities market. Moreover, central management and broad diversification of the securities portfolio with regard to different market risks works against the establishment of risk concentrations. To minimize default risks, promissory notes and investment certificates are purchased only from leading financial institutions that have a credit rating in the investment grade area.

In the course of the international financial crisis, SOLARWORLD AG has noticeably adjusted its investment policies in favor of sight deposits at German business banks and government bonds.

The financial policy basics are continuously coordinated by the Executive Board and supervised by the Supervisory Board. Implementation of the financial policies and ongoing risk management is managed by the respective departments, which report to the Executive Board on a regular basis.

c) Currency risks

SOLARWORLD Group's currency risks mainly result from financing measures and operating activities. Foreign currency risks are hedged to the extent to which they influence the group's cash flows. On principle, risks that result from the translation of assets and liabilities of foreign subsidiaries into the group reporting currency are not hedged. However, hedging of these risks is not entirely ruled out in the future.

In the financing sector, foreign currency risks result from the issuance of senior notes (US Private Placement) in US dollar that, however, were fully hedged by application of an interest/currency swap.

In the operational sector, the individual group companies mostly handle their operations in utilization of the respective functional currency. However, an increasing number of transactions between group companies and at equity investments are conducted in US dollars. Thus, SOLARWORLD Group is increasingly exposed to currency risks. In addition, SOLARWORLD Group is exposed to foreign currency risks in connection with foreign currency transactions already set and planned. These mainly concern transactions in US dollars in connection with supply of raw materials and sale of products. Due to exchange rate-dependant escalator clauses (annual adjustment), they are generally limited.

The existing currency risks are, in part, hedged by way of derivative (exchange rate futures) and non-derivative financial instruments (currency reserves).

For presentation purposes of market risks, IFRS 7 requires sensitivity analyses that show the consequences of hypothetical changes of relevant risk variables on result and equity. In addition to currency risks, SOLARWORLD Group is also subjected to interest rate and market price risks. Periodic consequences are determined by linking the hypothetical changes of the risk variables and the financial instruments' portfolio per balance sheet date. This is carried out under the assumption that the year-end portfolio is representative of that of the overall year.

Exchange risks in terms of IFRS 7 arise from financial instruments that are denominated in a currency other than the functional currency and are of the monetary type. Differences from the translation of financial statements into group currency caused by exchange rate changes remain unconsidered. In principle, all non-functional currencies in which SOLARWORLD Group holds financial instruments are considered relevant risk variables.

The significant non-derivative financial instruments aside from, in part, liquid funds, are either denominated in functional currency or are translated into functional currency by way of using derivatives. Hence, exchange rate changes basically influence the result only with regard to the liquid funds denominated in foreign currency. Interest income and expenses from financial instruments are also either directly recognized at functional currency or transferred to functional currency by way of using derivatives. Thus, effects on the result cannot emerge in this regard.

However, upon utilization of hedging instruments that are involved in effective cash flow hedge relationships for hedging currency risks, changes in exchange rates have consequences on the hedging reserve (IAS 39 reserve) recognized in equity. As these effects are not caused by currency rate change effects, a sensitivity analysis is not carried out.

Had the Euro been revalued (devalued) towards the US dollar by 10 % per December 31, 2008, the result would have been k€ 1,435 (prior year: k€ 344) lower (higher).

d) Interest rate risk
In the scope of determining the financial policy, the Executive Board decided to take up financial liabilities subject to variable rates only in exceptional cases. The original interest-bearing financial liabilities of SOLARWORLD Group are therefore basically either fixed-interest ones or transferred to fixed interest liabilities via use of derivates. All non-derivative financial liabilities are measured at amortized cost. Thus, the non-derivative interest-bearing financial liabilities are not subject to significant change of interest rate risks in terms of IFRS 7.

Due to the use of hedging instruments that are involved in an effective cash flow hedging relationship for hedging changes of interest rates, however, a change in interest rate level affects the hedging reserve (IAS 39 reserve) recognized in equity. As this is not caused by interest rate risk effects, a sensitivity analysis is not carried out.

Had the market interest rate level been 100 basis points higher (lower) per December 31, 2008, the result would have k€ 240 (prior year: k€ 352) lower (higher).

e) Other price risks
SOLARWORLD Group has a securities portfolio that is subject to various price change risks. The securities are mainly accounted for at fair value. Thus, changes in market prices directly affect profit and loss or the IAS 39 reserve.

Had the market price level of the securities included in the portfolio been lower (higher) by a total of 5 % per December 31, 2008, the result and equity would have been lower (higher) by k€ 3,994 (prior year: k€ 26,428) and k€ 3,482 (prior year: k€ 0), respectively.

f) Default risks
With one exception (compare item 46), the credit ratings of our promissory notes' and certificates'debtors ranged at Aa (source: Moody's) per balance sheet date. For the rest, SOLARWORLD Group invested most of its free liquidity in sight deposits at German financial institutions.

In detail, SOLARWORLD Group has the following financial investments:

1. Sight deposits in an amount of m€ 498
2. Assignable loans from financial institutions amounting to m€ 265 that are accounted for with a value of m€ 231.6.
3. Other securities

Oppenheim ABS Fund	m€ 23.3
Government bonds	m€ 69.7

With regard to all supplies to customers, collateral is required depending on type and amount of the respective service, credit ratings/ references are collected or historical data from previous business relations – especially as regards payment behavior – is used for avoiding default in payment. To further limit default risks, receivables from module sales are mostly hedged via credit insurances. Hence, the default risk is regarded rather remote.

For the rest, the maximum default risk equals the carrying amounts.

g) Liquidity risks
For SOLARWORLD Group, liquidity risks arise from the obligation to redeem liabilities in full and in due time. It is therefore the task of the cash and liquidity management to assure the individual group companies' liquidity at any time.

Cash management for operating activities is carried out in a decentralized manner within the individual business units. SOLARWORLD AG predominantly balances the respective requirements and surpluses regarding the individual units' means of payment in a centralized way by granting and accepting intergroup loans. Central cash management determines the group-wide financial resources requirements on the basis of business planning. Due to available liquidity and existing credit lines, SOLARWORLD Group is not exposed to significant liquidity risks.

Promissory note loans and senior notes issued by SOLARWORLD AG contain regulations that will grant creditors the right to demand early redemption of the loans if certain financial ratios are not met (covenants). The respective relevant key data is constantly monitored and reported to the Executive Board by group controlling. In the course of the business year, these ratios were continuously exceeded and there are no indications at hand that suggest they might not be met in the future.

The following chart shows the future undiscounted cash flows of financial liabilities that affect the future liquidity status of SOLARWORLD Group.

Interest and redemption payments are taken into account. Interest and redemption payments are based on the contractually stipulated interest and redemption payments. The interest rates last specified prior to December 31, 2008 were used with regard to financial instruments subject to variable rates. The offset cash flows of the respective measurement unit are recognized to the extent to which derivative financial instruments are in an effective hedging relationship with financial liabilities.

Undiscounted cash flows per Dec 31, 2008 in k€	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 et seq.**
Issued promissory note loans	**553,136**	21,271	21,215	21,222	21,257	21,236	446,935
Issued senior notes (US Private Placement)	**175,203**	6,676	6,676	6,676	6,676	91,847	56,652
Bonds	**10,457**	605	605	9,247	0	0	0
Bank loans	**110,592**	34,101	23,996	19,337	18,075	9,442	5,641
Derivative financial instruments with no relation to financial liabilities	**1,307**	1,307	0	0	0	0	0
Trade payables	**70,413**	70,413	0	0	0	0	0
Other liabilities	**39,432**	11,946	5,237	13,243	8,632	374	0
Total	960,540	146,319	57,729	69,725	54,640	122,899	509,228

Undiscounted cash flows per Dec 31, 2007 in k€	**Total**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 et seq.**
Issued promissory note loans	**595,621**	22,002	22,036	21,980	21,987	22,042	485,574
Issued senior notes (US Private Placement)	**181,879**	6,676	6,676	6,676	6,676	6,676	148,499
Bonds	**11,359**	621	621	621	9,496	0	0
Bank loans	**94,861**	16,198	21,781	20,013	15,246	13,876	7,747
Derivative financial instruments with no relation to financial liabilities [1)]	**2,280**	2,280	0	0	0	0	0
Trade payables	**32,306**	32,306	0	0	0	0	0
Other liabilities	**33,191**	3,821	6,322	5,633	7,716	9,699	0
Total	**951,497**	**83,904**	**57,436**	**54,923**	**61,121**	**52,293**	**641,820**

1) deviatingly determined on the basis of expected cash flows

h) Fair values, carrying amounts and residual terms of financial instruments by categories

The following chart shows the fair values and carrying amounts of the financial assets and financial liabilities included in the individual balance sheet items:

Available for sale	Derivatives in hedging relations	Total carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts
		71,219	71,219		71,219
		6,042	6,042	15,122	21,164
69,650	6,924	403,363	402,921	1,051	404,414
		431,689	431,689		431,689
69,650	6,924	912,313	911,871	16,173	928,486

Available for sale	Derivatives in hedging relations	Total carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts
		112,922	**112,922**		**112,922**
		126	**126**	4,873	**4,999**
	411	**528,995**	**528,227**		**528,995**
		263,862	**263,862**		**263,862**
0	**411**	**905,905**	**905,137**	**4,873**	**910,778**

				Term to maturity		
al carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
699,543	712,178	0	699,543	24,137	48,078	627,328
70,413	70,413		70,413	70,413		
34,244	34,244	323,744	357,988	65,503	183,899	108,586
804,200	816,835	323,744	1,127,944	160,053	231,977	735,914

				Term to maturity		
al carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
641,165	**638,299**	0	**641,165**	20,443	65,381	555,341
32,306	**32,306**		**32,306**	32,306		-
24,746	**24,746**	203,444	**228,190**	39,785	112,397	76,008
698,217	**695,351**	**203,444**	**901,661**	**92,534**	**177,778**	**631,349**

Trade receivables include receivables from construction contracts in an amount of k€ 4,359 (prior year: k€ 6,413).

Most of the trade receivables, other receivables and assets, liquid funds, trade payables as well as the most significant part of the other liabilities in the scope of IFRS 7 have short residual terms. Thus, their carrying amounts per balance sheet date nearly equal their fair values.

Other liabilities include financial liabilities to employees from an internal plan regarding the profit-oriented employee compensation. The liabilities are subject to variable interest rates. Therefore, the fair value at balance sheet date equals the carrying amount.

i) Net gains and losses by measurement category
Net gains and losses of the measurement categories "financial assets designated as at fair value through profit or loss" and "financial assets held for trading" can be taken from other financial result in item 31. In addition to results from fair value measurement, they also include interest, dividend and currency effects.

In addition to losses from exchange effects mentioned below, net gains and losses of the measurement category "loans and receivables" mainly contain allowances in an amount of k€ 1,024 (prior year: k€ 604). The latter are included in other operating expenses.

With respect to the measurement categories "loans and receivables" and "financial liabilities measured at amortized cost", net gains and losses also include losses from currency effects which were not allocated to the individual categories for reasons because of cost and benefit consideration. The balance made for losses from currency effects in an amount of k€ 2,447 (prior year: k€ 2,238). Gains and losses from currency effects are recognized in other operating income and other operating expenses, respectively.

In addition to part of the mentioned losses from currency effects, gains from repayment of financial liabilities in an amount of k€ 1,429 need to be considered in net results of "financial liabilities measured at amortized cost". These gains are recognized in "other financial income".

Thus, net losses from the measurement categories "loans and receivables" and "financial liabilities measured at amortized cost" in total amount to k€ 2,042 (prior year: k€ 2,842).

With regard to "financial assets available for sale" k€ 286 (prior year: k€ 0) were recognized in the IAS 39 reserve thereby resulting in neither profit nor loss in addition to interest income of k€ 409 (prior year: k€ 0) recognized through profit and loss.

j) Hedging
SOLARWORLD Group concluded an interest rate swap ("static pay – variable receipt") with a nominal volume of k€ 40,000 for hedging the cash flow risk of a variable interest loan, the term of the swap expiring at the end of 2013. The variable interest bank loan was designated hedged item. This hedging is aimed at transforming the variable interest bank loan in fixed interest financial liabilities. The fair value of the interest rate swap amounts to k€ -1,100 (prior year: k€ 411) at balance sheet date.

For hedging existing currency risks from senior notes denominated in US dollar, SOLARWORLD Group has five cross currency swaps ("static pay in € – static receipt of USD"), the nominal volume of which amounts to a total of kUSD 175,000. The senior notes denominated in US dollar were designated hedged items. The hedging is aimed at transforming the US dollar liabilities regarding the nominal amount as well as the open interest payments to financial liabilities in €. The fair values of the swaps amounted to a total of k€ 6,924 (prior year: k€ -7,427) at balance sheet date.

Proof of prospective effectiveness is provided by way of the critical terms match method. The retrospective effectiveness is regularly provided by means of the hypothetical derivative method. The results of the retrospective effectiveness tests ranged within a scope of 80 to 125 %. Thus, highly effective hedging can be assumed. An unrealized gain of k€ 9,148 (prior year: k€ 3,302) was therefore recognized in equity per balance sheet date.

59. COMMENTS ON THE CASH FLOW STATEMENT

Cash flow from discontinued operations
The cash flow statement shows cash flows including those of discontinued operations. The following cash flow proportions fall upon discontinued operations:

in k€	2008	2007
Cash flow from operating activities	0	1,051
Cash flow from investment activities	12,996	-451
Cash flow from financing activities	0	-676
Net changes in cash and cash equivalents	12,996	-76

Cash flow from operating activities
Cash flow from operating activities was prepared in accordance with the indirect method. At first, the pretax result used as a starting point is adjusted by earnings and expenses that are not cash-effective. This makes for the cash flow from operating results. Changes regarding prepayments and customer advances, inventories, securities categorized as held for trading and remaining net assets are considered in cash flow from operating result and changes in net assets.

Customer advances and prepayments particularly concern noncurrent selling agreements regarding silicon wafers and noncurrent purchase agreements regarding elemental silicon concluded in a timely connection. The following chart illustrates the cash inflows and outflows resulting therefrom:

in k€	2008	2007
Increase in customer advances	108,425	103,598
Increase in prepayments	-119,215	-131,624
Cash flow decrease (-)	-10,790	-28,026

Interest paid and interest received are included in cash flow from financing activities and cash flow from operating activities, respectively.

Cash flow from investment activities
Cash flow from investment activities includes payments for asset investments as well as investment grants received for this purpose. In addition, the item contains payments in connection with financial investments and cash inflows from the disposal of 65 % of the shares in the subsidiary GÄLLIVARE PHOTOVOLTAIC AB.

Cash flow from financing activities
Cash flow from financing activities takes into account the increased financial debts. Dividend distributions to the shareholders of SOLARWORLD AG are included as payments. Lastly, interest paid is shown as part of the cash flow from financing activities.

Cash and cash equivalents
Cash and cash equivalents comprise the balance of the liquid funds recognized on the balance sheet in an amount of k€ 431,689 (prior year: k€ 263,862) and of the liabilities due on a daily basis recognized in the item current financial liabilities in an amount of k€ 8,335 (prior year: k€ 0). Part of the prior year's cash and cash equivalents (k€ 1,718) fell upon discontinued operations.

60. CONTINGENT LIABILITIES

Substantial contingent liabilities did not exist at balance sheet date.

61. RELATED PARTY DISCLOSURES

In the reporting year 2008, the following material transactions involving related parties were carried out:

Administration and commercial property in Bonn was leased from members of the Asbeck family, the annual rent amounting to m€ .6 (prior year: m€ .6). SOLARWORLD AG recognized liabilities of k€ 30 (prior year: k€ 0) at balance sheet date.

In the course of the reporting year, deliveries and services in an amount of m€ 4.8 (prior year: m€ 21.5) were rendered to SOLARPARC GROUP, m€ 5.5 (prior year: m€ 17.8) of which were still unsettled per balance sheet date because one project was brought to account only per year-end and a security deposit for a project of the reporting year 2007 is still outstanding. In addition, SOLARWORLD Group received management and planning services in an amount of k€ 203 (prior year: k€ 195) from SOLARPARC AG.

For interim financing of a project, SOLARWORLD AG issued an absolute guarantee in an amount of k€ 12,667 for SOLARPARC AG to Deutsche Bank AG, Düsseldorf. In the course of the reporting year, SOLARWORLD AG received k€ 326 from SOLARPARC AG for interim financing.

GÄLLIVARE PHOTOVOLTAIC AB rendered toll manufacturing services in an amount of k€ 15,257 (prior year: k€ 0) for SOLARWORLD Group. Therefrom, liabilities of k€ 5,124 (prior year: k€ 0) existed per balance sheet date. Furthermore, SOLARWORLD Group has received transport services from GÄLLIVARE PHOTOVOLTAIC AB in amount of k€ 311 (prior year: k€ 0). Therefrom, no liabilities exist any more as of balance sheet date.

In 2008, SOLARWORLD AG issued a short-term loan to a jointly controlled entitiy. As of balance sheet date, the loan amounts to k€ 1,796 (prior year: k€ 0). In the course of the reporting year, SOLARWORLD AG received interest amounting to k€ 10 (prior year: k€ 0) from this jointly controlled entity in this regard. In addition, SOLARWORLD AG made a prepayment to a jointly controlled entity, which, at balance sheet date, is recognized on the balance sheet in an amount of k€ 11,400 (prior year: k€ 0).

SOLARWORLD Group sold cells,raw materials as well as services in an amount of k€ 4,761 (prior year: k€ 472) to jointly controlled entities. Accounts receivable from these transactions amount to k€ 1,138 (prior year: k€ 0) per balance sheet date.

From jointly controlled entities wafers, silicon as well as toll manufacturing services have been purchased in an amount of k€ 6,173 (prior year: k€ 1,149). As of balance sheet date, liabilities from these transactions amount to k€ 343 (prior year: k€ 0).

Deposit obligations with regard to a jointly controlled entity make for liabilities of m€ 1.4 (prior year: m€ 1.5).

The law firm of Schmitz Knoth Rechtsanwälte, Bonn – a party related to the Chairman of the Supervisory Board, Dr. Claus Reckten-wald, in terms of IAS 24 – is concerned with SOLARWORLD Group's legal issues. Upon approval of the Supervisory Board, a total fee amount of m€ .6 (prior year: m€ .4) was rewarded for these services in 2008.

Remuneration of the members of the Executive Board is presented in a separate item or in the remuneration report, which is part of the management report.

All transactions were handled in compliance with the arm's length principle.

62. EMPLOYEES

The average number of employees amounted to 1,662 (prior year: 1,410) and falls upon the company's areas of operation or segments as follows:

	2008	2007
Wafer production	915	792
Cell production	223	217
Module production	345	249
Trade and Group headquarters	179	152
	1,662	1,410

Per December 31, 2008, the number of employees amounted to 1,825 (prior year: 1,486), including 83 trainees (prior year: 66).

63. EXECUTIVE BOARD AND SUPERVISORY BOARD

For assuming their duties in both parent company and subsidiaries in 2008, the members of the Executive Board received a total remuneration of k€ 2,669 (prior year: k€ 2,504), which includes variable remuneration of k€ 1,815 (prior year: k€ 1,722).

For assuming their duties in both parent company and subsidiaries in 2008, the members of the Advisory Board received remuneration including reimbursements in a total amount of k€ 293 (prior year: 226), each plus statutory VAT. The total includes variable remuneration of net k€ 114 (prior year: k€ 109).

Individualized disclosures regarding the remuneration of the Executive Board are included in the company's management report.

As in prior year, the Executive Board members are:

Dipl.-Ing. Frank H. Asbeck (Chairman)
Dipl.-Ing. Boris Klebensberger (Operations)
Dipl.-Kfm. tech. Philipp Koecke (Finance)
Dipl.-Wirtschaftsing. Frank Henn (Sales)

At balance sheet date, the Chairman of the Executive Board, Frank H. Asbeck, directly and indirectly held 25 % (prior year: 25 %) of the shares in SOLARWORLD AG.

As in prior year, the Supervisory Board members are:

Dr. Claus Recktenwald (Chairman), Rechtsanwalt and Partner with the partnership Schmitz Knoth, Bonn
Dr. Georg Gansen (Vice-Chairman), Rechtsanwalt / in-house lawyer at Deutsche Post AG, Bonn
Dr. Alexander von Bossel, LL.M (Edinb.); Rechtsanwalt and Partner with CMS Hasche Sigle, Partnerschaft von Rechtsanwälten und Steuerberatern, Cologne

Frank H. Asbeck, Chairman of the Executive Board, is Chairman of the Supervisory Board of DEUTSCHE SOLAR AG as well as of SUNICON AG

Dr. Claus Recktenwald, Chairman of the Supervisory Board, is Chairman of the Supervisory Board of SOLARPARC AG, Vice-Chairman of the Supervisory Board of DEUTSCHE SOLAR AG, Vice-Chairman of the Supervisory Board of SUNICON AG as well as member of the Supervisory Boards of VEMAG Verlags- und Medien Aktiengesellschaft, Cologne, and Wanderer-Werke AG, Augsburg.

Dr. Georg Gansen, Vice-Chairman of the Supervisory Board, is also the Vice-Chairman of the Supervisory Boards of SOLARPARC AG, DEUTSCHE SOLAR AG and SUNICON AG.

Dr. Alexander von Bossel, member of the Supervisory Board, is also a member of the Supervisory Board of SOLARPARC AG.

64. AUDITOR'S FEES

In 2008, the fees of the auditor of the consolidated financial statements, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg/Bonn, including reimbursement of costs, amount to:

a) Year-end audits k€ 500 (prior year: k€ 535)
b) Other certification and valuation services k€ 11 (prior year: k€ 31)
c) Tax consultancy services k€ 13 (prior year: k€ 59)
d) Other services rendered for the parent company or subsidiaries k€ 4 (prior year: k€ 120)

65. CORPORATE GOVERNANCE

On September 29, 2008 and October 20, 2008, Supervisory Board and Executive Board, respectively, issued the statement required by §161 AktG, stating that the recommendations of the "Regierungskommission Deutscher Corporate Governance Kodex" ("Government Commission German Corporate Governance Code") as announced by the Federal Ministry of Justice were and are complied with. The statement is published on the website of SOLARWORLD AG.

Bonn, 16 March 2009

Dipl.-Ing.Frank H. Asbeck
Chairman of the Board

Dipl.-Wirtschaftsing. Frank Henn
Executive Board member/Sales

Dipl.-Kfm. tech. Philipp Koecke
Executive Board member/Finance

Dipl.-Ing. Boris Klebensberger
Executive Board member/Operations

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by SOLARWORLD AG, Bonn, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bonn, 16 March 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gorny
Wirtschaftsprüfer
(German Public Auditor)

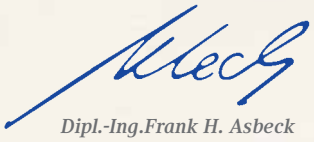
ppa. Lubitz
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Bonn, 16 March 2009

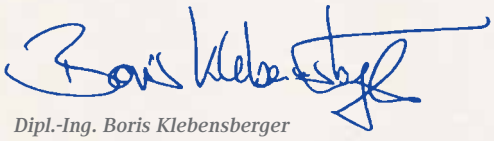
SOLARWORLD AG
Board of Management



Dipl.-Ing.Frank H. Asbeck
CEO

Dipl.-Wirtschaftsing. Frank Henn
CSO

Dipl.-Kfm. tech. Philipp Koecke
CFO



Dipl.-Ing. Boris Klebensberger
COO

3.8 %

EMPLOYEE FLUCTUATION IN 2008

SUSTAINABILITY IN FINANCIAL YEAR 2008

Dipl.-Ing. Frank H. Asbeck
CEO of SolarWorld AG

Letter by the Chairman

Dear Customers, Shareholders, Employees and Friends of SOLARWORLD AG,

As an international group of companies we attach particular importance to sustainable management. It is indeed a fundamental principle of the SOLARWORLD Group and we have therefore decided – as in the previous year – to publish an integrated annual and sustainability report which underlines the fact that we have included the concept of sustainability in our strategic decision making.
Group Management Report • *p. 048 //*

Yet, why is it so important to deal in such great detail with sustainable management and what makes it so special? Sustainable development is designed to lead to a situation where present generations can satisfy their own needs without jeopardizing the potential needs of future generations. But also among the generations living today, e.g. between the poor and the rich countries, equal opportunities and the fair distribution of resources are core topics of the sustainability debate.

Sustainability can be structured in three dimensions – economically, ecologically and socially – with all three aspects always having to be viewed in conjunction, i.e. in an integrated way, because they are very closely interconnected.

It is only such a comprehensive approach that will make it possible to better anticipate opportunities and risks. We are therefore convinced that a broadly based sustainability management will produce crucial innovative and competitive advantages in the future and will not only do so in industrialized countries but also in developing and threshold countries. For us these regions are even of particular importance when it comes to opening up new markets.

This is why we further enhanced our group-wide sustainability management program in 2008. Solar energy is our answer to climate change and increasing scarcity of resources. It is our core competency. But also beyond that we want our actions to be consistently guided by the principles of sustainability. In our sustainability report you can retrace this development.

We have come out in favor of the GRI reporting framework because it is the result of a dialogue process between stakeholders and sets a generally applicable international standard. This year we are using the

GRI reporting framework for the second time already and like in the previous year we reached the A+ reporting level. In addition, we included the sustainability indicators of the German Association for Financial Analysis and Asset Management (DVFA = Deutsche Vereinigung für Finanzanalyse und Asset Management) in our reporting in 2008 for the first time. These DVFA criteria are subject to continuous further development. We actively participate in these discussions and will take any progress made into consideration.

Our vision and strategy are extensively spelled out in the Group Annual Report *Strategy and Action • p. 050// Corporate Management and Control • p. 067//* With our sustainability strategy we are placing the topics of quality and environmental management *Quality and Environmental Management • p. 087//* as well as our corporate social responsibility engagement *www.solarworld.de/sustainability//* fairly and squarely into the focus of our activities. The foundation for this is our economic success: It gives us a firm footing and the necessary leeway for action.

Together with my colleagues on the Executive Board I invite you to gain your own impression of the achievements and challenges of the SOLARWORLD Group which we have summarized for you in this annual report. We would welcome your comments and suggestions and wish to encourage you to enter into a dialogue with us via *sustainability@solarworld.de//* We look forward to your feedback!

Please, also visit our website where you will find detailed information about our corporate social responsibility commitment. *www.solarworld.de/sustainability//*

With sunny regards,

Dipl.-Ing. Frank H. Asbeck
Chairman and CEO of SolarWorld AG

ANNEX TO THE ANNUAL GROUP REPORT FOR FISCAL YEAR 2008

The German Association for Financial Analysis and Asset Management (DVFA) Commission on Non-Financials (CNF) has been working since 2006 on the development of Key Performance Indicators for the integration of extra- and non-financial performance indicators on ESG (Environmental, Social, Governance), Sustainability, Corporate Governance and Risk Management into the established corporate analysis and investment decision methodology. We are actively participating in this discussion and are for the first time including the current state of the DVFA criteria (as at 2008) in our reporting. Until the time of writing the required data have not yet come to hand for all the criteria. Progress is to be shown annually.

(47) SOLARWORLD AG // KEY PERFORMANCE INDICATORS OF DVFA (DEUTSCHE VEREINIGUNG FÜR FINANZANALYSE UND ASSET MANAGEMENT)

General Key Performance Indicators for Environment, Social and Governance Issues (KPIs for ESG)

	Prio	Indicator	Name	Definition	2008	2007	2009 [1]	Comment
1	1	ESG 1-1	Total Energy Consumption	Total corporate energy consumption (primary & secondary sources) in MWh	270,290	194,003	N.R.	As in previous year a growth of some 40% is expected.
2	1	ESG 1-2	Energy Intensity	Total corporate energy consumption / sales (Euro)	300	281	N.R.	Production figures are not disclosed. Production ramp-up leads to short-term increase in energy intensity. Price developments could impair meaningfulness of indicator.
3	1	ESG 2-3	Renewable Energy	Investments in renewable energy consumption as percentage of total investments	100%	100%	100%	Due to the business field all investments are connected to the use of renewable energies.
4	1	ESG 3-1	Staff Turnover	Percentage of full-time employees leaving in year / total number of employees	65	94	N.R.	No difference is made between full time and part time.
5	1	ESG 4-2	Training & Qualification	Average expenditure on training / employee in Euro	382.13	387.37	N.R.	Estimate. A uniform group-wide definition of training is being developed.
6	1	ESG 5-2	Maturity of Workforce	Percentage of workforce to retire within the next 5 years of reported period	N.R.	N.R.	N.R.	Not significant; not yet identified for reporting purposes.
7	1	ESG 6-1	Absenteeism Rate	Working times lost / employee	50	42	N.R.	Measured in hours rather than days.
8	1	ESG 7-1	Restructuring related relocation of jobs	Total cost of relocation in Euro including indemnity, pay-off, outplacement, hiring, training, consulting	N.R.	N.R.	N.R.	Not significant; not yet identified for reporting purposes.
9	1	ESG 8-1	Contributions to political parties	Contributions to political parties in Euro / revenue	45,000	N.R.	N.R.	
10	1	ESG 9-1	Anti-competitive behavior, anti-trust, monopoly practices	Expenses and fines on actions and law suits related to anti-competitive behavior, anti-trust and monopoly practices	N.R.	N.R.	N.R.	Not significant; not yet identified for reporting purposes.
11	1	ESG 10-1	Corruption	Percentage of business in regions with Corruption Index below 6.0	16%	10%	N.R.	Estimate; relates to trading segment only. Corruption Perceptions Index 2008.
12	1	ESG 11-1	Customer Satisfaction	Percentage of satisfied customers as percentage of total customers	N.R.	N.R.	N.R.	No aggregate figure available (planned for 2009). Customer satisfaction could be increased for 70% of criteria.
13	1	ESG 12-1	Revenues from New Products	Percentage of revenues from products with lifecycle shorter than 12 months	N.R.	N.R.	N.R.	Not yet identified for reporting purposes.

Sector specific Key Performance Indicators for Environment, Social and Governance Issues (KPIs for ESG)

	Prio	Indicator	Name	Definition	2008	2007	2009 [1]	Comment
14	1	ESG 13-8	CO_2 Emissions	CDP definition	96,297	76,724	N.R.	Estimate.
15	1	ESG 14-8	NO_X, SO_X Emissions of all Production Sites; Entire Company	GRI definition (tonnes)	2	0.33	N.R.	Estimate.
16	1	ESG 15-1	Waste	Total waste related to production / number of units produced (in tonnes)	9,322	11,488	N.R.	Estimate, only reported absolutely as production figures (in MW) are not disclosed.
17	1	ESG 16-2	Environmental Compatibility	Percentage of ISO 14001 certified sites (weighted by average capacity)	74%	14%	67%	Not yet USA due to relatively small production / trading volumes (planned certification 2010 at earliest).
18	1	ESG 17-1	End-of-lifecycle impact	Percentage of material recovered for reuse at end of lifecycle of product	N.R.	N.R.	N.R.	Member of PV Cycle; products fully recyclable; goal: to maximize material recovery for new PV products; recycling of SolarWorld modules so far not significant due to reliable long-life technology.
19	1	ESG 18-1	Diversity	Female employees as percentage of total employees	19%	23%	N.A.	
20	2	ESG 23-1	Supplier agreements and supply chain partners screened for compliance with ESG	Number of suppliers screened for compliance with ESG as percentage of total number of suppliers	N.R.	N.R.	N.R.	Ad-hoc screenings, but no formal process yet; to be institutionalized in future; largely internal suppliers (strategy of vertical integration) that are fully controlled (for this SolarWorld received the German Sustainability Award in 2008).
21	2	ESG 24-2	Health & Safety aspects of products	Number of product recalls for safety or health reasons as percentage of total products sold or shipped	0	0	0	Only exchange of rubber seal.
22	2	ESG 25-1	Litigation payments	Total litigation payments in Euro	N.R.	N.R.	N.R.	Not yet identified for reporting purposes.
23	2	ESG 26-1	Dimension of pending legal proceedings	Amount in dispute / controversy from legal proceedings	N.R.	N.R.	N.R.	Not yet identified for reporting purposes.
24	1	ESG 27-1	R&D expenses	Total R&D expenses in m Euro	13.0	10.8	N.R.	Development of spending on R&D in 2009+ will be in line with production growth.
25	2	ESG 28-1	Patents	Number of patents registered within the last 12 months	25	6	N.R.	Number of patents granted and applied for as per 31.12.2008: 211, divided into 95 patent families, of which granted patents: 131.
26	2	ESG 30-2	Customer Retention	Average length of time of customer relationship in years	N.R.	N.R.	N.R.	Not yet identified for reporting purposes.

1) Target value
N.R. = not reported

THE DVFA

The DVFA has for years been considered the trend setter for industry standards, like for example the German Standards for Financial Research (Deutsche Grundsätze für Finanz-Research = DGFR), the standards for effective financial communication as well as the rating and validation standards.

DISCLOSURE TO GLOBAL REPORTING INITIATIVE STANDARD

BE INDEPENDENT | **BE SUSTAINABLE** | **BE SUCCESSFUL**

GRI APPLICATION FRAMEWORK

APPLICATION LEVELS		C	C+	B	B+	A	A+
REQUIRED CRITERIA	G3 Profile Disclosures (OUTPUT)	REPORT ON: 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.11–4.15	IF REPORT IS EXTERNALLY CONFIRMED	REPORT ON: all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5–4.13, 4.16–4.17	IF REPORT IS EXTERNALLY CONFIRMED	REPORT ON: same requirements as for Level B	IF REPORT IS EXTERNALLY CONFIRMED
	G3 Management Approach Disclosures (OUTPUT)	No disclosure of Management Approach.		Management Approach disclosed for each Indicator Category.		Management Approach disclosed for each Indicator Category.	
	G3 Performance Indicators & Sector Supplement Performance Indicators (OUTPUT)	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic and environment.		Report on a minimum of 20 Performance Indicators, including at least of from each of: economic, environment, human rights, labor, society, product responsibility		Respond on each core G3 and Sector Supplement indicator* with due regard to the Materiality Principle by either: a) reporting on the indicator, or b) explaining the reason for its omission.	

* where final version of sector supplement is available

STEP 1

Self-categorization.

STEP 2

The KPI section was audited by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft. BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft also takes account of information from audits according to ISO 9001 and 14001. Unless otherwise indicated the GRI data refer to the SOLARWORLD GROUP.

STEP 3

The GRI has confirmed that our reporting meets the requirements of Application Level A+.

(48) GRI INDEX

Disclosure to GRI standard		Seite	Status
1.1	Statement from the most senior decision-maker	*067ff., 072ff., 203f.*	●
1.2	Key impacts, risks and opportunities	*055f., 072ff., 110ff., 116ff., 126ff., 210ff.,*	●
2.1	Name of organization	*049*	●
2.2	Brands, products, services	*056f.*	●
2.3	Operational structure	*052ff.*	●
2.4	Location of the organization's headquarters	*052*	●
2.5	Countries where the organization operates	*053f.*	●
2.6	Nature of ownership	*094*	●
2.7	Markets served	*053f., 072ff.*	●
2.8	Scale of organization	*100ff., 110ff.*	●
2.9	Significant changes in size, structure or ownership	*124f., 139ff.*	●
2.10	Awards	*212f.*	●
3.1	Reporting period	*213*	●
3.2	Date of last report, if applicable	*213*	●
3.3	Reporting cycle (annual, biennial, etc.)	*213*	●
3.4	Contact for questions on report or its contents	*214*	●
3.5	Process for defining report content	*214*	●
3.6	Reporting boundary	*214f.*	●
3.7	Limitations on scope of reporting	*215*	●
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations	*215*	●
3.9	Data measurement techniques	*215*	●
3.10	Re-statement of information from earlier reports	*215*	●
3.11	Changes in reporting scope, boundary or measuring methods	*215*	●
3.12	GRI index	*This table*	●
3.13	External assurance	*216*	●
4.1	Governance structure of the organization	*057ff.*	●
4.2	Indication whether the Chair of the highest governance body is at the same time the Managing Director	*057ff.*	●
4.3	Details of unitary organization	*N.A.*	●
4.4	Mechanisms for recommendations or instructions to the highest governance body	*057ff.*	●
4.5	Relationship between compensation for members of the highest governance body, senior executives, and members of the Executive Board on the one hand, and the organizations' performance on the other	*216*	●
4.6	Mechanisms for avoicance of conflicts of interest within the highest governance body	*057ff., 067ff., 216*	●
4.7	Qualifications and expertise of members of the highest governance body with respect to sustainability topics	*216*	●
4.8	Statements of mission, code of conduct, principles	*050f. , 067ff., 087ff., 098f., 110ff., 216*	●
4.9	Procedures of highest governance body for overseeing sustainability performance	*067ff., 087ff., 216*	●
4.10	Procedures for evaluating the highest governance body's own sustainability performance	*217*	●
4.11	Precautionary principle	*087ff., 090ff., 126ff., 217*	●
4.12	External agreements, principles or initiatives	*082f., 217*	●
4.13	Memberships	*218f.*	●
4.14	Stakeholder groups	*220*	●
4.15	Selection of stakeholders	*220*	●
4.16	Engagement of stakeholders	*080ff., 084ff., 110ff., 221*	●
4.17	Key topics and concerns raised by stakeholders	*221*	●
5.	Management approach EC, EN, LA, HR, SO, PR	*050f., 067ff., 087ff., 110ff., 222ff.*	●
	Economic		
EC1	Direct economic value generated and distributed	*226*	○ [1,3]
EC2	Financial implications due to climate change	*227*	●
EC3	Coverage of organization's defined benefits plan	*227*	○ [2]
EC4	Financial assistance received from government	*227*	●
EC5	Entry level wage compared to local minimum wage	*Additional indicator*	Data
EC6	Selection of locally based suppliers	*227*	●
EC7	Locally based hiring of employees	*227*	●
EC8	Infrastructure investments and services provided mainly for public benefit	*228*	●
EC9	Indirect economic impacts	*Additional indicator*	N.M.
	Environmental		
EN1	Materials used	*228*	○ [3]
EN2	Recycling input materials	*228*	○ [2,3]
EN3	Direct primary energy consumption	*229*	○ [1]
EN4	Indirect primary energy consumption	*229*	○ [1,2]
EN5	Energy savings	*Additional indicator*	Data
EN6	Initiatives for energy efficiency and renewable energy	*Additional indicator*	Data
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	*Additional indicator*	Data
EN8	Total water withdrawal	*229*	○ [1]
EN9	Impact of water consumption	*Additional indicator*	N.M.
EN10	Water recycled and reused	*Additional indicator*	N.M.
EN11	Land in or adjacent to protected areas or areas of high biodiversity value	*229*	●
EN12	Impact on biodiversity	*229*	●
EN13	Habitats protected or restored	*Additional indicator*	N.M.
EN14	Strategies for protection of biodiversity	*Additional indicator*	N.M.
EN15	Threatened species	*Additional indicator*	N.M.
EN16	Greenhouse gas emissions	*229*	●
EN17	Other relevant indirect greenhouse gas emissions	*230*	○ [2]
EN18	Initiatives to reduce greenhouse gas emissions	*Additional indicator*	Data
EN19	Emissions of ozone-depleting substances	*230*	●
EN20	NO_x, SO_x and other air emissions	*230*	●
EN21	Total water discharge	*230*	○ [1,2]
EN22	Waste by type and disposal method	*231*	○ [1,2]
EN23	Significant spills	*231*	●
EN24	Hazardous waste under Basel Convention	*Additional indicator*	N.A.
EN25	Impact of water discharges on biodiversity	*Additional indicator*	N.Z.

Disclosure to GRI standard		Seite	Status
EN26	Initiatives to mitigate environmental impacts	*231*	●
EN27	Packaging materials	*231*	○ 2)
EN28	Sanctions for non-compliance with environmental laws and regulations	*231*	●
EN29	Environmental impacts of transporting products	*Additional indicator*	Data
EN30	Environmental protection expenditure	*Additional indicator*	Data
	Social		
LA1	Total workforce by employment type, employment contract and region	*232*	○ 2, 3)
LA2	Employee turnover	*232*	○ 2, 3)
LA3	Benefits to full-time employees	*Additional indicator*	Data
LA4	Employees covered by collective bargaining agreements	*232*	●
LA5	Minimum notice periods regarding significant operational charges	*233*	●
LA6	Employees represented in health & safety committees	*Additional indicator*	N.M.
LA7	Injuries, occupational diseases, lost days, absenteeism and work-related fatalities	*233*	○ 3)
LA8	Education and training on serious diseases	*233*	●
LA9	Health & safety topics covered in agreements with trade unions	*Additional indicator*	N.M.
LA10	Initial and further training for employees	*234*	○ 2)
LA11	Programs for skills management and life-long learning	*Additional indicator*	N.M.
LA12	Performance and career development reviews for employees	*Additional indicator*	Data
LA13	Composition of governance bodies	*234*	○ 2, 3)
LA14	Ratio of basic salary of men to women	*235*	○ 2, 3)
HR1	Investment agreements	*235*	●
HR2	Screening of suppliers and contractors on human rights	*235*	●
HR3	Training on aspects of human rights	*Additional indicator*	N.A.
HR4	Incidents of discrimination	*235*	●
HR5	Freedom of association and collective bargaining	*235*	○ 2)
HR6	Child labor	*235*	○ 2)
HR7	Forced and compulsory labor	*235*	○ 2)
HR8	Training of security personnel	*Additional indicator*	Data
HR9	Violations of rights of indigenous people	*Additional indicator*	N.A.
SO1	Impact on communities	*236*	○ 2)
SO2	Risks related to corruption	*236*	●
SO3	Training in anti-corruption policies	*236*	●
SO4	Corruption incidents and action taken	*236*	●
SO5	Lobbying	*236*	●
SO6	Contributions to political parties, politicians and related institutions	*Additional indicator*	N.M.
SO7	Legal actions for anti-competitive behavior	*Additional indicator*	N.A.
SO8	Sanctions for non-compliance with laws and regulations	*236*	●
PR1	Impacts on customer health and safety	*236*	●
PR2	Non-compliance with health and safety regulations and voluntary codes	*Additional indicator*	N.A.
PR3	Product information	*236*	●

Disclosure to GRI standard		Seite	Status
PR4	Non-compliance with codes concerning product labeling	*Additional indicator*	N.A.
PR5	Customer satisfaction	*Additional indicator*	Data
PR6	Standards related to advertising	*237*	●
PR7	Non-compliance with marketing standards	*Additional indicator*	N.A.
PR8	Breaches of customer data privacy	*Additional indicator*	N.A.
PR9	Sanctions for non-compliance with product and service regulations	*237*	●
+	**Confirmation**	*238*	●
+	**No appropriate sector supplements exist**		N.A.

LEGEND // GRI INDEX

● Reported in full

○ Reported in part: On the following pages it is comprehensively described in the text which aspects of the performance indicators are reported and which are not including an explanation for this selection.

Data Data not available

N.M. Not material

N.A. Not applicable

1) **Explanation Type 1:** The performance indicator is not material or not applicable. An explanation is provided on why the performance indicator is immaterial with regard to tests and concepts of the materiality principle. An explanation is given on why immateriality exists with regard to business processes and why corporate activities in this specific area do not have any effect.

2) **Explanation Type 2:** Information on the performance indicators is not available. The barriers to data capture and improvement plans are explained. The time horizon for implementation of the improvements is extensively explained in the sections on the following pages and further specified (short-term, mid-term, long-term).

3) **Explanation Type 3:** Information on the performance indicators is not allowed (protected). It is outlined to what extent data must not be reported, i.e. whether data capture/disclosure is legally prohibited or whether the performance indicator represents confidential business information.

e) Estimated data

STRATEGY AND MANAGEMENT

/ 1.1 / STATEMENT FROM THE MOST SENIOR DECISION-MAKER

Letter by the Chairman • *p. 203//*

/ 1.2 / KEY IMPACTS, RISKS AND OPPORTUNITIES

SECTION 1: MAIN IMPACTS OF SOLARWORLD ON SUSTAINABILITY AND CONSEQUENCES FOR STAKEHOLDER GROUPS

The power of the sun – it is available to all people worldwide. In human terms, solar radiation represents an inexhaustible source of energy. The production of energy generation systems only requires a fraction of the energy generated by the system during its lifecycle. *Energy Recycle Time* • *p. 021//* Use of such systems does not pose any hazards, production is reliable. Solar power in combination with other renewable sources of energy is therefore the response to global energy scarcity and increasing climate change. SOLARWORLD has a direct impact on the progress of solar energy and thus the lives of millions of people worldwide.

(49) EFFECTS OF SOLARWORLD AG

Economic aspects Profitability as a fundamental prerequisite for sustainable economic action; customer orientation (price/performance ratio, guarantees, delivery reliability, service); compliance with quality standards; contribution to technological development
Ecological aspects Consideration of ecological aspects in operative business; controlled use of resources; use for conservation of resources and climate protection; recycling
Social aspects Creation of jobs; shaping working conditions; qualification in the organization; provisioning for old age
Corporate governance Compliance with the law; maintaining employees' rights; fair business relationships; reliability; solid investment for investors (transparency, accuracy of disclosures and good corporate governance); fair competition

50 POSSIBLE CONSEQUENCES FOR STAKEHOLDERS

Opportunities	Stakeholders	Priority	Reasons
Job security in a growth and future market	Employees	high	In particular due to the current financial crisis, differentiation in the market
Participation in changes towards sustainable social development	Employees	high	Strengthens employee motivation and identification with their own work
Financial participation in the success of the company	Employees	medium	Identification with corporate development (feeling of appreciation in good times, solidarity in bad times)
Guaranteed product quality	Customers	medium	Long-term investment
Growth and security due to solid business relations with SOLARWORLD (competent high-quality manufacturer with longstanding expertise)	Customers, suppliers	high	Increasing competitive pressure, long-term networks as intangible resources
Ethically acceptable business practices	Customers, suppliers	medium	Differentiation in the market, preventing scandals and proceedings, protection of corporate image
Reliable finance partners	Shareholders, banks, creditors, suppliers, customers	high	In particular due to the current financial crisis, differentiation in the market, protecting ownership
Potential consideration in sustainability funds	Shareholders	high	For long-term investments, steady and strong growth over many years
Risks			
Potential termination of the employment relationship by the company	Employees	low	Few employees affected due to growth in sector and organization
Work-related illness, accidents	Employees	medium	Health and safety management reduces accidents; no serious work-related illnesses were reported (reported on a voluntary basis)
Permanent change processes, rapid change	Employees	medium	Finding the right measure so that employees work productively
Sanctions in the event of rescission from contract, non-performance/faulty performance	Customers, suppliers	medium	Intact customer and supplier networks as valuable resource; investment in long-term good business relationships
Demand overhang, supply shortages and high prices	Customers	medium	Bottleneck constellation in the market is declining
Supply overhang: excess supplies and price slumps	Suppliers	medium	Tightening of the legal framework, market consolidation to be expected but strong flexibility of demand depending on price levels
Poor capital market performance, slump in equity prices	Investors (shareholders, investors, indirectly analysts and brokers)	medium	In particular due to the current crisis in the financial markets, nervous response by analysts and shareholders to corporate news
Lack of financial stability, sanctions against the company	Shareholders, banks, creditors	low	Sound corporate management, application of group-wide corporate ethics and the Code of Conduct, zero tolerance
Noise emissions in direct vicinity to the production sites	Residents/local population	medium	Production noise not to be fully avoided, full compliance with legal provisions

Services in the reporting period and performance enhancement programs 2009+.
(11) *Internal targets achieved and targets set for 2008/2009+ • p. 070 //*

SECTION 2: IMPACT OF SUSTAINABILITY TRENDS, RISKS AND OPPORTUNITIES ON THE LONG-TERM DEVELOPMENT AND FINANCIAL PERFORMANCE OF SOLARWORLD AG

Information on the corporate risks, corporate opportunities, targets achieved for 2008 and targets for 2009+ as well as governance mechanisms is provided in the management report *Group Management Report • p. 048 //*

/ 2.10 / AWARDS

AWARDS AND DISTINCTIONS RECEIVED IN THE REPORTING PERIOD:

BEST INVESTOR RELATIONS IN GERMANY (BÖRSE ONLINE), TOP POSITION

In early 2008, the readers of the economic magazine 'Börse Online' elected SOLARWORLD AG's Investor Relations department the best of all TecDAX-listed companies. The survey focused on the credibility and comprehensibility of corporate communications.

GERMANY'S BEST EMPLOYERS 2008 (GREAT PLACE TO WORK INSTITUTE DEUTSCHLAND), 57TH POSITION

Participating in the survey for the first time, SOLARWORLD was immediately put in a good 57th position. The 'Germany's best employers' list was determined on the basis of standardized assessment criteria, the Great Place to Work Trust Index and a cultural audit among employees with HR responsibilities. Participation is voluntary. Any German or foreign company and any public or private organization employing at least 50 staff in Germany is entitled to take part.

GROWTH STRATEGY LEADERSHIP (FROST & SULLIVAN), TOP POSITION

In the year under review, the top rank of the European Growth Strategy Leadership Award was awarded to SOLARWORLD ASIA PACIFIC. The Frost & Sullivan consultancy awards this prize annually to honour a company that has strengthened its market position during the completed year and whose strategy has had a lasting impact on the market.

BEST PRACTICES IN SD KPI'S (DELOITTE), TOP POSITION

In the year under review, SOLARWORLD AG was again honoured for its excellent reporting quality concerning Sustainable Development Key Performance Indicators (SD KPIs). We thus asserted our position vis-à-vis companies such as BASF or TUI. As early as in 2006, we already took top position in the best reporting list drawn up by the Deloitte consultancy and auditing company in the framework of a survey. As non-financial factors, the SD KPIs contribute substantially to a company's success. In view of the capital market professionals, the SD KPIs mentioned in the survey are of particular relevance for the development of business, the current position and the expected development of the companies.

BEST MARKETING COMPANY AWARD 2008 (BBDO CONSULTING), 3RD POSITION

SOLARWORLD was put in a very good third position in the Best Practice Marketing Award 2008. The chair for innovative brand management of Bremen University and BBDO Consulting had examined 282 listed companies for their ranking. They took account of both marketing and business performance. According to BBDO, SOLARWORLD showed a convincing performance in all application areas with top technology and quality leadership. The jury explained that the fully integrated solar value chain and the individual product brands reinforce the group's market position.

CDU NRW INNOVATION AWARD

In 2008, the Christian Democratic Party (CDU) of North Rhine Westphalia (NRW) awarded the Future and Innovation Award 2008 to SOLARWORLD AG CEO Dipl.-Ing. Frank H. Asbeck. In the presence of federal chancellor Angela Merkel and state premier Jürgen Rüttgers, the CDU acknowledged Asbeck's outstanding merits in promoting North Rhine Westphalia as a location for industry.

ONLINE INVESTOR RELATIONS BENCHMARK 2007/2008 (NETFEDERATION), 78TH POSITION

The Online IR Benchmark examines the information offered on the IR websites of the 110 companies listed in the DAX, MDAX and TecDAX. The main assessment criteria are story, service, technology and design. SOLARWORLD was placed in 78th position in this ranking in the year under review.

THE 10 LARGEST GERMAN COMPANIES IN TERMS OF STOCK MARKET CAPITALIZATION (HANDELSBLATT), 58TH POSITION

In 2008, SOLARWORLD clearly expanded its position year-on-year (2007: 64th position). Stock market capitalization is calculated as the number of shares of a company multiplied by the current stock price.

BEST ANNUAL REPORTS (MANAGER MAGAZIN), 2ND POSITION (TECDAX)
In the year under review, we achieved a further improvement in the annual ranking for the best annual reports prepared by manager magazin. Following a third position in 2007 and a seventh position in 2006, we were put in a very good second position in the TecDAX category. The jury, chaired by Prof. Jörg Baetge from Münster University as its scientific expert, checked the annual reports of the largest German companies in the categories contents, style and language.

DELOITTE TECHNOLOGY FAST 50 – SUSTAINED EXCELLENCE AWARD (DELOITTE), TOP THREE
For the first time, SOLARWORLD was presented the Sustained Excellence Award, together with two other companies, in 2008. This category serves to honour companies having shown long-term growth, in particular thanks to their innovation capability, entrepreneurial spirit and excellent performance. Apart from the Technology Fast 50 criteria, the areas assessed are management and corporate culture, competition edge or position and financial performance indicators. The assessment criterion is the average percentage sales growth in the last five financial years (2003 to 2007). In order for a company to qualify, a substantial part of its sales has to develop by itself. The award is presented by the Deloitte consultancy company.

DELOITTE TECHNOLOGY FAST 50 AWARD (DELOITTE), 17TH POSITION
SOLARWORLD AG again ranked among the strongest-growth German technology companies in 2008 and was presented an award by the Deloitte consulting company. As in previous years, we were among the 50 most successful and most strongly expanding technology suppliers. In presenting the 2008 award, the jury honoured SOLARWORLD AG's strong growth but in particular also its innovation capability, entrepreneurial spirit, employee motivation and financial success. The award was presented in cooperation with the Capital magazine, Deutsche Börse AG and the German Association for Financial Analysis and Asset Management (DVFA).

GERMAN SUSTAINABILITY AWARD (AT KEARNEY & BBDO CONSULTING), TOP POSITION 'MOST SUSTAINABLE PRODUCTION', TOP 3 'MOST SUSTAINABLE BRAND'
In the year under review, we were the only company to receive an award in two categories with the award for 'Germany's most sustainable production 2008' and the nomination as 'Germany's most sustainable brand'. A total of 350 companies had taken part, half of which were DAX 30 companies. The Sustainability Award is presented to honour companies linking up economic success and social responsibility in an exemplary manner. The jury honoured the consistent orientation of SOLARWORLD AG to sustainable products, sustainable production and sustainable commitment. In addition, the company showed distinct social engagement, e.g. in the form of the Solar2World projects providing people in developing countries and emerging economies with clean and safe solar power. The initiators of the Sustainability Award include the Council for Sustainable Development, the Potsdam Research Institute for Climate Effects and the Wuppertal Institute. The jury consists of 15 experts, including Prof. Klaus Töpfer, former director of the UN Environmental Program and federal minister for the environment, and Dr. Volker Hauff, chairman of the Council for Sustainable Development.

GERMANY'S STRONGEST-GROWTH COMPANIES (BAIN & COMPANY), TOP POSITION
SOLARWORLD AG is Germany's fastest-growing company 2008 (2006: 11th position). This is the result of a survey covering 280 listed companies by the Bain & Company consultancy. Aspects particularly honoured were the company's concentration on its core business, solar power technology, and the fact that it covers the entire value chain from raw material silicon all the way to finished solar modules. The survey also covered return, return on equity, growth and sales factors.

/ 3.1 / REPORTING PERIOD
Calendar year 2008 (1 Jan. 2008 – 31 Dec. 2008) = fiscal year 2008

/ 3.2 / DATE OF LAST REPORT
Calendar year 2007 (1 Jan. 2007 – 31 Dec. 2007)

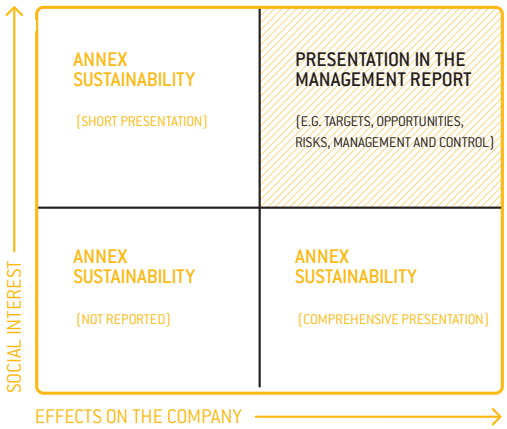
/ 3.3 / REPORTING CYCLE
Annual

/ 3.4 / CONTACT FOR QUESTIONS ON REPORT OR ITS CONTENTS
IR department

/ 3.5 / PROCESS FOR DEFINING REPORT CONTENT

MATERIALITY: Materiality is determined by the economic, environmental and social/societal impact of the various topics and indicators. Disclosure is practiced for the purpose of informing stakeholders. It includes the topics and indicators which significantly influence the assessments and attitudes of stakeholders. We assume in principle that all Core Indicators contain significant information for the stakeholders in all organizations. Regarding Additional Indicators, the data available were not sufficient in some cases. The other indicators were not considered relevant.
The following chart shows that the Annual Report covers topics of equally high priority for society and the company. Disclosures on the remaining issues are provided in the present Annex to the Annual Group Report for fiscal year 2008.

51 MATERIALITY MATRIX



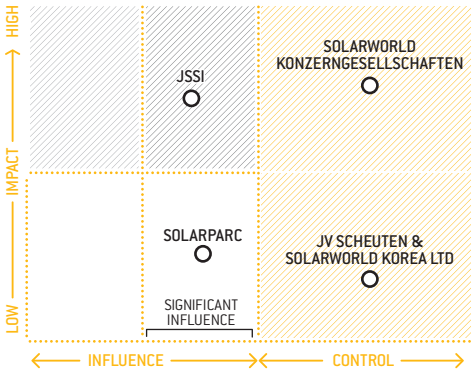
PRIORITIES: We have included the Core Indicators to the extent possible in the light of the current data situation. In some cases we have internal data available which we are not able to disclose because they include confidential information. We are making every effort to further increase the transparency of our GRI reporting. Concerning the joint ventures, we do not yet have sufficiently detailed statistical data available. This is partly due to the fact that the joint ventures have only just started to gain relevance, e.g. our silicon production by JOINT SOLAR SILICON (JSSI).

STAKEHOLDERS: The main stakeholder groups who will use the present report are investors (shareholders, institutional investors, analysts as intermediaries). In addition, the report will serve to inform employees and customers (wholesalers, installers, final customers) and suppliers of the SOLARWORLD GROUP. It will also be a source of information for the interested public.

/ 3.6 / REPORTING BOUNDARY

The general reporting boundary comprises the group with all its subsidiaries. Organizational units are included where we exercise control and substantial influence on such units. Upstream and downstream stages of the value chain outside the SOLARWORLD GROUP are included only to a limited degree, due to lack of control and influence. Any reporting boundaries that depart from this principle are indicated for each individual point of the GRI. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities (GRI). A significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control over those policies (GRI).

52 REPORTING BOUNDARY



Thus, the management approach also covers SCHEUTEN SOLARWORLD SOLICIUM GMBH UND CO. KG as well as SOLARWORLD KOREA LTD., while the strategic information of this report also includes JOINT SOLAR SILICON (JSSI) VERWALTUNGS-GMBH as well as SOLARPARC AG.

/ 3.7 / LIMITATIONS ON SCOPE OF REPORTING

Limitations on scope are currently set by the reasons indicated . *3.5 Priorities • p. 214 //*
Further details are stressed for the individual indicators.

/ 3.8 / JOINT VENTURES, SUBSIDIARIES, LEASED FACILITIES AND OUTSOURCED OPERATIONS

Subsidiaries and leased facilities are included as a matter of principle. Joint ventures are included only where we exercise control and significant influence over these entities with respect to the indicator in question. Outsourced activities are not included (e.g. logistics companies). The report boundaries were kept constant as far as possible as against the previous year so as to guarantee comparability of the reporting periods and disclosures for different organizations. Departures from this principle are marked. The results are representative of the group, or are interpreted accordingly.

/ 3.9 / DATA MEASUREMENT TECHNIQUES

The GRI Indicator Protocols were used in reporting.

/ 3.10 / RE-STATEMENT OF INFORMATION FROM EARLIER REPORTS

In contrast to the previous year, we included information on corporate risks, corporate opportunities, targets achieved in 2008 and targets for 2009+ as well as governance mechanisms in the management report and adjusted the form of presentation.

/ 3.11 / CHANGES IN REPORTING SCOPE, BOUNDARY OR MEASURING METHODS

65% of our Swedish subsidiary Gällivare PhotoVoltaic AB (GPV) was sold to Borevind AB. The present report will therefore no longer comprise any disclosures on this company. Our site in Munich (17 employees) was closed in 2008. No further changes of this type were effected in comparison with 2007.

/ 3.13 / EXTERNAL ASSURANCE

The present report, the group management report and the financial statements were subjected to an auditing review by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft. *Auditor's Confirmation • p. 238 //*

/ 4.5 / RELATIONSHIP BETWEEN COMPENSATION FOR MEMBERS OF THE HIGHEST GOVERNANCE BODY, SENIOR EXECUTIVES, AND MEMBERS OF THE EXECUTIVE BOARD ON THE ONE HAND, AND THE ORGANIZATION'S PERFORMANCE ON THE OTHER

Compensation for members of the Executive Board, senior executives and the members of top management is based on individual target agreements. Our integrated sustainability management *Corporate Management and Control • p. 067 //* thus also comprises sustainability aspects, but there is no separate compensation component *Compensation Report • p. 061 //*

/ 4.6 / MECHANISMS FOR AVOIDANCE OF CONFLICTS OF INTEREST WITHIN THE HIGHEST GOVERNANCE BODY

Conflicts of interest are avoided by the fact that the Executive Board has set up an Ethics Council alongside the Strategy Council dealing with issues of sustainable and ethical management. *Corporate Management and Control • p. 067 // Corporate Governance • p. 057 // 4.16 • p. 221 // SO1 • p. 236 //* As of 2009, SOLARWORLD will also nominate an ombudsman who may also be involved in the event of
clashes of interests.

/ 4.7 / QUALIFICATIONS AND EXPERTISE OF MEMBERS OF THE HIGHEST GOVERNANCE BODY WITH RESPECT TO SUSTAINABILITY TOPICS

The CEO, Frank H. Asbeck, holds a degree in agricultural engineering. He was involved in development projects in Africa before setting up SOLARWORLD AG. He is a founding member of the Green Party. Philipp Koecke (Dipl.-Kfm. tech.) joined SOLARWORLD AG after working in the finance and banking sector for a number of years. Boris Klebensberger (Dipl.-Ing.) joined SOLARWORLD AG at about the time when he was finishing his degree studies. Since then he has been working intensely on matters such as improvements in production processes. Frank Henn (Dipl.-Wirtschaftsing.) has many years of experience in sales and marketing in multinational companies.

/ 4.8 / MISSION STATEMENT, CODE OF CONDUCT, PRINCIPLES

Our vision, our strategy and our Code of Conduct reflect our models in terms of economic, environmental and social/societal aspects. These models are applicable throughout the group and are implemented via our quality management and environmental management (ISO standards), our sustainability management and by exemplary behaviour on the part of our senior executives.
Corporate Management and Control • p. 067 // Human Resources • p. 110 // Quality and Environmental Management • p. 087 //

/ 4.9 / PROCEDURES OF HIGHEST GOVERNANCE BODY FOR OVERSEEING SUSTAINABILITY PERFORMANCE

We started establishing integrated sustainability management in 2007 and further developed it in 2008. Our environmental management according to ISO 14001 was introduced at our Bonn and Freiberg sites in 2007 and verified for the first time in 2008. Opportunities and risks are covered by our risk management. In 2008 we further developed our Code of Conduct. We have also based our report on the GRI reporting framework for the second time this year. Our sustainability performance is thus determined on an annual basis.
Human Resources • p. 110 // Opportunities • p. 147 // Risk Report • p. 126 // Quality and Environmental Management • p. 087 //

/ 4.10 / PROCEDURES FOR EVALUATING THE HIGHEST GOVERNANCE BODY'S OWN PERFORMANCE

The performance of the members of the Executive Board is assessed on the basis of individual performance agreements. Our integrated sustainability management *Corporate Management and Control • p. 067 //* thus also covers sustainability aspects, but there is no separate performance assessment in this respect. *Corporate Governance • p. 057 //*

/ 4.11 / PRECAUTIONARY PRINCIPLE

Our organization addresses the precautionary principle via our risk management, our quality and environmental management and our sustainability management. This basic orientation is also underscored by our voluntary disclosures such as GRI reporting and participation in the Carbon Disclosure Project (CDP). *The SolarWorld Stock • p. 090 // Corporate Management and Control • p. 067 // Opportunities • p. 147 // Risk Report • p. 126 /// Quality and Environmental Management • p. 087 //*

/ 4.12 / EXTERNAL AGREEMENTS, PRINCIPLES OR INITIATIVES

53 EXTERNAL AGREEMENTS, PRINCIPLES OR INITIATIVES

	Timeframe	Locations	Established by/Including	Motivation
Code of Conduct	2007 – 2009	Group	Employees	Voluntary
Participation in the Carbon Disclosure Project (CDP)	Since 2005	Group	Institutional investors	Voluntary
Application of ISO Standard 9001	Since 2003	Bonn, Freiberg, Madrid, USA	ISO	Voluntary
Application of ISO-Standards 14001	Since 2005	Freiberg (Solar Factory)	ISO	Voluntary
Application of ISO-Standards 14001	Since 2008	Bonn, Freiberg	ISO	Voluntary
Ökoprofit®[2)]	2007 – 2008	Bonn	Municipalities and business community	Voluntary
PV Cycle[1)] *Strategic Raw Materials Activities • p. 081 //*	Since 2007	Group	Cell and module manufacturers	Voluntary
NetJets Climate Initiative *1.2 • p. 210 // EN17 • p. 230 //*	Since 2007	Group	NetJets	Voluntary

1) Further details on our certifications are available on our website at: www.solarworld.de/sustainability
2) This project is not identical with our internal ÖkoProfit project.

218 / 4.13 / MEMBERSHIPS

(54) VOLUNTARY MEMBERSHIP OF ASSOCIATIONS/ADVOCACY ORGANIZATIONS

Organization	Since	Member	Function
Camarillo Chamber of Commerce	1980	SolarWorld Industries America[1] / Janet Gagnon	Member and Bronze Sponsor[2]
VCEDA (Ventura County Economic Development Association)	1989	SolarWorld Industries America[1] / Janet Gagnon	Member[2]
FlaSEIA (Florida Solar Energy Industries Association)	1989	SolarWorld California LLC[1] / Peter DeNapoli	Board member
SEIA (Solar Energy Industries Association)	1990	SolarWorld Industries America[1] / Raju Yenamandra, Boris Klebensberger	Board member
ASQ (American Society for Quality)	1992	SolarWorld Industries America[1] / Alex Mikonowitz	Senior member
ANSI (American National Standards Institute)	1997	SolarWorld Industries America[1] / Alex Mikonowitz	Member
IEC (International Electrotechnical Commission) Technical Committee 82	1997	SolarWorld Industries America[1] / Alex Mikonowitz	US TAG (Technical Advisory Group) Administrator (since October 2007)
UL/PV section	1997	SolarWorld Industries America[1] / Alex Mikonowitz	Advisory Council member
IEEE (Int. Electrical and Electronics Engineers)	1998	SolarWorld Industries America[1] / Alex Mikonowitz	Member of the PV Standards Committee
SESHA (Semiconductor, Environmental, Safety and Health Ass.)	1998	SolarWorld Industries America[1] / Sergio Vasquez	Member
NFPA (National Fire Prevention Ass.)	1998	SolarWorld Industries America[1] / Sergio Vasquez	Member
DGS (Deutsche Gesellschaft für Sonnenenergie) e.V., Munich	1998	SolarWorld AG	Membership
Eurosolar, Bonn	1999	SolarWorld AG	Membership
access e.V.	1999	Deutsche Solar AG	Member
FSEC (Florida Solar Energy Center)	2000	SolarWorld California LLC[1] / Peter DeNapoli	Board member
Freiberger Interessengemeinschaft der Recylings- und Entsorgungsunternehmen (F.I.R.E) e.V.	2002	Deutsche Solar AG	Member
Dresdner Gesprächskreis der Wirtschaft und Wissenschaft e.V.	2002	Deutsche Solar AG	Member
Solar Alliance	2003	SolarWorld California LLC[1]	Member
InnoRegio Freiberg e.V.	2003	Deutsche Solar AG	Member
Bundesverband Solarwirtschaft	2003	SolarWorld AG (previously Deutsche Solar AG)	Member
Silicon Saxony e.V.	2003	Deutsche Solar AG	Member
VIK (Verband der industriellen Energie- und Kraftwirtschaft)	2004	SolarWorld AG	Member
Mid-Atlantic SEIA (Solar Energy Industries Association)	2005	SolarWorld California LLC[1]	Member
SEBANE (Solar Energy Business Association of New England)	2005	SolarWorld California LLC[1]	Member
VCREA (Ventura County Regional Energy Alliance)	2005	SolarWorld Industries America[1] / Bob Beisner	Member of the Advisory Council of the Technical Committee

Organization	Since	Member	Function
NorCal Solar (Northern California Solar Energy Industries Association)	2006	SolarWorld California LLC	Member
Europäischer Industrieverband für Photovoltaik (EPIA), Brussels	2006	Boris Klebensberger	Board member
Stiftung "Technische Universität Bergakademie Freiberg"	2006	Prof. Dr. Peter Woditsch	Member of the foundation council
Stifterverband für die deutsche Wissenschaft	2006	Prof. Dr. Peter Woditsch	Member of the central German regional board of trustees
International Advisory Board of the Center for Development Research (ZEF), University of Bonn	2007	Frank H. Asbeck	Member of the advisory council
Bundesverband Solarwirtschaft	2007	Frank H. Asbeck	Board member
NYSEIA (New York Solar Industry Association)	2007	SolarWorld California LLC	Member
OSEIA (Oregon Solar Industry Association)	2007	SolarWorld California LLC	Member
Museum König	2007	Frank H. Asbeck	Chairman of the board of trustees of Alexander-Koenig-Gesellschaft
Hillsboro Chamber of Commerce	2007	SolarWorld Industries America / Bob Beisner	Member
UnternehmensGrün	2007	SolarWorld AG	Member
CanSIA (Canadian Solar Industry Association)	2007	SolarWorld California LCC	Member
PV Cycle	2008	Dr. Karsten Wambach	President
Oregon University System Engineering & Technology Industry Council (ETIC)	2008	Bob Beisner	Board member
Oregon Business Association	2008	SolarWorld Industries America[1] / Bob Beisner, Ben Santarris	Member
American Solar Energy Society	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
CalSEIA (California Solar Energy Industry Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
AriSEIA (Arizona Solar Energy Industry Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
MSEIA (Mid-Atlantic Solar Energy Industries Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
TREIA (Texas Renewable Energy Industries Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
HSEA (Hawaii Solar Energy Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
MDV-SEIA (Maryland DC Virginia Solar Energy Industry Association)	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
Valley Industry and Commerce Association	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
Solar Oregon	2008	SolarWorld Califonia LLC / Janet Gagnon	Member
Oregon BEST (Oregon Built Environment and Sustainable Technologies Center)	2008	Gordon Brinser	Member
GTZ Biodiversity Initiative	2008	SolarWorld AG	Member
Energy Advisory Council of the City of Freiberg	2009	Prof. Dr. Peter Woditsch	Member

Corrections of contents of the Annual Group Report 2007:
Membership with SEBANE (Solar Energy Business Association of New England), which started in 2005, ended in 2007.
Membership with Central Coast MIT (Mass. Institute of Technology) Forum ended in the summer of 2008.

1) This includes the former Shell Solar and/or Siemens Solar and/or Arco Solar.
2) The disclosure 'Board member' was incorrect.

/ 4.14 / STAKEHOLDER GROUPS

The stakeholder groups involved in the decisions taken by SOLARWORLD are employees and customers (wholesalers, installers, final customers) and suppliers of the SOLARWORLD GROUP. Investors (shareholders, investors) do not represent stakeholders in the strict sense of the term but are included as stakeholders in this section. Analysts and brokers as intermediaries are also included here. Stakeholders also comprise governments, municipalities, local authorities and non-governmental organizations (NGOs) as well as the interested public.

/ 4.15 / SELECTION OF STAKEHOLDER GROUPS

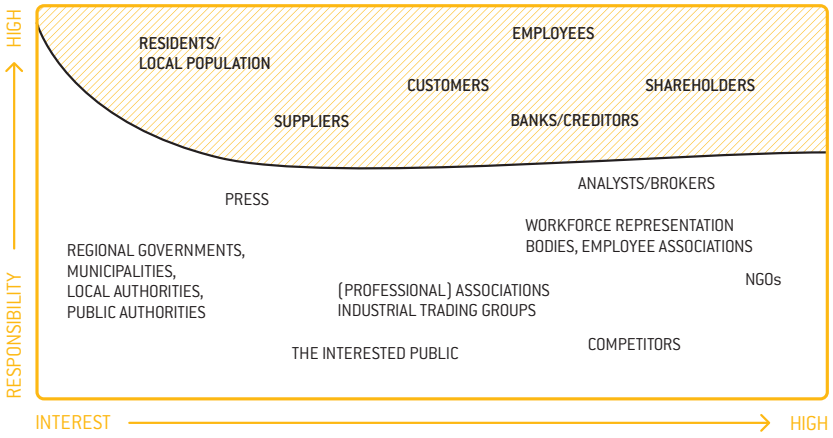
In determining the stakeholder groups for our activities we use the following questions [1]:

1. Who are we responsible for (in legal/financial/operational terms)?
2. Who is directly or indirectly affected by/dependent on our activities or the impact of such activities?
3. Who is in a position to influence (hamper/promote) or decide about implementation of our activities?
4. Who are we in close contact with or maintain close relationships with?
5. Who has voiced their opinion on issues of relevance to us?
6. Which groups (formed by demographic or other characteristics) are likely to be interested in our activities and the results of these activities?

1) Based on Mason and Mitroff, 1981, and the criteria of the AccountAbility Standards AA 1000 SES

Our main stakeholders are those we are responsible for:

55 STAKEHOLDER ANALYSIS



/ 4.16 / ENGAGEMENT OF STAKEHOLDERS

The needs of all stakeholder groups are already included but analyzed to varying degrees of depth. An internal analysis is made for all stakeholder groups, based on information available within the company and in external studies. So far, final customers have only been interviewed on an adhoc basis since such surveys require a lot of time and effort. Regular surveys are made among our customers (wholesalers and installers) *Trading in Modules and Systems • p. 084 //* and our employees *Human Resources • p. 110 //* *Human Resources – Future Development • p. 145 //*. In the medium term, we are also planning to carry out such surveys among other stakeholder groups. We also maintain close contacts with the local authorities at our sites. Thanks to our membership in associations and interest groups as well as our cooperation schemes with scientific institutions we maintain a regular dialogue on social policy issues with stakeholders. The company is therefore aware of the stakeholders' needs and able to take them into account in its decision-making processes. In our Solar2World projects *www.solarworld.de/sustainability* we work closely with the local stakeholders (e.g. municipalities and NGOs) in order to offer solutions that will give the population the maximum benefit and can be continued by the local people themselves after completion of the project. No stakeholder group was specifically involved in the preparation of the present report but we put our first report developed according to the GRI framework up for voting managed by *www.corporateregister.com*. We also offer all stakeholders the opportunity to contact us any time via *placement@solarworld.de* and *sustainability@solarworld.de*.

56 STAKEHOLDERS

Main stakeholders	Instruments
Employees	Direct contact, employee surveys, works councils, company suggestions scheme
Specifically applicants	Direct contact, company presentations
Customers (wholesalers, installers, final customers)	Direct contact, annual customer survey
Suppliers	Direct contact, supplier surveys
Shareholders	Direct contact, feedback after roadshows, corporate news
Banks and creditors	Direct contact
Residents/local population	Direct contact in the event of concerns or complaints voiced; for Solar2World projects direct involvement in the project
Other stakeholders	
Analysts and brokers	Direct contact, feedback after roadshows, investor days, corporate news
Regional governments, municipalities, local authorities, public authorities	Direct contact, interviews
Non-governmental organizations (NGOs)	Networks, discussion forums
The interested public	Reporting, corporate news
Workforce representatives, employee associations	Direct contact in negotiations
(Professional) associations, industrial trading groups	Direct contact via networks, trade fairs, etc.
Competitors	Market research, informal discussions
Press	Interviews, press releases

/ 4.17 / KEY TOPICS AND CONCERNS RAISED BY STAKEHOLDERS

In the reporting period, there were no extraordinary questions or concerns regarding the sustainability of our business operations not covered under other items of our GRI reporting.

MANAGEMENT APPROACH // EC, EN, LA, HR, SO, PR

We intend to continue our group-wide emphasis on sustainability with the introduction of an integrated management system Corporate Management and Control • p. 067// . In the following we will outline how the individual aspects have been included in our approach.

ECONOMIC

Economic success is a fundamental condition for sustainability. It gives us the necessary freedom of action to take account of environmental and social aspects. The Management Report provides detailed information on this dimension Corporate Management and Control • p. 067// . Our commercial success also contributes to the national economy as a whole, e.g. by creating jobs and promoting sustainable energy supplies geared to the future.

ENVIRONMENTAL

Environmental aspects are relevant mainly in our internal processes, especially in production. We will analyze increased involvement of stakeholders and customers. This is a major challenge in view of the market situation (oligopoly with major bottlenecks on the supplier side, and a broad customer base comprising wholesalers and installers). In order to systematically take account of environmental aspects, we introduced environmental management systems according to ISO 14001 at our facilities in Bonn and Freiberg in 2007. Quality and Environmental Management • p. 087// It goes without saying that a crucial factor is also our product: solar power.

SOCIETY/SOCIAL

Our Code of Conduct sets out our ethical principles and behavioral rules and recommendations for all employees and Board members. It defines our working practices, our procedures to ensure compliance with human rights and acceptance of our social responsibility and product responsibility. Human Resources • p. 110// Corporate Management and Control • p. 067// Quality and Environmental Management • p. 087// We are planning to introduce a revised version in 2009.

(57) MANAGEMENT APPROACH

Dimension	Main aspects
Economic (EC)	Economic performance Consolidated Financial Statements • p. 154// ; market presence Competitive Position and Main Sales Markets • p. 054// Trading in Modules and Systems • p. 084//; direct economic effects are included in our decision-making processes through our stakeholder analyses 4.15 • p. 220//. Thanks to our sustainable product and our growth (e.g. creation of jobs), the indirect economic impact of our business operations is to be assessed as positive.
Environmental (EN)	The use of materials is controlled by our procurement management Procurement • S. 080//. Energy, water, emissions, discharge water and waste are issues controlled by our environmental management system Quality and Environmental Management • S. 087//. Biodiversity is an aspect taken into account in planning new production sites. Our sales offices are not located in regions where they might impair biodiversity. Our products and services are compatible with the sustainability approach. Most of our packaging materials are recycled EN27 • p. 231//. Compliance with legal provisions is a key priority for us. This is also governed by our Code of Conduct www.solarworld.de/sustainability. Transportation services are performed by logistics service providers. The associated environmental effects are to be covered more comprehensively in our reporting. Overall, these aspects are handled by our environmental management. Our Code of Conduct for Suppliers (as of 2009) will oblige our business partners to comply with all applicable environmental laws, provisions and standards and operate an efficient system to identify and remedy potential risks to the environment. Moreover, our suppliers are requested to ensure compliance with these standards by their sub-contractors and other business partners.

Society/social (LA)	Employment, employee-employer relationship, initial and further training, health and safety, diversity and equal opportunities are part of our personnel strategy → Human Resources • p. 110// Human Resources – Future Development • p. 144//. Health and safety forms an element of our quality management system. → Quality and Environmental Management • p. 087//. Diversity and equal opportunities are issues also covered by our Code of Conduct ↓ www.solarworld.de/sustainability. Health and safety provisions, precautionary measures for operational failure, statutory pay and working hours as well as a ban on discrimination are also aspects covered by our Code of Conduct for Suppliers (as of 2009). Moreover, our suppliers are requested to ensure compliance with these standards by their sub-contractors and other business partners.
Society/social (HR)	Investment and procurement practices, equal opportunities, freedom of association and right to collective bargaining as well as a ban on child labour, forced and compulsory labour are governed by our Code of Conduct ↓ www.solarworld.de/sustainability and will be included in training schemes for executives. Human rights clauses and the abolition of child labour and forced labour are included in our Code of Conduct for Suppliers (as of 2009). Moreover, our suppliers are requested to ensure compliance with these standards by the sub-contractors and other business partners. Any complaints are handled directly by the respective superior and/or the HR department. In order to maintain anonymity, a SOLARWORLD ombudsman will be available as of 2009. We offer training schemes for safety practices with regard to our business operations but we do not offer any specific training programs involving human rights aspects for our security staff. We respect the rights of indigenous people. To date there have not been any conflict constellations.
Society/social (SO)	Community, corruption, politics, anti-competitive behaviour and compliance with the law are issues governed by our Code of Conduct ↓ www.solarworld.de/sustainability. We also prevent corruption by means of the provision concerning inadmissible payments and bribery in our Code of Conduct for Suppliers (as of 2009). Moreover, our suppliers are requested to ensure compliance with these standards by their sub-contractors and other business partners.
Society/social (PR)	Customer health and safety, product and services labelling, advertising, protection of customer data and compliance with legal provisions are issues governed by our Code of Conduct ↓ www.solarworld.de/sustainability

Dimension	**Targets and performance**
Economic (EC)	→ Group Management Report • p. 048//
Ecological (EN)	→ Quality and Environmental Management • p. 087//
Society/social (LA)	→ Corporate Management and Control • p. 067// Human Resources • p. 110// Human Resources – Future Development • p. 144//
Society/social (HR) Society/social (SO) Society/social (PR)	→ Corporate Governance • p. 057//

Dimension	**Policies**
All dimensions	Suppliers have to respect the Code of Conduct for Suppliers (as of 2009) of SOLARWORLD.
Economic (EC)	Taken into account in the framework of our quality management → Quality and Environmental Management • p. 087// . Behavioural rules, e.g. concerning anti-corruption or fair competition, are set out in our Code of Conduct ↓ www.solarworld.de/sustainability. There are no specific policy guidelines on SolarWorld's economic obligations.
Ecological (EN)	Taken into account in the framework of our environmental management system → Quality and Environmental Management • p. 087//
Society/social (LA) Society/social (HR) Society/social (SO) Society/social (PR)	Defined in the framework of our Code of Conduct ↓ www.solarworld.de/sustainability. It also covers internationally recognized standards, e.g. those of the United Nations, the ILO and the Vienna Declaration.

Dimension	Responsibility
All Dimensions	1st level – Executive Board, 2nd level – Managing Directors
Environmental (EN)	3rd level – Divisional Manager and Environmental Manager
Society/social (LA) Society/social (HR)	3rd level – Divisional Manager and Quality Manager
Society/social (SO)	3rd level – Divisional Manager
Society/social (PR)	3rd level – Divisional Manager and Environmental Manager

Dimension	Training schemes and awareness-raising programs
Environmental (EN)	Implemented by our quality and environmental management. Apart from this, our employees tend to show a very high level of environmental awareness due to the nature of our business operations.
Society/social (LA)	We already implement training schemes on health and safety. The additional topics will be included in our executive training programs in future.
Society/social (HR) Society/social (SO) Society/social (PR)	To be integrated in our executive training programs.

Dimension	Monitoring and follow-up
Environmental (EN)	Monitoring activities are carried out by each individual site on its own. Corporate environmental goals were defined in 2008 and were checked at year-end in 2008. More specific measures are taken at the individual locations. The Freiberg and Bonn sites have been certified according to ISO 14001 . *Quality and Environmental Management • p. 087 //*
Society/social (LA)	Monitoring is effected at the individual sites. Internal surveys were implemented in 2008. Measures to be taken by the Board and the HR department were derived from these surveys.
Society/social (HR)	Monitoring and follow-up are partly initiated by the HR departments and partly directly at top management level.
Society/social (SO)	Monitoring and follow-up at top management level.
Society/social (PR)	Monitoring and follow-up are initiated by the corresponding departments and reported to the top management level.

Dimension	Key successes
Environmental (EC)	*Group Management Report • p. 048 //*
Ecological (EN)	*Research and Development • p. 116 //*
Society/social (LA) Society/social (HR)	*Employees • p. 110 //*
Society/social (SO) Society/social (PR)	*Corporate Governance • p. 057 //*

Dimension	Key shortcomings
All Dimensions	We were not yet able to disclose comprehensive information on each individual indicator since some of the data is not available to us in the required form.

Dimension	Key opportunities and risks
All Dimensions Environmental (EC)	*Risk Report* • *p. 126 //*
Ecological (EN)	**Opportunities** for solar energy arise from the increasing scarcity of fossil fuels and continuing climate change *EC2* • *p. 227 //* **Risks** are inherent in production but have to be considered as low in comparison with other sectors. They are mapped and controlled via our environmental management *Quality and Environmental Management* • *p. 087 //* and our health and safety management.
Society/social (LA) Society/social (HR) Society/social (SO) Society/social (PR)	Opportunities arise from our positioning as a group acting responsible in international competition. Risks arise on the potential loss of credibility and sanctions that would be imposed if fundamental principles were violated.

Dimension	Major changes to systems or structures in the reporting period in order to improve performance
Economic (EC)	*Group Management Report* • *p. 048 //*
Environmental (EN) Society/social (LA) Society/social (HR) Society/social (SO)	*Human Resources* • *p. 110 //* *Important Events during the Business Year* • *p. 078 //* *Business Development 2008* • *p. 072 //*
Society/social (PR)	*Corporate Governance* • *p. 057 //*

Dimension	Key strategies and procedures for implementing policies or achieving goals
Economic (EC) Environmental (EN)	*Quality and Environmental Management* • *p. 087 //*
Society/social (LA) Society/social (HR) Society/social (SO) Society/social (PR)	*Corporate Governance* • *p. 057 //*

More detailed explanations of our management systems are provided in the management report.
Group Management Report • *p. 048 //*

PERFORMANCE INDICATORS

The error margin (i.e. potential inaccuracies in estimates or measurements) in our quantitative data is so small that it does not impair decision-making by stakeholders. The quantitative statistical error tolerance cannot be calculated. More detailed information on the methods is provided for each of the estimates outlined below.

ECONOMIC PERFORMANCE INDICATORS

/ EC1 / CORE // DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

58 VALUE CONTRIBUTION

Directly generated financial value	Value 08	Value 07	Comments
a) Revenues	969,978 k€	762,328 k€ (10,596 k€)	Sales revenues including discontinued operations + Other operating earnings + Net result from shares value at equity + Interest earnings
Distributed financial value			
b) Operating costs	-586,209 k€	-472,965 k€ (-10,893 k€)	Changes in inventories of finished goods + Own work capitalized + Cost of materials + Depreciation/amortisation + Other operating expenses
c) Salaries and company benefits	-90,130 k€	-75,004 k€ (-2,952 k€)	Staff cost
d) Payments to capital providers	-104,970 k€	-38,449 k€ (-75 k€)	Interest expenses
e) Payments to government	-56,428 k€	-64,178 k€ (-905 k€)	Income taxes; for split between domestic and international *Consolidated Financial Statements • p. 174 //*
f) Investments in the community [1)]	-277 k€	-364 k€	Donations
Retained financial value	131,964 k€	111,368 k€ (-4,229 k€)	

1) Donations in money and in kind (donations to political parties are not included)

Comments on the Individual Items of the Icome Statement • p. 171 //

Reasons for partial reporting: Data on this indicator disclosing more information than our group management report and group financial statements are confidential (Explanation Type 3). Moreover, we do not break results down by country and region because we currently do not regard these as significant, and we put group performance in the foreground. In the framework of the commissioning of our US production in Hillsboro and our production in South Korea, this topic will gain relevance (Explanation Type 1).

/ EC2 / CORE // FINANCIAL IMPLICATIONS DUE TO CLIMATE CHANGE

We take account of the opportunities and risks related to climate change for our business activities. *The World Electricity Market • p. 072 //* Opportunities arise from the upswing in the market for renewable energies, with competitive advantages over conventional forms of energy. *Opportunities • p. 147 //* Risks for companies are higher insurance premiums due to more frequent storms/fires/drought periods. The financial consequences of climate change were not estimated on a detailed quantitative basis because they are to be considered as positive overall in view of the nature of our business activities. Our company is not exposed more strongly than other companies to risks such as damage from more frequent storms/fires or costs resulting from drought periods and flooding. Current risks are largely covered by our insurance policies. *Risk Report • p. 126 //*

/ EC3 / CORE // COVERAGE OF ORGANIZATION'S DEFINED BENEFITS PLAN

In general, SOLARWORLD leaves it up to its employees to make their own decisions on how to save for retirement. In Germany, SOLARWORLD AG offers a company pension scheme for employees in the form of "direct insurance" and the "pension fund", either funded by the employer or with transformation of salary into pension rights (with employer subsidy). Employees who were employed at the former Munich site are entitled to "direct pension commitments", funded directly by the company. In 2008 the commitments amounted to 7,912 (previous year: 7,823[1]) k€ . *Noncurrent and Current Provisions • p. 187 //* There is also a separate fund for the payment of liabilities for the company pension scheme for a small number of senior executives, but this fund is not considered to be material (<40k€). In the USA there is a program for conversion of compensation rights to company pension rights. These are employer contributions rather than direct commitments. In this connection, SOLARWORLD provides employees at the US sites with 3% of their annual basic salary for a retirement pension scheme (401k Plan). There are no specific programs at the other sites. The amount paid into the programs is determined by the employees on conversion of compensation. Where funding comes from the employer, the amount is specified in the contract of employment. Participation is voluntary. On the basis of the data available to us, no statement can be made concerning the extent to which this will be used since this data has not been collected on a uniform basis so that it is impossible to draw up statistics. *Human Resources • p. 110 //*

1) The 7,419 k€ reported in 2007 included only the long-term provisions.

/ EC4 / CORE // FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

Significant financial assistance received from government: In the reporting period, investment grants of 10,210 (previous year: 8,009) k€ were received – discontinued operations 0 (previous year: 161) k€ – and research grants of 2,353 (previous year: 3,678) k€. There is no government body holding shares in SOLARWORLD.

/ EC6 / CORE // SELECTION OF LOCALLY BASED SUPPLIERS

The term "locally based" is defined in a way that is analogous to our segments (IAS 14). *Consolidated Financial Statements • p. 154 //* There is no company guideline under which preference is given to local suppliers. The geographical position plays a minor role in selecting suppliers since the equipment and commodity market is an international market. Most suppliers (95 percent or more, depending on the product at stake) are based in industrialized countries. In South Korea we are working with a local equipment manufacturer SolarPark Engineering Co. Ltd in our joint venture SOLARWORLD KOREA LTD. For our (not-for-profit) Solar2World projects we involve local partners as far as possible (in particular for rack technology and installation).

/ EC7 / CORE // LOCALLY BASED HIRING OF EMPLOYEES

We are an international group and mainly recruit locally at our various sites. We try to keep the number of "expatriates" down, but we need some employees (senior executives) from our existing subsidiaries and from Head Office at the location because that is important for harmonization of the various facilities in the framework of the acquisition of former Shell activities. Under various non-discrimination provisions like the federal agreement on application of equal opportunities legislation (Germany), action plans (USA) and our group-wide Code of Conduct local candidates must not be given preference nor discriminated against in recruitment processes.
Percentage of local senior executives: Germany 100 (previous year: 100) per cent, USA 83 (previous year: 76e) per cent, Spain: 100 (previous year: 100) per cent, Singapore 0 (previous year: 0) per cent and South Africa 100 (previous year: 100[1]) per cent. The definition of "local" follows IAS 14 and thus corresponds to the "economic environment"; it is therefore analogous to our segments. *Geographical Segments • p. 179 //* We define management starting from the first level as "senior executives". We do not use the definition of the German Industrial Relations Act, since this would not be applicable to the whole of the group.

1) In the 2007 report: incorrect classification of one employee as management staff

228 / EC8 / CORE // INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED MAINLY FOR PUBLIC BENEFIT

Our Solar2World projects actively involve the local stakeholders (i.e. members of the community, users) in the project design. Additional investments in infrastructure and services provided mainly for public benefit were not made.

ENVIRONMENTAL PERFORMANCE INDICATORS

/ EN1 / CORE // MATERIALS USED

Exact disclosure of the materials used by weight and volume is not possible, however, since this is confidential business information. Since we do not publish our production figures, either, we cannot disclose any exact volumes for usage of materials (Explanation Type 3). The material used consists almost exclusively of non-renewable substances but a large proportion is capable of recycling. In current module types, we have achieved a substantial reduction in mass per kWp over the last three years. This was mainly due to increases in cell and module efficiency rates, optimization of racks, sockets and substantially thinner cells. The direct material (i.e. material employed in the final product) is illustrated here using a current standard module (215Wp) as an example:

59 EXAMPLE FOR THE COMPOSITION OF A CI-SI STANDARD MODULE // 215WP

Component	Amounts (2003) according to (Ökopol 2004)	Amounts 2007	Amounts 2007
Glass	62.7 %	74.16 %	77.3 kg/kWp
Frame (e.g. AlMg-Si0,5)	22.0 %	10.30 %	10.7 kg/kWp
EVA	7.5 %	6.55 %	6.8 kg/kWp
Solar cells	4.0 %	3.48 %	3.6 kg/kWp
Backside foil (Tedlar)	2.5 %	3.60 %	3.8 kg/kWp
Junction box	1.2 %		
Glue, potting compound	No data	1.16 %	1.2 kg/kWp
Weight/kWp	103.6 kg/kWp		102.3 kg/kWp
Cu	0.37 %	0.57 %	
Ag	0.14 %	0.004 – 0.006 %	
Sn	0.12 %	0.12 %	
Pb	0.12 %	0.07 %	
Si	No data	3 %	

1) See PV-Cycle Study: "Study on the development of a take back and recovery system for photovoltaic products (2008)" (November 2007)

We disclose usage of climate-relevant materials since they are also relevant for the Carbon Disclosure Project (CDP). This concerns 0.44e (previous year: 2.9e) tons of tetrafluorocarbon (CF4). This material is now only used in our US production. Updated figures can be made available for the reporting in the context of the CDP (May 2009).

/ EN2 / CORE // RECYCLING INPUT MATERIALS

The rated etching capacity of our recycling unit "SolarMaterial" for recovery of silicon is currently 1,200 tons per annum. This core competency is of high strategic relevance. For this reason we cannot disclose exact quantities, as this information is subject to confidentiality (Explanation Type 3). *Strategic Raw Material Activities* • *p. 081//* Also, we have our packaging material recycled. *EN27* • *p. 231//* Other materials occurring in the course of the production of solar products are reused by us internally but have so far not been statistically recorded (Explanation Type 2). We intend to address this issue in the medium term. We have to analyze the possible level of detail of such disclosures since some details have to be treated as confidential (Explanation Type 3).

/ EN3 / CORE // DIRECT PRIMARY ENERGY CONSUMPTION

Direct energy consumption applies to natural gas, and has been internally covered by our environmental management since 2007. In 2008 it amounted to 36,311e (previous year: 16,307e) MWh, i.e. 130,719,600e (previous year: 58,706,207e) MJ. These figures relate to the sites in Germany (Freiberg and Bonn) and the USA (Camarillo and Hillsboro). No data were available for the sales offices in Spain, South Africa and Singapore, but these amounts are only minor and therefore not material (Explanation Type 1). For the CDP these emissions were estimated on the basis of the number of employees to be 32,778e (previous year: 48,736e) kWh.
Updated figures can be made available for the reporting in the context of the CDP (May 2009). The share of renewable sources of energy as a proportion of total sources of energy amounts to 69 per cent for the SOLARWORLD GROUP (with the exception of the sales and distribution locations in Spain, South Africa and Singapore).

/ EN4 / CORE // INDIRECT PRIMARY ENERGY CONSUMPTION

Indirect energy consumption was 233,871e (previous year: 177.606e) MWh, with electricity accounting for 233,112e (previous year: 176,551e) MWh and district heating accounting for 758e (previous year: 1,055e) MWh. These data apply to the sites in Germany (Freiberg and Bonn) and the USA (Camarillo and Hillsboro). For the CDP these emission were estimated on the basis of the number of employees to be 74,571e (previous year: 41,315e) kWh.
Updated figures can be made available for the reporting in the context of the CDP (Mai 2009). An estimate of the Megajoules (MJ) required to generate the primary energy for the production of the secondary energy (based on individual fuel consumption, standard figures for power and heat or estimated figures) was not yet possible due to the data situation (Explanation Type 2) and is to be tackled in the medium term. It is currently being examined how the exclusive use of power from renewable sources can be implemented in the best possible way over the long term.

/ EN8 / CORE // TOTAL WATER WITHDRAWAL

Total water withdrawal was 965,841.66e (previous year: 1,006,428.16e) m^3, broken down into surface water of 481,016.00e (previous year: 445,000.00e) m^3 and water from municipal utility supply of 484,825.66e (previous year: 561,428.16e) m^3. In the year 2008 a quantity of 121,162.00e m^3 of water was reused. These data apply to the sites in Germany (Freiberg and Bonn) and the USA (Camarillo and Hillsboro). No data were available for the sales offices in Spain, South Africa and Singapore, but these amounts are minor and therefore not material (Explanation Type 1). Our JSSI silicon production uses water mainly for cooling purposes, operating in a closed-circuit system.

/ EN11 / CORE // LAND IN OR ADJACENT TO PROTECTED AREAS OR AREAS OF HIGH BIODIVERSITY VALUE

We already provided detailed disclosures on this range of topics in our report for 2007. We do not operate any facilities located in or adjacent to protected areas or comprise any areas with high biodiversity outside protected areas.

/ EN12 / CORE // IMPACT ON BIODIVERSITY

Our activities, products or services at our sites do not have any major impacts on biodiversity in protected areas or in areas of high biodiversity outside protected areas.

/ EN16 / CORE // GREENHOUSE GAS EMISSIONS

Calculation of greenhouse gas emissions includes the companies under the full operational control of SOLARWORLD (excluding the companies in which SOLARWORLD only holds an interest, e.g. joint ventures). The data were determined using the calculation tools of the GHG Protocol of the CDP. The data for energy consumption at the sales and distribution locations in Spain, South Africa and Singapore were estimated on the basis of the number of staff and the consumption figures at the sales location in Germany. Furthermore, the emissions of the vehicle fleet were estimated on the basis of the previous year's values (mileage). We are not aware of the potential error rates caused by the estimates and the calculation aids. In the year 2008 the provisional sum of direct and indirect emissions thus amounted to 96,297e (previous year: 76,724e[1]) tCO_{2eq}. Updated figures can be made available for the reporting in the context of the CDP (May 2009).

1) determined excluding discontinued activities (i.e. without the site in Sweden) as well as with new emission data.
As in the previous year the most up-to-date value of the International Energy Agency (IEA) was used to extrapolate the emissions of the electricity mix. The most up-to-date value in this year's reporting was substantially lower which is why the emission volume (in tCO_{2eq}) for 2007 was corrected.

/ EN17 / CORE // OTHER GREENHOUSE GAS EMISSIONS

This indicator includes emissions of our suppliers, the vehicle fleet of our logistics service companies, emissions in the course of business travel, and emissions for the returns system for packaging and used products. However, these data have not yet been recorded to date so that it is impossible to draw up statistics (Explanation Type 2). Our examination of the facts has shown that the acquisition of these data would be extremely difficult. There might also be a certain amount of double counting since other companies also report their figures within the framework of the CDP. We want to monitor this point in the long term but initially want to concentrate mainly on reducing our indirect greenhouse gas emissions (e.g. from energy consumption). Our products themselves do not generate any emissions. The modules/systems which we sold in 2008 will save 2.7e (previous year: 2.1e[1]) million tCO_{2eq} over a period of 25 years. This avoids environmental damage worth 190e (previous year: 144e[1]) m€. Updated figures can be made available for the reporting in the context of the CDP (May 2009). We compensate a part of our emissions via participation in the Climate Initiative of NetJets. In 2008, these emissions accounted to 266.74 (previous year: 49.26) tCO_{2eq}. It is currently being studied how we can best compensate for the emissions (CO2eq) of all our business air travel over the long term.

1) determined excluding discontinued activities (i.e. without the site in Sweden) as well as with new emission data.

/ EN19 / CORE // EMISSIONS OF OZONE-DEPLETING SUBSTANCES

There are no emissions of ozone-depleting substances.

/ EN20 / CORE // NO_x, SO_x AND OTHER AIR EMISSIONS

Air emissions in the USA (Camarillo) in 2008 amounted to 1.85e (previous year: 0.33e) tons NOx, 0.15e (previous year: 0) tons SOx, 6.94e (previous year: 7.25e) tons VOC, 0.64e (previous year: 2.16e) tons of hazardous air pollutants, 0.3e (previous year: 0.3e) tons of particulate matter (PM10) as well as 1.13e tons of other standard air emissions, which are regulated by legislation. These substances occur only in our US production and are below the legal threshold values. The figures are currently estimated. The higher values are attributable to the strong growth in production. In the following year increased values are again expected for this reason.

1) In the 2007 report only the Camarillo site was explicitly mentioned. However, the data also included the emissions at the Vancouver site and are therefore comparable.

/ EN21 / CORE // TOTAL WATER DISCHARGE

Total water discharge is 812,304.00e (previous year: 793,224.24e) m^3. That is the amount discharged to the municipal drainage system. Total precipitation water discharge is not measured. In Germany, a charge is paid based on built-up area. It is therefore impossible to draw up any statistics (Explanation Type 2). We intend to address this issue in the medium term. The above figure relates to the sites in Germany (Freiberg and Bonn) and the USA (Camarillo and Hillsboro). The figures are currently estimated. No data were available for our sales offices in Spain, South Africa and Singapore, but these amounts are minor and therefore not material (Explanation Type 1). In the year 2008 a total of 121,162.00e m^3 of our water was reused. EN8 • p. 229// Data on the precise reprocessing method, on water reuse by other organizations as well as on water quality for the total volume of waste water/process water (e.g. BOD = Biochemical Oxygen Demand or TSS = Total Suspended Solids) have so far not been recorded and appropriate statistics can therefore not be prepared (Explanation Type 2). We want to tackle this point in the medium term.

/ EN22 / CORE // WASTE BY TYPE AND DISPOSAL METHOD

Total weight of waste was 9,322.42e (previous year: 11,488.42e) tons. Of this total, hazardous waste accounted for 3,456.42e (previous year: 7,257.55e) tons and non-hazardous waste for 5,866.00e (previous year: 4,230.87e) tons. 100e per cent of hazardous waste and 30e per cent of non-hazardous waste is recycled at the Camarillo site as well as 37e per cent of non-hazardous waste at the Hillsboro site (which together accounts for 34e per cent of hazardous waste and 28e per cent of non-hazardous waste of the group). Details on other disposal methods have so far not been recorded which is why statistics on this topic cannot be prepared (Explanation Type 2). We want to tackle this point in the medium term. The data relate to the sites in Germany (Freiberg and Bonn) and the USA (Camarillo and Hillsboro). The figures are currently estimated. No data were available for our sales offices in Spain, South Africa and Singapore, but these amounts are minor and therefore not material (Explanation Type 1).

/ EN23 / CORE // SIGNIFICANT SPILLS

In the reporting period, as in 2007, there were no significant spills (chemicals, oils, fuels).

/ EN26 / CORE // INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS

The products of SOLARWORLD have no significant environmental impact in terms of material input, water consumption, emissions, discharge water, noise or waste. The modules can be recycled at the end of their useful lives.

/ EN27 / CORE // PACKAGING MATERIALS

Our packaging materials are made of cardboard, paper and box board, together with packaging strips and plastic film. The packaging serves to protect our goods during transportation, rather than to fulfil advertising purposes. In Germany we have contracted out recycling and reclamation to Interseroh Dienstleistungs GmbH. 100 per cent of the material is recycled (type separated), with 100 per cent directly reused. The duly notified quantities of authorized packaging are determined by Interseroh in accordance with the inspection specification (as per September 2007) mainly on the basis of purchasing statistics, invoices and delivery notes and checked by an auditor in the subsequent year. Materials taken back via another collection system or taken back under our own collection system and reused, and packaging shown to have been exported, are not included in these figures. In 2008, the weight of our packaging was 448 (previous year: 374 (366e[1])) tons. In the USA we internally recycle most of our packaging materials used at the US locations. At our sales offices in Spain, South Africa and Singapore, the only waste materials are office and kitchen waste, which are disposed of in accordance with the respective national legislation applicable. These data have not yet been recorded at group level so that it is impossible to draw up any statistics (Explanation Type 2). We intend to address this issue in the medium term.

1) The original data filter failed to cover all the data of the system so that the figure published in the 2007 report is slightly lower.

/ EN28 / CORE // SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

As in 2007, no significant fines or non-monetary sanctions were imposed on SOLARWORLD for non-compliance with environmental laws and regulations. This also applies to the joint ventures of SOLARWORLD.

SOCIAL PERFORMANCE INDICATORS

/ LA1 / CORE // TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION

At the end of 2008, the total workforce was 1,825 (previous year: 1,420[1]) employees and 673 (previous year: 534) temporary workers.
Human Resources • p. 110//
In Germany, 11 female and 6 male employees worked part-time, while one employee had a part-time contract in the USA. Since so far this number has been very low, we do not consider separate reporting by type of employment (full-time/part-time) to be useful. It is not possible to provide a breakdown by employment contract (indeterminate period/permanent contract vs. fixed period/temporary contract) since these data have not yet been recorded on a uniform basis and it is therefore impossible to draw up any statistics (Explanation Type 2). We intend to address this issue in the medium term. We will have to analyze the potential level of data to be provided since some details are confidential (Explanation Type 3). In particular in the USA, it is not possible to provide a breakdown by permanent vs. fixed-term employment contract due to legal differences (weak level of protection against dismissal, employment contracts frequently not set out in writing) (Explanation Type 3). For 2009, we expect further headcount growth of 25 per cent.
Future Orientation of the Group • p. 138//

60 TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION

	Germany	USA	Spain	Singapore	South Africa	Group
Total headcount	1,198 (1,000)	609 (400)	5 (6)	10 (12)	3 (2)	1,825 [1](1,420)

2007 values in parantheses
1) Continuing operations only

/ LA2 / CORE // EMPLOYEE TURNOVER

Group-wide employee turnover was 3.6 (previous year: 7) per cent. The number of employees leaving the company (total employee turnover) was 65 in 2008 (previous year: 94[1]), including 22 (previous year: 1) women. The total number broke down as follows: Germany 18 (previous year: 18), Spain: 1 (previous year: 1), USA: 44 (previous year: 66), Singapore: 2 (previous year: 7) and South Africa 0 (previous year: 2). A breakdown by age group was not yet possible on the basis of the data available to us since these data have not yet been recorded on a uniform basis so that it is not possible to draw up any statistics (Explanation Type 2). We intend to address this issue in the medium term. We will have to analyze the possible level of detail in disclosing the data since some details are confidential (Explanation Type 3). *Human Resources • p. 110//*

1) Continuing operations only

/ LA4 / CORE // EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

In the SOLARWORLD GROUP, 54 (previous year: 52e) per cent of all employees, i.e. 982 (previous year: 750e) employees fall under collective bargaining agreements.

61 EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

	Germany	USA	Spain	Singapore	South Africa	Group
Employees falling under collective bargaining agreements	903 (N.R.)	79 (N.R.)	0 (0)	0 (0)	0 (0)	982 (750e)
Rate	75% (N.R.)	13% (N.R.)	0 (0)	0 (0)	0 (0)	54% (52e%)

2007 values in parentheses

/ LA5 / CORE // MINIMUM NOTICE PERIODS REGARDING SIGNIFICANT OPERATIONAL CHARGES

No notification periods are specified in collective bargaining agreements or company agreements. The obligations of the employer with respect to significant changes in operations are set out by legislation, e.g. in Germany by the Industrial Relations Act (BetrVG), sections 90, 92, 106, 111. At our US site in Vancouver, any essential changes in operations fundamentally affecting our employees have to be notified 90 days in advance.

/ LA7 / CORE // INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND WORK-RELATED FATALITIES

Absenteeism corresponds to the "Absentee Rate (AR)". We do not measure the "Lost Days Rate (LDR)" but lost hours. The "Occupational Disease Rate (ODR)" must not be determined on a group-wide basis for reasons of data protection. For our US sites we must not distinguish between sickness-related and other absenteeism since it is not permissible under US law to record absenteeism for reasons of data protection. We will therefore not be able to determine these data in future, either (Explanation Type 3). Absentee rates and occupational disease rates relate to the overall workforce but do not include self-employed contractors since it is not yet possible to determine these data for such staff. For the injury rate, minor injuries of the kind requiring first-aid treatment are only included in statistics at certain sites (e.g. Bonn). We intend to place the recording of such data on a uniform footing in the future. As in 2007, there were no work-related fatalities; this also applies to the joint ventures of SOLARWORLD AG. *Human Resources • p. 110//* The "injury rate (IR)" cannot be determined since accidents are recorded for all employees (including temporary workers) whereas the target working hours only cover employees.

(62) INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND WORK-RELATED FATALITIES

	Germany	USA	Spain	Singapore	South Africa	Group [1]
Absentee rate	3.1% (3.1%)	1.5% (N.R.)	0% (3%)	2% (2%)	5% (N.R.)	2.5% (2,1%)
Absence due to sickness in calendar year (hours)	71,502 (59,768)	[2] 19,469 (N.R.)	32 (40)	380 (476)	256 (N.R.)	91,639 (60,284)
Sickness rate (percentage of employees who were sick at least once in the whole of fiscal year 2008)	59% (59%)	N.R. (N.R.)	40% (33%)	N.R. (N.R.)	100% (100%)	39% (41%)
Number of employees reporting sick in the course of the calendar year	707 (585)	N.R. (N.R.)	2 (2)	N.R. (N.R.)	3 (2)	712 (589)
Accident rate (related to the total number of employees)	8.3‰ (29‰)	95.2‰ (97.5‰)	0‰ (0‰)	0‰ (0‰)	0‰ (0‰)	37.3‰ (47.9‰)
Number of reportable occupational accidents in calendar year	10 (29)	58 (39)	0 (0)	0 (0)	0 (0)	68 (68)

2007 values in parentheses
1) continuing operations only
2) Absentee rate declared as sickness-related absenteeism

/ LA8 / CORE // EDUCATION AND TRAINING ON SERIOUS DISEASES

In our group there are no programs of this kind, nor are there any workers involved in high-risk operational activities. We have taken precautions against all kinds of hazards by means of technical inspections, personal protection equipment and training courses. The only possible hazard is due to chemicals, but this is minimized by the above methods of inspection. For purposes of documentation, we record company hygiene and conduct surveys (both of these annually). We have also taken out insurance (environmental liability) in the event of spills that might cause damage to health.

/ LA10 / CORE // INITIAL AND FURTHER TRAINING FOR EMPLOYEES

The data are not yet available broken down by employment category (hierarchical level, area) since this information has so far not been recorded in this way (Explanation Type 2). We intend to address this issue in the medium term. However, we document our further and ongoing education expenditure per employee (382.13 (previous year: 387.37[1]) €), total further and ongoing education expenditure (697,387 (previous year: 550,069[1]) €) and the number of training and education programs (837 (previous year: 572[1])). We use a restrictive definition of these expenditures, including only direct costs (e.g. as documented by invoices). In 2008 we had a total of 83 (previous year: 66) trainees in our group (including employees pursuing in-work studies under the "sandwich-type studies" program). *Human Resources • p. 110//*

1) continuing operations only

/ LA13 / CORE // COMPOSITION OF GOVERNANCE BODIES

We are aware of the importance of diversity for SOLARWORLD. We work for equal opportunities throughout our group and take account of these factors in recruitment. Key indicators of diversity and equal opportunities at SOLARWORLD are included in our Code of Conduct *Human Resources • p. 110// www.solarworld.de/sustainability*: ethnic origin, skin color, nationality, religion, sex, age, sexual orientation, gender identity, marital status, physical constitution/disability and appearance. It is not permitted to include all of these characteristics in our statistics because many of them affect the private sphere of the individuals concerned and must therefore not be recorded (Explanation Type 3). Moreover, we have not yet recorded these data in the form desired under GRI (Explanation Type 2). A breakdown by age group (percentage of employees younger than 30 years, between 30 and 50 years and older than 50 years) is not yet available for our group as a whole. Further employment categories concerning the areas within which employees operate have this far not been defined. We intend to address this issue in the medium term. Our reporting is based on the categories of gender and disability.

63 DIVERSITY

	Germany[1]		USA[1]		Spain[1]		Singapore[1]		South Africa[1]		Group[1]	
The Group Executive Board comprises four members (male, age group 30 – 50 years), who do not belong to a minority.												
Executive Board/ Managing Directors	**9 (8)**		**6 (4)**		**2 (2)**		**2 (2)**		**2 (2)**		**18 (15)**	
Female	0 0	0% 0%	0 0	0% 0%	0 0	0% 0%	0 0	0% 0%	0 0	0% 0%	0 0	0% 0%
1st tier of management	34 (29)		18 (12)		2 (2)		1 (2)		1 (1)		56 (46)	
Female	4 (3)	12% (10%)	3 (2)	17% (17%)	1 (0)	50% (0%)	0 (0)	0% (0%)	0 (0)	0% (0%)	8 (6)	14% (13%)
Executives of other tiers	80 (N.R.)		48 (N.R.)		0 (N.R.)		0 (N.R.)		0 (N.R.)		128 (N.R.)	
Female	10 (N.R.)	13% (N.R.)	10 (N.R.)	21% (N.R.)	0 (N.R.)	0% (N.R.)	0 (N.R.)	0% (N.R.)	0 (N.R.)	0% (N.R.)	20 (N.R.)	16% (N.R.)
Employees without executive function	1001 (N.R.)		543 (N.R.)		3 (N.R.)		9 (N.R.)		2 (N.R.)		1558 (N.R.)	
Female	187 (N.R.)	19% (N.R.)	115 (N.R.)	21% (N.R.)	0 (N.R.)	0 (N.R.)	3 (N.R.)	33% (N.R.)	2 (N.R.)	100% (N.R.)	307 (N.R.)	20% (N.R.)
Total employees	1115 (934)		609 (400)		5 (6)		10 (12)		3 (2)		1742 (1354)	
Female	201 (169)	18% (18%)	128 (142)	21% (36%)	1 (1)	20% (17%)	3 (3)	30% (25%)	2 (1)	67% (50%)	335 (316)	19% (23%)
Trainees	83 (66)		0 (0)		0 (0)		0 (0)		0 (0)		83 (66)	
Female	14 (11)	17% (17%)	0 (0)	0% (0%)	0 (0)	0% (0%)	0 (0)	0% (0%)	0 (0)	0% (0%)	14 (11)	17% (17%)
Employees with disabilities (number and percent-age of total workforce)	14 (12)	1% (1%)	15 (24)	2% (6%)	0 (0)	0% (0%)	0 (0)	0% (0%)	0 (0)	0% (0%)	29 (36)	2% (3%)

2007 values in parentheses
1) Excl. multiple counting due to identity of persons (corrections versus previous year).

/ LA14 / CORE // RATIO OF BASIC SALARY OF MEN TO WOMEN

We pay wages and salaries at our sites mostly in line with the collective bargaining agreements, i.e. compensation for women and men subject to collective bargaining is identical. This applies to about 54 (previous year: 52e) per cent of our employees worldwide. At present it is not possible to analyze employees by category since these data have not yet been recorded in the form desired under GRI (Explanation Type 2). We intend to address this issue in the medium term. The challenge will be to handle the fact that some functions differ substantially and are not very meaningful when expressed as an average for the group as a whole. One possibility would be to capture the salary range and mean pay by gender. However, this should not be based on basic salary since basic salary is only a part of compensation. In particular for management executives, performance-related bonuses and pension schemes may make a considerable difference. We continue working on a meaningful form of presentation. It remains to be checked whether some information may or must not be published in order to comply with data protection aspects (Explanation Type 3) since the presentation of salaries would be too transparent for certain positions involving only very few employees.

/ HR1 / CORE // INVESTMENT AGREEMENTS

In the reporting period, there were no significant investment agreements with key importance in terms of volume or strategic importance for the company. As a result, there were no human rights clauses associated with such agreements, either.

/ HR2 / CORE // SCREENING OF SUPPLIERS AND CONTRACTORS ON HUMAN RIGHTS

There was no systematic screening of our suppliers and contractors on human rights aspects (this far, this has not been a high priority because a large proportion of our suppliers and contractors are based in industrialized countries where strict national standards apply). In 2009, we intend to introduce our Code of Conduct for Suppliers in order to explicitly and systematically include sustainability and ethical standards in our cooperation agreements. *www.solarworld.de/sustainability //*

/ HR4 / CORE // INCIDENTS OF DISCRIMINATION

As in 2007, there were no incidents of discrimination in the reporting period.

/ HR5 / CORE // FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

According to the assessment of the HR departments of the individual sites, no business operations have been identified where freedom of association or the right to engage in collective bargaining could be significantly jeopardized. However, so far no formal procedure to identify such business operations has been established (Explanation Type 2). We intend to address this issue in the medium term. However, we cultivate open and direct relations with employees which means that any such risk should be notified to us. The legislation in Germany, Spain and the USA protects employees against any restrictions of their rights. At the site in South Africa we currently have only 3 employees, and at the site in Singapore only 10 employees, which favours strong participation of the individual employees in the decisions of management.

/ HR6 / CORE // CHILD LABOUR

Our business activities do not involve a significant risk of incidents of child labour or work by young people under dangerous conditions. Our processes are very transparent and are supervised via documentation in the work schedules. These aspects are also included in our group-wide Code of Conduct. *Human Resources • p. 110 //* *www.solarworld.de/sustainability //* This far, a formal procedure to identify such risks has not been applied (Explanation Type 2). We intend to address this issue in the medium term.

/ HR7 / CORE // FORCED AND COMPULSORY LABOUR

Our business activities do not involve any significant risk of forced or compulsory labour. Our processes are very transparent and are supervised via documentation in the work schedules. These aspects are also included in our group-wide Code of Conduct. *Human Resources • p. 110 //* *www.solarworld.de/sustainability //* This far, we have not used a formal procedure to determine this risk (Explanation Type 2). We intend to address this issue in the medium term.

/ SO1 / CORE // IMPACT ON COMMUNITIES

To date, no formal programs or systematic procedures have been established to assess and regulate the impact of business activities on the community, including the launch, implementation and termination of business operations in a community or region (Explanation Type 2). We intend to address this issue in the medium term. We always seek open stakeholder dialogue

4.16 and 4.17 • p. 221//

/ SO2 / CORE // CORRUPTION RISKS

Responsibility is in the hands of Executive Board members and Managing Directors. In 2008 we expanded and further specified the SOLARWORLD Ethics and Code of Conduct, which also govern our anti-corruption policies. The establishment of formal programs including training schemes is a medium- to long-term task that we will continue working on in 2009.

/ SO3 / CORE // TRAINING IN ANTI-CORRUPTION POLICIES

So far no employees have been trained in the organization's anti-corruption policies and procedures because so far no formal programs or systematic procedures have been established. This was originally planned for 2008 but will now only be addressed in 2009 since the revision of our Code of Conduct in 2008 took longer than expected.

/ SO4 / CORE // CORRUPTION INCIDENTS AND ACTION TAKEN

As in 2007, there were no incidents of corruption in the reporting period.

/ SO5 / CORE // LOBBYING

SOLARWORLD conducts lobbying work in order to help solar energy become competitive and is engaged for political funding programs. This relates for example to compensation through the German Renewable Energies Act (EEG). We support the increase of the annual reduction of the rates of compensation as of 2009 since they provide the industry with incentives to create cost reductions and quality improvements. We are also working worldwide for free access to the electricity grid for power producers because that is a prerequisite for solar energy to be competitive with other sources of power. In general terms, we work politically for climate protection, the conservation of resources, sustainable development and ethical management. That means our lobbying activity is in conformity with our declared principles, sustainability goals and public statements of position.

/ SO8 / CORE // SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS

No major cases of non-compliance with laws and regulations were determined in the reporting period.

/ PR1 / CORE // IMPACTS ON CUSTOMER HEALTH AND SAFETY

Apart from the measures already indicated under other GRI items (technical inspections, etc.) there are no further systematic programs to address health and safety impacts during the life cycle of our products.

/ PR3 / CORE // PRODUCT INFORMATION

We get the components supplied from reputable manufacturers. The safety of the products we deliver is ensured by our quality management. Extensive product information is provided in the form of data sheets and assembly instructions. Substances which may have impacts on the environment or society are lead and halogens. Corresponding regulations for these substances (Restriction of Hazardous Substances/RoHS, Waste Electrical and Electronic Equipment/WEEE) are currently being discussed in Germany but could become obsolete due to the progress made by PV Cycle. The use of substances is strictly regulated in the USA. Supervision is effected via UL Listing. We exclusively use substances approved for our product in the USA. This is confirmed by the UL label on our products for the US market. The following information is included in our product labelling for all essential products (100 per cent):

64 LABELLING OF FINAL PRODUCTS

Criteria	Procedure	Labelling of final products (module/system)
Origin of product components	In assessing the environmental impact, we also include the upstream process (e.g. social acceptance, etc.). We also assess our suppliers as required under ISO 9001. The same criteria are applied in selecting suppliers of consumables and raw materials. There is also a product information sheet for our cells.	The country of manufacture is indicated but the origin of individual components is not indicated.
Composition	Not compulsory.	Not indicated.
Safe use of product	Our outgoing goods controls provide an additional check to ensure that no defective products are shipped but only products meeting customer requirements are delivered. In most cases quality assurance agreements are concluded with customers.	A warning against electrical danger is included. A user information sheet (assembly instructions) is included with the deliveries.
Product disposal	Recycling of input products and final products is covered by PV Cycle. Our goal is always to avoid production of defective products.	Our products are fully recyclable and can be returned to SOLARWORLD for this purpose. However, this is not indicated on the product.

/ PR6 / CORE // STANDARDS RELATED TO ADVERTISING

There are no written advertising-related rules of conduct or standards specified for the entire organization. The SOLARWORLD GROUP adheres to the law in its advertising and is guided by the values of the Code of Conduct *Human Resources • p. 110//* *www.solarworld.de/sustainability//* , e.g. fair competition, no discrimination. Compliance is continuously monitored through approval of advertising campaigns by the Executive Board. We do not distribute any products that must not be sold in certain markets or are called into question by stakeholders or public debate.

/ PR9 / CORE // SANCTIONS FOR NON-COMPLIANCE WITH PRODUCT AND SERVICE REGULATIONS

As in 2007, no incidents of non-compliance with laws and regulations were determined with respect to delivery and use of products and services.

CONFIRMATION FOR THE SUSTAINABILITY REPORT FOR CALENDAR YEAR 2008

To SOLARWORLD AG, Bonn

We have performed a limited assurance engagement regarding the part "Key Indicators" of the Sustainability Report 2008 of SOLARWORLD AG. The preparation of the Sustainability Report 2008 was performed in accordance with the criteria stated in the GRI Guidelines Vol. 3 of the Global Reporting Initiative (pages 7-17) as follows:

- Materiality
- Stakeholder inclusiveness
- Sustainability context
- Completeness
- Balance
- Comparability
- Accuracy
- Timeliness
- Clarity and
- Reliability

is the responsibility of the Executive Board of SOLARWORLD AG. Our responsibility is to express a conclusion on the part "Key Indicators" based on our assurance engagement. We conducted our assurance engagement in accordance with the generally accepted German standards for the audit of sustainability reports, established by the German Auditors' Institute (IDW). Accordingly, we have to comply with professional requirements and plan and perform the assurance engagement so as to obtain limited assurance about whether the part "Key Indicators" has been prepared, in all material respects, in accordance with the above-mentioned criteria stated in the GRI Guidelines Vol. 3 of the Global Reporting Initiative (p. 7–17).
In the framework of our engagement based on the assessment of risks and materiality we gained evidence to obtain limited assurance on the compliance of the part "Key Indicators" with the specified criteria. We determined the nature and extent of our procedures, also on a sample basis, by using professional judgment to obtain limited assurance.

Our assurance engagement included the following procedures:
- Inspection of the relevant documentation of group principles, management and reporting structures as well as inspection and random testing of existing documents and systems for sustainability data ascertainment, analysis and aggregation
- Discussions with the team commissioned with the preparation of the sustainability report
- Discussions with employees of other group divisions
- Obtaining an understanding of the topic finding process for the sustainability report 2008
- Inquiries and inspections of documents at the locations Bonn and Freiberg regarding the sustainability data of the corresponding operating sites.

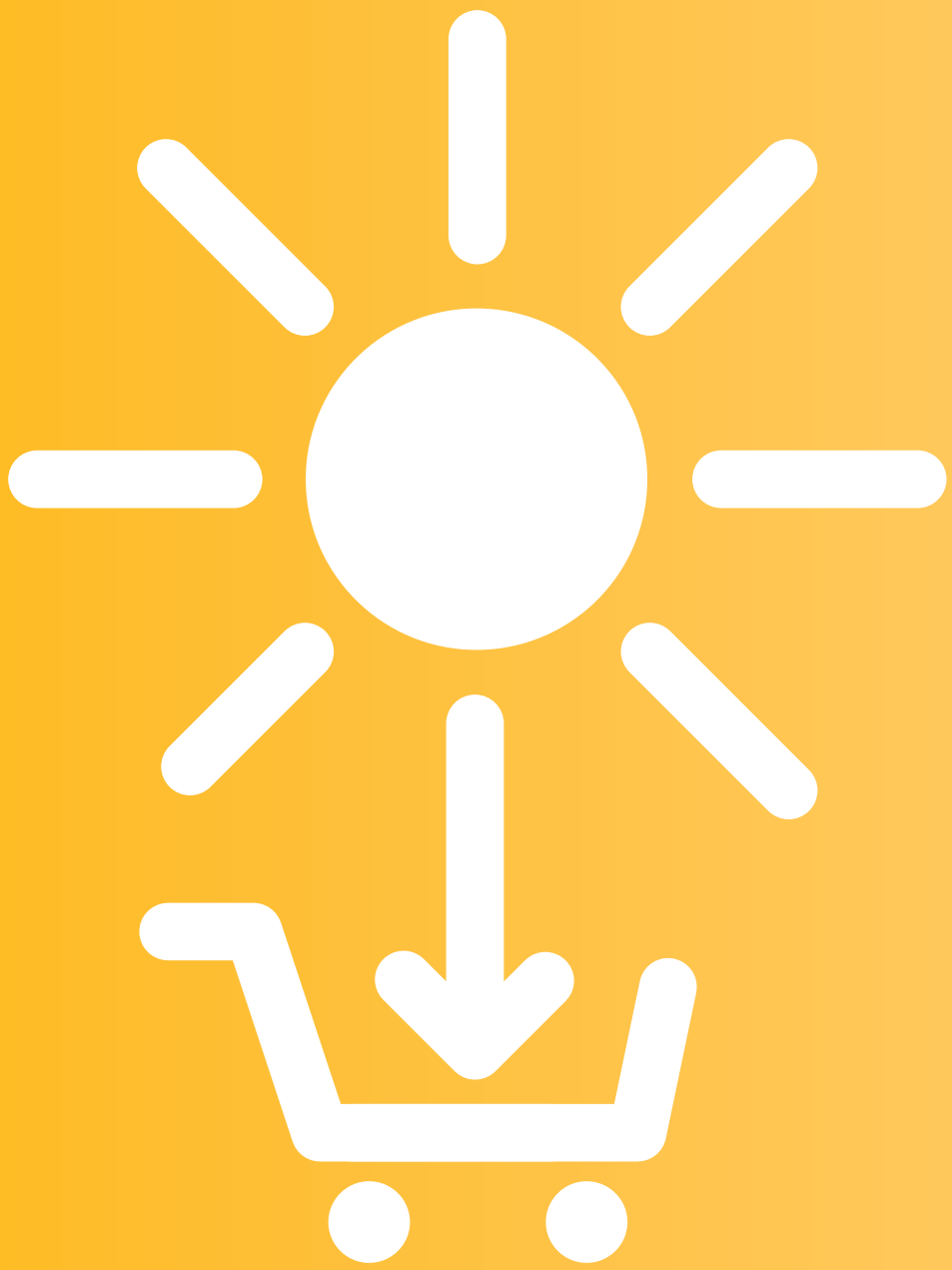
Regarding the environmental data we could also access the data and information of the regular audits according to ISO 9001 and 14001 during our engagement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion on the part "Key Indicators".
Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the part "Key Indicators" has not been prepared in all material respects in accordance with the above-mentioned criteria stated in the GRI Guidelines Vol. 3 of the Global Reporting Initiative (P. 7-17).

Bonn, 16. March 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gorny
Auditor/GPA

ppa. Lubitz
Auditor/GPA



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NEW EMPLOYEES IN 2008

BUILD A SOLARWORLD

WE BUILD THE SOLAR WORLD WORLDWIDE AT 13 LOCATIONS. THAT IS WHERE WE PRODUCE, PROCESS AND DISTRIBUTE SILICON, SOLAR CELLS, SOLAR MODULES AND ASSEMBLY SYSTEMS.

WE DO SO FOR INDIVIDUAL HOMES, FOR LARGE-SCALE POWER PLANTS AND FOR OFF-GRID APPLICATIONS IN REGIONS WITHOUT A NATIONAL GRID.

THIS IS OUR CONTRIBUTION TO AN ENERGY SUPPLY FIT FOR THE FUTURE: POWER FROM THE SUN – PRODUCED ECOLOGICALLY, ECONOMICALLY AND EQUITABLY.

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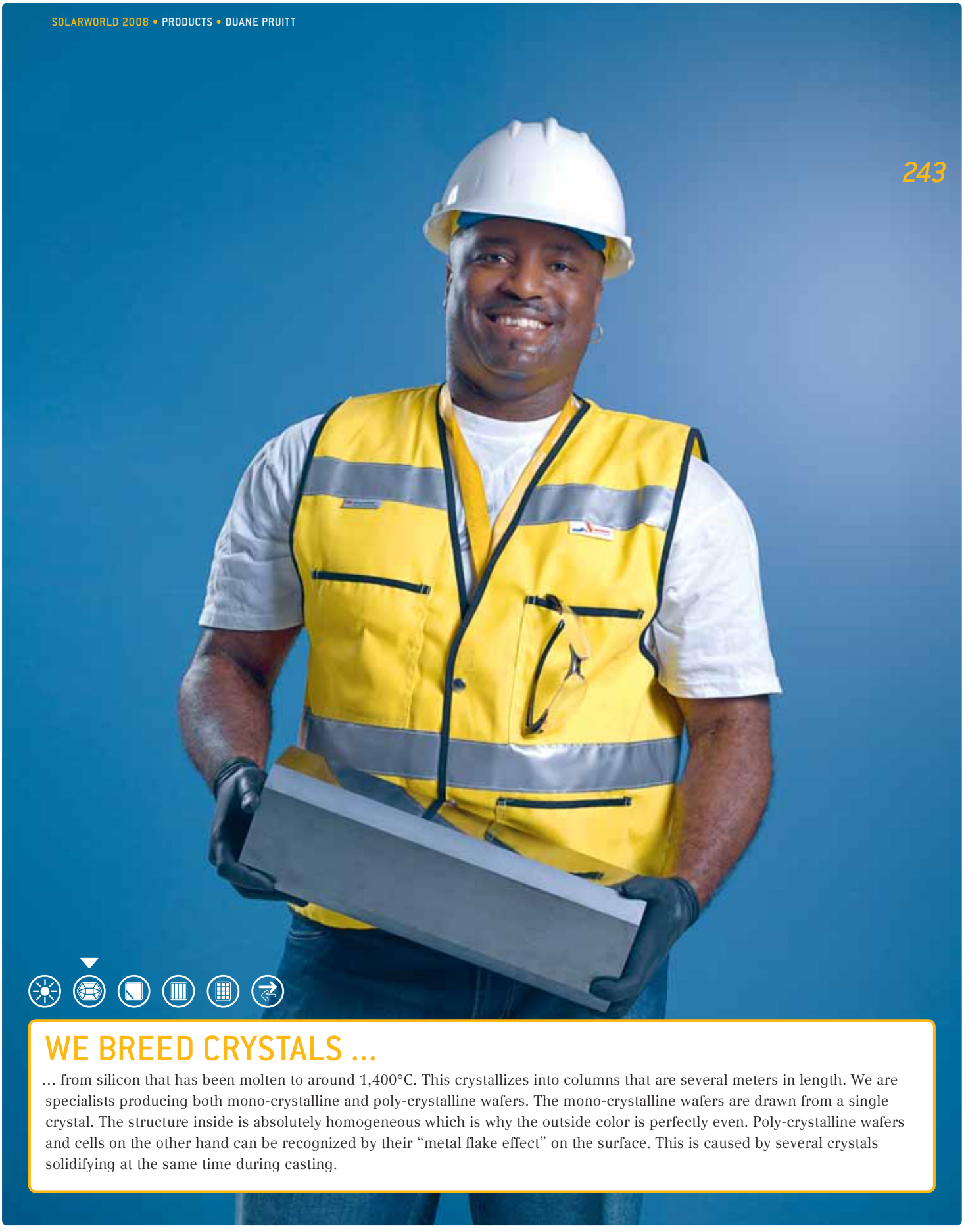
339941 Singapore
Telephone: +65 6842 3886

WE CATCH THE SUN ...

... and generate electricity from it. In only ten years we developed from a solar pioneer into a world-leading specialist in crystalline solar power technology. Today we offer our customers a broad and high quality range of products in controlled quality: from silicon to complete ready-to-assemble systems. More than 2,498 people work for our company worldwide – for example in research, in technology, in production and in sales/distribution.

FROM A HANDFUL OF SAND ...

... emerges silicon, the most important commodity in the photovoltaic industry. We make sure that we can meet the demand for our production in Germany, the USA and South Korea using three different tools: long-term supply contracts, solar grade silicon from our own production as well as recycled and reprocessed silicon from spent solar wafers, cells and modules.



WE BREED CRYSTALS ...

... from silicon that has been molten to around 1,400°C. This crystallizes into columns that are several meters in length. We are specialists producing both mono-crystalline and poly-crystalline wafers. The mono-crystalline wafers are drawn from a single crystal. The structure inside is absolutely homogeneous which is why the outside color is perfectly even. Poly-crystalline wafers and cells on the other hand can be recognized by their “metal flake effect” on the surface. This is caused by several crystals solidifying at the same time during casting.

WE SAW THIN WAFERS ...

... from the ingots. Each and every one of these wafers has a thickness of as little as 180 and 210µm respectively. We have also substantially reduced the waste caused by the sawing of the wafers so that we cannot only save material but also production costs. The wafers of the SOLSIX® brand made at our sites in Germany and in the USA are either used in the production of our own solar cells or sold to external customers.

245

WE PRODUCE HIGH PERFORMANCE SOLAR CELLS ...

... by further processing the wafers under clean room conditions into solar cells. Already today our cells reach a medium degree of efficiency of between 15.5 and 16.5 per cent for poly-crystalline and well over 17 per cent for mono-crystalline products. And we are constantly developing higher efficiency products in our research team. In this process we benefit from the manufacturing and development competency we have acquired for more than ten years.

WE ASSEMBLE THE CELLS INTO SOLAR MODULES ...

... of top quality. This was also confirmed to us by the Photon trade journal which elected SOLARWORLD the test winner in its 2008 quality study. Our modules generated more power in a long-term test than competitive products. We manufacture fully automatically with integrated quality control – thus we offer our customers a particularly high product quality that comes with a 25-year performance warranty. Our modules and cells are also recyclable – so at the end of their life cycle we take them back and extract from them again the silicon that is the life blood of photovoltaic technology.

WE PUT OUR MODULES ON YOUR ROOF …

… quickly and hassle-free. Because to complement our modules we offer our customers a diverse and precisely coordinated systems technology ranging from the rack system SUNFIX® or our roof-top system SUNTUB® for flat roofs all the way to our complete SUNKITS® assembly solution. As an independent roofing solution that can completely replace a conventional tiled roof we offer our ENERGYROOF®. Especially for large-scale solar plants we have developed the innovative tracking system SUNTRAC®.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25 – 28 February 2009	**SALON DES ENERGIES RENOUVELABLES,** LYON (FRANCE), WWW.ENERGIE-REN.COM/TYPO3/
04 – 06 March 2009	**PV TECHNOLOGY SHOW,** MUNICH (GERMANY) WWW.PHOTON-EXPO.COM/
10 – 14 March 2009	**ISH FRANKFURT,** FRANKFURT AM MAIN (GERMANY) HTTP://ISH.MESSEFRANKFURT.COM
26 March 2009	**PUBLICATION OF ANNUAL REPORT 2008** ANNUAL BUSINESS PRESS CONFERENCE ON FINANCIAL STATEMENTS; 11.00 A.M. ANALYSTS' CONFERENCE ACCOUNTS 2008; 3.00 P.M.
03 – 06 April 2009	**ECOTEC,** ATHENS (GREECE) WWW.ENERGIE-REN.COM/TYPO3/
28 April – 03 May 2009	**NW SOLAR EXPO,** OREGON (USA) WWW.NWSOLAREXPO.COM/
07 – 09 May 2009	**SOLAREXPO,** VERONA (ITALY) WWW.SOLAREXPO.COM
12 – 14 May 2009	**GENERA,** MADRID (SPAIN) WWW.IFEMA.ES/WEB/FERIAS/GENERA/DEFAULT.HTML
15 May 2009	**PUBLICATION OF CONSOLIDATED INTERIM REPORT Q1 2009** ANALYSTS' CONFERENCE CALL, 3.00 P.M. WWW.SOLARWORLD.DE/FINANCIAL-REPORTS
19 – 22 May 2009	**ACWA SPRING CONFERENCE,** SACRAMENTO (USA) WWW.ACWA.COM/EVENTS/ACWA_EVENTS.ASP
20 May 2009	**ANNUAL GENERAL MEETING, BONN**
27 – 29 May 2009	**INTERSOLAR,** MUNICH (GERMANY) WWW.INTERSOLAR.DE
08 – 10 June 2009	**PV AMERICA,** PHILADELPHIA (USA) HTTP://EVENTS.JSPARGO.COM/SEIA09/PUBLIC/ENTER.ASPX
14 – 16 July 2009	**INTERSOLAR NORTH AMERICA,** SAN FRANCISCO (USA) HTTP://WWW.INTERSOLAR.US
30 July – 01 August 2009	**SOUTHEAST BUILDING CONFERENCE,** ORLANDO (USA) WWW.SEBCSHOW.COM
14 August 2009	**PUBLICATION OF CONSOLIDATED INTERIM REPORT Q2 2009** ANALYSTS' CONFERENCE CALL, 3.00 P.M. WWW.SOLARWORLD.DE/FINANCIAL-REPORTS
21 – 24 September 2009	**24TH EUROPEAN PV-CONGRESS,** HAMBURG (GERMANY) WWW.PHOTOVOLTAIC-CONFERENCE.COM
12 – 14 October 2009	**SOLAR POWER INTERNATIONAL,** CALIFORNIA (USA) WWW.SOLARPOWERCONFERENCE.COM
13 November 2009	**PUBLICATION OF CONSOLIDATED INTERIM REPORT Q3 2009** ANALYSTS' CONFERENCE CALL, 3.00 P.M. WWW.SOLARWORLD.DE/FINANCIAL-REPORTS
01 – 04 December 2009	**ACWA FALL CONFERENCE,** SAN DIEGO (USA) WWW.ACWA.COM/EVENTS/EXHIBITS.ASP

“CHRONICLE” – 10 YEARS OF SOLARWORLD

2004

SOLARWORLD MANAGES TO ENTER THE TECDAX VIA THE SO-CALLED “FAST ENTRY RULE” – CAPITAL INCREASE BY ANOTHER 575,000 SHARES – CAPITAL STOCK AT € 6.35 MILLION FLOATING OF A CORPORATE BOND: THE SOLARWORLD BEARER BOND

- SolarWorld is awarded certification according to ISO 9001 thus documenting its quality orientation right across all business processes.
- Group strategy and consistent course of expansion generate successes: Two years after foundation Deutsche Cell joins the Top Ten of worldwide solar cell manufacturers. Deutsche Solar advances into the league of the largest European manufacturers of silicon wafers.

2003

INCLUSION OF SOLARWORLD SHARE IN THE PRIME STANDARD OF DEUTSCHE BÖRSE – THE SHARE IS WELL ESTABLISHED AND IS SOON REPRESENTED IN OTHER INDICES AS WELL

- Commissioning of the pilot plant SolarMaterial for solar recycling and wafer recovery at the Freiberg/Germany location – SolarWorld as the pioneer and innovation driver.
- Inauguration of a fully automatic production line for solar modules in Freiberg/Germany – the complete solar value chain is at the highest technological standard.

2002

CAPITAL INCREASE BY 825,000 SHARES – THE CAPITAL STOCK NOW AMOUNTS TO € 5.775 MILLION

- Inauguration of Deutsche Cell and thus entry into the group’s own cell production – SolarWorld thus operates Europe’s largest integrated solar cell factory in Freiberg/Germany.
- First-time signature of the Corporate Governance Code.
- Joint Venture with Evonik Degussa GmbH (JSSI) – pioneering step in the area of generating solar-grade silicon.

2001

CAPITAL INCREASE BY 450,000 SHARES – WITH CAPITAL STOCK GOING UP TO € 4.95 MILLION – THE CAPITAL RESOURCES WERE FURTHER STRENGTHENED FOR FUTURE EXPANSION

- The foundation of Solar Factory in Freiberg/Germany marks our entry into module production.

2000

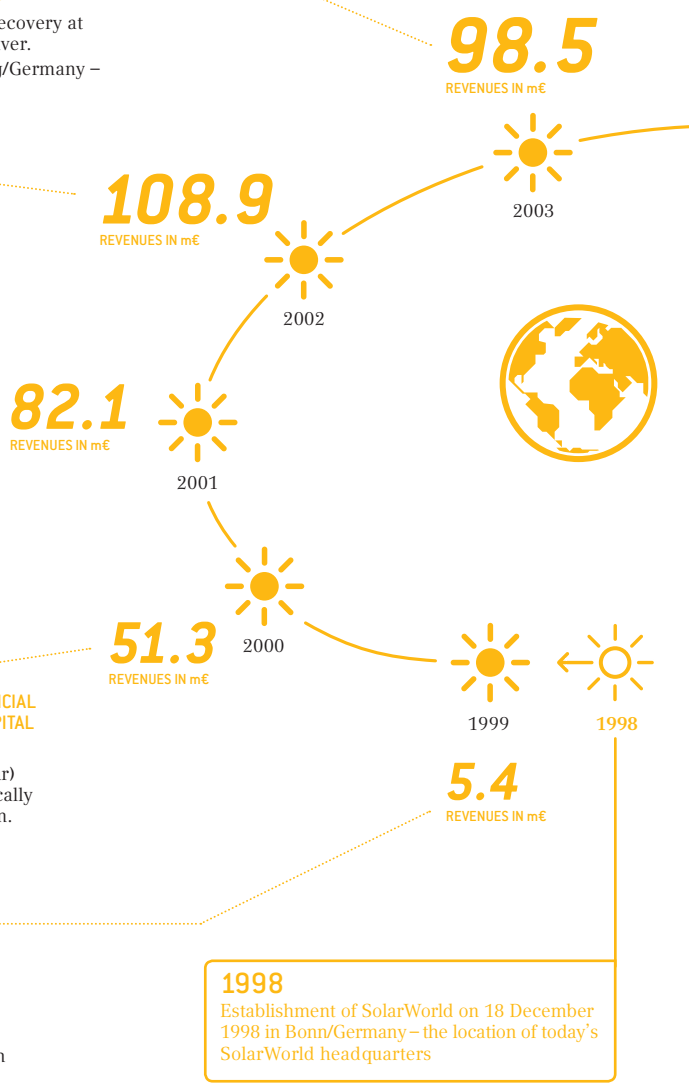
EMISSION PROCEEDS FROM TWO ADDITIONAL CAPITAL INCREASES CREATE THE FINANCIAL LEEWAY FOR THE STRATEGICALLY IMPORTANT ENTRY INTO WAFER PRODUCTION – CAPITAL STOCK INCREASED TO € 4.5 MILLION

- By acquiring a stake in the then Bayer Solar in Freiberg (today: Deutsche Solar) and subsequently expanding the Freiberg/Germany production site systematically SolarWorld laid the foundation for its growth along the entire solar value chain.

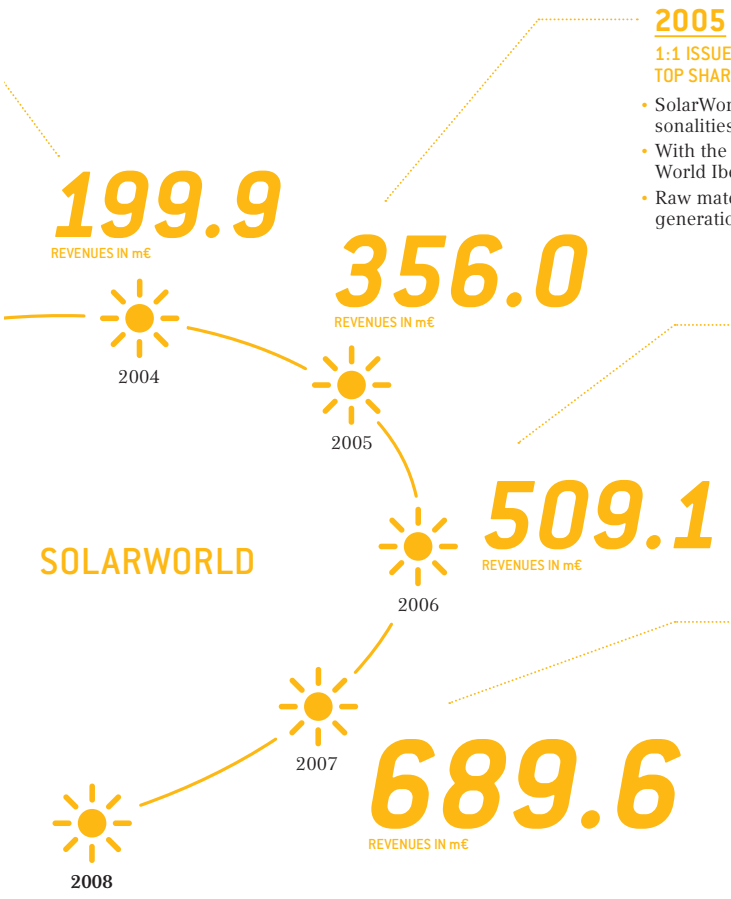
1999

FIRST PUBLIC CAPITAL INCREASE BY 500,000 SHARES TO € 3.0 MILLION OF CAPITAL STOCK

- 26 March: registration of SolarWorld AG in the Bonn commercial register
- 8 November: IPO – first chapter of a success story in the stock market
- First step as a solar technology producer: acquisition of a stake in the Swedish module manufacturer Gällivare Photovoltaic/Sweden



1998
Establishment of SolarWorld on 18 December 1998 in Bonn/Germany – the location of today’s SolarWorld headquarters



2005

1:1 ISSUE OF BONUS SHARES DOUBLES CAPITAL STOCK TO € 12.7 MILLION – TOP SHARE OF THE YEAR 2005

- SolarWorld Einstein Award presented for the first time. The award goes to personalities who have acquired special merits in promoting the use of solar energy.
- With the foundation of the sales subsidiaries SolarWorld California and SolarWorld Ibérica the group starts the expansion of its international business.
- Raw materials activities enhanced: JSSI's prototype plant for solar-grade silicon generation produces the first quantity of silicon.

2006

FURTHER CAPITAL INCREASE BY 1.265 MILLION SHARES – € 13.965 MILLION OF CAPITAL STOCK – RENEWED ISSUE OF BONUS SHARES 1:3 – THE CAPITAL STOCK RISES TO € 55.86 MILLION

- Acquisition of the crystalline solar activities of Shell in Germany and the USA – basis for the future production in the USA and rise to be among the leading TOP 3 solar power providers worldwide.
- Entry into solar motor racing – development of a solar racing car SolarWorld No. 1 together with Bochum University of Applied Sciences/Germany.

2007

1:1 ISSUE OF BONUS SHARES – DOUBLING THE CAPITAL STOCK TO € 111.72 MILLION

- Acquisition of a new production facility in Hillsboro in the US State of Oregon – milestone for the further expansion of US manufacturing activities in only 18 months.
- Strategic expansion of the areas of Research & Development as well as Raw Materials by establishing the subsidiaries SolarWorld Innovations and Sunicon in Freiberg/Germany.
- Under the umbrella of Solar2World the group pools its not-for-profit activities and contributes to the regional progress in developing countries with its projects of rural solar power solutions.

2008

- Opening of the SolarWorld solar factory in Hillsboro – America's largest production facility for crystalline wafers and cells. SolarWorld becomes the largest producer among the fully integrated solar groups in the USA.
- Expansion of the growth potential in the Asian market – establishment of solar module production in South Korea as part of the SolarWorld Korea Joint Venture.
- Breaking ground for the construction of a further wafer factory at the Freiberg site – the largest expansion project to date.
- SolarWorld receives German Sustainability Award for the most sustainable production and moves up to the TOP 3 of most sustainable brands in Germany.
- Group's own silicon production got started within the framework of the Joint Solar Silicon (JSSI) joint venture with Evonik Degussa GmbH.

THE ANNUAL GROUP REPORT 2008 IS ALSO AVAILABLE IN GERMAN.
THE GERMAN AND ENGLISH VERSION OF OUR REPORT CAN BE FOUND ONLINE IN OUR HOMEPAGE WWW.SOLARWORLD.DE. THERE YOU MAY ALSO FIND A BARRIER-FREE PDF OF OUR ANNUAL GROUP REPORT FOR DOWNLOAD.

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