ANNUAL GROUP REPORT 2011
SOLARWORLD AG

THE FUTURE IS
RENEWABLE AND INDEPENDENT

SolarWorld

SOLARWORLD – *WE* BUILD THE SOLAR WORLD

OUR VISION

— ***Strengthened by our pioneering spirit*** and commitment to innovation, we – as an international group – drive the continuous growth of solar power production.

— ***Harnessing the unlimited power of the sun*** is the key to protecting the world's resources and climate. Decentralized solar technology is safe for humans and the environment and offers people all over the world the opportunity to embrace sustainable development.

— ***Sustainability lies at the core of all our business activities.*** We – the global SolarWorld Team – are committed to supporting our colleagues, improving the satisfaction of our customers, and taking responsibility for our entrepreneurial success as well as our society and the environment.

THE *FUTURE* IS RENEWABLE AND INDEPENDENT

What will our energy supply be like in the future?
It will be renewable and independent, intelligent and clean. People have the power to influence this themselves. SolarWorld offers complete solutions comprising efficient, high quality products backed up with helpful and knowledgeable customer service.

We are constantly advancing the future of the solar world.
Together with our customers and employees, our business partners and investors.

INDICATORS
FROM P. 13

ABOUT THE QUALITY OF THIS REPORT

SolarWorld as a company has a clear focus on sustainability. Our strategy is aimed at making solar energy available worldwide on the best terms and offering excellent service to our customers.

Sustainability is also a key element of our management approach. Environmentally sound, ethical and socially responsible conduct is an integral part of our global corporate strategy, just as much as the economic success of the company. Social and ecological responsibility is an important consideration both in our long-term financial planning and in our day-to-day business. At the same time, sustainability is an important aspect of dialog with our stakeholders, as we are therefore able to continue developing our concept of sustainable corporate governance.

In this report, we describe both our financial performance and our non-financial performance. Especially relevant economic, ecological and social topics are explained in detail in the Management Report. A sustainability factsheet contains an overview of the quantitative data. At the end of each main section of the Group Management Report, we refer to "Details on Sustainability Performance 2011," which are available online. Here we offer a detailed insight to readers who wish to gain a deeper understanding of particular topics.

@ *annualgroupreport2011.solarworld.de/sustainability//*

Comprehensive performance audit

We have had our entire reporting audited by BDO AG Wirtschaftsprüfungsgesellschaft. The information on the asset, financial and income position is based on the requirements of the International Financial Reporting Standards (IFRS) and, where applicable, on German commercial law and the German accounting principles (German GAAP). Sustainability reporting follows the international guidelines (G3.1) of the Global Reporting Initiative and has reached the highest level, A+, since 2007. We therefore meet the requirements of the German Sustainability Code (GSC). This reporting also serves as a progress report for the implementation of the ten principles of the UN Global Compact (Advanced Level). The audit of the sustainability data has been conducted in line with the Generally Accepted Assurance Principles for the Audit or Review of Reports on Sustainability Issues established by the Institute of Public Auditors in Germany (IDW). These principles include the requirements of the "International Standard on Assurance Engagements (ISAE) 3000" and in some areas go beyond them.

Rounding differences may occur in the Annual Group Report.

FOR YOUR GUIDANCE

Cross reference to text passages in the Annual Group Report 2011 • p. 000//

Cross reference to charts in the Annual Group Report 2011 • p. 000//

www.internetlink.com//

Cross reference to Details on Sustainability Performance 2011 • p. S000//

Cross reference to financial reports of prior years • p. 000//

CONTENT

MAGAZINE

THE FUTURE IS SMART AND INDEPENDENT

On the following pages as well as in our new magazine attached to this report, you will experience how SolarWorld together with others is driving forward the future of energy.

SUSTAINABILITY PERFORMANCE

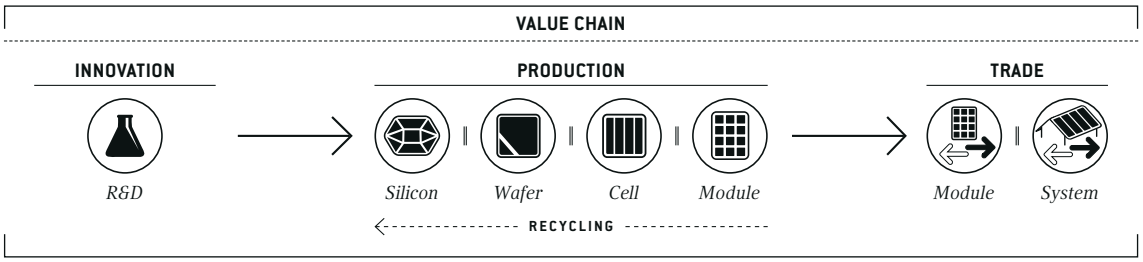
SOLAR SUSTAINABILITY

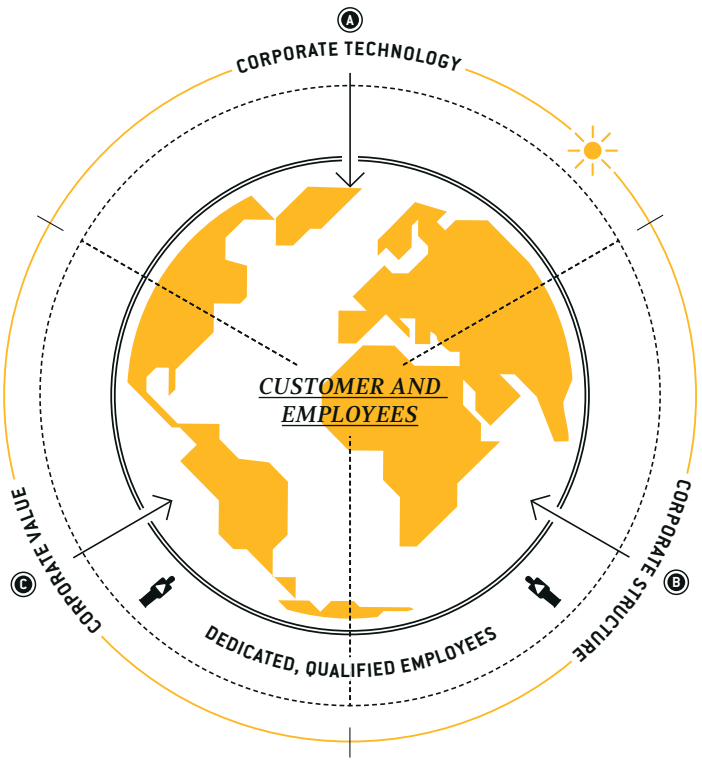
In our "Details on Sustainability Performance," you will learn how SolarWorld's employees are working for a sustainable future – available online or as a print-on-demand copy:

@ *annualgroupreport2011.solarworld.de/sustainability//*

** a more detailed table of contents can be found at the beginning of the main chapters*

SOLARWORLD GROUP STRATEGY





A	B	C
CORPORATE TECHNOLOGY	**CORPORATE STRUCTURE**	**CORPORATE VALUE**
Groupwide uniform production processes at low complexity costs	High social, environmental and quality standards for Production and Sales	Added value for our customers and employees

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

Letter by the Chairman

Dear customers, shareholders, employees and friends of SolarWorld AG,

2011 was a demanding year for the solar industry and anything but satisfactory for SolarWorld. Subdued growth in the world economy, global oversupply due to the expansion of Chinese manufacturers, and serious political uncertainty as currently seen in Germany – all of these factors have affected our balance sheet and stock price. We achieved many but not all of our targets.

In fiscal year 2011, we continued our intensive efforts to reduce costs. To further strengthen our international competitiveness, we took the decisive step of concentrating production on our fully integrated facilities, which meet state-of-the-art technological standards. But despite all our clearly visible successes in achieving further massive cost reductions, we were not able fully to compensate for falling prices on the world market. It is evident that a price decline of this destructive magnitude is due to dumping tactics by state-subsidized Chinese manufacturers. In October 2011, therefore, we initiated legal proceedings in the U.S. against these unfair trading practices. We are considering taking similar action in Europe. At the same time, we will continue working towards our goal of reducing production and manufacturing costs. Key innovations will be implemented in production in 2012, further increasing efficiency.

The strength that we have achieved in our international business gives us the flexibility to exploit opportunities in core and future markets. A further increase in the percentage of our sales outside Germany, from 68 percent at present to a target level of 75 percent for 2012, signals our strategic direction for the future. Markets such as India, the Gulf region and South Africa have significant potentials for SolarWorld.

In our home markets of Germany and the United States, residential systems are our main business as the conditions are right in these markets for this kind of installation. In Europe also, the trend is moving away from multi-megawatt solar farms toward decentralized private power producers. “My personal energy revolution” is a philosophy that more and more homeowners will subscribe to, especially as electricity prices continue their relentless rise, and even after the planned cuts to feed-in tariffs in Germany. Our business model starts with this market, and this is where SolarWorld has created a

competitive advantage over the simple module business, offering rooftop systems including planning, consumption control systems, and entry-level products for energy storage with interfaces for future storage technologies already built in.

Sustainability is at the core of our business activities. This is why we manufacture exclusively at sites that uphold the best environmental and social standards. It is also why we are committed to international standards such as the United Nations Global Compact.

Looking to 2012+, the environment in which SolarWorld operates will experience further strong crowding-out pressure as the oversupply of modules and declining prices continue to make their effects felt. Competitors will vanish from the market, yet new players will appear. Product life cycles will accelerate, and customer needs will change.

We are strategically embracing accelerated change in the international solar markets with our positioning as an innovative quality provider, our success in communicating a strong and credibly sustainable brand, and our fair, competitive pricing. Our top priority will be to make further investments in our strong relationships with customers, in an area where we already enjoy a high level of trust and receive outstanding customer satisfaction ratings. Delivering optimum performance to our customers around the world by achieving optimum performance within our company – this is the path to future success, a path that my employees and I are passionate about pursuing.

I thank you all for your confidence and trust.

Sunny regards,

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

QUESTIONS? ANSWERS!

WWW.DAINZ.NET

INTERVIEW WITH CEO DR.-ING. E. H. FRANK ASBECK

1 / *What developments have taken place since the nuclear accident in Fukushima in March 2011?*

ASBECK: Following the disaster, I said there would be a global rethink. Fortunately, this has happened in Germany with the decision to quit nuclear power. Many people, all over the world, recognized that Fukushima was a wake-up call: Making the transformation to a safe, clean, fair and renewable energy supply is an absolute imperative.

2 / *What role will solar power play in this energy revolution?*

ASBECK: An indispensable one. The sun shines for everyone completely free of charge. The supply concept of the future will be intelligent, decentralized and renewable. At the same time, anyone can stage their own personal "energy revolution" by installing a SolarWorld solar array and making themselves independent of centralized energy providers and their rising prices. In the years ahead, this will become an attractive option for more and more people.

3 / *How is SolarWorld positioning itself in the face of increasingly tough competition?*

ASBECK: SolarWorld is just different. This makes us strong and gives us a clear long-term vision: a pioneering spirit and the courage to innovate, first-class production facilities, a high-quality branded product for a fair but internationally competitive price, our strength as a provider of complete solutions, our close relationships with our customers, and credible sustainability.

THE MANAGEMENT BOARD

(FROM LEFT TO RIGHT)

Dipl.-Kfm. tech. Philipp Koecke *// Chief Financial Officer // CFO*
Dipl.-Wirtschaftsing. Frank Henn *// Chief Sales Officer // CSO*
Dr.-Ing. E. h. Frank Asbeck *// Chief Excecutive Officer // CEO*
Attorney-at-law Colette Rückert-Hennen *// Chief Human Resources and Brand Officer // CHRBO*
Dipl.-Ing. Boris Klebensberger *// Chief Operations Officer // COO*

CHAPTER #1

KEY FIGURES AND FACTS

▸ *FIVE GOOD REASONS* WHY CUSTOMERS *CHOOSE SOLARWORLD*

1 / KEY FIGURES AND FACTS

SOLARWORLD 2011

01 SELECTED INDICATORS // IN K€

Financial indicators	2011	2010	Change
Revenue	**1,046,940**	1,304,674	−19.8 %
Foreign quota in % of revenue	**57.6 %**	47.0 %	10.6 %-points
EBITDA	**219,281**	281,255	−22.0 %
EBIT	**−233,233**	192,752	n. a.
EBIT in % of revenue	**−22.3 %**	14.8 %	−37.1 %-points
Capital employed (key date)*	**1,302,692**	1,311,332	−0.7 %
ROCE ** (in %)	**−17.9 %**	14.7 %	−32.6 %-points
Consolidated net income	**−299,272**	87,312	n. a.
Consolidated net income in % of revenue	**−28.6 %**	6.7 %	−35.3 %-points
Total assets	**2,277,827**	2,635,332	−13.6 %
Equity	**630,759**	922,879	−31.7 %
Equity ratio (in %)	**27.7 %**	35.0 %	−7.3 %-points
Return on equity (in %)	**−47.4 %**	9.5 %	−56.9 %-points
Cash flow from operating activities	**−49,564**	254,175	n. a.
Net liquidity***	**−718,524**	−528,158	36.0 %
Investments in intangible assets and property, plant and equipment	**174,482**	216,064	−19.2 %

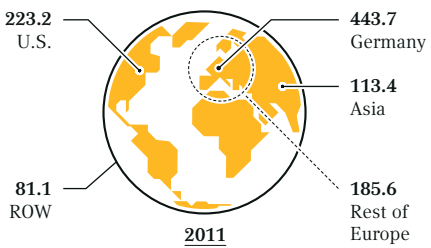
Employee indicators	2011	2010	Change
Employee (key date)	**2,701**	2,376	13.7 %
of which trainees (key date)	**82**	87	−5.7 %
Personnel costs ratio (in %)	**12.2 %**	9.6 %	2.6 %-points
Revenue per employee (in k€)	**388**	549	−29.4 %
EBIT per employee (in k€)	**−86**	81	n. a.

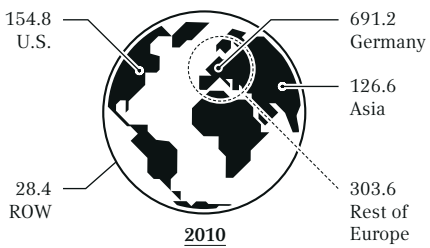
* Intangible assets and property, plant and equipment less deferred investments subsidies plus net current assets except for current net liquidity
** EBIT/Capital employed
***Liquid funds and other financial asstes less financial liabilities

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

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2010	Change
Revenue	232,986	302,050	219,047	**292,857**	358,892	−18.4 %
Inventory change in products	68,055	27,447	102,871	**−126,319**	132	n. a.
Own work capitalized	994	276	445	**12,634**	205	6,062.9 %
Other operating income	30,248	28,407	87,254	**135,963**	35,543	282.5 %
Cost of materials	−201,251	−209,964	−253,702	**−166,988**	−222,825	−25.1 %
Personnel expenses	−34,986	−35,056	−34,391	**−33,791**	−37,032	−8.8 %
Amortization and depreciation	−25,988	−27,396	−31,133	**−367,997**	−25,259	1,356.9 %
Other operating charges	−42,195	−45,528	−69,812	**−68,270**	−50,479	35.2 %
Result of operations	**27,863**	**40,236**	**20,579**	**−321,911**	**59,177**	**n. a.**
Financial result	−10,934	−17,768	−15,035	**−9,567**	−4,483	113.4 %
Pre-income tax result	**16,929**	**22,468**	**5,544**	**−331,478**	**54,694**	**n. a.**
Taxes on income	−5,309	−14,355	−13,710	**18,831**	−22,081	n. a.
Income after taxes from discontinued operations	857	1,782	−831	–	–	–
Group profit/loss	**12,477**	**9,895**	**−8,997**	**−312,647**	**32,613**	**n. a.**

03 REVENUE BY REGION // IN M€

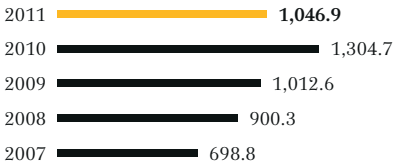




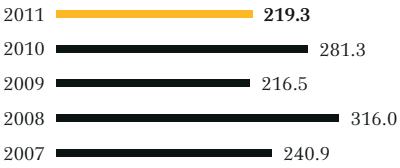
04 DEVELOPMENT OF KEY FIGURES IN FIVE-YEAR COMPARISON

disclosures for 2007 including discontinued operations

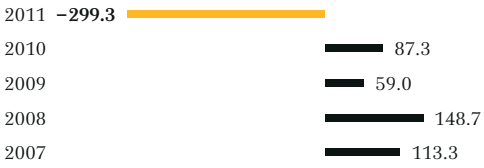
Revenues (in m€)



EBITDA (in m€)

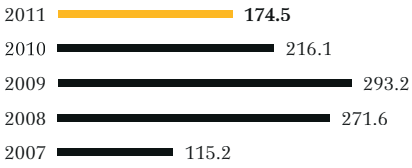


Group profit/loss (in m€)

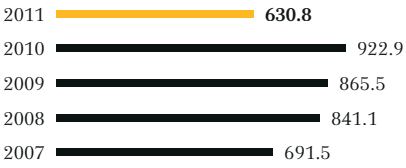


EBIT (in m€)

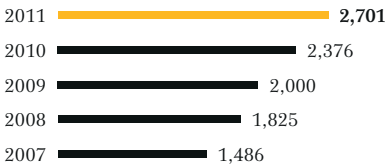
Investments excl. financial investments (in m€)



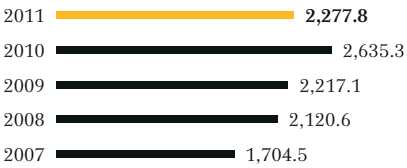
Equity (in m€)



Employees



Balance sheet total (in m€)



SUSTAINABILITY PERFORMANCE

05 ENVIRONMENTAL PROTECTION

NAME AND DESCRIPTION	2010	2011	2012
Energy efficiency: Total energy consumption (in primary GJ) This year, for the first time we can express the total energy consumption in primary gigajoule.	–	**5,108,840 cf**	↑
Water consumption: Total water take-out (in m^3)	1,431,642 ep	**1,466,030 ep**	↑
Water consumption: Waste water discharge (in m^3)	1,339,407 mf	**1,404,641 ep**	↑
GHG emissions: Total GHG emissions (in tCO_{2eq})	178,886 cf	**188,638 cp**	↑
Emissions: NO_x, SO_x and other air emissions (in tonnes)	29 cf	**42 ep**	↑
Waste: total production waste (in tonnes)	20,730.83 mf	**34,249.50 ep**	↑
Environmental compatibility: Share of ISO 14001 certified locations (weighted by average capacity)	100 %	**100 %**	↔
Packaging: Material (weight, volume) Information on the Group given for the first time. Some data are available in weight (tonnes), others in volume (m^3). Therefore, two values are reported.	–	**3,209.99 t plus 807.10 m^3**	↑
Environmental violations: sanctions due to environmental violations	0	**0**	0

06 CUSTOMERS AND PRODUCTS

NAME AND DESCRIPTION	2010	2011	2012
Customer satisfaction with SolarWorld: Share of satisfied customers among all respondents Aggregate number (trade: wholesalers, specialist partners)	85.8 %	**93.6 %**	↔
Earnings from new products: with life cycles of less than 12 months	30 % ef	**40 % ef**	↔
Health and safety aspects of the products: Share of product recalls for safety or health reasons in total number of products sold	0	**0**	0
Customer loyalty: Share of new customers (specialist partners)	7 %	**20 %**	↔
Customer loyalty: Market share (total)	5 % ef	**4 % ef**	↔
Sanctions due to product and service conditions	0	**0**	0

07 EMPLOYEES

NAME AND DESCRIPTION	2010	2011	2012
Employment type: share of temporary employees	28 %	**19 %**	↔
Employee turnover: share of employees leaving the company per year	8.2 %	**15.5 %**	↓
Collective bargaining agreements: share of employees covered by collective bargaining agreements	53 %	**51 %**	↔
Training and professional development/qualification: average training expenditure per employee (in €)	312.21	**394.31**	↑
Age structure of the workforce (persons)	≤30: 28 % 30–40: 29 % 40–50: 28 % >50: 16 %	**≤30: 20 %** **30–40: 35 %** **40–50: 28 %** **>50: 17 %**	↔
Absenteeism: total missed worktime due to sick leave/total planned working time in the calendar year	3.0 %	**3.3 %**	↓
Accident rate (per 1000 employees, incl. temporary workers)	0.015	**0.015**	↓
Relocation of work places due to restructuring: total costs of relocation (in k€) including compensation payments, severance pay, outplacement, recruitments, training, consulting These data are not yet collected in this aggregate form, but there is data from the U.S. (incl. severance pay, outplacement, extended health insurance). The rise from 2009 to 2010 is due to the module production ramped-up in Hillsboro as well as the closing of the module production in Camarrillo.	507	**766**	↔
Diversity: Share of women in total workforce	23 %	**23 %**	↔
Diversity: share of women in management positions	15 %	**16 %**	↔
Pay: total amount of all bonus payments (in m€) We do not grant stock options, but we pay a profit-oriented employee participation model (GOMAB). Futher data on this indicator is so far not available.	17.4	**5.4**	↑
Discrimination: number of documented incidents These two incidents were documented in the U.S.	0	**2**	0

08 SUPPLY CHAIN

NAME AND DESCRIPTION	2010	2011	2012
Certification: ISO 9001 certification of suppliers	90 % ef	**Freiberg: >80 % ef** **U.S.: 33 % ef**	↔
Certification: ISO 14001 certification of suppliers	40 % ef	**Freiberg: >55 % ef** **U.S.: 20 % ef**	↔
Production loss: difference between planned and actual production due to material bottlenecks (in %)	0	**0**	↔
Production loss: monetary effects of production loss due to material bottlenecks (in €)	0	**0**	↔

09 COMPLIANCE AND SOCIETY

NAME AND DESCRIPTION	2010	2011	2012
Effects of subsidies: Share of business activity in markets with feed-in tariffs or regulated pricing The sales share in markets without feed-in tariff or regulated pricing is still below 1 %. // Benchmarks: heavily subsidised markets such as nuclear energy, German coal, EU agricultural market	100 %	**100 %**	↔
Governmental financial assistance: Investment grants and research grants (in k€) Due to the increased depreciation (impairment), investment subsidies could be collected increasingly.	16,727	**42,388**	↔
Donations to political parties in (k€)	0	**0**	0
Other donations in (k€)	392	**508**	↔
Regional development: SOLAR2WORLD project scope (in kWp)	161	**44**	↑
Litigation risks: Expenditures and fines for lawsuits and court cases regarding anti-competitive behavior, Anti-Trust, monopoly behavior As part of the anti-dumping proceedings in the U.S., SOLARWORLD, the complainant, has invested the sum specified in the U.S.	0	**1**	↔
Corruption: Share of business activity in regions with a corruption index of less than 6.0	31 %	**54 %**	↑
Ascertained corruption incidents	1	**0**	0
Sanctions for non-compliance with laws and regulations	0	**0**	0

10 INNOVATION

NAME AND DESCRIPTION	2010	2011	2012
Innovation: Total R&D expenditures (in m€)	19.2	**27.2**	↔
Innovation: Total investment in research on ESG relevant aspects Our entire business (solar energy) is ESG relevant.	100 %	**100 %**	100 %
Number of inventions filed in the last 12 months	51	**58**	↑

These and further sustainability performance indicators can be found at Details on sustainability performance • p. S001ff. //

Legend:

ep: estimated & preliminary; **cp:** calculated & preliminary; **mp:** measured & preliminary;
ef: estimated & final; **cf:** calculated & final; **mf:** measured & final
–: not specified
GRI: Indicators of the Global Reporting Initiative
ESG: Key Performance Indicators or Key Performance Narratives for Environment, Society and Governance of EFFAS/DVFA
SOLARWORLD: Additional indicators selected by SOLARWORLD

CHAPTER #2

GROUP MANAGEMENT REPORT 2011

SUN AT WORK
SOLARWORLD.COM

ENERGYROOF

BECAUSE WE OFFER OUR CUSTOMERS *COMPLETE SOLUTIONS*

2 / GROUP MANAGEMENT REPORT 2011

BUSINESS AND GENERAL CONDITIONS

2011 was a difficult yet significant fiscal year for the SolarWorld Group. A clear corporate strategy and Group management and control are more important now than ever before in this era of economic crises, changes in government funding and price pressure on the solar market. We have confronted the challenges of the 2011 fiscal year and launched central processes and structures with a view to the long term. Our mission not only over the past months but also for the future is to focus on our strengths, to encourage our employees and customers to identify with our corporate values and to establish a strong brand.

STRATEGY AND ACTION

The solar power industry had a demanding year in 2011 as the downward spiral of excess capacity, weak demand, falling prices and squeezed margins accelerated. Competition is intensifying and it is becoming harder to win and retain customers. Meanwhile, the changing legal framework and falling feed-in tariffs for solar power are making the situation even trickier.

For all these reasons, the fiscal year was far from satisfactory, but it did show us that we have chosen the right strategy. Our approach consists of a clear focus on silicon-based solar power technology, an international distribution network which closely integrates our customers as partners, and a fully integrated approach to manufacturing from silicon through to the finished system which prioritizes quality and our customer value proposition. The primary goal of our business strategy is to continually impress our customers with our value proposition, year after year. This calls for high flexibility, dedicated workers, and well-coordinated structures. *SolarWorld Group strategy • p. 006//*

GLOBAL SITES OF THE SOLARWORLD GROUP. In 2011, we simplified production processes throughout the Group and streamlined structures by focusing specifically on our fully integrated sites in Hillsboro, U.S. and Freiberg, Germany. We sold the stake in our Korean joint venture to the joint venture partner and suspended operations at our module production facility in Camarillo, Calif. *Restructuring measures in production • p. 044//* However, we kept our U.S. sales office in Camarillo. California is the most important sales market for the solar industry in the U.S. Focusing on two global sites creates signifi-

cant advantages for our production: Shorter transport routes within our manufacturing process allow us to enhance cost efficiency and accelerate the lead time for the finished module. We can reach all the major solar markets and support our customers locally from our sales locations in Germany, France, Spain, the U.S., Singapore and South Africa. Altogether, SolarWorld has 12 (2010: 11) sites including manufacturing sites, joint ventures and the Group holding company. @ *annualgroupreport2011.solarworld.de //*

PRODUCTS AND SERVICES. In future, we will occupy a stronger position in the end customer segment and enhance the brand value of SolarWorld with application components for specific markets and customers. Our core business is the sale of modules and solar power systems via the specialist and wholesale trade to private and commercial end customers. To expand our market share in the end customer market for modules and systems under a strong brand – that is our goal for the future. We will increasingly be using our internally produced wafers directly for the production of SolarWorld modules. We operate under the principle of mastering and controlling the technological know-how that exists in our products from A to Z and using it to optimum effect. In this way, we can guarantee the high quality of our products while also keeping our costs in check. Having a broad product portfolio – which includes roof-mounted systems for the home, off-grid standalone solutions and large-scale solar power stations – allows us to serve a wide variety of customers in all kinds of regions who have very different needs. → *Product glossary • p. 222 //*

ENHANCING OUR CORPORATE VALUE IS ONE OF THE CORNERSTONES OF OUR STRATEGY. At the same time as we create a clear added value for our customers, we are also concerned with building a strong employee culture. Especially in such stormy times as these, it is essential that our employees identify with the company's goals and values.

"Made by SolarWorld" represents quality and service – this is the value proposition that we are committed to. We want to provide support to our customers and help them grow their businesses. Customer focus, maximum yields, modern design, stability and a long life cycle, delivering high quality for a fair price – this is what the SolarWorld brand stands for.

GROUP STRATEGIC FINANCING. A secure financial position over the long term is essential for us to reach our strategic goals, which will enable us to take action and implement short to medium-term growth steps. Group financing is therefore handled centrally by SolarWorld AG, which also acts as a holding company. Controlled directly by the Management Board, SolarWorld AG is responsible for Group liquidity planning and controlling, and for raising capital. We aim to achieve an equity ratio of around 35 percent. 52 *Five-year comparison of asset position • p. 075 //* 50 *Five-year comparison of financial position • p. 074 //*

In addition to the funds generated from the operating cash flow, we use various outside financing instruments such as bonds, assignable loans, loans and senior notes. For example, on July 6, 2011 we successfully placed a second corporate bond with a volume of € 150 million on the Luxembourg Stock Exchange. *Financing analysis • p. 071//*

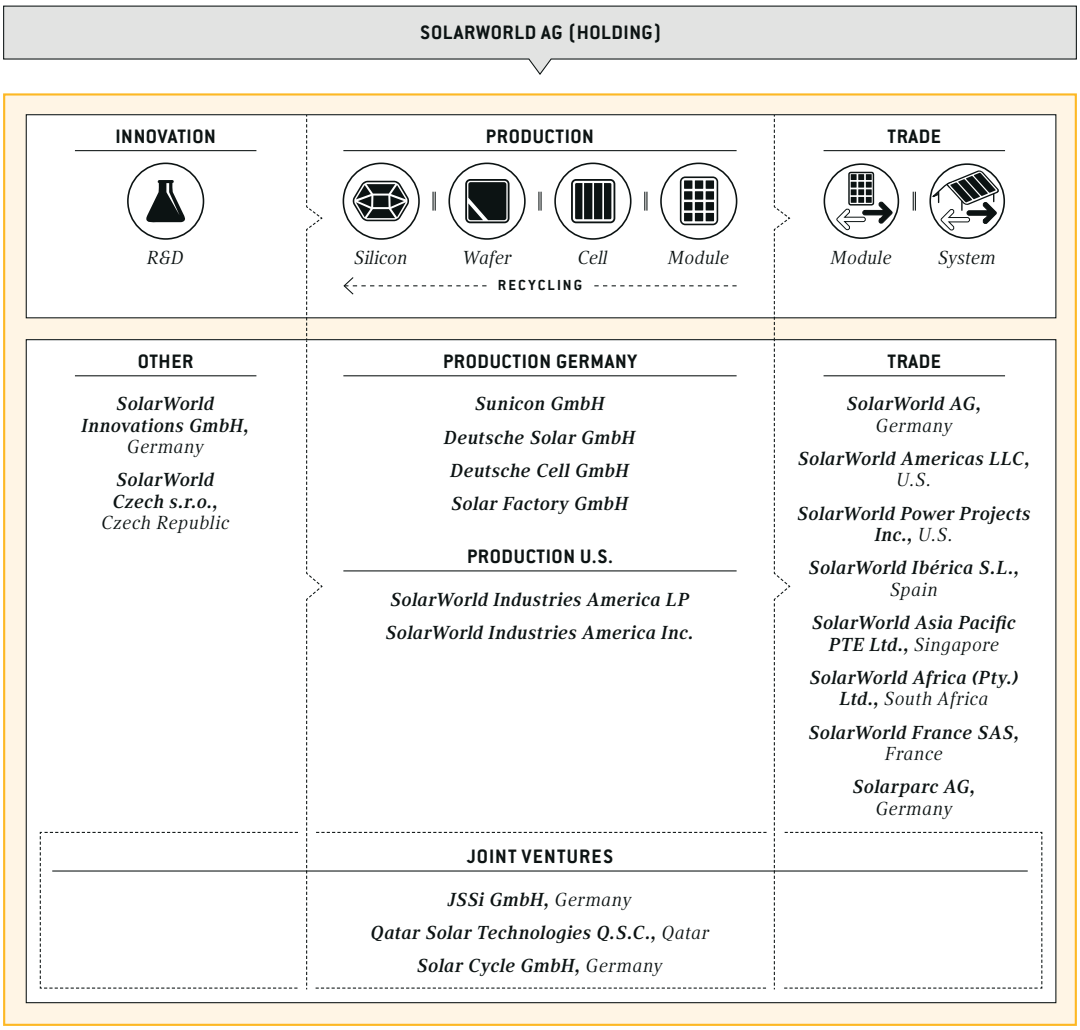
GROUP STRUCTURE AND SEGMENTS

BUSINESS FIELDS CONTINUED UNCHANGED. SolarWorld Group is one of the leading manufacturers of crystalline solar power technology worldwide. Together with its subsidiaries, SolarWorld AG performs research, development, manufacturing and recycling activities at all stages of the solar value chain. The company's main business activities are the production and international distribution of high-quality solar power systems. The products are used in both on-grid and off-grid applications.

ORGANIZATIONAL STRUCTURES CREATE SYNERGIES. SolarWorld AG is the parent company of the SolarWorld Group. It emerged from the sole proprietorship, Frank H. Asbeck, Engineering Office for Industrial Plants, which was established in 1988. On March 26, 1999 the stock corporation under German law was entered in the Register of Companies of the local court of the City of Bonn under number HRB 8319. *Chronicle • p. 226//*

As the holding company, SolarWorld AG performs central Group functions such as Group Controlling, Group Accounting, Financing, Investor Relations, Global IT and Communications, in addition to Sales. It also coordinates procurement, marketing and investment activities, which are implemented locally by the subsidiaries. The Management Board of SolarWorld AG is responsible for Group management. Group Auditing and Sustainability Management report directly to the board as staff departments.

(11) SEGMENT STRUCTURE AND STAGES OF THE VALUE CHAIN



SEGMENT STRUCTURE HAS PROVED SUCCESSFUL. The segment structure remains the same as in the previous year. Based on the strategic management view, regionally related and fully integrated production and functional units are pooled: The operational business is divided in the four segments: "Production Germany", "Production U.S.", "Trade" and "Other." These segments reflect the strategic orientation as well as the internal organizational, reporting and control structures. The "Production Germany" and "Production U.S." segments each comprise the regionally coherent and fully integrated production activities. In addition, wafer sales are allocated to the "Production Germany" segment. The operating segment "Trade" covers international sales of solar modules as well as income from electricity sales, project planning and the sale and operation of wind farms and solar power stations that are attributable to the business activities of our new subsidiary SOLARPARC AG. Those Group business activities where the financial impact is not or is no longer crucial to the assets, finance and income position of the Group are included in the segment "Other."

CHANGES TO THE GROUP'S LEGAL STRUCTURE. On the balance sheet date of December 31, 2011, a total of 61 (2010: 28) companies belonged to the SOLARWORLD Group. (79) *SolarWorld Group structure as of December 31, 2011* • *p. 143//*

- The acquisition of SOLARPARC AG in January 2011 was a significant addition to the SOLARWORLD Group's consolidated companies. As project planner and operator of large solar projects and wind farms, SOLARPARC AG indirectly holds 34 subsidiaries and associate companies that are active in the solar and wind power business. In addition to developing and constructing large-scale solar projects, SOLARPARC also markets electricity from renewable energy sources in Germany. With the acquisition of SOLARPARC AG, SOLARWORLD Group is tapping another market in the large-scale plant business. → *Strategic opportunities* • *p. 098//*

- On June 29, 2011, we sold our shares in the South Korean joint ventures SOLARWORLD KOREA LTD. and SOLARPARK M.E. LTD. to the joint venture partner. Following this step, the Group's manufacturing activities are now focused on its integrated production sites in the U.S. and Germany. → *Global sites of the SolarWorld Group* • *p. 021//*

- In preparation for potential lithium mining on the Czech side of the Ore Mountains, we formed the fully owned subsidiary SOLARWORLD CZECH S.R.O. in Teplice, Czech Republic, in August 2011. → *Strategic opportunities* • *p. 098//*

- In September 2011, we acquired a 24 percent stake in the joint venture SOLARCYCLE GMBH in Bitterfeld-Wolfen, Germany. One of the joint venture's activities is the recycling of solar modules. → *Performance-related opportunities* • *p. 099//*

CORPORATE MANAGEMENT AND CONTROL

STRATEGIC GROUP MANAGEMENT. Every year, the Management Board sets targets for the Group in accordance with the Group strategy. For implementation, these are broken down into divisional targets. At monthly meetings, the Management Board discusses the results achieved up to that point, examines any deviations from targets, adjusts targets throughout the year in accordance with rolling planning, and introduces necessary measures in consultation with the management bodies of the Group subsidiaries. In addition, members of the Management Board and managing directors of the subsidiaries meet annually in the Strategy Council. This body meets to discuss and decide on further short to medium-term goals and measures, also taking the respective regional and market-specific circumstances into account.

Revenues and EBIT are the primary financial control indicators used by the SolarWorld Group. ⑫ *Target achievement 2010 and 2011 and targets for 2012+/Finance • p. 028//* They are continuously monitored by Group Controlling in a target/actual comparison along with further department-specific indicators, and a monthly report is produced for the Management Board. This reporting reflects the structure of the Group's operating divisions, which are the same as the operating segments used for financial reporting purposes, namely "Production Germany", "Production U.S.", "Trade" and "Other." ⑪ *Segment structure and stages of the value chain • p. 024//*

For the "Trade" segment, shipments and revenues are the key control indicators. They are reported to the Management Board on a weekly basis. In addition, on a monthly basis, more detailed analyses and target/actual comparisons of shipments and revenues by product groups, regions and customers, of sales costs, and finally of the EBIT margin that is achieved are produced in standardized form and reported to the Management Board. In the "Production Germany" and "Production U.S." segments, in addition to revenue and EBIT trends, the focus also includes an analysis of the monthly production costs per unit or per watt peak that are achieved for the production volume including an account of individual cost drivers (e.g. material usage, labor intensity). Based on these figures, Group management monitors and manages measures to increase efficiency and reduce costs.

Non-financial indicators such as productivity figures, customer satisfaction, employee recruitment and retention, and resource consumption supplement the financial control indicators. Further work will be done to improve these indicators in future as we see a direct relationship between the non-financial and financial control variables, and hence with the long-term commercial success of the company. The SolarWorld scorecard gives a more detailed picture of the financial and non-financial indicators. @ *annualgroupreport2011.solarworld.de/further-details//*For concrete examples of the results and targets within our defined five perspectives of finance, customers, processes, employees and the company, please see the table ⑫ to ⑯ *Target achievement 2010 and 2011 and targets for 2012+ • p. 028ff.//*.

In 2011, we continued to focus on pursuing and developing initiatives for quality and cost optimization along the entire process chain. At the same time, we directed our attention to developing and opening up new international markets. The primary goal of these activities is to stabilize our EBIT margin in the long term, despite falling module prices, and hence enhance corporate value.

OPERATIONAL LEADING INDICATORS. Leading indicators provide information as to the attainability of the Group's strategic targets. In the "Production Germany" and "Production U.S." segments, for example, we use the average production output (MW/day) and the yield ratio as leading indicators for productivity. In the Trade segment, we work with metrics relating to product quality (e.g. Error Potential and Influence Analysis) to obtain an early assessment of our competitiveness.

To be able to assess customer satisfaction and forecast market trends, we utilize information obtained from dialog with our customers. We also carry out specific surveys (e.g. on product innovations) among our specialist partners. In 2011, for example, we conducted a forward-looking market survey of trends and growth opportunities in the solar market, via an independent research institute. We have compiled additional information about our leading indicators in the online version of this report. @ *annualgroupreport2011.solarworld.de/further-details*//

INTERNAL CONTROL SYSTEM. The internal control system (ICS) in the SolarWorld Group includes various control mechanisms: Every month, Group Controlling reports to the Management Board on the development of segment-based indicators. In addition, Group Controlling coordinates Risk Management, taking financial circumstances into account. While Group Controlling observes and manages the segment-based indicators and monitors any deviations from targets, department-based checks are also carried out, which are reviewed by our Internal Audit (IA) staff department. In conducting its audit activities, IA pursues the aim of assessing the reliability of the risk management system and the internal control system with an integrated, risk-oriented and systematic auditing approach. Operational processes are audited in respect of regularity, security, safety and efficiency criteria and compliance with legal requirements and company regulations. To ensure the proper performance of its duties, IA is an instrument of the Management Board which is organizationally and functionally independent of the bodies it audits. In the context of its auditing activities, it autonomously determines the scope of the audit and reporting.

TARGET ACHIEVEMENT 2010 AND 2011 AND TARGETS FOR 2012+

⑫ FINANCE

TARGETS 2010+	ACTUAL 2010	TARGETS 2011+	ACTUAL 2011	TARGETS 2012+
Revenue target: Sustainably exceed the previous year's revenue of € 1 billion (Assumption: further recovery of economic development in general combined with growth of the solar market, which will be materially influenced by the fluctuating legal framework in the core market Germany)	✓ **Revenue:** € 1.3 billion (+29 %)	**Revenue target:** Sustainably exceed the previous year's revenue of € 1.3 billion	✗ **Revenue:** € 1.0 billion (–19.8 %)	**Shipments target:** Exceed the previous year's level of shipments of modules and solar kits. **Revenue target:** Assuming falling prices and a lack of stability in the regulatory framework, revenues will be lower than in 2011.
Operating income target: Depends on the price reduction that must and can be compensated for on the cost side	✓ **EBIT:** € 192.8 million (+26 %)	**Operating income target:** Key factor will be the extent to which increasing price pressure can be compensated for on the cost side	**EBIT:** € –233.2 million // adjusted EBIT: € 30.1 million Extraordinary one-off effect due to impairment charges	**Operating income target:** Key factor will be the extent to which increasing price pressure can be compensated for on the cost side
Shareholder profit participation	✓ **Dividend:** € 0.19/share (dividend proposal to the AGM in 2011)	Shareholder profit participation; dividend continuity	✓ **Dividend:** € 0.09/share (dividend proposal to the AGM in 2012)	Dividend continuity; shareholder profit participation

⑬ CUSTOMERS

TARGETS 2010+	ACTUAL 2010	TARGETS 2011+	ACTUAL 2011	TARGETS 2012+
Further development of the SolarWorld brand	✓ Brand awareness in Germany increased: **Unaided:** 2010/2011: 7.8 % (2009/2010: 7.1 %) **Aided:** 2010/2011: 35.1 % (2009/2010: 24.9 %) Source: EuPD Research/Brand Monitor	Further development of the SolarWorld brand	✓ Brand awareness in Germany increased: **Unaided:** 2011/2012: 13.7 % (2010/2011: 7.8 %) **Aided:** 2011/2012: 38.4 % (2010/2011: 35.1 %) Source: EuPD Research/Brand Monitor **2012 image profile of German companies:** 108th place (1st place in the energy industry) Source: manager magazin	Further development of the SolarWorld brand
Further increase in customer satisfaction	✓ In 2010, customer satisfaction developed as follows: **Satisfaction with service:** 89.1 % (2009: 87.6 %) "very good" and "good" **Satisfaction with product quality:** 99.2 % (2009: 99.8 %) "very good" and "good" **Satisfaction with SolarWorld in general:** 85.8 % (2009: 85.4 %) "very satisfied" and "satisfied"	Further increase in customer satisfaction	✓ In 2011, customer satisfaction developed as follows: **Satisfaction with service:** 94.4 % (2010: 89.1 %) "very good" and "good" **Satisfaction with product quality:** 99.4 % (2010: 99.2 %) "very good" and "good" **Satisfaction with SolarWorld in general:** 93.5 % (2010: 85.8 %) "very satisfied" and "satisfied"	Further increase in customer satisfaction
Expansion of international sales also in new markets and business fields with focus on the U.S. market and Europe and rural electrification	✓ Expansion of European export sales teams: +46 % ✓ Creation of a sales subsidiary in France ✓ Expansion of sales teams in the U.S.: +115 %	Expansion of international sales also in new markets and business fields with focus on the U.S. market and Europe	✓ Expansion of European and U.S. sales teams: +80 %	Expansion of international sales activities
Foreign share: Above the previous year's level	✓ **Foreign share of revenue:** 47 % (2009: 29 %) ✓ **Foreign share of shipments:** 59 % (2009: 46 %)	**Foreign share:** Increase to 75 % over the next two years	✓ **Foreign share of revenue:** 58 % (2010: 47 %) ✓ **Foreign share of shipments:** 68 % (2010: 59 %)	**Foreign share:** Increase up to 75 %

TARGET ACHIEVEMENT 2010 AND 2011 AND TARGETS FOR 2012+

(14) PROCESSES

TARGETS 2010+	ACTUAL 2010	TARGETS 2011+	ACTUAL 2011	TARGETS 2012+
Minimum target: Compensate for EEG degression as at January 1, 2010 (9 % roof-mounted; 11 % ground-mounted) via internal cost reduction (in €/Wp); further 16 % planned from July 1, 2010 cannot be immediately and completely equated on the cost side in 2010	✓ Internal cost reduction (in €/Wp) by about 10 % in the period under review	**Minimum target:** Internal cost reduction by 8–9 %	✓ Internal production cost reduction (in €/Wp) by more than 10 %	**Minimum target:** Internal cost reduction by 8–9 %
ISO 14001 certification of all remaining locations, including South Korea	✓ Achieved in March 2010	ISO 14001 certification for SOLARPARC AG	✓ Achieved	Certification of SOLAR FACTORY GMBH according to OHSAS 18001 (Occupation Health and Safety Assessment Series)
ISO 9001 certification in South Korea	✓ Achieved in March 2010	ISO 9001 certification for SOLARPARC AG	✓ Achieved	
Capacity expansion 2010/2011 to meet rising world demand: **Wafers:** 1,250 MW **Cells:** 750 MW **Modules:** 1,250 MW	✓ On schedule	**Capacity expansion 2011 (year-end capacity):** **Wafers:** 1,250 MW **Cells:** 800 MW **Modules:** 1,400 MW	✗ **Year-end capacity in 2011:** **Wafers:** 1,000 MW **Cells:** 800 MW **Modules:** 850 MW	Production processes optimization

(15) EMPLOYEES

TARGETS 2010+	ACTUAL 2010	TARGETS 2011+	ACTUAL 2011	TARGETS 2012+
Employment expansion by around 10 %	✓ **Employment increase:** +19 %	**Employment increase:** Groupwide employment increase by around 25 % by the end of 2012	✗ **Employment increase:** +14 %	Employment level should not increase
Strengthen employer attractiveness	✓ **trendence graduate barometer 2010:** 14th place (2009: 15th place) ✓ **Universum Study Survey 2010:** 10th place (natural science students), 13th place (engineering students)	Strengthen employer attractiveness	✓ **trendence graduate barometer 2011:** 18th place **Universum Study Survey 2011:** 12th place (natural science students), 20th place (engineering students)	Strengthen employer attractiveness Vocational education and training of employees
Emphasis on groupwide executive development	✓ Groupwide management and executive workshops	Emphasis on groupwide executive development	✓ Groupwide management and executive workshops	Groupwide development of a talent management program
After approval by the works council, the Code of Conduct will be officially launched and communicated, and included in internal training and continuing professional development programs	Approval by works council obtained; official signature by Management Board and Supervisory Board: Communication rescheduled for 2011	Groupwide communication of the Code of Conduct	✗ Our compliance management system was reorganized in 2011, with the result that communication of the Code of Conduct was postponed until 2012.	Further development of SOLARWORLD's compliance management system Groupwide communication of the Code of Conduct

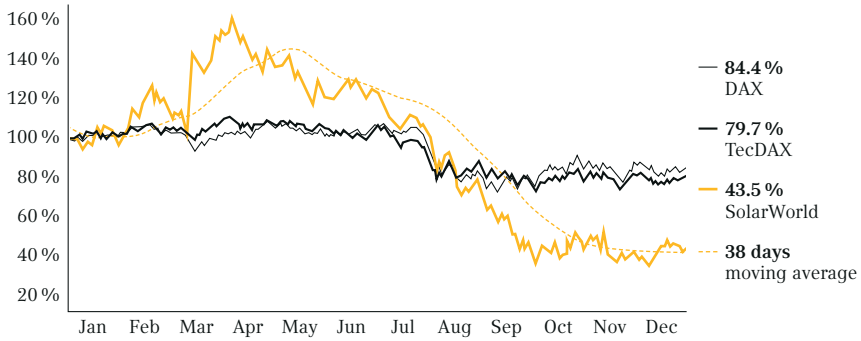
⑯ SOCIETY

TARGETS 2010+	ACTUAL 2010	TARGETS 2011+	ACTUAL 2011	TARGETS 2012+
Consider the interests of stakeholder groups: voluntary disclosure through sustainability reporting pursuant to GRI, Carbon Disclosure Project and Global Compact	✓ Achieved	**Consider the interests of stakeholder groups:** voluntary disclosure through sustainability reporting pursuant to GRI, Carbon Disclosure Project and Global Compact	✓ Achieved	**Consider the interests of stakeholder groups:** voluntary disclosure through sustainability reporting pursuant to GRI, Carbon Disclosure Project and Global Compact
Implementation of awareness-building measures with regard to climate and resource protection	✓ Information through TV spots, targeted direct mailings, school projects, etc.	Implementation of awareness-building measures with regard to climate and resource protection	✓ Information through TV spots, targeted direct mailings, school projects, etc.	Implementation of awareness-building measures with regard to climate and resource protection
Research promotion: Expand cooperation with universities and research institutes	✓ Cooperation with TUBAF in the area of vocational training increased; research partnerships 2010: 24 (2009: 25)	**Research promotion:** Expand cooperation with universities and research institutes	✓ Cooperation with TUBAF in the area of vocational training increased; research partnerships 2011: 24 (2010: 24)	**Research promotion:** Continuing cooperation with universities and research institutes
Contribution to regional development via SOLAR2WORLD projects (not-for-profit)	✓ **Project scope:** 161 kWp (2009: 114 kWp)	Contribution to regional development via SOLAR2WORLD projects (not-for-profit)	✓ **Project scope:** 44 kWp (2010: 161 kWp)	Contribution to regional development via SOLAR2WORLD projects (not-for-profit)

For further information on our management approach regarding economic, environmental and social aspects, go to DMA Management approach @ *annualgroupreport2011.solarworld.de/managementapproach*// and economic, environmental and social performance indicators see @ *annualgroupreport2011.solarworld.de/sutainability/gri-index*//.

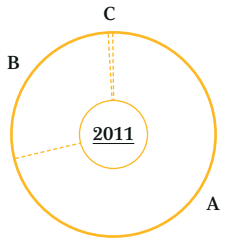
17 DEVELOPMENT OF THE SOLARWORLD STOCK VS. DAX AND TECDAX

Source: Deutsche Börse, 2012



18 SHAREHOLDER STRUCTURE

as of 31.12.2011



A // Free float ..... **71.37 %**
B // Dr.-Ing. E. h. Frank Asbeck ..... **27.80 %**
C // SolarWorld AG (treasury stock) ..... **0.83 %**

19 FIVE-YEAR COMPARISON OF SOLARWORLD STOCK INDICATORS

	2007	2008	2009	2010	2011
Year's closing price (€)	41.75	15.10	15.33	7.47	**3.25**
Year's opening price (€)	24.00	41.90	15.6	15.2	**7.65**
Performance over the year	74.0	−64.0	−1.7	−50.9	**−57.5**
Number of stocks	111,720,000	111,720,000	111,720,000	111,720,000	**111,720,000**
Treasury stock as at December 31	0	0	0	4,838,723	**924,607**
Market capitalization as at Dec. 31 (€ million)	4,664.3	1,687.0	1,712.7	834.5	**363.1**
Highest price (€)	48.00	40.92	23.78	16.61	**11.95**
Lowest price (€)	23.90	11.23	12.24	7.00	**2.61**
Earnings per stock (€)	1.01	1.33	0.53	0.80	**−2.70**
Price-earnings ratio*	41.3	11.4	28.9	9.3	**n. a.**
Amount distributed (€ million)	15.6	16.8	17.6	21.1	**10.0**
Dividend payout ratio (%)	63.1	21.8	16.4	24.1	**n. a.**
Dividend per stock (€)	0.14	0.15	0.16	0.19	**0.09**

* Year's closing price/earnings per stock

20 INDICES IN WHICH SOLARWORLD WAS LISTED IN 2011

GERMANY

TecDAX //
Technology companies

ÖkoDAX //
Renewable energies

EUROPE

ERIX //
Renewable energies

GLOBAL

DAXglobal Sarasin Sustainability Index //
Environment

MSCI Global Climate Index //
Climate change

NAI //
Environment

PPVX //
Solar

SOLEX //
Solar

RENIXX //
Renewable energies

FTSE Environmental Opportunities All-Share //
Environment

Global Challenges Index (GCI) //
Environment

MAC Global Solar Energy Index //
Solar

Merrill Lynch Renewable Energy //
Renewable energies

S&P Global Clean Energy Index //
Renewable energies

WilderHill New Energy Global Innovation Index NEX // Renewable energies

BUSINESS DEVELOPMENT IN THE YEAR 2011

Fiscal year 2011 was characterized by high economic volatility, particularly concerning the stock price and global capital markets. Weak demand and sharply declining prices held sway in the solar market. Contrary to forecasts, our revenue was below the previous year's level. SolarWorld AG reacted to generally unstable economic development with decisive restructuring and savings measures. We carried out impairment tests along the value chain and identified the need for impairments. The consolidated result was negative, mostly due to impairment charges.

THE STOCK

A TURBULENT YEAR ON THE CAPITAL MARKETS. Thanks to good economic development in 2010 and the steady upward movement of economic indicators, the capital markets started 2011 on a positive trend. However, unrest in the Middle East and North Africa, followed by the emerging euro zone debt crisis a few weeks later, triggered a correction which was intensified by the catastrophic earthquake in Japan. The subsequent nuclear accident in Fukushima boosted shares in the renewable energy sector – contrary to the trend for the rest of the stock market. Bolstered by our good quarterly results, the SolarWorld AG stock rose by around 50 percent to reach € 11.95, its highest value of the year.

The worsening sovereign debt crisis and a further dip in growth in the U.S. economy weighed on capital markets throughout the remainder of the year. In 2011, the DAX lost 15 percent to close at 5,898 points. The TecDAX fell by a hefty 20 percent to 685 points. Solar stocks were also avoided by investors owing to the uncertain legal situation for solar energy subsidies in Italy, and discussions of further cuts to subsidies in Germany. The uncertain legal situation, combined with excess capacities in the solar market and weak demand, put pressure on margins for all solar companies and additionally spooked investors. As a result, the performance of solar stocks was significantly below the already negative market trend: The Photon Photovoltaic Stock Index (PPVX) and the World Solar Energy Index (SOLEX) fell by 60 and 62 percent respectively over the course of the year. The SolarWorld AG stock followed the trend in the solar segment. Although it ended the year down 58 percent, and therefore did slightly better than the average for the solar indices, this performance was anything but satisfactory. At the end of the year, the SolarWorld AG stock closed at € 3.25.

SHAREHOLDER STRUCTURE OF SOLARWORLD AG UNCHANGED. In the period under review, the capital stock of SolarWorld AG did not change. It is divided into 111,720,000 no par bearer shares with an imputed nominal value of € 1.

DISCLOSURES RELEVANT FOR TAKEOVERS. The information pursuant to § 315 (4) No. 1 and No. 3 HGB (the composition of subscribed capital and participation in capital) can be obtained from the previous paragraphs.

The provisions concerning the appointment and dismissal of Management Board members as well as amendments to the Articles of Association (§ 315 (4) No. 6 HGB) result from the German Stock Corporation Act. Regarding Management Board powers (§ 315 (4) No. 7 HGB), reference is made to the Stock Corporation Act. In addition, the following applies:

At the Annual General Meeting (AGM) on May 20, 2010 the authorizations to increase the nominal capital approved during previous AGMs were canceled. At the same time, the Board of Management was authorized with the approval of the Supervisory Board, to increase nominal capital once or several times to a total of up to € 55,860,000.00 for a period of five years, i.e. until May 20, 2015, by issuing new, no-par bearer shares or registered shares in exchange for cash contributions or contributions in kind.

As of the cut-off date, financial liabilities amounting to converted € 1,115 (2010: € 981) million existed for which creditors can demand early repayment in the event of a change of control (§ 315 (4) No. 8 HGB). A change of control shall be deemed to occur if and when one party (with the exception of Dr. Ing. E.h. Frank Asbeck, members of his family or companies controlled by any of the aforementioned parties), directly or indirectly holds more than 50 percent of the voting rights concerning the shares issued or acquires the possibility to nominate or elect the majority of Supervisory Board members, or to cause such a nomination or election to take place.

With regard to § 315 (4) Nos. 2, 4, 5 and 9 HGB, no information is required.

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD. For information about the principles of the remuneration system for the Management Board and Supervisory Board, please see the ⊖ *Remuneration report • p. 123 //* in the Corporate Governance Report. This forms an integral part of the Group Management Report and is audited by BDO AG Wirtschaftsprüfungsgesellschaft.

SHAREHOLDER STRUCTURE CHANGED. In the year under review, seven notifications were issued pursuant to § 21 (1) sentence 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and § 26 (1) sentence 2 WpHG. These were announced on our website at @ *www.solarworld.de/notification-of-voting-rights //*. UBS AG and DWS Investment GmbH reduced their stake in SolarWorld AG to 2.92 (Dec. 31, 2010: 3.27) percent and to 2.49 (Dec. 31, 2010: 5.31) percent respectively, and therefore fell

below the three percent reporting threshold. Furthermore, as a result of the stock swap in connection with the takeover offer made to shareholders of SOLARPARC AG, the percentage of its own shares which SOLARWORLD AG holds fell to 0.83 (December 31, 2010: 4.33) percent. ⑱ *Shareholder structure • p. 032 //*

On March 1, 2011, we disclosed two directors' dealing transactions pursuant to § 15a (4) WpHG. In connection with the takeover offer made to shareholders of SOLARPARC AG, which was announced on December 31, 2010, CEO Dr.-Ing. E.h. Frank Asbeck offered his SOLARPARC shares (3,000,001 units) held indirectly via Eifelstrom GmbH, and his directly held shares in SOLARPARC AG (55,000 units) for exchange for one SOLARWORLD AG stock each. As a result, the direct and indirect stake held by Dr.-Ing. E.h. Frank Asbeck in SOLARWORLD AG increased to 27.8 (Dec. 31, 2010: 25.1) percent. @ *www.solarworld.de/directors-dealings //*

NO TREASURY STOCK ACQUIRED. In the period under review, SOLARWORLD AG did not make use of the authorization issued by the AGM on May 20, 2010 to acquire treasury stock pursuant to § 71 (1) No. 8 of the German Stock Corporation Act (AktG). No additional treasury stock was acquired in 2011. On the balance sheet date of December 31, 2011, SOLARWORLD AG held 924,607 no par value shares. Hence, on the balance sheet date, pursuant to § 71b AktG, only 110,795,393 no par value shares carried dividends and voting rights. This is equivalent to a participation of 99.17 percent.

2011 AGM INCREASES DIVIDEND. A total of 1,100 shareholders and shareholders' representatives attended the twelfth ordinary Annual General Meeting of SOLARWORLD AG on May 24, 2011. Accordingly, 39.68 percent of the capital stock with voting rights was represented. All items on the agenda were approved. For the 2010 fiscal year, the AGM approved an increased dividend of € 0.19 (2009: € 0.16). ⑲ *Five-year comparison of SolarWorld Stock indicators • p. 032 //* Shareholders therefore received a dividend payout for the eleventh year in a row. The dividend was paid out on May 25, 2011. The remainder of the company's balance sheet surplus (€ 109.1 million) was transferred to the other earnings reserves. We intend to distribute a dividend to shareholders of SOLARWORLD AG in the future also. → *Expected dividend and distribution • p. 109 //*

CONTACTS WITH THE CAPITAL MARKET EXPANDED. In 2011, we increasingly engaged in dialog with investors, analysts, private shareholders and capital market representatives. We presented the SOLARWORLD Group at 33 international road shows, private equity forums, conferences and investor events. Investors were mainly interested in aspects such as SOLARWORLD's positioning with respect to the competition, the restructuring measures at our production sites, and our strategic focus on fully integrated production facilities. The capital market's interest in SOLARWORLD AG was also demonstrated by the placement in July 2011 of a bond worth € 150 million on the Luxembourg Stock Exchange. At the end of the year, 36 analysts were monitoring and assessing the performance of our stocks.

Our capital market reporting was awarded second place in the TecDAX category in the well-known German ranking by *manager magazin*. In the overall ranking of a total of 160 German stock exchange listed companies, SolarWorld AG took tenth place, demonstrating the quality of our reporting.

MAJOR BUSINESS EVENTS

ACQUISITION OF SOLARPARC AG COMPLETED. Our takeover bid for Solarparc AG, which was approved on December 31, 2010 by the German Federal Financial Supervisory Authority (BaFin), was successfully implemented by the acceptance deadline of February 17, 2011. *Changes to the Group's legal structure • p. 025//*

ADDITIONS TO THE GROUP MANAGEMENT BOARD. Effective July 1, 2011, the Supervisory Board appointed Mrs. Colette Rückert-Hennen as a new Management Board member for the People and Brand executive division. Since global brand management and sound HR and organizational structures are key elements for success in the current competitive environment, the implementation of these two areas at Management Board level constitutes an important strategic decision. *Organizational structure improved • p. 053//*

FOCUSSING ON FULLY INTEGRATED PRODUCTION SITES. In 2011, we focused primarily on making our production processes simpler and leaner. We sold our shares in our South Korean module factory to our joint venture partner and suspended parts of our operations in Germany and the United States. *Restructuring measures in production • p. 044//*

UNFAIR COMPETITION COMPLAINT FILED. On October 19, 2011, our U.S. subsidiary SolarWorld Industries America Inc., with support from the Coalition for American Solar Manufacturing (CASM), filed trade cases with the U.S. government. The petitions allege dumping and illegal subsidies by China, which has materially injured the domestic solar industry. In a preliminary determination issued December 2, 2011, the U.S. International Trade Commission (USITC) made a unanimous preliminary determination that Chinese trade practices were harming the U.S. solar industry. Since then, the U.S. Department of Commerce has been investigating China's subsidy programs and its manufacturers' pricing practices. Both the Commerce Department and the USITC will make final determinations later in 2012. *Proceedings pending • p. 078//*

FINANCIAL BASIS STRENGTHENED FURTHER. In July 2011, we placed a European corporate bond on the Luxembourg Stock Exchange having a volume of € 150 million, a time horizon of five years, and an interest rate of 6.375 percent (WKN: A1H3W6, ISIN: XS0641270045, Common Code: 064127004). *Financing analysis • p. 071//*

THE MARKET

OUR MAIN SALES MARKETS. SolarWorld has twelve sites in eight countries. We can serve our most important international solar markets from our sales offices in Germany, Spain, France, the U.S., Singapore and South Africa.

In 2011, Germany continued to be our most important sales region, making up 42 (2010: 53) percent of total revenue. Still, our internationalization strategy has successfully increased the percentage of foreign sales compared to the previous year, moving us one step closer to the target we set in 2010 of boosting foreign sales to 75 percent of the total within two fiscal years. In line with expectations, the U.S. became our second most important market in 2011, generating 21 (2010: 12) percent of revenue, while Europe (without Germany) made up 18 (2010: 23) percent, coming in third for the first time. 11 (2010: 10) percent of our revenue originated in Asia.

WEAK GROWTH IN EUROPE AND THE U.S. The economies of our core markets in Europe (except in Germany) and the U.S. became much less dynamic in 2011. Investments and private consumption floundered noticeably over the course of 2011 as the sovereign debt crisis in the euro zone intensified. Export volume was also weaker than last year increasing by only 6.5 (2010: 10.9) percent. Although the European countries introduced several measures together with the European Central Bank to stabilize the euro over the course of the year, they were not enough to calm the financial markets. Government measures to revive the economy also failed to materialize because the programs for budget consolidation limited the freedom many European countries had to maneuver.

In comparison, economic development in Germany proved solid. Even though economic growth was slower than last year at 2.9 (2010: 3.7) percent, it was still much stronger than in most industrial countries. Of the EU countries, only Germany held on to its AAA credit standing from Standard & Poor's while other EU countries have been downgraded. The number of people employed reached a record high and even private consumption proved unexpectedly high.

In the U.S., on the other hand, economic recovery was only moderate. The real estate market, which is still weak, was not able to recover and the job market remained below expectations. The U.S. economy still grew by 1.7 (2010: 3.0) percent mainly as a result of private consumption. Overall, though, the high level of national debt and the split in political party control of the U.S. Senate and House of Representatives meant that politicians were limited in their ability to take action to support the economy.

(21) DEVELOPMENT OF THE GROSS DOMESTIC PRODUCT IN OUR MAIN SALES MARKETS // IN PERCENT

Source: Kiel Institute for the World Economy, 2012

Region	2010	2011e	2012e	2013e
Germany	3.7	**2.9**	0.5	1.7
U.S.	3.0	**1.7**	1.9	2.2
Euro zone	1.8	**1.5**	−0.1	1.2
World	5.1	**3.8**	3.4	4.0

ENERGY PRICES ARE PUTTING PRESSURE ON THE ECONOMY. The weak economic development in the industrial countries slowed growth of the global economy. The pace of expansion of the emerging markets could not make up for this trend because their economic performance was also less dynamic. The economy is also being weighed down by the high prices of raw materials and the unstable financial markets. At the end of the year, e.g. a barrel of WTI crude oil cost US$ 98.60 (2010: US$ 89.08). The annual average price of a barrel rose by 20 percent to US$ 94.88. According to the Kiel Institute for the World Economy (IfW), global production in 2011 is estimated to grow by 3.8 (2010: 5.1) percent.

TURBULENT GROWTH ON THE SOLAR MARKET WITH DRASTIC PRICE DROP. Despite the weak economic position and the strong consolidation trend in industry, more investments were once again made in renewable energies in 2011, reaching a record high of US$ 260 (2010: US$ 247) billion. Main driver was the solar sector.

According to estimates of the Jefferies Bank, the newly installed capacity worldwide was around 22.8 (2010: 19.3) GW in 2011. The growth was not enough to maximize use of the enormous increase in production capacity along the entire solar value chain. Globally, many companies in Europe, America and Asia were forced out of the market.

Excess capacities, combined with Chinese companies' aggressive price policies, have led to a drastic fall in prices for silicon, wafers, cells and modules. The spot price for silicon was cut in half during the reporting year and was at around 30 US$/kg at the end of 2011; the previous year, it was 75 US$/kg. The contract prices for silicon lagged behind but were not able to reach the spot market level. They fluctuated between 40 and 50 US$/kg. Prices saw a similar development in the wafer segment – a lot of companies were not able to fulfill their purchasing commitments due to the low capacity utilization in cell and module production causing them to terminate their long-term contracts. SolarWorld, as a wafer supplier, was also affected by this trend: Positive special effects due to the damage claims for non-fulfillment and termination of long-term contracts thus affected the profit and loss in the "Production Germany" segment. → *Order trend* • *p. 069 //* Thanks to our strategic positioning as a fully integrated

manufacturer, we were able to transfer parts of the wafer quantities to our own production. The portion of SOLSIX® brand wafers used internally rose to 75 (2010: 65) percent. At the same time, this led to lower external revenue with wafers, which falls under the "Production Germany" segment.

LEGAL AND ECONOMIC FACTORS WORSENED. In 2011, incentive programs for solar power were revised in most European countries and the feed-in tariffs reduced to adjust them to the steep drop in price. The uncertain legal situation slowed demand for solar modules more than the cutbacks that actually took place because the planning security of the investments could no longer be guaranteed.

PREVIOUS YEAR'S FIGURES SURPASSED IN GERMANY IN THE FINAL SPURT. During the first nine months of the year under review, German demand dragged despite price reductions and remained far below the previous year's level. (23) *New installations in Germany in the years 2011 and 2010 • p. 040//* The reduction in feed-in tariffs of six percent originally announced for July 1, 2011 did not kick in because the projected increase in capacity based on the installations from March to April (711 MW) was far below 3,500 MW. The industry's warehouse stock was high and demand just did not want to pick up. The unexpected increase in installations in the fourth quarter was a pleasant surprise – customers rushed to connect their installations to the grid prior to the end of 2011 before the 15-percent reduction in feed-in tariffs was to enter into force on January 1, 2012. *European solar markets 2012+ • p. 101//* It was ultimately possible to surpass the previous year's level in Germany; new solar power systems were installed in the reporting year with a total capacity of 7.5 (2010: 7.2) GW. The share of solar power in the German energy mix rose to 3.2 (2010: 2.0) percent. For the first time ever, solar power provided more electricity in Germany than hydropower, making it the second largest energy source of renewable energy after wind power.

NEW REGULATORY CONDITIONS INTRODUCED IN ITALY. The market in Italy cooled off in the first half of the year. The abrupt change in the law for feed-in tariffs for solar power, "Conto Energia III," combined with the already uncertain funding situation led to a temporary halt in investments in the solar sector. The banks refused to fund solar projects; the entire market waited until the new law, "Conto Energia IV," was passed by the Italian government at the end of 2011. With the aim of limiting new installations, fixed quotas were established for the first time for the construction of large-scale solar power plants. Funding for roof-mounted systems, on the other hand, which is the segment that SOLARWORLD specializes in, remained unchanged. Italian demand recovered again in the second half of the year in response. According to energy agency GSE, a total output of around 9.0 (2010: 2.3) GW was connected to the grid in Italy in 2011. However, about one-third of these systems (approx. 3.0 GW) had been installed in the previous year and were only waiting for their grid connection, which according to Jefferies means that actual sales of modules in Italy in 2011 stood at around 6.0 (2010: 5.0) GW.

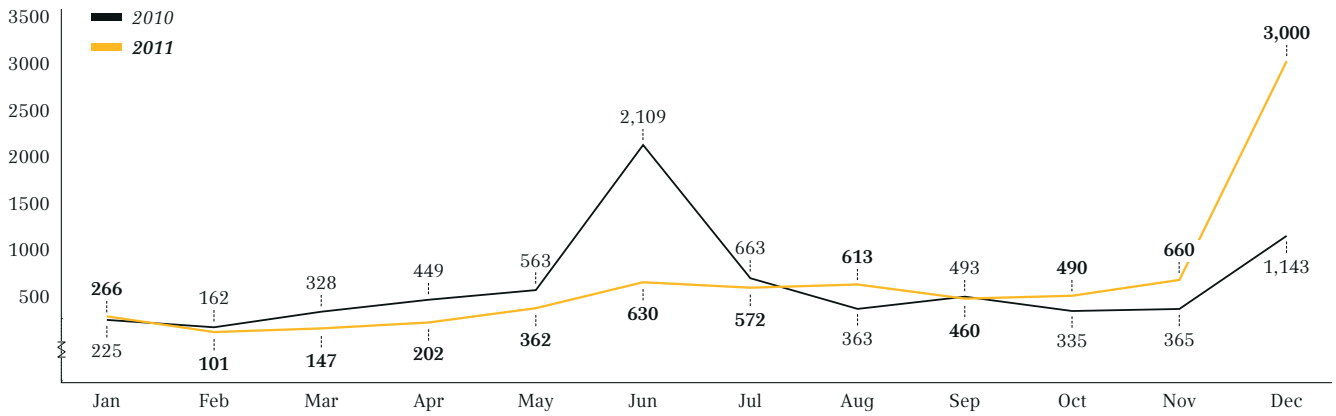
22 FUNDING PROGRAMS 2011 IN THE FIVE MAIN SALES MARKETS OF SOLARWORLD

Source: DSIRE, 2012; DENA, 2012

Region	Minimum price system	Rebate program	Tax credit	Loan program	RPS
Germany	✓			✓	
Italy	✓				
France	✓		✓		
Greece	✓		✓		
U.S. (federal level)			✓	✓	
U.S. (state-specific)		in 23 states	in 22 states	in 35 states	in 16 states
California		✓		✓	
New Jersey		✓		✓	✓
Florida			✓		
Arizona			✓	✓	✓

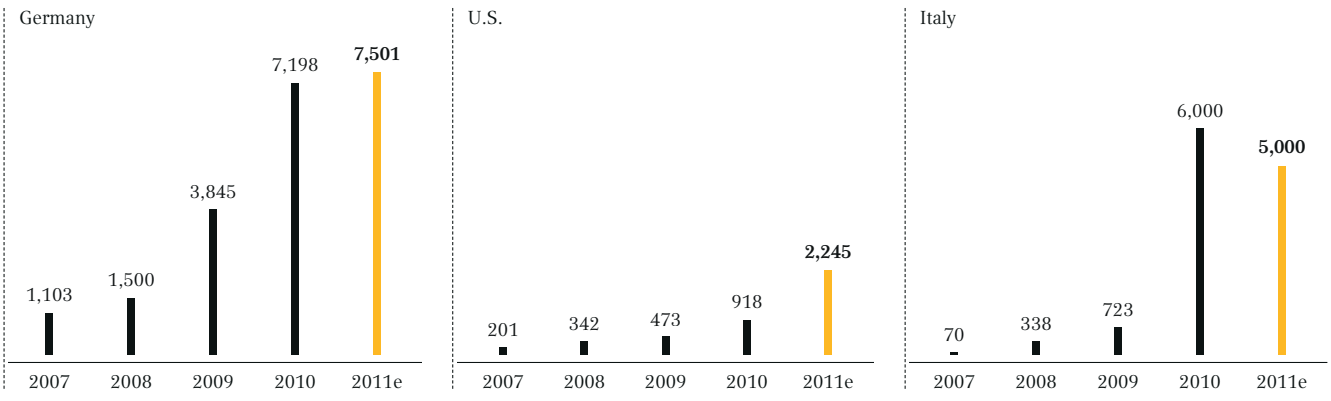
23 NEW INSTALLATIONS IN GERMANY IN THE YEARS 2011 AND 2010 // IN MW

Source: Bundesnetzagentur, 2012



24 HISTORIC DEVELOPMENT OF OUR MAIN SALES MARKETS // IN MW

Source: Bundesnetzagentur, 2012; Bank Sarasin, 2011; Jefferies, 2012



SLIGHT DECLINES IN INSTALLATIONS THROUGHOUT EUROPE. Market development also left a lot to be desired in the other European countries. The Czech Republic reduced feed-in tariffs and then retroactively introduced a solar tax of 26 percent on electricity produced. France also cut feed-in tariffs – mainly for large-scale plants. Only the markets in Belgium, Great Britain and Greece grew in comparison to the previous year. The total installed capacity in Europe (without Germany and Italy) at 3.4 (2010: 3.5) GW declined slightly.

SOLAR MARKET IN THE U.S. GREW. The U.S., in contrast, continued its solar growth, mostly due to exports at dumped prices. According to estimates from Sarasin Bank, 2,245 (2010: 918) MW was newly installed in the year under review – an increase of 145 percent from the previous year. ㉔ *Historic development of our main sales markets • p. 040//* Along with the established solar market in California, other states like New Jersey, Colorado, Arizona and Hawaii also contributed to the market growth. The erratic drops in prices, however, damaged the U.S. market: Demand rose in the third quarter because customers were hoping for further price reductions at the end of the year and the put off their decisions to buy. Demand only recovered again in the fourth quarter.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE IMPACT OF THE OVERALL CONDITIONS

2011 was a tough year – for the whole solar industry as well as for the SolarWorld Group. Demand for solar modules was lower than originally anticipated and the decline in prices steeper. We were not able to make up for the falling prices by increasing shipments. Our revenue thus remained by 19.8 percent below the level of 2010.

SolarWorld did not sit idly by while these changes were underway. In the year under review, we responded with restructuring measures that led to savings in purchasing, logistics and production. For example, we opened a new module production facility in Freiberg, Germany, that boasts much lower production costs and works more flexibly with cell and module standards. Older production lines for wafers and modules were taken out of operation for the time being. The operation of our California module production facility was suspended. We concentrated our U.S. production at the production site in Hillsboro. This helped us reduce transport costs within the various production stages. At the same time, we increased investments in the quality of our products and in our brand. Also, we expanded our network of installers both in Europe and the U.S. and tapped into other markets such as India and Canada.

PROCUREMENT

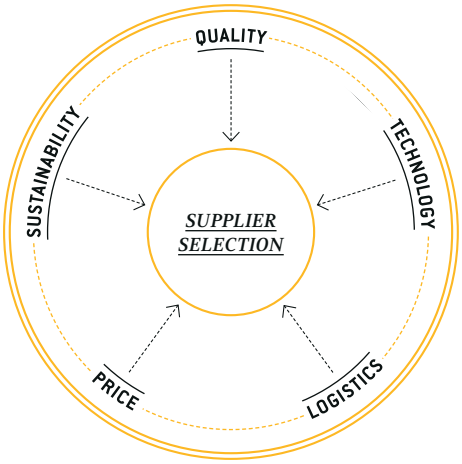
PROCUREMENT SITUATION IN 2011 AFFECTED BY VOLATILE MARKET. The situation was, on the one hand, more relaxed than the previous year because the types of bottlenecks in component supply experienced by the industry in 2010 did not occur at least after the first quarter. The prices also fell for components, auxiliary materials and operating supplies due to excess capacities especially in the second half of the year. The rapid decline in module prices over the course of the year put enormous pressure on prices which had to be, and were, absorbed by our Procurement department: We were, for example, able to secure favorable conditions for aluminum and silver through groupwide hedging transactions. When the spot market prices for silicon fell significantly in the second half of the year, we entered into intensive discussions with our suppliers and negotiated better agreements in which the current market situation is taken into account and which, at the same time, are based on the principles of a reliable partnership. Long-term supplier relationships remain a key component of our procurement strategy because they create continuous access to important materials at competitive prices for us and will continue to guarantee reliability and speed when it comes to new developments. At the same time, we rely on different suppliers to prevent dependencies and identify new technologies.

The supply of raw materials and other consumables to our plants was continuously ensured throughout 2011. We also lowered prices for consumables. This development and improved internal production performance helped us reduce our material costs per module overall. The cost of materials remained at the same level as in the previous year at € 831.9 (2010: € 834.9) million. *Development of material income statement items • p. 069//*

GLOBAL PROCUREMENT NETWORK CREATED. After we had centralized our procurement activities further in 2010, we took the next step in 2011 and transformed our Procurement department into a global organizational unit. To this end, we created the position Global Head of Procurement at the Bonn location. Supplier and procurement strategies are developed here globally, which then are implemented locally in the procurement units. The goal is to set up a global procurement network. We also worked together with our suppliers to improve the logistics chains. In a volatile market environment, we are gaining more flexibility and improving the overall costs for our plants through delivery that meets demand.

When we select and assess our suppliers, the sole criterion is not the lowest cost even though our procurement activities are cost-driven. Quality and sustainability are the crucial factors for the SolarWorld brand. We apply these criteria to ourselves and to our suppliers with no exceptions. We therefore assess our suppliers systematically using quality agreements and supplier audits in accordance with ISO 9001 and ISO 14001. This helps us satisfy our own high standards and save costs at the same time because we can, e.g. reduce our inspections of incoming goods.

(25) CRITERIA FOR SUPPLIER SELECTION IN THE SOLARWORLD GROUP



"PRODUCTION GERMANY" AND "PRODUCTION U.S." SEGMENTS

RESTRUCTURING MEASURES IN PRODUCTION. Through continuous development of processes, modernizations and investments in new plants, we are able to achieve high production standards of a competitive scale at our production sites in Hillsboro, U.S. and Freiberg, Germany.

In May 2011, we launched our new module plant Solar Factory III in Freiberg; and also boosted our wafer production at the Industrial Estate East. The high technological level of our production has also been independently acknowledged. Our wafer production, for instance, received a special prize of the Manufacturing Excellence Award in November 2011. In particular, the jury honored the innovative approaches our engineers used to transform our wafer production into the industrial mass production it has become today.

As a result of the decline in wafer demand on the market, we concentrated on our most cutting-edge production lines from the year 2011 and suspended operation of our older production line in Freiberg in the second half of 2011.

Our module production was also restructured in Camarillo, U.S. in the second half of the year so that we can now meet demand on the American market completely with the solar modules from our integrated plant in Hillsboro. Module production in the U.S. is thus directly embedded in wafer and cell production; this means shorter transport routes, more efficiency and lower costs. Compared to last year, we have 150 MW fewer module production capacities available in the U.S. as a result of this charge. The machines will be maintained and can be deployed again once the market is more stable. (26) *Groupwide, nominal year-end capacities 2011 • p. 044//*

In the fourth quarter of 2011, we reduced our production capacity utilization along the entire value chain both in Germany and in the U.S. as a result of market developments.

(26) **GROUPWIDE, NOMINAL YEAR-END CAPACITIES 2011** // IN MW

	Wafers	Cells	Modules
Germany (Freiberg)	750	300	500
U.S. (Hillsboro)	250	500	350
Group	1,000	800	850

FLEXIBILITY IN PRODUCTION INCREASED. In the reporting year, we also increased our production flexibility to meet various customer needs and to cope with fluctuating demand on the market. We took advantage, e.g. of the possibilities offered by our production to process different module standards and several cell types. In the future, we will also be able to meet the demand of our off-grid customers better than before thanks to a newly set up module line for off-grid applications.

RAW MATERIAL ACTIVITIES AND RECYCLING. In 2011, as in the previous years, we enhanced external procurement of the raw material silicon with our internal production. Our subsidiary SUNICON GMBH processed around 670 metric tons of SUNSIL® for subsequent wafer production. SUNSIL® is a highly pure, solar-grade silicon that our joint venture JSSI GMBH produces for us. We also made use of recycling for an affordable and efficient raw material supply. The percentage of silicon obtained from recycling in the Freiberg wafer production site was more than the previous year at 24.1 (2010: 21.6) percent. Since we have been using expanded recycling capacities since the end of 2010, we successfully increased the processed volume to around 2,600 (2010: approx. 1,830) metric tons and boosted productivity by 15 percent in 2011. ⊖ *Future development of the "Production Germany" and "Production U.S." segments • p. 104//*

EFFICIENCY INCREASED THROUGH SAVINGS. Our production employees managed to further reduce costs in 2011 and boost efficiency even higher. To achieve this, we used the management instruments Total Productive Management (TPM) and Six Sigma. By identifying best practice examples and then transferring them to groupwide process standards, we have been able to substantially increase our effectiveness worldwide. In the reporting year, 29 TPM teams worked together in production, logistics and technical service to practically implement the TPM process. At the German site in Freiberg alone, the teams identified potential savings of around € 22 million thanks to TPM – production availability was increased and production and disposal costs decreased. The German and American teams also shared their experiences, making it possible to discover additional potential savings on both sides.

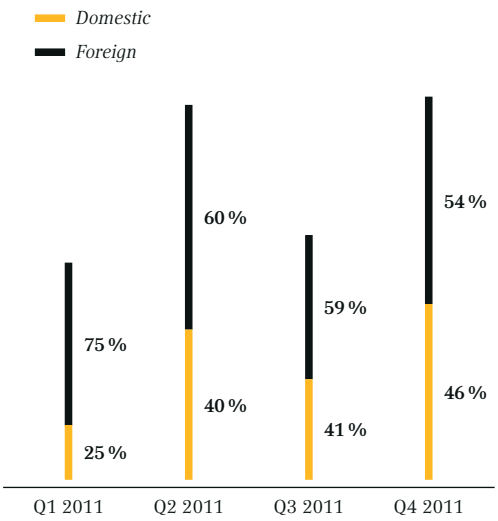
HIGHER OCCUPATIONAL HEALTH AND SAFETY STANDARDS DEFINED. Following the successful ISO 9001 and ISO 14001 certification of all of our sales offices and production sites in the past few years, we prepared our subsidiary, SOLAR FACTORY GMBH, and SOLARWORLD AG for certification in accordance with OHSAS 18001, the Occupational Health and Safety Assessment Series, in the year under review. As part of this certification process, the Management Board adopted a new corporate policy in December 2011 that reflects the higher health and safety standard. @ *www.solarworld.de/corporate-policy//* Certification is scheduled for completion in March 2012. ⑭ *Target achievement 2010 and 2011 and targets for 2012+/ Processes • p. 030//*

"TRADE" SEGMENT

REVENUE BELOW 2010. SolarWorld trade shipments with modules and solar kits went up worldwide by 14 (2010: 62) percent in 2011. Growth overall was not as strong as 2010 which was an exceptionally successful trade year. Pressure on prices increased sharply again in the year under review. The industry was driven by intense, at times unfair competition more than ever before. Various cutbacks in European funding programs that went into effect over the course of the year also adversely affected the international sales markets. The cost reductions that we achieved throughout the reporting year were not able to make up for this trend. Contrary to our plans, revenue was below the previous year's level.
Development of sales and profit or loss • p. 066 //

(27) REGIONAL DISTRIBUTION OF SHIPMENTS IN THE TRADE SEGMENT IN 2011 // IN MW

Source: SolarWorld, 2012



Internationally, the "Trade" segment experienced extreme fluctuations in 2011. Trade with modules and solar kits was very slow in the first quarter which can be attributed, on the one hand, to the winter weather conditions which hampered business and, on the other, to the framework conditions which were less favorable overall. In the second quarter of 2011, however, the situation improved: Demand, particularly in Germany and the U.S., increased again markedly.

GERMANY REMAINED STRONGEST SALES REGION. Germany was also the strongest sales market for SolarWorld's "Trade" segment in the reporting year comprising 39 (2010: 54) percent of sales. Compared to the previous year, the share of products sold in Germany fell. This reflects our long-term trade strategy of getting a better footing internationally which means that we directed our attention to growth of our global trade relationships. The German market, however, remains a core sales market for SolarWorld and we will continue to invest in its growth in the future. Demand on this market rose significantly particularly in the fourth quarter of the year, making it strongest in the last few months of 2011. This dynamic market development was primarily triggered by the cutbacks in funding announced for January 2012.

SALES VOLUME IN THE U.S. INCREASED CONSIDERABLY. SolarWorld's shipments on the U.S. market increased. Even though the American solar market grew less than expected, we still almost doubled our shipments there. In 2011, we sold 30 (2010: 20) percent of our modules and solar kits in the U.S.

We considerably enhanced our sales strength on the American continent and were thus also able to position our products in regions that are gradually becoming solar sales markets. To support these efforts, we also intensified our marketing activities there ⊕ *Brand investments implemented with measurable success* • *p. 049//*. For example, we were able to boost shipments significantly in Canada and Latin America. On the Canadian market, we were able to increase shipments, turning Canada into SolarWorld's fourth strongest sales region. The U.S. market continues to be our most important trade region after the German market.

SALES DEVELOPED DIFFERENTLY IN OTHER EUROPEAN MARKETS. In contrast, the Italian market experienced moderate growth. We sold fewer modules and solar kits on this market than the previous year. Demand, particularly in the first half of the year, was weak. This can be primarily attributed to the country's uncertain economic and regulatory conditions.

Our business in Belgium and Greece, on the other hand, showed positive development. In these two countries, we sold four times as much in the reporting year than we did in 2010. Together with Great Britain, Belgium and Greece contributed to the positive development of our trade in the European countries.

We were able to drive the positive development of our international trade relationships with various measures in customer support and acquisition, for example, with our extensive specialist partner seminars but also with our presence at international trade fairs and consumer exhibitions ⊕ *Products presented at international trade fairs* • *p. 050//*.

CUSTOMERS AGAIN RATE QUALITY AND SERVICE POSITIVELY. An annual survey of our trading customers provides us with a key reference point for reviewing and improving quality and customer service. In 2011, the response rate was 31 (2010: 41) percent. We are pleased that 93.5 (2010: 85.8) percent of our customers were "satisfied" or "highly satisfied" with SolarWorld. Furthermore, 94.4 (2010: 89.1) percent of customers rated our customer service as "good" or "very good." This shows that our efforts to improve customer service are hitting the mark with our customers. Once again, customers were particularly positive about the quality of SolarWorld products: 99.4 (2010: 99.2) percent rated them as "good" or "very good."

For the first time, we also asked whether customers would personally recommend SolarWorld products to friends or business partners (Net Promoter Score). The answer to this question is particularly important to us, since in making a personal recommendation, a respondent closely associates the reputation of their own business with SolarWorld. Out of a maximum of 10 possible points we scored an average of 8.9 points. A higher score means a higher identification with the company. This shows that a majority of our customers believe strongly enough in SolarWorld to make a direct recommendation.

Once again, the results of the annual customer satisfaction survey have been satisfactory. Nevertheless, as every year, our customers' opinions enable us to identify new potential for action and improvement. Hence we will again perform a detailed analysis of our strengths and weaknesses, implementing measures where necessary.

CUSTOMER PROMISE AND BRAND

OUR BRAND ADDS VALUE. Two years ago, when the global solar market was booming from the supplier perspective and demand far exceeded supply, branding played a secondary role throughout the industry. Today, prospective new customers have a number of suppliers with a wide range of product-price strategies to choose from on the solar market. As a result, whether or not a product is successful on the market depends to a large extent on a long-term and clear brand concept combined with a credible customer promise.

Thanks to a strategic brand concept introduced at an opportune moment, SolarWorld has successfully made its brand one of the most well-known on its core market of Germany over the last three years. The brand strength that we have built up and the resulting perception of our company as a quality supplier along with the strong sales among private customers safeguarded shipments of our products on this market in 2011, a market that is characterized by intense competition and falling prices. On the U.S. solar market, which features substantial regional differences in development depending

on the state and is generally much "younger" than the market in Germany, we concentrated our sales and brand activities more on what are known as the "solar states" in the reporting year – i.e. on states with a developed solar market infrastructure and high demand.

BRAND EMBEDDED AT EXECUTIVE LEVEL. To assure the long-term growth of the Group, the People and Brand executive division focused attention on developing a systematic process to strengthen the brand and make it tangible and transparent for the customer. At the same time, the executive division that was set up in 2011 initiated processes to further develop corporate culture and values.

In Germany, we focused on addressing end customers, relying on year-round TV spots, print ads and direct mailing campaigns to generate additional attention and demand for the brand. In the U.S., the priority was on developing our distribution network along with boosting brand awareness. Consistent with this priority, we launched a new U.S. end customer campaign on TV, radio and online in 2011. The fact that the Group has operated its own solar production site in the U.S. for more than 35 years now and is today the largest solar company producing there, gives us an advantage with end customers in the U.S., when they are making their decision to buy.

At the same time, we invested in Germany, other European markets and in the U.S. in expanding our networks of specialist partners both quantitatively and qualitatively during the year under review as part of our three-phase sales model. Our advantage: Qualified installers extend the added value of the SolarWorld brand to the end customer.

BRAND INVESTMENTS IMPLEMENTED WITH MEASURABLE SUCCESS. In the year under review, we increased our investments in the brand and in promoting sales to € 25.6 (2010: € 17.1) million. The investment framework for sales and marketing in the U.S. was considerably expanded from the previous year.

Investments in our brand have increased SolarWorld's brand awareness significantly within the past years. To monitor the efficiency of the measures implemented, we also conducted external market studies and brand evaluations in addition to the results of our annual internal customer survey. According to these studies and evaluations, SolarWorld is by far one of the most well-known solar brands in Germany.

(28) SOLARWORLD BRAND AWARENESS IN GERMANY // IN PERCENT

Aided brand awareness:

EuPD Research Brand Monitor

2011 **38** *(Top 1)*
2010 35 *(Top 1)*

In comparison: *after SolarWorld, the 2nd best-known brand in the sector has an aided brand awareness of 24 %.*

AS&S Multitracking

2011 **59** *(Top 1)*
2010 42 *(Top 1)*

Batten & Company

2011 **50** *(Top 1)*

In comparison: *after SolarWorld, the 2nd best-known brand in the sector has an aided brand awareness of 36 %. // The study was conducted in 2011 for the first time.*

Unaided brand awareness:

EuPD Research Brand Monitor

2011 **14** *(Top 1)*
2010 8 *(Top 1)*

In comparison: *after SolarWorld, the 2nd best-known brand in the sector has an unaided brand awareness of 4 %.*

AS&S Multitracking

2011 **39** *(Top 1)*
2010 29 *(Top 1)*

In comparison: *after SolarWorld, the 2nd best-known brand in the sector has an unaided brand awareness of 16 %.*

PRODUCTS PRESENTED AT INTERNATIONAL TRADE FAIRS. As a system supplier of modern solar applications, SolarWorld participated in trade fairs of other industries with selected product ranges for the first time in 2011. For example, we showcased our SunCarport® to a broad audience at the International Automobile Exhibition (IAA) in Frankfurt am Main and our SunCharger® mobile charger at the International Radio Exhibition (IFA) in Berlin. SolarWorld was also represented at the most important international trade fairs in Europe, the U.S., Morocco, Thailand and Abu Dhabi as well as India. It is our aim to tap into new markets with a stronger presence at international trade fairs.

VISION OF A SUSTAINABLE BRAND. Driven by our vision of fair and sustainable global development, we have made it our goal to give people everywhere access to electricity through decentralized solar power solutions under the auspices of the Solar2World program. So far, we have carried out projects around the world with a total scope of 396 kWp. We have successfully installed around 44 (2010: 161) kWp working together with our project partners and through voluntary staff deployment. Even though the total capacity installed by the projects was lower than that achieved in the previous year, we completed a large number of individual projects in 2011, particularly in Africa: In addition to a dental clinic and a training facility, we also equipped an educational and hygiene center and whole villages with decentralized solar power solutions and, for example, considerably improved water supply to the town of Fissel in Senegal. @ *www.solar2world.de* //

EINSTEIN AWARD AWARDED FOR SOLAR-POWERED-PLANE. At the annual SolarWorld Einstein Award ceremony, we honor inquiring minds who have identified the potential of solar power technology through their research. In 2011, the prize was awarded to Dr. Bertrand Piccard's team for developing the Solar Impulse solar-powered plane. The environmentally friendly motorized plane can fly day and night without fuel – which was already successfully presented. → *"SolarWorld" magazine*//

When it comes to electro-mobility, our commitment has been a driving force for research projects and their practical implementation for many years now. The projects show the public examples of the wide range of different ways that solar power can be used and the huge benefits that can be generated for society in the future. In collaboration with Bochum University of Applied Sciences, we developed the SolarWorld GT solar racer which was introduced at the IAA in Frankfurt am Main in 2011. In October, a one-year trip around the world got underway that started as part of the "World Solar Challenge" in Australia. @ *www.solarworld-gt.com*//

You can find more information in our new customer magazine "SolarWorld." Our → *Product glossary • p. 222*// could be also interesting. You will find further information on advertising initiatives, customer relationships and product responsibility in the details on our sustainability performance under PR1-PR9 @ *annualgroupreport2011.solarworld.de/sutainability/gri-index*//

EMPLOYEES

SolarWorld has mirrored the massive growth of the solar market over the last few years and has become an international Group in just a short amount of time. As we expanded our production capacities, the focus of our HR strategy was not just to acquire new employees but to nurture those who already work in our company. The outcome is that we have built up competent and highly efficient specialist personnel in all of our corporate structures around the world.

Following the strong phase of growth and expansion, our aim in 2011 was to further develop our HR strategy with a view to the changed market conditions and requirements of a global Group.

(29) HEADCOUNT DEVELOPMENT //NUMBER OF PERSONS

as of December 31

	Employees as of Dec. 31, 2011	Employees as of Dec. 31, 2010	+/- absolute
Germany	**1,757***	1,495**	+262
U.S.	**919**	861	+58
Rest of the world	**25**	20	+5
Group	**2,701**	**2,376**	**+325**

* incl. 82 trainees
** incl. 87 trainees

HEADCOUNT DEVELOPMENT. As already described in detail on pages 44–45, we undertook several restructuring measures in production at our primary sites in Germany and the U.S. throughout the course of the year. After we completed the major expansion phase in the reporting year, we put the new production lines into operation in Freiberg and, in turn, suspended older wafer and module lines. As a result, it was not possible for us to continue employing many temp workers. The number of SolarWorld employees including temp workers fell groupwide to 3,232 (2010: 3,352).

We work with temp workers to cover the temporary increase in demand for human resources during particularly strong market phases and in expansion and transitional phases. We have already been working for several years with established temporary staffing companies that handle payment and social benefits for temp workers through their contract with these workers. We always strive to transition some of our temp workers as permanent employees and employ them in our company for the long term. Overall, we took on 383 (2010: 276) temp workers in permanent positions in the reporting year.

Our turnover rate of 15.5 percent in 2011 was much higher than the previous year (8.2 percent) due to changes in our personnel structure. Overall, however, the number of permanent employees rose from the previous year by 14 percent to 2,701 (2010: 2,376). The reasons for this include the increase in staffing at our global sales locations in Germany, the U.S., France, Spain, Singapore and South Africa and because our new production plants were put into operation in the first half of the year.

Compared to the previous year, the percentage of women in the company remained constant, amounting groupwide to 22.4 (2010: 22.7) percent. 46 (2010: 43) women currently work in management positions, which represents 15.3 (2010: 15.7) percent. *Details on sustainability performance • p. S095//*

ORGANIZATIONAL STRUCTURE IMPROVED. Already at the beginning of the year, the People and Brand divisions were strategically and organizationally integrated to enhance our self-image both internally and externally. The core areas of Brand and Identity are increasingly proving to be competitive factors that have a decisive influence on both our internal values as well as our impact externally. Effective July 1, 2011, these two divisions were embedded at executive level by creating a new Management Board position, Chief Human Resources and Brand Officer. The basis for the merger of the two divisions is the development of our corporate culture, linked to our SolarWorld vision and a clear awareness of values. *Brand embedded at executive level • p. 049//* The extremely competitive market environment requires processes to be highly efficient and strengths to be combined within the company. As a result, the core objective of our HR strategy is to streamline management of our groupwide processes and to systematically put the expertise we have into practice. For this reason, we scrutinized our global organizational structures, incorporated internal survey results into the analysis and developed corresponding measures based on our vision and values. A standardized process was thus created to systematically identify and develop talents in the first phase of implementation. In general, the survey results from the 2010 and 2011 fiscal years show that employees strongly identify with SolarWorld: The employees feel very connected to our sustainable idea, to the product and to the culture of working independently. This creates the basis for further growth.

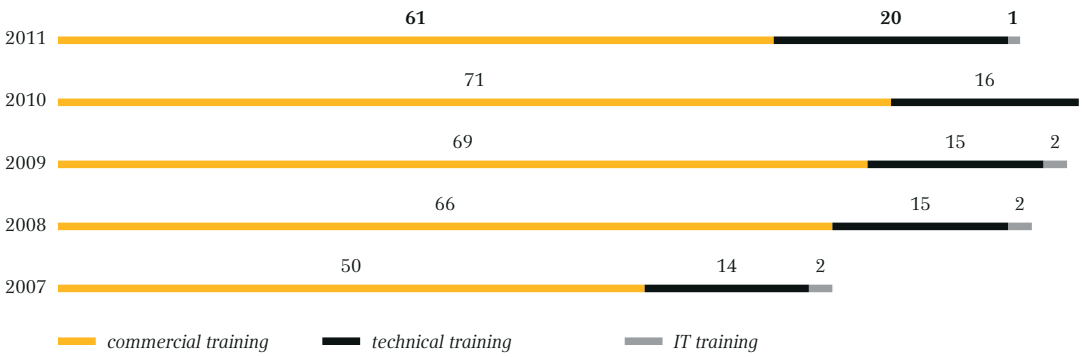
INVESTMENT IN QUALIFICATION MEASURES. For several years, we have shown our commitment to qualification measures for our employees. The core responsibilities of our HR department therefore include planning and implementing international projects and exchange programs as well as education and training programs that span cultures. Groupwide expenditures for training amounted to € 1.1 million (2010: € 0.7) million in the year under review.

(30) **TRAINING** // IN PERCENT

	2008	2009	2010	2011
Number of employees (incl. temps) who participated in training programs	44	65	62	**43**

TRAINING OF YOUNG TALENT. We pay particular attention to qualified young employees: Young people who have trained or studied at SolarWorld already have broad-based insight into the corporate divisions, strongly identify with our "green" idea and open culture and are highly motivated. As a result, we attach a lot of importance to the qualifications of these young people and their commitment to the company. In the year 2011, 29 (2010: 18) young people completed their professional training at SolarWorld's sites in Bonn and Freiberg in Germany, putting the training quota at 4.7 (2010: 5.8) percent. Of those who completed their training at SolarWorld, 27 (2010: 14) were hired by the company as permanent employees. In 2011, 25 (2010: 25) young people began their training at our company.

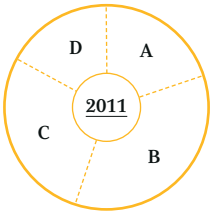
(31) NUMBER OF TRAINEES IN THE SOLARWORLD GROUP



Marketing at universities is thus an integral component of our employer branding. Our cooperation with universities in research and teaching is particularly close at the Freiberg site. → *Innovation report • p. 060//* The Junior Einstein Award, which we inaugurated in 2006 to promote young scientific talent, was presented to the physician Paul Gundel this year. Every year, we award this € 5,000 prize to young scientists whose research has brought the development of photovoltaics one step further. This young scientist from Freiburg was honored for exploring new microscopic measuring methods in photovoltaics. This is particularly important in enhancing the efficiency of solar cells.

COMPANY IS ATTRACTIVE TO EMPLOYEES IN ALL AGE GROUPS. Age distribution within the SolarWorld Group is very well-balanced overall. This shows that we offer prospects for development to employees of all ages. When young and old collaborate, ideas emerge that continually drive the services of the company forward.

(32) AGE DISTRIBUTION



A // Employees under 30 ..... **20 %**
B // Employees between 31 and 40 ..... **35 %**
C // Employees between 41 and 50 ..... **28 %**
D // Employees over 50 ..... **17 %**

SUGGESTION SYSTEM SIMPLIFIED. We do not just want to optimize the structure of our production processes and results, but also the workflows and structures within the various work areas. As a result, we have made our formal internal suggestion system easier and more transparent to give our employees more motivation to submit their own suggestions. The increased amount of international cooperation generates new ideas – a particularly positive effect that we want to support with everything at our disposal. This year we implemented 67 out of 149 received suggestions. We not only saved € 26,809.54 (2010: € 37,300) in costs as a result, we were also able to structure our internal workflows more safely and efficiently. To continually improve our internal structures, we also work to constantly develop our Total Productive Management (TPM) in Germany and the U.S.

EMPLOYEE PROFIT-SHARING. To motivate our employees, an integral part of our corporate culture is that our employees participate in the success of SolarWorld. Our profit-oriented participation model is based on flexibility. Profit sharing is closely related to shipments, the operating result and the production costs of the Group and is thus subject to the same economic factors that determine the company's success. Employee profit-sharing was lower than last year because the SolarWorld Group was not able to meet its economic targets in 2011. Personnel expenditures for the groupwide profit-oriented participation model totaled € 5.4 (2010: € 17.4) million.

(33) PROFIT-ORIENTED PARTICIPATION MODEL // IN € MILLION

	2007	2008	2009	2010	2011
Profit-oriented participation	10.9	15.0	9.8	17.4	**5.4**

HEALTH AND OCCUPATIONAL SAFETY. Good health and safety conditions at the workplace are a must at our company. This is why we continuously work together with the local authorities, trade associations and other institutions to optimize the conditions at our worldwide locations. We offer our employees various preventative options and are committed to health-oriented measures, e.g. with incentives for participating in various sport activities and health checks. In addition, our quality management system attaches great importance to finding the best possible structure for the working conditions for our employees also when it comes to safety. The accident rate was 1.5 (2010: 1.5) percent in 2011. In the U.S. for a second year our shop floor teams were able to accomplish a substantial improvement of over 20 percent in our OSHA injury rate. Through ongoing effort to improve our conditions, one of the U.S. Team's ergonomic improvement projects won honorable mention at the annual HumanTech ergonomic challenge. The absence rate of 3.3 (2010: 3.0) percent is an indication that our efforts to create ideal working conditions have caught on with our employees. *Details on sustainability performance • p. S085//*

(34) ABSENCE RATE // IN PERCENT

	2007	2008	2009	2010	2011
Absence rate	2.1	2.6	3.4	3.0	**3.3**

AMONG THE BEST GERMAN EMPLOYERS. The things that SolarWorld stands for are also important for young employees when deciding on a career path: Principles like a high level of personal responsibility, mutual respect and sustainability. The *Universum Communications* consulting company found this out in a survey of 6,700 young German employees. The results of this survey were published in December 2011. According to this survey, sustainability is a particularly decisive factor for many young people when they are choosing a company. Consistent with these results, SolarWorld came in under the 20 top companies among German engineers in a popularity survey. In another survey carried out by *Universum Communications* among engineering and natural science students, SolarWorld was ranked one of the top twelve most popular employers in Germany. To ensure that SolarWorld continues to raise the bar in terms of quality, we will also therefore exploit all possibilities in the future to be the preferred employer for both our employees as well as for potential applicants.

ENERGY AND CLIMATE PROTECTION

We make the strongest impact on environmental sustainability by increasing energy efficiency and protecting the climate. Solar power generation replaces other sources in the energy mix, thus contributing to reducing greenhouse gas emissions and preserving fossil resources.

Energy is needed throughout the entire production process of our products starting with the extraction of raw materials. However, the amount of energy used in production is far exceeded by the amount of electricity produced by the solar power system. In line with this, far more greenhouse gas emissions are reduced throughout the life cycle of the solar power system than are emitted throughout the entire production process. As a result, solar energy is a zero-emission source. Similar to the payback period of an investment, we use the terms energy payback time and CO_{2eq} payback time to express how quickly the energy consumption and greenhouse gas emissions (measured in CO_{2eq}) are compensated for.

PAYBACK PERIODS

For environmental reasons and to reduce costs, our goal is to lower energy consumption per production unit watt peak (Wp) along the entire value chain. This also allows us to reduce the greenhouse gas emissions associated with energy use. To achieve this, SolarWorld has been conducting life cycle analyses for several years. The result: While it takes a good year to compensate for energy consumption for the entire production process for a system in Bonn, it only takes eight months in San Francisco. In comparison: In 2008, energy payback was still 3.5 years in Germany (see Jungbluth et al.: Life Cycle Assessment of Photovoltaics: Update of ecoinvent data v2.0, Working Paper, ESU-services Ltd. (2008). CO_{2eq} emissions are compensated for the quickest for a system in the U.S. after a good year while it takes almost 10 years in France due to the high percentage of nuclear power.

Our Life Cycle Analysis was used as a basis to calculate the following energy and CO_{2eq} payback times per region for polycrystalline modules (Freiberg production plant) installed in a roof with a southerly orientation and an optimum inclination at an average module lifespan of 30 years.*

(35) ENERGY AND CO_{2eq} AMORTIZATION TIMES

Source: SolarWorld AG

Region/Country	Representative place	Power yield (kWh/kWp)	Energy amortization time** (years)	CO_{2eq} amortization time *** (years)
Southern Europe	Sofia	1,270	0.86 (2010: 1.1)	1.30 (2009: 1.61)
Italy	Perugia	1,260	1.09 (2010: 1.1)	1.61 (2009: 1.99)
France	Poitiers	1,110	0.97 (2010: 1.2)	8.82 (2009: 10.89)
Spain	Madrid	1,580	0.79 (2010: 0.9)	1.57 (2009: 1.94)
U.S.	San Francisco	1,670	0.62 (2010: 0.8)	1.25 (2009: 1.54)
Germany	Bonn	940	1.22 (2010: 1.5)	1.95 (2009: 2.41)

* Assumption based on "Methodology Guidelines on Life Cycle Assessment of Photovoltaic Electricity", IEA PVPS Task 12, Subtask 20, LCA, Report IEA-PVPS T12–01:2009, October 2009
** Calculation using country-specific energy mix data (Ecoinvent database)
*** Calculated using current calculation tools of the GHG Protocol.

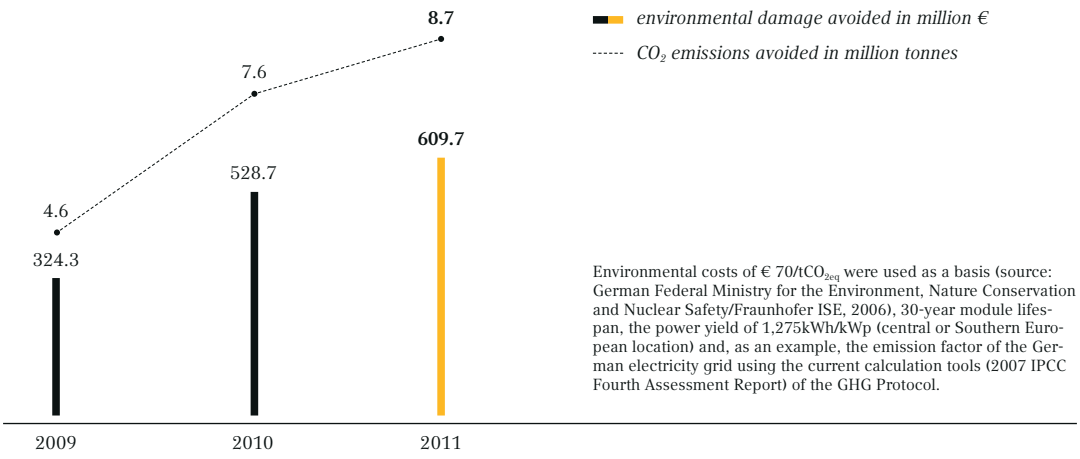
EMISSION INTENSITY

Since the Carbon Disclosure Project Germany was founded in 2005, we have been involved in capturing greenhouse gas emissions. In 2011, we successfully positioned ourselves as the industry leader for renewable energies. @ *www.solarworld.de/energy-and-climate*// In 2011, our groupwide greenhouse gas emissions remained almost constant at 189 (2010: 179) thousand tCO_{2eq}. We calculate the emission intensity of our products for the first time including the total emissions along the entire production chain. In 2011, we calculated a total of 0.8 kg CO_{2eq}/Wp (2009: 1 kg CO_{2eq}/Wp). This represents an improvement of 19 percent in just two years.

POSITIVE CO_{2EQ} BALANCE

By further developing our analysis, we have a more comprehensive view of our CO_{2eq} balance for the first time and include the impact of the entire production process: With the volume of solar power modules sold in 2011, around 8.0 (2009: 4.2) million tCO_{2eq} could be prevented. The costs for environmental damage avoided as a result amount to around € 558 (2009: € 297) million. The CO_{2eq} emissions prevented exceed the CO_{2eq} emissions caused along the entire production chain by a factor of 19 (2009: factor of 15).

(36) POSITIVE CO_{2eq} BALANCE



Environmental costs of € 70/tCO_{2eq} were used as a basis (source: German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety/Fraunhofer ISE, 2006), 30-year module lifespan, the power yield of 1,275kWh/kWp (central or Southern European location) and, as an example, the emission factor of the German electricity grid using the current calculation tools (2007 IPCC Fourth Assessment Report) of the GHG Protocol.

You can find more information about the respective model assumptions and the calculations under *Details on Sustainability performance* • *p. S060*// and at @ *annualgroupreport2011.solarworld.de/sustainability/gri-index*//.

INNOVATION REPORT

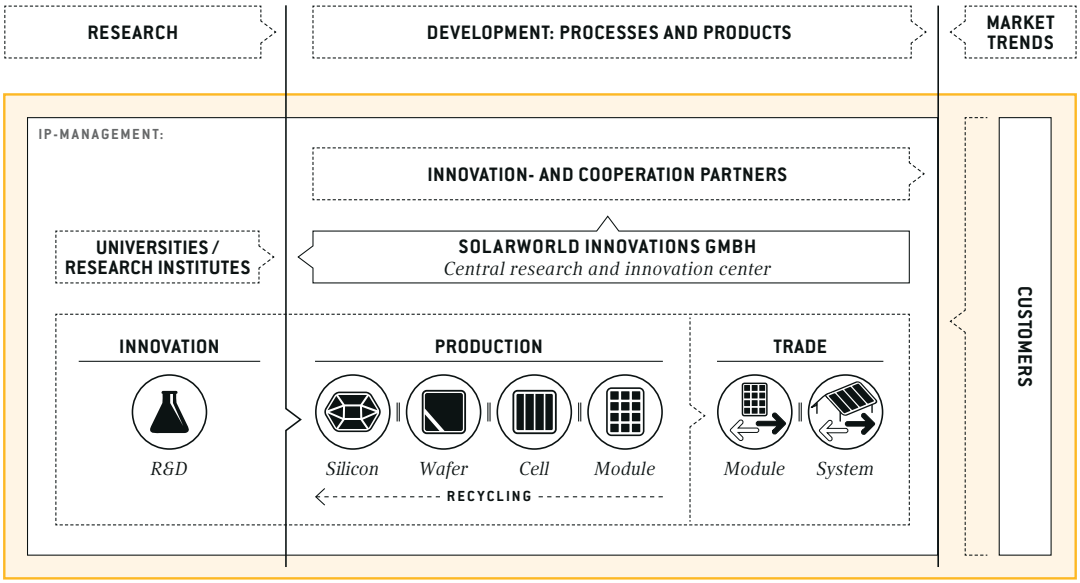
CLOSE INTEGRATION OF INNOVATION AND PRODUCTION CREATES COMPETITIVE ADVANTAGES. In the intense competition for buyers and market shares, it became more important than ever to generate considerable benefits through innovations for our customers and our ongoing production in 2011. Our maxim is to swiftly put our employees' ideas to work developing new products and ever more efficient processes.

Our researchers and developers continuously work on improving the entire solar value chain – from the raw material all the way to the system. At our plants in Freiberg, we take advantage of the direct proximity to the research and technology center of SolarWorld Innovations GmbH to bring innovations to the market by the quickest route. New developments are tested and developed in pilot lines in Freiberg before they are transferred to production. One example: A new type of technology for cutting columns was successfully developed in the wafer technical school and operated there under production conditions for eight months together with experts from Deutsche Solar GmbH.

The advantage of this process: The employees from production are already familiar with the innovations from the very outset so that they can also put them into practice under real production conditions right away.

Customer-oriented innovations in systems engineering then emerge in product management at the SolarWorld AG sales office in Bonn. Our top development priority in 2011 was to make operation of a solar power system attractive and lucrative again independently of feed-in tariffs determined by law. We have thus further developed our technologies to make it possible for every operator to store his solar power and monitor and control his system and consumption himself.

(37) SOLARWORLD INNOVATIONS – ORGANIZATION



FORWARD-LOOKING NETWORK THAT COMBINES RESEARCH AND SCIENCE. We work closely together with external equipment and system manufacturers, young entrepreneurs and cooperation partners from the realms of science and research at our Freiberg technology campus at the center of which is our research subsidiary, SolarWorld Innovations GmbH.

We also intensified our long-standing partnership with TU Bergakademie Freiberg (TUBAF) in 2011. SolarWorld has been collaborating with this resource university since the spring of 2011 to identify the lithium deposits in the eastern Ore Mountains. → *Strategic opportunities* • *p. 098//* The TUBAF also introduced the only master's program in Germany to date in photovoltaics and semi-conductor technology for the 2011/12 winter semester. Experts from our company helped design the program and are now also teaching courses there. The close ties between our industrial production and university research and teaching at a single location make a considerable contribution to recruiting highly qualified young employees for SolarWorld over the long run.

Internationally, SolarWorld also works with academic institutes, universities and universities of applied sciences – a total of 24 (2010: 24) facilities. SolarWorld was also involved again in funding projects in 2011. Our company participated in a total of 21 publicly funded projects along the entire value chain in the reporting year. The largest of these projects is the ongoing "Sun" project that was initiated by the German federal government as part of the "Photovoltaic Innovation Alliance." Under

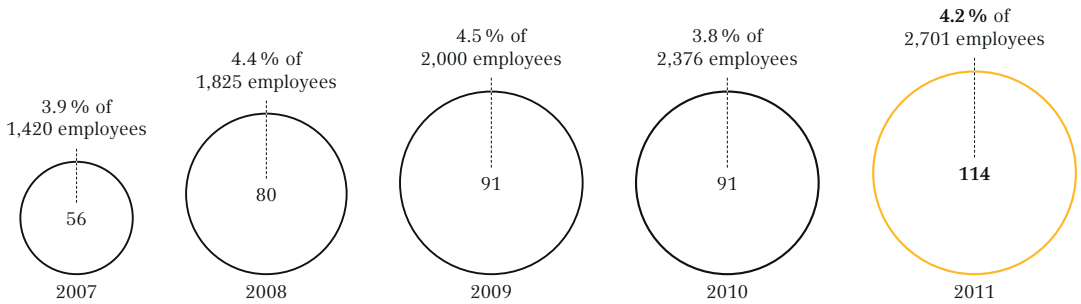
the leadership of SolarWorld Innovations GmbH, eleven partners and six sub-contractors from the areas of material supply, systems technology, engineering, production and science came together to form a team in the "Sun" project. The goal is to develop highly efficient solar cells and solar modules while simultaneously extending durability considerably. In the U.S., we have been working on a foundation program to advance next-generation solar cell architectures. The three year effort is funded by the U.S. Department of Energy and led by SolarWorld Industries America Inc. Coordinated work packages from multiple universities, research institutes, and equipment integrators are tasked with developing disruptive crystalline silicon material utilization strategies.

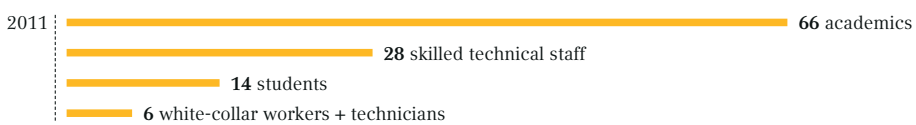
INTEGRATING EXTERNAL EXPERTISE. In 2011, all of the key knowledge was generated in-house with cooperation partners, particularly device manufacturers and research facilities. We further developed a technology for fine-line metallization of solar cells and reached another milestone for introduction to production with the small series production in 2011. SolarWorld acquired the exclusive patent rights for this process from a cooperation partner.

NEW STAFF EMPLOYED. We increased headcount at our research subsidiary SolarWorld Innovations from 91 to 114 in 2011. We mainly hired more engineers and scientists to enhance the development expertise of our interdisciplinary team. We also reinforced our service and support areas including IP and contract management and service and project management.

(38) HEADCOUNT DEVELOPMENT SOLARWORLD INNOVATIONS GMBH

as of December 31





Beyond the employees of SolarWorld Innovations GmbH, technicians and skilled experts from all of our production subsidiaries were involved in the evaluation and pilot production of new technologies. This makes it much easier and faster to incorporate these innovations into production later on.

We employed 27 people in sales-related systems engineering of SolarWorld (2010: 30). We hired new staff in the areas of off-grid and software for monitoring and controlling solar power systems.

(39) DEVELOPMENT OF INVENTIONS AND IP RIGHTS

	2008	2009	2010	2011
Registered inventions	18	28	51	**58**
IP ratio*	23 %	31 %	56 %	**51 %**
IP rights or applications owned	220	209	203	**329**
IP rights families owned	103	87	107	**152****

* Ratio of the number of registered inventions in SolarWorld Innovations to the number of employees
** Of which 57 with at least one patent granted

(40) DEVELOPMENT OF R&D EXPENSES*

	2007	2008	2009	2010	2011
Total R&D expenses (in €m)	10.8	13.0	12.0	19.2	**27.2**
Sponsored portion (in %)	34.2	18.5	15.0	11.5	**14.5**

* Disclosure excluding the R&D activities of our joint ventures

(41) RESEARCH RATIO AND RESEARCH INTENSITY // IN PERCENT

	2007	2008	2009	2010	2011
Research ratio	1.6	1.4	1.2	1.5	**2.6**
Research intensity	2.0	1.9	1.2	1.6	**1.6**

(research ratio = R&D expenses/revenue x 100) – disclosure excluding the R&D activities of our joint ventures
(research intensity = R&D expenses/total expenses x 100) – disclosure excluding the R&D activities of our joint ventures

(42) INNOVATION TARGETS AND PRIORITIES 2011+

STRATEGIC INNOVATION TARGETS 2011+

CUTTING COSTS
ASSURING AND ENHANCING QUALITY
DEVELOPING INNOVATIVE AND SUSTAINABLE SOLUTIONS

OUR STRATEGIC INNOVATION TARGETS ARE MUTUALLY DEPENDENT:
WHEN WE ASSURE AND ENHANCE QUALITY, WE OPTIMIZE PROCESSES AND MATERIAL CONSUMPTION AT THE SAME TIME.

Special priorities 2011 +	**Cost reductions:** Transfer innovations quickly and directly into production as process improvements, review all variables such as production yield and material consumption, check critical incoming materials and intensively examine new materials
	Focus on the overall system of module, systems and storage technology
	Enhance the customer benefit of our systems, for example by increasing module safety
Ongoing tasks	**Translate market trends into product innovations:** Market, customer and trend observation lead to product innovations with added value and specific future benefits, tapping into new business fields and market potential
	Maintain value proposition for products "Made by SolarWorld": Sustain a long life cycle, efficiency and functional safety
	Economic and ecological sustainability: Reduce consumption of natural resources, avoid the use of pollutants, prevent the emission of climate gases and pollutants as well as waste
	Systems engineering for specific market and customer requirements: Make quick, easy and safe assembly possible, develop design variations, offer customers technical support
	Process development: Increase yield by way of sophisticated analysis methods, increase throughput and efficiency, improve automation and standardization, reduce cycle times in crystal growing, optimize processes for silicon extraction, increase productivity
	Product development: Increase specific output of cells and modules, optimize efficiency and long-term capability of modules through improved manufacturing details as well as new materials
	Material optimization: Reduce consumption of consumables and where appropriate substitute with alternative materials
	Energy saving: Reduce energy and water consumption
	Basic research: Promote basic scientific and technical knowledge, qualify alternative materials and consumables
	Employee qualifications: Continually train employees internally and externally, improve technical expertise and general understanding and raise quality awareness

EXEMPLARY RESULTS 2011 – FUTURE PERFORMANCE POTENTIAL 2012+

Output increases for modules	**Increase output by 4.8 and 5.8 percent respectively:** Production Germany: 241 (2010: 230) Wp (polycrystalline)/ Production U.S.: 254 (2010: 240) Wp (monocrystalline) The significant increase in output in modules was accomplished by improvements along the entire solar value chain. **Major contributing factors were:** Wafers: Further development of crystal growing process Cells: Improvement of the emitter profile and front side metallization Modules: Antireflective glass coating
Process optimization	Much higher silicon yield throughout the entire value chain with a simultaneous reduction in wafer thickness
Testing technology	The Association for Electrical, Electronic & Information Technologies (VDE) certified the module testing laboratory of SolarWorld Innovations GmbH in the Test Data Acceptance Program (TDAP). IEC – compliant (International Electrotechnical Commission) testing devices and workflows were inspected by the VDE and the comprehensive testing competence verified with the certification. This allows internal tests to be approved by the VDE which makes it much faster to introduce new developments. We still maintain the external TÜV certification.
Major product innovations and improvements	**Crystal growing:** Significantly improved wafer quality which led to a considerable increase in the efficiency of the solar cell in 2011 **Module:** In addition to increases in output, further improvement in optics through antireflective glass and black variations; new product series in the area of off-grid modules → ***Future performance potential:*** *Reinforcing position as a supplier with leading quality and service standards, expanding market through aesthetic products, boosting off-grid business*
	SunPac S 13.8®: Smart turnkey energy solution with battery system with 13.8 kW total storage; doubles storage capacity of the SunPac® → ***Future performance potential:*** *Improvement in directly consumed solar power, independence from legal feed-in tariffs*
	Suntrol®: System for monitoring and controlling solar power systems; Internet portal with new design, integration of SunPac® battery solution; addition of "remote diagnostics" that makes it possible for an installer to perform maintenance; Suntrol mobil®: Application for other smart phones → ***Future performance potential:*** *Market expansion through user-friendly monitoring and control of solar power systems, independence from feed-in tariffs determined by law*
	Sunfix aero®: Easy-to-assemble and low-ballast mounting system for flat roofs with low load reserves → ***Future performance potential:*** *Market expansion to flat roofs with low load capacity; high potential on international markets*
	Sundeck®: Roof-integrated system used to mount the modules on the high level of the roof tiles instead of a conventional roof covering **Wider range of products:** Sundeck 8500® can be used for build-ups of snow of up to 8.5kN/m²; Sundeck Slate® specially for slated roofs → ***Future performance potential:*** *Expansion of the application possibilities in regions with heavy snowfall and for different kinds of coverings*
	SunShed®: Outdoor storage with solar roof for garden equipment, wood and bicycles; autonomous enhancement of the solar power system on the roof; also directly supplies the power for the e-bike → ***Future performance potential:*** *Expansion of the customer range with day-to-day products for "solar newbies", customer retention through new possibilities for using services for a solar power system*
	SunCharger®: Brings together power supply unit, battery and solar cell for mobile applications in a single unit. The SunCharger® generates and stores solar power and makes it available via USB port (5V, 500mA). → ***Future performance potential:*** *Expansion of the range of products, tapping into new market segments and sales channels to reach new customer groups and introduce them to the SolarWorld brand*

For "Earnings from new products" see 06 *Sustainability Performance/Customers and products • p. 016//* as well as *Details on sustainability performance • p. S028//*.
For further information on our products please check our *Product glossary • p. 222//*

ECONOMIC POSITION 2011

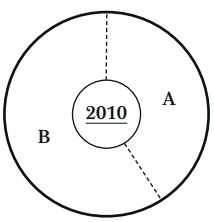
In 2011, we generated revenue of € 1.0 billion. The shipments of wafers, modules and kits amounted to 794 MW. In accordance with IAS 36, SolarWorld AG recognized impairment charges for inventories of € 315 million. The EBIT of the year under review is € –233 million. Due to the impairment charges, the consolidated loss for the year was € –299.3 (2010: € 87.3) million.

INCOME POSITION

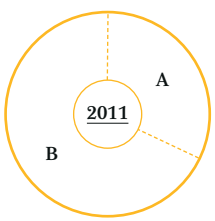
DEVELOPMENT OF SALES AND PROFIT OR LOSS

In the financial year, groupwide shipments of wafers and solar modules amounted to 794 (2010: 819) MW. This decrease is due to lower wafer shipments, which in turn results from the fact that a large number of our customers did not comply with contractually agreed purchase volumes of wafers. → *Turbulent growth on the solar market with drastic price drop • p. 038//* Although we were able to increase shipments in our Trade segment, this increase was not sufficient to compensate the decrease in wafer shipments. We generated the largest growth of shipments abroad – a development that we actively pushed in the scope of our internationalization strategy. Our groupwide shipments-abroad quota increased by 9 percentage points to 68 (2010: 59) percent in the annual period 2011. (13) *Target achievement 2010 and 2011 and targets for 2012+/Customers • p. 029//*

(43) SHIPMENTS DIVIDED INTO DOMESTIC AND FOREIGN SALES



A // Domestic ..... 41 %
B // Foreign ..... 59 %



A // Domestic ..... **32 %**
B // Foreign ..... **68 %**

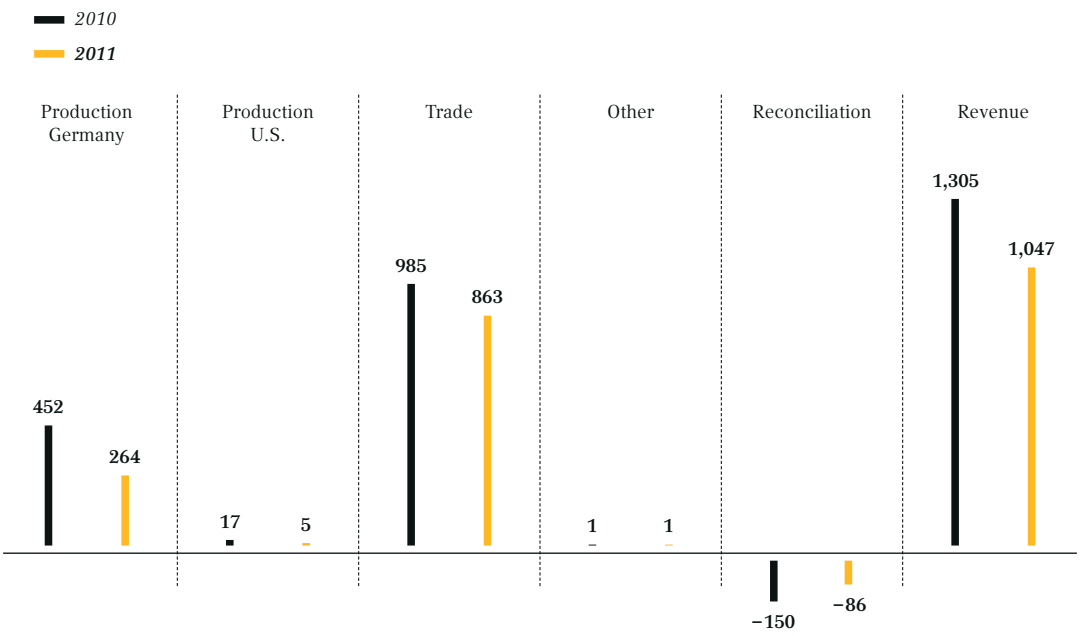
Due to the strong decline in prices, our revenue decreased by 19.8 percent or € 257.8 million to € 1,046.9 (2010: € 1,304.7) million. Consistent framework conditions for the development of the solar market formed the basis of our revenue prognosis in late 2010. However, these did not exist in the course of the annual period. Hence, as already announced in the 3rd quarter of 2011, we were not able to achieve the revenue level of the prior year.

The rapid drop in prices in the industry could not be compensated by the increase in sales in our "Trade" segment. Thus, revenue amounted to € 863 (2010: € 985) million, which constitutes a 12 percent decrease as compared to the prior year. The proportion of foreign revenue increased to 57.6 (2010: 47.0) percent.

External sales in the "Production Germany" segment, which are primarily influenced by our wafer business, decreased by 42 percent to € 264 (2010: € 452) million due to the decline in demand for wafers. However, we were able to further process a proportion of the unsold wafers to SolarWorld modules. → *Note 40: Segment reporting* • *p. 174 //*

Due to the mentioned market development, our "Production Germany" segment removed older production lines from operations for the time being. To strengthen our competitiveness, we now fully focus on our most up-to-date production facilities. → *Restructuring measures in production* • *p. 044 //*

(44) **REVENUE BY SEGMENT** // IN M€



Since market capitalization dropped below the value of equity as recognized on the balance sheet in the year 2011, impairment tests for property, plant and equipment became necessary according to IAS 36. The result of the impairment tests was the recognition of net impairment charges of € 314.5 million. It results from gross impairment charges of our property, plant and equipment amouting to € 339.0 million and the corresponding reversal of accrued investment grants of € 24.5 million. The main reasons for this result are overcapacities, heavily declining prices and the loss of external wafer customers. ⊕ *Development of material income statement items* • *p. 069//*

Due to the impairment charge of our property, plant and equipment, the consolidated earnings before interest and tax (EBIT) dropped to € –233.2 (2010: € 192.8) million. The EBIT of our "Production Germany" and "Production U.S." segment amounted to € 63 (2010: € 163.9) million and € –200.0 (2010: € –10.3) million, respectively. This development is reflected by a negative EBIT margin.

The EBIT adjusted by extraordinary effects like impairment charges of the property, plant and equipment and current assets (€ 394.5 million), down-payment reversals (€ 97.0 million) and compensation payments from non-compliance with long-term supply contracts (€ 34.2 million) amounted to € 30.1 million in the annual period.

(45) ADJUSTMENT OF THE OPERATING RESULT (EBIT) // IN € MILLION

	EBIT	**–233.2**
+	net impairment charge for property, plant and equipment (PPE)	314.5
	thereof gross impairment charge for PPE	339.0
	thereof reversal of accrued investment grants	–24.5
=	**EBIT adjusted by impairment charge of PPE**	**81.3**
+	impairment charge for current assets (CA)	80.0
=	**EBIT adjusted by impairment charge of PPE and CA**	**161.3**
–	down-payment reversals	–97.0
=	**EBIT adjusted by impairment charge of PPE and CA as well as down-payment reversals**	**64.3**
–	compensation payments	–34.2
=	**Adjusted EBIT**	**30.1**

In 2011, the consolidated earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 22.0 percent or € 62.0 million to € 219.3 (2010: € 281.3) million. The financial result amounted to € –53.3 (2010: € –44.1) million. ⊕ *Financing analysis* • *p. 071//*

Due to the impairment charge recognized for property, plant and equipment, the consolidated result for the annual period 2011 decreased to € –299.3 (2010: € 87.3) million.

ORDER TREND

In the course of the reporting year 2011, wafer customers increasingly terminated their long-term contracts with us as a consequence of the difficult framework conditions on the solar market. Although the reversal of the customer advances paid and the compensation claims due to non-compliance and termination of the long-term supply agreements initially had a positive effect on our result, our long-term order situation dropped simultaneously. There still is an increased level of uncertainty with regard to the current order situation for wafer supplies as it is still possible that several customers do not comply with their purchase obligations. Thus, the current order volume cannot be presented. Any claims for damages resulting therefrom would not suffice to fully compensate for the loss of sales opportunities. (62) *Risk report/Sales and price risks* • *p. 092 //*

DEVELOPMENT OF MATERIAL INCOME STATEMENT ITEMS

Although we optimized our groupwide purchase processes and improved the utilization of materials in the production process, we were not able to fully compensate the sharp drop in product prices. For this reason in particular, our cost of materials ratio increased to 73.4 (2010: 63.5) percent in the past twelve months. → *Procurement situation in 2011 affected by volatile market* • *p. 042 //*

Personnel expenses increased by 9.5 percent or € 11.9 million to € 138.2 (2010: € 126.3) million. This is mainly due to new hires in the scope of the ramp up phase of our cell and module production in the U.S. that was finalized in early 2011. In addition, personnel expenses increased due to the first-time full consolidation of SOLARPARC AG. The personnel cost ratio increased to 12.2 (2010: 9.6) percent.

Due to the recognition of the impairment charges, amortization and depreciation increased by € 346.0 million to € 452.5 (2010: € 88.5) million. As a result of the conducted impairment tests, impairment charges had to be recognized in the segments “Production Germany” and “Production U.S.” The net impairment charges recognized for the segment “Production Germany” amounted to € 162.3 million. For the segment “Production U.S.” net impairment charges were € 152.2 million. The impairment charges were primarily recognized for the wafer business. → *Note 32: Amortization and depreciation* • *p. 166 //*

Other operating expenses increased by € 53.2 million to € 225.8 (2010: € 172.6) million. Reasons for this development especially include the write-downs of receivables from wafer customers, which offset the corresponding reversal of down payments in other operating income as well as investments in international brand expansion. → *Customer promise and brand* • *p. 048 //* Overall, the expense ratio increase by 6.8 percentage points to 19.9 (2010: 13.1) percent.

As compared to the prior year, other operating income increased by € 181.1 million to € 281.9 (2010: € 100.8) million. This increase is primarily due to result effects that originated by way of payments and reversals of down-payments on occasion of the non-compliance and termination of long-term supply contracts. In addition, accrued investment grants were reversed in accordance with the impairment of the fixed assets.

(46) FIVE-YEAR COMPARISON OF INCOME POSITION // IN K€

	2007	2008	2009	2010	2011
Revenue	698,818	900,311	1,012,575	1,304,674	**1,046,940**
Revenue from continued operations	689,588	900,311	1,012,575	1,304,674	**1,046,940**
Changes in inventories products	−17,670	15,160	48,830	8,434	**72,054**
Own work capitalized	542	7,740	3,117	1,025	**14,349**
Other operating income	57,253	36,841	69,934	100,791	**281,872**
Operating performance	**729,713**	**960,052**	**1,134,456**	**1,414,924**	**1,415,215**
Cost of materials	−333,654	−454,060	−691,062	−834,780	**−831,905**
Personnel expenses	−75,004	−90,130	−99,783	−126,282	**−138,224**
Amortization and depreciation	−42,054	−55,166	−63,659	−88,503	**−452,514**
Other operating expenses	−80,129	−99,883	−127,127	−172,607	**−225,805**
Subtotal	**−530,841**	**−699,239**	**−981,631**	**−1,222,172**	**−1,648,448**
Result of operations	**198,872**	**260,813**	**152,825**	**192,752**	**−233,233**
Financial result	−22,962	−72,144	−21,073	−44,131	**−53,304**
Taxes of income	−65,027	−53,422	−72,779	−61,309	**−14,543**
Result from discontinued operations (after tax)	2,373	13,432			**1,808**
Consolidated net income/loss	**113,256**	**148,679**	**58,973**	**87,312**	**−299,272**

(47) INDICATORS OF INCOME POSITION // IN PERCENT

	2007	2008	2009	2010	2011
Return on sales (Consolidated net income/revenue)	16.2	16.5	5.8	6.7	**−28.6**
Cost of materials ratio (Cost of materials/revenue from continued operations plus changes in inventory and own work capitalized)	49.6	49.2	64.9	63.5	**73.4**
Personnel expenses ratio (Personnel expenses/revenue from continued operations plus changes in inventory and own work capitalized)	11.2	9.8	9.4	9.6	**12.2**

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

We align our financial management with the requirements of our operational business and our corporate strategy in the short and medium term and in the long term, respectively. ⊕ *Group strategic financing • p. 022//* We strengthen the financial flexibility of our group with a broad range of financial instruments and measures and thereby reduce our dependency from banks and credit institutes. ⊕ *Note 66b: Principles and objectives of financial risk management • p. 193//*

Our financing consists of bonds, promissory notes and loans. ⊕ *Financing analysis • p. 071//* Central cash management invests the liquidity positions almost exclusively in the fixed deposit area (day-to-day money, weekly and monthly deposits) of the public and private German banking sector on a daily basis.

In part, international loan agreements of SolarWorld have terms until 2018. Follow-up financing is not necessary until 2014. The notes present a summary of the long-term loans and redemption modalities. ⊕ *Note 66e: Liquidity risks • p. 196//*.

FINANCING ANALYSIS

As compared to December 31, 2010, equity decreased by € 292.1 million to € 630.8 (Dec. 31, 2010: € 922.9) million due to the consolidated loss for the year. The equity ratio amounted to 27.7 (Dec. 31, 2010: 35.0) percent at reporting date. In the course of the reporting year, we strengthened our financial flexibility and limited financial risks by taking several different financing measures. In July 2011 for example, we placed a € 150 million bond at the Luxembourg stock exchange. ⊕ *Financial basis strengthened further • p. 036//* At reporting date, our financial liabilities increased by € 130.3 million to € 1,271.9 (Dec. 31, 2010: € 1,141.6) million, 90.5 percent of which are assigned to the non-current sector.

Investment subsidies and grants shown in non-current liabilities decreased to € 56.8 (Dec. 31, 2010: € 76.2) million. These public means accrued on the liabilities' side of the balance sheet are released to income over the course of the useful lives of the subsidized investments. Due to the conducted impairment test, the respective accrued investment grants were released irregularly and in correspondence with the impairment charge recognized for fixed assets.

Other non-current liabilities decreased by € 121.3 million to € 94.6 (Dec. 31, 2010: € 215.9) million. The non-current proportion of customer advances for supply agreements included therein amounted to € 90.1 (Dec. 31, 2010: € 207.7) million.

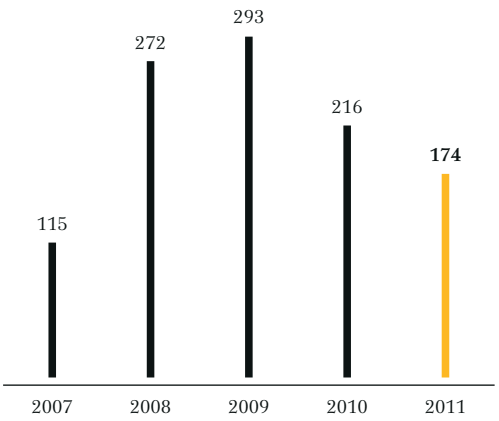
INVESTMENT ANALYSIS

In the annual period 2011, we invested a total of € 174.5 (2010: € 216.1) million in intangible assets and property, plant and equipment for the expansion of our international production capacities.

The focus of our investment activities was on finalizing the expansion our wafer production (€ 67.1 million) and module production (€ 41.5 million) at our German Freiberg site. The module production was considerably expanded due to the opening of our state of the art Solar Factory III. Further investments were used for finalizing the expansion of our integrated module, cell and wafer production at the Hillsboro, U.S. site (€ 29.9 million).

In addition, we acquired the SOLARPARC Subgroup in January 2011. For further details, we refer to the Notes to the consolidated financial statements.

(48) DEVELOPMENT OF INVESTMENTS // IN M€



LIQUIDITY ANALYSIS

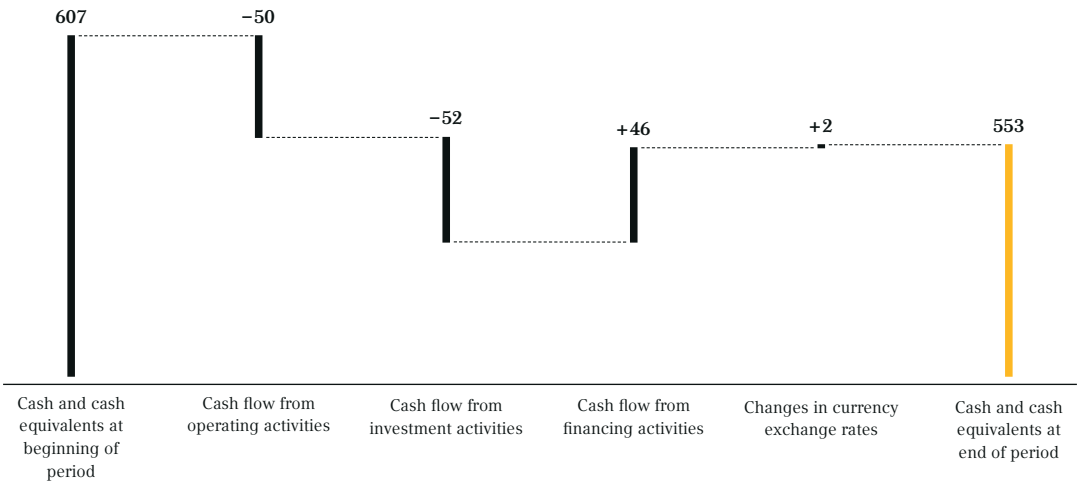
At reporting date, liquid funds amounted to € 553.3 (Dec. 31, 2010: € 613.5) million and included cash and cash equivalents that mainly consisted of day-to-day money and fixed deposits.

The cash flow from operating activities amounted to € –49.6 (2010: € 254.2) million in 2011.

The cash flow from investing activities amounted to € –51.5 (2010: € –224.9) million. It was primarily influenced by payments received from financial investments amounting to € 67.5 million and the inflow of liquid funds in the scope of first-time consolidation of SOLARPARC AG in an amount of € 16.3 (2010: € 0) million. In addition, we invested € 181.4 (2010: € 242) million in our fixed assets.

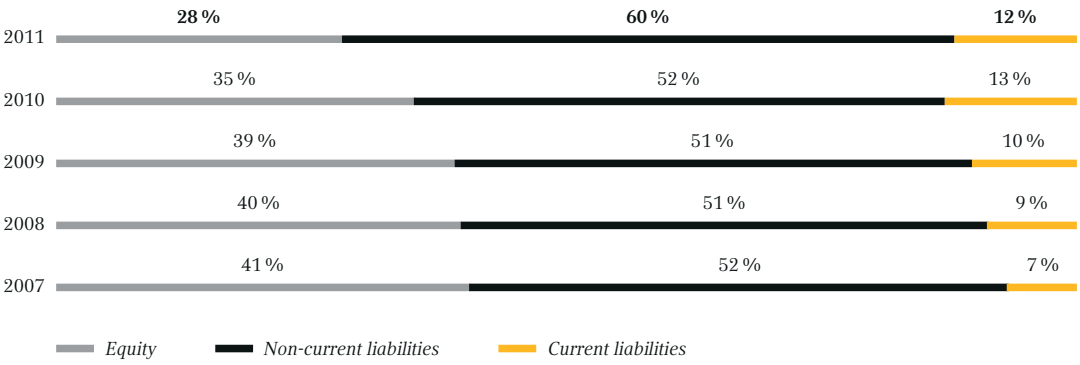
The cash flow from financing activities amounted to € 46.4 (2010: € 144.1) million. It primarily includes interest payments of € –59.8 (2010: € –39.9) million. Net new loans amounted € 126.0 (2010: € 236.2) million.

(49) **CASH FLOW RECONCILIATION** // IN M€



(50) FIVE-YEAR COMPARISON OF FINANCIAL POSITION // IN K€

Capital	31.12.07	31.12.08	31.12.09	31.12.10	31.12.11
Equity	691,546	841,075	865,462	922,879	**630,759**
Non-current liabilities	899,266	1,093,559	1,119,411	1,366,757	**1,362,738**
Current liabilities	113,654	185,988	232,177	345,696	**284,330**
Total	1,704,466	2,120,622	2,217,050	2,635,332	**2,277,827**



(51) INDICATORS OF FINANCIAL POSITION // IN PERCENT

	2007	2008	2009	2010	2011
Return on equity (Consolidated net income/equity)	16.4 %	17.7 %	6.8 %	9.5 %	**–47.4 %**
ROCE (key date) (EBIT/Capital Employed*)	36.5 %	37.1 %	13.7 %	14.7 %	**–17.9 %**
First degree liquidity (Liquid funds + securities/current liabilities)	7.0	4.5	2.2	2.1	**2.1**
Second degree liquidity (Liquid funds + means available on short notice/ current liabilities)	8.1	5.0	3.2	2.6	**2.8**
Third degree liquidity (Current assets/current liabilities)	11.3	6.0	4.3	3.6	**4.1**

* Intangible assets and property, plant and equipment less investment subsidies plus net current assets excluding financial means and financial liabilities

ASSET POSITION

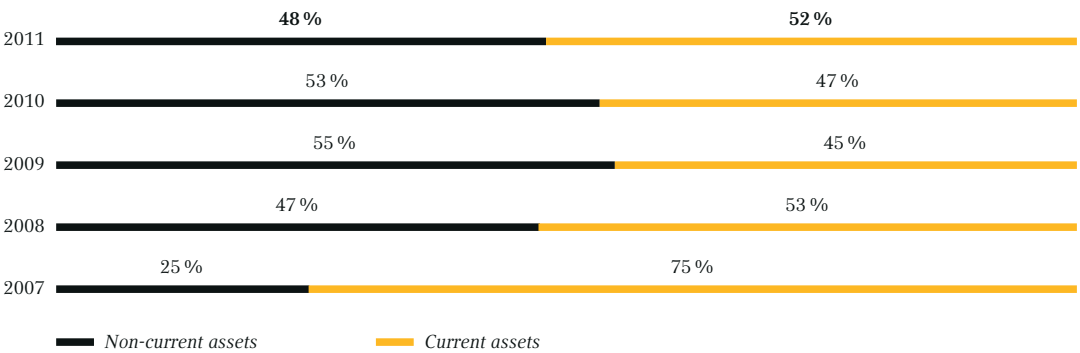
ASSET STRUCTURE ANALYSIS

As compared to December 31, 2010, SolarWorld Group's balance sheet total decreased by € 357.5 million to € 2,277.8 (Dec. 31, 2010: € 2,635.3) million.

Non-current assets decreased by € 293.0 million to € 1,102.1 (Dec. 31, 2010: € 1,395.1) million. This is mainly due to the recognition of impairment charges for property, plant and equipment. The expansion investments had a contrary effect. The working capital increased by € 168.3 million to € 596.7 (Dec. 31, 2010: € 428.4) million. This is due to the € 49.4 million increase in inventories, which amounted to € 386.8 million on December 31, 2011, and to the € 131.0 million decrease in customer advances, which amounted to € 116.4 (Dec. 31, 2010: € 247.4) million at reporting date. Customer advances paid on short notice that are recognized in inventories amounted to € 57.8 (Dec. 31, 2010: € 51.1) million. As compared to the prior year, receivables decreased by € 17.9 million to € 123.0 (Dec. 31, 2010: € 140.9) million. Trade liabilities decreased by € 48.9 million to € 64.4 (Dec. 31, 2010: € 113.3) million. Due to high income tax advance payments, income tax credits considerably increased by € 35.1 million to € 35.5 (Dec. 31, 2010: € 0.4) million.

(52) FIVE-YEAR COMPARISON OF ASSET POSITION // IN K€

Assets	31.12.07	31.12.08	31.12.09	31.12.10	31.12.11
Non-current assets	422,725	1,000,856	1,211,471	1,395,086	**1,102,125**
Current assets	1,281,741	1,119,766	1,005,579	1,240,246	**1,175,702**
Total	**1,704,466**	**2,120,622**	**2,217,050**	**2,635,332**	**2,277,827**



(53) INDICATORS OF ASSET POSITION // IN PERCENT

	31.12.07	31.12.08	31.12.09	31.12.10	31.12.11
Equity ratio (Equity/total assets)	40.6 %	39.7 %	39.0 %	35.0 %	**27.7 %**
Investment intensity (Non-current assets/total assets)	24.8 %	47.2 %	54.6 %	52.9 %	**48.4 %**
Frist degree equity-to-fixed assets ratio (Equity/non-current assets)	1.6	0.8	0.7	0.7	**0.6**
Second degree equity-to-fixed assets ratio (Equity + non-current liabilities/ non-current assets)	3.8	1.9	1.6	1.6	**1.8**

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments do not influence the group's financial standing.

ASSETS NOT SHOWN IN THE BALANCE SHEET

At the balance sheet date, all assets of the group were shown in the balance sheet.

OTHER INTANGIBLE ASSETS

We consider our international investor and capital market contacts to be stable. They are consolidated through comprehensive strategic positioning and transparent communication. → *Contacts with the capital market expanded • p. 035//*

We substantially generate process advantages regarding both current and future business from our integrated research and development work on all levels of the value added chain. → *Innovation report • p. 060// Future product and brand strategy • p. 107//*

Further development of valuable customer relations is part of our sales strategy. In the reporting year, the company succeeded in increasing brand awareness yet again. We thereby created sustained brand value – for our sales partners and for ourselves. → *Brand investments implemented with measurable success • p. 049//*

SUPPLEMENTARY REPORT

The official proposal for the amended Renewable Energy Sources Act (EEG) in Germany was announced at the end of February 2012. SolarWorld AG proposes to the Annual General Meeting to take over the remaining shares in Solarparc AG.

DISCLOSURE OF EVENTS OF PARTICULAR IMPORTANCE

ADJUSTMENT OF FEED-IN TARIFFS IN THE GERMAN EEG ANNOUNCED. On February 23, 2012, the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) announced the contents of the EEG amendment. Effective April 1, 2012, a one-off reduction of feed-in tariffs by more than 25 percent is to be implemented for all system types. Furthermore, in future there should only be three categories of systems:

- Roof-mounted systems up to 10 kW (tariffs from April 1: 19.5 euro cents/kWh)
- Roof-mounted systems up to 1,000 kW (tariffs from April 1: 16.5 euro cents/kWh)
- Roof-mounted and ground-mounted systems up to 10 MW (tariffs from April 1: 13.5 euro cents/kWh)

Under the new EEG proposal, there will no longer be any payment for systems larger than 10 MW. It is also planned to keep the monthly payment reduction which had already been announced. This should come into force on May 1, 2012 and is set at 0.15 euro cents/kWh. As a further incentive for self-consumption of solar power and direct sales of any surplus over and above that, it is likely that the payment will only be made for a certain percentage of the generated power. For smaller roof-mounted systems of less than 10 kW, only 85 percent of the generated solar power will receive the payment. For all other systems, this figure is expected to be 90 percent. The target of between 2.5 and 3.5 GW of new installations each year until 2013 is being maintained.

SHAREHOLDING IN SOLARPARC AG EXCEEDS 95 PERCENT THRESHOLD. On February 6, 2012, SolarWorld's shareholding in Solarparc AG exceeded the threshold of 95 percent of the company's voting rights. Pursuant to §§ 327a et seq. of the German Stock Corporation Act (AktG), at the next AGM of Solarparc AG on May 23, 2012, the Management Board of SolarWorld AG will propose taking over the remaining shares held by the minority shareholders of Solarparc AG.

PROCEEDINGS PENDING. As of early March 2012, no decision had yet been taken on remedies in the trade case against alleged dumping and illegal subsidies by China, which are injuring the U.S. domestic solar industry. Al ruling most recently was postponed until March 19.

IMPACT OF EVENTS OF PARTICULAR IMPORTANCE

EEG AMENDMENT INCREASES COST PRESSURE AND INTENSIFIES COMPETITION. The announced EEG amendment adds to consolidation pressure in the solar industry. Unexpectedly high additional cutbacks will weigh on the German solar market. In the first three months of 2012, solar feed-in tariffs were cut by more than 30 percent. This harms the solar industry as it is not able to react to these changes within such a short period of time. The industry's ability to plan ahead is significantly impeded by the fact that there was only a very short timeframe between the announcement of the new EEG rules at the end of February and their implementation just two weeks later. Last year, considerable savings potential was utilized in production to reduce costs to accommodate the 27 percent cut in subsidies. However, the industry cannot simply absorb a further 30 percent cut. The result would be a market collapse. Our expertise as a provider of rooftop systems will enable SolarWorld to continue to serve the roof-mounted system market. Despite this, we will not be able to wholly absorb the drastic cuts in the feed-in tariffs through further cost reduction measures.

TRANSFORMATION OF SOLARPARC AG INTO A WHOLLY OWNED SUBSIDIARY. A full takeover of Solarparc AG will allow greater flexibility in business planning and implementation. It will also eliminate the costs associated with the extensive obligations to provide information to minority shareholders and preparing and holding the AGM.

OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE ECONOMIC POSITION AT THE TIME OF THE REPORT

The economic position of the group is rated as challenging by the management of SolarWorld, taking into account the earnings, finance and asset situation resulting from the consolidated annual financial statements for 2011 as outlined above, as well as considering the ongoing business in 2012 at the time of drawing up the Group Management Report.

CHAPTER #3

GROUP MANAGEMENT REPORT FORECAST

SUN AT WORK
SOLARWORLD.COM

SOLAR MODULE

▸ BECAUSE OUR ***PRODUCTION STRENGTHS*** ARE ALL-ENCOMPASSING: EFFICIENCY, QUALITY, AND RESPONSIBILITY

3 / GROUP MANAGEMENT REPORT FORECAST

EXPECTED FUTURE DEVELOPMENTS

Owing to the current conditions in the solar market, we are not able to estimate shipments for fiscal year 2012. We expect to be able to increase the volume of module shipments compared to the previous year, while wafer shipments will decline. We expect falling sale prices and a lower revenue volume than in 2011. The Management Board considers the Group's risk position to be manageable but high. Capacity utilization in the module segment should be ensured through the development of existing and new international markets. We will continue to pursue our global strategic orientation as a fully integrated solar power technology company with strong brand positioning.

RISK REPORT

OPPORTUNITY AND RISK MANAGEMENT SYSTEM

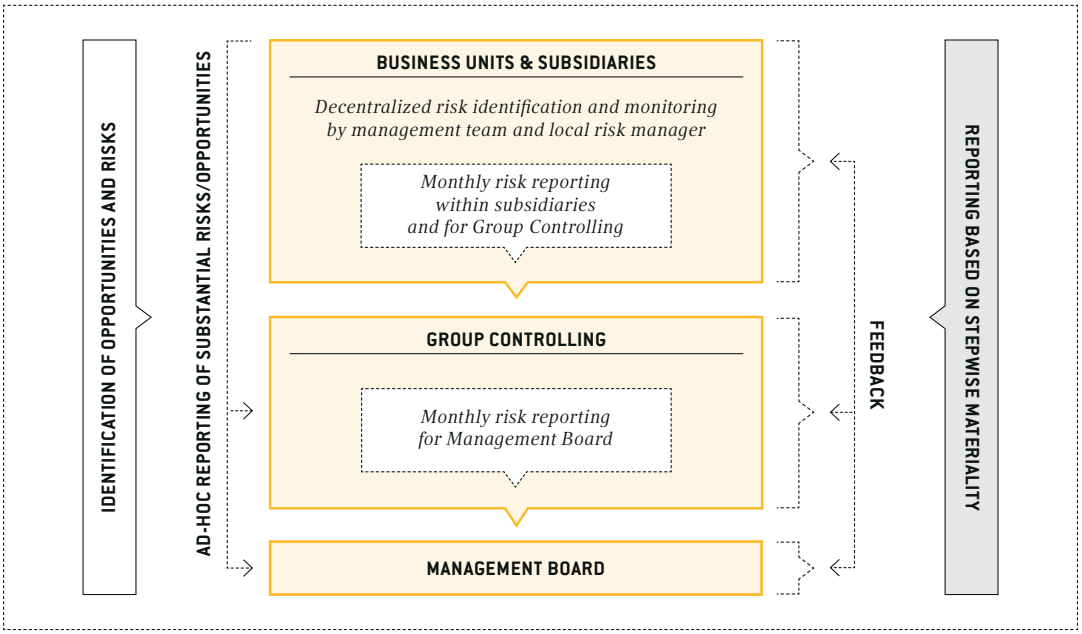
An opportunity and risk management system is necessary to enable the prompt identification and analysis of risks and as far as possible the proactive introduction of counter-measures. It is equally important to identify and exploit market opportunities at an early stage. Thus, a strong opportunity and risk management system helps to safeguard the Group's ongoing existence in the long term and enhance corporate value.

Based on the corporate strategy, the Management Board defines the essential features of the risk policy and manages the company accordingly. Group Controlling – which is responsible for global opportunity and risk reporting – and local risk managers support the Management Board in assessing the probability of occurrence and effect on earnings of major opportunities and risks. Taking into account the acceptable overall risk level, the Management Board decides on measures to be taken (in cooperation with the Supervisory Board in the event of risks threatening the existence of the company). These measures are defined, implemented and controlled with the involvement of the Management Board, Group Controlling and local business management and risk managers. Insurance policies are taken out for the purpose of risk management where possible and economically justifiable.

All fully consolidated companies in the SolarWorld Group are included in the opportunity and risk management system. (79) *SolarWorld Group structure as of December 31, 2011 • p. 143//* Responsibility for identifying and monitoring risks primarily resides locally with managers in the first and second management levels. They are assisted by local risk managers who produce monthly opportunity and risk management reports for Group Controlling. This reporting is produced taking materiality limits into account in respect of the impacts of opportunities and risks. In the case of risks and opportunities which are considered to have a highly material potential impact, reporting takes place immediately and directly to the Management Board.

Local reports are made available to the Management Board by Group Controlling in consolidated form. In addition, the Management Board is continuously informed about current market trends and receives regular competitor analyses. In Management Board meetings and in the annual Strategy Council, taking this market and competitor information into account, material opportunities and risks are discussed, trends are examined and measures to be implemented are deliberated. → *Strategic Group management • p. 026//*

(54) OPPORTUNITY AND RISK MANAGEMENT SYSTEM



INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM REGARDING THE GROUP ACCOUNTING PROCESS

The objective of the internal control and risk management system regarding the (Group) accounting process is to make sure that accounting is uniform and in line with the legal requirements, the generally accepted accounting principles, and the International Financial Reporting Standards (IFRS) as well as internal Group guidelines so as to provide recipients of the consolidated financial statements with true and reliable information. To this end, SolarWorld has principles, processes and measures in place whose essential characteristics can be described as follows:

Within the SolarWorld Group, there is a clear-cut management and enterprise structure in which the various Group companies enjoy a large measure of independence and individual responsibility. Based on this structure, however, the functions of Finance and Accounting, Controlling, and Investor Relations essential to the accounting process are controlled throughout the Group by corresponding departments.

The functions and responsibilities of Finance and Accounting, Controlling, and Investor Relations are clearly separated and allocated mutual control processes that assure a continuous exchange of information.

The basis of the internal control system is provided by precisely defined preventive and monitoring control mechanisms such as systematic and manual coordination processes, predefined approval processes, the separation of functions, and adherence to guidelines.

The financial systems used are protected against unauthorized access by appropriate installations in the IT system. We use standard software wherever possible.

Uniform accounting is guaranteed in particular by accounting guidelines that apply groupwide and by a standardized reporting format. The guidelines and the reporting format are regularly reviewed and updated by members of the Group Accounting department.

Group companies prepare their financial statements locally and communicate these in the prescribed format to Group Accounting. The companies themselves are responsible for adherence to Group accounting guidelines as well as for the proper and timely management of all accounting-related processes and systems. In this context they are fully supported by Group Accounting throughout the entire accounting process.

Adherence to the accounting guidelines as well as to time and process requirements are monitored by Group Accounting. In addition to systems technology controls, manual controls and analytical audit procedures are in place. Here, the appropriate control environment is taken into consideration as much as the relevance of certain accounting facts regarding the contents of the financial statements.

Group Accounting acts as the central point of contact for special technical questions and complex accounting issues. If required, external experts (auditors, qualified accounting specialists, etc.) will be consulted.

On the basis of data supplied by the Group companies, consolidation takes place centrally in Group Accounting. In general, as a minimum, the principle of dual control applies at every level.

Independently of Group Accounting, a monthly analysis of target/actual and actual/actual deviations is carried out by Group Controlling as a result of which an examination of major or implausible changes takes place at an early point in time.

RISK MANAGEMENT SYSTEM REGARDING FINANCIAL INSTRUMENTS

The task and objective of risk management regarding financial instruments is to continually monitor market, liquidity and default risks and limit them if necessary by means of operational and financial measures. Rules and regulations have been established to control the use and handling of financial instruments, thus ensuring that no material financial transactions can take place without consulting the Management Board of SolarWorld AG. Risk monitoring is the responsibility of the respective boards and managing directors of the subsidiaries, who directly report existing and newly emerging financial risks to the Management Board of SolarWorld AG.

Derivatives are also used alongside financial instruments as a way of controlling financial risks. Derivative financial instruments are used exclusively for hedging purposes and not for trading or speculative purposes. Financial risks such as price, currency, and interest rate risks arising from our international business operations are countered by means of framework agreements, deadlines and hedges. We also refer to the following information on the respective individual risks and the disclosures in the Notes. ⊕ *Note 66b: Principles and objectives of financial risk management • p. 193 //*

CORPORATE RATING

The SolarWorld Group is not subject to an official external rating pursuant to typical market standards.

INDIVIDUAL RISKS

Legend:

Risk assessment		Time horizon of effects	
↑	Up year-on-year		
↓	Down year-on-year	**Short-term**	One to three years
→	Flat year-on-year	**Medium-term**	Three to five years
×	Does not exist	**Long-term**	More than five years

PRELIMINARY NOTE: With respect to risk analysis and the disclosure of counter-measures, the company does not distinguish between the reportable operative segments "Production Germany" and "Production U.S." in our in-house production. By contrast, risk factors to be assessed differently in different regions constitute exemptions. Counter-measures may serve to **› *reduce*** the risk, **› *transfer*** the risk to third parties, e.g. by taking out insurance, or consciously **› *assume*** the risk.

(55) MACRO-ECONOMIC RISKS ↑

Risks

1. **Sovereign debt crisis and/or recession:** Tighter financing terms and unstable economic conditions; lower propensity to invest among private customers.

2. **Falling domestic electricity prices:** Delays in solar power becoming competitive/reaching grid parity; slowdown in tapping new markets.

Probability

1. **High:** Economic experts see the sharp rise in public debt as a potential risk which might adversely affect the fragile banking sector. In the European region, this could endanger the stability of the euro with negative potential impacts on the economic and financial position. We assess the risk of tighter financing terms and conditions as medium; in the short term, there might be credit bottlenecks regarding large-scale investment projects.

2. **Low:** Since falling costs of primary sources of energy were hardly passed on to customers in the past, and energy prices are expected to tend to rise in future due to the further increase in energy demand, we assess the risk as low.

Effect (strength, time horizon)

1. **Medium, short-term to medium-term:** A decline in demand by end customers might have a medium effect on our Group revenues and earnings. Large-scale projects were affected the most by a tougher financing environment, but at nine percent they only account for a small percentage of our Group shipments – hence a fall in these investments would have a correspondingly small effect on SolarWorld.

2. **Medium, medium-term:** Over the medium term, domestic electricity prices will impact on our business since end customers may choose between self-produced solar power or power from a utility company, i.e. the electricity generation costs of a solar power system are compared with domestic electricity prices.

Counter-measures

- **Trade:** Our international presence helps us spread the risk of a decline in consumption among different markets › ***reduce***. By offering a wide range of products, we appeal to various customer groups in order to spread the financing risk › ***reduce***. → *Future sales markets 2012+/"Trade" segment* • *p. 105//*
- **Production; Other:** Ongoing cost reductions and efficiency enhancements along the entire value chain enable us to get closer to domestic electricity prices › ***assume*** (42) *Innovation targets and priorities 2011+* • *p. 064//*

(56) POLITICAL AND REGULATORY RISKS ↑

Risks

Changes in laws promoting solar power: Slower market growth due to a reduction in or even abolition of financial incentives in individual countries.

Probability

High: Economic incentives for solar power are increasingly being discussed by policymakers in important sales markets such as Germany, the U.S., Italy and France. Further changes to legislation can be expected in these countries in 2012 and 2013. Feed-in tariffs for solar power will continue to fall. → *Expected development on the solar power market* • *p. 100//*

Effect (strength, time horizon)

High, short-term and medium-term: Declines in demand due to changes in the regulatory framework in individual regions may temporarily have a negative impact on our revenues and earnings. As long as grid parity has not been achieved in individual markets, SolarWorld will be exposed to this risk.

Counter-measures

- **Trade:** We spread this risk across several markets by means of our international presence › ***reduce***
  → *Future sales markets 2012+/ "Trade" segment* • *p. 105//*
- **All segments:** Continuous cost reductions and efficiency enhancements facilitate faster achievement of grid parity and thus progressive independence from promotion incentives with long-term competitive pricing › ***assume***
  (42) *Innovation targets and priorities 2011+* • *p. 064//*
- **All segments:** We engage in dialog with politicians and society, are active in several industrial associations and are committed at a socio-political level to increasing the percentage of photovoltaics in the energy supply › ***assume***
  Details on sustainability performance • *p. S108//*

(57) RISKS ARISING FROM ALTERNATIVE SOLAR POWER TECHNOLOGIES ↓

Risks

Technological breakthrough of alternative solar power technologies: Risk of substitution for crystalline technologies

Probability

Low: Due to current silicon price levels, few manufacturers of alternative solar power technologies have cost benefits versus crystalline manufacturers. This particularly applies to the roof-mounted systems market as alternative solar power technologies only have low module efficiency, making the optimum use of limited roof space more difficult.

Effect (strength, time horizon)

Medium, long-term: Successful competitors might reduce our market share, increase price competition, and thus place stronger pressure on margins. This might adversely affect our revenues and earnings.

Counter-measures

- **Production; Other:** Ongoing investments in Research and Development to enhance efficiency and optimize costs › ***assume***
- **Production; Other:** Regular, analytical observation of the development of alternative technologies in the market › ***reduce***
  → *Opportunity and risk management system* • *p. 081//*

(58) RISKS FROM TOUGHER COMPETITION ↑

Risks

Intensification of competitive pressure: A stronger tendency towards consolidation at all stages of the value chain in the industry; stronger competition from state-sponsored manufacturers; unfair pricing practices; oversupply; dumping.

Probability

High: Continuation of distortive pricing from state-sponsored Chinese producers, combined with generally tighter competition for market share from producers from elsewhere, will result in ever greater price reductions in the wafer and module segments. The consolidation trend will continue to accelerate as competitive pressure increases. The risk of unfair competition rises as competitors sell at prices below production costs to secure market shares and push others out of the market.
→ *Expected development on the solar power market* • *p. 100 //*

Effect (strength, time horizon)

High, medium to long-term: Loss of market share and stronger pressure on margins due to Chinese unfair trade practices and stronger international competition have adverse effects on revenues and earnings.

Counter-measures

- **Trade:** Investments in the expansion of the SolarWorld brand › ***assume***; differentiation of our products through product innovations, quality, service and design › ***reduce***; customer retention programs › ***reduce*** → *Customer promise and brand* • *p. 048 //*
- **Other:** Introduction of legal steps to counter dumping, subsidy practices and unfair competition → *Unfair competition complaint filed* • *p. 036 //*
- **Production:** Optimization of production along the entire value chain to improve our cost structure. Concentrate on fully integrated production sites to increase efficiency › ***assume*** → *Future development of "Production Germany" and "Production U.S." segments* • *p. 104 //*

(59) PROCUREMENT RISKS ↑

Risks

1. **Convergence of contract and spot market prices for silicon and other raw materials:** Purchasing conditions are less advantageous; higher procurement costs than competitors.
2. **Costs of purchasing other raw materials (silver, copper, aluminum, etc.) on the rise:** Higher procurement costs, strong speculative fluctuations – particularly for silver, aluminum and copper, inaccurate hedging for forward transactions.
3. **Supply bottlenecks concerning kit components, consumables:** Security of supply at risk.
4. **Surpluses of silicon from long-term contracts:** Contractual obligation to purchase specific quantities of silicon.

Probability

1. **High:** Prices on the spot market could drop below the level of long-term contracts over the long run due to the excess supply of silicon on the market.
2. **High:** A rise in the international demand for raw materials in all industries could cause raw material prices to rise.
3. **Low:** The solar power industry is a young sector so that market growth may lead to supply bottlenecks at suppliers of industry-specific consumables and kit components. As the solar market is stagnating, we consider the risk of unexpected supply bottlenecks to be low.
4. **High:** According to current plans, considerably larger quantities of silicon than SolarWorld needs to cover its own need have to be purchased due to the loss of long-term customers.

Effect (strength, time horizon)

1. **High, short-term:** Unchanged or rising procurement costs might cause margin erosion and thus adversely impact our earnings if wafer and module prices should fall.
2. **High, short-term:** Higher prices for other raw materials could negatively impact earnings and the margin.
3. **Medium, short-term:** Bottlenecks in supplies of kit components and consumables may adversely affect our cost structure, slow down production processes and thus reduce our earnings.
4. **High, short-term:** Our silicon supply agreements are take-or-pay agreements, which means that they generally stipulate the acceptance of fixed quantities and, if delivery is not accepted, flat-rate penalties in the amount of the advance payment. There is also an isolated risk that further damages are claimed. Excessive stocks of silicon generate costs and cause a buildup of working capital which ties up liquidity. SolarWorld could be forced to sell excess silicon quantities below the cost price.

Counter-measures

- **Production; Trade:** Expansion of our supplier networks and maintenance of our good, long-term supplier relationships, renegotiations with silicon suppliers, expansion of silicon customers basis › ***reduce*** ⊕ *Future procurement • p. 107//*
- **Production; Trade:** International procurement management and supplier diversification increase independence from regional bottlenecks › ***reduce***
- **Production; Trade:** Use of alternative products reduces dependence on individual suppliers › ***reduce***

(60) CORPORATE STRATEGY RISKS ↑

Risks

1. **Misjudgments concerning future developments:** Wrong investment and technology decisions, lack of market acceptance for newly developed products.

2. **Industrial espionage:** Increasing market success implies being a more attractive target for competitors.

Probability

1. **Medium:** The solar power industry is currently experiencing rapid market changes and tough competition. In this critical market environment it is more difficult to design long-term strategies that can also withstand the consolidation phase. Thanks to our long-standing market experience, broad international positioning, and the conclusion of important partnerships and strategic alliances, we assess the probability of this risk as medium.

2. **Medium:** Stronger competitive pressure increases the risk of industrial espionage.

Effect (strength, time horizon)

High, long-term: Losses of market shares, image, and capital due to incorrect strategic decisions might erode the Group's economic position. Lack of acceptance of new products might impact on our revenues and earnings. The loss of intellectual property might reduce our pioneering role.

Counter-measures

- **Production; Other:** Strategic alliances to diversify the investment risk › ***transfer*** › ***assume***
- **Other:** Performing broad-based Research and Development activities, and cooperation schemes with universities and research centers › ***reduce*** → *Innovation report • p. 060 //*
- **All segments:** Identifying market trends by means of market analyses in all business segments and long-term relationships with customers, suppliers and political decision-makers › ***reduce*** › ***assume***
  → *Opportunity and risk management system • p. 081 //*
- **All segments:** Stricter security precautions, particularly in IT › ***reduce***

(61) DEFAULT RISKS ↑

Risks

Insolvency of individual customers: Loss of receivables outstanding

Probability

High: Due to rising consolidation tendencies in the market, there is still a high insolvency risk concerning wafer and trading customers.

Effect (strength, time horizon)

Medium, short-term: Contractual defaults and non-performance of payment obligations might have a negative impact on earnings and liquidity.

Counter-measures

- **Production; Trade:** Ongoing monitoring and analysis of receivables and selective conclusion of credit insurance policies › ***reduce*** › ***transfer***
- **Production; Trade:** Cash in advance and down-payment arrangements › ***reduce***

(62) SALES AND PRICE RISKS ↑

Risks

1. **Stronger price pressure and increase in supply:** Lower demand for our products.

2. **Purchase of less than agreed volume:** Non-performance of long-term wafer contracts.

Probability

1. **High:** The further intensification of competition and changes in the legal framework in core markets (e.g. Germany, Italy, U.S.) may create price pressure on the market. Less favorable funding and financing conditions for purchasing solar power systems also could lead to drops in demand on the market as customers mainly base their purchasing decisions on the return on their investment. (→) *Expected development on the solar power market* • *p. 100 //*

2. **High:** As market prices have fallen and wafer supplies have risen, it can be assumed that only a limited number of wafer customers will meet their contractual purchasing obligations and price concessions will have to be made for those customers who remain.

Effect (strength, time horizon)

1. **High, short-term:** If less than the agreed volumes are purchased of our products or if prices fall drastically, this could lead to inventory write-downs that would adversely affect earnings. A steep drop in demand could not only diminish revenue, it could also result in excess production capacities that negatively impact unit costs and margins as well as affect the value of the production facilities.

2. **High, short-term:** None of our wafer or trade customers accounts for more than ten percent of our revenues. Nevertheless, contractual defaults could adversely affect our earnings and order backlog and result in inventory buildup and lower capacity utilization. If long-term contracts were to be canceled, down payments already made by customers would be retained by SolarWorld or legal compensation claims would arise. However, then risks would arise in procurement because we have to fulfill our own contractual obligations for silicon purchase even if sales opportunities are lacking.
(59) *Procurement risks* • *p. 089 //*

Counter-measures

- **Production:** Vertical integration so that undelivered wafer volumes can be used to produce SolarWorld modules in our in-house value chain **› *assume***
- **Trade:** Identify changing customer needs at an early stage and target them specifically with new products **› *reduce***. Enhance the value added of the SolarWorld brand, increase customers' loyalty to the company and affirm their decision to buy from SolarWorld **› *assume***
- **Trade:** Spread risk across a wide customer base of more than 700 customers, including international system integrators, specialized wholesalers and installers **› *reduce***

(63) HUMAN RESOURCES RISKS ↑

Risks

Shortage of highly-skilled technical and executive staff: Difficulties in filling key positions

Probability

High: The availability of highly qualified technical and executive staff in the labor market is declining, while competition for talent is growing. The strong trend toward consolidation in the solar industry negatively affects the solar market's appeal to young people just starting out in their careers or those entering the market from other industries.

Effect (strength, time horizon)

Medium, medium-term: Potential erosion of our technological edge and slowdown in corporate growth due to a shortage of skilled technical staff might adversely affect revenues and earnings.

Counter-measures

- **All segments:** Selective, needs-oriented skills development for our existing staff; strengthening our image as an attractive employer; employee motivation through strong leadership and corporate culture, working hours schemes and profit-oriented variable remuneration systems › ***reduce*** › ***assume*** ⓘ *Employees • p. 051 //*
- **All segments:** Defining deputy roles and powers within the scope of our quality management system › ***reduce***

(64) IT RISKS →

Risks

Disturbances in the operation of IT systems and networks: Data security risks and interruption of work at our sites worldwide

Probability

Medium: Our IT systems undergo regular maintenance and our safety standards are regularly reviewed and improved.

Effect (strength, time horizon)

Medium, long-term: Interruption of production and workflows might cause productivity losses.

Counter-measures

- **All segments:** Regular investments in updates, software and hardware systems; up-to-date virus scanners and firewalls reduce the risk of virus and hacker attacks; certified systems to enhance safety and reliability; encryption protects our data › ***reduce***
- **All segments:** Separation of production and administration IT systems to minimize potential failure risks › ***reduce***
- **All segments:** Regular data backups several times per day › ***reduce***

(65) LIQUIDITY RISKS ↑

Risks

1. **Failure to reach contractually stipulated covenants:** Termination of loans

2. **Difficult environment for refinancing measures:** More difficult for the solar power industry to access credit markets; higher financing costs due to a widening of interest spreads and shorter maturities in lending.

Probability

1. **High:** Because earning power is lower, there is a risk that the covenants for the debt-equity ratio (net liabilities/EBITDA) in particular will be exceeded.

2. **High:** In the event that SolarWorld cannot satisfy its covenants and the creditors demand repayment, there may be a short-term refinancing need. The short term refinincing risk is otherwise limited due to the long term structure of our credit agreements. Should the situation in the credit business not improve over the medium to long term, it might become more difficult for us to access the capital markets, and we might have to accept a widening of spreads in future financing measures. → *Note 66e: Liquidity risks* • *p. 196 //*

Effect (strength, time horizon)

1. **Strong, short-term:** Premature refinancing needs with considerably less favorable terms and conditions

2. **Medium, medium-term:** Tougher lending criteria would have a strong negative impact on the earnings and financing opportunities for the scope of our investments.

Counter-measures

- **All segments:** Regular meetings with all of our creditors, closer control of liquidity using the working capital management, measures to appraise assets
- **All segments:** Diversification and expansion of the capital base using financial instruments without contractually agreed financial indicators – for example, we placed company bonds with a total volume of € 550 million on the stock exchange in July 2011 and in January 2010 › ***reduce*** → *Financing analysis* • *p. 071 //*
- **All segments:** → *Note 66e: Liquidity risks* • *p. 196 //*

(66) OTHER FINANCIAL RISKS →

Risks

Currency, interest rate and price risks

Probability

Medium to high: Due to the procurement of raw materials, in particular in U.S. dollars, and the sale of U.S. products in other currency regions, we are exposed to currency risks. As a global player we are also exposed to interest rate and price risks.

Effect (strength, time horizon)

Medium, long-term: Impact on the financial result of our business operations. Thanks to a pro-active, regular, careful review of our financial instruments, we assess these risks as controllable.

Counter-measures

- **All segments:** Selective use of derivative and non-derivative financial instruments › ***transfer*** › ***reduce***
  Ⓐ *Note 66: Financial instruments • p. 193 //*

(67) LEGAL RISKS →

Risks

Legal risks: A wide range of tax, competition, patent, anti-trust, trade mark, and environmental regulations within the scope of our international business operations, infringement of which may cause costs.

Probability

Low: SolarWorld is currently not aware of any risks from litigation, patent infringement, or other legal risks that might significantly impact the business situation of the company.

Effect (strength, time horizon)

Medium, long-term: Litigation might impact on the result of our business operations since it would tie up financial resources, jeopardize the company's reputation and brand, and cause losses of tangible and intangible corporate property.

Counter-measures

- **All segments:** Integrated legal advice from specialized external legal experts › ***assume*** › ***reduce***
- **All segments:** Adherence to strict quality and safety standards in the Group › ***reduce***

(68) WARRANTY AND OTHER LIABILITY RISKS →

Risks

1. Warranty risks: Granting a linear performance warranty of 25 years for solar modules sold by us.

2. Other customary liability risks (e.g. product safety.)

Probability

1. Low: Due to careful examination of our process and product quality, we assess the risk of claims being made against our performance 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 (strength, time horizon)

1. Medium, long-term: Potential negative impact on our earnings, financial and asset position in the event of warranty claims.

2. Medium, long-term: Production losses, loss of assets, potential claims for damages.

Counter-measures

- **All segments:** Risk provisioning in the balance sheet for the company's warranty commitment through the formation of a provision › ***assume*** Ⓝ *Note 59: Non-current and current provisions* • *p. 188//*
- **All segments:** Securing other risks via comprehensive insurance cover based on conventional concepts › ***transfer***; regular review of the extent of insurance cover for risks, based on site inspection › ***transfer***; compliance with legal provisions and voluntary adherence to more far-reaching standards (e.g. ISO 9001 and ISO 14001, codes of conduct) › ***assume***
- **All segments:** Analysis of complaints and improvement of the product quality › ***reduce*** › ***assume***

(69) ENVIRONMENTAL AND OTHER RISKS →

Risks
1. Environmental risks: Higher insurance premiums due to more frequent storms/fires/drought periods caused by progressive climate change; punishment for infringement of environmental laws.
2. Conflicts with stakeholders: E.g. because of inconvenience caused by noise and light emissions for residents living in the direct vicinity of our production sites.

Probability
1. High: Climate experts forecast an increase in extreme weather incidents. **Low:** Fines or compensation payments are less probable since we ensure compliance with standards by means of our environmental management system.
2. Low: There are many stakeholders with many different needs. By facilitating direct dialog with our stakeholders, we reduce the probability.

Effect (strength, time horizon)
1. Low, medium-term: Potential damage due to more frequent storms/fires or costs in the wake of drought periods and floods will not affect us more strongly than other companies. **Medium, medium-term:** Fines or compensation payments might impact on the financial position of our company.
2. Medium, long-term: Should any serious conflicts with stakeholders arise, this might impact on our company (via damage to our image and follow-up costs) over the very long term.

Counter-measures
• **All segments:** Current risks are largely covered by insurance policies › ***transfer***
• **All segments:** Further development of the company's environmental management system › ***reduce***
• **All segments:** Stakeholder dialog, for instance through discussions with residents at neighborhood meetings and the joint preparation of measures, e.g. to reduce noise and light emissions › ***reduce***

OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE GROUP'S RISK POSITION

The overall risk position resulting from the consolidated individual risks has increased significantly year-on-year, in particular due to tougher competition, the foreseeable worsening of regulatory conditions on the solar market and the rapid pace of declines in prices and costs. The individual risks could mutually affect one another and thus worsen the risk position of the Group. Although the trend toward consolidation also creates opportunities for SolarWorld on the solar market, they were not considered in the risk assessment.

Seen today, the Management Board assesses the risks described as high. At the time of reporting, the continued existence of the Group is not under threat, even if several of the individual risks materialize – this applies both to the individual companies and to the Group. However, the described risks could have a major effect on the earnings, finance and asset position of the SolarWorld Group.

In connection with the individual risks mentioned above, in the opinion of the Management Board no negative deviations from the developments outlined in the Forecast Report will occur.

OPPORTUNITIES

OPPORTUNITIES FROM THE DEVELOPMENT OF GENERAL CONDITIONS. Energy consumption is rising rapidly every year. Between 2010 and 2035, it is expected to increase globally by one-third. This represents an opportunity for the solar industry in many respects. The call for alternative energies from existing markets is becoming ever more insistent. In addition, demand for energy in the growth-intensive regions of the globe is constantly rising. Here as well, demand for environmentally friendly and sustainable energy production is already high. With its experience in off-grid solar power technology, SolarWorld can make points particularly in these markets. According to the investment company Jefferies, the solar market volume for off-grid applications is projected to grow to 3.1 GW (2011: 0.7 GW) by 2015.

With our continuous product and process innovations, we are boosting the profitability of solar power, putting grid parity within reach. In this way, solar power will become an economically attractive and clean alternative to conventional power generation even in regions without incentive mechanisms.

STRATEGIC OPPORTUNITIES. In addition to off-grid solutions, better storage possibilities for solar power play a key role in global decentralized power supply. SolarWorld has been working for some time on system solutions with an integrated battery. *Future research and development activities 2012+/"Other" segment • p. 106//* To advance storage technology to the next level, we are also actively involved in acquiring the raw material lithium that is used in rechargeable lithium-ion batteries. In March 2011, we took the first step towards securing this raw material by acquiring its exploration rights in the Ore Mountains on the German-Czech border together with TU Bergakademie Freiberg (TUBAF). The deposits in the Ore Mountains are among the ten largest lithium repositories in the world. Our next milestone is to be able to evaluate the costs for exploration and pre-processing and the project's profitability. With a local lithium supply, we could secure the basic material for our solar value chain close to our production sites in Freiberg.

We can adjust the silicon quantities that our joint venture JSSi GmbH and our subsidiary Sunicon GmbH produce and process to market development. Presumably starting in the middle of 2013, our joint venture Qatar Solar Technologies Q.S.C. will produce up to 8,000 metric tons of polysilicon annually – a cost-efficient raw material source for future growth.

By concentrating on our fully integrated production sites in Freiberg, Germany and Hillsboro, U.S., we can produce cost-efficiently and close to our core solar markets. Our global sales locations also give us a high level of flexibility and proximity to our customers. The solar plant project business continues to be a stable component of our strategy thanks to the acquisition of Solarparc AG.

PERFORMANCE-RELATED OPPORTUNITIES. With the growth of the solar industry over the years, the number of suppliers of upstream products in the value chain has also increased drastically. SolarWorld can optimize its procurement costs and further lower its cost of materials ratio by selecting the right suppliers and bundling order quantities. This would have a positive impact on the Group's operating result. → *Future procurement* • *p. 107//*

We are working on new technologies to boost the efficiency and reduce the costs of solar cells. These technologies are projected to be transferred to production in the next two fiscal years. For more information on our Research and Development activities, see ㊷ *Innovation targets and priorities 2011+* • *p. 064//*

SolarWorld stands for sustainability, be it with its manufacturing processes or with its products. Consequently, we have been committed to developing and standardizing appropriate processes and procedures for recycling old modules for several years. The formation of the joint venture SolarCycle GmbH is evidence of our continued commitment to future recycling solutions. The planned metal extraction plant in Bitterfeld-Wolfen will ensure that valuable raw materials and metal products can be extracted from recycled modules in the future. In just a few years, the second generation of module recycling will most likely be able to begin there – fully-automated and with much more cost-effective processes than in the pilot project.

THE FUTURE MARKET 2012+

ECONOMY EXPECTED TO STABILIZE. According to the Institute for the World Economy (IfW), the global economy is projected to only pick up slowly in 2012. Despite the low interest rate level and other measures to stabilize the financial markets, the IfW forecasts an increase in the gross domestic product (GDP) of only 3.4 (2011: 3.8) percent. The Institute anticipates strong growth in the global economy of roughly 4.0 percent in 2013.

In Germany, investments are likely to substantially increase again and private consumption could maintain its high level. However, economic experts expect imports to increase more than exports, creating a trade deficit. Compared to 2011, the German economy will expand more slowly in 2012 and is projected to only grow by 0.5 (2011: 2.9) percent. For the U.S., on the other hand, analysts expect a stronger economic recovery and growth of 1.9 (2011: 1.7) percent. The recovery is then expected to continue in 2013 – the economy in Germany will grow by 1.7 percent and in the U.S. by as much as 2.2 percent.

Economic development in the euro zone, in contrast, is highly uncertain: As a result of the ongoing sovereign debt crisis, there are still many uncertainties. In the worst case, which assumes a further deterioration in the sovereign debt crisis, the EUROFRAME Group forecasts a recession. The GDP could fall by 2.0 percent in 2012 and again by 1.0 percent in 2013. In the reference scenario, experts assume that politicians should be able to prevent the financial crisis from escalating. In this case, EUROFRAME projects only a stagnating GDP in 2012 and even thinks that growth of approximately 1.4 percent would be possible again in 2013.

FURTHER INCREASE IN ENERGY COSTS. The Energy Information Administration (EIA) expects the supply of oil to increase further in 2012. The demand for oil, however, is also likely to increase by 1.3 million barrels per day in 2012 and by 1.5 million in 2013. One barrel of WTI oil could then cost on average US$ 100 (2011: US$ 95) and become even more expensive in 2013 rising to an average of 106 US$/barrel. Experts also assume that electricity prices will rise: In Germany, private households could thus expect an average increase of 4.0 percent in 2012. Energy suppliers justify their pricing policy with higher wholesale prices and increasing fees for grid use. The EIA projects an increase in electricity prices of 1.0 percent for private households in the United States.

EXPECTED DEVELOPMENT ON THE SOLAR POWER MARKET. According to current forecasts, the global solar market is expected to grow slightly in 2012. At the start of the new year in 2012, further reductions in incentive rates in the leading solar markets of Europe and in the U.S. went into effect. These reductions could weaken demand. The challenging financing situation in the euro zone as a result of the debt crisis could also turn into a stumbling block for growth of the solar market. Deutsche Bank and

the investment company Jefferies both only project a slight increase in the global solar market by 2.0 percent to 23 GW in 2012 (2011: 22 GW). Sarasin Bank, in contrast, assumes strong growth and forecasts a global increase in new capacity of 25 GW for 2012. It projects growth as high as 30 GW for 2013.

The price, trade and competitive pressure is likely to increase even further in 2012. In the wafer, cell and module steps of the solar value chain, experts await the current trend toward consolidation to continue due to the high excess capacities.

EUROPEAN SOLAR MARKETS 2012+. The unexpectedly high increase in capacity in 2011 in Germany (7.5 GW) reignited a discussion on amending the Renewable Energy Sources Act (EEG). The background: As announced in the third quarter of 2011, the feed-in tariffs were reduced by 15 percent already as of January 1, 2012. In addition, these tariffs are scheduled to fall by a further 15 percent on July 1, 2012 because the EEG stipulates that the tariffs must be lowered further according to market growth. The German government's target range is currently between 2.5 and 3.5 GW. The reductions defined in the EEG ruling – some of which are abrupt – bring about, however, strong purchasing incentives: Customers want to connect their solar power systems to the grid as quickly as possible before the next change in tariff goes into effect. For instance, in December 2011 systems were installed with a total capacity of around 3 GW in Germany according to Federal Network Agency – this was 40 percent of installations for the whole of 2011. Analysts therefore already expect the first half of 2012 to be strong for the German solar market because customers will try to connect their systems to the grid before July 1, 2012. In contrast, current proposals from politicians to amend the EEG envision a gradual reduction of the feed-in tariff that would take place monthly instead of twice a year. The industry and the political sphere hope to compensate for the high peaks in demand with these proposals. However, at the end of the reporting period a definitive decision on the amendment had not yet been reached. For this reason, it is difficult to accurately forecast the solar market development in Germany for the whole of 2012. Analysts expect the newly installed output in Germany to fall to below 4 GW. *Adjustment of feed-in tariffs in the German EEG announced • p. 077 //*

The Italian solar market will also be influenced by further reductions in 2012. For 2012, the government has announced a new law that will prohibit solar power systems from being built on agricultural land. Systems that have already been approved can still be installed within a period of 12 months. The Italian utility network authority, GSE, announced that in 2011 the subsidies earmarked for systems with an output of more than 1 MW for 2012 had already been fully used up. For this reason, systems that were registered in the first half of 2012 will only receive a feed-in tariff in the amount envisaged starting in 2013. In the second half of 2012, the GSE will not register any more systems of this size. Smaller roof-mounted systems are not affected by this cutback. In total, there was € 7 billion available in funding for solar power systems in Italy of which around € 5.5 billion was claimed in 2011. Once the € 7 billion has been completely allocated, further reductions of the feed-in tariffs are planned. This will

require another new law to subsidize solar power. This point could already be reached in 2012. Overall, Deutsche Bank expects new installations of 3 (2011: 5) GW in Italy in 2012; Sarasin Bank forecasts additional output of up to 3.5 GW for 2012 and 3.7 GW for 2013.

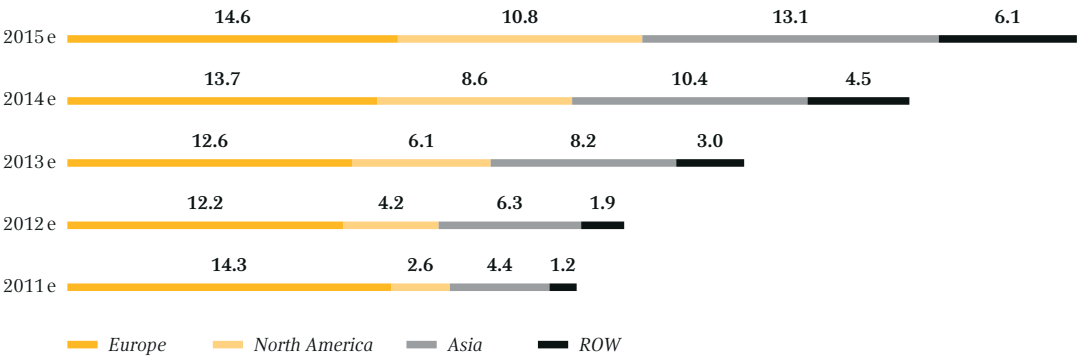
Many market experts predict a drop in other European markets for 2012. Deutsche Bank only predicts an increase in capacity of around 1.9 (2011: 3.4) GW in Europe (without Germany and Italy) for 2012. Sarasin Bank is more optimistic and expects merely stagnation of the European market instead of a downswing. ⑦⓪ *Expected development of the solar market by region • p. 103 //*

GROWTH IN THE U.S. TO CONTINUE. In the U.S., analysts of Deutsche Bank and Sarasin Bank expect a further increase in the solar market for 2012 by just around 60 percent to up to 3.6 (2011: 2.2) GW of newly installed capacity. Now that the Cash Grant Program has come to an end at the beginning of 2012, demand from the commercial sector could, however, weaken slightly. Under this program, American companies are reimbursed 30 percent of their installation costs for a solar power system in cash. Starting in 2012, however, this 30 percent can only be deducted from taxes, which is less attractive for many companies.

EMERGING MARKETS ARE PICKING UP SPEED. Over the next two years, the solar markets in the emerging economies are expected to undergo strong growth. According to Deutsche Bank, the market in India could double to 1.6 (2011: 0.8) GW in 2012. Predictions for growth prospects on the Chinese market, which admittedly is largely shielded against imports, could increase to 3.5 (2011: 1.8) GW in 2012. Japan will remain the second most important sales region of Asia after China with a market volume of 2.2 (2011: 1.4) GW.

(70) EXPECTED DEVELOPMENT OF THE SOLAR MARKET BY REGION

Source: Sarasin Bank, 2011



FUTURE STRATEGIC ALIGNMENT OF THE GROUP

CONTINUITY OF THE BUSINESS POLICY OVER THE NEXT TWO FISCAL YEARS. With its orientation as a fully integrated solar power technology company, the SolarWorld Group will continue to pursue its strategy of strong brand positioning and global sales presence. → *Strategy and action* • *p. 021//*

In the coming fiscal years, we will reinforce our position on the solar market and concentrate on optimizing our production processes. We want our growth to continue organically. Our site policy will continue to be clearly focused on high-quality production and customer proximity. It is our aim to increase the price-performance ratio of our products for customers and keep them loyal to SolarWorld with a wide range of services and products.

We are continuously sounding out new markets to tap into other market segments. Our aim is for projects of all sizes to contribute to our sales in the future, large-scale projects as well. To this end, we are systematically leveraging the expertise of our subsidiaries Solarparc AG, Germany and SolarWorld Americas LLC, U.S.

As long as the right opportunities arise, we will assess new strategic business fields to advance our vision of a clean, safe, inexhaustible and fair energy supply of the future.

FUTURE GROUP LEGAL STRUCTURE. On February 6, 2012 we acquired a majority stake of more than 95 percent in our subsidiary SOLARPARC AG. This move allows us to fully integrate SOLARPARC AG into our Group. Pursuant to §§ 327a et seq. of the German Stock Corporation Act (AktG), the Management Board of SOLARWORLD AG will propose taking over the remaining shares of the minority shareholders of SOLARPARC AG at the next SOLARPARC Annual General Meeting.

No other changes to the Group legal structure of SOLARWORLD AG are currently planned. (79) *SolarWorld Group structure as of December 31, 2011* • *p. 143//*

EXPECTED BUSINESS TREND 2012+

FUTURE DEVELOPMENT OF "PRODUCTION GERMANY" AND "PRODUCTION U.S." SEGMENTS

FLEXIBLE PRODUCTION PROCESS. In 2011, SOLARWORLD secured a good starting position from which to fend off tough competition over the coming years. ⊖ *"Production Germany" and "Production U.S." segments* • *p. 044//*

Following a phase of capacity expansion, our primary aim in 2012 is the further optimization of our production sites in Germany and the United States to keep production competitive. Essentially, our employees will do everything in their power to ensure our plants' potential is fully exploited. We will make significant cost savings, while bringing more innovations into the processes and increasing our flexibility.

Flexibility means, in part, that we exploit all opportunities to process and manufacture different products. Yet it also means adjusting our volumes to volatile market trends. Thus, in 2012, we are expecting groupwide capacity utilization in wafer production of around 70 percent. We are anticipating a further fall in external demand for wafers, with the result that the wafers we produce will mostly be used in our own value chain. Based on current plans, we will increase utilization of our existing cell production capacities to 90 percent in 2012. In module production, we expect 90 percent utilization of our capacities.

In the future, we will be able rapidly to adjust our production capacities and the corresponding capacity utilization level according to market developments. Construction concepts for production sites have already been developed and are ready for implementation in line with market trends.

(71) GROUPWIDE, NOMINAL YEAR-END CAPACITIES 2012 // IN MW

	Wafers	Cells	Modules
Germany (Freiberg)	750	300	500
U.S. (Hillsboro)	250	500	350
Group	1,000	800	850

RAW MATERIALS ACTIVITIES AND RECYCLING. Even if the supply of silicon on the market is likely to increase further in 2012, we will continue our raw materials activities and our involvement in recycling in a modified form.

FUTURE SALES MARKETS 2012+ / "TRADE" SEGMENT

In 2011, we successfully completed the construction of our new module production facility. As a result, our module capacities for 2012+ are fully available.

2011 was marked by significant events in the solar industry. In all probability, 2012 will also be a similarly eventful year. The political conditions and discussions about cutting tariffs in Germany and other European countries continue to be considerable factors influencing the future development of the solar industry. Added to this is the persistent intensification of competitive pressure worldwide. SolarWorld will meet these challenges head-on – principally, with a high-quality product and also with a strong global logistics and distribution network that allows us to react flexibly to short-term regional shifts in demand.

One of our recognized strengths is in developing custom solar power solutions for the roofs of commercial buildings and private homes. Hence, in the future, our strength will lie in further developing this expertise. One step which has proved successful so far has been our commercial decision to implement a three-level distribution system. This has enabled us to reach different groups of customers equally effectively, from wholesalers to end customers. We intend to continue building on this approach in 2012 by developing our relationships with wholesalers, specialist firms and electrical stores, and with our local specialist partners, who in turn can establish a close relationship with end customers. With the aim of further increasing our sales, we will further invest in this network by introducing new marketing and sales measures over the course of the year. With targeted resources, our goal is to create greater loyalty to the SolarWorld corporate brand among our direct partners and wholesalers, and our end customers.

We also plan a further expansion of our business activities in projects of all sizes. We have added to our expertise in project planning and in the construction, operation and sale of solar power stations via SolarWorld Americas LLC in the U.S. and the acquisition of Solarparc AG in Germany. In addition, in the period under review, we have also gained additional staff for large-scale projects in SolarWorld AG's Sales division.

Through these various measures in respect of our sales approach and distribution network, we are working on further increasing SolarWorld's German sales volumes even though as a whole the market volume in Germany is expected to shrink. Our existing customer relationships and high brand awareness also stand us in good stead.

Moreover, we expect to be able to increase our shipments in other European core markets. We expect the Italian market to make a particular contribution to this development, but also markets like Greece, Belgium and the United Kingdom should play an important role. → *European solar markets 2012+ • p. 101//*

We expect to increase our sales volume, particularly in the growing American market where we are attempting to develop markets in new U.S. states, expand our distribution network and step up our marketing activities.

We also consider it very likely that our sales in the Africa and India markets will grow. With our increased capacities in the off-grid segment, we are ideally placed to respond to rising demand here. With our rural modules we can consider ourselves particularly well prepared for growing demand in the African market.

FUTURE RESEARCH AND DEVELOPMENT ACTIVITIES 2012+ / "OTHER" SEGMENT

Cost efficiency, quality and sustainability along the entire solar value chain will continue to form the focus of our innovation activities. In systems technology, we are prioritizing plant monitoring and control systems. We will continue to develop the Suntrol® product family. The new Suntrol® live product allows our customers to monitor and control their system in real time, even if they do not have access to the Suntrol® Internet portal. We will also expand the mobile applications of Suntrol®. Another central theme for us continues to be the storage of solar power. In future, our SunPac® product will also be suitable for larger systems, three-phase applications and other grid types. We are working on a solution with a built-in lithium-ion battery.

FUTURE PRODUCT AND BRAND STRATEGY

Our brand strategy will continue to concentrate increasingly on the core markets of Germany and the United States. We will devote our attention mainly to communicating the SolarWorld brand's value proposition to potential customers and enabling them to experience the utility value of our products. We can achieve this by striving for customer proximity – specifically, this means identifying the customer's needs at an early stage and implementing solutions in our solar applications. We are on the right course: Through our custom solar power solutions, we have already created significant differentiation features that increasingly set SolarWorld apart from other providers in the solar market.

We continue actively to shape our brand concept according to market conditions and future developments in the solar sector. Currently, we are already anticipating the changing economic and political conditions which influence the industry, and which will change again when grid parity is achieved. Our brand and product strategy is oriented to customers' individual wishes, which exist in a market independently of subsidy mechanisms.

FUTURE PROCUREMENT

On the procurement side, SolarWorld has put effective safeguards in place. We assume that we will achieve further cost reductions in most components and consumables. We plan to achieve this by combining our order volumes and at the same time permanently comparing supplier conditions including from "best cost countries."

For procurement, the overriding goal is continuous improvement throughout the entire cost structure. To achieve this, together with our suppliers, we will continue working on the supply chains to optimize delivery conditions. We permanently and intensively monitor the development of raw material prices, and we use hedging transactions to optimize our purchase terms. Furthermore, in close collaboration with our research subsidiary SolarWorld Innovations GmbH, we are always on the lookout for better-performing alternatives to the materials we are currently using.

In parallel, we also intend to continue developing the global organization of the Procurement division at SolarWorld. Here we will set up a global material group management system. Overall, we are putting a strong emphasis on the performance of our suppliers. As before, we want to integrate them into our globalization activities on a collaborative, long-term basis.

EMPLOYEES 2012+

Looking toward 2012+, we are aligning our HR strategy so that groupwide structures and processes can be harmonized and managed globally, enabling us to react optimally to the growing demands of the international market. → *Employees • p. 051 //* The merger of the People and Brand divisions and their implementation at Management Board level in 2011 were decisive steps in this direction. As a result, we are deepening the integration of our corporate culture at all sites, creating a solid basis for us to continue to grow together. Deriving from this, practical areas for action arise for our human resources work. Particularly with regard to our global management strategy, this is advantageous: Young employees with management and specialist potential can be systematically identified using existing guidelines and integrated into the global processes. We seek to further strengthen and develop our talent management strategy across all sites. Talented junior staff who identify with our values and act accordingly will receive support at an early stage and over the long term so that they are optimally prepared for future management positions.

Over past years, we have continuously made efforts to strengthen our employer brand, as a result of which, according to recent studies, we are highly attractive to students and young employees. We intend to maintain our successful positioning as an employer in 2012+. A further focus of our future HR activities will therefore be the continued enhancement of the value of our employer brand.

EXPECTED EARNINGS AND FINANCIAL POSITION

EXPECTED REVENUE AND EARNINGS DEVELOPMENT

Due to the current framework conditions on the solar market, we cannot estimate shipments for fiscal year 2012. We expect that we will be able to increase the amount of modules sold as compared to the prior year whereas wafer shipment volumes will decrease. Subject to this condition and the assumption of declining sales prices, we expect total revenue to range below the level achieved in 2011. Our objective is to generate positive operating earnings before interest and tax (EBIT) in 2012. For 2013 we strive to increase revenue and earnings.

In this context, we would like to expressly point out that it must be assumed that the framework conditions used for the forecast could change in the course of the fiscal year 2012.

EXPECTED DIVIDEND AND DISTRIBUTION

In the course of the Annual General Meeting on May 24, 2012, the Board of Directors and Supervisory Board will suggest to distribute a dividend of 9 (for the annual period 2010: 19) eurocent per share for the annual period 2011.

SCHEDULED FINANCING MEASURES

After conducting financing measures in the year under review, we do not currently plan any further borrowing of capital.

PLANNED INVESTMENTS

Our investments for 2012 are expected to amount to a total of up to € 75 million. Our investment activities will focus on including further technological improvements in the existing production processes. At this time, we do not plan any investments in the expansion of capacities.

EXPECTED LIQUIDITY DEVELOPMENT

At December 31, 2011, liquid funds amounted to € 553.3 (Dec. 31, 2010: 613.5) million. The expected liquidity development in the annual period 2012 will be especially influenced by earnings developments, which greatly depend on possible changes of the regulatory framework conditions for photovoltaic.

OVERALL STATEMENT BY THE MANAGEMENT BOARD ON FUTURE GROUP DEVELOPMENT

SolarWorld will expand its position as a quality leader with a strong brand internationally over the next two fiscal years. Our largest sales market will be the U.S. followed by Europe. At the same time, we will develop growth markets in Asia and Africa. Capacity utilization in the module segment should be ensured through the development of existing and new international markets. We will continue to reduce our costs by promptly transferring Research and Development outcomes into production processes.

We will focus our business strategy more on applications that make solar power systems remains attractive independently of feed-in tariffs stipulated by law. We will also expand our business with turnkey solar farms and off-grid applications. Building on our high level of brand awareness, we will boost our sales activities and expand our international network of installers.

CHAPTER #4

CORPORATE GOVERNANCE

SUNTROL

▸ BECAUSE WE ARE DRIVEN BY OUR *PIONEERING SPIRIT* AND *COURAGE TO INNOVATE*

4 / CORPORATE GOVERNANCE

Dr. Claus Recktenwald
Chairman of the Supervisory Board

Report by the Supervisory Board of SolarWorld AG on fiscal year 2011

Dear Shareholders of SolarWorld AG, dear Employees and dear Friends of the SolarWorld Group,

The fiscal year 2011 was exiting and challenging. The company used savings potentials and competitive edges in production and product know-how at all levels in order to be among the top players in the industry in an increasingly difficult environment. In the present report, the Supervisory Board of SolarWorld AG is providing information about its activities in the 2011 fiscal year. In doing so, it has again subjected itself to an enhanced reporting duty, which in turn means that it has disclosed the complete minutes of all Supervisory Board meetings in the year 2011, including attachments, to the auditors of the company. This was effected on February 8, 2012, including the documents on the annual kick-off meeting on the day before. They had no questions nor did they raise any objections.

The Supervisory Board, which has existed since the inception of the company on December 18, 1998, in its present composition and was reappointed by the Annual General Meeting on May 21, 2008, for another period of office of five years, performed the tasks that it is obligated so to do according to the law, the articles of association and the rules of procedure. It was granted discharge every year, the last time at the Annual General Meeting on May 24, 2011. The Supervisory Board was and is in a continuous dialogue with the Management Board of the company, which it both advised and supervised in the management of the company pursuant to § 111 AktG (German Stock Corporation Act). At the same time, the Supervisory Board dealt with the examination of its own efficiency. On the whole, no objections resulted from its activities and especially from the supervision of the Management Board. For this reason, the Supervisory Board will recommend to the Annual General Meeting that the Management Board be discharged for fiscal year 2011. On a regular basis, at least one member of the Management Board participated in the Supervisory Board meetings, which took place without Management Board attendance in individual cases. The Management Board kept the Supervisory Board informed about all Management Board meetings by way of a written agenda and subsequent minutes of the meeting. The same applies to the Group Committee Meetings that are organized to stimulate a comprehensive exchange of views among the executive staff of the SolarWorld Group. Following the balance sheet meeting on March 14, 2011, there was an international Get Together in Bonn.

The Supervisory Board was directly and on a timely basis involved in all decisions that were of fundamental importance to the company. The Management Board informs the Supervisory Board regularly both orally and in writing, promptly and comprehensively about all relevant issues of corporate planning and strategic development, about the earnings, asset and finance situations as well as about current business policy and the risk management that is in place. In the process, the reporting duties pursuant to § 90 AktG were as much adhered to as the recommendations of the German Corporate Governance Code (GCGC).

In the year 2011, the work of the Supervisory Board of SolarWorld AG dealt with a number of priority issues. These included annual discussions with each member of the Management Board, an annual conference, the audit and final conferences as well as the balance sheet meeting with the auditors covering all consolidated companies, supervision of the accounting process, the effectiveness of the internal control system, of the internal risk management system and of the internal audit system as well as the audit itself, the independence of the auditors and the additional services rendered by the auditors. All quarterly results and reports were discussed with the Chief Financial Officer prior to their publication. The international personnel and marketing strategy was discussed with the Chief Human Resources and Brand Officer, and the route of the product to the customer and its optimum support with the Chief Sales Officer, in each case in the context of an additional individual meeting. Further topics were the strategic inclusion of Solarparc AG in the group business of SolarWorld AG, including the consummation of the take-over and share swap offer of SolarWorld AG to the shareholders of Solarparc AG. The Supervisory Board was also involved in financing issues and in the implementation of the principle of order that the independent executive power of the Management Board is retained centrally by SolarWorld AG and that the subsidiary and sister companies are managed accordingly as GmbHs. The preparation, organization and follow-up of the Annual General Meeting on May 24, 2011 was also one main topic, as well as the further GCGC implementation and the approval of the consulting and representation services rendered to the group by the law firm of Schmitz Knoth Rechtsanwälte, which is close to the Chairman of the Supervisory Board as contemplated by IAS 24. Again, the Supervisory Board experienced no objections in the context of its inclusion in an audit procedure carried out by the Deutsche Prüfstelle für Rechnungslegung. In addition, it was integrated into the combination of international production sites, a bond issue and the implementation of the internal Code of Conduct of the group. Finally, the Supervisory Board dealt with Management Board matters. In all its activities, the Supervisory Board of SolarWorld AG has been guided by the recommendations ozf the GCGC, which both the Supervisory Board and the Management Board complied with in the year 2011 as well.

In the same way as the Supervisory Board in its meeting on August 9, 2010, approved the previous GCGC version of May 26, 2010, as published on July 2, 2010, the Supervisory Board meeting of December 13, 2011, decided to give an unrestricted declaration of compliance for the year just ended and for the current fiscal year and to make it permanently available pursuant to § 161 AktG on the website of the company. This was effected jointly with the Management Board and with the following wording:

"In their respective meetings on December 13, 2012, the members of the Management Board and the Supervisory Board of SolarWorld AG passed a resolution that the recommendations of the "Government Commission of the German Corporate Governance Code" in its current version have been complied with since the last declaration of compliance and shall continue to be complied with."

At the same time, the section "Corporate Governance Report" in the Group Report 2011 contains further details, unless the present report by the Supervisory Board already includes the information as required by section 3.10 GCGC.

Pursuant to section 5.1.2 GCGC the Supervisory Board, which appoints and dismisses the members of the Management Board, has to make sure that there is diversity in the composition of the Management Board with particular emphasis on an adequate representation of women. The Supervisory Board does this by monitoring, pursuant to section 4.1.5 GCGC, that the Management Board, when filling management positions, already strives for an adequate share of women in order to be able to recruit potential female candidates for the Management Board from this pool. Therefore, it was possible to appoint Mrs. Colette Rückert-Hennen as Chief Human Resources and Brand Officer. As far as the composition of the Supervisory Board itself is concerned, it is one of our targets to ensure adequate female representation here as well. This goal and the level of implementation are to be published in the Corporate Governance Report according to section 5.4.1 GCGC. Already at this point, it is made clear on behalf of the Supervisory Board that the implementation has been initiated and is to be completed in such a way that an exchange or an addition of one Supervisory Board member by at least one female board member will be proposed to the Annual General Meeting upon the election to the Supervisory Board.

The last paragraph of section 5.1.4 GCGC provides for members of the Supervisory Board to attend upskilling and professional development measures under their own responsibility that are necessary for them to perform their tasks. This, too, has been done and also resulted from the legal professional regulations. In addition, events were attended like the IFRS Update for Supervisory Board members by KPMG in Düsseldorf on January 24, 2011, a Compliance Seminar by FGS in Bonn on February 28, 2011, the expert conference for Supervisory Board members by BDO/Handelsblatt/Supervisory Board in Düsseldorf on April 12, 2011, the first Düsseldorf Supervisory Board Symposium on May 31, 2011, the Round Table for Supervisory Board members run by PwC in Düsseldorf on June 9, 2011, or the GCGC conference in Berlin on June 29/30, 2011.

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. Conflicts of interest as defined in 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 5.5.4 GCGC these were invariably obtained.

The tasks related to accounting and auditing are performed by the Supervisory Board as a group. To the extent that the law demands in this context that at least one independent member of the Supervisory Board has expertise in the area of accounting or auditing, each member of the Supervisory Board possesses this expertise individually. The amendment of § 100 Sec. 5 AktG does not demand that one member of the Supervisory Board must be professionally involved in these areas, but only that there should be any involvement and expertise at all, which applies in equal measure to all members of the Supervisory Board of SolarWorld AG. As fully qualified lawyers trained in tax law and with training in banking in the case of the chairman, long years of work in industry in the case of the deputy chairman and an additional international qualification in the case of the third member of the Supervisory Board and who all work primarily in business law there is no need for any further explanations on any of the Supervisory Board members. If we leave out the Chairman of the Supervisory Board because of the legal activities of his law firm for and on behalf of the Group, the explicit nomination as independent Financial Experts of Dr. Georg Gansen and Dr. Alexander von Bossel, LL.M. is still possible. However, by law this is not required before the next election to the Supervisory Board.

The audit company BDO AG Wirtschaftsprüfungsgesellschaft, which was appointed by the Supervisory Board on the instructions of the Annual General Meeting on May 24, 2011, to audit the financial statements and the consolidated financial statements of SolarWorld AG again for fiscal year 2011 first renewed its declaration of independence as defined in section 7.2.1 GCGC. Thus, it is confirmed 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. It was also verified that the overall period of seven years of the authorization to issue an auditor's certificate had not been exceeded for any of the auditors involved in the audit – and that applies groupwide.

The report to be given by the Supervisory Board on the results of its own examination should according to § 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 tended to be largely superfluous again in fiscal year 2011. To the extent that § 175 Sec. 2 AktG requires an explanatory report on the information pursuant to § 289 Sec. 4, § 315 Sec. 4 HGB (German Commercial Code), 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 AG Wirtschaftsprüfungsgesellschaft, Bonn, which extended the audit to the accounting as well. The annual financial statements for fiscal year ending December 31, 2011, drawn up by the Management Board according to the HGB accounting rules and the management

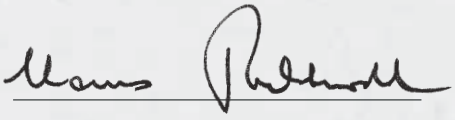
report of SolarWorld AG were awarded the unqualified auditor's certificate on March 9, 2012. At the same time the auditor awarded an unqualified auditor's certificate to the group management report and to the consolidated financial statements of SolarWorld AG, which pursuant to § 315a HGB were again drawn up on the basis of the international accounting rules 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 December 13, 2011, and had met with the auditors for a final conference on February 23, 2012, which in each case took place in the presence of the Chief Financial Officer of SolarWorld AG. In the balance sheet meeting on March 13, 2012, further details following from the auditor's certificates of March 9, 2012, were finally discussed. Here again no doubts concerning the correctness of the results produced by the auditors were raised, which is why any 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 for the appropriation of the balance sheet profit.

The Management Board, the executives and all the employees of the SolarWorld Group again produced outstanding work in fiscal year 2011 and did so worldwide. The Supervisory Board offers its heartfelt thanks together with respect and appreciation for this outstanding achievement.

This report was unanimously approved by the Supervisory Board immediately following the balance sheet meeting on March 13, 2012, and individually signed by all members.

Bonn, March 13, 2012



For the Supervisory Board
Dr. Claus Recktenwald
Chairman

THE SUPERVISORY BOARD

DR. GEORG GANSEN

DEPUTY CHAIRMAN

Attorney-at-law/Corporate Legal Counsel at Deutsche Post AG located in Bonn, Germany

Initial appointment: 18.12.1998
End of current appointment period: May 2013

Dr. Gansen additionally holds the following appointments on legally required Supervisory Boards and similar supervisory bodies:

- Supervisory Board of SOLARPARC AG, Bonn (Deputy Chairman since incorporation)
- Supervisory Board of DEUTSCHE SOLAR AG, Freiberg (Deputy Chairman until 13.01.2011)
- Supervisory Board of SUNICON AG, Freiberg (Deputy Chairman until 13.01.2011)

DR. CLAUS RECKTENWALD

CHAIRMAN

Attorney-at-law and partner in the law firm of Schmitz Knoth Rechtsanwälte in Bonn, Germany

Initial appointment: 18.12.1998
End of current appointment period: May 2013

Dr. Recktenwald additionally holds the following appointments on legally required Supervisory Boards and similar supervisory bodies:

- Supervisory Board of SOLARPARC AG, Bonn (Chairman since incorporation)
- Supervisory Board of DEUTSCHE SOLAR AG, Freiberg (Deputy Chairman until 13.01.2011)
- Supervisory Board of SUNICON AG, Freiberg (Deputy Chairman until 13.01.2011)
- Supervisory Board of VEMAG Verlags- und Medien AG, Cologne (Member since 07.04.2006)
- Advisory Board of Grünenthal GmbH and Grünenthal GmbH & Co. KG, Aachen (Member since 01.01.2010)

DR. ALEXANDER VON BOSSEL

MEMBER

Attorney-at-law and partner in the law firm of Sozietät CMS Hasche Sigle in Cologne, Germany

Initial appointment: 18.12.1998
End of current appointment period: May 2013

Dr. von Bossel additionally holds the following appointments on legally required Supervisory Boards and similar supervisory bodies:

- Supervisory Board of SOLARPARC AG, Bonn (Member since incorporation)

CORPORATE GOVERNANCE DECLARATION

The management and control of SolarWorld AG are aligned to the German Corporate Governance Code. The following report provides the relevant transparency for the stakeholders of the enterprise. Both the present composition of the management bodies and supervision thereof as well as the relevant responsibilities and remuneration are disclosed here in detail. In addition, it presents the objectives achieved by our management in 2011 and those set for the future.

CORPORATE GOVERNANCE AT SOLARWORLD

We are endeavoring to gear the management and control of SolarWorld towards long-term, sustainable value creation, especially against the background of a young and dynamic global market. We are continuously working on further developing Corporate Governance within the company as well as on adequately integrating all stakeholders. *Details on sustainability performance • p. S046//* *www.solarworld.de/stakeholder//* In the process, we are guided by the German Corporate Governance Code (GCGC), which contains the major reccomendations on the management and monitoring of German listed companies and contains both nationally and internationally recognized standards for good and responsible corporate management. Therefore, pursuant to 4.1.1 GCGC, our management philosophy takes into consideration the interests of our investors, business partners, employees and the public in order to continuously confirm the trust placed in us by our stakeholder groups.

The Management Board and the Supervisory Board of SolarWorld AG cooperate closely and trustfully to successfully guarantee corporate management and control. *Report by the Supervisory Board 2011 • p. 113//*

CORPORATE GOVERNANCE REPORT 2011

AGAIN, AN UNRESTRICTED DECLARATION OF COMPLIANCE BY MANAGEMENT BOARD AND SUPERVISORY BOARD. The Management Board and the Supervisory Board of SolarWorld AG issued a Declaration of Compliance in the year under review. This is absolutely in line with the recommendations of the GCGC of May 26, 2010 as published on July 2, 2010. Pursuant to § 161 German Stock Corporation Act (Aktiengesetz, AktG), this declaration has been made permanently available on our Internet page. @ *www.solarworld.de/investorrelations/declarationofcompliance//*

MANAGEMENT AND CONTROL UNCHANGED IN 2011. SolarWorld AG as a German stock corporation has a dual management and control structure with segregation between management and the supervisory function. Pursuant to the law (§§ 77, 78 AktG), the Articles of Association (§§ 5, 6) and the Rules of Procedure, the Management Board manages the company under its own responsibility and develops the strategic direction. The Management Board is appointed by the Supervisory Board. The latter, pursuant to § 95 Sec. 1, 96 Sec. 1, 101 Sec. 1 AktG, is made up of shareholder representatives and will be appointed by the Annual General Meeting (AGM), which in turn, is not bound by election proposals. The Supervisory Board works on the legal basis of the German Stock Corporation Act, the Articles of Association, and the Rules of Procedure. It appoints, monitors, and controls the Management Board regarding fundamental decisions. ⊕ *Note 71: Board of directors and supervisory board • p. 205//*

The new version of section 4.1.5 GCGC states that the Management Board, when staffing management functions in the company, has to observe the principle of diversity and must particularly strive to give more consideration to women. Concrete plans to increase the proportion of women in management and key positions are pursued jointly by the Management Board and the Supervisory Board. For more details, please refer to the Supervisory Board Report.

In the year under review, the Management Board was extended by one member and it is thus made up of five members. ⊕ *The Management Board • p. 010//* Business distribution was adjusted groupwide in line with global requirements. Responsibilities were distributed as follows:

- **Dr.-Ing. E. h. Frank Asbeck** (Chief Executive Officer)
  Founder of the company, responsible for strategic group development
  as well as PR, including energy and environmental policy
  Initial appointment: 1999
  End of current period of office: January 9, 2014

- **Frank Henn, Dipl.-Wirtschaftsing.** (Chief Sales Officer)
  Responsible for the coordination of national and international sales
  Initial appointment: 2004
  End of current period of office: May 31, 2013

- **Boris Klebensberger, Dipl.-Ing.** (Chief Operating Officer)
  Responsible for the group divisions IT, Supply Chain Management, Group Procurement, Production, Quality and Environmental Management, Investment Management/Technology Transfer as well as Research & Development
  Initial appointment: 2001
  End of current period of office: September 23, 2014

- **Philipp Koecke, Dipl.-Kfm. tech.** (Chief Financial Officer)
  Responsible for the areas of Controlling, Finance, Accounting, Administration as well as Investor Relations
  Initial appointment: 2003
  End of current period of office: April 30, 2012 (prolonged to April 30, 2015)

- **Colette Rückert-Hennen**, **attorney-at-law**, (Chief Human Resources and Brand Officer)
  Responsible for the areas of Human Resources, Group Communication/Brand Management, Marketing and Sustainability
  Initial appointment: 2011
  End of current period of office: June 30, 2014

The composition of the Supervisory Board remained unchanged in the year under review and continues to consist of three members: → *The Supervisory Board • p. 118 //*

- **Dr. Claus Recktenwald**, 53 (Chairman of the Supervisory Board)
- **Dr. Georg Gansen**, 52 (Deputy Chairman of the Supervisory Board)
- **Dr. Alexander von Bossel**, 46 (Member of the Supervisory Board)

Taking into consideration the two appointments of the Chairman of the Supervisory Board that count double, Dr. Recktenwald held nine mandates up to January 13, 2011, and has held seven since then – out of a permissible total of ten mandates. Dr. Gansen held four mandates and, since January 13, 2011, has held two, while Dr. von Bossel also holds two mandates. The Supervisory Board reports on its activities in fiscal 2011 in the → *Report by the Supervisory Board • p. 113 //*. Further details on GCGC implementation are to be found there. The recommendations under section 5.3 GCGC on the formation of committees are not implemented at SolarWorld AG due to the fact that the Supervisory Board continues to consist of only three members and performs all tasks as a group. The Supervisory Board in its entirety deals with Management Board issues, including the remuneration system, and performs the required audit and monitoring functions. In this context, the ruling on the capping of management remuneration pursuant to section 4.2.3 is also observed. The age limits to be stipulated pursuant to section 5.1.2 and 5.4.1 GCGC for the Management Board and Supervisory Board of SolarWorld AG are 68 years.

TRANSPARENCY VIS-À-VIS OUR SHAREHOLDERS AND THE PUBLIC. To meet our legal obligations, we publish all relevant information transparently and promptly via the relevant media channels in line with the principle of equal treatment. On our website @ *www.solarworld.de/investorrelations//* this information is provided in German and English pursuant to section 6.8 GCGC in its most current form.

At the AGM, our shareholders can exercise their rights and cast votes. All relevant information concerning the meeting can be downloaded from our Internet page well ahead of time.

If shareholders are prevented from attending the AGM personally it is possible to have a voting right exercised through a personally selected, duly authorized representative or through an accountable proxy appointed by the company. This proxy will also be accessible to our shareholders during the AGM. Pursuant to section 2.3.1 and 2.3.3 GCGC the company gives the shareholders the opportunity of casting their votes by postal vote.

CAPITAL MARKET LAW AND COMPLIANCE. Observing capital market laws and reporting obligations is an important management function of the Management Board of SolarWorld AG. The Board is advised in this capacity by an external legal clearing office that checks groupwide facts and transactions with respect to their ad hoc relevance. Management Board members, employees, as well as service providers and project participants are specially trained regarding the ban on insider dealing pursuant to § 14 German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), and are entered in a special insider list.

In 2011, SolarWorld AG submitted a voluntary public take-over offer to the shareholders of Solarparc AG for a swap of the shares held by them against one no-par value bearer share of SolarWorld AG. After the end of the acceptance period, the share of SolarWorld AG in the voting rights of Solarparc AG was approx. 93.71 percent. Since February 2012, it has been above 95 percent. In the year under review, seven voting right announcements were issued pursuant to §§ 21, 26 WpHG, when voting right thresholds defined in the law were exceeded or fallen short of. Announcements were issued immediately within the framework of a Europe-wide publication and subsequently communicated to the Register of Companies and the Federal Financial Supervisory Authority (BaFin). The announcements are published and can be inspected on the website of the company. ⑱ *Shareholder structure • p. 032//* Pursuant to section 6.6 GCGC, the Corporate Governance Report must include information about the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members, if these directly or indirectly exceed 1 percent of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1 percent of the shares issued by the company, these shall be reported separately according to Management Board and Supervisory Board. Share ownership of the members of the Management Board of SolarWorld AG amounted to a total of 27.80 percent as at December 31, 2011. Share ownership of the members of the Supervisory Board of SolarWorld AG amounted to 0.0045 percent as at December 31, 2011. Pursuant to § 15a WpHG, members of the Management Board and of the Supervisory Board as well as persons close to them are obliged by law to disclose the acquisition and disposal

of shares of SolarWorld AG or of financial instruments based on them, if the value of the transactions exceeds the sum total of € 5,000 within one calendar year. The following transactions of this nature were reported to SolarWorld AG in the course of the year under review:

- The Chief Executive Officer, Dr.-Ing. E. h. Frank Asbeck, acquired 55,000 no-par value shares on account of a share swap against shares of Solarparc AG in the context of a public take-over offer.

- Eifelstrom GmbH, a company related to the Chief Executive Officer acquired 3,000,001 no-par value shares on account of a share swap against shares of Solarparc AG in the context of a public take-over offer.

On our website @ *www.solarworld.de/investorrelations/annualdocument//* we provide information about all publications in fiscal year 2011 after publication of the Annual Financial Statements on March 22, 2012, through the Annual Document pursuant to the German Securities Prospectus Act (Wertpapierprospektgesetz, WpPG).

REMUNERATION REPORT

With the Remuneration Report, the Supervisory Board and the Management Board of SolarWorld AG also comply with the German Corporate Governance Code (GCGC) in its most recent version of May 26, 2010. While section 3.10 GCGC makes provision for the Corporate Governance Report, which is contained in this annual report under an appropriate headline, and apart from that is also covered in the Supervisory Board Report, section 4.2.5 GCGC stipulates the explanation of the remuneration system for members of the Management Board, including the disclosure of individual remuneration; section 5.4.6 GCGC recommends – also as part of the Corporate Governance Report – individualized reporting of Supervisory Board remuneration broken down by components and including compensation paid or benefits granted for personal services rendered, in particular, consulting and brokerage services.

MANAGEMENT BOARD REMUNERATION. The annual Management bBoard compensation fixed in terms of its structure by the Supervisory Board and agreed with all Management Board members of SolarWorld AG is composed of fixed and variable compensation components. It is guided by § 87 AktG, according to which the total remuneration for an individual Management Board member must be in appropriate relation to their tasks and the situation of the company. Where the Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG), passed by the Bundestag on June 18, 2009, also provides for medium- and long-term remuneration components, these were taken into consideration in new management contracts and in the extension of expiring contracts. Only the management contracts with Frank Henn and Dr.-Ing. E. h. Frank Asbeck, which run

out on May 31, 2013, and January 9, 2014, respectively, are to be adjusted accordingly, if necessary. Management Board remuneration now already meets all appropriateness limits as well as the recommendations of the GCGC; account is taken of the special conditions of the company in the context of the Group as well as the individual connection in the personal and professional field, taking into consideration the relevant environmental conditions. In this context, the financial situation of the SolarWorld Group is also considered. This in turn is reflected in the dividend distribution possibilities that form the basis for the variable Management Board compensation.

Ultimately, the Management Board remuneration also complies in all other respects with the requirements of the VorstAG. Both the individual performance of Board members and the customariness in the industry are taken into account, as well as its orientation towards a sustainable corporate development. The deductible for members of the Management Board of at least ten percent of damage claims and up to at least one and a half times of their fixed annual compensation was already agreed upon with respect to D&O insurance as of January 1, 2010. Incidentally, Management Board remuneration at SolarWorld AG was already determined according to these principles before the VorstAG came into force.

As fringe benefits, all members of the Management Board receive the costs respecting their accident and D&O insurance, as well as a company car in the upper medium range for their own use. Furthermore, business-related payments, expenditure and expenses are reimbursed pursuant to § 670 German Civil Code (Bürgerliches Gesetzbuch, BGB). In addition, the board members in charge of finance (CFO), operations (COO), sales (CSO), and human resources and brand (CHRBO) receive grants towards their health insurance. Finally, mention must be made of the 2011 share of remuneration paid to the Chairman of the Management Board (CEO) in his capacity as Chairman of the Supervisory Boards of Deutsche Solar AG as well as Sunicon AG. This position was eliminated on January 13, 2011, which also ended the Supervisory Board activities of Dr. Recktenwald and Dr. Gansen, since on this day the change in the legal form from an AG to a GmbH was entered in the Register of Companies. Due to the initial full consolidation of Solarparc AG in the year under review, the CEO's remuneration as Chief Executive Officer (CEO) of Solarparc AG for 2011 must also be taken into account. The relevant amounts are shown in the table 72 *Management Board remuneration* • *p. 126 //*.

Management contracts do not contain any severance provision for the case of premature termination of an employment relationship.

There is no separate pension entitlement, which is why Management Board members are permitted to convert parts of their remuneration into pension provisions.

The fixed annual compensation is to be paid to the Management Board members in twelve monthly installments at the end of each month. In addition, every Management Board member receives variable, performance-dependent special compensation that amounts to an individually negotiated euro amount

per eurocent and share of the dividend distributed to shareholders. The amount is paid within four weeks of the AGM during which the dividend payment to be used as a basis has been decided upon. The following individualization of Management Board compensation refers, on the one hand, to the fixed remuneration that has fallen due and was paid in the year 2011. On the other hand, the variable compensation for fiscal year 2011 is also included, but this will not fall due until after the upcoming AGM; apart from that, it will depend on approval of the profit appropriation proposal by management, which provides for the distribution of 9 eurocents per share.

Variable compensation is capped in such a way that, per year, a member of the Management Board cannot receive more than a multiple of the fixed compensation that has been agreed with the Supervisory Board. The sustainability component, stipulated by section 5.4.6 GCGC and § 87 Sec. 1, sentence 3 AktG for variable compensation of the Management Board, is complied with as follows with regard to an assessment basis of several years: Initially, only 75 percent of the bonus for the last fiscal year is paid out. Then, based on a three-year assessment, an average value is determined. If this is below the initial payment of 75 percent, no additional amounts are paid. If this value is higher, a corresponding back payment is made.

In accordance with a resolution of the AGM in 2009, the total management compensation per member of the Management Board is capped to 20 times the average employee remuneration. On May 20, 2010, the AGM also declared the approval of the system of remuneration for members of the Management Board pursuant to § 120 Sec. 4 AktG.

(72) MANAGEMENT BOARD REMUNERATION // IN €

	Non-performance related		Performance-related	Total
	Fixed salary	**Other remuneration**	**Variable**	
Dr.-Ing. E. h. Frank Asbeck Chief Executive Officer	270,000.00 10,843.32 (company car private use)		720,000.00*	**1,000,843.32**
		165,862.88 (CEO remuneration SOLARPARC AG incl. fixed portion: 120,000.00; variable portion: 31,808.84; company car private use: 14,054.04) 890.41 (DEUTSCHE SOLAR AG Supervisory Board compensation until January 13, 2011 incl. meeting attendance fee of 0.00) 534.25 (SUNICON AG Supervisory Board compensation until January 13, 2011 incl. meeting attendance fee of 0.00) 1,322.00 (SOLARWORLD INNOVATIONS GMBH inventor's fees)		**168,609.54**
Prior Year	280,843.32		810,000.00	(1,090,843.32) 1,007,621.00 Cap on Management Board remuneration pursuant to AGM resolution on May 20, 2009
		31,000.00 (DEUTSCHE SOLAR AG Supervisory Board compensation, incl. meeting attendance fee of 6,000.00) 18,200.00 (SUNICON AG Supervisory Board compensation, incl. meeting attendance fee of 3,200.00) 2,158.00 (Inventor's fee)		51,358.00
Boris Klebensberger Chief Operating Officer	285,770.98 25,159.20 (company car private use)	50,000.00 (Cost assumption U.S. tax law issues) 2,916.00 (Grants towards health insurance) 1,219.00 (SOLARWORLD INNOVATIONS GMBH inventor's fees)	290,500.00*/**	**655,565.18**
Prior Year	276,902.43	2,823.68 Grants towards health insurance) 0.00 (Inventor's fee)	665,000.00	944,726.11
Philipp Koecke Chief Financial Officer	162,232.00 19,437.98 (company car private use)	3,080.40 (Grants towards health insurance)	144,000.00*	**328,750.38**
Prior Year	189,033.99	3,079.08 (Grants towards health insurance)	304,000.00	496,113.07

	Non-performance related		Performance-related	Total
	Fixed salary	Other remuneration	Variable	
Frank Henn Chief Sales Officer	186,751.88 11,905.20 (company car private use)	3,686.52 (Grants towards health insurance)	144,000.00*	**346,343.60**
Prior Year	188,750.72	3,588.72 (Grants towards health insurance)	304,000.00*	496,339.44
Colette Rückert-Hennen (from 07/11) Chief Human Resources and Brand Officer	120,000.00 4,119.24 (company car private use)	1,723.86 (Grants towards health insurance)	27,000.00*/**	**152,843.10**
Prior Year	n. a.	n. a.	n. a.	n. a.
Total	**1,096,219.80**	**231,235.32**	**1,325,500.00***	**2,652,955.12**
Prior year	**935,530.46**	**60,849.48**	**2,083,000.00**	**2,996,157.62**

* Based on resolution on Profit Appropriation Proposal AGM 2012
** This value shows the entire bonus accrued (100 percent), of which only 75 percent is paid out initially – as explained above.

SUPERVISORY BOARD REMUNERATION. The AGM on May 24, 2011, modified the Supervisory Board remuneration, which was approved earlier at the AGM of May 25, 2005. It still consists of fixed remuneration, performance-related special remuneration, fringe benefits and reimbursement of out-of-pocket expenses. Current Supervisory Board remuneration has been applicable since January 1, 2011, and also applies to the following years, unless a new AGM passes different resolutions for the future. Fixed remuneration for a member amounts to € 35,000.00, for the Deputy Chairman to € 52,500.00 and for the Chairman to € 70,000.00. A lump sum of € 500.00 for every meeting attended is paid as reimbursement of expenses. In addition, the company pays variable remuneration in relation to a basic amount of € 2,639.055; this basic amount is to be multiplied by each dividend cent if a dividend has been adopted. Ultimately, the company assumes the premium payments for insurance cover concerning legal liability arising from Supervisory Board activities (D&O insurance). In accordance with the GCGC, the Supervisory Board has also agreed upon the deductible that is compulsory for the Management Board pursuant to the VorstAG, effective as per July 1, 2010.

The Supervisory Board remuneration is net so that turnover tax is added if a member of the Supervisory Board is liable to pay turnover tax. Fixed annual remuneration is paid retroactively for the closed fiscal year. Variable remuneration also refers to the fiscal year ended and becomes due upon the AGM that passes the resolution on a dividend to be distributed.

Should the next AGM approve a dividend of 9 eurocent per share, variable remuneration of every member of the Supervisory Board will amount to € 23,751.50. As regards the meeting attendance fees, with nine Supervisory Board meetings in addition to the AGM on May 24, 2011, this amounted to a total of € 5,000.00 net per member.

With respect to further details, we refer to the table (73) *Supervisory Board remuneration* • *p. 130//*.

With regard to the information recommended in the last paragraph of section 5.4.6 GCGC, it is pointed out that the Chairman of the Supervisory Board of SolarWorld AG is a partner in the law firm of Schmitz Knoth Rechtsanwälte. Essentially, this firm provides legal advice and representation for the SolarWorld Group through other partners and employees of the law firm as well as the required international coordination.

As far as the law firm's own service provision in the year under review 2011 is concerned, Schmitz Knoth Rechtsanwälte invoiced a total amount of € 520,600.40, excluding turnover tax and tax-free out-of-pocket expenses. Additionally, further costs for legal proceedings amounting to € 52,027.30 in total were incurred, of which an amount of € 35,376.40 has already been reimbursed by the opponents. After the deduction of cost reimbursements, SolarWorld AG had incurred lawyer's fees amounting to € 537,251.30. For the 2011 performance period, further legal costs were incurred by the subsidiaries that amounted to € 150,610.20 and € 133,937.11 for court fees for Deutsche Solar GmbH, of which € 61,138.40 is reimbursable, € 11,614.20 for Deutsche Cell GmbH, € 2,758.60 for Solar Factory GmbH, € 195.00 for SolarWorld Industries Deutschland GmbH, € 7,085.00 for Sunicon GmbH, € 41,935.40 for SolarWorld Innovations GmbH and € 260.00 for SolarWorld Solicium GmbH. Due to the public takeover by SolarWorld AG of Solarparc AG in the year under review, which resulted in lawyer's fees of € 58,869.00, and its initial consolidation, this company must also be taken into account. All individual items within the group amount to a total of € 979,892.21 (2010: € 723,819.90 excl. Solarparc AG), of which € 572,627.70 were subject to approval by SolarWorld AG. An amount of € 35,376.40 has been reimbursed by third parties; an additional amount of € 61,138.40 is still reimbursable. The increase in the total sum to € 979,892.21 as compared to 2010 is due to the fact that Solarparc AG was included in the calculations for the first time as a result of the public take-over and that Deutsche Solar GmbH had to conduct more legal proceedings than in the previous year. All individual items and the total sum accepted by the group were discussed and approved by the Supervisory Board of SolarWorld AG, both at the meeting on February 7, 2012 and at the closing meeting on February 23, 2012 with BDO Wirtschaftsprüfungs AG. Commissioning was approved in each individual case, and the necessity for and appropriateness of the measures were confirmed after completion of the services.

Due to the initial full consolidation of SOLARPARC AG in the year under review, the Supervisory Board remuneration from SOLARPARC AG must also be taken into account as regards the members of the Supervisory Board of SOLARWORLD AG, who are also members of the Supervisory Board of SOLARPARC AG. The relevant amounts are shown in the table (73) *Supervisory Board remuneration* • *p. 130 //*.

In conclusion, it is pointed out that the Supervisory Board members, Dr. Claus Recktenwald and Dr. Georg Gansen, were each Deputy Chairman of the Supervisory Board of DEUTSCHE SOLAR AG until January 13, 2011. The Chairman of the Supervisory Board of SOLARWORLD AG, Dr.-Ing. E. h. Frank Asbeck, was Chairman of that Supervisory Board. Supervisory Board remuneration, excluding variable remuneration agreed, at DEUTSCHE SOLAR AG amounted to € 25,000.00 net per year, plus a meeting attendance fee each of € 700.00 net. For the period to January 13, 2011, Supervisory Board remuneration was € 890.41 each. Dr. Claus Recktenwald, Dr. Georg Gansen and Dr.-Ing. E. h. Frank Asbeck were also members of the Supervisory Board of SUNICON AG until January 13, 2011. Supervisory Board remuneration, excluding variable remuneration agreed, at SUNICON AG amounted to € 15,000.00 net per year, plus a meeting attendance fee of € 400.00 net each. For the period to January 13, 2011, Supervisory Board remuneration was € 534,25 each.

For further information on our corporate governance go to ⚙ *Details on sustainability performance* • *p. S016 et seq., S040 et seq., S107 et seq., //* as well as to our progress report within the framework of the Global Compact ⚙ *Global Compact* • *p. S020 et seq. //* These can be found online at @ *annualgroupreport2011.solarworld.de/sustainability/gri-index //* and at @ *annualgroupreport2011.solarworld.de/sustainability/global-compact //*.

(73) SUPERVISORY BOARD REMUNERATION // IN €

		Non-performance related			Performance-related	Total
		Fixed annual remuneration	Meeting attendance fee	Other remuneration	Variable special remuneration*	
Dr. Claus Recktenwald Chairman	For 2011 paid in 2012	70,000.00	5,000.00	32,000.00 (Solarparc AG Supervisory Board remuneration incl. meeting attendance fee of 2,000.00) 890.41 (Deutsche Solar AG Supervisory Board remuneration until January 13, 2011) 534.25 (Sunicon AG Supervisory Board remuneration until January 13, 2011)	23,751.50	**132,176.16**
	For 2010 paid in 2011	35,000.00	2,250.00	31,000.00 (Deutsche Solar AG Supervisory Board remuneration incl. meeting attendance fee of 6,000.00) 18,200.00 (Deutsche Solar AG Supervisory Board remuneration incl. meeting attendance fee of 3,200.00)	50,141.10	136,591.10
Dr. Georg Gansen Deputy Chairman	For 2011 paid in 2012	52,500.00	5,000.00	24,500.00 (Solarparc AG Supervisory Board remuneration incl. meeting attendance fee of 2,000.00) 890.41 (Deutsche Solar AG Supervisory Board remuneration until January 13, 2011) 534.25 (Sunicon AG Supervisory Board remuneration until January 13, 2011)	23,751.50	**107,176.16**
	For 2010 paid in 2011	26,250.00	2,250.00	31,000.00 (Deutsche Solar AG Supervisory Board remuneration incl. meeting attendance fee of 6,000.00) 18,200.00 (Deutsche Solar AG Supervisory Board remuneration incl. meeting attendance fee of 3,200.00)	50,141.10	127,841.10
Dr. Alexander von Bossel Member	For 2011 paid in 2012	35,000.00	5,000.00	17,000.00 (Solarparc AG Supervisory Board remuneration incl. meeting attendance fee of 2,000.00)	23,751.50	**80,751.50**
	For 2010 paid in 2011	17,500.00	2,250.00		35,000.00	54,750.00
Total	**For 2011 paid in 2012**	**157,500.00**	**15,000.00**	**76,349.32**	**71,254.50**	**320,103.82**
	For 2010 paid in 2011	**78,750.00**	**6,750.00**	**98,400.00**	**135,282.20**	**319,182.20**

* Based on resolution on Profit Appropriation Proposal AGM 2012

CHAPTER #5

CONSOLIDATED FINANCIAL STATEMENTS

OFF-GRID SOLAR ARRAY

▸ BECAUSE *SUSTAINABILITY* IS AT THE CORE OF OUR BUSINESS ACTIVITIES

5 / CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE BUSINESS YEAR JANUARY 1, 2011 TO DECEMBER 31, 2011

(74) INCOME STATEMENT // IN K€

	Notes	2011	2010
1. Revenue	25, 27, 40	**1,046,940**	1,304,674
2. Change in inventories of finished goods and work in progress	13, 25, 49	**72,054**	8,434
3. Own work capitalized	28	**14,349**	1,025
4. Other operating income	25, 29	**281,872**	100,791
5. Cost of materials	30	**–831,905**	–834,780
6. Personnel expenses	31	**–138,224**	–126,282
7. Amortization and depreciation	9, 32, 41	**–452,514**	–88,503
8. Other operating expenses	25, 33	**–225,805**	–172,607
9. Operating result		**–233,233**	**192,752**
10. Result from investments measured at equity	11, 35, 45	**–937**	250
11. Interest and similar financial income	25, 35	**22,765**	24,472
12. Interest and similar financial expenses	25, 35	**–80,236**	–80,657
13. Other financial result	25, 35	**5,104**	11,804
14. Financial result		**–53,304**	**–44,131**
15. Income before taxes on income		**–286,537**	**148,621**
16. Taxes on income	26, 37	**–14,543**	–61,309
17. Income from continued operations		**–301,080**	**87,312**
18. Income after taxes from discontinued operations	36	**1,808**	0
19. Consolidated net loss/income		**–299,272**	**87,312**
Attributable to:			
- Shareholders of SolarWorld AG		**–299,351**	87,312
- Non-controlling interests		**79**	0
20. Earnings per share	**38**		
a) Weighted average number of shares outstanding (in 1,000)		**110,613**	108,842
b) Income from continued operations (in €)		**–2.72**	0.80
c) Income from discontinued operations (in €)		**0.02**	0.00
d) Consolidated net loss/income (in €)		**–2.70**	**0.80**

(75) STATEMENT OF COMPREHENSIVE INCOME // IN K€

Note 39	2011	2010
Consolidated net loss/income	**–299,272**	**87,312**
Net result from cash flow hedges		
Profits of the current period	**7,790**	17,620
Reclassifications to initial costs of non-financial assets	**–5,210**	0
Reclassifications to income statment	**–6,570**	–9,168
	–3,990	**8,452**
Effects of taxes on income	**1,324**	–2,694
	–2,666	**5,758**
Currency translation of foreign operations		
Profits of the current period	**1,796**	27,505
Reclassifications to income statement	**–2,185**	0
	–389	**27,505**
Effects of taxes on income	**2,511**	–3,679
	2,122	**23,826**
Other comprehensive income for the period, net of tax	**–544**	**29,584**
Total comprehensive income for the year	**–299,816**	**116,896**
Attributable to:		
- Shareholders of SolarWorld AG	**–299,895**	116,896
- Non-controlling interests	**79**	0

(76) BALANCE SHEET AS OF DECEMBER 31, 2011 // IN K€

ASSETS	Notes	Dec. 31, 2011	Dec. 31, 2010
A. Non-current Assets		**1,102,125**	**1,395,086**
I. Intangible assets	7, 9, 41, 42	**20,521**	39,607
II. Property, plant and equipment	8, 9, 41, 43	**744,681**	951,856
III. Investment property	10, 41, 44	**27,231**	20,994
IV. Investments measured at equity	11, 45	**37,842**	65,481
V. Other financial assets	16, 46, 66	**790**	1,165
VI. Other non-current assets	12, 48	**268,581**	310,788
VII. Deferred tax assets	26, 37, 47	**2,479**	5,195
B. Current Assets		**1,175,702**	**1,240,246**
I. Inventories	13, 49	**386,771**	337,370
II. Trade receivables	14, 50, 66	**123,021**	140,883
III. Current income tax assets	26, 37, 51	**35,472**	428
IV. Other receivables and assets	15, 52	**32,984**	48,956
V. Other financial assets	16, 20, 53, 66	**44,109**	99,136
VI. Liquid funds	17, 54, 66, 67	**553,345**	613,473
		2,277,827	**2,635,332**

EQUITY AND LIABILITIES	Notes	Dec. 31, 2011	Dec. 31, 2010
A. Equity	56	**630,759**	**922,879**
I. Equity attributable to shareholders of SolarWorld AG		**628,781**	922,879
1. Subscribed capital		**110,795**	106,881
2. Capital reserve		**296,562**	296,489
3. Other reserves		**17,523**	18,067
4. Accumulated profits		**203,901**	501,442
II. Non-controlling interests		**1,978**	0
B. Non-current Liabilities		**1,362,738**	**1,366,757**
I. Non-current financial liabilities	19, 20, 57, 66	**1,150,888**	1,011,855
II. Accrued investment grants	21, 58	**56,773**	76,219
III. Non-current provisions	22, 23, 59	**32,270**	25,418
IV. Other non-current liabilities	24, 61	**94,621**	215,917
V. Deferred tax liabilities	26, 37, 62	**28,186**	37,348
C. Current Liabilities		**284,330**	**345,696**
I. Current financial liabilities	19, 20, 57, 66	**120,981**	129,776
II. Trade payables	19, 60, 66	**64,433**	113,270
III. Income tax liabilities	26, 37, 63	**18,159**	13,797
IV. Current provisions	23, 59	**13,004**	8,784
V. Other current liabilities	24, 61	**67,753**	80,069
		2,277,827	**2,635,332**

(77) STATEMENT OF CHANGES IN EQUITY // IN K€

			Other reserves				
Notes 4, 56	Subscribed capital	Capital reserve	Currency translation reserve	Reserve from hedging of cash flows*	Accumulated results	Non-controlling interests	Total
As of Jan. 1, 2010	**111,720**	**296,489**	**–12,366**	**849**	**468,770**	**0**	**865,462**
Dividend distribution					–17,649		–17,649
Purchase of treasury shares	–4,839				–36,991		–41,830
Total comprehensive income			23,826	5,758	87,312		116,896
As of Dec. 31, 2010/ Jan. 1, 2011	**106,881**	**296,489**	**11,460**	**6,607**	**501,442**	**0**	**922,879**
Exchange of treasury shares into shares in SOLARPARC AG	3,914	73			24,818		28,805
Non-controlling interests from first time consolidation						7,862	7,862
Increase of the majority interest in SOLARPARC AG (transaction between owners)					–1,957	–5,963	–7,920
Dividend distribution					–21,051		–21,051
Total comprehensive income			2,122	–2,666	–299,351	79	–299,816
As of Dec. 31, 2011	**110,795**	**296,562**	**13,582**	**3,941**	**203,901**	**1,978**	**630,759**

* hereinafter “hedging reserve”.

(78) CASH FLOW STATEMENT // IN K€

Notes 67		2011	2010
	Income before tax	**–284,636**	148,621
+	Amortization and depreciation	**452,514**	88,503
+	Financial result (without gains/losses from currency translation)	**53,892**	44,131
+	Loss from disposal of assets	**907**	595
–	Reversal of accrued investment grants	**–38,450**	–14,548
–	Other material non-cash income and expenses	**–38,358**	–16,190
=	**Cash flow from operating result**	**145,869**	**251,112**
+	Changes in prepayments and customer advances	**35,602**	23,819
–	Increase of inventories (excl. prepayments)	**–120,604**	–80,260
+	Decrease in trade receivables	**1,480**	64,784
–/+	Decrease/increase in trade liabilities	**–50,581**	29,444
–/+	Changes in other net assets	**–15,389**	23,900
=	**Cash flow from operating result and changes in net assets**	**–3,623**	**312,799**
+	Interest received	**4,294**	6,160
–	Taxes on income paid	**–50,235**	–64,784
=	**Cash flow from operating activities**	**–49,564**	**254,175**
–	Cash outflow for asset investments	**–181,374**	–241,950
+	Cash inflow from investment grants	**23,906**	3,344
+	Cash inflow from the disposal of assets	**22,797**	11,860
+	Cash inflow from financial investments	**67,494**	10,861
+/–	Cash inflow/Cash outflow from the acquisition of consolidated entities	**15,669**	–9,002
=	**Cash flow from investing activities**	**–51,508**	**–224,887**
+	Cash inflow from borrowings	**258,571**	498,044
–	Cash outflow for redemption of borrowings	**–132,584**	–261,885
–	Interest paid	**–59,842**	–39,913
–	Dividend distributions	**–21,051**	–17,649
–	Cash outflow from purchase of treasury shares	**0**	–41,830
+	Payments from non-group shareholders	**1,266**	7,289
=	**Cash flow from financing activities**	**46,360**	**144,056**
–/+	Net changes in cash and cash equivalents	**–54,712**	173,344
+	Currency and consolidation-related change of cash and cash equivalents	**1,503**	5,121
+	Cash and cash equivalents at the beginning of the period	**606,554**	428,089
=	**Cash and cash equivalents at the end of the period**	**553,345**	**606,554**

NOTES

GENERAL DISCLOSURES

1. BASIC PRINCIPLES, ACCOUNTING POLICIES

SolarWorld AG is a listed corporation domiciled at Martin-Luther-King-Straße 24, Bonn, Germany. SolarWorld AG's Executive Board prepared the consolidated statements on March 9, 2012 and released them for disclosure on the same day.

SolarWorld Group is one of the leading manufacturers of crystalline solar power technology worldwide. SolarWorld AG and its subsidiaries research, develop, produce and recycle on all levels of the solar value added chain. The focus of operations is on the production and international distribution of high-end solar energy facilities – from rooftop solar systems to components for outdoor solar parks. The products can be used both in the on- and off-grid area.

In accordance with § 315a para. 1 HGB, SolarWorld AG prepared its consolidated financial statements as of Dec. 31, 2011 pursuant to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the European Union ("EU-Endorsement") at balance sheet date as well as to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In addition, the commercial law regulations further stated in § 315a para. 1 HGB were taken into account. All mandatory applicable standards and interpretations have been considered. IFRS not yet compulsory were not applied.

The consolidated financial statements are prepared in Euro. Unless otherwise stated, all amounts are rounded either up or down to the nearest full thousand (k€) in accordance with commercial rounding.

The income statement was prepared in accordance with the nature of expense method. Balance sheet classifications follow maturities. For the purpose of clear and more comprehensive presentation, individual items are combined on balance sheet and income statement. Additional details are given in the notes where those items are presented separately.

With regard to applied accounting policies, we refer to the illustration of the accounting principles below. They basically correspond with those principles applied last year except for those stated as an exception from that rule below.

Initial mandatory application of standards and interpretations in 2011

The following standards and interpretations or substantial amendments were to be applied initially in 2011:

EU-Endorsement until Dec. 31, 2011	Standards/Interpretations	
February 18, 2011	Improvements IFRS (2010)	Multiple standards/interpretations
July 23, 2010	IFRIC 19	Extinguishing financial liabilities with equity instruments and first-time of IFRS
July 19, 2010	IAS 24 (revised)	Related party disclosures
July 19, 2010	Amendment IFRIC 14	Prepayments of a minimum funding requirement
December 23, 2009	Amendment IAS 32	Financial instruments: disclosures and presentation

IMPROVEMENTS OF IFRS. In May 2010, the IASB – in the scope of its annual improvement process – issued updates of the IFRS in terms of smaller and less urgent adjustments, which were adopted into European law on February 18, 2011. In principle, the application of the amendments is mandatory starting with the first annual period beginning after July 30 or December 31, 2010. The adjustments mostly concern clarifications and specifications of existing IAS/IFRS and amendments that result from IFRS modifications already conducted. The following selected contents of the collective standard were taken into account in connection with the preparation of the consolidated financial statements of SolarWorld Group:

- **IFRS 3 – BUSINESS COMBINATIONS.** As a result of the revision of IFRS 3, contingent considerations are no longer excluded from the scope of IFRS 7, IAS 32 and IAS 39. The amendments clarify that these IFRS shall not be applied to contingent consideration in the scope of business combinations if the acquisition date was before the day of the first time application of the revised IFRS 3. Moreover, it was clarified that only those non-controlling interests that are currently entitled to a share in the net assets or the liquidation of the subsidiary can be measured at fair value or the interest in the identifiable net assets. All other non-controlling interests are measured at fair value. In addition, accounting provisions were added that clarify that all share-based remuneration – irrespective of whether they expire after the acquisition or remain in existence – is governed by IFRS 3 in the scope of a business combination.

- **IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES.** The amendments of IFRS 7 concern disclosure obligations for financial assets whose contractual terms were renegotiated due to the fact that they would have otherwise been overdue or impaired. The separate disclosure of the carrying amount of such financial obligations is no longer required. The carrying amounts of received collaterals need only be disclosed if the entity still has them at its disposal at balance sheet date. In the future, the substantiation of the maximum default risk only requires the disclosure of the carrying amount of the financial assets potentially at risk if it adequately reflects the default risk.

- **IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS.** The revision results in an adjustment of the provisions of IAS 1.106, which concern the statement of changes in equity. It is clarified that – in contrast to the statement of comprehensive income – the statement of changes in equity does not require the disclosure of the individual components but only the individual items of other comprehensive income. Thus, a required classification of other comprehensive income in its individual components can be conducted in the notes.

- **CHANGES DUE TO REVISED IAS 27: IAS 21, IAS 28 AND IAS 31.** The improvement of these IAS bridges the gaps that originated in the scope of the Business Combination Phase II and could be attributed to the amendments of IAS 27. Otherwise, the respective amendments of IAS 8 ("Accounting policies, changes in accounting estimates and errors") would have required full retroactive application. In detail, the amendments concern accounting of accumulated translation differences upon disposal of a foreign operation (IAS 21), measurement of investments at fair value subsequent to the loss of significant influence and discontinuation of at equity accounting (IAS 28), and measurement of investments at fair value subsequent to loss of mutual control and discontinuation of proportional consolidation or at equity accounting (IAS 31).

- **IAS 34 – INTERIM FINANCIAL REPORTING.** The amendments of IAS 34 are mainly of an editorial nature and are supposed to highlight those transactions that are material for an understanding of changes of the financial position and financial performance of an entity since the end of the last annual reporting period. In this connection, the list of events and transactions that require disclosure in the interim financial statements if material was expanded by further disclosure requirements, e.g. changes of the industrial environment that influence the fair value of financial assets and liabilities irrespective of whether the financial asset/liability is measured at fair value.

- **IFRIC 13 – CUSTOMER LOYALTY PROGRAMS.** The amendment to IFRIC 13 concerns a clarification regarding the basics of the measurement of award credits for conclusions and examples to avoid possible misunderstanding of the provisions. It was clarified that the fair value of an award credit is to be recognized in the amount in which the award credit could be separately disposed of. If this amount cannot be determined, the fair value can be determined using the credit for which the award premium can be redeemed after an adjustment for privileges the entity generally grants its customers and probably unredeemed credits.

The IFRS improvements have no material consequences for the consolidated financial statements of SolarWorld AG.

IFRIC 19 – EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS. IFRIC 19 was issued by the IASB on November 26, 2009, adopted into European law on July 23, 2010, and is applicable for annual periods beginning on or after July 1, 2010. The adoption of IFRIC 19 necessitated consequential amendments of IFRS 1. The interpretation clarifies that equity instruments issued to a creditor for extinguishing a financial liability are classified as consideration paid. The issued equity instruments are measured at fair value. If the fair value cannot be reliably measured, the fair value of the financial liability extinguished shall be used as a basis for measurement. Gains and losses are recognized through profit or loss immediately. The application of this interpretation does not have any consequences on the consolidated financial statements of SolarWorld AG.

IAS 24 – RELATED PARTY DISCLOSURES. On November 4, 2009, the IASB issued a revised version of IAS 24, which was adopted into European law on July 19, 2010. The amendments are applicable for annual periods beginning on or after January 1, 2011. The amendments facilitate the disclosure obligations for entities under state control or material state influence. Moreover, the definition of a related party was clarified. To ensure the coherence of international accounting standards, consequential amendments were made to IFRS 8 once the revised version of IAS 24 was adopted. The amendment has no material consequences on the consolidated financial statements of SolarWorld AG.

IFRIC 14 – PREPAYMENTS IN THE SCOPE OF MINIMUM FUNDING REQUIREMENTS. IFRIC 14 was issued on November 15, 2009 and adopted into EU law on July 19 2010. The amendment concerns IFRIC 14 as an interpretation aid for IAS 19 and governs the case that an entity is subject to minimum funding requirements in connection with its pension plans and makes prepayments thereon. The amendment enables the entity to recognize the economic benefit from such prepayment as an asset. It is applicable for annual periods beginning on or after January 1, 2011. The amendment does not materially affect the consolidated financial statements of SolarWorld AG.

IAS 32 – FINANCIAL INSTRUMENTS: DISCLOSURES AND PRESENTATION. The IASB issued the amendments to IAS 32 on October 8, 2009. They were adopted into European law on December 23, 2009. The amendment changes the definition of a financial liability to the extent to that subscription rights (and certain options or warrants) are classified as equity instruments if such rights entitle the owner to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency and the entity offers them pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010. The amendment does not have material consequences on the consolidated financial statements of SolarWorld Group.

Standards and interpretations not yet mandatory

In the ongoing financial year, SolarWorld AG did not apply any non-mandatory standards early. At this point, we estimate the potential consequences of the following standards to be marginal.

IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES. The amendments issued by the IASB on October 7, 2010, were adopted into European law on November 22, 2011, and apply for annual periods beginning on or after July 1, 2011. The amendments of IFRS 7 introduced additional disclosure obligations that mainly concern transferred but not fully derecognized financial assets as well as their nature and the risk and the relationship between these financial assets and the associated liabilities.

The following accounting standards were passed in 2011 however not yet adopted into European law by the EU as of December 31, 2011:

On May 12, 2011, the IASB issued three new (IFRS 10, 11, and 12) and two revised (IAS 27 and 28) standards that concern new consolidation provisions (so-called "consolidation package"). They apply for annual periods beginning on or after January 1, 2013. SolarWorld AG will not make use of a possible early application. On principle, it can be assumed that the amendments will have consequences on the consolidated financial statements if they are adopted into EU law. The extent of these consequences is yet to be determined.

- **IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS.** The standard creates a uniform basis for the definition of a parent-subsidiary-relationship and the precise definition of the consolidated entity. The definition of control is modified to the effect that the same criteria are applied for all entities to determine the control relationship. To this end, the standard replaces the formerly relevant provisions in IAS 27 ("consolidated and separate financial statements") and SIC 12 ("consolidation – special purpose entities").

- **IFRS 11 – JOINT ARRANGEMENTS.** This standard replaces the current provisions of IAS 31 ("Interests in joint ventures") and SIC 13 ("Jointly controlled entities – non-monetary contributions by ventures") and includes provisions for identification, classification and accounting of joint arrangements. Thus, only two types of joint agreements exist: joint ventures, which can only be accounted for using the equity method in the future (i.e. no proportional consolidation any longer) and joint operations, in the scope of which the proportional direct recognition of assets, liabilities, expenses and income from joint business operations is conducted in the consolidated financial statements.

- **IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES.** IFRS 12 governs the required disclosures for entities that are necessary in accordance with the two new standards IFRS 10 and 11. The standard replaces the disclosure obligations currently governed by IAS 28 "Investments in associates" and the disclosure requirements regarding the consolidated financial statements included in IAS 27. This is to enable the addressee of the financial statements to better assess nature, risks and financial consequences of the interest in other entities.

- **IAS 27 – SEPARATE FINANCIAL STATEMENTS.** With the newly adopted IFRS 10 and 12, the provisions for consolidated financial statements are documented separately. Thus, IAS 27 now only contains the provisions for separate financial statements and was therefore renamed accordingly.

- **IAS 28 – INVESTMENTS IN ASSOCIATES.** Upon introduction of IFRS 10, 11 and 12, the adjusted IAS 28 governs accounting for investments in associated entities and the requirements for the application of the equity method upon accounting of investments in associates and joint ventures.

Additional revisions were issued alongside the so-called "consolidation package" that had not been adopted into European law as of December 31, 2011:

IFRS 9 – FINANCIAL INSTRUMENTS. IFRS 9 was issued on November 12, 2009. It reflects the first stage of the IASB project for the replacement of IAS 39 and concerns the classification and measurement of financial assets as defined in IAS 39. The standard is applicable for annual periods beginning on or after January 1, 2013. In further phases, the IASB will cover the classification and measurement of financial liabilities, hedging relationships and derecognition. The results of the first phase of IFRS 9 will probably have consequences on classification and measurement of financial assets of SolarWorld Group. To present a comprehensive illustration of potential consequences, the Group will quantify the consequences principally in connection with the other phases once they are issued.

IFRS 13 – FAIR VALUE MEASUREMENT. The standard was issued by the IASB on May 12, 2011, and is applicable for annual periods beginning on or after January 1, 2013. IFRS 13 reflects the measurement provisions for determining the fair value and refers to almost all other standards (with the exception of IAS 2 "Inventories", 17 "Leases", and IFRS 2 "Share-based payment"). The standard does not govern the cases in which the fair value is to be used. On principle, we expect the standard to have consequences on the consolidated financial statements of SolarWorld AG if adopted into European law in this form. The extent of these consequences is yet to be determined.

AMENDMENTS IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS. The amendments were issued by the IASB on July 16, 2011, and are supposed to facilitate the presentation of the items in "Other Comprehensive Income (OCI)" by way of sub-classification into components that are later reclassified to the income statement (so-called "recycling") and those that are not. The amendments are applicable for annual periods beginning on or after July 1, 2012. This amendment will influence the consolidated financial statements of SolarWorld AG if adopted into EU law.

AMENDMENTS IAS 19 – EMPLOYEE BENEFITS. On June 16, 2011, the IASB issued the IAS 19 amendments, which apply to annual periods beginning on or after January 1, 2013. The amendments mainly concern the recognition of actuarial gains and losses. Whereas there used to be an option for recognition either on the income statement or in "Other comprehensive income", recognition in "Other comprehensive income" is now mandatory. The amendment will not have material consequences on the consolidated financial statements if adopted into EU law.

AMENDMENT IAS 12 – INCOME TAXES. The amendments to IAS 12 were issued by the IASB on December 20, 2010, and are applicable for annual periods beginning on or after January 1, 2012. In accordance with IAS 12, measurement of deferred taxes depends on whether the carrying amount of an asset is realized through utilization or disposal. The definition is sometimes difficult and subject to subjective influences especially if the asset is measured in accordance with the fair-value model of IAS 40 ("Investment property"). The amendment to IAS 12 imposes the rebuttable presumption that the carrying amount is usually realized by way of disposal. Consistently, SIC 21 ("Income taxes – recovery of revalued non-depreciable assets") no longer applies for investment property measured at fair value. Thus, the other guidelines of SIC 21 were integrated in IAS 12 while SIC 21 was withdrawn. The amendments have no influence on the consolidated financial statements of SolarWorld Group if their current version is adopted into European law.

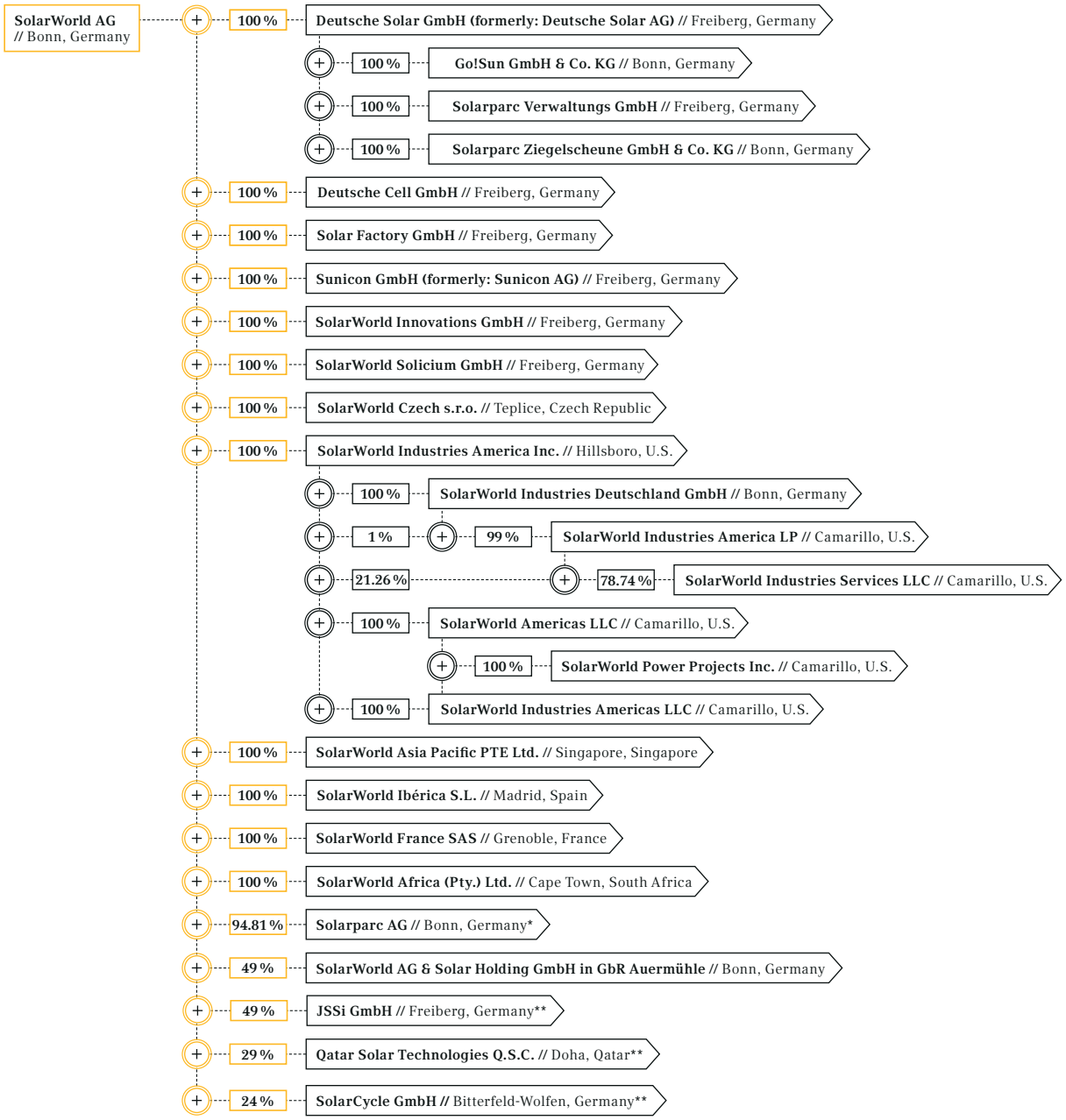
IFRIC 20 – STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE. IFRIC 20 was issued on October 19, 2011, and is applicable for annual periods beginning on or after January 1, 2013. The interpretation clarifies whether and under what conditions stripping costs incurred in the scope of the production phase of a surface mine constitute an asset and how first-time and subsequent measurement is conducted. The interpretation might have consequences on the consolidated financial statements of SolarWorld AG and needs to be examined if it is adopted into European law in the current or a modified version.

2. CONSOLIDATED ENTITY 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 rights of the entity or can otherwise control the entity's activities. These entities are fully consolidated at the time SolarWorld AG is able to exert control. Consolidation ends at the time SolarWorld AG no longer controls the respective entity. Joint ventures and associates are capitalized using the equity method.

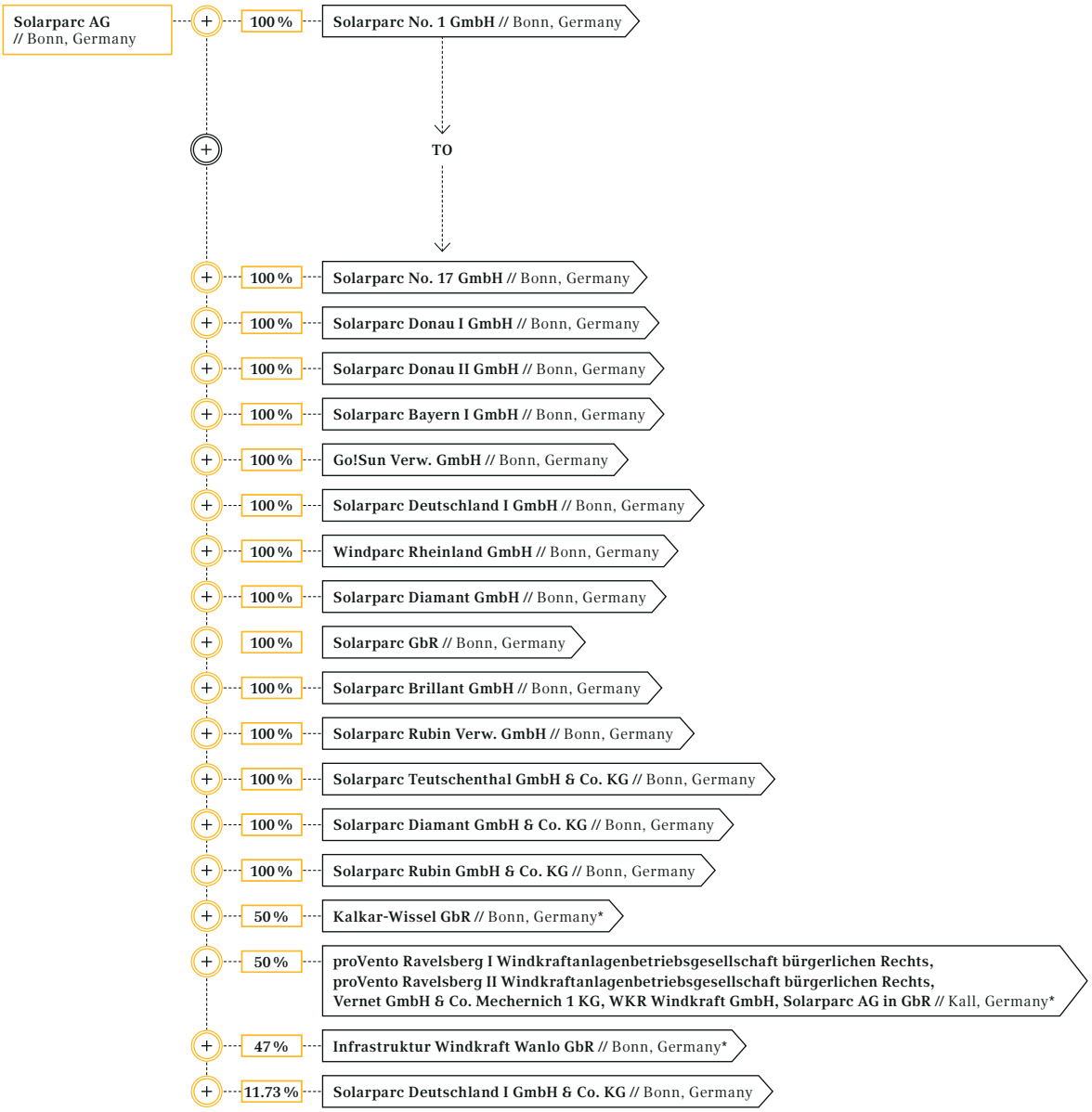
The figure below shows SolarWorld Group's consolidated entities and their structure as of December 31, 2011:

(79) SOLARWORLD GROUP STRUCTURE AS OF DECEMBER 31, 2011



* Structure of the subgroup, p. 144
** Consolidated at equity

(80) SUB-GROUP STRUCTURE AS OF DECEMBER 31, 2011



* Consolidated at equity

Effective as of Jan. 13, 2011, Freiberg-based corporations Deutsche Solar and Sunicon were transformed into limited liability companies.

Deutsche Solar GmbH, Deutsche Cell GmbH, Solar Factory GmbH, Sunicon GmbH, SolarWorld Innovations GmbH and SolarWorld Solicium GmbH make use of the disclosure and preparation facilitations of § 264 para. 3 HGB.

Acquisition of Solarparc AG

In the scope of a voluntary takeover offer, SolarWorld AG received the majority of shares in Solarparc AG. For details, we refer to note 6.

Placement solar fund Solarparc Deutschland I GmbH & Co. KG

Upon full placement of the equity of € 29,375k of solar fund Solarparc Deutschland I GmbH & Co. KG as of June 30, 2011, the latter is no longer part of the consolidated group of the Solarparc subgroup and thus SolarWorld Group. As of December 31, 2011, Solarparc AG still holds 11.73 percent of the shares in the investment company, which are accounted for in accordance with the provisions of IAS 39.

Disposal SolarWorld Korea Ltd. and Solarpark M.E. Ltd.

In June 2011, SolarWorld AG sold its investments in SolarWorld Korea Ltd. and SolarPark M.E. Ltd.

Founding SolarWorld Czech s.r.o.

In August 2011, the wholly owned SolarWorld Czech s.r.o. was founded in the Czech Republic (Templice).

Founding SolarCycle GmbH

Since November 2, 2011, SolarWorld AG holds a 24 percent investment in the newly founded SolarCycle GmbH, domiciled at chemical park Bitterfelden/Wolfen.

3. CONSOLIDATION PRINCIPLES

Subsidiaries are fully consolidated once the group has control. Consolidation ends once the parent company does not have control any longer. The financial statements of domestic and foreign consolidated entities are reconciled to uniform accounting policies for the purpose of preparing the consolidated financial statements (we refer to notes 7 to 26). The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company. All intercompany balances, income and expenses as well as unrealized profits and losses and dividends from intercompany transactions are eliminated in full.

For capital consolidation, cost of the participating interest is offset with the respective attributable equity proportion – measured at fair value – at the time of the acquisition. Any resulting positive difference is added to assets to the extent to that their carrying amount differs from fair value. Any remaining positive difference is considered goodwill. Any resulting negative difference is recognized through profit and loss.

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. and Qatar Solar Technologies Q.S.C. whose functional currency is US$.

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 amount recognized in the reserve for a foreign operation is re-recognized and shown on the income statement upon disposal of the foreign operation.

The following exchange rates were used for currency translation:

		Closing rate		Average rate	
1 € =		**2011**	**2010**	**2011**	**2010**
U.S.	USD	**1.29**	1.34	**1.40**	1.32
South Africa	ZAR	**10.48**	8.86	**10.14**	9.66
Czech Republic	CZK	**25.79**	–	**25.17**	–

5. SUBSTANTIAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS OF MANAGEMENT

In the scope of preparing the consolidated financial statements in consideration of IFRS, some items require that judgments, 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 judgments were made when applying the Group's accounting principles in 2011:

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 measurement of inventories, usability of deferred tax assets, the reversal of customer advances through profit and loss, impairment tests for fixed assets and accounting and measurement of provisions especially provisions for contingent losses from onerous contracts and warranties. These assumptions and estimations are based on premises that are, in turn, based on the respective state of knowledge currently available. However, these circumstances and assumptions regarding future developments can change due market fluctuations and the market situation that lie outside the group's influence. Such changes are included in the assumptions only upon occurrence.

Assumptions regarding expected business development are especially based on the existing circumstances 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 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 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. More details on the basic assumptions for determining the recoverable amount for the cash-generating unit are provided in note 32.

Especially with regard to measurement on the basis of the net realizable value, the inventory measurement is based on assumptions regarding the expected sales prices and costs expected to be incurred until completion. As a basic principle, we assumed that raw materials and consumables as well as unfinished goods are further processed to modules and sold.

For existing long-term supply agreements for raw materials and respective advance payments made, assumptions are made with regard to future market price developments, achievable results from renegotiating terms and conditions with suppliers and own requirements. The assumptions made in this connection are subject to significant uncertainties and are mainly based on own estimations.

The warranty provision is set up for specific individual risks, for the general risk of claims due to statutory warranties and performance guarantees granted with regard to sold solar modules. The latter are granted for a period of 25 years. Since SolarWorld AG has been producing and selling solar modules for significantly less than 25 years, it is hardly possible to fall back on experience regarding the calculation of the performance guarantee provision. Much rather, assumptions and estimations are required that are subject to uncertainties. Their modification due to gaining experience regarding claims due to the performance guarantee over the course of time can lead to adjustments of the provision or consequences on the expenses from warranties recognized on the income statement.

With respect to the exact specification of assumptions made in connection with the determination of further provisions, we refer to the respective disclosures in notes 23 and 59.

With regard to tax loss carryforwards, deferred tax claims are recognized only if their realization is likely in the medium-term (within the next five years). If a tax unit shows a history of losses, deferred tax claims from loss carryforwards of this unit are only recognized if sufficient taxable temporary differences or substantial indications for their realization exist. 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 information on this can be found in note 37.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax law and the amount and time of origination of future results subject to tax. Due to the great bandwidth of international business relations and the non-current character and complexity of existing contractual agreements, it is possible that deviations between the actual results and the assumptions made or future modifications of such assumptions might require adjustments of tax income and tax expenses already recognized. On the basis of reasonable estimations, the group sets up provisions for possible tax field audits in the countries of operations. The extent of such provisions is based on different factors, e.g. experience from past tax field audits and different interpretations of tax law regulations by the taxpaying entity and the responsible tax office. Such different interpretations can result from a number of different facts and circumstances depending on the conditions that prevail in the country of domicile of the respective group company.

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 primarily 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. For further details, we refer to note 66.

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, mortality and future increase in pensions. Due to the complexity of measurement, the assumptions used as a basis and their long-term nature, a defined benefit obligation shows very sensitive reactions to any modifications of these assumptions. 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 at least sound credit rating. The mortality rate is based on publicly accessible mortality tables. Further details regarding the applied assumptions can be found in notes 22 and 59.

ACCOUNTING POLICIES

6. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Business combinations are accounted for using the purchase method. Costs of a business combination consists of the balance of the transferred consideration measured at fair value as of acquisition date and – if applicable – the non-controlling interests in the acquired entity. Expenses incurred in the scope of the business combination are recognized as expense.

If an entity is acquired, the classification and designation of the financial assets and assumed liabilities is assessed in compliance with the contract terms, economic framework and conditions prevailing at the time of acquisition.

Upon initial recognition, goodwill is measured at cost, which constitutes the surplus of the transferred consideration and the amount of the non-controlling interest – if applicable – over the acquired identifiable assets and assumed liabilities of the group. If this consideration ranges below fair value of the net assets of the acquired subsidiary, the difference (badwill) is recognized on the income statement.

Solarparc AG

On November 15, 2010, SolarWorld AG decided to offer the shareholders of Solarparc AG to acquire registered shares of Solarparc AG by way of a voluntary public takeover bid by granting one registered share of SolarWorld AG in exchange for each Solarparc AG share. The respective tender document as authorized by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) was published on December 31, 2010.

In total 3,914,116 shares were handed in for exchange until the expiration of the acceptance term on February 17, 2011. Thereafter, further 66,264 shares of Solarparc AG were acquired at acquisition costs of € 616k at the stock exchange. Taking into account the 1,708,334 Solarparc AG shares already in possession of SolarWorld AG as of December 31, 2010, SolarWorld AG's voting rights in Solarparc AG amount to 94.81 percent as of December, 31 2011. January 12, 2011 is deemed date of change of control and, thus, first-time consolidation date as at this date more than 50 percent of the Solarparc AG shares could be attributed to SolarWorld AG for the first time.

Solarparc AG is the parent company of Solarparc group and responsible for both strategy and operations. Solarparc AG plans, constructs, operates and sells renewable energy power plants and so far divided its operations into two strategic business units: power generation and industrial plants. Through management and the operation of the group-owned renewable energy power plants, the sustainably generated power is fed into the network for consideration in accordance with the Renewable Energy Act. In addition, Solarparc AG assumes technical and commercial management of renewable energy plants as a service for its customers. Major renewable energy plants are sold to institutional and private investors either individually or bundled as a fund project. In general, the power plants originate form Solarparc AG's own planning.

With the takeover of Solarparc AG its expertise will be fully integrated into SolarWorld group. Thereby, the strengths of Solarparc AG in connection with project planning and management of major energy plants can be used by SolarWorld AG.

Material transactions which would have to be disclosed separately from the business combination according to IFRS 3.51 have not happened.

The accounting for the business combination basically occurs by taking into accounts the rules and regulations of IAS 27 and IFRS 3 with regard to a business combination achieved in stages. Consequently, the acquisition of SOLARPARC AG has been broken down into three stages and accounted for accordingly.

The determination of the fair values of the shares in SOLARPARC AG gained by way of share exchange occurred on the basis of the respective share prices of the SOLARWORLD AG share at the dates on which SOLARWORLD AG has gained knowledge of the fact, that the shareholders of SOLARPARC AG have irrevocably accepted the exchange offer.

1) Increase of non-controlling interests

Until obtaining control, 2,689 shares of SOLARPARC AG have been acquired by way of granting the equivalent number of SOLARWORLD AG shares. The investment of SOLARWORLD AG in SOLARPARC AG increased from 28.47 percent up to 28.52 percent. The amount of the investment measured at equity until this date has been increased by € 20k which is the fair value of the exchanged treasury shares.

2) Obtaining control/acquisition date

On January 12, 2011, SOLARWORLD AG obtained 3,000,001 shares of SOLARPARC AG by way of share swap and thus increased its investment from 28.52 percent to 78.52 percent. The fair value of the exchanged treasury shares amounted to € 21,480k.

Furthermore, according to IFRS 3.42, an exchange of the shares already in possession of SOLARWORLD AG has been assumed at fair value (€ 12,251k) at the acquisition date. Since the book value amounted to € 7,336k a gain in amount of € 4,915k has been recognized and disclosed in other operating income.

The following chart shows the determination of goodwill of € 4,642k on the basis of the net assets' fair value at the time of acquisition:

	k€
Intangible assets	7,091
Property, plant and equipment and financial assets	49,903
Other non-current assets	1,034
Current assets	153,942
Trade receivables	6,015
Financial assets	34,741
Other assets	293
Liquid funds	9,861
Assets available for sale	103,032
Total assets	211,970
Total liabilities	−175,373
Identifiable net assets at fair value	36,597
Less non-controlling interests (21.48 %)	−7,862
Identifiable net assets at fair value under consideration of non-controlling interests	28,735
Transferred consideration	33,377
- Value of the treasury shares exchanged on January 12, 2011 (total of 3,000,001)	21,480
- Exchange of former non-controlling interests at fair value (total of 1,711,023)	12,251
- Commitments from pre-existing relationships	−354
Goodwill	4,642

Regarding the acquired receivables the fair values correspond to the gross contractual amounts. Specific valuation allowances have not been set up.

The option to measure the non-controlling interests at fair value (IFRS 3.19) is not applied. Instead, the non-controlling interests are measured at their proportionate share of the SOLARPARC AG's identifiable net assets measured at fair value so that hidden reserves are released with regard to the identifiable assets but a goodwill from non-controlling interests is not recognized.

3) Acquisition of further shares

The further increase of the investment in SOLARPARC AG by 977,690 shares in total until December 31, 2011 has been accounted for according to IAS 27.30 as a transaction between owners. The 911,426 shares obtained by way of share swap have been measured at their fair value in amount of € 7,305k. In the course of a transaction with owners in their capacity as owners additional purchases only affect the distribution of the residual claims of the owners. The recognition of assets and liabilities in the balance sheet consequently remains unchanged. However, in between equity, a value shift between controlling and non-controlling interests takes place. Accordingly, resulting from this transaction, a reduction of non-controlling interests in amount of € 5,693k as well as a simultaneous reduction of accumulated profits by € 1,957k has been recorded.

Since the entity has been integrated in the group, it did contribute revenue in amount of € 17,455k as well as a result for the period in amount of € 783k to the group. Thereof, revenue in amount of € 6,415k as well as a share in the result of the period in amount of € 1,808k has to be attributed to discontinued operations. The result of the period for discontinued operations also contains the result from the termination of the consolidation of SOLARPARC DEUTSCHLAND I GMBH & CO. KG as of June 30, 2011. Had the business combination taken place at the beginning of the year, only immaterial changes to these amounts had resulted. Thus, for reasons of practicability and efficiency, we did not determine the disclosures in accordance with IFRS 3.B64 (q) (ii).

The business combination resulted in an actual cash inflow of € 16,138k, which is determined as follows:

	k€
Transaction costs of acquisition (included in cash flow from operating activities)	**–147**
Assumed liquid funds	**16,285**
Actual cash inflow	**16,138**

In the scope of additional acquisitions via the stock market, additional payments of € 616k, were made. Hence, the total cash inflow amounted to € 15,522k.

The costs of the transaction are included in other operating expenses.

For the purpose of segment reporting, the SOLARPARC subgroup was allocated to the segment trade. Within this segment, the goodwill was assigned to SOLARPARC AG's segment "Industrial plants."

7. INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost and – with the exception of goodwill – are subject to regular straight-line amortization, their useful lives ranging between 4 and 15 years. Aside from goodwill, intangible assets subject to indefinite useful lives do not exist. Expenditure on research incurred upon generation of intangible assets is immediately recognized as an expense. The same applies as regards development expenditure because research and development are iteratively linked and reliable separability therefore generally does not exist. Sustained impairments are taken into account by extraordinary amortization.

Profits or losses from de-recognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized through profit or loss in the period in which the asset is de-recognized.

All expenses for exploration and evaluation of mineral resources are recorded as such and separately recognized as intangible assets. To the extent to that indications exist that point to impairment in terms of IFRS 6.20, the intangible asset is assessed for potential impairments. At balance sheet date, such indications were not at hand. After successful exploration and evaluation, the intangible asset is subject to regular amortization for the duration of the digging period. Depreciation of property, plant and equipment used for exploration and evaluation purposes is part of the expenses that are recognized as intangible asset.

Goodwill – especially from capital consolidation – is subjected to an annual impairment test in accordance with IFRS 3 and IAS 36 and 38. Impairment tests are also conducted if individual indications imply the necessity. We refer to our comments in note 9 below.

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 costs that can be directly attributed to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the respective asset if a period of at least one year is required to prepare the asset for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. As a basic rule, the group capitalizes borrowing costs for qualifying assets. However, no qualifying assets were identified in the annual period 2011. Hence, all borrowing costs were recognized as expenses.

Ongoing maintenance and repair expenses that do not constitute material replacement investments are recognized as expense right away. To the extent to that substantial parts of property, plant and equipment need to be replaced in regular intervals, the Group recognizes these as separate assets with specific useful lives or depreciation. In the event of a major inspection, the Group capitalizes in the carrying amount of the item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. All other inspection and maintenance cost is recognized through profit or loss immediately.

To the extent to that depreciable property, plant and equipment consist of material identifiable components with different useful lives, these components are recognized separately and written down over the course of the respective useful life.

The present value of an expected disposal of an asset after use is included in the respective asset's cost if the recognition criteria for a provision are met. Detailed information on the measurement of the provision for building restoration obligations can be found in note 59.

With respect to own work capitalized we refer to note 28.

The following useful lives are used as a basis for depreciation:

Buildings including investment property	15 to 50 years
Buildings/fixtures on leasehold land	Term of lease agreements (max. 10–15 years)
Technical equipment and machinery	Up to 10 years
Wind power and photovoltaic plants	20 years
Other equipment, factory and office equipment	3 to 5 years

Property, plant and equipment are derecognized either upon retirement or as soon as no further economic benefit is expected from further utilization or disposal of the recognized asset. The profits or losses resulting from derecognizing the asset are determined as the difference between the net sale price and the carrying amount of the asset and are recognized on the income statement through profit or loss in the period in which the asset is derecognized.

Investment grants and subsidies do not reduce the respective asset's cost but are subject to deferral on the liabilities side of the balance sheet. In this regard, we refer to notes 21 and 58.

9. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As of each balance sheet date, the carrying amounts of property, plant and equipment and intangible assets are examined with regard to indications of the occurrence of an impairment (impairment test). If such indications are identifiable, the recoverable amount of the asset is estimated to determine the extent of any possible impairment expenses. To the extent to that the recoverable amount cannot be estimated for the individual asset, the determination is conducted on the level of the cash generating unit (CGU) to which the respective asset is assigned.

Intangible assets with indefinite useful lives or those that cannot yet be used are subject to impairment testing at least once a year (December 31) and whenever so-called triggering events occur. Aside from recognized goodwill SolarWorld group does not have any assets with indefinite useful lives.

The recoverable amount is the higher one of the fair value less costs to sell and the value in use:

- For determining the value in use, the estimated future cash flows are discounted with a pre-tax interest rate, which considers both the current market assessment through time value of money and risks concerning the asset to the extent to that they are not yet accounted for in the scope of the cash flow estimation. The computations are based on forecasts that are based on financial plans for the next five years as authorized by management. The planning horizon shows the assumptions for short- and medium-term market developments. On the basis of the last detailed forecast year, an extrapolation of the cash flows with an annual growth rate of 1 percent was assumed for the perpetuity period that exceeds these terms. Discounting of the free cash flows was carried out at weighted average cost of capital after corporation taxes of 8.2 percent for the detailed planning period (2010: 9.4 percent) and 7.2 percent for the perpetuity period (2010: 6.9 percent). This discount rate is based on the risk-free interest rate of 2.5 percent determined in accordance with the reporting date-related interest structure at the bond market and a general market risk premium before personal taxes of 5 percent. Data of a representative peer group, in which SolarWorld AG is also considered, were used for determining the beta factor, borrowed capital surcharge and capital structure.

- The fair value less costs to sell is initially determined on the basis of actual binding offers for the disposal of the assets at hand or according to pricing of comparable assets in an active market. A secondary means is the derivation of market-based sales prices on the basis of comparable transactions and the best possible information otherwise available. If the latter is not possible either, the fair value less cost to sell can be determined in accordance with an adequate measurement method (discounted-cash-flow method). However, SolarWorld group did not make use of this possibility. To the extent to that the fair value less cost to sell was determined for individual assets as a basis for impairment tests, it equals a price derived by way of an expert's estimation from comparable transactions, which fair and eager independent third parties would be willing to pay less expected cost to sell.

To the extent to that the recoverable amount of an asset or a CGU falls short of its carrying amount, the carrying amount is written down to the recoverable amount. The impairment charge is recognized through profit and loss immediately.

Should the impairment charge be reversed, the carrying amount of the asset or the CGU will be increased to the reassessed recoverable amount. Attention needs to be paid to the ceiling of the addition in the amount of the original carrying amount of the asset or CGU. The reversal of an impairment charge is recognized through profit and loss immediately.

Goodwill is not subject to scheduled amortization but is assessed on the basis of the recoverable amount of the CGU it is assigned to (impairment only approach). Goodwill acquired in the scope of a business combination is assigned to each individual CGU that is expected to get synergies out of the combination. The impairment test is conducted at least annually at reporting date (December 31) and again if indications of an impairment of the CGU are at hand.

In the event that the carrying amount of the CGU the goodwill was assigned to exceeds the recoverable amount the assigned goodwill is written down in the amount of the determined difference. Goodwill impairments cannot be reversed once they are conducted. If the impairment of the CGU exceeds the carrying amount of the assigned goodwill, a proportionate impairment of the carrying amounts of the assets assigned to the CGU is conducted in the amount of the remaining impairment amount.

With regard to the results of the impairment tests conducted during the reporting year, we refer to note 32.

10. INVESTMENT PROPERTY

Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. In the scope of subsequent measurement, investment property is recognized at cost less straight-line depreciation and impairment expenses. With regard to measurement bases and useful lives we refer to note 8.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the group accounts for such property in accordance with details stated in note 8 until the time of the change of use.

11. INVESTMENTS MEASURED AT EQUITY

The group's investments in associates are recognized in accordance with the equity method. An associate is an entity in which the group has significant influence.

Furthermore, the group is utilizing the option in accordance with IAS 31.38 and recognizes its interest in jointly controlled entities (joint ventures) using the equity method also.

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 inter-company results from transactions with the investee. 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 in the line item "result from investments measured at equity" the group's share in the profit or loss of the investee including the effects of the development of the disclosed hidden reserves and burdens. This concerns profit allocable to the investors and, thus, profit after tax and non-controlling interests in the investee's subsidiaries. The group recognizes any changes recognized directly in the investee's equity to the extent of its share. Unrealized inter-company results from transactions between the investee and the group are also eliminated through the item "result from investments measured at equity" in accordance with the latter's share in the investee.

The financial statements of the associated companies are prepared as of 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 charges with respect to the group's investment. As of 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.

12. OTHER NON-CURRENT ASSETS

Prepayments made on inventories are recognized in other non-current assets. The prepayments were partially made in US$. As this does not concern monetary items in terms of IAS 21.6, measurement was carried out at historic rate at the time of spending. Since the payments made are contractually agreed to be non-interest bearing but the facts and circumstances are implicitly based on a financing transaction, they are compounded in accordance with term-consistent or implicit interest rates.

13. INVENTORIES

Inventories include raw materials and supplies, work in process and finished goods, merchandise and short-term 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 production 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, as inventories do not constitute qualifying assets from the group's point of view.

Measurement as of 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.

Due to the prevailing manufacturing circumstances in both entity and industry, finished goods and merchandise are summarized in the comments on inventories in note 49.

Some of the current prepayments recognized in inventories were paid in US$. Measurement was carried out at historic rate at payment date because the prepayments are non-monetary items in terms of 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.

14. 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. 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 stated in foreign currencies are accounted for at closing rate.

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 notes 25 and 27.

15. OTHER RECEIVABLES AND ASSETS

Other receivables and other assets are accounted for at nominal value. Identifiable risks and general credit risks are taken into consideration by setting up corresponding value adjustments.

16. OTHER FINANCIAL ASSETS

Financial assets in terms of IAS 39 are either categorized as financial assets

- "measured at fair value through profit or loss,"
- "held-to-maturity-investments,"
- "financial assets available for sale,"
- "loans and receivables," or
- derivates that were designated as hedging instruments and are effective as such.

The Group determines the classification of its financial assets upon initial recognition. Upon initial recognition, financial assets are measured at fair value plus transaction costs. Financial assets classified as "measured at fair

value through profit or loss" are exempted therefrom, as they are initially recognized at fair value without taking transaction costs into account.

At reporting date, no securities categorized as "held-to-maturity investments" exist.

Subsequent measurement of financial assets depends on their categorization.

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. This category also includes the Group's derivative financial instruments that are not designated as hedging instruments in hedge accounting in terms of IAS 39.

Financial assets 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 takes place with regard to revenue-optimized liquidity management and is, for the most part, centrally managed by Solar World AG. At reporting date, financial assets of this category did not exist.

Financial assets "at fair value through profit or loss" are recognized at fair value. Each profit or loss resulting from measurement is recognized in the financial result through profit or loss. The recognized net gain or loss also includes possible dividends and interest of the financial asset.

The fair value of financial instruments traded in active markets is determined by the market price at balance sheet date without any deduction for transaction costs. The fair value of financial instruments not traded in an active market is determined in application of appropriate measurement methods. For further details on the applied measurement methods, we refer to note 66.

Financial assets categorized as "loans and receivables" are non-derivative assets with fixed or identifiable payments that are not listed in an active market. After initial recognition, such financial assets are measured at amortized cost using the effective interest method less possible impairments in value in the scope of subsequent measurement.

Financial assets categorized as "available-for-sale financial assets" are financial instruments intended to be held for an indefinite period, which May be sold as a reaction to liquidity needs or changes of the market environment. After initial recognition, "available-for-sale financial assets" are measured at fair value in the following periods. Unrealized profits or losses are recognized in the AfS-reserve. Upon derecognition of such an asset, the accumulated profit or loss is transferred to be shown on the income statement.

In consideration of IFRIC 14 and IAS 19, SolarWorld AG capitalized liability insurances in the 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).

17. LIQUID FUNDS

Liquid funds include cash and cash equivalents in the form of cash in hand, bank balances and current investments made with banks that can be converted into cash contributions at any time and are subject to marginal fluctuations in value. They are categorized as “loans and receivables” and measured at amortized cost less possible impairments in accordance with the effective interest method.

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and current deposits less utilized advances on current accounts.

18. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Individual non-current 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.

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 the 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.

19. FINANCIAL LIABILITIES AND TRADE PAYABLES

Upon 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.

Financial liabilities measured at fair value through profit or loss in subsequent recognition usually concern derivative financial instruments. We refer to note 20 below.

With respect to subsequent recognition, trade payables and other original financial liabilities, e.g. interest bearing loans, are measured at amortized cost in accordance with the effective interest method. Profits and losses are recognized through profit or loss if the liabilities are derecognized and in the scope of amortization by way of the effective interest method.

Financial guarantees issued by the group are contracts concerning the obligation to make payments compensating the guarantee for a loss that results from a specific debtor not complying with his payment obligations in accordance with the requirements of a debt instrument in due time. Upon initial recognition, financial guarantees 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 as of balance sheet date or at the higher recognized amount less accumulated amortization.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

SolarWorld Group utilizes derivatives for hedging interest rate, currency exchange and commodity risks resulting from operating activities, financial transactions and investments.

These financial instruments are measured at fair value through profit or loss and are classified as financial assets or liabilities held for trading if they are acquired for the purpose of selling it in the near term or not designated as hedging instruments in hedge accounting in terms of IAS 39. Profits or losses from financial assets or liabilities held for trading are recognized through profit or loss. The results are stated in other operating income or expenses to the extent to that the financial instrument was concluded for hedging purposes with regard to operating activities. Results are stated in other financial result to the extent to that the financial instrument concerns financing or investment activities.

Derivative financial instruments that are designated as hedging instruments and effective as such are categorized as current or non-current and split up in a current and a non-current part on the basis of an assessment of the facts and circumstances.

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

The decisive factor for recognition of changes in fair value – recognition on the income statement through profit or loss or recognition in equity not affecting profit or 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 relationship as such is accounted for.

At inception of the hedging relationship, the relation between hedged item and hedging instrument including the risk management objectives is documented. 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 in the scope of a cash flow hedge is recognized in equity. Profit or loss falling upon the ineffective part is immediately recognized through profit or loss.

Amounts recognized in equity are transferred to the income statement in that period in which the hedged item of the cash flow hedge becomes effective through profit or loss. Recognition on the income statement occurs within the same line 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.

At initial recognition and in subsequent measurement, derivative financial instruments are recognized at fair value. The recognized fair values of traded derivative financial instruments equal the market prices. Derivative financial instruments that are not subject to trade are calculated using accepted measurement methods based on discounted-cash-flow-analyses and by taking recourse to current market parameters. We refer to note 66.

21. 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.

IAS 20 also applies to income from investment tax credits. 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.

22. 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.

One of SolarWorld AG's subsidiaries has a defined benefit plan, the insolvency protection of which is effected via the pension security association. Plan assets do not exist. These pension provisions are measured in accordance with the projected unit credit method for defined benefit plans as required by IAS 19. SolarWorld Group made use of the option to recognize actuarial gains and losses as expenses or income if the net cumulated unrecognized actuarial gains and losses at the end of the prior reporting period exceed 10 percent of the obligation at this date. The interest proportion included in the pension expenses is recognized in the item "interest and similar financial expenses".

The amount to be recognized as a liability from a defined benefit plan includes the present value of the defined benefits (using a discounted interest rate on the basis of first-class fixed-interest industrial bonds) less the yet unrecognized past service cost and the yet unrecognized actuarial losses (plus gains).

23. OTHER PROVISIONS

Other provisions are set up to the extent to which a current (legal or constructive) obligation to third parties exists originating from an event in the past 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. To the extent to that the group expects at least a proportionate refund for a provision carried as liability (e.g. in case of an insurance agreement), the refund is recognized as a separate asset if the inflow of the refund is virtually certain. The expense from setting up the provision is recognized on the income statement less the refund. For further details, we refer to note 59.

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. In this context, we refer to note 68.

Provisions for expenses in connection with guarantees are set up at the time the respective product is sold or the service is rendered. First-time recognition is conducted on the basis of estimations and assumptions. We refer to our statements in note 5. The original estimation of expenses in connection with guarantees is subject to examination on a regular basis.

Provisions for restructuring measures are set up to the extent to that a detailed formal restructuring plan is prepared and announced to the concerned parties.

Provisions for restoration obligations are recognized for contractually specified obligations and are measured at expected cost for restoration.

Provisions for contingent losses from onerous contracts are set up if the economic benefit expected from the contract ranges below the expenses inevitable for meeting the contract requirements.

24. OTHER LIABILITIES

Accrued liabilities included in the balance sheet item "other liabilities" are recognized for services and goods received and for obligations to employees 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 to 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$. 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 is conducted at matched maturity or implicit interest rate.

In the scope of a "trust agreement for insolvency protection", payments to an escrow account in connection with the accrued liabilities for profit-oriented employee compensation have been made since 2009. These payments concern obligations from the business years 2009 and before. As these obligations are considered other long-term employee benefits in terms of IAS 19.126 (d), the current value of the obligations at balance sheet date is netted with the fair value of the escrow account (which is to be regarded a plan asset) in terms of the measurement according to IAS 19.128. Plan assets comprise assets held by a long-term employee benefit fund. Plan assets are not available to the entity's creditors and cannot be paid directly to the entity. Both current and non-current netting was conducted at reporting date.

25. REVENUE AND EXPENDITURE RECOGNITION

Income is recognized when it is probable that the economic benefit will flow to the group and the amount of income can be reliably determined. Income is measured at fair value of the received or to be claimed payment less granted (cash) discounts and VAT or other dues.

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 (PoC) set forth by IAS 11. Under this method, a pro-rata profit realization is recognized by reference to the stage of contract completion if the assessment of the stage of contract 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 11.30 (a). If the stated requirements are met, the overall contract revenue is recognized on a pro-rata basis in compliance with the stage of completion. Contract expenses include the costs directly attributable to the contract and a proportion of overhead. To the extent to that the result of a construction contract cannot be reliably determined, project income is recognized in the amount of the connected project costs, which makes

for a zero balance (zero-profit-method). To the extent to that SolarWorld Group received payments on account for receivables from construction contracts, these are separated from the receivables from construction contracts. If received payments on account exceed the receivables from construction contracts, the construction contracts are recognized with their liability balance. Receivables and liabilities from construction contracts are not offset.

Advances received in connection with long-term sales contracts for silicon wafers are released through profit or loss once SolarWorld Group is no longer obliged to credit against future supplies and does, de facto, not consider crediting.

Grants related to expenses are recognized on an accrual basis through profit and loss corresponding to the occurrence 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.

All financial instruments measured at amortized cost as well as interest bearing financial assets classified as available-for-sale, interest income and interest payable are recognized at effective interest rate. This is the calculatory interest rate at which the estimated future incoming and outgoing payments are accurately discounted to the net carrying amount of the financial asset or the financial liability over the course of the expected maturity of the financial instrument or possibly a shorter period. Interest income or expenses are recognized on the income statement as part of interest and other financial income or interest and similar financial expenses and are recognized on an accrual basis.

26. TAXES

a) Current taxes on income

Current tax assets and tax liabilities for the current and earlier periods are measured at the amount that equals the expected refund from or payment to the tax authorities. The calculation of the amount is based on tax rates and tax provisions effective in the country the group is operating in and generates taxable income at balance sheet date.

b) Deferred taxes

Deferred taxes are set up using the liability method for temporary differences between the recognition of an asset or a liability on the balance sheet and its value on the tax balance sheet at balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences with the exemption of:

- deferred tax liabilities from the initial recognition of goodwill
- deferred tax liabilities from taxable temporary differences that are related to investments in subsidiaries, associates and interests in joint ventures if the temporal course of the reversal of the temporary differences can be controlled and it is not probable that the temporary differences will reverse in the near future.

Deferred tax assets are recognized for all deductible temporary differences, not yet used tax loss carryforwards and not yet used tax credits to the extent to that it is probable that taxable income will be available against which the deductible temporary differences and the not yet used tax loss carryforwards and tax credits can be offset. An exemption are deferred tax assets from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures if it is probable that the temporary differences will not be reversed in the near future or if no sufficient taxable income will be available to set off against the temporary differences.

The carrying amount of the deferred tax assets is subject to inspection at each balance sheet date and reduced to the extent to that it is no longer probable that sufficient taxable income will be available against which the deferred tax asset May be offset at least in part. Deferred tax assets that are not recognized are subject to inspection at each balance sheet date and recognized to the extent to that it became probable that a future taxable income might enable the realization of the deferred tax asset.

Deferred tax assets and liabilities are measured by way of those tax rates that will probably become effective in the course of the period in which the asset is realized or a liability is paid. The tax rates (and tax laws) effective at balance sheet date are used as a basis. Future tax rate changes are taken into account if, in the scope of a legislative procedure, substantial prerequisites for its future applicability are met.

Deferred taxes that concern items that are not recognized on the income statement are recognized directly in equity in correspondence with the transaction they are based on.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same tax authority.

c) Value-added tax (VAT)

Income, expenses and assets are recognized after VAT is deducted. The following cases are an exemption to this rule:

- If VAT incurred upon the acquisition of assets or the utilization of services cannot be claimed by the tax authority, the VAT is recognized as part of cost of the asset or part of expenses.
- Receivables and liabilities are recognized with the respective VAT amounts.

The VAT amount to be refunded by or paid to the tax authority is recognized on the balance sheet in the item “other receivables and assets” or in “other current liabilities”.

COMMENTS ON THE INCOME STATEMENT

27. REVENUE

Revenue and its allocation to the business segments and regions can be taken from segment reporting (note 40) in these consolidated notes. Consolidated revenue consist of the following products and services:

in k€	2011	2010
Module- and assembly kit sales (group and third party manufacturing)	**820,621**	947,749
Cells/wafers	**171,538**	309,980
Project proceeds	**30,991**	37,018
Power generation	**13,658**	1,221
Other revenue	**10,132**	8,706
Total	**1,046,940**	**1,304,674**

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

Ongoing projects exist at balance sheet date, the revenue of which was accrued in accordance with the POC-method as stated in IAS 11. At balance sheet date, this makes for the following receivables (prior year: receivables and liabilities) resulting from business transactions in 2011 and prior years.

in k€	Dec. 31, 2011	Dec. 31, 2010
Aggregate amount of costs incurred and recognized profits (less recognized losses)	**27,411**	26,003
Advances received/payments from progress billing	**–25,150**	–6,614
Total	**2,261**	**19,389**
Receivables from construction contracts (note 50)	**2,261**	7,487
Liabilities from construction contracts (note 60)	**0**	–515

The increase in revenue from power generation is due to the acquisition of the SOLARPARC Group.

Other revenue primarily includes income from the sale of other intermediate products and income from recycling activities.

28. OWN WORK CAPITALIZED

Own work capitalized mainly concerns the construction of photovoltaic systems operated by consolidated entities.

29. OTHER OPERATING INCOME

in k€	2011	2010
Reversal of advances received	**134,846**	28,620
Compensation payments	**41,434**	1,164
Reversal of accrued investment grants	**38,450**	14,548
Income from other trade	**19,211**	17,960
Gains from currency translation	**17,253**	18,828
Reversal of provisions and liabilities	**5,909**	5,046
Income from first-time consolidation SOLARPARC AG	**4,915**	0
Earnings from grants for research and development	**3,938**	2,179
Compensation for the discharging from warranty obligations	**2,500**	0
Income from derivative financial instruments	**2,377**	3,218
On-charging of expenses	**1,832**	2,790
Other income relating to other periods	**1,501**	652
Miscellaneous other operating income	**7,706**	5,786
Total	**281,872**	**100,791**

Income from the reversal of received customer advances results from the lapse of the obligation to credit advances for wafer supplies against future supplies. € 118,412k (prior year: € 13,074k) of the income result from the complete lapse of the obligation with regard to several customers while an amount of € 16,434k (2010: € 15,546k) results from shortfalls of orders for wafer supplies that were subject to fixed order volumes in 2011.

Of the increase in compensation payments, € 34.2 million constitute settlement payments for the non-compliance with long-term supply contracts.

Of the income from the reversal of accrued investment grants, € 24,454k are due to irregular amortization in the scope of impairment tests. We refer to notes 9 and 32.

The other income from trade basically results from silicon sales that are not part of the ordinary business activities.

Research and development grants received are subject to a number of requirements. In accordance with our knowledge today, we will be able to meet all of these requirements. Hence, repayment obligations are not expected to arise.

30. COST OF MATERIALS

in k€	2011	2010
Cost of raw materials, supplies and merchandise	**745,113**	710,618
Cost of purchased services	**86,792**	124,162
Total	**831,905**	**834,780**

31. PERSONNEL EXPENSES

in k€	2011	2010
Wages and salaries	115,223	106,075
Social securities and pensions	23,001	20,207
Total	138,224	126,282

The increase in personnel expenses is due to the increase in employees. We refer to note 70. For further details on the remuneration of the executive board, we refer to the management report and note 71.

32. AMORTIZATION AND DEPRECIATION

a) Regular amortization and depreciation

The combination and classification of regular amortization and depreciation for intangible assets, property, plant and equipment and investment property of € 113,481 can be taken from the fixed asset movement schedule. We refer to note 41.

b) Impairment of goodwill and property, plant and equipment

At reporting date, the market capitalization of SolarWorld Group sustainably fell short of the consolidated equity. In accordance with IAS 36.12.d, this can be understood as an indication for existing impairment requirements for all existing assets. Hence, we assessed possible impairments of all assets on the lowest possible aggregation level.

In total, the result was an impairment of property, plant and equipment amounting to € 339 million, whereas corresponding reversals of accrued investment grants of € 24.5 million were recorded.

Reversal of impairment charges did not originate in the reporting year.

The consolidated income statement shows the impairment charges in amortization and depreciation.

aa) Basic assumptions for the calculation of the recoverable amount
Aside from market and industrial trends, general expectations regarding macroeconomic developments and in-house experience, the detailed budgets of the producing cash generating units (CGUs) are based on the following substantial assumptions:

- An initial further drop in sales prices that will, however, stabilize or recover at the end of the detailed planning period
- Increase of the efficiency of mono- and multi-crystalline solar cells
- Decreasing cost of materials
- Increasing productivity

The detailed budgets of the CGU carrying Solarparc AG's goodwill are based on the following substantial assumptions:

- Development and distribution of solar parks with gross profit margins of max. 4 percent.
- Taking over the operational management for the solar parks distributed in Germany with constant margins

Upon calculating the recoverable amount of the tested CGUs, the assumptions used as a basis are subject to estimation uncertainties especially with respect to:

- Gross profit margins
- Discount factors (discount rates)
- Development of prices for commodities
- Output quantity in the observation period
- Development and distribution volume of solar parks and
- Growth rate that is used as a basis for the extrapolation of the cash flow forecasts beyond the budget period

GROSS PROFIT MARGINS. Gross profit margins result from the scheduled transfer and sales prices and the planned cost development. For the development of step costs, we assumed an output quantity that does not use any additional investments as basis. In addition, we expect increases in productivity and decreases in cost of materials. SolarWorld AG expects the market prices for solar modules to further decrease in the next two years. Thereafter, the SolarWorld AG expects a stabilization or recovery of prices.

DISCOUNT RATES. The discount rates reflect current market assumptions regarding the specific risks of SolarWorld AG. The discount rates were estimated on the basis of customary average weighted capital costs (WACC). The interest rate were further adjusted by market assessments regarding all specific risks of SolarWorld AG for which the estimations of future cash flows were not adjusted.

DEVELOPMENT OF COMMODITY PRICES. The estimations include the published price indices for important commodities like silicon and silver. Actual past developments of commodity prices are used as an indicator for future price developments and – to the necessary extent – amended by management's estimations.

ASSUMPTIONS REGARDING OUTPUT QUANTITY. For the determination of the value in use in the scope of the impairment tests, SolarWorld AG assumes the full utilization of existing capacities from 2013 on. An increase is expected with respect to the output quantity in watt peak due to technological progress (increasing efficiency) and efficiency increase programs.

DEVELOPMENT AND SALES VOLUME OF SOLAR PARKS. The estimations are based on experience gained from projects processed in the past, the respective available resources and management planning.

ESTIMATIONS OF THE SUSTAINED GROWTH RATE . The growth rate used as a uniform basis in the phase of sustained growth amounts to 1.0 percent for all CGUs. This equals half of the estimated long-term inflation rate (source: International Monetary Fund) and thus equals the proportion of expected increases in prices that management believes can be passed on to the customer in the long-term.

bb) Results of the impairment tests

In the reporting year, the result of the impairment test on the level of the CGUs with regard to property, plant and equipment and goodwill was as follows:

In 1999, SolarWorld acquired Bayer Solar GmbH (now Deutsche Solar GmbH), a market leader in the field of wafer production domiciled in Freiberg, industrial park South. This acquisition resulted in a goodwill of € 29.6 million, which was mainly paid due to the expected market growth opportunities. It was assigned to the corresponding CGU "Deutsche Solar GmbH". In 2009, SolarWorld AG built a new production site of Deutsche Solar GmbH in Freiberg, Industrial Park East. Although it constitutes an independent CGU, the site benefits from the complementary resources of Deutsche Solar GmbH and the already existing site in Freiberg, Industrial Park South. Thus, the goodwill was tested on the level of the CGU group "Deutsche Solar GmbH" or "Production Wafer Germany" respectively, which includes the two production sites "Freiberg Industrial Park South" and "Freiberg Industrial Park East" as independent CGUs.

The production sites for multi-crystalline wafers in Freiberg that each constitutes an independent CGU together form the CGU group "Production Wafer Germany", which is assigned to the segment "Production Germany". The production at the "Freiberg Industrial Park South" site was suspended and the assets were impaired by € 81.2 million to net realizable values as assessed by an expert evaluation. For the valuation of the production at the "Freiberg

Industrial Park East", a value in use was determined that falls short of the carrying amount of the CGU by € 59.4 million. This impairment charge is attributable to the great price decline for solar wafers due to the overcapacities on the global wafer market and the non-compliance with long-term wafer contracts by a large number of our customers and thus the lack of utilization of production facilities. For the impairment test of the carrying amounts on the level of the CGU "Production Wafer Germany", the impaired carrying amounts were taken into account. The recoverable amount of the group of CGUs equals the total of the recoverable amounts of the two CGUs. The assigned goodwill however increases the carrying amount of the group of CGUs. Upon unchanged recoverable amounts, the carrying amount of the group of CGUs was therefore not covered by the recoverable amount of the two CGUs. Hence, goodwill of € 29.6 million was impaired in full.

On the basis of the value in use, an impairment charge of € 7.7 million was recognized for the CGU "Recycling", which conducts the operations for recycling of raw materials of the solar value added chain on a group-wide level at the Freiberg site and which is also part of the "Production Germany" segment. This impairment charge is a consequence of the lack of utilization of the wafer production capacities and the loss of external customers that cannot be compensated in the short term. Thus, ideal utilization of the existing recycling capacities cannot be achieved in the future.

On the basis of the value in use calculation, an impairment charge of € 91.1 million to the estimated net realizable values was necessary with regard to the CGU "Wafer U.S.", which produces mono-crystalline wafers at the Hillsboro (Oregon, U.S.) site and is part of the "Production U.S." segment. Expert assessments regarding the net realizable values for the material assets were at hand. The net realizable values of the remaining assets were derived from these assessments. The impairment charge also results from the great price decline for solar wafers due to overcapacities on the global wafer market.

An impairment charge of € 42.8 million was recorded on the basis of the value in use calculation of the CGU "Cell U.S." that comprises the cell production at the Hillsboro (Oregon, U.S.) site and that is also assigned to the "Production U.S." segment. The impairment charge reflects the decline in prices for solar cells and the current cell production costs at the Hillsboro site.

With regard to the CGU "Module Camarillo", which is assigned to the "Production U.S." segment, an impairment charge of € 13.4 million was recorded on the basis of the net realizable values estimated by an expert's assessment due to the suspension of the module production at the Camarillo site.

The goodwill originating from the acquisition of Solarparc AG was assigned to Solarparc AG's CGU "Industrial plants" that comprises the development and distribution of major renewable energy plants and subsequent operational management of these plants. The CGU is part of the "Trade" segment. The conducted impairment test revealed that the recognized goodwill is not impaired.

Moreover, impairment charges of € 13,822k (prior year € 1,782k) were recognized for individual assets. Of these, € 6,307k concern technical equipment whose remaining useful lives were reduced due to a planned exchange of technical production components. Due to this reduction of the remaining useful lives, depreciation amounts will be € 2,071k higher in the next year.

33. OTHER OPERATING EXPENSES

in k€	2011	2010
Maintenance expenses	**26,174**	18,430
Marketing expenses	**25,580**	17,058
External staff expenses	**25,003**	24,207
Allowances for receivables and defaults on receivables	**23,468**	4,614
Expenses in connection with other trade	**20,802**	16,325
Selling expenses	**20,733**	18,493
Losses from currency translation	**16,170**	15,645
Legal fees, consultancy and audit expenses	**7,949**	4,459
Expenses from additions to warranty provision	**6,170**	4,706
Expenses from insurances and contributions	**6,083**	6,724
Research and development costs (third party)	**5,990**	3,328
Rent and lease expenses	**5,605**	4,898
Data processing expenses	**5,390**	5,049
Travel expenses	**4,662**	4,955
Expenses from the addition to other provisions	**1,910**	943
Expenses from sewage and waste disposal	**2,527**	2,083
Expenses for phone, stamps, internet	**1,660**	1,547
Expenses relating to other periods	**1,640**	1,912
Expenses from derivative financial instruments	**208**	1,057
Miscellaneous other operating expenses	**18,081**	16,174
Total	**225,805**	**172,607**

The increase in maintenance expenses is primarily due to the expansion of the production in the U.S., the set-up of the new distribution building in Bonn and the acquisition of SOLARPARC AG.

In the reporting year, marketing costs were increased to enhance our brand value.

€ 21,445k (prior year € 4,130k) of defaults on receivables relate to wafer customers. On the other side for these customers income from the reversal of customer advances amounting to € 42,590k were recorded. With regard to the development of allowances for receivables, we refer to note 50.

Expenses in connection with other trade basically results from silicon sales that are not part of the ordinary business activities. The respective income from silicon sales are recognizes in the other operating income.

Exchange rate losses are offset by exchange rate gains of € 17,253k (prior year € 18,828k) which are recognized in other operating income (note 29).

34. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs of SOLARWORLD Group made for a total of € 27,162k (prior year € 19,233k) in the reporting year. The largest part of these expenses results from non-personnel expenses.

35. FINANCIAL RESULT

a) Result from investments measured at equity

in k€	2011	2010
Income from investments measured at equity	**1,003**	6,604
Expenses from investments measured at equity	**−1,940**	−6,354
Total	**−937**	**250**

€ 776k of the income from investments measured at equity resulted from the disposal of SolarWorld Korea Ltd. and Solarpark M.E. Ltd in June 2011.

b) Interest and similar income

in k€	2011	2010
Interest income	**6,421**	6,472
Other financial income	**16,344**	18,000
Total	**22,765**	**24,472**

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”.

Other financial income mainly includes income from the addition of accrued interest from received customer advances.

c) Interest and similar expenses

in k€	2011	2010
Interest expenses	**65,482**	65,319
Other financial expenses	**14,754**	15,338
Total	**80,236**	**80,657**

Interest expenses exclusively consist of interest payable for financial liabilities categorized as “measured at amortized cost“. They mainly 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 profit-oriented employee compensation.

Other financial expenses mainly include expenses from the addition of accrued interest from received customer advances and facility fees for unutilized for credit lines.

As in the prior year, borrowing costs eligible for capitalization leading to a reduction of interest expenses do not exist.

d) Other financial result

in k€	2011	2010
Net gains and losses from		
financial assets and financial liabilities designated as measured at fair value	**3,649**	5,683
financial assets held for trading	**–7,391**	3,781
financial liabilities measured at amortized cost	**8,257**	2,340
Gains from currency translation	**589**	0
Total	**5,104**	**11,804**

As in the prior year, the net result of the category "designated at fair value through profit or loss" is only marginally influenced by changes of the credit risk.

Derivatives that are 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 held for trading".

36. RESULT FROM DISCONTINUED OPERATIONS

The result from discontinued operations is attributable to the solar fund SOLARPARC DEUTSCHLAND I GMBH & CO. KG, which is no longer part of the consolidated group of the SOLARPARC Subgroup and thus SOLARWORLD Group since the full placement of the equity of SOLARPARC DEUTSCHLAND I GMBH & CO. KG on June 30, 2011. SOLARWORLD AG had already classified the solar fund SOLARPARC DEUTSCHLAND I GMBH & CO. KG as a "held for sale" investment in the scope of first-time consolidation. With regard to further details we refer to the facilitation provisions of IFRS 5.33 b) and c) in connection with IFRS 5.32 c).

37. TAXES ON INCOME

The following chart shows the composition of recognized tax expenses:

in k€	2011	2010
Actual domestic tax expenses	**21,237**	55,058
Actual foreign tax expenses	**1,786**	114
Total actual tax expenses	**23,023**	**55,172**
Deferred domestic tax income (–)/expenses (+)	**–9,241**	3,745
Deferred foreign tax expenses	**761**	2,392
Total deferred domestic tax income (–)/expenses (+)	**–8,480**	**6,137**
Total recognized tax expenses	**14,543**	**61,309**

Taxes paid or owed on income in the individual countries as well as deferred taxes are recognized as taxes on income.

In an amount of € 12,287k actual domestic taxes include both expected and already incurred expenses due to ongoing and finalized tax field audits. The actual foreign taxes mainly concern foreign withholding tax that originated in the context of the disposal of our Korean subsidiaries.

Both in the past and in prior years, tax losses were incurred by the US entities. IAS 12 sets high requirements when it comes to recognizing deferred taxes on loss carryforwards if the respective tax unit has a recent history of losses. These requirements were not met at reporting date. Thus, as in the prior year, no deferred tax assets were set up with regard to loss carryforwards of US entities (potentially € 23,431, prior year € 17,465k).

With regard to "Federal tax", the tax loss carryforwards of the US entities amount to an equivalent of some € 203 million. They can be offset with tax gains until at least 2024 and will then gradually be forfeited in the years 2025 to 2031. These loss carryforwards make up for some € 63 million in deferred tax assets. With regard to "State tax", the tax loss carryforwards amount to some € 166 million and concern the Federal states of California (€ 105 million), Oregon (€ 59 million) as well as other states (€ 2 million). In California, they can be offset with tax gains until at least 2018 and will then gradually be forfeited in the years 2019 to 2021. For the rest (€ 73 million), they will be forfeited in 2031. In Oregon, the loss carryforwards will gradually be forfeited starting in 2022 while in the other states, part of the loss carryforwards (€ 0.1 million) will be forfeited in 2014 and 2015 while the remaining € 1.9 million will gradually be forfeited starting in 2029. Overall, deferred tax assets of some € 15 million fall upon these loss carryforwards.

For the rest, tax loss carry forwards within the group are marginal. For the main part, no deferred tax assets have been set up.

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:

in k€	Deferred tax assests		Deferred tax liabilities	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Intangible assets /property, plant and equipment	**69,183**	1,382	**18,050**	31,109
Other non-current assets	**153**	2,364	**6,351**	0
Current assets	**30,121**	12,293	**12,119**	15,979
Accrued investment grants	**2,686**	5,230	**0**	0
Other non-current liabilities	**4,408**	2,088	**5,861**	5,720
Current liabilities	**2,471**	3,376	**3,026**	5,154
Tax loss carryforwards	**455**	214	**0**	0
Allowance on other deferred tax assets	**−89,777**	−1,138	**0**	0
Total	**19,700**	**25,809**	**45,407**	**57,962**
Offsetting	**−17,221**	−20,614	**−17,221**	−20,614
Recognized deferred taxes	**2,479**	**5,195**	**28,186**	**37,348**

In connection with hedge accounting, deferred tax assets of € 110k (prior year € 219k) and deferred tax liabilities of € 1,840k (prior year € 3,273k) were recognized directly in equity.

As in the prior year, no deferred tax liabilities for temporary differences in connection with investments in subsidiaries, associates or joint ventures in accordance with IAS 12.39 were recognized as of Dec. 31, 2011. The corresponding temporary differences make for a total of € 7,665k (prior year € 14,116k).

The material differences between nominal and effective tax rates in the course of the reporting year and the prior year are illustrated below:

in k€	2011	2010
Income before taxes	**–286,537**	148,621
Expected income tax rate (incl. trade tax)	**30.0 %**	30.0 %
Expected income tax expenses	**–85,961**	**44,586**
Deviating domestic and foreign tax burden	**–22,499**	–3,863
Actual taxes relating to other periods	**11,635**	1,589
Taxes from non-deductible expenses	**3,217**	3,020
Tax reductions due to tax exempt gains	**–8,821**	–631
Deferred taxes on new tax loss carryforwards not set up	**22,747**	17,926
Goodwill impairment	**8,876**	0
Utilization of impaired tax loss carryforwards	**0**	–1,169
Foreign withholding tax	**1,319**	0
Allowance on other deferred tax assets	**82,216**	1,138
Other deviations of tax expenses	**1,814**	–1,287
Recognized income tax expenses	**14,543**	**61,309**
Effective income tax rate	**–5.1 %**	41.3 %

38. 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. As in the prior year, the key figure "diluted earnings per share" was not applicable as option rights or conversion privileges are not outstanding. The consolidated result for the year results from continued operations and discontinued operations. The number of shares in circulation increased due to 3,914,116 own shares, which were issued in the context of the share exchange for the acquisition of SOLARPARC AG (we refer to note 6). The weighted average of the shares in circulation used as a basis for the determination of earnings per share was recalculated per reporting date and amounts to 110,613,143.

39. STATEMENT OF COMPREHENSIVE INCOME

SOLARWORLD Group decided to present all items of income and expense recognized in a period in two statements, a separate income statement and a statement of comprehensive income. The statement of comprehensive income directly follows the income statement.

Since the amounts that were re-classified from equity to the income of the period or to the initial costs of non-financial assets and the other operating income including any tax effects are presented in the statement of comprehensive income, no further disclosures are required at this point.

40. SEGMENT REPORTING

a) Segment disclosures

The presentation of segment reporting follows the "full management approach". As in the prior year, the following reportable segments were identified:

- Production Germany,
- Production U.S.,
- Trade.

The reason for this is the prevailing internal organization, reporting and steering structure of SolarWorld AG that focuses on the end product "solar module" both as regards to production and trade. The greater objective of the group is to increase the existing synergy and efficiency potentials of the entire value added chain and, thus, to be able to achieve strategic competitive advantages for the end product "solar module".

No operating segments were combined for setting up the aforementioned reportable operating segments.

Each of the two production segments combines regionally related and fully integrated manufacturing activities in Germany and the U.S. and each include the manufacturing areas of the entire value added chain.

The operating segment "trade" comprises the worldwide distribution of solar modules and the operations of Solarparc AG.

The category "all other segments" includes various business activities of the group that did not materially affect the financial position and financial performance in 2011.

As in the prior year, the accounting principles applicable for the consolidated group also apply for the individual segments.

INFORMATION ON OPERATING SEGMENTS FOR THE ANNUAL PERIOD 2011 // IN M€

	Production Germany	Production U.S.	Trade	All other segments	Reconciliation	Con-solidated
Revenue						
External revenue	264	5	863	1	−86	1,047
Intersegment revenue	485	416	2	9	−912	0
Total revenue	**749**	**421**	**865**	**10**	**−998**	**1,047**
Result						
Operating result (EBIT)	**63**	**−200**	**−89**	**−10**	**3**	**−233**
Financial result						−53
Income before taxes on income						**−286**
Taxes on income						−15
Income from continuing operations						−301
Income after tax from dis-continued operations						2
Consolidated net income						**−299**
Regular amortization and depreciation	−61	−40	−6	−6	0	−113
Impairment charges	−153	−156	0	0	−30	−339
Material non-cash income	168	5	0	0	0	173
Material non-cash expenses	−56	−25	−54	0	34	−101

INFORMATION ON OPERATING SEGMENTS FOR THE ANNUAL PERIOD 2010 // IN M€

	Production Germany	Production U.S.	Trade	All other segments	Reconciliation	Con-solidated
Revenue						
External revenue	452	17	985	1	−150	1,305
Intersegment revenue	347	277	1	9	−634	0
Total revenue	**799**	**294**	**986**	**10**	**−784**	**1,305**
Result						
Operating result (EBIT)	**164**	**−10**	**53**	**−5**	**−9**	**193**
Financial result						−44
Income before taxes on income						**149**
Taxes on income						−62
Consolidated net income						**87**
Regular amortization and depreciation	−52	−31	−1	−3	0	−87
Impairment charges	−1	−2	0	0	1	−2
Material non-cash income	43	1	0	0	0	44
Material non-cash expenses	−8	−3	−2	0	0	−13

With regard to external revenue and intersegment revenue, the reconciliation column includes eliminations in connection with toll manufacturing transactions and expense and income consolidation, respectively.

Reconciliation of the balance of the segment results to the consolidated result is mainly attributable to intercompany profit elimination, impairment of goodwill and other insignificant consolidation entries affecting profit or loss.

Revenue of the category “all other segments” primarily comprises the following:

in m€	2011	2010
Research and development (intersegment)	**9**	9
Proceeds from power input	**1**	1
Total	**10**	**10**

The material non-cash income results from the reversal of advances received and accrued investment grants. The material non-cash expenses result from write-downs of inventories and allowances on receivables.

b) Disclosures on group level

With respect to the breakdown of revenue in accordance with products, we refer to the information provided in note 27.

No external customer accounts for more than 10 percent of SolarWorld Group's revenue at once.

Allocation of revenue to individual countries or regions is carried out on the basis of invoicing. Revenue is considered generated in the country in which the addressee of the invoice is domiciled.

in m€	Revenue		Intangible assets, property, plant and equipment and investment property	
	2011	2010	**Dec. 31, 2011**	Dec. 31, 2010
Germany	**444**	691	**574**	627
Rest of Europe	**186**	304	**0**	0
Asia	**113**	127	**0**	0
U.S.	**223**	155	**218**	385
Others	**81**	28	**0**	0
Total	**1,047**	**1,305**	**792**	**1,012**

COMMENTS ON THE BALANCE SHEET

41. DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

	Cost						
in k€	As of Jan. 1, 2011	Additions to consolidated group	Reclassifications	Additions	Disposals	Currency difference	As of Dec. 31, 2011
I. Intangible assets							
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	21,836	7,091	1,372	2,420	46	277	32,950
2. Goodwill	34,883	4,461	0	0	0	0	39,524
3. Exploration and evaluation	0	0		210	0	0	210
4. Prepayments	238	0	−5	108	2	0	339
	56,957	11,732	1,367	2,738	48	277	73,023
II. Property, plant and equipment							
1. Land and buildings	326,522	171	19,089	6,287	867	3,730	354,932
2. Technical equipment and machinery	789,912	48,807	74,250	107,295	12,277	12,221	1,020,208
3. Other equipment, factory and office equipment	29,701	298	2,537	6,397	618	247	38,562
4. Construction in progress and prepayments	105,857	43	−97,235	45,029	552	88	53,230
	1,251,992	49,319	−1,359	165,008	14,314	16,286	1,466,932
III. Investment property	21,264	0	−8	6,737	0	0	27,993
	1,330,213	61,051	0	174,483	14,362	16,563	1,567,948

	Cost						
in k€	As of Jan. 1, 2010	Additions to consolidated group	Reclassifications	Additions	Disposals	Currency difference	As of Dec. 31, 2010
I. Intangible assets							
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	16,937	0	2,686	2,146	115	182	21,836
2. Goodwill	34,797	0	0	86	0	0	34,883
3. Prepayments	390	0	−390	238	0	0	238
	52,124	0	2,296	2,470	115	182	56,957
II. Property, plant and equipment							
1. Land and buildings	251,090	18,128	31,784	18,320	0	7,200	326,522
2. Technical equipment and machinery	545,868	26	128,058	106,980	3,196	12,176	789,912
3. Other equipment, factory and office equipment	23,256	85	3,247	3,479	841	475	29,701
4. Construction in progress and prepayments	182,639	165	−165,385	84,814	2,694	6,318	105,857
	1,002,853	18,404	−2,296	213,593	6,731	26,169	1,251,992
III. Investment property	0	21,264	0	0	0	0	21,264
	1,054,977	39,668	0	216,063	6,846	26,351	1,330,213

		Amortization, depreciation and impairment					Carrying amounts	
As of Jan. 1, 2011	Reclassifications	Additions Amortization/ depreciation	Additions impairment charges	Disposals	Currency difference	As of Dec. 31, 2011	As of Dec. 31, 2011	As of Dec. 31, 2010
12,054	0	4,189	1,169	46	254	17,620	15,330	9,782
5,296	0	0	29,586	0	0	34,882	4,642	29,587
0	0	0	0	0	0	0	210	0
0	0	0	0	0	0	0	339	238
17,350	**0**	**4,189**	**30,755**	**46**	**254**	**52,502**	**20,521**	**39,607**
45,927	0	17,198	82,528	662	3,667	148,658	206,274	280,595
238,826	0	85,807	221,672	10,582	13,509	549,232	470,976	551,086
14,887	0	5,747	1,133	529	178	21,416	17,146	14,814
496	0	48	2,945	522	−22	2,945	50,285	105,361
300,136	**0**	**108,800**	**308,278**	**12,295**	**17,332**	**722,251**	**744,681**	**951,856**
270	**0**	**492**	**0**	**0**	**0**	**762**	**27,231**	**20,994**
317,756	**0**	**113,481**	**339,033**	**12,341**	**17,586**	**775,515**	**792,433**	**1,012,457**

		Amortization, depreciation and impairment					Carrying amounts	
As of Jan. 1, 2010	Reclassifications	Additions Amortization/ depreciation	Additions impairment charges	Disposals	Currency difference	As of Dec. 31, 2010	As of Dec. 31, 2010	As of Dec. 31, 2009
9,617	0	2,451	0	97	83	12,054	9,782	7,320
5,210	0	86	0	0	0	5,296	29,587	29,587
0	0	0	0	0	0	0	238	390
14,827	**0**	**2,537**	**0**	**97**	**83**	**17,350**	**39,607**	**37,297**
30,752	0	14,436	47	0	692	45,927	280,595	220,338
173,395	2	65,286	1,233	2,844	1,754	238,826	551,086	372,473
11,170	−2	4,192	0	747	274	14,887	14,814	12,086
0	0	0	502	0	−6	496	105,361	182,639
215,317	0	83,914	1,782	3,591	2,714	300,136	951,856	787,536
0	**0**	**270**	**0**	**0**	**0**	**270**	**20,994**	**0**
230,144	**0**	**86,721**	**1,782**	**3,688**	**2,797**	**317,756**	**1,012,457**	**824,833**

42. INTANGIBLE ASSETS

The goodwill recognized in intangible assets in the prior year that was assigned to the CGU group "Production Wafer Germany" was wholly impaired in the scope of the impairment test. We refer to the information provided in notes 9 and 32.

In the scope of exploring the Eastern Ore Mountains (Ost-Erzgebirge) with regard to lithium reserves, expenses of € 210k (prior year € 0) were incurred in the reporting period, which were capitalized as an intangible asset in accordance with IFRS 6. No other self-generated intangible assets were capitalized.

43. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment is significantly characterized by recorded impairments. For details, we refer to our comments in notes 9 and 32.

Leases in accordance with IAS 17 that would lead to capitalization of an asset do not exist.

44. INVESTMENT PROPERTY

The building complex Auermühle (object A) that is the home of the distribution center of SolarWorld AG is partially leased to third parties since April 1, 2011. The affected parts of the building are therefore classified as investment property. The market value of the respective parts of the bulding amounts to € 19.4 million.

In addition, SolarWorld AG acquired a further real estate during the reporting year (object B) that is currently not in use for self-interests. The market value of this property amounts to € 6.4 million.

Independent experts determined the market values. Due to the type of the properties and the lack of comparative data, no observable market transactions were used as a basis for the assessment of the fair values of the properties. Instead, the fair value was determined using the capitalized earnings method in application of the following assumptions. The land value of object B was determined on the basis of the standard land value ("Bodenrichtwert").

	2011	
	Object A	**Object B**
Market rent	**11.50 €/sq.m.**	**12.50 €/sq.m.**
Rent default risk	**5 %**	**4 %**
Capitalization rate	**5.50 %**	**5.75 %**
Remaining useful life	**unlimited**	**47 years**
Land value	**–**	**135 €/sq.m.**

In respect to the investment properties rental income amounting to € 561k (prior year € 426k) has been generated in the financial year. Expenses amounting to € 393k (prior year € 95k) occurred for the leased part of the investment properties and amounting to € 334k (prior year € 226k) for the part of the investment properties that have not been leased.

The group is not subject to any limitations regarding the disposability of investment property while contractual obligations to acquire, establish or develop investment property do not exist and neither do contractual obligations to repairs, maintenance or improvements.

With regard to the reconciliation statement that shows the development of the carrying amount of the investment properties, we refer to the fixed asset movement schedule in note 41.

The future minimum lease payments from the leased parts are as follows:

in k€	2011	2010
In the next year	**660**	414
From 2 to 5 years	**825**	1,243
After the 5th year	**0**	0
Total	**1,485**	**1,657**

45. INVESTMENTS MEASURED AT EQUITY

in k€		Dec. 31, 2011	Dec. 31, 2010
Qatar Solar Technologies Q.S.C.	29 %	**26,217**	23,082
JSSi GmbH	49 %	**11,188**	12,146
SolarWorld Korea Ltd.	0 %	**0**	22,212
Solarparc AG	94.81 %	**0**	7,316
SolarPark M.E. Ltd.	0 %	**0**	725
Other investments	–	**437**	0
Total		**37,842**	**65,481**

SolarWorld AG holds a 29 percent investment in the assets and results of Qatar Solar Technologies Q.S.C. domiciled in the Emirate Qatar. Together with Qatar Foundation and Qatar Development Bank, SolarWorld is constructing a production facility for polysilicon.

The investment in JSSi GmbH, Freiberg, is held via SolarWorld AG and concerns a 49 percent share in the entity's assets and result. Together with EVONIK-Degussa GmbH, the company has developed a production process for solar silicon on the basis of which it now produces solar silicon.

The 50 percent investments in SolarWorld Korea Ltd. and SolarPark M.E. Ltd were disposed as of June 2011.

Since January 12, 2011, SolarWorld AG holds the majority of the voting rights in the listed Solarparc AG, which has been fully consolidated since that day. The fair value applied at the time of acquisition amounted to € 12,251k and made for income of € 4,915k, which is recognized in other operating income. For further details on the acquisition of Solarparc AG, we refer to note 6.

Other investments are held by Solarparc AG and are partnerships organized under the Civil Code (BGB-Gesellschaft) that hold power grid stations and cable routes for the purpose of joint use and administration. They serve both the operation of own and third party wind power stations.

With regard to related party disclosures we refer to note 69.

The following chart includes summarized financial information regarding investments measured at equity. The amounts refer to the SolarWorld Group's shares and not to the amount of a notional 100 percent investment.

in k€	Dec 31, 2011	Dec 31, 2010
Attributable assets	**43,495**	**172,167**
of which current	**8,873**	73,172
of which non-current	**34,622**	98,994
Attributable liabilities	**5,799**	**103,127**
of which current	**4,216**	68,411
of which non-current	**1,583**	34,716
Attributable revenue	**11,154**	195,155
Attributable net income for the year	**–1,699**	**2,191**

46. OTHER NON-CURRENT FINANCIAL ASSETS

Other financial assets primarily include amounts classified as non-current for re-insurances of € 616k (prior year € 894k) that were accounted for in accordance with IFRIC 14 and IAS 19. The re-insurance contracts were concluded in connection with early retirement obligations and netted with the outstanding wage payments at reporting date. The current proportion is recognized in other current financial assets (compare note 53).

47. DEFERRED TAX ASSETS

All deferred tax assets result from accounting policies for recognition and measurement of assets and liabilities that differ from tax principles. The development of deferred tax assets is included in the comments on tax expenses (note 37).

48. OTHER NON-CURRENT ASSETS

The item primarily concerns the non-current proportion of prepayments made on raw materials. We refer to our statements in note 12.

49. INVENTORIES

in k€	Dec. 31, 2011	Dec. 31, 2010
Raw materials and supplies	**100,504**	94,382
Work in progress	**75,213**	75,896
Finished goods and merchandise	**153,292**	116,031
Current portion of prepayments	**57,762**	51,061
Total	**386,771**	**337,370**

For the purpose of the breakdown above, only solar modules and wafers of Deutsche Solar GmbH were qualified as finished goods of the group.

In the reporting year, inventory impairments of € 77,935k (prior year € 7,817k) were recognized as expenses. As in the prior year, reversals of impairment charges were not recorded.

As in the prior year, restrictions on ownership or disposal did not exist.

50. TRADE RECEIVABLES

in k€	Dec. 31, 2011	Dec. 31, 2010
Trade receivables	**120,760**	133,396
Receivables from construction contracts	**2,261**	7,487
Total	**123,021**	**140,883**

The following chart illustrates the aging structure of the receivables:

in k€	Dec. 31, 2011	Dec. 31, 2010
Neither past due nor impaired	**67,866**	87,924
Past due but not impaired		
- up to 30 days	**29,482**	21,833
- between 31 and 60 days	**9,314**	9,845
- between 61 and 90 days	**4,595**	1,805
- between 91 and 180 days	**2,638**	5,308
- between 181 and 360 days	**3,900**	6,207
- exceeding 360 days	**5,226**	5,299
Impaired	**0**	2,662
Total	**123,021**	**140,883**

With regard to trade receivables that were not impaired, an indication for the recognition of impairment charges did not exist or impairment charges did not have to be recognized due to existing collaterals. Almost half of the receivables included in the "between 1 and 90 days" cluster were redeemed within the preparation period of the consolidated financial statements. A large number of these receivables are also able to offset with trade liabilities of similar amounts. The majority of the receivables included in the "between 91 to more than 360 days" cluster result from wafer sales that mostly originate from long-term agreements. With regard to respective default risks, we refer to note 66. Moreover, the item includes receivables from project operations that have the characteristics of security deposits.

The following chart illustrates the development of valuation allowances losses:

in k€	2011	2010
As per Jan. 1	**5,692**	2,477
Utilization	**–111**	–587
Net appropriation	**18,106**	3,799
Addition consolidated group	**2,831**	0
Currency translation	**4**	3
As per Dec. 31	**26,522**	**5,692**

51. INCOME TAX ASSETS

Tax assets amounted to € 35,472k 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.

52. OTHER RECEIVABLES AND ASSETS

in k€	Dec. 31, 2011	Dec. 31, 2010
Receivable from investment subsidies	**13,863**	18,435
VAT receivables	**7,847**	22,166
Deferred items	**3,979**	3,628
Electricity tax refund	**2,101**	2,275
Receivable from research and development investment subsidies	**1,293**	282
Other prepayments	**806**	705
Other	**3,095**	1,465
Total	**32,984**	**48,956**

Receivables from investment subsidies concern an expected payment on the basis of the statutory provisions of the Investment Subsidy Act of 2009 or 2010 in accordance with a resolution of the EU Commission of July 6, 2010.

Unsettled receivables from electricity tax refunds result from the German Electricity Tax Act.

53. OTHER CURRENT FINANCIAL ASSETS

in k€	Dec. 31, 2011	Dec. 31, 2010
Sub-participation Solarparks of Extremadura S.L., Spain	**13,834**	0
Security deposits	**12,645**	0
Derivative financial instruments	**9,507**	23,298
of which in hedging relationship: k€ 7,613 (prior year k€ 8,295)		
Other borrowings	**4,877**	3,541
Investment Solarparc Deutschland I GmbH & Co. KG	**2,871**	0
Debt securities and similar investments	**0**	25,939
Money market and similar investments	**0**	24,506
Loans to related parties	**0**	21,206
Other financial assets	**375**	646
Total	**44,109**	**99,136**

Derivative financial instruments include an interest rate limit transaction in form of a maximum rate agreement (cap) for hedging increasing interest rates for interest-bearing loans and credit lines. At reporting date, the cap has a fair value of € 1,813k (prior year € 4,880k). Hedge accounting was not applied for the cap.

In addition, derivative financial instruments include commodity swaps with overall market values amounting to € 81k (prior year € 10,123k) that are not part of a hedging relationship. In the reporting year, mirror image commodity swaps with negative market values did not exist (prior year € 6,905k).

The sub-participation in Solarparks of Extremadura S.L., Spain, results from a cooperation agreement with a wholly owned subsidiary of Deutsche Bank AG (DB), in which DB grants SOLARPARC AG the right to participate in commercialization or alternatively in the operation of solar parcs in Extremadura (Spain). The recognized carrying amount of the sub-participation is confronted to a payment-obligation to DB of € 12,667k (compare note 57), which DB can claim at any time.

54. LIQUID FUNDS

Liquid funds almost entirely concern bank balances. At reporting date, these were invested in – mostly short-term – fixed term deposits and day-to-day money with different banks.

55. ASSETS AND LIABILITIES HELD FOR SALE

As in the prior year, assets held for sale did not exist at reporting date. With regard to assets held for sale during the year we refer to note 6.

56. EQUITY

a) Subscribed capital

At reporting date, the capital stock amounts to € 111.72 million (prior year € 111.72 million) and exclusively includes common shares, namely 111,720,000 non-par bearer shares.

b) Authorized capital

The shareholders' meeting of May 20, 2010 revoked the capital stock increases authorized in previous shareholders' meetings and authorized the board of directors for a maximum period of five years, i.e. until May 20, 2015, to increase – upon approval of the supervisory board – the capital stock once or more often by up to an overall amount of € 55,860,000 by issuing new bearer or registered shares for cash contribution or contribution in kind.

c) Conditional capital

SOLARWORLD AG does not have any conditional capital.

d) Treasury shares

By resolution of the shareholders' meeting of May 20, 2010, the board of directors was authorized to purchase treasury shares. In accordance with § 71 para. 1 No. 8 AktG, the authorization is subject to a fixed term, expires as of midnight of May 20, 2015, and is limited to an extent of up to 10 percent of the capital stock. The earlier authorization for acquisition of treasury shares, granted by resolution of the shareholders' meeting of May 20, 2009, was revoked upon the new authorization taking effect.

At December 31, 2010, SOLARWORLD AG held a total of 4,838,723 treasury shares, 3,914,116 of which were exchanged for SOLARPARC AG shares at a 1:1 rate in the scope of the SOLARPARC AG take-over offer until February 17, 2011. Hence, SOLARWORLD AG only holds 924,607 treasury shares at December 31, 2011. On the basis of the respective stock prices on the day of the exchange, the revenue reserves and capital reserves were increased by € 24,818k and € 73k, respectively. Thus, the overall treasury share exchange value amounts to € 28,805k.

The weighted average of the shares in circulation used as a basis for the determination of the result per share was recalculated as reporting date and amounts to 110,613,143.

e) Other reserves

Currency translation reserve
The currency translation reserve includes differences arising from currency translation in the scope of translating financial statements of foreign subsidiaries.

Due to the disposal of SolarWorld Korea Ltd. and SolarPark M.E. Ltd., the other comprehensive income from currency translation of these entities previously recognized in the reserve was reclassified to the financial result.

Hedging reserve and AfS reserve
An amount of € 3,941k (prior year € 6,607k) of the hedging reserve concerns gains and losses from hedging relationships that were classified as effective in the scope of cash flow hedges. As in the prior year, an AfS reserve does not exist from the change of the fair value of the assets held for sale (AfS-assets). With regard to deferred taxes set off against the hedging reserve we refer to note 37.

f) Non-controlling interests

Non-controlling interests concern the shares in Solarparc AG not owned by SolarWorld AG.

g) Dividend distribution

The distributable amounts concern SolarWorld AG's unappropriated retained earnings, which is determined in accordance with German commercial law. For the annual period 2010, a dividend of € 0.19 per share (total amount: € 21,051k) was distributed after approval of the shareholders' meeting on May 24, 2011.

h) Dividend suggestion

The board of directors suggests the distribution of a dividend of € 0.09 per share for the reporting year 2011. The payment of this dividend depends on the approval of the shareholders' meeting in May 2012. Upon approval by the shareholders, the dividend distribution will amount to some € 10 million. The dividend is subject to tax deductions amounting to 26.38 percent (25 percent capital yields tax and 5.5 percent solidarity surcharge).

57. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

in k€	Dec. 31, 2011	Dec. 31, 2010
Bonds	**554,071**	429,397
Issued assignable note loans	**380,789**	380,939
Issued senior notes (US-Private Placement)	**135,271**	130,944
Bank loans	**154,449**	122,962
Purchase price obligation AUERMÜHLE	**16,426**	15,290
Payment obligation sub-participation Solarparks of Extremadura S.L., Spain	**12,667**	0
Deposits from toll manufacturers	**12,490**	47,617
Derivative financial instruments	**585**	7,637
of which in hedging relationship:€ 368k (prior year € 732k)		
Other	**5,121**	6,845
Total	**1,271,869**	**1,141,631**

Bank loans are secured by land charges in an amount of € 13.2 million (prior year € 19.2 million) and customary chattel mortgages of property, plant and equipment of € 38.7 million (prior year € 2.6 million). The chattel mortgages almost exclusively concern wind power and photovoltaic facilities operated by SOLARWORLD Group. In addition, minimum cash in hand amounts of € 2.6 million (prior year € 0) have to be maintained at the borrowing banks for project financing wind power and photovoltaic facility plants.

The increase in bonds results from placing a bond amounting to € 150 million in July 2011.

The increase in bank loans primarily results from the assumed bank loans in the context of the SOLARPARC AG acquisition.

Deposits from toll manufacturers are payments received from toll manufacturers at balance sheet date regarding SOLARWORLD products that are to be processed and will only be returned after complete processing. The decrease of these financial liabilities is mainly attributable to the cancellation of the toll manufacturing agreements with SOLARWORLD KOREA LTD., Korea.

The purchase price obligation AUERMÜHLE results from concluded options that entitle SolarWolrd AG and the seller, Solar Holding Beteiligungsgesellschaft mbH, to acquire or dispose of another 45 percent of the shares in AUERMÜHLE respectively.

The payment obligation for the sub-participation Solarparks of Extremadura S.L., Spain, is connected with the sub-participation in Solarparks of Extremadura S.L., Spain, recognized in other financial assets. We refer to our comments in note 53.

58. 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.

The development of the accrued investment grants throughout the year is significantly characterized by recorded impairments. We refer to note 32.

59. NON-CURRENT AND CURRENT PROVISIONS

in k€	As of Jan. 1, 2011	Addition consolidation group	Utilization	Reversal	Addition	Currency translation	As of Dec. 31, 2011
Warranties	**19,269**	0	2,599	3,085	7,260	155	**21,000**
Pensions	**8,029**	0	415	0	407	0	**8,021**
Restoration obligations	**5,009**	1,425	1,461	143	228	44	**5,102**
Contingent losses from onerous contracts	**821**	0	438	0	607	41	**1,031**
Other provisions	**1,074**	9	552	0	9,582	7	**10,120**
Total	**34,202**	**1,434**	**5,465**	**3,228**	**18,084**	**247**	**45,274**

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 0.25 percent of all of SolarWorld Group's module revenue. This lump sum rate represents the current estimation of the discounted total expenses over the entire term of the performance guarantee (the performance guarantee is granted for a period of 25 years). Thus, it is subject to compounding at matched maturity interest rate. In the reporting year, this makes for interest expenses of € 566k (prior year € 454k), which are recognized in other financial expenses (compare note 35).

The provision for building restoration obligations concerns tenant fixtures that have to be removed by SolarWorld Group after expiration of the lease term. In addition, the provision includes the obligation to restore surface areas used for the operation of photovoltaic and wind power plants once the lease term expires. Due to the non-current nature of the provision, it is subject to compounding at matched maturity interest rate. In the reporting year, this makes for interest expenses of € 220k (prior year € 195k), which are recognized in other financial expenses (compare note 35).

The addition to the provision for contingent losses primarily results from rental and other obligations in connection with the suspension of the module production at the Camarillo site (U.S.).

Due to existing long-term procurement contracts for raw materials (especially silicon) and the fixed prices agreed therein, there is a risk that SolarWorld Group may not be able to produce modules at competitive prices any longer. Moreover, in accordance with actual development, SolarWorld Group receives more silicon from the long-term contracts than required. Against this background, SolarWorld Group is renegotiating with its suppliers and was already able to achieve significant concessions. Upon assessing whether a provision for anticipated losses from the procurement contracts needs to be set up, SolarWorld Group assumes that due to the long-term strategic partnership with its suppliers further leeway for contractual adjustments exists if the current market price level remain unchanged. Hence, SolarWorld AG did not set up any provisions for anticipated losses from long-term procurement contracts for raw materials.

The increase in other provisions is mainly due to provisions for risks from ongoing tax field audits.

Other provisions also include provisions for litigation risks in an amount of € 1,242k (prior year € 340k).

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 defined benefit obligation (DBO):

	Dec. 31, 2011	Dec. 31, 2010
Discount rate	**5.0%**	5.3%
Future salary increase	**0.0%**	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 DBO with the balance sheet is illustrated below:

in k€	Dec. 31, 2011	Dec. 31, 2010
Present value of funded obligations	**7,772**	7,682
Unrealized actuarial gains	**249**	347
Pension provision	**8,021**	**8,029**

The following chart illustrates the DBO's development:

in k€	2011	2010
Extent of obligation as of Jan. 1	**7,682**	7,470
Interest expenses	**402**	411
Current service cost	**4**	13
Benefits paid	**–414**	–390
New actuarial gains (–)	**98**	178
Extent of obligation as of Dec. 31	**7,772**	**7,682**

The following amounts were recognized for defined benefit plans in the current and prior reporting periods:

in k€	2011	2010	2009	2008	2007
Extent of obligation as of Dec. 31	**7,772**	7,682	7,470	7,407	7,419

Unredeemed actuarial gains can be taken from the following chart:

in k€	2011	2010
As of Jan. 1	**347**	525
Addition	**0**	0
Reversal	**–98**	–178
As of Dec. 31	**249**	**347**

60. TRADE PAYABLES

in k€	Dec. 31, 2011	Dec. 31, 2010
Trade payables	**64,433**	112,755
Liabilities from construction contracts	**0**	515
Total	**64,433**	**113,270**

61. OTHER NON-CURRENT AND CURRENT LIABILITIES

in k€	Dec. 31, 2011	Dec. 31, 2010
Customer advances	**116,449**	247,410
Other personnel obligations	**10,199**	11,016
Outstanding invoices	**9,924**	12,131
Profit-oriented employee compensation	**8,081**	18,639
VAT	**4,817**	561
Equity contribution obligation	**4,073**	0
Other	**8,831**	6,229
Total	**162,374**	**295,986**

Customer advances mainly concern advances from long-term wafer purchase agreements.

Other personnel obligations substantially consist of employee bonuses, outstanding wages and salaries and holiday entitlements.

The recognized obligation from profit-oriented employee compensation includes only that proportion of employee profit-sharing that was incurred in 2011 as well as the employer' s share of social security contributions regarding obligations originated in prior periods. Employee entitlements that originated more than 12 months before reporting date were netted with the corresponding insolvency protection amount. We refer to our statements in note 24. Interest payable from interest return of liabilities for profit-oriented employee compensation amounts to € 1,007k (prior year € 947k) in the annual period and is included in interest expenses (compare note 35).

The claimed obligation to contribute equity concerns a capital increase the equity addition called for by Qatar Solar Technologies Q.S.C. in December 2011, which was agreed in the scope of the "Shareholder Agreement" of April 1, 2010.

62. 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 (note 37).

63. INCOME TAX LIABILITIES

The item includes corporation, trade and capital yields tax assessed by the tax authorities and calculated or estimated by the consolidated entities as well as corresponding foreign taxes resulting from tax laws, including those amounts that resulted from tax field audits.

OTHER COMMENTS

64. OTHER FINANCIAL LIABILITIES

in m€	Dec. 31, 2011	Dec. 31, 2010
Purchase commitments from raw materials and license agreements		
- within one year	**274**	322
- between 1 and 5 years	**976**	1,348
- more than 5 years	**362**	682
Commitments from investments in property, plant and equipment		
- within one year	**22**	100
- between 1 and 5 years	**0**	0
- more than 5 years	**0**	0
Obligations from long-term rent agreements		
- within one year	**3**	3
- between 1 and 5 years	**6**	6
- more than 5 years	**6**	3
Total	**1,649**	**2,464**

The obligations from long-term rental agreements mostly concern office buildings and vehicles. The terms of the lease agreements for buildings run from 3 to 11 years and the average term of the lease agreements for vehicles ranges between 3 and 4 years. The lease agreements of vehicles do not include any significant purchase or extension options. A lease agreement for a building includes an extension option of five years, which can be executed twice. The contracts do not impose any restrictions to SolarWorld AG.

65. CONTINGENCIES AND EVENTS AFTER 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 prepared and disclosed at the same time as these consolidated financial statements. Amongst others, the group management report provides details on the expectations regarding the future development of selling prices and the overall market.

Adjustment of feed-in tariffs in the German EEG (Erneuerbare-Energien-Gesetz – EEG) announced

On February 23, 2012, the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) announced the contents of the EEG amendment. Effective April 1, 2012, a one-off reduction of feed-in tariffs by more than 25 percent is to be implemented for all system types. Furthermore, in future there will only be three categories of systems:

- Roof-mounted systems up to 10kW (tariffs from April 1: 19.5 euro cents/kWh)
- Roof-mounted systems up to 1,000kW (tariffs from April 1: 16.5 euro cents/kWh)
- Roof-mounted and ground-mounted systems up to 10MW (tariffs from April 1: 13.5 euro cents/kWh)

Under the new EEG proposal, there will no longer be any payment for systems larger than 10MW. It is also planned to keep the monthly payment reduction which had already been announced. This will come into force on May 1, 2012 and is set at 0.15 euro cents/kWh. As a further incentive for self-consumption of solar power and direct sales of any surplus over and above that, it is likely that the payment will only be made for a certain percentage of the generated power. For smaller roof-mounted systems of less than 10kW, only 85 percent of the generated solar power will receive the payment. For all other systems, this figure is expected to be 90 percent. The target of between 2.5 and 3.5GW of new installations each year until 2013 is being maintained.

Shareholding in Solarparc AG exceeds 95 percent threshold

On February 6, 2012, SolarWorld's shareholding in Solarparc AG exceeded the threshold of 95 percent of the company's voting rights. Pursuant to §§ 327a et seq. of the German Stock Corporation Act (AktG), at the next Annual General Meeting of Solarparc AG on May 23, 2012, the Management Board of SolarWorld AG will propose taking over the remaining shares held by the minority shareholders of Solarparc AG.

Proceedings pending

As of early March 2012, no decision had yet been taken on remedies in the trade case against alleged dumping and illegal subsidies by China, which are injuring the U.S. domestic solar industry. Al ruling most recently was postponed until March 19.

66. 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 prepared and disclosed at the same time as these consolidated financial statements.

b) Principles and objectives of financial risk management

Main features of financial policies are agreed upon in the board of directors and with the respective subsidiaries on a regular basis. Selected derivative and non-derivative financial instruments are utilized to limit or take risks in a controlled way, depending on the respective risk assessment, on the ability to plan future transactions and on the current market situation. As a basic principle, however, only those risks are addressed that have short- to medium-term consequences on the group's cash flow. Implementation of financial policies as well as risk management is handled by the respective departments, which report to the board of directors on a regular basis.

Derivative financial instruments are regularly used as hedging instruments but not for trading or speculation purposes. To exploit short-term market fluctuations, possibly existing hedging instruments are closed. To minimize default risks, hedging instruments 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, it is SolarWorld Group's primary objective to minimize risks from the change of market prices or the credit rating of creditors and to obtain a return rate at money market level. SolarWorld Group therefore mostly invests uncommitted liquid funds in demand deposits (fixed-term deposits and day-to-day money). To limit the default risk, demand deposits are only placed with leading financial institutes with a credit rating in the investment grade area. Moreover, central management and broad diversification of the investments with regard to debtors works against the establishment of risk concentration.

c) Market risks

With respect to market risks, SolarWorld Group is especially prone to risks from the change in currency translation, commodity prices and interest rates.

For the presentation of market risks, IFRS 7 requires sensitivity analyses, which show the consequences of hypothetical changes of relevant risk variables on result and equity. The periodic consequences are determined by showing how the hypothetical changes of the risk variables could have affected the existing financial instruments at balance sheet date. It is therefore assumed on the basis of existing hedging relations that net liabilities, the relation of fixed and variable interest on liabilities and derivatives and the proportion of foreign currency financial instruments remain unchanged.

Currency risks in terms of IFRS 7 arise on financial instruments that are denominated in a currency different from the functional currency and are of a monetary nature. Currency risk related differences from the translation of financial statements into the Group currency remain unaccounted for. Relevant risk variables are basically all non-functional currencies in which SolarWorld Group holds financial instruments.

Interest risks exist both on the borrowing and the deposit side. Thus, analysis of interest risks is carried out on the basis of net debt whereas it is assumed that interest for variably interest-bearing borrowings and deposits change in equal measure. Moreover, only those interest-bearing financial instruments whose interest level depends exclusively on market interest development are included in the analysis.

Risks from the change of commodity prices result from commodity derivatives concluded for hedging purposes with regard to the corresponding commodity purchases.

aa) 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 and that influence the group's cash flow only upon disposal of the subsidiary 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$ that, however, were fully hedged by application of interest/currency swaps.

With regard to operating activities, the individual group companies mostly handle their operations in utilization of the respective functional currency. For the rest, SolarWorld Group is exposed to foreign currency risks in connection with foreign currency transactions already set and planned. These mainly concern transactions in US$ in connection with long-term contracts for the procurement of raw materials. As in the prior year, no hedging relationships existed for these transactions at balance sheet date.

Aside from a proportion of liquid funds and trade receivables and liabilities, the material financial instruments are either denominated in functional currency or are translated into functional currency through the use of derivatives. Hence, exchange rate changes basically influence the result only with regard to these foreign currency items. Interest receivable and payable from financial instruments are also either directly recognized at functional currency or transferred to functional currency by way of using derivatives. Thus, only insignificant effects on the result can arise 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 recognized in equity.

If the Euro revalues (devalues) towards the US$ by 10 percent, this will make for a negative (positive) effect on earnings before tax of € 386k (prior year € 984k). If taxes were not taken into account, the hedging reserve in equity would, in the event of a respective revaluation or devaluation, be € 2,663k (prior year € 2,352k) higher or € 1,614k (prior year € 1,925k) lower, respectively. With respect to all other currencies, the group's currency risk is insignificant.

bb) Interest risks
On the borrowing side, the group manages its interest risk via a portfolio of fixed and variably interest-bearing borrowings adjusted to the market environment. For this purpose, SolarWorld Group concludes interest rate swaps that are subject to exchanging fixed interest and variable interest-bearing amounts with contract partners. In consideration of existing interest rate swaps, some 98 per cent (prior year 99 per cent) of the group's borrowings were subject to fixed interest rates at balance sheet date. Due to the high level of liquidity, SolarWorld Group is also subject to interest risks on the deposit side, as uncommitted liquid funds are mostly invested for the short-term. Furthermore, the group is confronted with interest rate risks in connection with an interest rate limit transaction in form of a maximum rate agreement (cap), which is not designated in a hedging relationship.

If the market interest rate level increases by 50 basis points, the positive effect on earnings before tax would amount to € 3,941k (prior year € 3,249k). If taxes were not taken into account, the hedging reserve in equity would, in the event of a respective increase, be € 37k (prior year EUR 59k) higher. If the market interest rate level decreases by 50 basis points, the negative effect on earnings before tax would amount to € 3,539k (prior year € 4,914k). Without consideration of taxes, the hedging reserve in equity would, in the event of a respective reduction, be € 38k (prior year € 141k) lower.

cc) Other price risks
In addition, SolarWorld Group concluded commodity derivatives to hedge the risk of increasing silver and aluminum prices. As the derivatives are not designated in a valid hedging relationship, changes in the derivatives' value affect the earnings before tax.

If the silver price rate increased or decreased from – at reporting date – some US$ 28/kg to US$ 45/kg or US$ 20/kg, the earnings before tax would be € 3,771k higher or € 1,855k lower, respectively.

If the aluminum price rate increased or decreased from – at reporting date – some US$ 2,046/t to US$ 2,800/t or US$ 1,500/t, the earnings before tax would be € 1,482k higher or € 1,122k lower, respectively.

d) Default risks

For the most part, SolarWorld Group's uncommitted liquidity is invested in demand deposits with German banks. Thus, the default risk is considered marginal in this respect.

With regard to sales to non-group customers, depending on type and amount of the respective sales, collateral is required, 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 non-group module sales are mostly hedged via credit insurances. Hence, the respective default risk is regarded rather remote.

With respect to receivables from wafer sales that mainly originate from long-term contracts, bad debt insurances do not exist for the most part as these customers have paid extensive advances, which are non-refundable especially in the event of insolvency. Thus, the respective default risk is economically provided for.

For the rest, the maximum default risk results from the carrying amounts.

e) 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 intercompany loans. Cash pool agreements exist for the German fiscal unity. 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 basically not exposed to significant liquidity risks.

Contracts in connection with borrowed capital amounting to € 585 million however contain regulations that will grant creditors the right to demand early redemption of the loans if certain financial ratios (covenants) are not met. The respective relevant key data is constantly monitored and reported to the Board of directors. The financial ratios mainly concern key data regarding the level of indebtedness and equity. These key figures, especially those concerning the level of indebtedness, significantly deteriorated due to the stressed earnings situation in the reporting year. Hence, there is an increased risk of exceeding the financial covenants.

Almost all contracts in connection with borrowed capital include so-called "cross-default clauses", which govern that the creditors have an extraordinary right to demand early redemption in case that SolarWorld AG does not comply with its obligations from other borrowed capital.

In addition, creditors of borrowed funds amounting to € 1,115k are entitled to request the early redemption of the loans if a change of control takes place at SolarWorld AG. This right is explained in detail in the report on § 315 para. 4 HGB.

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 Dec. 31, 2011 were used with regard to financial instruments subject to variable rates. As far as cash flows in foreign currency are concerned, the currency rate at reporting date is used for the future.

Undiscounted cash flows per Dec. 31, 2011 in k€	Total	2012	2013	2014	2015	2016	2017ff.
Bonds	**690,788**	32,795	32,795	32,795	32,795	170,634	388,974
Issued assignable loans	**450,360**	19,931	19,931	195,738	10,577	10,577	193,606
Issued senior notes (US Private Placement)	**161,886**	8,043	94,603	2,945	2,945	37,724	15,626
respective derivative financial instrument	**−6,393**	−1,275	−2,664	−468	−468	−1,027	−491
Bank loans	**172,942**	51,088	13,646	81,833	4,261	10,198	11,916
respective derivative financial instrument	**411**	239	172	0	0	0	0
Trade payables	**64,433**	64,433	0	0	0	0	0
Derivative financial instruments with no relation to financial liabilities	**585**	585	0	0	0	0	0
Other liabilities	**55,111**	47,410	2,079	3,482	852	854	434
Total	**1,590,123**	**223,249**	**160,562**	**316,325**	**50,962**	**228,960**	**610,065**

Undiscounted cash flows per Dec. 31, 2010 in k€	Total	2011	2012	2013	2014	2015	2016 ff.
Bonds	**557,019**	33,090	24,500	24,500	24,500	24,500	425,929
Issued assignable loans	**470,291**	19,931	19,931	19,931	195,738	10,577	204,183
Issued senior notes (US Private Placement)	**161,306**	7,248	7,248	91,068	2,311	2,311	51,120
respective derivative financial instrument	**954**	−480	−480	872	165	165	712
Bank loans	**134,111**	18,907	18,176	9,817	78,221	804	8,186
respective derivative financial instrument	**992**	533	326	133	0	0	0
Trade payables	**113,270**	113,270	0	0	0	0	0
Derivative financial instruments with no relation to financial liabilities	**6,905**	6,905	0	0	0	0	0
Other liabilities	**92,774**	79,799	2,636	7,349	850	852	1,288
Total	**1,537,622**	**279,203**	**72,337**	**153,670**	**301,785**	**39,209**	**691,418**

f) Fair values, carrying amounts and residual terms of financial instruments in accordance with categories

The following chart shows fair values and carrying amounts of financial assets and liabilities included in the individual balance sheet items:

Assets as of Dec. 31, 2011

	Measurement category IAS 39			
in k€	Designated as at fair value through profit or loss	Held for trading	Loans and receivables	Available for sale
Trade receivables			123,021	
Other receivables and assets			837	
Other financial assets		1,894	17,022	16,705
Liquid funds			553,345	
Total	**0**	**1,894**	**694,225**	**16,705**

Assets as of Dec. 31, 2010

	Measurement category IAS 39			
in k€	Designated as at fair value through profit or loss	Held for trading	Loans and receivables	Available for sale
Trade receivables			140,883	
Other receivables and assets			512	
Other financial assets	24,506	15,003	51,228	
Liquid funds			612,451	1,022
Total	**24,506**	**15,003**	**805,074**	**1,022**

Liabilities as of Dec. 31, 2011

	Measurement category IAS 39			
in k€	Financial liabilities recognized at amortized cost	Financial liabilities designated as at fair value	Purchase price commitment from business liability	Total carrying amounts
Financial liabilities	1,253,970	1,472	16,427	1,271,869
Trade payables	64,433			64,433
Other liabilities	8,081			8,081
Total	**1,326,484**	**1,472**	**16,427**	**1,344,383**

Liabilities as of Dec. 31, 2010

	Measurement category IAS 39			
in k€	Financial liabilities recognized at amortized cost	Financial liabilities designated as at fair value	Purchase price commitment from business liability	Total carrying amounts
Financial liabilities	1,117,734	8,607	15,290	1,141,631
Trade payables	113,270			113,270
Other liabilities	18,639			18,639
Total	**1,249,643**	**8,607**	**15,290**	**1,273,540**

Derivatives in hedging relationships	Total carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts
	123,021	123,021		123,021
	837	837	32,147	32,984
7,613	43,234	43,234	875	44,109
	553,345	553,345		553,345
7,613	720,437	720,437	33,022	753,459

Derivatives in hedging relationships	Total carrying amounts	Total fair values	IFRS 7 not applicable	Total carrying amounts
	140,883	140,883		140,883
	512	512	48,444	48,956
8,295	99,032	101,811	1,269	100,301
	613,473	613,473		613,473
8,295	853,900	856,679	49,713	903,613

			Residual terms		
Total fair values	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
1,364,833		1,271,869	120,981	512,184	638,704
64,433		64,433	64,433		
8,081	154,293	162,374	67,753	69,878	24,743
1,437,347	154,293	1,498,676	253,167	582,062	663,447

			Residual terms		
Total fair values	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
1,128,807		1,141,631	129,776	366,133	645,722
113,270		113,270	113,270		
18,639	277,347	295,986	80,069	149,780	66,137
1,260,716	277,347	1,550,887	323,115	515,913	711,859

Trade receivables include receivables from construction contracts in an amount of € 2,261k (prior year € 7,487k). Trade payables do not include liabilities from construction contracts (prior year € 515k).

The fair value of financial assets and financial liabilities needs to be presented in the amount that could be generated if the respective instrument were exchanged in the scope of a current transaction (with the exception of forced sale or liquidation) between business partners willing to contract. The methods and assumptions used for determining fair values are:

- Trade receivables, other receivables and assets, liquid funds, trade liabilities and the material proportion of the other liabilities in terms of IFRS 7 are subject to short residual terms. Thus, their carrying amounts at reporting date approximately equal fair value.

- Other liabilities include financial obligations to employees resulting from profit-oriented employee compensation. The liabilities are subject to variable interest rates. Thus, the fair value at balance sheet date equals the carrying amount.

- The fair value of other financial assets is determined on the basis of stock market prices on active markets if available.

- The fair value of unlisted other financial assets is estimated in application of appropriate measurement methods or on the basis of conducted transactions.

- The fair value of unlisted debt securities, bonds and bank loans is estimated in accordance with discounting of future cash flows in application of interest rates for borrowings currently comparable in condition, credit risk and residual terms. A credit spread of 300 (prior year 200) basis points was consistently assumed with regard to SolarWorld AG's credit risk.

- The fair value of derivative financial instruments with existing observable input parameters on the market is estimated by discounting future cash flows in application of these input parameters. The used input parameters concern yield curves, commodity and foreign exchange spot and forward rates as well as volatilities. The fair value of liabilities from terminable non-group investments in a fully consolidated partnership was determined on the basis of the proportionate annual result at amortized cost as no significant value-impairing factors existed.

Financial instruments accounted for at fair value per reporting date follow the following hierarchy for determining and recognizing fair values of financial instruments:

STAGE 1: Listed (unadjusted) prices on active markets for similar assets or liabilities.

STAGE 2: Processes in which all input parameters that significantly affect the recognized fair value are directly or indirectly observable.

STAGE 3: Processes using input parameters that significantly affect the recognized fair value and are not based on observable market data.

	Dec. 31, 2011				Dec. 31, 2010			
in k€	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Financial assets measured at fair value								
designated as such	**0**	**–**	**–**	**–**	24,506	–	–	24,506
held for trading	**1,894**	**–**	**1,894**	**–**	15,003		15,003	
derivatives in hedging relationships	**7,613**	**–**	**7,613**	**–**	8,295	–	8,295	–
available for sale	**2,871**	**–**	**–**	**2,871**	1,022	1,022		–
Financial liabilites measured at fair value								
held for trading	**–217**	**–**	**–217**	**–**	–6,905	–	–6,905	–
derivatives in hedging relationships	**–368**	**–**	**–368**	**–**	–732	–	–732	–
from terminable partnership interests	**–887**	**–**	**–**	**–887**	–970			–970
Total	**10,906**	**0**	**8,922**	**1,984**	**40,219**	**1,022**	**15,661**	**23,536**

The following chart shows the development of financial instruments included in stage 3 during the reporting period:

in k€	**2011**	**2010**
As of Jan. 1	**23,536**	19,656
Addition liabilities		–1,104
Addition asset	**2,871**	
Profits recognized in other financial result	**3,521**	7,442
Disposal	**–27,944**	–
Distributions		–2,458
As of Dec. 31	**1,984**	**23,536**

The financial instruments still held as of balance sheet date that were assigned to stage 3 made for a netted profit of € 83k in 2011 (prior year € 4,943k), which is included in other financial result.

g) Net gains and losses by measurement category

To the extent to that they are assignable to financing or investment activities, 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“ are included in other financial result (note 35). In addition to results from market value measurement, they also include interest, dividend and currency effects. Furthermore, net gains and losses from “financial assets held for trading” that are assignable to operations have to be taken into account as well. In total, the net gain from “financial assets held for trading” amounts to € –5,222k (prior year € 5,942k).

In addition to the exchange gains mentioned below, net gains and losses of the measurement category “loans and receivables” mainly contain impairment charges in an amount of € 23,468k (prior year € 4,614k). 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 need to take losses from currency effects into account, which were not subdivided for reasons of efficiency. The netted exchange gains for the reporting period amounts to € 1,671k (prior year € 3,182k). To the extent to that they concern transactions in the scope of operations and financing transactions, they are recognized in other operating income or other operating expenses and other financial result, respectively.

In addition to a proportion of the mentioned exchange rate losses, the net result of "financial liabilities measured at amortized cost" includes income from the redemption of financial liabilities of € 8,257k (prior year € 2,340k), which are included in other financial result. We refer to note 35.

Thus, net losses from the measurement categories "loans and receivables" and "financial liabilities measured at amortized cost" amount to a total of € 13,540k (prior year (net gains) € 908k).

With regard to "financial assets available for sale", interest income amounted to € 1k (prior year € 0) while additions to the AfS reserve were not recorded (prior year € 0).

h) Hedging

SolarWorld Group concluded an interest rate swap ("fixed pay – variable receipt") with a current nominal volume of € 11,000k (prior year € 18,000k) 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 € –368k (prior year € –732k) at balance sheet date.

For hedging existing currency risks from senior notes denominated in US$, SolarWorld Group has five cross currency swaps ("fixed pay in € – fixed receipt of US$"), the nominal volume of which amounts to a total of US$ 175,000k. The senior notes denominated in US$ were designated hedged items. The hedging is aimed at transforming the US$ 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 € 7,613k (prior year € 4,081k) at reporting date.

To the possible extent, proof of prospective effectiveness is provided by way of the critical terms match method or otherwise with appropriate sensitivity analyses. 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 percent. Thus, highly effective hedging can be assumed. An unrealized gain of € 3,941k (prior year € 6,607k) was therefore recognized in equity per balance sheet date.

67. COMMENTS ON THE CASH FLOW STATEMENT

a) 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 significant earnings and expenses that are not cash-effective. This makes for the cash flow from operating results. Cash flow from operating activities takes the changes of net current assets into account.

Expenses and income of the business year not shown through profit or loss recognized in the cash flow statement concern income from the reversal of advances received, write-offs of inventories and allowances on receivables as well as income from the first-time consolidation of Solarparc AG. Customer advances and prepayments especially concern non-current selling agreements regarding silicon wafers and non-current purchase agreements regarding elemental silicon. The following chart illustrates the cash inflows and outflows resulting therefrom:

in k€	2011	2010
Increase (+)/decrease (–) of customer advances	–3,526	–3,759
Increase (–)/decrease (+) of prepayments	39,128	27,578
Changes in cash flow	**35,602**	**23,819**

Interest paid and interest received is included in cash flow from financing activities and cash flow from operating activities, respectively.

b) Cash flow from investing activities

The cash flow from investing activities includes payments for asset investments as well as investment grants received for this purpose. In addition, cash receipts from the disposal of fixed assets and financial investments are included. The cash receipts from the disposal of fixed assets primarily result from the disposal of the investments SolarWorld Korea Ltd., Korea, and Solarpark M.E. Ltd., Korea. Cash receipts from the acquisition of consolidated entities result from the acquisition of Solarparc AG. They result from netting the payments made for the acquisition of shares and the assumed liquid funds. The largest part of the transaction, however, was carried out by issuing treasury shares with a market value of € 28,805k. For further details, we refer to note 6. In the prior year, cash payments were mainly a result of the acquisition of Auermühle, Solarparc Verwaltungs GmbH and Solarparc Ziegelscheune GmbH & Co. KG.

c) Cash flow from financing activities

The cash flow from financing activities is characterized by the increase of financial liabilities. In this respect, the placement of a bond in the amount of € 150 million is the most substantial component. Dividend payments to the shareholders of SolarWorld AG of € 21,051k are included in the cash flow from financing activities as a payment. Interest paid is also included. The cash receipts of non-group shareholders concern contributions and withdrawals of the non-group shareholders of Auermühle.

d) Cash and cash equivalents

As of reporting date, cash and cash equivalents exclusively consist of liquid funds. In the prior year, cash and cash equivalents comprised liquid funds of € 613,473k, which were reduced by an overdraft facility of € 6,919k. In the scope of project financing of wind power and photovoltaic facilities, minimum cash in hand has to amount to € 2.6 million (prior year € 0), which are therefore not at the group free disposal.

68. CONTINGENT LIABILITIES

In the course of the acquisition of Solarparc AG, SolarWorld AG recognizes the conditional obligations to Deutsche Bank AG of € 12,667k as a liability. The disclosure as a contingent liability as recognized by SolarWorld Group as of December 31, 2010, is therefore void.

69. RELATED PARTY DISCLOSURES

In the annual period 2011, the following material transactions involving related parties were conducted:

Administration and commercial property in Bonn was leased from Dr.-Ing. E. h. Frank Asbeck as well as from other related family members, the annual rent amounting to € 0.9 million (prior year € 1 million). As of reporting date, unsettled liabilities amounting to € 25k (prior year € 0) exists in this respect. In addition, SolarWorld AG acquired a property from Dr.-Ing. E. h. Frank Asbeck for a purchase price of € 6.4 million (prior year € 0). In this respect, no liabilities were unsettled as of balance sheet date.

Project services and module deliveries in an amount of EUR 3,294k (prior year € 7,967k) (excl. VAT) were rendered or supplied to Dr.-Ing. E. h. Frank Asbeck and his engineering office and credit notes were issued in an amount of € 476k (prior year € 0). The credit notes resulted from a closing invoice and a compensation for revenue losses for a project. Since the predominant proportion was invoiced at year-end, receivables of € 3,718k including VAT (prior year € 9,237k) and liabilities of € 268k (prior year € 0) were still unsettled at reporting date.

For other services and on-charging of expenses, especially in connection with the management of solar parcs and a wind power plant, the amount of € 131k (prior year € 0) was invoiced to Dr.-Ing. E. h. Frank Asbeck and his individual enterprise. From consideration received on behalf of Dr.-Ing. E. h. Frank Asbeck for wind power generation in connection with the operation of the wind power plant credit notes amounting to € 115k were issued. Due to invoice timing factors a liability to Dr.-Ing. E. h. Frank Asbeck of € 25k in total (prior year € 0) is unsettled as of balance sheet date.

Entities indirectly and directly controlled by Dr.-Ing. E. h. Frank Asbeck as well as other related family members rendered services in an amount of € 49k and sold marketing products amounting to € 10k to SolarWorld Group. In this connection, liabilities of € 59k (including VAT) existed per reporting date. Services and on-charging of expenses in the amount of € 370k were rendered to entities indirectly and directly controlled by Dr.-Ing. E. h. Frank Asbeck as well as to other related family members. At reporting date, receivables amounting to € 130k are still unsettled.

At reporting date, residual claims of € 100k (prior year € 100k) from collaterals exist against Solarparc Vilshofen GmbH. In January 2009, Solarparc AG sold the entity to Solar Holding Beteiligungsgesellschaft mbH, the majority owner of which is Dr.-Ing. E. h. Asbeck.

In the scope of the takeover bid to the owners of Solarparc AG published on December 31, 2010, Dr.-Ing. E. h. Frank Asbeck submitted his (3,000,001) shares in Solarparc AG, which he indirectly held via Eifelstrom GmbH as well as the (55,000) shares in Solarparc AG that he directly owned to exchange them 1:1 for one non-par bearer share of SolarWorld AG in January 2011. The market value of the transaction amounted to € 21.9 million. Thus, his indirect and direct investment in SolarWorld AG increased from 25.06 percent to 27.8 percent. For further details, we refer to our comments in note 6.

During the reporting period SolarHolding Beteiligungsgesellschaft mbH contributed deposits to Auermühle amounting to EUR 1.3 million (prior year EUR 7.3 million).

Since January 2011 Solarparc subgroup is fully consolidated. Thus, further information became obsolete.

In the annual period 2011, Dr.-Ing. E. h. Frank Asbeck and his wife, Susanne Asbeck-Muffler, subscribed for shares in Solarparc Deutschland I GmbH & Co. KG, which was fully deconsolidated as of June 30, 2011, in a total amount of € 2.2 million (7.5 percent of the limited partner's shares).

SolarWorld Group sold and rendered goods and other services in an amount of € 3.2 million (prior year € 45.5 million) to joint ventures. At reporting date, receivables of € 63k (prior year € 5,201k) are unsettled.

Goods, toll manufacturing services and other services in a total amount of € 38.5 million (prior year € 138 million) were purchased from joint ventures. In consideration of the accounting for supply and purchase agreements that economically constitute toll manufacturing relationships (compare note 57), total liabilities amount to € 731k (prior year € 36,676k) at reporting date. Under civil law, total liabilities and receivables from these transactions amount to € 1,241k (prior year € 49,937k) and € 849k (prior year € 14,339k), respectively.

A loan of € 13.2 million granted to SolarWorld Korea Ltd. was fully offset with liabilities from ongoing business relations. In 2011, interest income amounted to € 0.2 million (prior year € 0.8 million) in this regard.

In connection with the disposal of investments in SolarWorld Korea Ltd., SolarWorld AG released SolarWorld Korea Ltd. from all potential warranty claims from historic module supplies and in return received a compensation payment of € 2.5 million.

The law firm of Schmitz Knoth Rechtsanwälte, Bonn, – a party related to the chairman of the supervisory board, Dr. Claus Recktenwald, in terms of IAS 24 – is concerned with SolarWorld Group's legal issues. Upon approval of the supervisory board, a total fee amount of € 1 million (prior year € 0.7 million) was rewarded for these services in 2011.

Remuneration and share ownership of members of the executive and supervisory board is listed in note 71 or presented in the remuneration report of the management report.

All transactions were carried out at arm's length.

70. EMPLOYEES

The average number of employees amounted to 2,622 (prior year 2,140) and falls upon the entity's areas of operations and segments as follows:

Headcount	2011	2010
Production Germany	**1,284**	1,082
Production U.S.	**890**	730
Trade	**359**	258
Other	**89**	70
Total	**2,622**	2,140

As of December 31, 2011, the number of employees amounted to 2,701 (prior year 2,376) and included 82 trainees (prior year 87).

71. BOARD OF DIRECTORS AND SUPERVISORY BOARD

For assuming their duties in both parent company and subsidiaries in 2011, the members of the board of directors received total remuneration payments of € 2,653k (prior year € 2,996k), which includes variable remuneration of € 1,326k (prior year € 2,083k).

For assuming their duties in both parent company and subsidiaries in 2011, the members of the supervisory board received remuneration payments including reimbursements in a total amount of € 320k (prior year € 319k), each plus statutory VAT. The total includes variable remuneration of net € 71k (prior year € 135k).

Individualized disclosures regarding the remuneration of the board of directors members are included in the entity's management report.

The appointed members of the board of directors are:

- Dr.-Ing. E. h. Frank Asbeck (Chief Executive Officer)
- Dipl.-Ing. Boris Klebensberger (Chief Operations Officer)
- Dipl.-Kfm. tech. Philipp Koecke (Chief Financial Officer)
- Dipl.-Wirtschaftsing. Frank Henn (Chief Sales Officer)
- Attorney at law Colette Rückert-Hennen (Chief HR and Brand Officer) since July 1, 2011

At reporting date, the chairman of the board, Dr.-Ing. E. h. Frank Asbeck, indirectly and directly owned 27.8 percent (prior year 25.1 percent) of the shares in SolarWorld AG.

As in the prior year, members of the supervisory board are:

- Dr. Claus Recktenwald (Chairman), attorney-at-law and partner with the partnership Schmitz Knoth Rechtsanwälte, Bonn
- Dr. Georg Gansen (Vice chairman), attorney-at-law/corporate legal counsel of Deutsche Post AG, Bonn
- Dr. Alexander von Bossel, LL.M (Edinb.), attorney-at-law and partner with CMS Hasche Sigle, partnership of attorneys and tax consultants, Cologne

Until January 13, 2011, the chairman of the board of directors, Dr.-Ing. E. h. Frank Asbeck, was chairman of the supervisory board of Deutsche Solar AG and Sunicon AG.

The chairman of the supervisory board, Dr. Claus Recktenwald, is or was chairman of the supervisory board of Solarparc AG, vice chairman of the supervisory board of Deutsche Solar AG (until January 13, 2011), vice chairman of the supervisory board of Sunicon AG (until January 13, 2011), member of the supervisory board of VEMAG Verlags- und Medien Aktiengesellschaft, Cologne, and member of the advisory boards of Grünenthal GmbH and Grünenthal GmbH & Co. KG, Aachen.

The vice chairman of the supervisory board, Dr. Georg Gansen, is respectively was also vice chairman of the supervisory boards of Solarparc AG, Deutsche Solar AG (until January 13, 2011) and Sunicon AG (until January 13, 2011).

Dr. Alexander von Bossel, member of the supervisory board, is also a member of the supervisory board of Solarparc AG.

72. AUDITOR'S FEES

In 2011, total fees invoiced by the auditor of the consolidated financial statements, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg/Bonn, including reimbursement of costs, amount to:

a) Year-end audit € 594k (prior year € 502k)
b) Other certification services € 64k (prior year € 6k)
c) Tax consulting € 12k (prior year € 29k)
d) Miscellaneous services € 53k (prior year € 40k)

73. CORPORATE GOVERNANCE

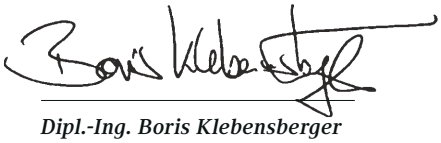
On December 13, 2011, supervisory board and board of directors issued the statement required by § 161 AktG, stating that the recommendations of the "Regierundskommission Deutscher Corporate Governance Kodex" (Government Commission German Corporate Governance Code) as announced by the Federal Ministry of Justice were and are complied with. The statement is published on SolarWorld AG's website @ *www.solarworld.de/investorrelations/declarationofcompliance//*.

Bonn, March 9, 2012

SolarWorld AG
Board of Management

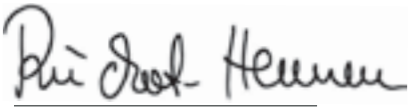
Dr.-Ing. E. h. Frank Asbeck
Chief Executive Officer

Dipl.-Wirtschaftsing. Frank Henn
Chief Sales Officer



Dipl.-Ing. Boris Klebensberger
Chief Operations Officer

Dipl.-Kfm. tech. Philipp Koecke
Chief Financial Officer



Attorney-at-law Colette Rückert-Hennen
Chief HR and Brand Officer

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the SolarWorld AG, Bonn, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2011 to December 31, 2011. 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 sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation 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 sec. 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 sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation 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, March 9, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

Lubitz
German Public Auditor

ppa. Ahrend
German Public Auditor

RESPONSIBILITY STATEMENT

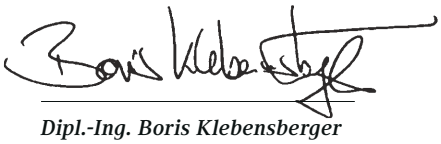
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development 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, March 9, 2012

SolarWorld AG
Board of Management

Dr.-Ing. E. h. Frank Asbeck
Chief Executive Officer

Dipl.-Wirtschaftsing. Frank Henn
Chief Sales Officer



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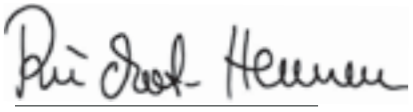

Attorney-at-law Colette Rückert-Hennen
Chief HR and Brand Officer

CHAPTER #6

SERVICE

6 / 6

SUN AT WORK
SOLARWORLD.COM

SOLAR MODULE

BECAUSE WE PLACE GREAT IMPORTANCE ON ***CUSTOMER RELATIONS*** AND OPENNESS

6 / SERVICE

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BRAND SOLARWORLD

OPPORTUNITIES AND RISKS

GLOSSARY

A

ACCRUALS/PROVISIONS • Balance sheet items in which amounts are accrued for uncertain future liabilities that can, however, already be estimated at the present time (e.g. pension payments, taxes).

AIDED BRAND AWARENESS • Value calculated from a survey when respondents recognize a particular brand name among several brand names.

B

BENCHMARKING • Yardstick used to compare performance features of several objects or processes in order to improve them.

C

CAPITAL STOCK • Total of the par value of all stocks issued by a company.

CARBON DIOXIDE (CO_2) • Odorless, invisible gas consisting of carbon and oxygen; the increase of its concentration in the atmosphere is caused by the use of fossil energy sources and contributes to global warming.

CARBON DISCLOSURE PROJECT (CDP) • Global cooperation between more than 551 institutional investors with investment capital of more than US$ 71 trillion. The goal is to disclose → *greenhouse gas emissions* by companies and their respective strategies concerning action on climate change. The CDP is the world's largest freely available emissions inventory for corporate → *CO_2emissions*. The sixth German CDP Report was published in October 2011. SolarWorld AG has been regularly participating in this project since 2006 and in 2011 was named Sector Leader in the renewable energies field.

CASH FLOW • Cash surplus generated from ordinary business activities; an indicator of a company's self-financing strength.

CELL • → *Solar cell*

CO_2EMISSIONS • → G*reenhouse gas emissions*

CO_2EQUIVALENT (CO_{2eq}) • Contribution of a greenhouse gas to the greenhouse effect. The greenhouse gas potential of → *carbon dioxide (CO_2)* is used as a comparative value to describe the global warming effect of different greenhouse gases uniformly over a certain period of time.

CONSOLIDATED COMPANIES • The group of consolidated companies comprises the companies included in the consolidated financial statements. In addition to the parent company, in principle all subsidiaries have to be included which are controlled by the parent company.

CORPORATE CULTURE • The fundamental beliefs, values and attitudes shared by the members of a company concerning the purpose of the company. Corporate culture expresses, for example, the value notions that management holds and the way they deal with one another and with employees. (Source: German Federal Agency for Civic Education).

CORPORATE GOVERNANCE • → *German Corporate Governance Code*

COST OF MATERIALS RATIO • Share of the cost of materials in the overall output of a company. The cost of materials consists of the total of raw materials and supplies, goods for resale and services.

CRYSTAL GROWING • Process during which liquids or molten materials (e.g. → *silicon* chunks molten at high temperatures) cool down slowly under specific conditions and solidify in the form of crystals.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) • Describes the totality of customer care measures from acquisition, consultation and contract implementation to after-sales service and checking customer satisfaction. Data management, in addition to personal contact between employees and customers, is an important tool for the long-term maintenance of customer contacts.

D

DAX • The German Stock Index represents the 30 largest stock corporations in Germany listed on the Frankfurt Stock Exchange.

DAXGLOBAL SARASIN SUSTAINABILITY INDEX • Sarasin Bank has developed a method known as the Sarasin Sustainability Matrix for assessing the environmental and social aspects of companies as well as their financial position. The index computed by Deutsche Börse Group represents the 100 largest and most liquid German companies that meet the criterion of → *sustainability* according to the matrix. The SolarWorld stock has been listed in the index since its launch in 2007.

DECLARATION OF COMPLIANCE • Declaration by the Management Board and the Supervisory Board pursuant to § 161 German Stock Corporation Act (AktG) stating the extent to which they follow the recommendations of the Government Commission on the → *German Corporate Governance Code*.

DEFERRED TAXES • Result from differences in tax burdens where taxable profit differs from earnings in the commercial-law financial statements due to tax rules.

DEPRECIATION • The annually increasing decline in the value of fixed assets and equipment is taken into account by systematically setting off the original cost against tax over the years of their use. Depreciation is treated as an expense for accounting purposes.

DIRECTORS' DEALINGS • Securities transactions by managers or persons/companies close to them involving stocks in their own listed company.

DIVIDEND • Portion of the earnings of a stock corporation distributed to the shareholders on an annual basis. The distribution of these earnings is resolved by the Annual General Meeting.

DOW JONES INDUSTRIAL AVERAGE • Index comprising the 30 highest-priced U.S. stocks listed on the New York Stock Exchange.

E

EARNINGS PER STOCK • Group earnings divided by the weighted number of stocks.
EARNINGS REPORT • Period-related comparison of the incomes and expenditures of a company.
EBIT MARGIN • Shows what percentage of the operating profit before interest, tax and financial result the company has been able to generate per sales unit. Thus, it provides information on the company's earnings power.
EBIT • Revenues after deduction of all operating costs. Earnings Before Interest and Taxes (EBIT) is usually used to evaluate a company's earnings position, particularly for international comparisons.
EBITDA • Earnings Before Interest, Taxes, → *Depreciation* (on property, plant and equipment) and Amortization (of → *intangible assets*). This indicator facilitates international comparisons as it does not include national taxes.
ECONOMIES OF SCALE • Size/volume advantages which result from mass production and are reflected in a reduction in unit costs.
EFFICIENCY, DEGREE OF • Indicates the ratio between the electrical output and the solar irradiation received by the → *solar module* or the → *solar cell*. Higher efficiency results in more output from the same surface area.
EINSTEIN AWARD • Award presented by SolarWorld since 2005 to persons who have rendered outstanding services in the area of solar energy. In addition, young scientists have been awarded the SolarWorld Junior Einstein Award since 2006 for their scientific work in specialist areas relating to photovoltaics.
ELECTRIC VEHICLE • Means of transport powered by electrical energy. This electrical energy may be supplied via an external charger. Apart from vehicles which are powered purely by electricity, there are also hybrid vehicles which have an additional type of propulsion system.
EMPLOYEE PROFIT-SHARING MODEL (GOMAB) • Profit-oriented employee profit-sharing model at the SolarWorld Group which establishes a distribution factor for the employees' pay structure. This factor is based on the annual operating result of the individual companies and the Group.
ENVIRONMENTAL MANAGEMENT (EM) • Attempt by companies to systematically reduce the environmental damage caused by them. The corporate strategy should balance economic growth and ecological compatibility. The reduction of harmful emissions, waste avoidance and use of → *renewable energies* are combined into a set of environmental measures to be implemented, comprising the corporate environmental policy and environmental audits and standards such as → *ISO 14001*.
ENVIRONMENTAL OPPORTUNITIESALL-SHARE INDEX • → *FTSE Index*
EQUITY RATIO • Measures equity as a proportion of the total capital stock. Used to assess the stability of a company.
EQUITY • Balance sheet item consisting of the capital stock, reserves and accumulated results that are available to the company to be used for investments (for example).
EQUIVALENT ADVERTISING VALUE • Represents the value of all editorial contributions published about SolarWorld compared to the value of an advertisement placed by the company.
EUROPEAN PHOTOVOLTAIC INDUSTRY ASSOCIATION (EPIA) • Largest worldwide association for companies in the photovoltaic industry.
EUROPEAN RENEWABLE ENERGY INDEX (ERIX) • Covers companies that generate their sales mainly in the areas of solar, wind, water, biomass, geothermal energy and tidal energy. The SolarWorld stock has been listed in the index since its launch in 2005.

F

FEED-IN TARIFF • The local utility is obliged to buy electricity from renewable sources and pay for it at a current rate. In Germany, this is regulated by the German → *Renewable Energy Sources Act* (Erneuerbare-Energien-Gesetz, EEG).
FLOW-OF-FUNDS ANALYSIS • Identification and reporting of income and expenditure generated or consumed by a company within a specific period of time from ongoing business, investment and financing activities.
FTSE INDEX • The FTSE Environmental Opportunities Index Series measures the performance of worldwide groups of companies that are primarily active in the ecology sector. The SolarWorld stock has been listed in the index since its launch in 2008.
FULL INTEGRATION • Combining upstream and downstream production levels of a product under uniform corporate management. SolarWorld covers the entire → *value chain* all the way from raw material extraction to finished → *solar modules*.

G

GERMAN CORPORATE GOVERNANCE CODE • The code is designed to make transparent the rules applying to corporate management and supervision in Germany so as to promote the trust of international and national investors, of customers, employees and the public as → *stakeholders* in the management of German companies. SolarWorld has complied with the code since 2002.
GIGAWATT (GW) • One gigawatt equals one billion (1,000,000,000) → *watts*.
GLOBAL CHALLENGES INDEX (GCI) • Includes companies that actively and responsibly face seven global challenges such as climate change, for example. The index contains 50 stocks of companies with worldwide operations. The SolarWorld stock has been listed in the index since its launch in 2007.
GLOBAL COMPACT (GC) • Also "United Nations Global Compact"; is concluded between companies and the UN with

the objective of making globalization more ecologically and socially compatible.

GLOBAL REPORTING INITIATIVE (GRI) • Global multi-stakeholder network of experts to define a global standard for the preparation of sustainability reports. The GRI reporting framework serves to ensure systematic presentation of the economic, ecological and social performance of companies in order to facilitate comparisons between companies (→ *benchmarking*) and a transparent presentation of the development over time.

GLOBAL SOLAR ENERGY INDEX (MAC) • Shows the performance of 35 companies in the solar industry worldwide. The SolarWorld stock has been listed in the index since its launch in 2008.

GOMAB • → *Employee profit-sharing model*

GREENHOUSE GAS EMISSIONS • Greenhouse gases interfere with the natural balance of the atmosphere, which may lead to climate change. The most important man-made greenhouse gases are → *carbon dioxide (CO_2)* from the combustion of fossil energy sources (about 60 percent) and methane from agriculture and mass animal husbandry (about 20 percent).

GRID PARITY • Parity between the price of solar-produced power and domestic electricity prices. This is achieved when the purchase price of solar power is the same as normal domestic electricity from the wall socket.

H

HOMEMADE POWER • Self-generated power can be consumed directly, the rest can be fed into the public grid. In both cases, the feed-in tariff for solar power is guaranteed by the German state for 20 years through the → *Renewable Energy Sources Act*. The more power is used straight from the roof, the higher the return on investment from a solar array will be. The self-consumed rate can be boosted to more than 60 percent with intelligent products for consumption control. People who produce their own power are more independent of increasing electricity prices. At the same time, the strain on the German grid is reduced since solar power generation and consumption occur together in the same building.

I

IMPAIRMENT • Adjustment item to cover the impairment of a fixed or current asset item carried under assets in the balance sheet, for example accounts receivable.

INTANGIBLE ASSETS • Include concessions, commercial property rights, licenses, corporate goodwill and patents.

INTELLECTUAL PROPERTY MANAGEMENT (IP MANAGEMENT) • Covers all measures to administer intellectual property, i.e. protected knowledge in the form of commercial property rights; IP is also referred to as intangible property law.

INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) • Internationally staffed independent body of accounting experts that develops the → *International Financial Reporting Standards (IFRS)* and revises them as and when required.

INTERNATIONAL ACCOUNTING STANDARDS (IAS) • Collection of standards and interpretations in which the rules of external reporting for capital-market-oriented companies are listed.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) • Discusses current accounting issues that are differently or incorrectly treated because of insufficient guidance concerning the → *IAS* and → *IFRS* standards. Furthermore, it deals with new sets of conditions that have not yet been covered by IAS/IFRS.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) • Collection of internationally applicable standards and their official interpretations that lists the rules guiding the external reporting of capital-market-oriented companies.

INVERTER • Converts the direct current generated by → *solar modules* into the alternating current required by the grid. It also monitors the grid connection.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD • Shareholdings in associated companies and joint venture companies of more than 20 percent.

ISO 14001 • International environmental management standard that lays down requirements to be met by an environmental management system → *EM*.

ISO 9001 • International standard on quality management that determines the generally accepted requirements to be met by a quality management system → *QM*.

ISO CERTIFICATION • Certification is a process by which adherence to certain requirements for companies and for management systems is verified. Certifications are granted for a limited period of time by independent certification bodies such as TÜV, DEKRA, and Bureau Veritas, who independently verify compliance with the relevant standards.

J

JOINT VENTURE • Economic cooperation between companies aimed at taking better advantage of each party's know-how and resources.

K

KILOWATT (KW) • One kilowatt equals 1,000 → *watts*.

KLD GLOBAL CLIMATE 100SM INDEX • Performance of 100 international companies whose activities have the potential to reduce the causes of climate change in the short and long term, thereby offering solutions to prevent global warming. The SolarWorld stock has been listed in the index since its launch in 2005.

L

LARGE-SCALE PLANT • Large → *solar arrays*, mostly ground-mounted installations. Primarily these are plants with a rated output of more than 100 kilowatts.

LINEAR PERFORMANCE GUARANTEE • Warranty under which the guaranteed performance declines by a certain percentage per year and is not reduced step by step.

M

MARGIN • Difference or market margin between producer (production) price and sales (consumer) price of a trad-

able product. The margin allows the overhead costs included in production and distribution to be covered.
MARKET CAPITALIZATION • Measurement referring to the number of stocks times the stock price.
MEGAWATT (MW) • Equals one million (1,000,000) → *watts*.
MERRILL LYNCH RENEWABLE ENERGY INDEX • The index covers 31 companies that are active in the sector of renewable energies. SolarWorld AG has been listed in this index since it was launched in 2007.
MODULE • → *Solar module*
MONOCRYSTALLINE • Conditions prevailing during → *crystal growing* result in the solidification of the solar-grade silicon in a single large and homogeneous cylindrical crystal. Cf. → *polycrystalline*

O
OECD (ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT) • Established in 1961, currently an alliance of 34 governments having the objective of identifying "best practice" concerning sustainable economic development, high employment, rising living standards and financial stability, and drawing up appropriate guidelines. A further aim is to contribute to the growth of world trade.
OFF-GRID (RURAL ELECTRIFICATION) • Solar power systems not directly connected to the power grid; the power generated is consumed directly or stored locally (so-called stand-alone system).
ÖKODAX • Represents the performance of the ten most liquid German companies in the renewable energy sector and, along with the → *DAX* and → *TecDAX*, belongs to the → *Prime Standard*. The SolarWorld stock has been listed in the index since its launch in 2007.
ON-GRID • Solar power systems connected to the regional power grid. The operator of the system can feed electricity into the grid when electricity production is high (strong solar radiation), and can also take electricity from the grid if necessary.

P
PERFORMANCE DRIVER • Process-oriented parameter. Improved performance in these leading indicators influences the future development of the lagging indicators in a positive manner. Performance drivers (leading indicators) therefore have an early warning character concerning the achievement of key strategic goals.
PHOTON PHOTOVOLTAIK AKTIEN INDEX (PPVX, PHOTON PHOTOVOLTAIC SHARE INDEX) • Global index launched by trade journals Photon and Öko-Invest listing companies that generated more than 50 percent of their previous year's revenues with products or services directly or indirectly associated with the installation or use of photovoltaic systems. The SolarWorld stock has been listed in the index since its launch in 2001.
PHOTOVOLTAICS • Describes the direct conversion of solar radiation into electrical energy.
PLUS SORTING • The output of every → *solar module* is measured during the production process at SolarWorld. The module is then allocated to a performance class that is at least equal to or higher than the nameplate output.
POLYCRYSTALLINE • The conditions prevailing during → *crystal growing* cause the → *solar-grade silicon* to solidify into a silicon block consisting of several small crystals which overall does not show a completely homogeneous arrangement of atoms. Cf. → *monocrystalline*
PREPAID EXPENSES/DEFERRED INCOME • Balance sheet items carrying expenses incurred or income received before the closing date (balance sheet date) but allocatable to periods after the balance sheet date.
PRICE-EARNINGS RATIO (P/E) • Indicates the multiple of the earnings per stock at which the stock is currently valued on the stock exchange.
PRIMARY ENERGY CONSUMPTION • In the energy industry, primary energy describes that energy which is available in the naturally occurring energy forms or energy sources, such as coal, gas, solar radiation or wind. Primary energy consumption is the result of the final energy consumption and the losses incurred in generating the final energy from primary energy.
PRIME STANDARD • Legally regulated listing segment of the Frankfurt Stock Exchange for companies meeting particularly stringent international transparency standards. Precondition for admission to DAX, MDAX, TecDAX or SDAX.

Q
QUALITY MANAGEMENT (QM) • Application of measures serving to improve products, processes or services of any kind. QM is considered part of functional management, aiming to enhance the efficiency of a transaction or workflow.

R
RAMP-UP-PHASE • Start-up phase of a new production facility.
RATING • Ratings serve to assess the future ability of a company to meet its payment obligations on time and in full, and result from the analysis of quantitative and qualitative factors.
RECYCLING • Returning used materials into the economic cycle and processing them into new products. Benefits include reducing the volume of waste and using fewer raw materials.
RENEWABLE ENERGIES • Energy from non-depleting sources including sun, water, wind, geothermal and biomass sources.
RENEWABLE ENERGY INDUSTRIAL INDEX (RENIXX WORLD) • Stock index of the 30 most important global companies active in wind energy, solar energy, hydropower, bio-energy, geothermal energy and fuel cells. The SolarWorld stock has been listed in the index since its launch in 2006.
RENEWABLE ENERGY SOURCES ACT (EEG) • Law prioritizing → *renewable energies* in Germany. The EEG regulates the preferred purchase, transmission and compensation of electricity from renewable sources. Feed-in tariffs are

fixed for twenty years, which provides planning safety and secure returns.

RISK MANAGEMENT • Procedure for the identification, measurement and avoidance/reduction of risks or the implementation of corresponding measures.

(S)

S&P GLOBAL CLEAN ENERGY INDEX • The index covers 30 "clean energy companies" worldwide. The SolarWorld stock has been listed in the index since its launch in 2007.

SHAREHOLDER • Owner of stocks in a company (also stockholder).

SILICON • → *Solar-grade silicon*

SOCIAL MEDIA • Social networks and network communities that serve as digital platforms for the exchange of opinions, impressions and experience.

SOLAR ARRAY • Complete system of → *solar modules* generating direct current through the photovoltaic effect; an → *inverter* converts the power into alternating current before it is fed into the grid.

SOLAR CELL • Solar cells interconnected in a → *solar module* allow sunlight to be turned into electricity via the photovoltaic effect. The cell consists of two layers that are deliberately contaminated (doped). At the interface of the two layers, an electric field is formed. If a light beam hits an electron in the upper layer, it can move freely and migrates to the outside. This creates a voltage that can be tapped via external contacts.

SOLAR ENERGY INDUSTRY ASSOCIATION (SEIA) • National industry association of the U.S. solar power industry.

SOLAR MODULE • Consists of interconnected → *solar cells*, which are sealed with silicone behind glass in an aluminum frame to make the module weather-resistant.

SOLAR2WORLD • Under the Solar2World, SolarWorld supports aid projects in developing countries with off-grid solar power solutions that promote sustainable economic development.

SOLAR-GRADE SILICON • Silicon crystals with a high degree of purity sufficient for solar applications. The chemical element silicon is a semiconductor that forms crystals with a stable diamond structure. After oxygen, silicon is the second most common element in the Earth's crust. For use in the solar industry, the raw silicon has to be purified into solar-grade silicon and is cast into blocks for cutting into → *wafers*.

SOLARWORLD SCORECARD • Based on the Balanced Scorecard concept by Kaplan/Norton (1992), this is an indicator-based management tool that takes economic, ecological and social factors into consideration. The basic structure of the scorecard consists of five perspectives that directly build on each other: finance, customers, processes, innovation and potential, and employees. The SolarWorld Scorecard also has a social perspective. This instrument describes cause-and-effect relationships using control variables and associated → *performance drivers* by means of which all the listed factors can be included in the economic management of the company.

SPECIALIST PARTNER NET/SHOP • Internet platform that keeps SolarWorld's specialist partners informed about current events, news and press releases in the photovoltaic industry. It also contains marketing material and media support.

SPOT MARKET • General term for markets in which the purchase price is paid immediately upon delivery.

SPREAD • Describes the difference between two uniform entities that are compared with one another.

STAKEHOLDER • Groups or individuals who may influence the goals achieved by a company or who are affected by these goals. The key stakeholder groups include employees, shareholders, investors, suppliers, customers, consumers, authorities and non-governmental organizations.

STANDARD TEST CONDITIONS • Conditions under which the current and voltage indicators of a → *solar cell* and/or a → *solar module* are measured (1,000W/m², 25°C cell temperature, solar spectrum AM 1.5).

SUSTAINABILITY MANAGEMENT • Control of ecological, social and economic effects in order to achieve sustainable corporate and business development and ensure a positive contribution is made by the company to the sustainable development of society at large. To demonstrate this, many large companies in all industries now publish an annual sustainability report. SolarWorld's environmental and social reporting has followed the guidelines of the → *Global Reporting Initiative (GRI)* since 2007.

SUSTAINABILITY • 1. Characteristic of a system that continues to exist in the long term; 2. Scientific concept concerning the objective limits to environmental exploitation; 3. A concept in ethical standards at the core of which is the issue of justice and balance.

(T)

TECDAX • Index of medium-sized German companies in the technology industry. In addition to the → *DAX*, the MDAX and the SDAX, the TecDAX belongs to the → *Prime Standard* of Deutsche Börse Group. SolarWorld AG has been listed in this index since it was launched in 2004.

TOTAL PRODUCTIVE MANAGEMENT (TPM) • This concept originates from → *quality management (QM)*. The overriding objectives are to increase plant availability, minimize losses, integrate employees and avoid redundancies.

(U)

UNAIDED BRAND AWARENESS • In a survey on brand awareness, no multiple answers are given when unaided recall is measured. The respondents have to remember the brand names without help.

(V)

VALUE CHAIN • Term used to designate the value added of a product at every stage of its production processes. The stages of SolarWorld's value chain range from → *solar-grade silicon* to → *solar modules*.

Ⓦ **WAFER** • Thin discs made of →*solar-grade silicon*, used to produce →*solar cells*. They can be either →*monocrystalline* or →*polycrystalline*.

WATT • International measuring unit for power output, named after James Watt, standard sign "W".

WHOLESALE NET/SHOP • →*Specialist Partner Net/Shop*; digital information platform for SolarWorld wholesalers.

WILDERHILL NEW ENERGY GLOBAL INNOVATION INDEX (NEX) • Reflects the stock prices of companies whose global business focuses on the generation and use of →*renewable energies* and energy efficiency. The SolarWorld stock has been listed in the index since its launch in 2006.

WORKING CAPITAL • Current assets minus current liabilities, i.e. the portion of current assets financed with long-term sources. It provides information about the company's financial stability and flexibility.

WORLD SOLAR ENERGY INDEX (SOLEX) • The index contains the ten largest companies worldwide in the solar industry. The SolarWorld stock has been listed in the index since its launch in 2006.

PRODUCT GLOSSARY

SOLAR MODULES

SUNMODULE PLUS® • Solar modules by SolarWorld. A solar module consists of multiple interconnected solar cells embedded between special solar glass and a weather-resistant, multi-layer back sheet in an aluminum frame. SolarWorld's module concepts are tested during the fully automated production process and only leave the factory if they meet or exceed the stated nameplate output (see glossary → *Plus sorting*). Independent quality assurance is guaranteed by the TÜV "Power controlled" inspection mark. Our monocrystalline and polycrystalline solar modules can be used for all kinds of different applications. They are suitable for installation on domestic roofs or carports, and on the ground. SolarWorld offers a 25-year linear performance guarantee for Sunmodule Plus solar modules as well as a 10-year extended product warranty.

SUNMODULE® OFF-GRID • Solar arrays which are built using Sunmodule solar modules but not connected to the power grid. The generated power is consumed directly or stored locally (known as a stand-alone system). Particularly suited to regions which lack access to the public grid, off-grid systems help to cover the operator's own electricity needs.

SUNMODULE PLUS BLACK® • Solar arrays which are built using Sunmodule solar modules but not connected to the power grid. The generated power is consumed directly or stored locally (known as a stand-alone system). Particularly suited to regions which lack access to the public grid, off-grid systems help to cover the operator's own electricity needsSunmodule Plus black monocrystalline solar modules feature a homogeneous black surface and black module frame, which means they look particularly good on dark roofs.

KITS

SUNKITS® • Sunkits are complete kits that contain all the components needed to build a solar array – including the selected module types, the right inverter, the required mounting system Sunfix plus®, Sunfix aero® or Suntub® and relevant accessories. Kits are planned and assembled individually for every customer. Each customer receives personalized system documentation – the Sunpass®. In addition, SolarWorld offers free special insurance for two years and a connection to the online portal Suntrol® with the purchase of its solar sun kits.

ENERGY ROOF PLUS® • Energy and protection in one – Energy roof Plus consists of black solar laminates which are attached to the roof substructure, thus replacing conventional roof tiles. This TÜV-certified roof integration system is particularly suitable for new buildings or roof rehabilitations. Energy roof Plus® can be installed as a complete roof or integrated into the roof with cover frames.

SUNDECK® • Just like Energy roof Plus®, Sundeck replaces conventional roof tiles. Sundeck blends harmoniously into the overall appearance of the roof, and is quick and easy to install. It can also be incorporated into an existing roof. Another option is Sundeck 8500®, which is particularly suited to higher snow loads.

SUNCARPORT® • A SolarWorld solar roof combined with protection for your car. Just like a roof-mounted system, solar power from the carport can be fed into the public grid and you will receive the current feed-in tariffs in your country. The SunCarport® can also function as a solar power "filling station" for electric or hybrid vehicles.

SUNSHED® • Storage with a solar roof for gardening equipment, firewood and bicycles. SunShed® is a separate and flexible addition to the solar array on your roof – it can be installed directly against the walls of your home or on the ground. SunShed® also supplies power directly for an e-bike.

SYSTEM AND FRAME TECHNOLOGIES

SUNFIX PLUS® • Complete assembly system for pitched and flat roofs as well as ground-mounted installations. Sunfix Plus® contains all the components that are needed to install a solar array, from screws and aluminum rails to the roof attachments.
SUNFIX AERO® • An aerodynamic design generates a suction effect that holds the system securely in place. Hardly any ballasting is required, which means the system adds only a small increased load to the roof. It is a non-penetrating solution.
SUNTUB® • Assembly system for flat roofs with an inclination of up to 6°. Like SUNFIX AERO®, SUNTUB® does not require any penetration of the existing roof membrane or floor covering. Paving slabs or similar ballast is used for protection against possible wind loads.
SUNTRAC® • Assembly system for ground-mounted installations with solar modules which mechanically track the sun. By rotating in two axes it is possible to increase the power yield.

ACCESSORIE

SUNTROL® • Suntrol is a professional monitoring system for SOLARWORLD solar arrays. A SUNTROL® data logger records yield data and sends it to the Internet portal at @ *www.suntrol-portal.com//*, where the data is stored, analyzed and presented as graphs. Data can also be accessed via a PC or smartphone. A solar array can be registered as a reference system, enabling it to be presented to other users and compared with other systems.
SUNTOOL® • SUNTOOL® 2.0 is professional design software for architects, installers, planners and wholesalers. It allows solar arrays to be planned on an individual basis according to the roof type and pitch. The software also generates detailed yield forecasts, result reports and a data sheet for kit planning.
SUNPAC® • A SunPac battery system allows solar power to be used flexibly when needed. A larger portion of the operator's own power needs can be covered, reducing their electricity bill. An electricity meter measures the energy flow between the grid and the home. If more power is generated than needed, the system charges the battery. If consumption is higher, the battery feeds additional energy into the electrical system in the home.

PRODUCTION

SOLSIX® • SOLSIX® brand polycrystalline wafers are manufactured at the Freiberg site by SOLARWORLD subsidiary DEUTSCHE SOLAR GMBH.
SUNBRICKS® • A SOLARWORLD brand product developed and produced by subsidiary SUNICON GMBH. Created by compressing powdery SUNSIL® in a specially developed process. This facilitates the melting of the silicon which can then be processed into wafers. SUNPEARLS® and SUNBALLS® are alternative products.
SUNSIL® • SOLARWORLD brand name for high purity solar silicon, which is manufactured by JSSI GMBH using a proprietary process.

SUBJECT INDEX

LIST OF ACRONYMS AND ABBREVIATIONS

A

AG *German Stock Corporation*
AktG *German Stock Corporation Act*
AS&S *ARD-advertising Sales & Services GmbH*

B

BaFin *Federal Financial Supervisory Authority*
BGB *German Civil Code*
BIP *Gross Domestic Product*

C

CASM *Coalition for American Solar Manufacturing*
CDP *Carbon Disclosure Project*
CEO *Chief Executive Officer*
CFO *Chief Financial Officer*
CHRBO *Chief Human Resources and Brand Officer*
CO_{2eq} *CO_2-equivalent*
COO *Chief Operating Officer*
CSO *Chief Sales Officer*

D

DCGK *German Corporate Governance Code*
DENA *German Energy Agency GmbH*
D&O *Directors and Officers*
DSIRE *Database of State Incentives for Renewable Energy*
DVFA *Deutsche Vereinigung für Finanzanalyse und Asset Management → EFFAS*

E

EBIT *Earnings Before Interests and Taxes*
EBITDA *Earnings Before Interests, Taxes, Depreciation and Amortization*
EDV *Electronic Data Processing*
EEG *German Renewable Energy Sources Act*
EFFAS *The European Federation of Financial Analysts Societies → DVFA*
EIA *Energy Information Administration*
EPIA *European Photovoltaic Industry Association*
ESG *Environmental, Social, Governance*

F

F&E *Research and Development*

G

GbR *Civil law company*
GC *Global Compact*
GmbH *Company with limited liability*
GRI *Global Reporting Initiative*
GuV *Statement of income*
GW *Gigawatt*

H

HGB *German Commercial Code*

I

IAA *International Automobile Fair*
IAS *International Accounting Standards*
IASB *International Accounting Standard Board*
IEA-PVPS *International Energy Agency Photovoltaic Power System Programme*
IEC *International Electrotechnical Commission*
IFRIC *International Financial Reporting Interpretations Committee*
IFRS *International Financial Reporting Standards*
IFW *Institute for the World Economy*
IKS *Internal Inspection System*
INC. *Incorporated*
IP *Intellectual Property*
ISIN *International securities identification number*
ISO *International Organization for Standardization*
IT *Information Technology*

K

KR *Internal Audit Department*
KW *Kilowatt*
KWH *Kilowatt per hour*
KWP *Kilowatt-peak*

L

LLC *Limited Liability Company*
LP *Limited Partnership*
Ltd. *Limited Company*

M

MW *Megawatt*

O

OHSAS *Occupational Health and Safety Assessment Series*

P

PTE Ltd. *Private Limited*
PV *Photovoltaic*

R

ROCE *Return on capital employed*

T

TDAP *Test Data Acceptance Program*
TPM *Total Productive Management*
TUBAF *Freiberg University of Mining and Technology*

U

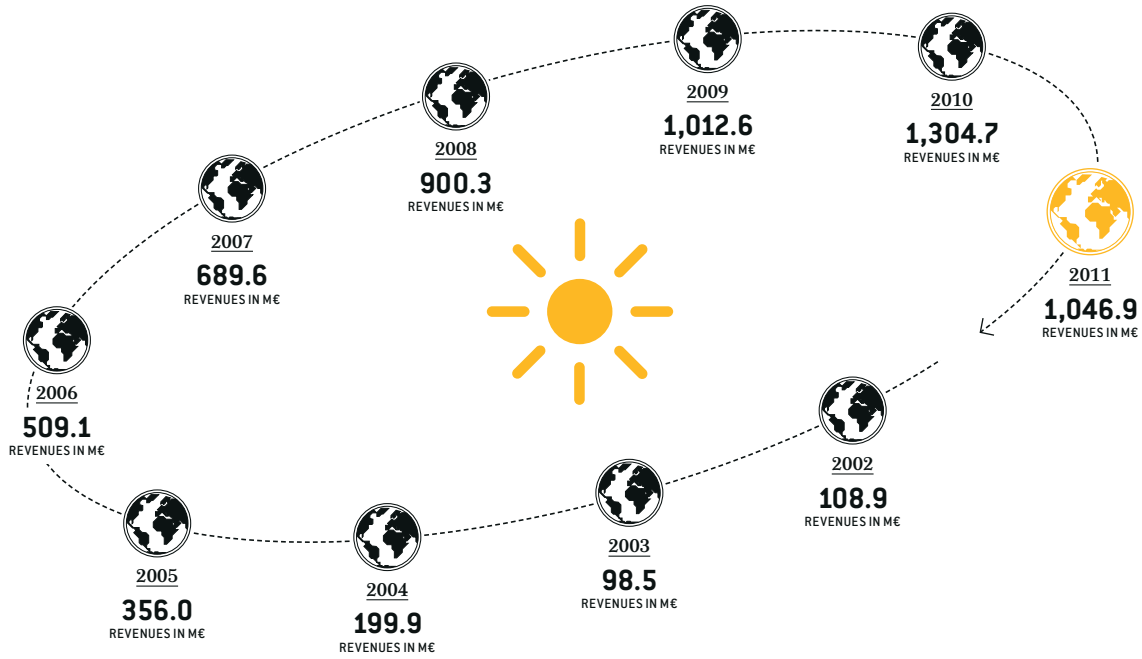
USITC *U.S. International Trade Commission*

V

VORSTAG *Act on the Appropriateness of Management Board Remuneration*

W

WKN *German Securities Code Number*
WpHG *German Securities Trading Act*



2002

SEASONED EQUITY OFFERING OF 825,000 STOCKS // CAPITAL STOCK NOW STANDS AT € 5.775 MILLION

With the launch of Deutsche Cell GmbH, the Group starts producing its own cells – SolarWorld AG now operates the largest integrated solar cell factory in Europe at Freiberg, Germany. // SolarWorld AG becomes a signatory to the Corporate Governance Code for the first time. // Joint venture with Evonik Degussa GmbH – a ground-breaking step in the extraction of solar-grade silicon.

2003

SOLARWORLD STOCK IS INCLUDED IN THE PRIME STANDARD OF DEUTSCHE BÖRSE GROUP // THE STOCK BECOMES ESTABLISHED AND SOON APPEARS IN OTHER INDICES, TOO

SolarMaterial pilot plant for recycling solar energy products and wafer material goes into operation at Freiberg, Germany. SolarWorld is a pioneer and driver of innovation. // Launch of a fully automated production facility for solar modules in Freiberg, Germany – the entire photovoltaic value chain meets the highest technological standards.

2004

SOLARWORLD AG ENTERS TECDAX VIA THE »FAST ENTRY« RULE // SEASONED EQUITY OFFERING OF A FURTHER 575,000 STOCKS // CAPITAL STOCK REACHES € 6.35 MILLION // CORPORATE BOND IS ISSUED: THE SOLARWORLD AG BEARER BOND

SolarWorld is awarded ISO 9001 certification, demonstrating its focus on quality throughout all business processes.// Group strategy and systematic expansion reap dividends: Two years after it was formed, Deutsche Cell becomes one of the world's top ten solar cell manufacturers. Deutsche Solar is now one of Europe's largest manufacturers of silicon wafers.

2005

1:1 SCRIP ISSUE // CAPITAL STOCK DOUBLES TO € 12.7 MILLION // TOP STOCK OF 2005

The SolarWorld Einstein Award is presented for the first time. The award recognizes outstanding contributions to promoting the use of solar energy. // The Group starts expanding its international business by setting up sales subsidiaries SolarWorld California Inc. (now SolarWorld Americas Inc.) and SolarWorld Ibérica S.L. // Raw materials business stepped up: Prototype solar-grade silicon extraction plant at Joint Solar Silicon (now JSSi GmbH) produces first batches of silicon.

2006

FURTHER SEASONED EQUITY OFFERING OF 1.265 MILLION STOCKS// CAPITAL STOCK € 13.965 MILLION // A FURTHER 1:3 SCRIP ISSUE // CAPITAL STOCK INCREASES TO € 55.86 MILLION

Acquisition of crystalline solar activities from Shell in Germany and the U.S. – basis for future production in the U.S. and rise to be among the world's top three leading solar power providers // Entry into solar motor racing – development of solar racing car SolarWorld No. 1 together with Bochum University of Applied Sciences, Germany.

2007

1:1 SCRIP ISSUE // CAPITAL STOCK DOUBLES TO € 111.72 MILLION

Acquisition of a new production facility in Hillsboro, U.S. – milestone marking the further expansion of U.S. manufacturing activities in just 18 months // Strategic expansion in R&D and raw materials sectors with the formation of SolarWorld Innovations GmbH and Sunicon in Freiberg, Germany. // Group pools its not-for-profit activities under the Solar2World program and supports regional development in developing countries with projects implementing solar power solutions in rural areas.

2008

RECIPIENT OF THE GERMAN SUSTAINABILITY AWARD FOR THE MOST SUSTAINABLE PRODUCTION PROCESS

SolarWorld solar factory opens in Hillsboro, Ore. and is America's largest production facility for crystalline wafers and cells. SolarWorld becomes the largest fully integrated solar group with production activities in the U.S. // Expansion of growth potential in the Asian market – establishment of solar module production in South Korea as part of the SolarWorld Korea Ltd. joint venture. // Ground-breaking ceremony for the construction of another wafer factory in Freiberg, Germany – the largest expansion project to date. // Beginning of the Group's own silicon production in the JSSi GmbH joint venture with Evonik Degussa GmbH.

2009

REVENUES EXCEED ONE BILLION EUROS FOR THE FIRST TIME // TENTH ANNIVERSARY OF STOCK MARKET FLOTATION

Stock price increases 1,683 percent in ten years since IPO in 1999. The SolarWorld AG stock shows the best performance of all German listed companies in the Prime and General Standard over the last ten years. // Further expansion of the global production network with sites in Germany, the U.S. and South Korea (joint venture). The Group therefore strengthens its presence in the world's largest growth and future markets. // SolarWorld is the best known solar brand in Germany – strategic investments in brand awareness are increased fivefold. // Innovative power is substantially increased – construction of a new international research campus in Freiberg, Germany with laboratories for wafers, cells and modules. // Annual General Meeting of SolarWorld AG approves a cap on directors' salaries of twenty times average gross income in the Group, thereby sending out a clear signal as to what constitutes an acceptable level of executive pay in Germany.

2010

REVENUES CONTINUE TO SURPASS ONE BILLION EUROS // SUCCESSFUL EXPANSION OF FOREIGN BUSINESS

SolarWorld grows its revenues by a further 29 percent to € 1.3 billion. Foreign shipments increase to 59 percent. // SolarWorld establishes a joint venture, Qatar Solar Technologies Q.S.C., to secure another source of solar-grade silicon from 2012/13. // Inauguration of the technology center at SolarWorld Innovations in Freiberg, Germany. SolarWorld strengthens its competitive position with Research and Development architecture on a pilot scale close to actual production conditions. // Takeover bid submitted for Solarparc with the aim of gaining a stronger foothold in the international project business.

2011

COMPETITIVENESS FURTHER STRENGTHENED // FURTHER INTERNATIONALIZATION OF SOLAR BUSINESS

Group Revenue of € 1.0 billion // Foreign sales quota increased to 68 percent // Restructuring of production capacities // Competitiveness further strengthened by concentrating on production at most modern sites in Hillsboro, U.S. and Freiberg, Germany // Impairment charges to fixed assets // Brand awareness stepped up with advertising campaigns in the U.S. market.

FINANCIAL AND EVENT CALENDAR 2012

JANUARY 16 – 19, 2012	**World Future Energy Summit, Abu Dhabi (United Arab Emirates)** *www.worldfutureenergysummit.com*
MARCH 15 – 18, 2012	**Ecotec, Athen (Greece)** *www.ecotec-exhibition.gr*
MARCH 20 – 22, 2012	**Ecobuild ExCel, London (England)** *www.ecobuild.co.uk*
MARCH 22, 2012	**Publication of the 2011 Annual Group Report** *Financial statements press conference* *Analysts' conference* *annualgroupreport2011.solarworld.de*
MARCH 23, 2012	**International analysts' conference call for 2011 Annual Group Report**
APRIL 15 – 20, 2012	**Light & Building, Frankfurt (Germany)** *www.light-building.messefrankfurt.com*
MAY 09 – 11, 2012	**Solarexpo, Verona (Italy)** *www.solarexpo.com*
MAY 10, 2012	**Publication of Consolidated Interim Report 1st quarter 2012** *Analysts' conference call* *www.solarworld.de/fincial-reports*
MAY 24, 2012	**Annual General Meeting, Bonn (Germany)**
MAY 25, 2012	**Dividend payment* for fiscal year 2011**
JUNE 13 – 15, 2012	**Intersolar Europe, Munich (Germany)** *www.intersolar.de*
JULY 09 – 12, 2012	**Intersolar North America, San Francisco (U.S.)** *www.intersolar.us*
AUGUST 13, 2012	**Publication of Consolidated Interim Report 1st half 2012** *Analysts' conference call* *www.solarworld.de/financial-reports*
SEPTEMBER 25 – 28, 2012	**PV SEC, Frankfurt (Germany)** *www.photovoltaic-conference.com/exhibition.html*
NOVEMBER 14, 2012	**Publication of Consolidated Interim Report 3rd quarter 2012** *Analysts' conference call* *www.solarworld.de/financial-reports*

* Subject to approval by the Annual General Meeting

(81) SOLARWORLD'S FIVE YEAR BALANCE SHEET // IN K€

ASSETS	31.12.11	31.12.10	31.12.09	31.12.08	31.12.07
A. Non-current Assets	**1,102,125**	**1,395,086**	**1,211,471**	**1,000,856**	**655,996**
I. Intangible assets	**20,521**	39,607	37,297	33,861	32,675
II. Property, plant and equipment	**744,681**	951,856	787,536	575,406	349,602
III. Investment property	**27,231**	20,994	0	0	0
IV. Investments measured at equity	**37,842**	65,481	50,243	30,544	21,630
V. Other financial assets	**790**	1,165	849	0	0
VI. Other non-current assets	**268,581**	310,788	329,647	333,972	233,271
VII. Deferred tax assets	**2,479**	5,195	5,899	27,073	18,818
B. Current Assets	**1,175,702**	**1,240,246**	**1,004,743**	**1,119,193**	**1,036,740**
I. Inventories	**386,771**	337,370	268,507	189,794	116,782
II. Trade receivables	**123,021**	140,883	211,401	71,219	112,922
III. Current income tax assets	**35,472**	428	2,157	914	9,180
IV. Other receivables and assets	**32,984**	48,956	12,987	21,163	4,998
V. Other financial assets	**44,109**	99,136	81,602	404,414	528,995
VI. Liquid funds	**553,345**	613,473	428,089	431,689	263,862
C. Assets Held for Sale	**0**	**0**	**836**	**572**	**11,729**
	2,277,827	**2,635,332**	**2,217,050**	**2,120,622**	**1,704,466**

EQUITY AND LIABILITIES	31.12.11	31.12.10	31.12.09	31.12.08	31.12.07
A. Equity	**630,759**	**922,879**	**865,462**	**841,075**	**691,546**
I. Equity attributable to shareholders of SolarWorld AG	**628,781**	922,879	865,462	841,075	691,546
1. Subscribed capital	**110,795**	106,881	111,720	111,720	111,720
2. Capital reserve	**296,562**	296,489	296,489	296,489	296,489
3. Other reserves	**17,523**	18,067	–11,517	6,311	–10,181
4. Accumulated profits	**203,901**	501,442	468,770	426,555	293,518
II. Non-controlling interests	**1,978**	0	0	0	0
B. Non-current Liabilities	**1,362,738**	**1,366,757**	**1,119,411**	**1,093,559**	**899,266**
I. Non-current financial liabilities	**1,150,888**	1,011,855	750,584	675,406	620,722
II. Accrued investment grants	**56,773**	76,219	68,279	78,842	54,925
III. Non-current provisions	**32,270**	25,418	24,023	23,242	20,195
IV. Other non-current liabilities	**94,621**	215,917	250,662	292,485	188,405
V. Deferred tax liabilities	**28,186**	37,348	25,863	23,583	15,019
C. Current Liabilities	**284,330**	**345,696**	**232,177**	**185,988**	**110,383**
I. Current financial liabilities	**120,981**	129,776	38,915	28,714	20,443
II. Trade payables	**64,433**	113,270	83,943	70,413	32,306
III. Income tax liabilities	**18,159**	13,797	25,218	20,219	15,171
IV. Current provisions	**13,004**	8,784	5,426	5,716	2,679
V. Other current liabilities	**67,753**	80,069	78,675	60,926	39,784
D. Liabilities of Assets Held for Sale	**0**	**0**	**0**	**0**	**3,270**
	2,277,827	**2,635,332**	**2,217,050**	**2,120,622**	**1,704,466**

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