

ANNUAL GROUP REPORT 2011

SOLARWORLD AG



THE FUTURE IS
RENEWABLE AND INDEPENDENT



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.



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, information boxes 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

005

<i>Letter by the Chairman</i>	007
1 / KEY FIGURES AND FACTS*	011
<i>Selected indicators</i>	013
<i>Quarterly comparison of the Consolidated Income Statements</i>	014
<i>Revenue by region</i>	014
<i>Development of key figures in five-year comparison</i>	015
<i>Sustainability performance</i>	016
2 / GROUP MANAGEMENT REPORT 2011	019
<i>Business and general conditions</i>	021
<i>Business development in the year 2011</i>	033
<i>Economic position 2011</i>	066
<i>Supplementary report</i>	077
3 / GROUP MANAGEMENT REPORT FORECAST	079
<i>Expected future developments</i>	081
4 / CORPORATE GOVERNANCE	111
<i>Report by the Supervisory Board</i>	113
<i>The Supervisory Board</i>	118
<i>Corporate Governance declaration</i>	119
5 / CONSOLIDATED FINANCIAL STATEMENTS	131
<i>Income statement</i>	133
<i>Statement of comprehensive income</i>	134
<i>Balance sheet</i>	135
<i>Statement of changes in equity</i>	136
<i>Cash flow statement</i>	137
<i>Notes</i>	138
<i>Auditor's report</i>	208
<i>Responsibility statement</i>	209
6 / SERVICE	212
<i>Index of charts and tables</i>	213
<i>Glossary</i>	216
<i>Product glossary</i>	222
<i>Subject index</i>	224
<i>List of acronyms</i>	225
<i>Chronicle</i>	226
<i>Financial and event calendar 2012</i>	228



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

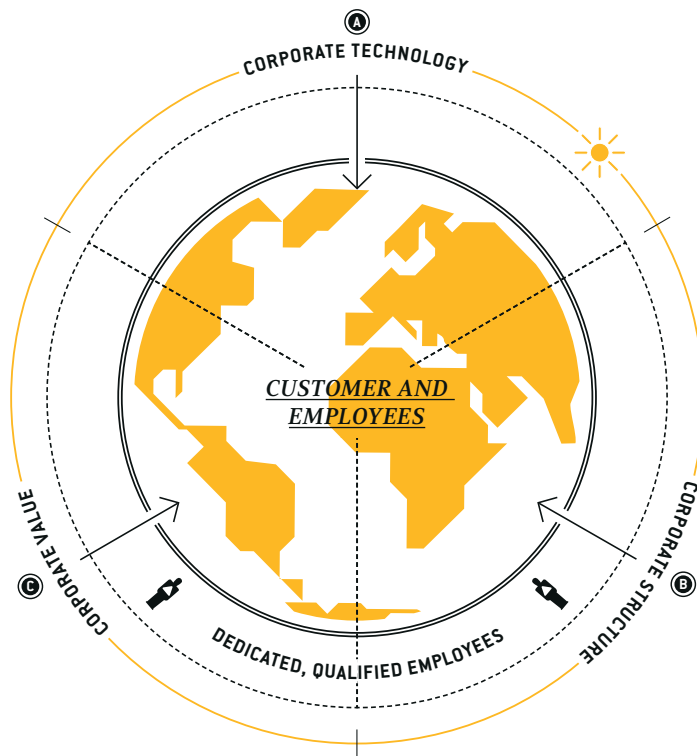
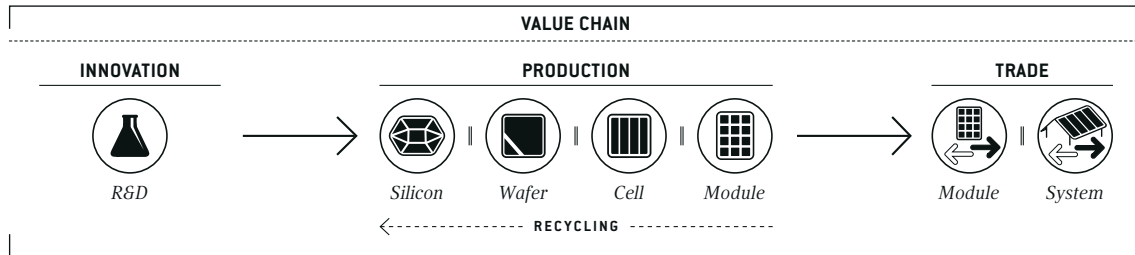
SOLAR SUSTAINABILITY

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-of-demand copy:

@ annualgroupreport2011.solarworld.de/sustainability/

SOLARWORLD GROUP STRATEGY

006



④	⑤	⑥
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

008

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!



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

010



(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 Executive 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

1 / 6



- *FIVE GOOD REASONS WHY CUSTOMERS CHOOSE SOLARWORLD*

012

1 / KEY FIGURES AND FACTS

013 SELECTED INDICATORS

014 QUARTERLY COMPARISON OF THE CONSOLIDATED INCOME STATEMENTS

014 REVENUE BY REGION

015 DEVELOPMENT OF KEY FIGURES IN FIVE-YEAR-COMPARISON

016 SUSTAINABILITY PERFORMANCE

016 *Environmental protection*

016 *Customers and products*

017 *Employees*

017 *Supply chain*

018 *Compliance and society*

018 *Innovation*

SOLARWORLD 2011

013

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	k.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

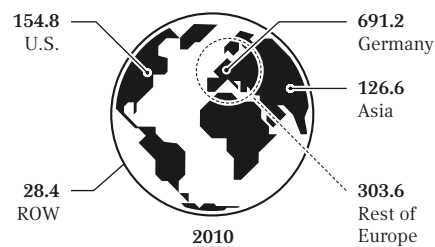
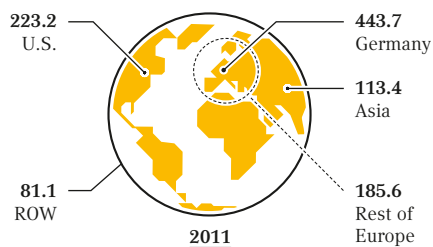
** EBIT/Capital employed

*** Liquid funds and other financial assets 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.
Group profit/loss	857	1,782	-831	-	-	-
Group profit/loss	12,477	9,895	-8,997	-312,647	32,613	n. a.

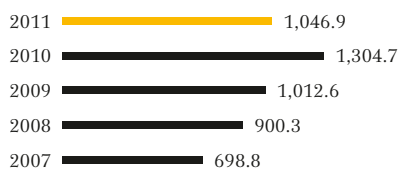
03 REVENUE BY REGION // IN M€



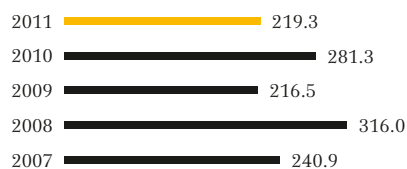
04 DEVELOPMENT OF KEY FIGURES IN FIVE-YEAR COMPARISON

Disclosures for 2007 including discontinued operations

Revenues (in m€)



EBITDA (in m€)



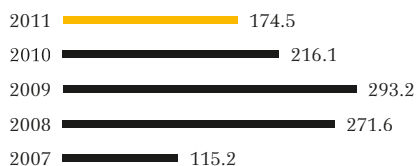
Group profit/loss (in m€)



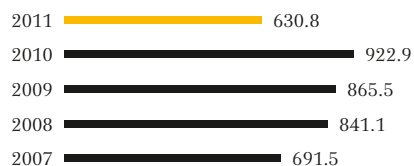
EBIT (in m€)



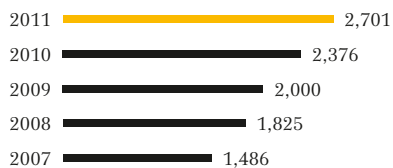
Investments excl. financial investments (in m€)



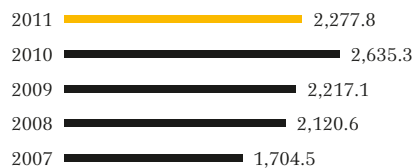
Equity (in m€)



Employees



Balance sheet total (in m€)



SUSTAINABILITY PERFORMANCE

016

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 m³)	1,431,642 ep	1,466,030 ep	↑
Water consumption: Waste water discharge (in m³)	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 (m³). Therefore, two values are reported.	–	3,209.99 t plus 807.10 m³	↑
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	507	766	↔
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.			
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€)	17.4	5.4	↑
We do not grant stock options, but we pay a profit-oriented employee participation model (GOMAB). Further data on this indicator is so far not available.			
Discrimination: number of documented incidents	0	2	0
These two incidents were documented in the U.S.			

08 SUPPLY CHAIN

NAME AND DESCRIPTION	2010	2011	2012
Certification: ISO 9001 certification of suppliers	90 % ef	Freiberg: >80 % ef USA: 33 % ef	↔
Certification: ISO 14001 certification of suppliers	40 % ef	Freiberg: >55 % ef USA: 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. N001ff. //](#)

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

2011

SOLARWORLD /
ANNUAL GROUP REPORT



CHAPTER #2

GROUP MANAGEMENT REPORT 2011

2 / 6



ENERGYROOF



- ▶ BECAUSE WE OFFER OUR
CUSTOMERS *COMPLETE SOLUTIONS*

2 / GROUP MANAGEMENT REPORT 2011

021 BUSINESS AND GENERAL CONDITIONS

- 021 *Strategy and action*
- 023 *Group structure and segments*
- 026 *Corporate management and control*

033 BUSINESS DEVELOPMENT IN THE YEAR 2011

- 033 *The stock*
- 036 *Major business events*
- 037 *The market*
- 042 *Procurement*
- 044 *“Production Germany” and “Production U.S.” segments*
- 046 *“Trade” segment*
- 048 *Customer promise and brand*
- 051 *Employees*
- 056 *Energy and climate protection*
- 060 *Innovation report*

066 ECONOMIC POSITION 2011

- 066 *Income position*
- 071 *Financial position*
- 075 *Asset position*

077 SUPPLEMENTARY REPORT

- 077 *Disclosure of events of particular importance*

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 significant 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 // ⑤⑩ 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 //

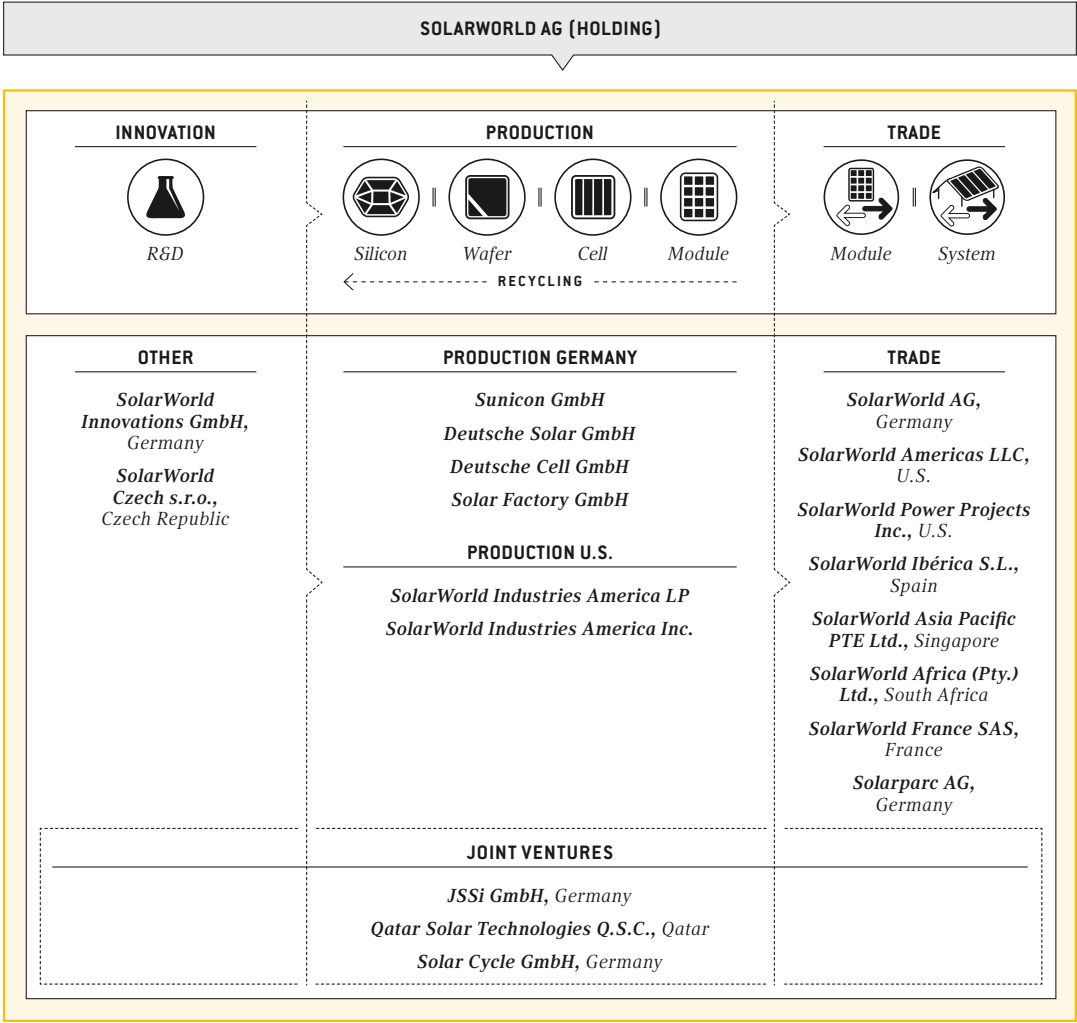
GROUP STRUCTURE AND SEGMENTS

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. 224 //

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. ➔ 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. 022//
 - 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 SOLARCYLE 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."

⑭ 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 ⑮ 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+

028

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

TARGET ACHIEVEMENT 2010 AND 2011 AND TARGETS FOR 2012+

030

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:	✓ On schedule	Capacity expansion 2011 (year-end capacity):	✗ Year-end capacity in 2011:	Production processes optimization
Wafers: 1,250 MW Cells: 750 MW Modules: 1,250 MW		Wafers: 1,250 MW Cells: 800 MW Modules: 1,400 MW	Wafers: 1,000 MW Cells: 800 MW Modules: 850 MW	

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

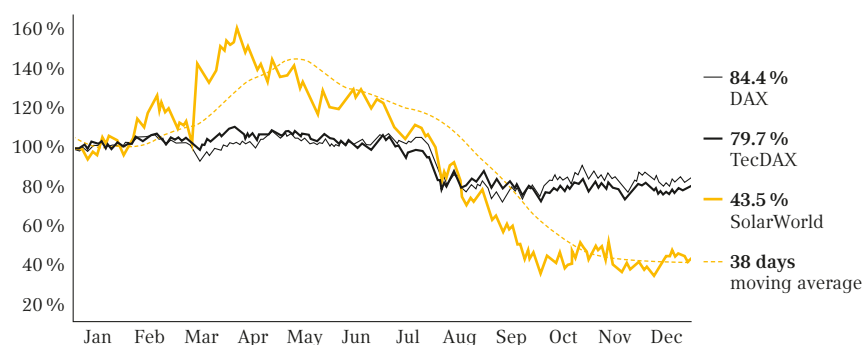
16 SOCIETY

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/sustainability/gri-index//.

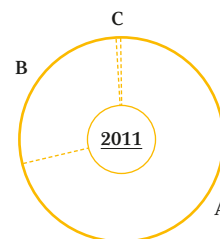
17 DEVELOPMENT OF THE SOLARWORLD STOCK VS. DAX AND TECDAX

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	GLOBAL	
TecDAX // Technology companies	DAXglobal Sarasin Sustainability Index // Environment	FTSE Environmental Opportunities All-Share // Environment
ÖkoDAX // Renewable energies	MSCI Global Climate Index // Climate change	Global Challenges Index (GCI) // Environment
	NAI // Environment	MAC Global Solar Energy Index // Solar
	PPVX // Solar	Merrill Lynch Renewable Energy // Renewable energies
	SOLEX // Solar	S&P Global Clean Energy Index // Renewable energies
	RENIXX // Renewable energies	WilderHill New Energy Global Innovation Index NEX // Renewable energies
EUROPE		
ERIX // 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. ⁽¹⁹⁾ [*www.solarworld.de/directors-dealings//*](http://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. ⁽²⁰⁾ [*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 //

FOCUSING 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.

②④ 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 inte-

grated 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. ② *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. ③ *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 Jeffries means that actual sales of modules in Italy in 2011 stood at around 6.0 (2010: 5.0) GW.

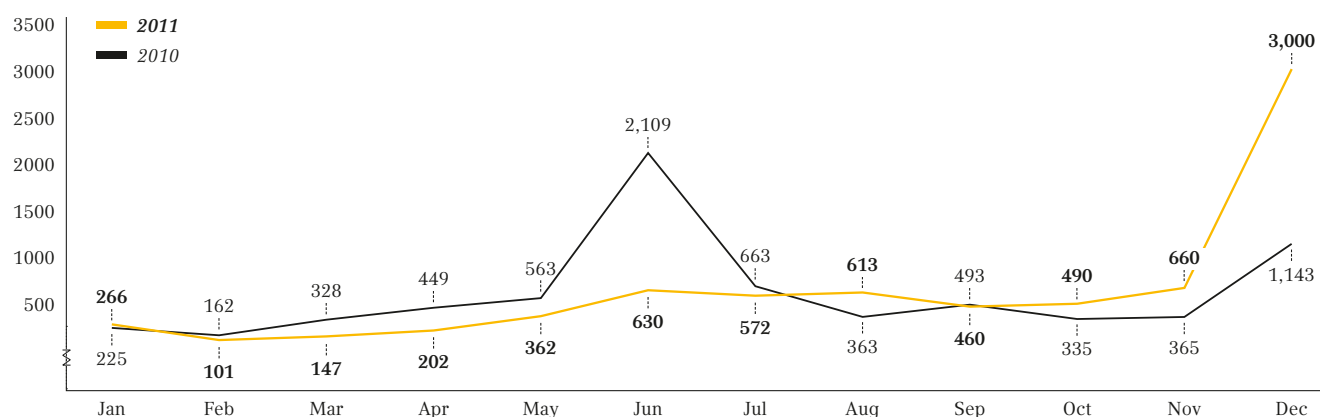
23 FUNDING PROGRAMS 2011 IN THE FIVE MAIN SALES MARKETS OF SOLARWORLD

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			✓	✓	✓

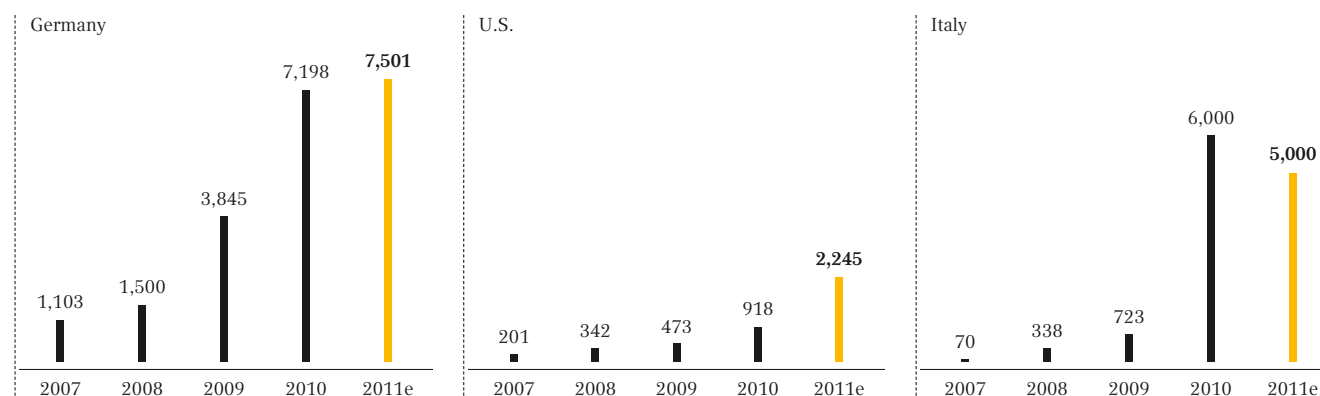
24 NEW INSTALLATIONS IN GERMANY IN THE YEARS 2011 AND 2010 // IN MW

Source: Bundesnetzagentur, 2012



25 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

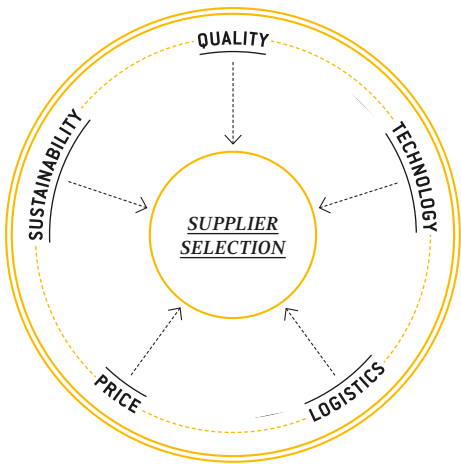
PROCUREMENT SITUATION IN 2011 AFFECTED BY VOLATILE MARKET. The situation was, on the one hand, more relaxed than the previous year because the types of bottlenecks in component supply experienced by the industry in 2010 did not occur at least after the first quarter. The prices also fell for components, 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.

22 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.

ⒺⒺ *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.

ⒺⒺ **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.

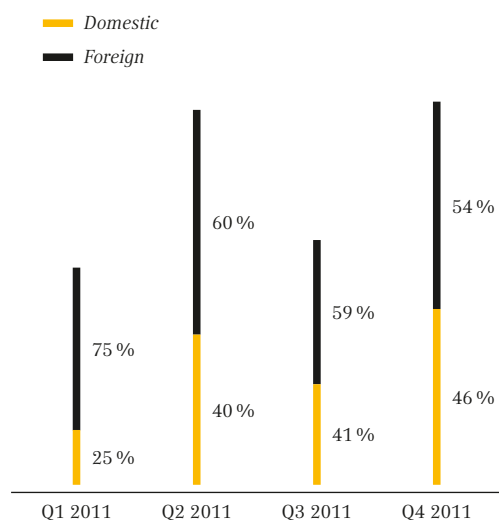
HIGHER OCCUPATIONAL HEALTH AND SAFETY STANDARDS DEFINED. Following the successful ISO 9001 and ISO 14001 certification of all of our sales offices and production sites in the past few years, we prepared our subsidiary, SOLAR FACTORY GMBH, and SOLARWORLD AG for certification in accordance with OHSAS 18001, 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 (previous year: € 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



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

AS&S Multitracking



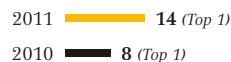
Batten & Company



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



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

AS&S Multitracking



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.de/ //

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/sustainability/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 31.12.2011	Employees as of 31.12.2010	+/- 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 44–46, 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.

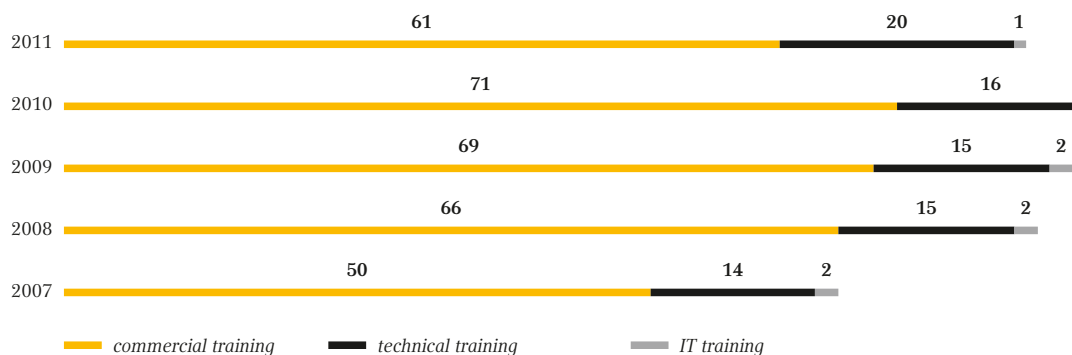
INVESTMENT IN QUALIFICATION MEASURES. For several years, we have shown our commitment to qualification measures for our employees. The core responsibilities of our HR department therefore include planning and implementing international projects and exchange programs as well as education and training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

③⑩ 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.

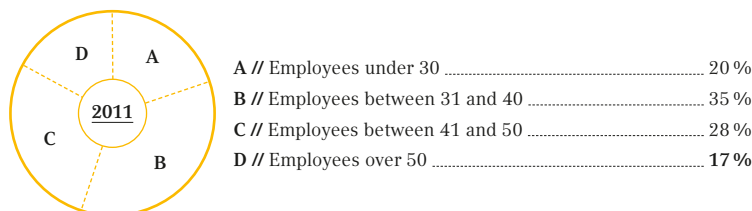
③① NUMBER OF TRAINEES IN THE SOLARWORLD GROUP



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




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

057

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.

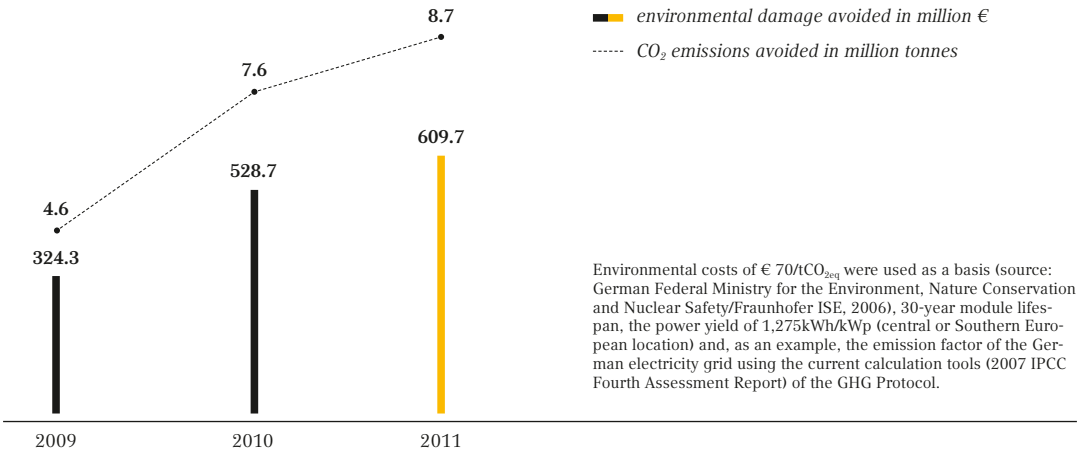
EMISSION INTENSITY

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



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

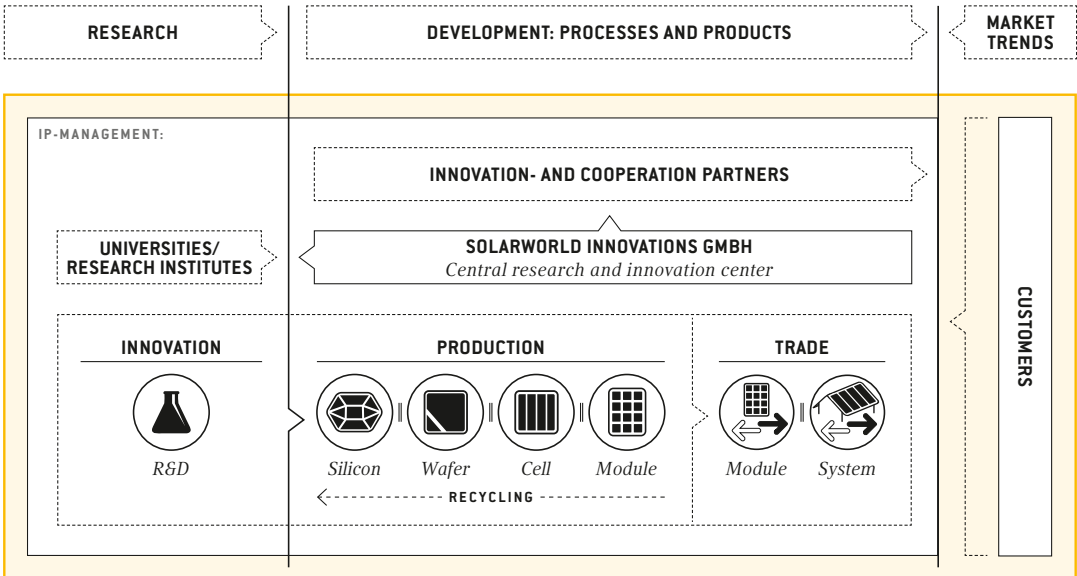
CLOSE INTEGRATION OF INNOVATION AND PRODUCTION CREATES COMPETITIVE ADVANTAGES. In the intense competition for buyers and market shares, it became more important than ever to generate considerable benefits through innovations for our customers and our ongoing production in 2011. Our maxim is to swiftly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

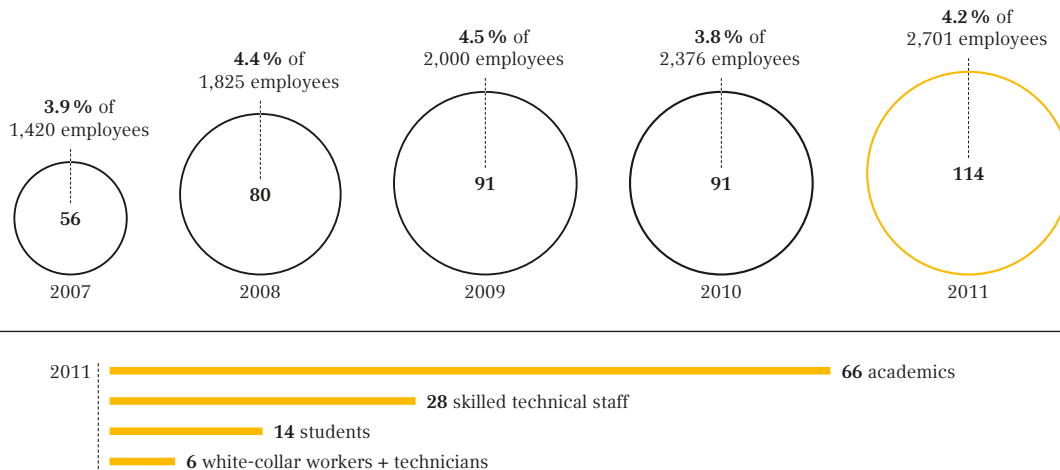
the leadership of SOLARWORLD INNOVATIONS GMBH, eleven partners and six sub-contractors from the areas of material supply, systems technology, engineering, production and science came together to form a team in the “Sun” project. The goal is to develop highly efficient solar cells and solar modules while 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	<p>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)</p> <p>The significant increase in output in modules was accomplished by improvements along the entire solar value chain.</p> <p>Major contributing factors were:</p> <p>Wafers: Further development of crystal growing process</p> <p>Cells: Improvement of the emitter profile and front side metallization</p> <p>Modules: Antireflective glass coating</p>
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 Electro-technical 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	<p>Crystal growing: Significantly improved wafer quality which led to a considerable increase in the efficiency of the solar cell in 2011</p> <p>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</p> <p>→ Future performance potential: Reinforcing position as a supplier with leading quality and service standards, expanding market through aesthetic products, boosting off-grid business</p> <hr/> <p>SUNPAC S 13.8®: Smart turnkey energy solution with battery system with 13.8 kW total storage; doubles storage capacity of the SUNPAC®</p> <p>→ Future performance potential: Improvement in directly consumed solar power, independence from legal feed-in tariffs</p> <hr/> <p>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</p> <p>→ Future performance potential: Market expansion through user-friendly monitoring and control of solar power systems, independence from feed-in tariffs determined by law</p> <hr/> <p>SUNFIX AERO®: Easy-to-assemble and low-ballast mounting system for flat roofs with low load reserves</p> <p>→ Future performance potential: Market expansion to flat roofs with low load capacity; high potential on international markets</p> <hr/> <p>SUNDECK®: Roof-integrated system used to mount the modules on the high level of the roof tiles instead of a conventional roof covering</p> <p>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</p> <p>→ Future performance potential: Expansion of the application possibilities in regions with heavy snowfall and for different kinds of coverings</p> <hr/> <p>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</p> <p>→ 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</p> <hr/> <p>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).</p> <p>→ 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</p>

For “Earnings from new products” see ⓘ 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

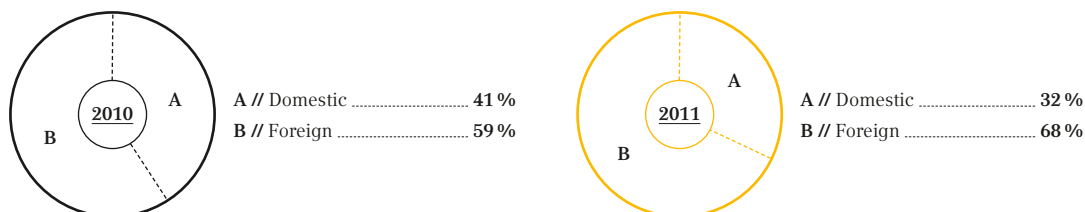
In 2011, we generated revenue of € 1.0 billion. The shipments of wafers, modules and kits amounted to 794 MW. In accordance with IAS 36, SOLARWORLD AG recognized impairment charges for inventories of € 315 million. The EBIT of the year under review is € –233 million. Due to the impairment charges, the 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. ④ Target achievement 2010 and 2011 and targets for 2012+/Customers • p. 029//

④ SHIPMENTS DIVIDED INTO DOMESTIC AND FOREIGN SALES



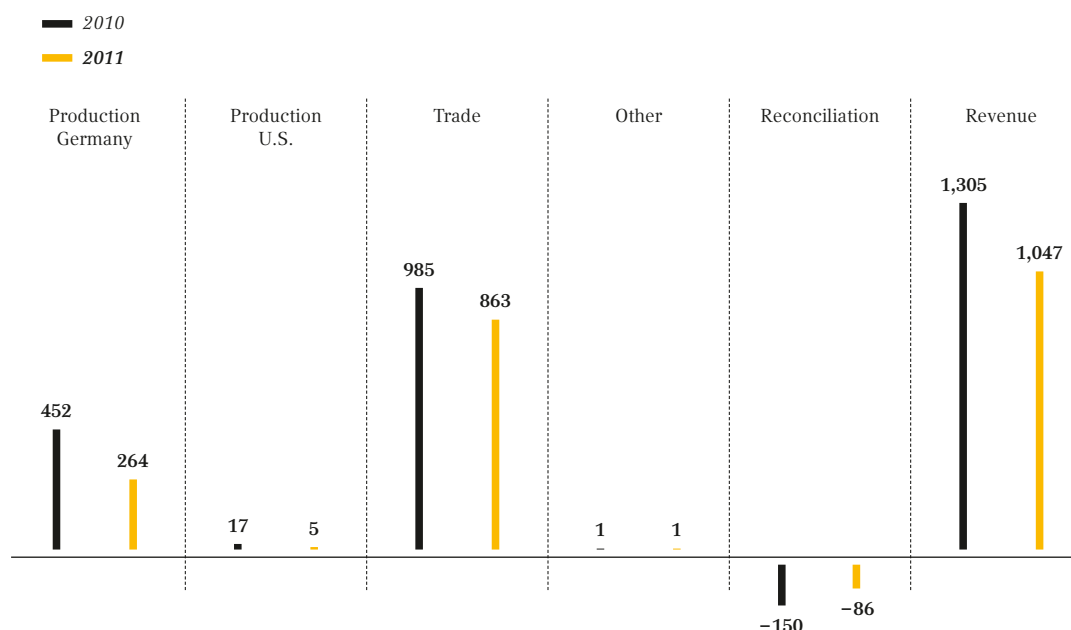
Due to the strong decline in prices, our revenue decreased by 19.8 percent or € 257.8 million to € 1,046.9 (2010: € 1,304.7) million. Consistent framework conditions for the development of the solar market formed the basis of our revenue prognosis in late 2010. However, these did not exist in the course 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 amounting 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 USA” 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 (PPA)	314.5
thereof gross impairment charge for PPA	339.0
thereof reversal of accrued investment grants	-24.5
= EBIT adjusted by impairment charge of PPA	81.3
+ impairment charge for current assets (CA)	80.0
= EBIT adjusted by impairment charge of PPA and CA	161.3
- down-payment reversals	-97.0
= EBIT adjusted by impairment charge of PPA 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. [⊞ 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 • S. 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.

070

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 • S. 023// 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 • S. 193//

Our financing consists of bonds, promissory notes and loans. ➞ Financing analysis • S. 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 • S. 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 • S. 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.

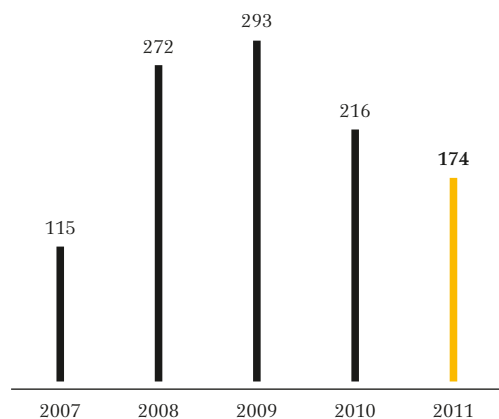
INVESTMENT ANALYSIS

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.

④ DEVELOPMENT OF INVESTMENTS // IN M€



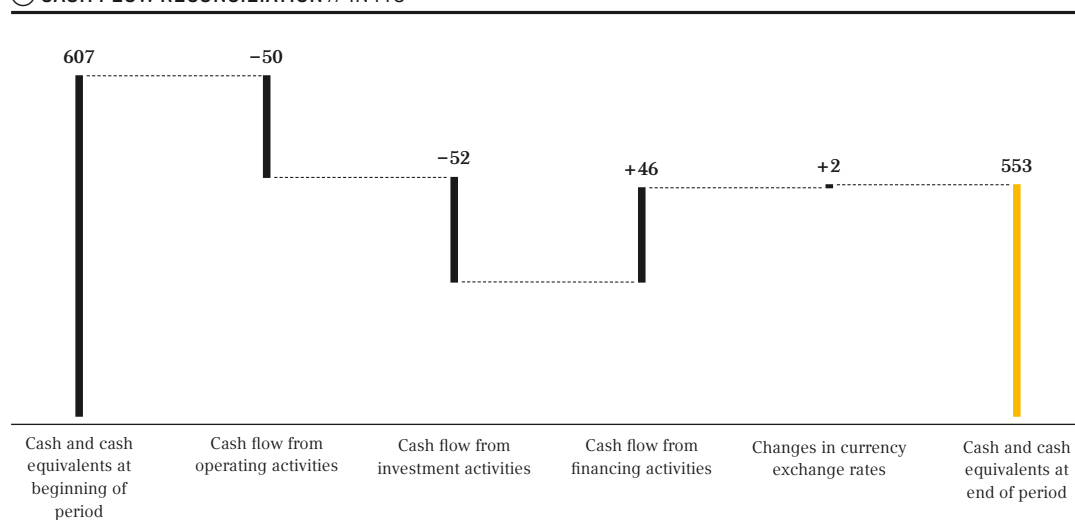
LIQUIDITY ANALYSIS

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.

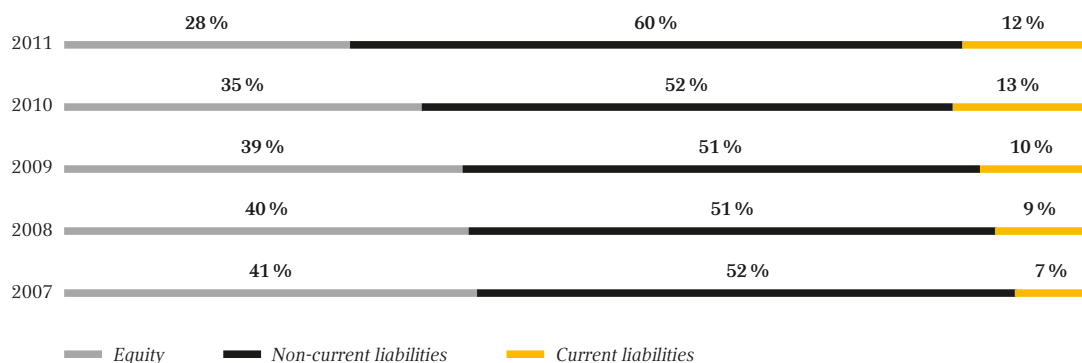
The cash flow from investing activities amounted to € –51.5 (2010: € –224.9) million. It was primarily influenced by payments received from financial investments amounting to € 67.5 million and the inflow of liquid funds in the scope of first-time consolidation of SOLARPARC AG in an amount of € 16.3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

④ 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

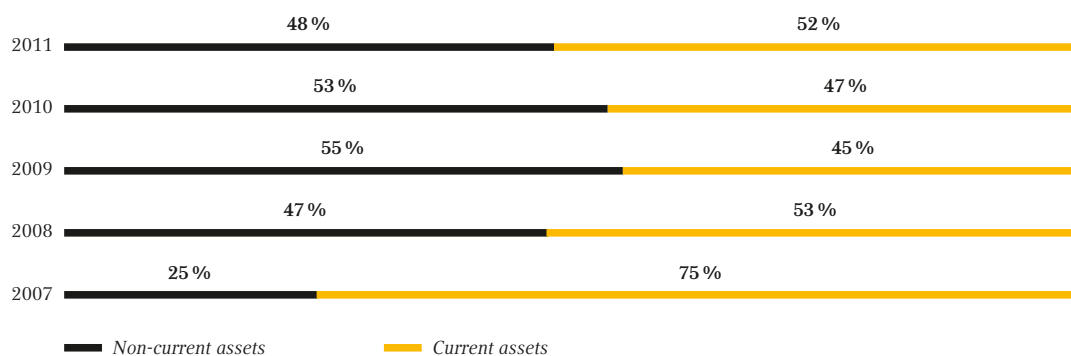
ASSET STRUCTURE ANALYSIS

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.

⑤ 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. A 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

3 / 6



SOLAR MODULE

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

080

3 / GROUP MANAGEMENT REPORT FORECAST

081 EXPECTED FUTURE DEVELOPMENTS

081 *Risk report*

098 *Opportunities*

100 *The future market 2012+*

103 *Future strategic alignment of the group*

104 *Expected business trend 2012+*

108 *Expected earnings and financial position*

110 *Overall statement by the Management Board on future group development*

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

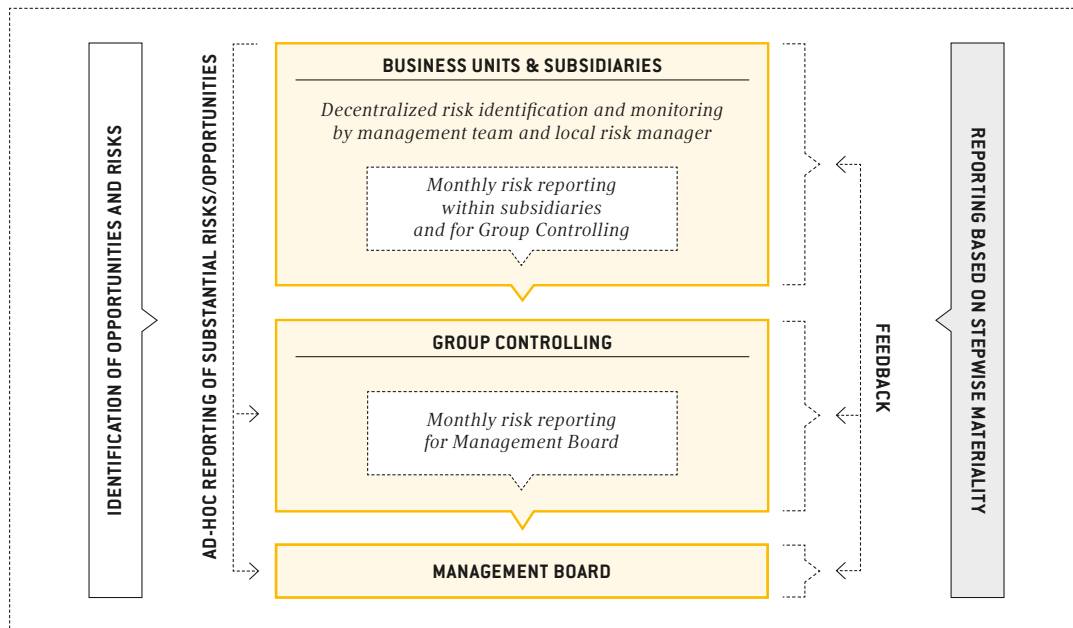
An opportunity and risk management system is necessary to enable the prompt identification and analysis of risks and as far as possible the proactive introduction of counter-measures. It is equally important to identify and exploit market opportunities at an early stage. Thus, a strong opportunity and 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. ⁽⁸⁰⁾ *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* ④ *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**
➞ *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. ➔ <u>Expected development on the solar power market</u> • 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
<ul style="list-style-type: none">• 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 ➔ <u>Customer promise and brand</u> • p. 048//• Other: Introduction of legal steps to counter dumping, subsidy practices and unfair competition ➔ <u>Unfair competition complaint filed</u> • 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 ➔ <u>Future development of “Production Germany” and “Production U.S.” segments</u> • 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
<ul style="list-style-type: none"> • 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 ➞ <i>Future procurement</i> * 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
<ul style="list-style-type: none">• Production; Trade: Ongoing monitoring and analysis of receivables and selective conclusion of credit insurance policies › <i>reduce</i> › <i>transfer</i>• Production; Trade: Cash in advance and down-payment arrangements › <i>reduce</i>

62 SALES AND PRICE RISKS ↑

Risks
<p>1. Stronger price pressure and increase in supply: Lower demand for our products.</p> <p>2. Purchase of less than agreed volume: Non-performance of long-term wafer contracts.</p>
Probability
<p>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. ➔ <i>Expected development on the solar power market</i> • p. 100 //</p> <p>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.</p>
Effect (strength, time horizon)
<p>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.</p> <p>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 <i>Procurement risks</i> • p. 089 //</p>
Counter-measures
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 ➔ <i>Employees • S. 051 //</i> • 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
<ul style="list-style-type: none"> • 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
<p>1. Failure to reach contractually stipulated covenants: Termination of loans</p> <p>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.</p>
Probability
<p>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.</p> <p>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 refinancing 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. ➞ <i>Note 66e: Liquidity risks • p. 196//</i></p>
Effect (strength, time horizon)
<p>1. Strong, short-term: Premature refinancing needs with considerably less favorable terms and conditions</p> <p>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.</p>
Counter-measures
<p>• All segments: Regular meetings with all of our creditors, closer control of liquidity using the working capital management, measures to appraise assets</p> <p>• 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 ➞ <i>Financing analysis • p. 071//</i></p> <p>• All segments: ➞ <i>Note 66e: Liquidity risks • p. 196//</i></p>

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
<ul style="list-style-type: none">• All segments: Risk provisioning in the balance sheet for the company's warranty commitment through the formation of a provision › assume ➞ <i>Note 59: Non-current and current provisions • p. 188//</i>• 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
<p>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.</p> <p>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.</p>
Probability
<p>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.</p> <p>2. Low: There are many stakeholders with many different needs. By facilitating direct dialog with our stakeholders, we reduce the probability.</p>
Effect (strength, time horizon)
<p>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.</p> <p>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.</p>
Counter-measures
<ul style="list-style-type: none"> • All segments: Current risks are largely covered by insurance policies › <i>transfer</i> • All segments: Further development of the company's environmental management system › <i>reduce</i> • 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 › <i>reduce</i>

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.

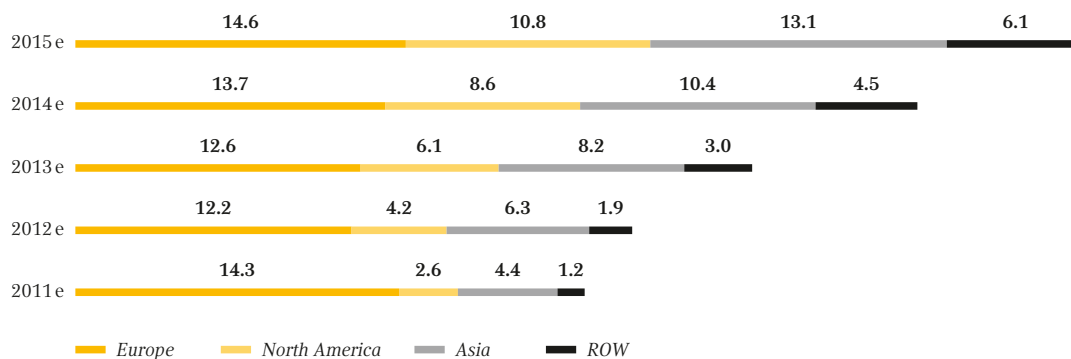
Many market experts predict a drop in other European markets for 2012. Deutsche Bank only predicts an increase in capacity of around 1.9 (2011: 3.4) GW in Europe (without Germany and Italy) for 2012. Sarasin Bank is more optimistic and expects merely stagnation of the European market instead of a downswing. ⑦⑩ 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) Solar-World 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. (80) “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.

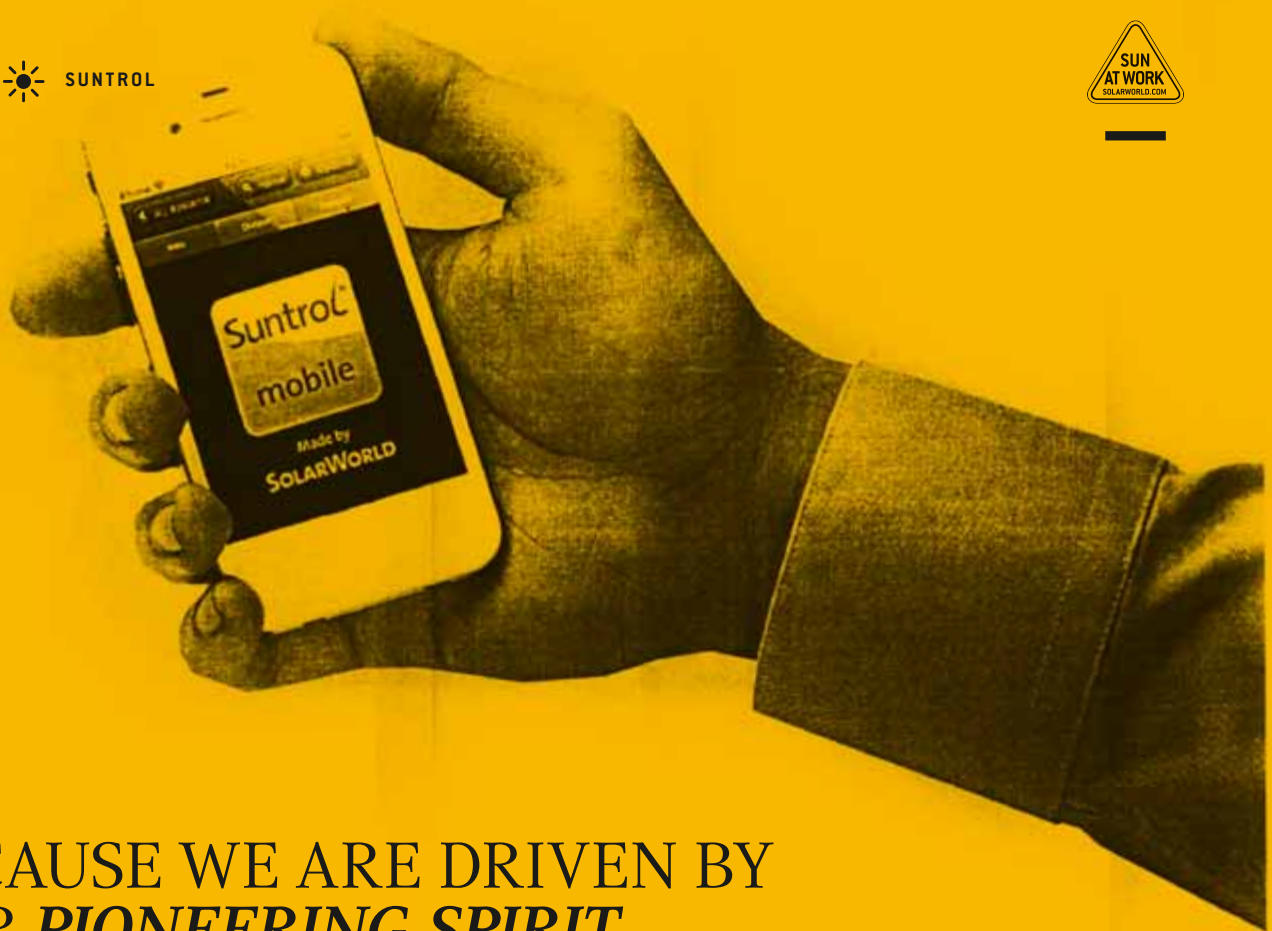
We will focus our business strategy more on applications that make solar power systems remains attractive independently of feed-in tariffs stipulated by law. We will also expand our business with turnkey solar farms and off-grid applications. Building on our high level of brand awareness, we will boost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



CHAPTER #4

CORPORATE GOVERNANCE

4 / 6



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

4 / CORPORATE GOVERNANCE

113 REPORT BY THE SUPERVISORY BOARD

118 THE SUPERVISORY BOARD

119 CORPORATE GOVERNANCE DECLARATION

119 *Corporate Governance at SolarWorld*

120 *Corporate Governance Report 2011*

123 *Remuneration Report*

Dr. Claus Recktenwald
Chairman of the Supervisory Board

113

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 of 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

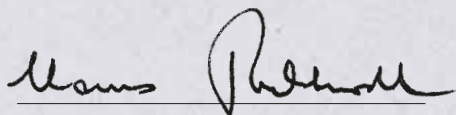
Board fully subscribing to the statements made in it. The management and consolidated management reports affected by this were also audited by BDO AG Wirtschaftsprüfungsgesellschaft, Bonn, which extended the audit to the accounting as well. The annual financial statements for fiscal year ending December 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

118



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. CLAUD 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 Grüenthal GmbH and Grüenthal GmbH & Co. KG, Aachen (Member since 01.01.2010)



DR. ALEXANDER VON BOSSE

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 Bosse 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 recommendations 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 70: Executive Board 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. (→ [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 Board 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 compo-

nents, 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		720,000.00*	1,000,843.32
	10,843.32 (company car private use)	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	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
	25,159.20 (company car private use)			
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	3,080.40 (Grants towards health insurance)	144,000.00*	328,750.38
	19,437.98 (company car private use)			
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	3,686.52 (Grants towards health insurance)	144,000.00*	346,343.60
	11,905.20 (company car private use)			
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	1,723.86 (Grants towards health insurance)	27,000.00**	152,843.10
	4,119.24 (company car private use)			
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 [23 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 [\(23\) 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 [@ annualgropureport2011.solarworld.de/sustainability/gri-index//](#) and at [@ annualgropureport2011.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

5 / 6



OFF-GRID SOLAR ARRAY



- ▶ BECAUSE *SUSTAINABILITY* IS AT THE CORE OF OUR BUSINESS ACTIVITIES

5 / CONSOLIDATED FINANCIAL STATEMENTS

133 INCOME STATEMENT

134 STATEMENT OF COMPREHENSIVE INCOME

135 BALANCE SHEET

136 STATEMENT OF CHANGES IN EQUITY

137 CASH FLOW STATEMENT

138 NOTES

138 *General disclosures*

149 *Accounting policies*

164 *Comments on the income statement*

178 *Comments on the balance sheet*

192 *Other comments*

208 *Auditor's Report*

209 *Responsibility statement*

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 statement	-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			
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€

Notes 4, 56	Subscribed capital	Capital reserve	Other reserves		Accumulated results	Non-controlling interests	Total
			Currency translation reserve	Reserve from hedging of cash flows*			
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 31.12.2011	110,795	296,562	13,582	3,941	203,901	1,978	630,759

* hereinafter "hedging reserve".

78 CASH FLOW STATEMENT // IN K€

Notes 6	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.

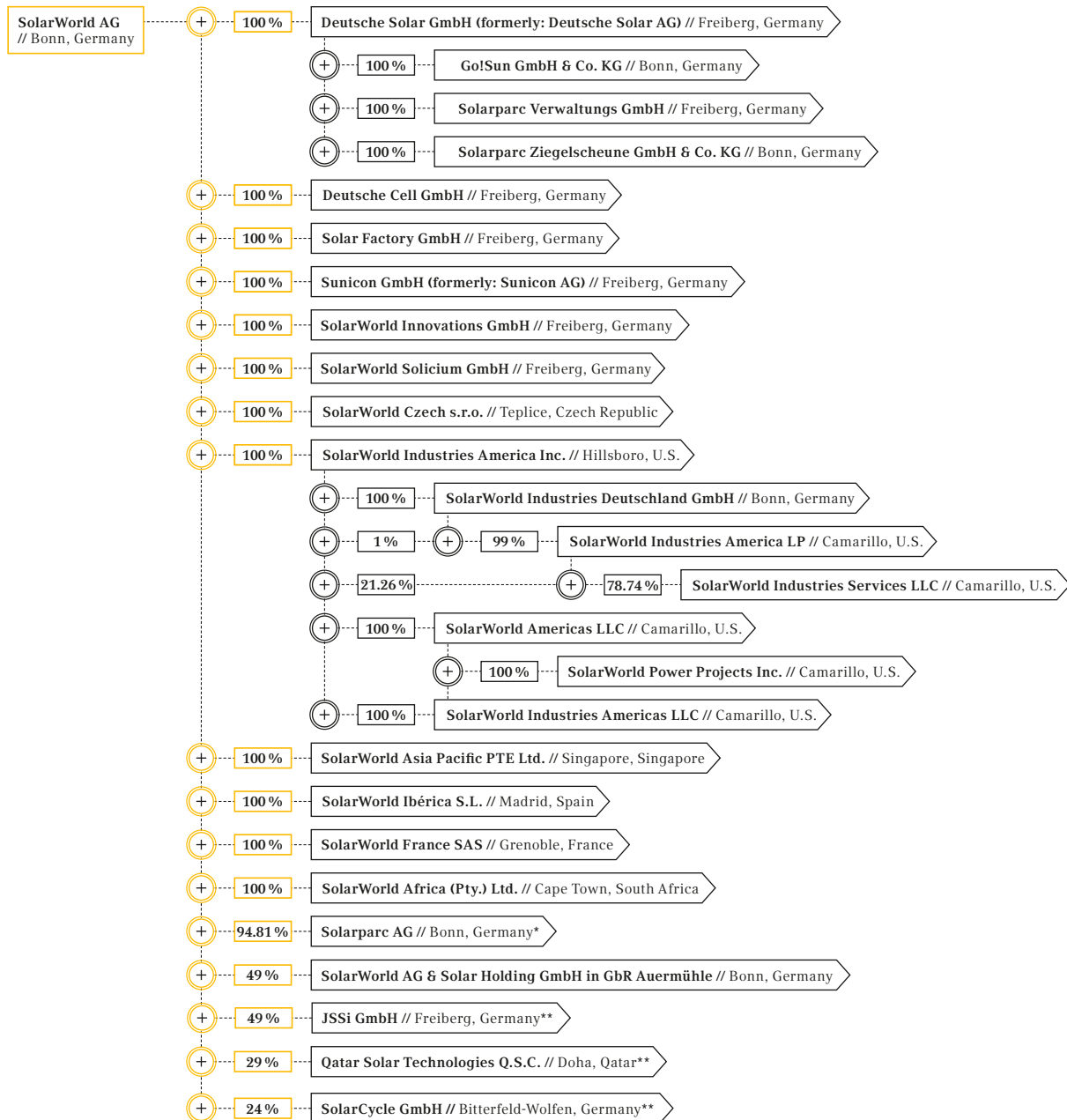
2. CONSOLIDATED ENTITY AND LEGAL GROUP STRUCTURE

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:

SOLARWORLD 2011
GROUP STRUCTURE

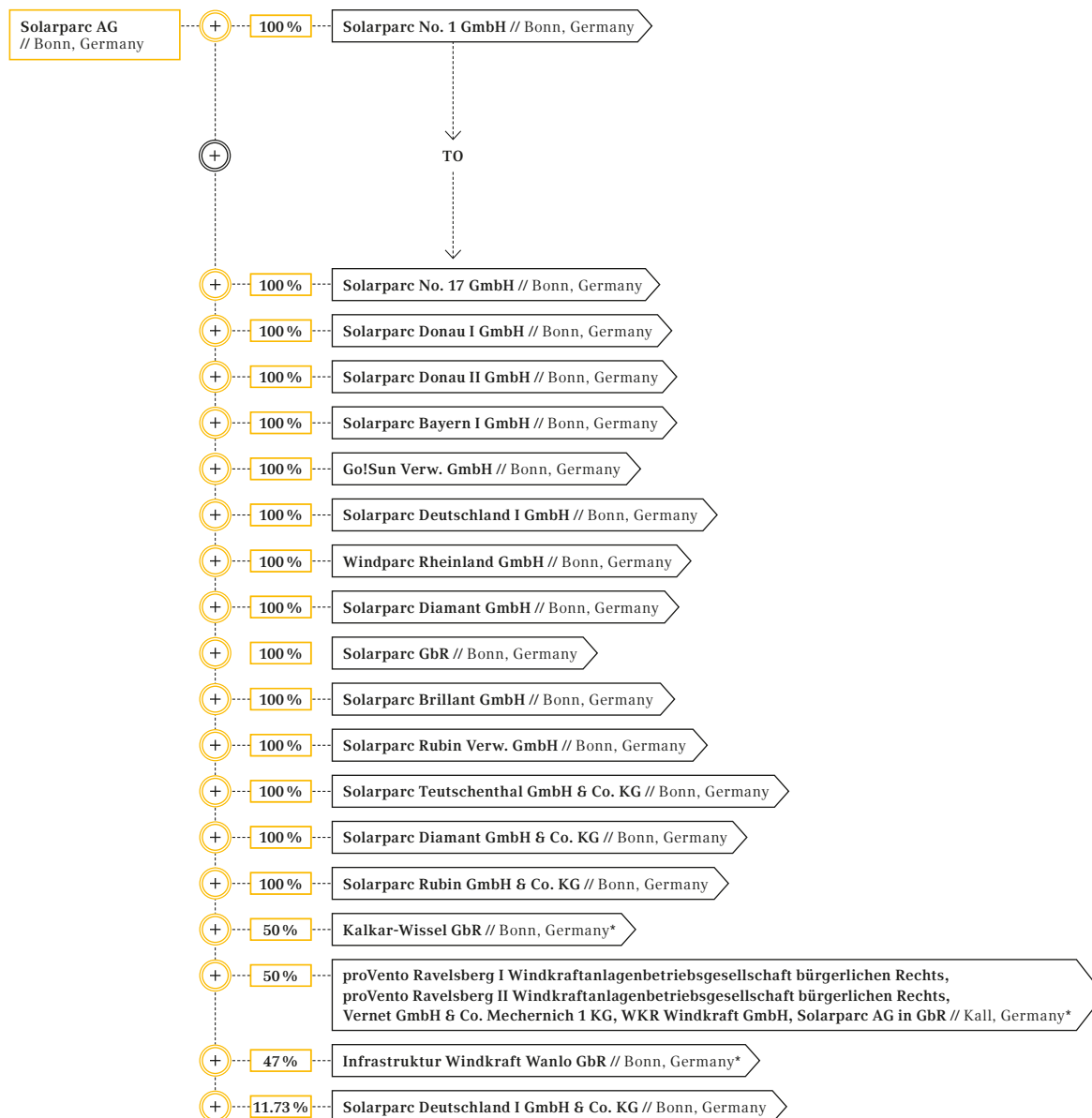
79 SOLARWORLD GROUP STRUCTURE AS OF DECEMBER 31, 2011



* Structure of the subgroup, p. 144

** Consolidated at equity

③0 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 (Templce).

Founding SOLARCYLE GMBH

Since November 2, 2011, SOLARWORLD AG holds a 24 percent investment in the newly founded SOLARCYLE 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:

1 € =		Closing rate		Average rate	
		2011	2010	2011	2010
USA	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 from 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
- derivatives 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 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 "Frei-

berg 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 USA”, which produces mono-crystalline wafers at the Hillsboro (Oregon, USA) site and is part of the “Production USA” 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 USA” that comprises the cell production at the Hillsboro (Oregon, USA) site and that is also assigned to the “Production USA” 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 USA” 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 USA, 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 SOLAR-PARC 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 USA,
- 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€

175

	Production Germany	Production USA	Trade	All other segments	Reconcilia- tion	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 USA	Trade	All other segments	Reconcilia- tion	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
USA	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:

in k€	Cost						As of Dec. 31, 2011
	As of Jan. 1, 2011	Additions to consoli- dated group	Reclassi- fications	Additions	Disposals	Currency difference	
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

in k€	Cost						As of Dec. 31, 2010
	As of Jan. 1, 2010	Additions to consoli- dated group	Reclassi- fications	Additions	Disposals	Currency difference	
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	Reclassi- fications	Additions Amortiza- tion/ depre- ciation	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	Reclassi- fications	Additions Amortiza- tion/ depre- ciation	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 building 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 und 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 parks 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 consolida- tion group	Utili- zation	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 (USA).

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. A 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

in k€	Measurement category IAS 39			
	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

in k€	Measurement category IAS 39			
	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

in k€	Measurement category IAS 39			
	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

in k€	Measurement category IAS 39			
	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.

in k€	Dec. 31, 2011				Dec. 31, 2010			
	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 liabilities 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 ZIEGELSCHNEUNE 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 parks 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 USA	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 "Regierungskommission Deutscher Corporate Governance Kodex" (Government Commission German Corporate Governance Code) as announced by the Federal Ministry of Justice were and are complied with. The statement is published on 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

209

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



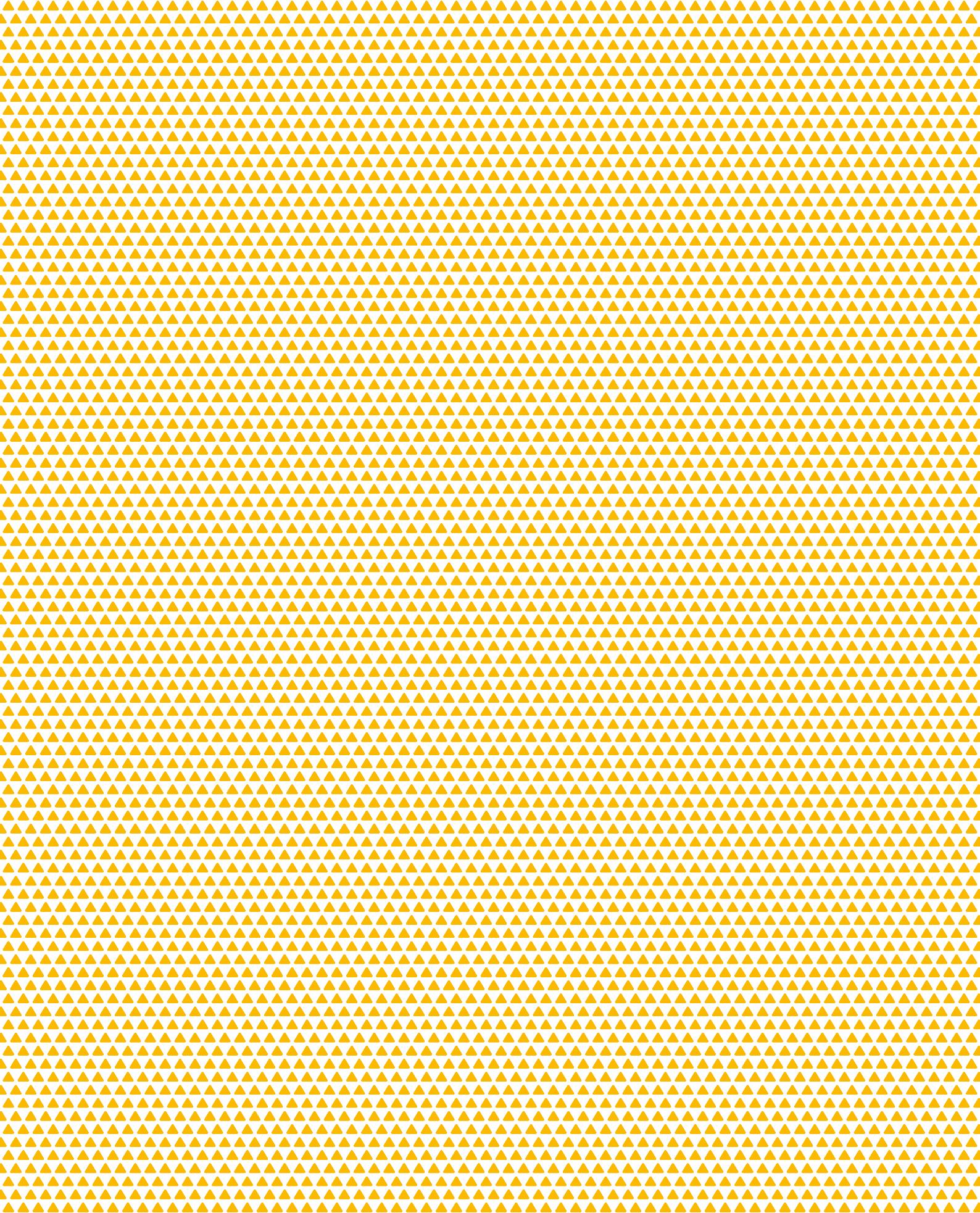
Dipl.-Ing. Boris Klebensberger
Chief Operations Officer



Dipl.-Kfm. tech. Philipp Koecke
Chief Financial Officer



Attorney-at-law Colette Rückert-Hennen
Chief HR and Brand Officer





CHAPTER #6

SERVICE



SOLAR MODULE



6 / 6



- ▶ BECAUSE WE PLACE GREAT IMPORTANCE ON *CUSTOMER RELATIONS* AND OPENNESS

6 / SERVICE

- 213** INDEX OF CHARTS AND TABLES
- 216** GLOSSARY
- 222** PRODUCT GLOSSARY
- 224** SUBJECT INDEX
- 225** LIST OF ACRONYMS AND ABBREVIATIONS
- 228** FINANCIAL AND EVENT CALENDAR 2012

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INDEX OF CHARTS AND TABLES

213

MARKET CHARTS AND TABLES

21	DEVELOPMENT OF THE GROSS DOMESTIC PRODUCT IN OUR MAIN SALES MARKETS	038
22	FUNDING PROGRAMS 2011 IN THE FIVE MAIN SALES MARKETS OF SOLARWORLD	040
23	NEW INSTALLATIONS IN GERMANY IN THE YEARS 2011 AND 2010	040
24	HISTORIC DEVELOPMENT OF OUR MAIN SALES MARKETS	040
70	EXPECTED DEVELOPMENT OF THE SOLAR MARKET BY REGION	103

STOCK CHARTS AND TABLES

17	DEVELOPMENT OF THE SOLARWORLD STOCK VS. DAX AND TECDEX	032
18	SHAREHOLDER STRUCTURE	032
19	FIVE-YEAR COMPARISON OF SOLARWORLD STOCK INDICATORS	032
20	INDICES IN WHICH SOLARWORLD WAS LISTED IN 2011	032

CORPORATE DATA

01	SELECTED INDICATORS	013
02	QUARTERLY COMPARISON OF THE CONSOLIDATED INCOME STATEMENTS	014
03	REVENUE BY REGION	014
04	DEVELOPMENT OF KEY FIGURES IN FIVE-YEAR COMPARISON	015
05	ENVIRONMENTAL PROTECTION	016
06	CUSTOMERS AND PRODUCTS	016
07	EMPLOYEES	017
08	SUPPLY CHAIN	017
09	COMPLIANCE AND SOCIETY	018
10	INNOVATION	018
12	FINANCE	028
13	CUSTOMERS	029
14	PROCESSES	030
15	EMPLOYEES	030
16	SOCIETY	031
27	REGIONAL DISTRIBUTION OF SHIPMENTS IN THE TRADE SEGMENT IN 2011	046
35	ENERGY AND CO _{2eq} AMORTIZATION TIMES	058
36	POSITIVE CO _{2eq} BALANCE	059
43	SHIPMENTS DIVIDED INTO DOMESTIC AND FOREIGN SALES	066
44	REVENUE BY SEGMENT	067
45	ADJUSTMENT OF THE OPERATING RESULT (EBIT)	068
46	FIVE-YEAR COMPARISON OF INCOME POSITION	070
47	INDICATORS OF INCOME POSITION	070
48	DEVELOPMENT OF INVESTMENTS	072
50	FIVE-YEAR COMPARISON OF FINANCIAL POSITION	074
51	INDICATORS OF FINANCIAL POSITION	074
52	FIVE-YEAR COMPARISON OF ASSET POSITION	075
53	INDICATORS OF ASSET POSITION	076
72	MANAGEMENT BOARD REMUNERATION	126
73	SUPERVISORY BOARD REMUNERATION	130

74	INCOME STATEMENT	133
75	STATEMENT OF COMPREHENSIVE INCOME	134
76	BALANCE SHEET AS OF DECEMBER 31, 2011	135
77	STATEMENT OF CHANGES IN EQUITY	136
78	CASH FLOW STATEMENT	137
79	SOLARWORLD GROUP STRUCTURE AS OF DECEMBER 31, 2011	143
80	SUB-GROUP STRUCTURE AS OF DECEMBER 31, 2011	144
81	SOLARWORLD'S FIVE YEAR BALANCE SHEET	229

GROUP ORGANIZATION

11	SEGMENT STRUCTURE AND STAGES OF THE VALUE CHAIN	024
25	CRITERIA FOR SUPPLIER SELECTION IN THE SOLARWORLD GROUP	043
37	SOLARWORLD INNOVATIONS – ORGANIZATION	061
54	OPPORTUNITY AND RISK MANAGEMENT SYSTEM	082

RESEARCH & DEVELOPMENT

98	HEADCOUNT DEVELOPMENT SOLARWORLD INNOVATIONS GMBH	062
99	DEVELOPMENT OF INVENTIONS AND IP RIGHTS	063
40	DEVELOPMENT OF R&D EXPENSES*	063
41	RESEARCH RATIO AND RESEARCH INTENSITY	063
42	INNOVATION TARGETS AND PRIORITIES 2011+	064

EMPLOYEES

29	HEADCOUNT DEVELOPMENT	052
30	TRAINING	053
31	NUMBER OF TRAINEES IN THE SOLARWORLD GROUP	054
32	AGE DISTRIBUTION	055
33	PROFIT-ORIENTED PARTICIPATION MODEL	055
34	ABSENCE RATE	056

CAPACITIES

26	GROUPWIDE, NOMINAL YEAR-END CAPACITIES 2011	044
71	GROUPWIDE, NOMINAL YEAR-END CAPACITIES	105

BRAND SOLARWORLD

28	SOLARWORLD BRAND AWARENESS IN GERMANY	050
----	---	-----

OPPORTUNITIES AND RISKS

55	MACRO-ECONOMIC RISKS	086
56	POLITICAL AND REGULATORY RISKS	087
57	RISKS ARISING FROM ALTERNATIVE SOLAR POWER TECHNOLOGIES	087
58	RISKS FROM TOUGHER COMPETITION	088
59	PROCUREMENT RISKS	089
60	CORPORATE STRATEGY RISKS	090
61	DEFAULT RISKS	091
62	SALES AND PRICE RISKS	092
63	HUMAN RESOURCES RISKS	093
64	IT RISKS	093
65	LIQUIDITY RISKS	094
66	OTHER FINANCIAL RISKS	095
67	LEGAL RISKS	095
68	WARRANTY AND OTHER LIABILITY RISKS	096
69	ENVIRONMENTAL AND OTHER RISKS	097

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 (CO₂) • 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 → *CO₂ emissions*. 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*
CO₂ EMISSIONS • → *Greenhouse gas emissions*
CO₂ EQUIVALENT (CO₂EQ.) • Contribution of a greenhouse gas to the greenhouse effect. The greenhouse gas potential of → *carbon dioxide (CO₂)* 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.
DAX GLOBAL 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 OPPORTUNITIES ALL-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 (CO₂)* 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 (RURALELECTRIFICATION) • 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.

PLUSSORTING • 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 (RENIXXWORLD) • 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.

SOLARARRAY • 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.

SOLARCELL • 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.

SOLARENERGYINDUSTRYASSOCIATION (SEIA) • National industry association of the U.S. solar power industry.

SOLARMODULE • 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.

SPECIALISTPARTNERNET/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).

SUSTAINABILITYMANAGEMENT • 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*.

W **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 NEWENERGYGLOBAL 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 needs. Sunmodule 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//](http://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.

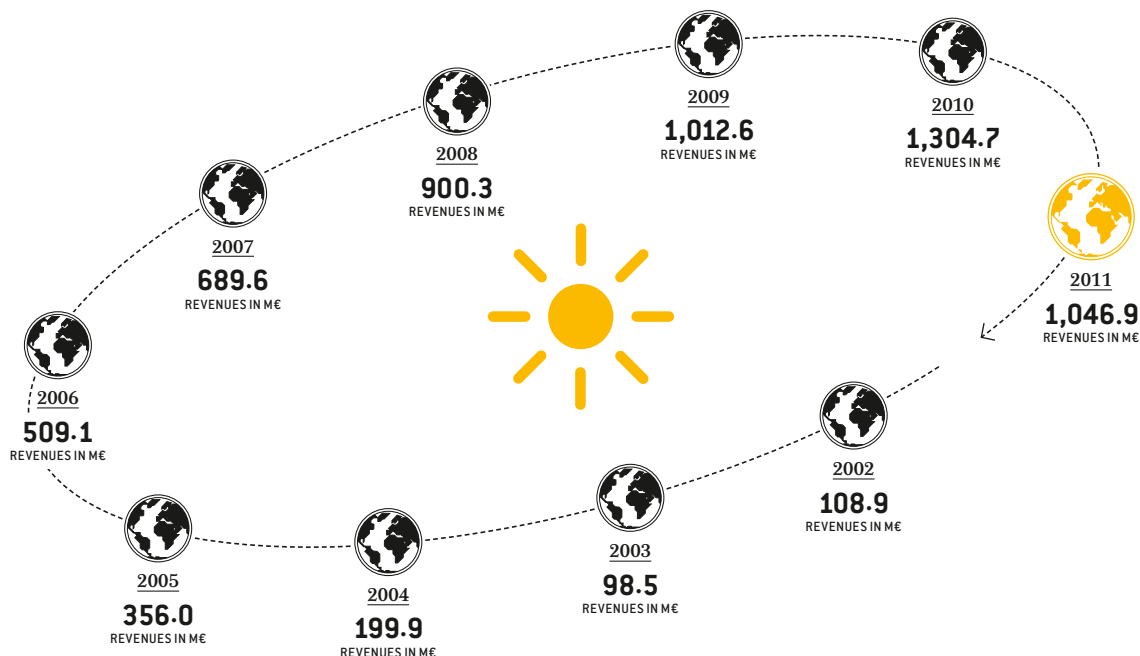
SUNSIL® • SOLARWORLD brand name for high purity solar silicon, which is manufactured by JSSI GMBH using a proprietary process.

SUBJECT INDEX

- A** ANNUAL GENERAL MEETING 34 et seq., 113 et seq., 120
AUDITOR'S REPORT 208
- B** BATTERY 60, 65, 98, 106
BOND 23, 71, 94, 114, 148, 187, 197, 201, 204
- C** CARBON DISCLOSURE PROJECT (CDP) 31
COMPLIANCE 18
CUSTOMER SATISFACTION 16, 26 et seq., 29, 48
- D** DECLARATION OF COMPLIANCE 114 et seq., 120
DIVIDEND 28, 32, 35, 109, 124 et seq., 127 et seq.,
136 et seq., 186, 202, 204
- E** EARNINGS PER SHARE 133, 173
EBIT 13, 15, 26, 28, 68, 74, 108, 175 et seq.
EEG → RENEWABLE ENERGY SOURCES ACT 30, 77, 101,
192
ENVIRONMENTAL MANAGEMENT (EM) 97, 121
- F** FEED-IN TARIFF 18, 21, 39, 41, 60, 65, 77 et seq.,
101, 110, 192
FOREIGN QUOTA 13
- G** GERMAN CORPORATE GOVERNANCE CODE (GCGC) 115,
119 et seq., 123, 208
- I** IMPAIRMENTS 18, 28, 68 et seq., 70 et seq., 75,
146 et seq., 151 et seq., 166 et seq.,
173 et seq., 178 et seq.
INVESTOR RELATIONS 23, 83, 121
- M** MANAGEMENT BOARD 10, 23, 26 et seq., 30, 34, 36, 45,
53, 77, 81 et seq., 84, 98, 104, 108, 113 et seq.,
119 et seq., 123 et seq., 193
MANAGEMENT BOARD REMUNERATION 123 et seq.
- P** PRODUCTION CAPACITIES 44, 72, 92, 104, 168
- Q** QUALITY MANAGEMENT (QM) 56, 93
- R** RECYCLING 23, 45, 105, 168
RENEWABLE ENERGY SOURCES ACT (EEG) ... 30, 77, 101, 192
REVENUE 13 et seq., 26, 28, 37 et seq., 46, 63, 67,
70, 86 et seq., 92 et seq., 108, 133, 146, 151,
161 et seq., 164, 175 et seq., 185
- S** SELF-CONSUMPTION 77, 193
SHAREHOLDER STRUCTURE 32, 34
SOLAR2WORLD 50
SUPERVISORY BOARD 34, 36, 81, 109, 113 et seq.,
118 et seq., 127 et seq., 206 et seq.
SUPERVISORY BOARD REMUNERATION 127 et seq.
SUPPLIERS 17, 42 et seq., 48, 89 et seq., 99 et seq.,
107, 147, 188
- T** TECDAX 32 et seq., 35, 219
TOTAL PRODUCTIVE MANAGEMENT (TPM) 45, 55

LIST OF ACRONYMS AND ABBREVIATIONS

A	AG German Stock Corporation	IASB International Accounting Standard Board	
	AktG German Stock Corporation Act	IEA-PVPS International Energy Agency Photovoltaic Power System Programme	
	AS&S ARD-advertising Sales & Services GmbH		
B	BaFin Federal Financial Supervisory Authority	IEC International Electrotechnical Commission	
	BGB German Civil Code	IFRIC International Financial Reporting Interpretations Committee	
	BIP Gross Domestic Product	IFRS International Financial Reporting Standards	
	CASM Coalition for American Solar Manufacturing	IFW Institute for the World Economy	
C	CDP Carbon Disclosure Project	IKS Internal Inspection System	
	CEO Chief Executive Officer	INC. Incorporated	
	CFO Chief Financial Officer	IP Intellectual Property	
	CHRBO Chief Human Resources and Brand Officer	ISIN International securities identification number	
	CO_{2eq} CO ₂ -equivalent	ISO International Organization for Standardization	
	COO Chief Operating Officer	IT Information Technology	
	CSO Chief Sales Officer		
D	DCGK German Corporate Governance Code	K	KR Internal Audit Department
	DENA German Energy Agency GmbH		KW Kilowatt
	D&O Directors and Officers		KWH Kilowatt per hour
	DSIRE Database of State Incentives for Renewable Energy		KWP Kilowatt-peak
	DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management → EFFAS	L	LLC Limited Liability Company
			LP Limited Partnership
			Ltd. Limited Company
E	EBIT Earnings Before Interests and Taxes	M	MW Megawatt
	EBITDA Earnings Before Interests, Taxes, Depreciation and Amortization	O	OHSAS Occupational Health and Safety Assessment Series
	EDV Electronic Data Processing	P	PTE Ltd. Private Limited
	EEG German Renewable Energy Sources Act		PV Photovoltaic
	EFFAS The European Federation of Financial Analysts Societies → DVFA	R	ROCE Return on capital employed
	EIA Energy Information Administration	T	TDAP Test Data Acceptance Program
	EPIA European Photovoltaic Industry Association		TPM Total Productive Management
	ESG Environmental, Social, Governance		TUBAF Freiberg University of Mining and Technology
F	F&E Research and Development	U	USITC U.S. International Trade Commission
G	GbR Civil law company	V	VORSTAG Act on the Appropriateness of Management Board Remuneration
	GC Global Compact	W	WKN German Securities Code Number
	GmbH Company with limited liability		WpHG German Securities Trading Act
	GRI Global Reporting Initiative		
	GuV Statement of income		
	GW Gigawatt		
H	HGB German Commercial Code		
I	IAA International Automobile Fair		
	IAS International Accounting Standards		



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, Ore. – 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
 <u>MARCH 22, 2012</u>	Publication of the 2011 Annual Group Report Financial statements press conference Analysts' conference annualgroupreport2011.solarworld.de
 <u>MARCH 23, 2012</u>	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
 <u>MAY 10, 2012</u>	Publication of Consolidated Interim Report 1st quarter 2012 Analysts' conference call www.solarworld.de/fincial-reports
 <u>MAY 24, 2012</u>	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
 <u>AUGUST 13, 2012</u>	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.photovoltaiic-conference.com/exhibition.html
 <u>NOVEMBER 14, 2012</u>	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 €

ASSETS	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
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	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
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

THE ANNUAL GROUP REPORT IS ALSO AVAILABLE IN GERMAN.
ONLINE VERSIONS IN GERMAN AND ENGLISH CAN BE FOUND ON OUR
HOMEPAGE AT ANNUALGROUPREPORT2011.SOLARWORLD.DE. ON THE
WEB, YOU HAVE ACCESS TO A BARRIER-FREE PDF-FILE OF OUR REPORT.

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TITLE:

DETAILS ON SUSTAINABILITY PERFORMANCE

FOLLOWING GRI, GC, EFFAS/DVFA

YEAR:

2011

BRAND:



**SUN
AT WORK**
SOLARWORLD.COM

ONLINE:

ANNUALGROUPREPORT2011.
SOLARWORLD.DE/
SUSTAINABILITY



SOLAR FIGURES 2011

Our reporting on sustainable corporate management is integrated into the SOLARWORLD annual group report 2011. The present details on the sustainability performance 2011 embrace the extensive disclosure along:

- The framework of the Global Reporting Initiative (GRI),
 - The Key Performance Indicators of the European Federation of Financial Analysts Societies (EFFAS) Commission on ESG and the German Society Investment Professionals (DVFA) Commission on Non-Financials (CNF) as well as
 - The provisions of the United Nations Global Compact (GC).
-

S002

CONTENT

S003

DISCLOSURE (GLOBAL REPORTING INITIATIVE, GLOBAL COMPACT, EFFAS/DVFA)

S003

Global Reporting Initiative (Categorization and Index)

S020

Global Compact (Communication on Progress) – GC Advanced Level

S027

KPIs & KPNs for ESG (Key Performance Indicators and Narratives of EFFAS/DVFA)

S031

PROFILE DISCLOSURE

S054

PERFORMANCE INDICATORS

S054

Economic Performance Indicators

S060

Environmental Performance Indicators

S070

Social Performance Indicators





S111

CONFIRMATION FOR THE DETAILS ON SUSTAINABILITY PERFORMANCE OF SOLARWORLD AG FOR CALENDAR YEAR 2011

S113

GRI CERTIFICATE

FOR YOUR GUIDANCE

-  *Cross reference to text passages in the details on sustainability performance 2011 • p. S000//*
-  *Cross reference to the annual group report 2011 • p. 000//*
-  *Cross reference to charts in the details on sustainability performance 2011 • p. S000//*
-  *www.internetlink.com//*

Abbreviations: ep = estimated & preliminary, cp = calculated & preliminary, mp = measured & preliminary, ef = estimated & final, cf = calculated & final, mf = measured & final

DETAILS ON SUSTAINABILITY PERFORMANCE

DISCLOSURE (GLOBAL REPORTING INITIATIVE, GLOBAL COMPACT, EFFAS/DVFA)

01 GLOBAL REPORTING INITIATIVE (CATEGORIZATION AND INDEX)

GRI-APPLICATION FRAMEWORK

APPLICATION LEVELS			C	C+	B	B+	A	A+
REQUIRED CRITERIA	G3 Profile Disclosures	OUTPUT	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.11 – 4.15	IF REPORT IS EXTERNALLY CONFIRMED	Report on: All criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	IF REPORT IS EXTERNALLY CONFIRMED	Report on: Same requirements as for Level B	IF REPORT IS EXTERNALLY CONFIRMED
	G3 Management Approach Disclosures	OUTPUT	No disclosure of Management Approach required		Disclosure of Management Approach required for each Indicator Category		Disclosure of Management Approach required for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: economic, environment and social.		Report on a minimum of 20 Performance Indicators, including at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Report on each core G3 and Sector Supplement indicator* with due regard to the Materiality Principle by either: a) reporting on the indicator, or b) explaining the reason for its omission.	

* Where final version of sector supplement is available

STEP 1	Self categorization A+
STEP 2	The report segments “KPIs & KPNs for ESG (key performance indicators and narratives of EFFAS/DVFA)” and “Performance Indicators” underwent an audit review by BDO AG. BDO AG also takes account of information from audits according to ISO 9001 and 14001. Unless otherwise indicated, the GRI data refer to the SOLARWORLD Group.
STEP 3	Application Level Check by GRI.

02 GRI INDEX

Application Level A+; Third-party-checked; Assured by BDO AG, Wirtschaftsprüfungsgesellschaft

G3.1 Content Index

Standard Disclosures Part I: Profile Disclosures

Profile Dis-closure	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation
1. Strategy and Analysis						
1.1	Statement from the most senior decision-maker	Fully	➔ <u>Letter by the Chairman</u> • p. 007//			
1.2	Key impacts, risks and opportunities	Fully	⊗ <u>1.2</u> • p. S031//			
2. Organizational Profile						
2.1	Name of the organization	Fully	SOLARWORLD AG			
2.2	Brands, products, services	Fully	➔ <u>Product glossary</u> • p. 222// We are a vertically integrated company and occasionally fall back on tolling. Our logistics from factory gate to the customer are taken care of by service companies.			
2.3	Operational structure	Fully	➔ <u>Group structure and segments</u> • p. 023//			
2.4	Location of the organization's headquarters	Fully	Bonn, Germany			
2.5	Countries where the organization operates	Fully	➔ <u>Global sites of the SolarWorld Group</u> • p. 022//			
2.6	Nature of ownership	Fully	➔ <u>Shareholder structure by December 31, 2011</u> • p. 032// <u>Shareholder structure changed</u> • p. 034//			
2.7	Markets served	Fully	➔ <u>The market</u> • p. 037// <u>Strategy and action</u> • p. 021//			
2.8	Scale of organization	Fully	➔ <u>Financial position</u> • p. 071// <u>Employees</u> • p. 051//			
2.9	Significant changes in size, structure or ownership	Fully	➔ <u>Group structure and segments</u> • p. 023// <u>Changes to the Group's legal structure</u> • p. 025// <u>Future Group legal structure</u> • p. 104//			
2.10	Awards	Fully	⊗ <u>2.10</u> • p. S032//			

G3.1 Content Index

Standard Disclosures Part I: Profile Disclosures

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation
3. Report Parameters						
3.1	Reporting period	Fully	Calendar year 2011 (01/01/2011 – 12/31/2011) = business year 2011			
3.2	Date of last report, if applicable	Fully	Calendar year 2010 (01/01/2010 – 12/31/2010) = business year 2010			
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual			
3.4	Contact for questions on report or its contents	Fully	Dr. Felicia Müller-Pelzer @ sustainability@solarworld.de			
3.5	Process for defining report content	Fully	Ⓢ 3.5 • p. S036//			
3.6	Reporting boundary	Fully	Ⓢ 3.6 • p. S037//			
3.7	Limitations on scope of reporting	Fully	Ⓢ 3.7 • p. S038//			
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations	Fully	Ⓢ 3.6 • p. S037//			
3.9	Data measurement techniques	Fully	GRI indicator protocols were used for reporting. For each indicator, we show whether the data was measured, calculated or estimated and whether it is final or preliminary. Assumptions and estimation methods are explained.			
3.10	Restatement of information from earlier reports	Fully	Ⓢ 3.10 • p. S039//			
3.11	Changes in reporting scope, boundary or measuring methods	Fully	Ⓢ 3.11 • p. S039//			
3.12	GRI index	Fully	The present table Ⓢ GRI Index • p. S004//			
3.13	External assurance	Fully	Ⓢ 3.13 • p. S039// Confirmation • p. S111//			

S006

G3.1 Content Index

Standard Disclosures Part I: Profile Disclosures

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation
4. Governance, Commitments, and Engagement						
4.1	Governance structure of the organization	Fully	➔ <i>Additions to the Group Management Board • p. 036//</i>			
4.2	Whether the Chair of the highest governance body is also an Executive Officer	Fully	Yes. By definition, the Chief Executive Officer is part of the top management			
4.3	Details of unitary organization	Fully	Not applicable			
4.4	Mechanisms for recommendations or instructions to the highest governance body	Fully	⊗ <i>4.4 • p. S039//</i>			
4.5	Relationship between compensation for top management and the organization's performance	Fully	⊗ <i>4.5 • p. S040//</i>			
4.6	Mechanisms for avoidance of conflicts of interest within the highest governance body	Fully	⊗ <i>4.6 • p. S040//</i>			
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees under consideration of diversity (gender and other indicators)	Fully	⊗ <i>4.7 • p. S041//</i>			
4.8	Statements of mission, values, codes of conduct, principles as well as status of implementation	Fully	⊗ <i>4.8 • p. S041//</i>			
4.9	Procedures of highest governance body for overseeing sustainability performance	Fully	⊗ <i>4.9 • p. S042//</i>			
4.10	Procedures for evaluating the highest governance body's own sustainability performance	Fully	⊗ <i>4.10 • p. S043//</i>			
4.11	Precautionary principle	Fully	⊗ <i>4.11 • p. S043//</i>			

G3.1 Content Index

Standard Disclosures Part I: Profile Disclosures

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation
4.12	External agreements, principles or initiatives	Fully	☉ 4.12 • p. S043 //			
4.13	Memberships	Fully	☉ 4.13 • p. S044 //			
4.14	Stakeholder groups	Fully	☉ 4.14 • p. S046 //			
4.15	Identification and selection of stakeholder groups	Fully	☉ 4.15 • p. S046 //			
4.16	Engagement of stakeholders	Fully	☉ 4.16 • p. S048 //			
4.17	Key topics and concerns raised by stakeholders	Fully	☉ 4.17 • p. S049 //			

S008

G3.1 Content Index

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
DMA EC	Disclosure on Management Approach EC	Fully	☞ <u>DMA EC</u> • p. S051//				
Aspects	Economic performance	Fully	☞ <u>Consolidated financial statements</u> • p. 133// Groupwide ISO 9001 certification (Quality Management) ☞ <u>Corporate management and control</u> • p. 026//				
	Market presence	Fully	☞ <u>The market</u> • p. 037// <u>Trade segment</u> • p. 046//				
	Indirect economic impacts	Fully	Contribution to GDP, distributed monetary value ☞ <u>EC1</u> • p. S054// tax payments, job creation, stakeholder analysis ☞ <u>4.15</u> • p. S046//				
DMA EN	Disclosure on Management Approach EN	Fully	☞ <u>DMA EN</u> • p. S051// Trainings are carried out by Quality and Environmental Management. ☞ <u>Overview of the communication on progress (Global Compact) – Commitment: Quotations</u> • p. S020//				
Aspects	Materials	Fully	☞ <u>Procurement</u> • p. 042// Most of the packing material is being recycled. ☞ <u>EN27</u> • p. S069//				
	Energy	Fully	☞ <u>Energy and climate protection</u> • p. 057// <u>Corporate management and control</u> • p. 026//				
	Water	Fully	☞ <u>DMA EN</u> • p. S051//				
	Biodiversity	Fully	Included in the planning of new sites ☞ <u>EN11</u> • p. N013// <u>EN12</u> • p. S063//				
	Emissions, effluents and waste	Fully	Participation in the Carbon Disclosure Project Germany since the beginning (2005), Sector Leader Renewables 2011; packaging material: majority is being recycled. ☞ <u>EN27</u> • p. S069// ☞ <u>Corporate management and control</u> • p. 026 //				
	Products and services	Fully	Development and production in line with the concept of sustainability.				

G3.1 Content Index

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
	Compliance	Fully	Compliance with the law: highest priority is the Code of Conduct and Suppliers' Code of Conduct ④ 4.8 • p. S041//				
	Transport	Fully	Outsourced to logistic service providers (therewith related environmental impacts should be more involved in reporting in the future)				
	Overall	Fully	ISO 14001 groupwide				
DMA LA	Disclosure on Management Approach LA	Fully	④ DMA LA • p. S052// Occupational and safety training courses are already being carried out. The other topics are to be included increasingly in leadership trainings in the future. The Code of Conduct draws on points of internationally recognized standards (United Nations, ILO, Vienna Declaration).				
Aspects	Employment	Fully	④ Employees • p. 051// Employees 2012+ • p. 108//				
	Labor/management relations	Fully	④ LA4 • p. S083// ④ Employees • p. 051// Employees 2012+ • p. 108//				
	Occupational health and safety	Fully	④ Employees • p. 051// Employees 2012+ • p. 108// Element of the QHSE Management: ④ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Training and education	Fully	④ Employees • p. 051// Employees 2012+ • p. 108//				
	Diversity and equal opportunity	Fully	④ Employees • p. 051// Employees 2012+ • p. 108// ④ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020// ④ 4.8 • p. S041//				
	Equal remuneration for women and men	Fully	④ LA14 • p. S103//				
DMA HR	Disclosure on Management Approach HR	Fully	④ DMA HR • p. S052// In the near future, the topics are to be implemented increasingly in trainings for managers.				

S010

G3.1 Content Index

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
Aspects	Investment and procurement practices	Fully	ⓘ 4.8 • p. S041// ⓘ Procurement • p. 042//				
	Non-discrimination	Fully	ⓘ 4.8 • p. S041// ⓘ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Freedom of association and collective bargaining	Fully	ⓘ 4.8 • p. S041// ⓘ LA4 • p. S083// ⓘ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Child labor	Fully	ⓘ 4.8 • p. S041// ⓘ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Prevention of forced and compulsory labor	Fully	Groupwide, we do not make use of prison labour ⓘ 4.8 • p. S041// ⓘ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Security practices	Fully	There are trainings on security practices in relation to our business activities, but no trainings of security personnel specially held in relation to human rights issues (this is not necessary, because privately ordered security personnel, apart from reception staff, is not being employed).				
	Indigenous rights	Fully	Respect for rights (so far there were no constellations of conflict)				
	Assessment	Fully	So far, no examinations were undertaken with regard to the compliance of human rights.				
	Remediation	Fully	Current possibilities of lodging a complaint: to supervisors, Human Resources and/or Works Council, Whistleblower system SOLARWORLD SpeakUp in implementation				
DMA SO	Disclosure on Management Approach SO	Fully	ⓘ DMA SO • p. S052// In the near future, the topics are to be implemented increasingly in trainings for managers.				
Aspects	Local communities	Fully	ⓘ 4.14, 4.15 • p. S046// ⓘ 4.16 • p. S048//				

G3.1 Content Index

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
	Corruption	Fully	☺ 4.8 • p. S041// ⑬ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Public policy	Fully	☺ 4.8 • p. S041//				
	Anti-competitive behavior	Fully	☺ 4.8 • p. S041// ⑬ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Compliance	Fully	☺ 4.8 • p. S041//				
DMA PR	Disclosure on Management Approach PR	Fully	☺ DMA PR • p. S052// 4.8 • p. S041//				
Aspects	Customer health and safety	Fully	☺ 4.8 • p. S041// ⑬ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Product and service labelling	Fully	In line with the idea of sustainability: Ökotest excellent, TÜV certificate “Power controlled”, ammoniac consistency certificate, salt mist corrosion certificate				
	Marketing communications	Fully	☺ 4.8 • p. S041// ⑬ Overview of the communication on progress (Global Compact) – Commitment: Quotations • p. S020//				
	Customer privacy	Fully	We follow the German Data Protection standard, which in international comparison is very demanding.				
	Compliance	Fully	☺ 4.8 • p. S041//				

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
Economic							
EC1	Direct economic value generated and distributed	Fully	⊗ <u>EC1</u> • p. S054 //				
EC2	Financial implications due to climate change	Fully	⊗ <u>EC2</u> • p. S055 //				
EC3	Coverage of organization's defined benefit plan obligations	Fully	⊗ <u>EC3</u> • p. S055 //				
EC4	Financial assistance received from government	Fully	⊗ <u>EC4</u> • p. S056 //	Tax relief, credits, subsidies, awards, royalty holidays, financial assistance from export credit agencies, other financial incentives	Not material // Proprietary information		2016
EC5	Entry level wage compared to local minimum wage	Not	Additional indicator, remuneration always above minimum wages			Not applicable	
EC6	Selection of locally based suppliers	Fully	⊗ <u>EC6</u> • p. S056 //				
EC7	Locally based hiring of employees	Fully	⊗ <u>EC7</u> • p. S056 //				
EC8	Infrastructure investments and services provided mainly for public benefit	Fully	⊗ <u>EC8</u> • p. S057 //				
EC9	Indirect economic impacts	Not	Additional indicator			Not material	

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
Environmental							
EN1	Materials used	Fully	⊗ <u>EN1</u> • p. S058 //				
EN2	Recycling input materials	Fully	⊗ <u>EN2</u> • p. S059 //				
EN3	Direct primary energy consumption	Fully	⊗ <u>EN3</u> • p. S060 //				
EN4	Indirect primary energy consumption	Fully	⊗ <u>EN4</u> • p. S061 //				
EN5	Energy savings	Not	Additional indicator				
EN6	Initiatives for energy efficiency and renewable energy	Fully	Additional indicator ⊗ <u>Energy and climate protection</u> • p. 057 //				
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Not	Additional indicator				
EN8	Total water withdrawal	Fully	⊗ <u>EN8</u> • p. S062 //				
EN9	Impact of water consumption	Not	Additional indicator Majority is in circular flow		Not material		
EN10	Water recycled and reused	Fully	Additional indicator ⊗ <u>EN10</u> • p. S062 //				
EN11	Land in or adjacent to protected areas or areas of high biodiversity value	Fully	For this topic we have already provided detailed information in the 2007 report. There are no premises being located within or adjacent to a conservation area or which contain areas of high biodiversity outside of protected areas.				
EN12	Impact on biodiversity	Fully	⊗ <u>EN12</u> • p. S063 //				
EN13	Habitats protected or restored	Not	Additional indicator		Not material		
EN14	Strategies for protection of biodiversity	Not	Additional indicator		Not material		
EN15	Threatened species	Not	Additional indicator		Not material		
EN16	Greenhouse gas emissions	Fully	⊗ <u>EN16</u> • p. S063 //				
EN17	Other relevant indirect greenhouse gas emissions	Fully	⊗ <u>EN17</u> • p. S064 //				

S014

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
EN18	Initiatives to reduce greenhouse gas emissions	Fully	Additional indicator Besides the product and process improvements, there are no more essential initiatives.				
EN19	Emissions of ozone-depleting substances	Fully	No awareness of emissions of ozone-depleting substances. In Freiberg, monitoring of these substances does not take place, but the environmental management is also not aware of applications in which such substances could still be present.				
EN20	NO _x , SO _x and other significant air emissions	Fully	⊗ EN20 • p. S064//				
EN21	Total water discharge	Fully	⊗ EN21 • p. S065//				
EN22	Waste by type and disposal method	Fully	⊗ EN22 • p. S065//				
EN23	Significant spills	Fully	⊗ EN23 • p. S066//				
EN24	Hazardous waste under Basel Convention	Not	Additional indicator		Not applicable		
EN25	Impact of water discharges on biodiversity	Not	Additional indicator		Not applicable		
EN26	Initiatives to mitigate environmental impacts	Partially	⊗ EN26 • p. S066//	No concluding list of individual initiatives	Not applicable	Cause of improvements are various gains in efficiency. Illustration of the environmental impacts (life cycle analysis)	2016
EN27	Packaging materials	Fully	⊗ EN27 • p. S069//				
EN28	Sanctions for non-compliance with environmental laws and regulations	Fully	As in the previous year, no significant fines or non-monetary sanctions were imposed with environmental laws and legislations. There were also no extrajudicial arbitration processes. This also applies to joint ventures of SOLARWORLD.				
EN29	Environmental impacts of transporting products	Not	Additional indicator		Not available	There is no data available yet (Logistics service providers)	

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
EN30	Environmental protection expenditure	Not	Additional indicator		Not available	These data are not yet collected	
Social							
LA1	Total workforce by employment type, employment contract and region	Fully	Ⓢ LA1 • p. S070//				
LA2	Employee turnover	Fully	Ⓢ LA2 • p. S077//				
LA3	Benefits to full-time employees	Fully	Additional indicator				
LA15	Return to work and retention rates after parental leave	Fully	Ⓢ LA15 • p. S080//				
LA4	Employees covered by collective bargaining agreements	Fully	Ⓢ LA4 • p. S083//				
LA5	Minimum notice periods regarding significant operational changes	Partially	There are minimum notice periods in Freiberg and the U.S. (60 days) as well as in Spain (30 days). In Freiberg, the minimum notice periods depend on the issue. They are based on statutory provisions (Works Constitution Act (Betr.VG) § § 90, 92, 106, 111) as well as operating agreements. In the U.S. and Spain, the minimum notice periods arise solely from the legal situation.	Detailed minimum notice periods in Freiberg	Not applicable	The notice periods in Freiberg are very differentiated. This is outside the scope of this report.	
LA6	Employees represented in health & safety committees	Not			Not available		
LA7	Injuries, occupational diseases, lost days, absenteeism and work-related fatalities	Partially	Ⓢ LA7 • p. S085//	Occupational diseases and sick leaves in the U.S.	Proprietary information	Data protection: Occupational diseases can not be documented. In the U.S., sick leaves can not be documented.	
LA8	Counseling and training on serious diseases	Fully	Ⓢ LA8 • p. S093//				

S016

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
LA9	Health & safety topics covered in agreements with trade unions	Fully	Additional indicator Topics of health and safety at the workplace are subject to co-determination (Works Council in Freiberg). All of these agreements are signed by the company.				
LA10	Initial and further training for employees	Partially	⊗ LA10 • p. S093//	Trainings per employee in the U.S.	Not available	There are no data available from the U.S.	2015
LA11	Programs for skills management and life-long learning	Not	Additional indicator		Not material		
LA12	Performance and career development reviews for employees	Not	Additional indicator		Not available		
LA13	Diversity and equal opportunities	Fully	⊗ LA13 • p. S095//				
LA14	Ratio of women's basic salary to men's	Fully	⊗ LA14 • p. S103//				
HR1	Investment agreements	Fully	In the reporting period, there were no significant investment agreements which were decisive in terms of volume or strategic importance for the company. As a result, there were no human rights clauses associated with such agreements.				
HR2	Human rights screening of suppliers and contractors	Partially	⊗ HR2 • p. S107//	Percentage of contracts with significant suppliers and business partners who have been refused or have adapted with regards to human right aspects.	Not available		2015
HR3	Training on aspects of human rights	Fully	So far, no particular trainings have been conducted on this topic.				
HR4	Incidents of discrimination	Fully	In the reporting period, as well as in the previous year, two incidents of discrimination have been detected in the U.S. The cases were reviewed by the company, an action plan was implemented and its implementation was evaluated. The two cases are not closed yet.				

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
HR5	Freedom of association and collective bargaining	Fully	☉ HR5 • p. S107 //				
HR6	Child labor	Fully	☉ HR6 • p. S107 //				
HR7	Forced and compulsory labor	Fully	☉ HR7 • p. S107 //				
HR8	Training of security personnel	Not	Additional indicator		Not applicable		
HR9	Violations of rights of indigenous people	Fully	We do not violate rights of indigenous people, as we have no influence on them with our business activity.				
HR10	Operations subject to human rights reviews and/or Impact Assessments	Fully	So far, no specific examinations have been conducted on this topic.				
HR11	Grievances related to human rights	Fully	So far, no violations of human rights have been reported.				
SO1	Impact on communities	Fully	Under the umbrella of Solar-2World, we carry out projects for solar electrification in developing countries. Since it is a corporate initiative, it affects 100 % of our operations. In addition, we pursue an open dialogue with stakeholders. ☉ 4.16 • p. S048 // 4.17 • p. S049 // So far, no other programs, impact analyses or stakeholder engagement processes have established.				
SO9	Negative impacts on local communities	Fully	There were no activities identified having significant negative impact on local communities.				
SO10	Prevention and mitigation measures with significant impacts on local communities	Not			Not applicable		
SO2	Corruption risks	Partially	☉ SO2 • p. S108 //	Total number of examined units	Not available	The data currently available only allowed for a percentage figure	2016

S018

G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
SO3	Training in anti-corruption policies	Fully	To date, no employees have been trained in anti-corruption policies and procedures of the organization, because so far, no formal programs or systematic procedural methods have been established. Since this issue is attached to the establishment of the Compliance Management System ☉ 4.8 • p. S041 // this displays a medium-term project for us.				
SO4	Corruption incidents and action taken	Fully	There was no corruption incident identified during the reporting period, and no legal proceedings have been completed.				
SO5	Lobbying	Fully	☉ SO5 • p. S108 //				
SO6	Contributions to political parties, politicians and related institutions	Fully	Additional indicator We made no political donations.				
SO7	Legal actions for anti-competitive behavior	Fully	Additional indicator No lawsuits against SOLARWORLD. One lawsuit by SOLARWORLD in the U.S. (not completed yet)				
SO8	Sanctions for non-compliance with laws and regulations	Fully	☉ SO8 • p. S108 //				
PR1	Impacts on customer health and safety	Partially	☉ PR1 • p. S109 //	Assessment of health and safety during storage and delivery	Not available	The evaluations of our service providers and customers (wholesalers, installers) are not available	2016
PR2	Non-compliance with health and safety regulations	Fully	Additional indicator No violations				
PR3	Product information	Fully	☉ PR3 • p. S109 //				
PR4	Non-compliance with standards concerning product labeling	Fully	Additional indicator				

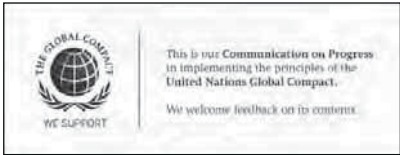
G3.1 Content Index

Standard Disclosures Part III: Performance Indicators

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable: part not reported	Reason for omission	Explanation	To be reported in
PR5	Customer satisfaction	Fully	On an annual basis, we conduct surveys to determine customer satisfaction among wholesalers and installers. 93.6 % (2010: 85.8 %) of our customers are satisfied and very satisfied. ☞ <i>Trade segment</i> • p. 046 //				
PR6	Standards related to advertising	Fully	☞ <i>PR6</i> • p. S110 //				
PR7	Non-compliance with marketing standards	Not	Additional indicator		Not applicable		
PR8	Breaches of customer data privacy	Fully	Additional indicator No violations				
PR9	Sanctions for non-compliance with product and service regulations	Fully	As in the previous year, no incidents of non-compliance with laws and regulations on the delivery or use of products and services were identified in the reporting period.				
+	Confirmation		☞ <i>Confirmation</i> • p. S111 //				
+	Sector Supplements	Not	No appropriate sector supplements exist		Not applicable		

GLOBAL COMPACT (COMMUNICATION ON PROGRESS) – GC ADVANCED LEVEL

This Communication on Progress includes the statement of Commitment to the Global Compact:
➔ *Letter by the Chairman • p. 007//*, the description of practical steps to implement the 10 Principles of the Global Compact in fiscal year 2011 as well as the measurement of outcomes based on application of the Global Reporting Initiative’s Key Indicators.



03 OVERVIEW ON THE COMMUNICATION ON PROGRESS (GLOBAL COMPACT)

Issues	Principles of the Global Compact
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights. Principle 2: Businesses should make sure that they are not complicit in human rights abuses.
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to free collective bargaining. Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor. Principle 5: Businesses should uphold the effective abolition of child labor. Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges. Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Principles	Commitments: Quotations
Principles 1, 2, 6	Guideline 1: “We stand for humane treatment and equal opportunities.”
Principle 7	Guideline 2: “Our production is compatible with the protection of the environment using the best possible processes and product standards.”
Principle 7	Guideline 3: “We use existing resources responsibly and sparingly.”
Principles 1 and 2	Guideline 4: “State-of-the-art methods are used to avoid any health hazards and risks that may be caused by SOLARWORLD processes and products.”
Principle 10	Guideline 5: “Fair competition is the very basis of our business activities. Bribery and corruption are unlawful and not tolerated.”
Principles 1–10, especially Principles 4 and 5	Guideline 10: “We support the Global Compact of the United Nations – especially the ban on child labor and on forced labor – and also demand compliance with it from our suppliers and business partners.”
Principles 1 and 2	Code of conduct*: “We respect the rights and dignity of all employees.”
Principle 3	Code of conduct*: “SOLARWORLD upholds the freedom of association and respects the right to free collective bargaining. Each site complies with the provisions of law, collective bargaining agreements and company rules applicable in its context. The management of each site guarantees compliance with these rules and determines local company policy in this regard.”
Principles 4 and 5	Code of conduct*: “Forced and child labor are strictly forbidden by law in most countries and worldwide at SOLARWORLD.”
Principle 6	Code of conduct*: “Nobody in the SOLARWORLD Group shall be subjected to discrimination. This also applies to the choice of contractual and business partners (...)”
Principles 7–9	Code of conduct*: “The SOLARWORLD Group devotes particular attention to protecting the environment. It is our declared aim to promote the protection of climate and resources in active ways. We therefore pledge to respect all applicable rules to the full. Moreover, we shall take pains to keep any negative environmental effects which might derive from our activities to a minimum and to reduce such effects continually (...)”
Principle 10	Code of conduct*: “The SOLARWORLD Group accepts the ICC Rules of Conduct on Extortion and Bribery in International Business Transactions of 1999 and the OECD Convention of 1997. (...)”

* Approval by the Works Council in 2010 upon prior checking

S022

Principles	Systems	Notes/Cross References
Principles 1–10	Values and guidelines	@ www.solarworld.de/values-and-guidelines//
Principles 1–10	Code for suppliers (implementation had to be postponed from 2010 to 2011)	⊗ 4.8 • p. S041// DMAs • p. S050//
Principles 1 and 2	Health & safety management	⊗ GRI Index • p. S004// LA7 • p. S085//
Principles 1 and 2	No use made of private security forces by the SOLARWORLD Group	⊗ DMAs • p. S050//
Principle 3	Guidelines and procedures do not favor individual associations or trade unions	⊗ LA4 • p. S083// HR5 • p. S107//
Principle 3	Conditions permitting employees to exercise functions in associations or trade unions	⊗ LA4 • p. S083// HR5 • p. S107//
Principle 4	Pay is always more than the local minimum wage	Groupwide standard
Principle 4	Maximum regular working week is 40 hours, with incremental pay for overtime	Groupwide standard Groupwide standard (in the U.S., no formal fringe benefits)
Principle 5	Minimum working age is respected, including when selecting suppliers	Minimum age 15 years (cf. ILO Convention 138(7)) or higher local minimum age // groupwide standard
Principle 6	Standards enshrined in the German Equality Act (AGG) are applied	Groupwide standard (on a voluntary basis)
Principles 1–7, 10	Environmental management	⊗ DMAs • p. S050// EN1–28 • p. S058//
Principles 7–9	High legal standards in Germany and the United States	⊗ EC7 • p. S056// EN20 • p. S064// EN27 • p. S069// LA7 • p. S085// HR5 • p. S107// PR3 • p. S109// PR6 • p. S110// PR9 • p. S019//
Principle 10	Compliance Management System	⊗ 4.8 • p. S041//

Principles	Measures in 2011	Notes/Cross References
Principles 1–10	Reorganization of the Compliance Management System	☉ <u>4.8</u> • p. S041//
Principles 1–10	Whistleblower system SOLARWORLD SpeakUp in implementation	☉ <u>4.8</u> • p. S041//
Principles 1–10	Sustainable group governance	☉ <u>4.8</u> • p. S041// ➔ <u>Additions to the Group Management Board</u> • p. 036//
Principle 3	Agreements with trade unions	☉ <u>LA4</u> • p. S083// <u>HR5</u> • p. S107//
Principles 7–9	Life Cycle Analysis	➔ <u>Energy and climate protection</u> • p. 057// ☉ <u>EN26</u> • p. S066//
Principle 7	Precautionary principle	☉ <u>4.11</u> • p. S043//
Principle 8	PR activities to raise awareness	All communication activities of SOLARWORLD are mid- to long-term initiatives, which are intended to establish solar power technology as a constant element of a sustainable and just energy generation worldwide and to increase customer awareness with regard to a conscious, resource-conserving behavior in favor and for the protection of the climate and the environment. In this context, last year's main topics were energy provision in developing areas and electromobility, represented by the projects Solar2World and SOLARWORLD GT.
Principle 9	Continuous, because our business is exclusively solar energy	➔ <u>Vision</u> • p. 002//
Principle 9	Technical innovations in research and development (purely solar group)	➔ <u>Strategy and action</u> • p. 021//
Principle 9	Solar2World projects	➔ <u>Vision of a sustainable brand</u> • p. 050//

S024

Principles	Performance (see GRI Performance Indicators)	Notes/Cross References
Principle 1	LA4, LA7–8, LA13–14, HR1–2, HR4–7, SO5, PR1	⊗ <u>LA4</u> • p. S083 // <u>LA7–8</u> • p. S085 // <u>LA13–14</u> • p. S095 // <u>HR1–2</u> • p. S016 // <u>HR4–7</u> • p. S016 // <u>SO5</u> • p. S108 // <u>PR1</u> • p. S109 //
Principle 2	HR1–2, HR4–7, SO5	⊗ <u>HR1–2</u> • p. S016 // <u>HR4–7</u> • p. S016 // <u>SO5</u> • p. S108 //
Principle 3	LA4–5, HR1–2, HR5, SO5	⊗ <u>LA4</u> • p. S083 // <u>LA5</u> • p. S015 // <u>HR1–2</u> • p. S016 // <u>HR5</u> • p. S107 // <u>SO5</u> • p. S108 //
Principle 4	HR1–2, HR7, SO5	⊗ <u>HR1–2</u> • p. S016 // <u>HR7</u> • p. S107 // <u>SO5</u> • p. S108 //
Principle 5	HR1–2, HR6, SO5	⊗ <u>HR1–2</u> • p. S016 // <u>HR6</u> • p. S107 // <u>SO5</u> • p. S108 //
Principle 6	EC7, LA2, LA13–14, HR1–2, HR4, SO5	⊗ <u>EC7</u> • p. S056 // <u>LA2</u> • p. S077 // <u>LA13–14</u> • p. S095 // <u>HR1–2</u> • p. S016 // <u>HR4</u> • p. S016 // <u>SO5</u> • p. S108 //
Principle 7	EC2, EN26, SO5	⊗ <u>EC2</u> • p. S055 // <u>EN26</u> • p. S066 // <u>SO5</u> • p. S108 //
Principle 8	EN1–4, EN8, EN11–12, EN16–17, EN19–23, EN26–28, SO5, PR3	⊗ <u>EN1–4</u> • p. S058 // <u>EN8</u> • p. S062 // <u>EN11</u> • p. S013 // <u>EN12</u> • p. S063 // <u>EN16–17</u> • p. S063 // <u>EN19</u> • p. S014 // <u>EN20–23</u> • p. S064 // <u>EN26–28</u> • p. S066 // <u>SO5</u> • p. S108 // <u>PR3</u> • p. S109 //
Principle 9	EN2, EN26–27, SO5	⊗ <u>EN2</u> • p. S059 // <u>EN26–27</u> • p. S066 // <u>SO5</u> • p. S108 //
Principle 10	SO2–5	⊗ <u>SO2–5</u> • p. S108 //

	Criterion	Notes/Cross-references
1	Key aspects of the company's high-level sustainability strategy in line with Global Compact principles	The Board oversees the sustainability performance of the Group. ⊗ <u>4.8</u> • p. S041 // The main opportunities and risks in the short and medium term are disclosed. ➔ <u>Expected future developments</u> • p. 081 //
2	Effective decision-making processes and systems of governance for corporate sustainability	SOLARWORLD's management determines the sustainability strategy and is responsible for its implementation in keeping with the principles of the Global Compact. The Management Board supervises its implementation. ⊗ <u>DMAs</u> • p. S050 // ➔ <u>Corporate Management and Control</u> • p. 026 //
3	Engagement with all important stakeholders	SOLARWORLD explains the stakeholder analysis, including the stakeholder summary and process of stakeholder identification and integration. ⊗ <u>4.14</u> • p. S046 // <u>4.15</u> • p. S046 // <u>4.16</u> • p. S048 // <u>4.17</u> • p. S049 //
4	Actions taken in support of broader UN goals and issues	SOLARWORLD has adjusted its corporate strategy and operational processes to step up its contribution to the Global Compact principles. ⊗ <u>4.8</u> • p. S041 // SOLARWORLD also implements projects that support the UN goals and issues, in collaboration with NGOs and charitable institutions. ➔ <u>Vision of a sustainable brand</u> • p. 050 //

	Criterion	Notes/Cross-references
5	Robust commitments, strategies or policies in the area of human rights	In its Code of Conduct, SOLARWORLD explicitly refers to Principles 1 and 2 of the Global Compact. The Suppliers' Code of Conduct also deals with the protection of human rights. ④ 4.8 • p. S041 // In particular, the members of the Management Board, managing directors and other executives are responsible for compliance with the requirements.
6	Effective management systems to integrate the human rights principles	Specific executive and expert training courses which will cover the themes of the Code of Conduct, including human rights, are being planned for 2012. The aim is to increase awareness of these themes. From 2012, complaints relating to the theme of integrity can be directed to internal points of contact within SOLARWORLD as well as to the whistleblower system SOLARWORLD SpeakUp (currently in implementation).
7	Effective monitoring and evaluation mechanisms of human rights integration	The procedure for dealing with incidents is undergoing further improvements in the course of the reorganization of the integrity department. For example, monitoring and evaluation are now also carried out via the internal points of contact and soon via the whistleblower system SOLARWORLD SpeakUp.
8	Standardized performance indicators on human rights	Disclosure is in accordance with the framework of the Global Reporting Initiative. ② GRI Index • p. S004 // This includes information on performance, risk analysis and disclosure of significant events.
9	Robust commitments, strategies or policies in the area of labor	In its Code of Conduct, SOLARWORLD explicitly refers to Principles 3 to 6 of the Global Compact and the International Labor Organization. Labor is also dealt with in the Suppliers' Code of Conduct. ④ 4.8 • p. S041 // In particular, the members of the Management Board, managing directors and other executives are responsible for compliance with the requirements.
10	Effective management systems to integrate the labor principles	Specific executive and expert training courses which will cover the themes of the Code of Conduct, including labor, are being planned for 2012. The aim is to increase awareness of these themes. From 2012, complaints relating to the theme of integrity can be directed to internal points of contact within SOLARWORLD as well as to the whistleblower system SOLARWORLD SpeakUp (currently in implementation).
11	Effective monitoring and evaluation mechanisms of labor principles integration	The procedure for dealing with incidents is undergoing further improvements in the course of the reorganization of the integrity department. For example, monitoring and evaluation are now also carried out via the internal points of contact and soon via the whistleblower system SOLARWORLD SpeakUp.
12	Standardized performance indicators on labor principles integration.	Disclosure is in accordance with the framework of the Global Reporting Initiative. ② GRI Index • p. S004 // This includes information on performance, risk analysis and disclosure of significant events.
13	Robust commitments, strategies or policies in the area of environmental stewardship.	In its Code of Conduct, SOLARWORLD explicitly refers to Principles 7 to 9 of the Global Compact. Environmental protection is also dealt with in the Suppliers' Code of Conduct. ④ 4.8 • p. S041 // A groupwide QHSE (Quality, Health, Safety & Environment) corporate policy also exists. In particular, the members of the Management Board, managing directors and other executives are responsible for compliance with the requirements.
14	Effective management systems to integrate the environmental principles.	SOLARWORLD is ISO 14001 certified. Specific executive and expert training courses which will cover the themes of the Code of Conduct, including environmental protection, are being planned for 2012. The aim is to increase awareness of these themes. From 2012, complaints relating to the theme of integrity can be directed to internal points of contact within SOLARWORLD as well as to the whistleblower system SOLARWORLD SpeakUp (currently in implementation).

S026

	Criterion	Notes/Cross-references
15	Effective monitoring and evaluation mechanisms for environmental stewardship	The procedure for dealing with incidents is undergoing further improvements in the course of the reorganization of the integrity department. For example, monitoring and evaluation are now also carried out via the internal points of contact and soon via the whistleblower system SOLARWORLD SpeakUp.
16	Standardized performance indicators on environmental stewardship	Disclosure is in accordance with the framework of the Global Reporting Initiative. GRI Index • p. S004// This includes information on performance, risk analysis and disclosure of significant events.
17	Robust commitments, strategies or policies in the area of anti-corruption	In its Code of Conduct, SOLARWORLD explicitly refers to Principle 10 of the Global Compact. Anti-corruption is also dealt with in the Suppliers' Code of Conduct. 4.8 • p. S041// In particular, the members of the Management Board, managing directors and other executives are responsible for compliance with the requirements.
18	Effective management systems to integrate the anti-corruption principle	Specific executive and expert training courses which will cover the themes of the Code of Conduct, including anti-corruption, are being planned for 2012. The aim is to increase awareness of these themes. From 2012, complaints relating to the theme of integrity can be directed to internal points of contacts within SOLARWORLD as well as to the whistleblower system SOLARWORLD SpeakUp (currently in implementation).
19	Effective monitoring and evaluation mechanisms for the integration of anti-corruption	The procedure for dealing with incidents is undergoing further improvements in the course of the reorganization of the integrity department. For example, monitoring and evaluation are now also carried out via the internal points of contact and soon via the whistleblower system SOLARWORLD SpeakUp.
20	Standardized performance indicators on anti-corruption	Disclosure is in accordance with the framework of the Global Reporting Initiative. GRI Index • p. S004// This includes performance, risk analysis and disclosure of significant events.
21	Implementation of the Global Compact principles in the value chain	SOLARWORLD has a Suppliers' Code of Conduct. 4.8 • p. S041// Supplier audits, which also cover integrity-related issues, are carried out at regular intervals.
22	Information on the company's profile and context of operation	The legal structure is described in the Annual Group Report. It is clear which countries the company is based in, and which markets SOLARWORLD has a presence in. Products, services and the SOLARWORLD brand are described. Group Management Report 2011 • p. 019//
23	High standards of transparency and disclosure	From 2007 onwards, the Communication on Progress follows the Global Reporting Initiative framework, level A+. A historical comparison is given.
24	Communication on Progress independently verified by a credible third-party	Details of sustainability performance are reviewed by the auditor and certified by the Global Reporting Initiative.

KPIS & KPNS FOR ESG (KEY PERFORMANCE INDICATORS AND NARRATIVES OF EFFAS/DVFA)

The European Federation of Financial Analysts Societies (EFFAS) Commission on ESG and the German Society of Investment Professionals (DVFA) Commission on Non-Financials (CNF) published a joint draft on “KPIs for ESG 3.0” in 2010. This draft contains Key Performance Indicators and narratives on the integration of extra- and non-financial performance indicators pertaining to ESG (Environmental, Social, Governance), sustainability, corporate governance and risk management for integration into classical company rating and investment decisions. We have been reporting on the basis of these criteria since 2008 and further develop the data collection from year to year. Although we do not have data available for all indicators yet, we report about progress achieved on a yearly basis

04 PERFORMANCE INDICATORS AND NARRATIVES (SECTOR: RENEWABLE ENERGY EQUIPMENT)

For ESG of EFFAS/DVFA

Indicator	Name	Description	2012	2011	2010	2009	2008	Comment
ESG: E01-01 (Scope D)	Energy efficiency	Total energy consumption: (in primary GJ)	↑	5,108,840 cf	–	–	–	As in the previous year we expect growth (under-proportionate to production increase) in 2012. ⊗ EN3 • p. S060 // EN4 • p. S061 //
ESG: E02-01 (Scope D)	GHG emissions	Total GHG emissions (in tCO _{2eq})	↑	188,638 cp	178,886 cf	139,284 cf	96,310 cf	Estimate ⊗ EN16 • p. S063 //
ESG: S01-01 (Scope D)	Employee turnover	Share of employees leaving the company per year	↓	15.5 %	8.2 %	9.3 %	–	So far no distinction is made between full-time and part time work. ⊗ LA2 • p. S077 //
ESG: S02-02 (Scope D)	Training and professional development/ qualification	Average training expenditure/ employee (in €)	↑	394.31	312.21	356.89	382.13	⊗ LA10 • p. S093 //
ESG: S03-01 (Scope D)	Age structure of the workforce	In 10-year steps	↔	<30: 20 % 30–40: 35 % 40–50: 28 % >50: 17 %	<30: 28 % 30–40: 29 % 40–50: 28 % >50: 16 %	<30: 22 % 30–40: 31 % 40–50: 31 % >50: 17 %	–	⊗ LA13 • p. S095 //
ESG: S08-01 (Scope D)	Pay	Total amount of all bonus payments (in m€)	↑	5.4	17.4	9.8	–	We do not grant stock options, but we pay a profit-oriented participation model (GOMAB). Further data on this indicator are so far not available.
ESG: S08-02 (Scope D)	Pay	Number of FTE who receive 90 % of the bonus payments	On this topic, we do not have any data yet.					

S028

Indicator	Name	Description	2012	2011	2010	2009	2008	Comment
ESG: S08-03 (Scope I)	Pay	Consideration of the ESG performance in the target agreements	The ESG performance is not explicitly considered in the target agreements but is included via the basis attitude towards sustainable corporate governance.					
ESG: V01-01 (Scope I)	Litigation risks	Expenditures and fines for lawsuits and court cases regarding anti-competitive behavior, Anti-Trust, monopoly behavior (in €)	↔	1	0	0	–	In the context of the anti-dumping proceeding in the U.S., SOLARWORLD invested the indicated sum as a claimant.
ESG: V02-01 (Scope I)	Corruption	Share of business activity in regions with a corruption index of less than 6.0	↑	54 %	31 %	29 %	16 %	Since 2009 expenditures for wafers and Trade, previously only for Trade ☞ S02 • p. S108//
ESG: V03-02 (Scope I)	Earnings from new products	Earnings share from products with life cycles of less than 12 months	↔	40 %	30 %	35 %	–	The information is estimated for the Group based on the SOLARWORLD AG's data.
ESG: V04-01 (Scope I)	Innovation	Total R&D expenditures (in m€)	↔	27.2	19.2	12.0	13.0	☞ Innovation report • p. 060//
ESG: V04-12 (Scope I)	Innovation	Total investment in research on ESG relevant aspects	100 %	100 %	100 %	100 %	100 %	Our entire business (solar energy) is ESG relevant.
ESG: E23-02 (Scope II)	Production loss	Monetary effects of production loss due to material bottlenecks (in €)	↔	0	0	0	–	
ESG: E28-01 (Scope II)	Water consumption	Total water take-out (in m³)	↑	1,466,030 ep	1,431,642 ep	1,115,767 ep	845,961 cf	☞ EN8 • p. S062//
ESG: E33-01 (Scope II)	Environmental compatibility	Share of ISO 14001 certified locations (weighted by average capacity)	↔	100 %	100 %	64 %	74 %	The indicator can decrease temporarily if new capacities are ramped up, which have not yet been certified at the cut-off date.
ESG: G01-01 (Scope II)	Donations to political parties	Donations to political parties (in k€)	0	0	0	40	45	Since 2010, we have not made any political donations any more.

Indicator	Name	Description	2012	2011	2010	2009	2008	Comment
ESG: S11-01 (Scope II)	Relocation of work places due to restructuring	Total costs of relocation (in k€) including compensation payments, severance pay, outplacement, recruitments, training, consulting	↔	766	507	427	–	The data before 2011 refers only to the U.S. sites.
ESG: V06-01 (Scope II)	Customer satisfaction with SOLAR-WORLD	Share of satisfied customers among all respondents	↔	93.6 %	85.8 %	85.4 %	–	Aggregate figure (Trade) ⊕ <u>Target achievement 2010 and 2011 and targets for 2012+ • p. 028 //</u>
ESG: V10-03 (Scope II)	Effects of subsidies	Share of business activity in markets with feed-in tariff or regulated pricing	↔	100 %	100 %	100 %	100 %	The shipment share in markets without feed-in tariff or regulated pricing is still below 1 %.
ESG: V13-01 (Scope II)	Utilization	Capacity utilization in relation to the nominal capacity (in %)	The information is not disclosed. But we do disclose our capacities. ⊕ <u>Groupwide, nominal year-end capacities 2011 • p. 044 //</u>					
ESG: V28-01 (Scope II)	Supply chain	Total number of suppliers	↔	ca. 200	–	–	–	Direct material
ESG: V28-02 (Scope II)	Supply chain	Share of the 3 largest external suppliers	↔	> 15 %	–	–	–	
ESG: V28-03 (Scope II)	Supply chain	Sales share of suppliers (in %)	↔	ca. 60 %	–	–	–	Direct material
ESG: E17-35 (Scope III)	Supply bottlenecks	Sales share of products containing Indium	Not used					
ESG: E17-36 (Scope III)	Supply bottlenecks	Total procurement volume Indium	Not used					
ESG: E22-01 (Scope III)	Raw material	Covered demand (in days) of A (B, C, D) materials	Through long-time contracts, we secure approx. 80% of the required capacities.					
ESG: E23-01 (Scope III)	Production loss	Production loss, i.e. difference between planned and actual production, due to material bottlenecks (in %)	↔	0 %	0 %	0 %	–	
ESG: E28-02 (Scope III)	Water consumption	Water (in m³) per Wp	This indicator should be expressed per Wp, but we can not yet derive the data. We disclose the water consumption: ⊕ <u>EN8 • p. S062 //</u>					

S030

Indicator	Name	Description	2012	2011	2010	2009	2008	Comment
ESG: E28-03 (Scope III)	Water consumption	Ground water consumption (in m³)	↑	500 ep	–	–	–	In the year 2011, there is data available for the first time.
ESG: E28-04 (Scope III)	Water consumption	Waste water discharge (in m³)	↑	1,404,641 ep	1,339,407 mf	896,477 cf	814,113 cf	© EN21 • p. S065 //
ESG: V05-01 (Scope III)	Customer loyalty	Share of new customers (specialist partners)	↔	20 %	7 %	20 %	–	The indicator refers to module and system customers. The information is estimated for the Group based on the SOLARWORLD AG's data.
ESG: V05-03 (Scope III)	Customer loyalty	Market share (total)	↑	4 %	5 %	5 %	–	
ESG: V28-04 (Scope III)	Supply chain	Maintenance of ESG standards by suppliers	All main suppliers are audited along QHSE criteria every two years. The Supplier's Code of Conduct was published in early 2011.					
ESG: V28-05 (Scope III)	Supply chain	Incentives for procurement to select suppliers who are well prepared in terms of ESG even though they may charge higher prices						

PROFILE DISCLOSURE

S031

/ 1.2 / KEY IMPACTS, RISKS AND OPPORTUNITIES

SOLARWORLD Group makes a direct contribution to the sustainable development of society with its products, since solar energy plays a key part in the energy mix of a forward-looking society. But because our business activity of course also involves resource consumption and emissions, we pay very close attention to making sure our environmental impact is kept in check. Since 2009, we have been conducting life cycle analyses for our products. We strive not only to be an attractive employer and a reliable business partner but also at the same time to maintain our active commitment to the sustainable development of society.

The 2011 Annual Group Report contains details of the sustainability performance of the SOLARWORLD Group. A description of our company's major impacts on sustainability and the associated opportunities and risks can be found in the Management Report. ➔ [Expected future developments](#) • p. 081 // Our targets and target achievement level are set out in the Management Report. ➔ [Target achievement 2010 and 2011 and targets for 2012+](#) • p. 028 // In the medium term, i.e. over the next three to five years, we intend to consolidate our market position, keep making better products, and achieve improvements every year in our ecological and social key performance indicators. To achieve this, we shall further strengthen our corporate culture, because this is the basis for our success. ⌚ [DMAs](#) • p. S050 // The performance assessment is one element of corporate management and control, details of which also appear in the Management Report. ➔ [Corporate management and control](#) • p. 026 // By increasing efficiency we have achieved progress in many areas, e.g. in the energy payback time and compensation for CO_{2eq} emissions. Successes, failures and conclusions are described in the section called Disclosures on Management Approach (DMAs). ⌚ [DMAs](#) • p. S050 // We also highlight successes and failures based on historical trends in performance indicators of the Global Reporting Initiative and the EFFAS/DVFA. However, for a benchmarking on this database, there is not yet sufficient information available from our competitors. We always seek open stakeholder dialog and comply with legal requirements as well as international standards.

S032 / 2.10 / AWARDS

2010 ATTRACTIVE EMPLOYERS (BERUFSSTART.DE), 33RD PLACE

In 2010, SOLARWORLD participated in the “most attractive employer” survey for the first time, achieving 33rd place in the ranking which was published in March 2011. Every year since 2007, berufsstart.de has conducted a survey among students, university graduates and young professionals on the subject of attractive companies. Assessed criteria include: industry, payment, image and corporate philosophy, opportunities for advancement, training opportunities, the global nature of the company, social benefits, security, safety and infrastructure, and transport links. As the survey shows, flexible working hours and the company’s international orientation are important factors that students consider when choosing an employer.

**AUTOMATION AWARD (DRESDEN FAB AUTOMATION CLUSTER)**

Once a year, the Dresden Fab Automation Cluster (DFAC) innovation forum for automation is held in Dresden, Germany. The event provides an opportunity for DFAC business partners from Germany, the U.S., Europe and Asia to meet and exchange experiences. In addition to making new contacts, participants can also demonstrate how to achieve further improvements in production safety, efficiency, and costs in the semiconductor and photovoltaic industry. As part of this event, every year the organizers of the innovation forum present their Automation Award. In 2011, this went to SOLARWORLD, particularly for its activities in Hillsboro, U.S., where SOLARWORLD transformed a defunct semiconductor factory into the largest, most modern solar factory in America.



CARBON DISCLOSURE PROJECT GERMANY (SECTOR LEADER RENEWABLES 2011)

In 2011, the annual report of the Carbon Disclosure Project (CDP) Germany names SOLARWORLD AG as Sector Leader in the field of renewable energies for its transparent and detailed reporting. Each year, the CDP asks public companies around the world to report on their climate-relevant corporate data, strategies and specific climate protection measures. The CDP makes this data available to the capital markets and the general public. The aim of publishing the data is to create greater transparency regarding emissions of greenhouse gases which are harmful to the environment.

CARBON DISCLOSURE PROJECT**CORPORATE REGISTER CR REPORTING AWARDS, 2ND PLACE IN „BEST INTEGRATED REPORT“ (2010: 4TH PLACE)**

A significant improvement can be seen in SOLARWORLD's reporting compared to the previous year. Having achieved 4th place in the 2010 CR Reporting Awards in the category “best integrated report,” SOLARWORLD rose to 2nd place one year later. This annual award is presented by Corporate Register. Awards are given for nine different categories relating to reporting. A total of 90 companies from around the world took part in the competition in 2011.

**DESIGN AWARD FOR SOLARWORLD GT, BOCHUM UNIVERSITY OF APPLIED SCIENCES (WORLD SOLAR CHALLENGE, AUSTRALIA)**

In 2011, Bochum University of Applied Sciences won the design award for particularly innovative solar car models with the SOLARWORLD GT. Since 2007, the award has been presented every two years in Australia as part of the World Solar Challenge, a global circumnavigation competition for solar cars. Already for the second time in recent years, the Bochum team won this award. In 2007, they came top with the “SOLARWORLD No. 1.”

S034

BEST ANNUAL REPORTS (MANAGER MAGAZIN), 2ND PLACE (TECDAX) (2010: 1ST PLACE)

In the renowned “best annual reports” competition run by manager magazin, SOLARWORLD came 2nd in the TecDAX category and 10th in the overall ranking of 160 participating companies. Three teams of expert assessors from the University of Münster each independently examine the reports in terms of content, design and language. The four best reports from each index are additionally scrutinized by an expert jury, which considers their conciseness, credibility and reporting efficiency.

MANUFACTURING EXCELLENCE (MX) AWARD SPECIAL PRIZE 2011

SOLARWORLD subsidiary DEUTSCHE SOLAR GMBH won a special prize in the 2011 Manufacturing Excellence MX Award. The MX Award is awarded annually for best practices in manufacturing in Germany. In keeping with the guiding idea of “recognizing strengths – setting standards,” the aim of the Manufacturing Excellence network is to communicate and propagate innovative production concepts. The special prize, which was awarded for the first time, recognizes special efforts towards achieving efficiency and sustainability at a production facility, and highlights the transformation from small-scale manufacturing to industrial mass production. In 2010, DEUTSCHE SOLAR GMBH started production at its new – also Europe’s largest and most modern – solar wafer factory, thus gaining a competitive advantage in the solar industry.

**PRISM AWARD (PRISA), BRONZE**

In 2011, the “SOLARWORLD Sun TV” campaign won the PRISM Award (bronze) in the Media Relations & Public Relations category. The award was presented by the Public Relations Institute of Southern Africa (PRISA) to Chatroom, the agency which produced the campaign for SOLARWORLD. The PRISA Awards, held for the 15th time, recognize public relations and communication experts who successfully integrate planning, creativity and professionalism into public relations and communication programs, and produce outstanding campaigns as a result.



RECYCLE AT WORK AWARD (WASHINGTON COUNTY BOARD OF COMMISSIONERS)

SOLARWORLD's Hillsboro facility was among 50 companies which received the Recycle at Work Award from the Washington County Board of Commissioners in 2011. The award was granted to companies across all industries for innovative recycling and waste avoidance measures, for instance recycling measures at all workplaces and the collection of recyclable items as well as the implementation of at least five waste avoidance strategies.

**SVTC SCORECARD RANKING (SILICON VALLEY TOXICS COALITION), 1ST PLACE (2010: 2ND PLACE)**

In its survey, non-profit enterprise Silicon Valley Toxics Coalition (SVTC) assesses companies according to a variety of criteria such as environment, health and safety, sustainability, workers' rights and social fairness. Aspects considered include product return systems and recycling, workers' health and safety, a life cycle analysis and analysis of the use of chemicals, and disclosure statements. In the 2011 ranking, SOLARWORLD achieved first place with 91 points, followed by Trina Solar in second place, and Abound Solar, REC and First Solar joint third.

**SRI AUDIT BY VIGEO GROUP, SINCE 2008**

Specialized in Socially Responsible Investment (SRI) audits, the Vigeo Group regularly evaluates the performance of SOLARWORLD in the field of sustainable development and social responsibility. The audit was most recently updated in January 2012. Further information is available from Vigeo.



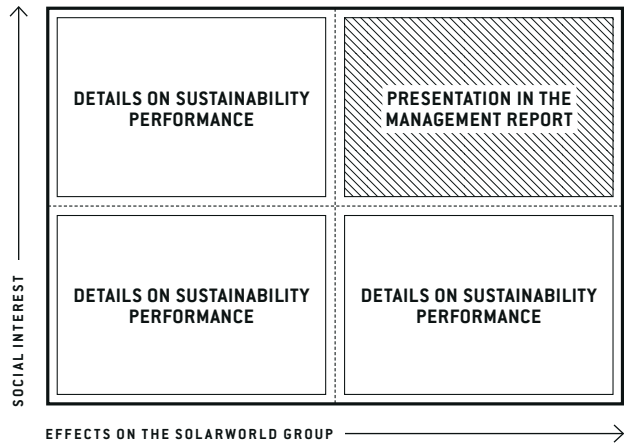
S036 / 3.5 / PROCESS FOR DEFINING REPORT CONTENT

The report content is produced according to the Global Reporting Initiative's principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The respective tests are applied as described below. In addition, the requirements of the Global Compact and EFFAS/DVFA are taken into consideration along with suggestions from rating agencies and other stakeholders. On this basis, Sustainability Management produces the draft report, which is examined by the Management Board. The Management Board may request amendments and gives final approval to the report.

MATERIALITY: We assume in principle that all Core Indicators of the Global Reporting Initiative contain significant information for stakeholders. However, not all indicators apply to all companies to the same extent. Consequently, material areas are those in which the conduct of SOLARWORLD has or could have particular economic, ecological and social impacts. We therefore disclose factors in the Management Report, which are critical to SOLARWORLD's success and, equally, have a high priority for the company. For example: our market positioning, the level of customer satisfaction, our investments in Research and Development, the energy and CO_{2eq} payback times for our modules, our ISO 9001 and ISO 14001 certifications, news about Solar2World projects, employee development in the Group including the percentage of women, the age structure of the workforce, our investments in training and professional development, and absentee and accident rates. In addition to the concise presentation in the Management Report, further information about these factors and other areas which could have a significant influence on the opinions and attitudes of our stakeholders are provided in the details on sustainability performance. Thus, for example, here we comment on the coverage of defined benefits plan obligations, collective agreements, diversity in the Group, the ban on child labor and forced labor, our impact on biodiversity, and product labeling. Issues which have not had any relevance to SOLARWORLD, such as violations of the rights of indigenous peoples, are not discussed in further detail.

② [GRI Index](#) • p. S004//

05 MATERIALITY MATRIX



PRIORITIES: We have included as many Core Indicators in our reporting as our current data situation will allow. In some cases we have internal data available which we are not able to disclose because they include confidential information. We are making every effort to further increase the transparency of our reporting in line with the Global Reporting Initiative.

STAKEHOLDERS: The main stakeholder groups who will use the present report are investors (shareholders, institutional investors) and analysts as intermediaries. The report is increasingly used by rating agencies to assess SOLARWORLD as a company. In addition, the report will serve to inform employees and customers (wholesalers, installers, end customers) and suppliers of the SOLARWORLD Group. It will also be a source of information for the interested public.

/ 3.6 / REPORTING BOUNDARY

As a general rule, the reporting boundary includes all the organizational units that we control and significantly influence, i.e. all SOLARWORLD Group companies. Upstream and downstream stages of the value chain outside the SOLARWORLD Group are included only to a limited degree, due to lack of control and influence. The strategic information in this report furthermore relates to JOINT SOLAR SILICON (JSSi) Verwaltungs-GmbH, the joint venture QATAR SOLAR TECHNOLOGIES Q.S.C. (QST) and SOLAR-CYCLE GMBH.

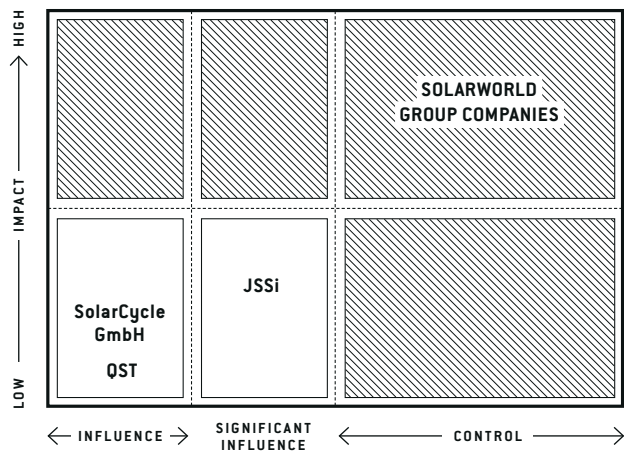
Any reporting boundaries that depart from this principle are indicated for each individual item of the Global Reporting Initiative.

S038

In terms of performance indicators, subsidiaries and leased facilities are generally included. Joint ventures are only included if we exert operational control and significant strategic influence with regard to a specific indicator, which is not currently the case with our joint ventures. According to the Global Reporting Initiative, SOLARWORLD exerts control if SOLARWORLD governs the financial and operating policies of an enterprise so as to obtain benefits from its activities. Significant influence, for the Global Reporting Initiative, is when SOLARWORLD has the power to participate in the financial and operating policy decisions of the entity but does not exert control over those policies.

Outsourced operations (such as logistics services) are not included. The reporting boundaries are as congruent as possible with those of the previous year to ensure that reporting periods and data relating to different structures remain comparable. Any departures from this principle are indicated. The results are representative of the Group or are interpreted in that sense.

06 REPORTING BOUNDARY



/ 3.7 / LIMITATIONS ON SCOPE OF REPORTING

Limitations on scope currently exist for the reasons indicated. 3.5 – Priorities • p. S036//
Further details are highlighted for specific indicators.


/ 3.9 / DATA COLLECTION AND BASIS FOR CALCULATIONS

In general, data is collected via the Group's software systems (e.g. Navision, Targit). Data is collated by the respective departments. The majority of ecological and social indicators are calculated via a SharePoint solution. Individual items of information are collected via interviews and e-mail contacts. In each case, the calculation basis and estimates are explained in the profile information and key performance indicators.


/ 3.10 / RESTATEMENT OF INFORMATION FROM EARLIER REPORTS

We have modified the presentation based on the Standard 3.1 of the Global Reporting Initiative. Apart from that, we have not adjusted the fundamental format of the previous year but have updated reported figures if more accurate values were available.

/ 3.11 / CHANGES IN REPORTING SCOPE, BOUNDARY OR MEASURING METHODS

This year, we report for the first time along the Standard 3.1 of the Global Reporting Initiative. Apart from a few indicators, we fully disclose the required data.  *GRI Index • p. S004* // There were no significant changes compared to the previous year. The explanations to the indicators outline minor adjustments.

/ 3.13 / EXTERNAL ASSURANCE

Like the Group Management Report and Financial Statements, the present report was subjected to audit inspection by BDO AG Wirtschaftsprüfungsgesellschaft. During its audit, BDO observed 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).  *Confirmation • p. S111* // This standard (PS 821) includes and exceeds the standards contained in ISAE 3000.

/ 4.4 / MECHANISMS FOR RECOMMENDATIONS OR INSTRUCTIONS TO THE HIGHEST GOVERNANCE BODY

Employees are able to approach the Management Board with comments and suggestions, whether through their supervisors or directly. At our Freiberg site, employees can also raise their concerns via the Works Council. Under German law, in many areas there are certain aspects which are subject to co-determination, which means that although employees cannot issue direct instructions to the Management Board, they are able to exert influence via the Works Council and prevent undesired developments from occurring. There are no designated workforce representatives on the Management Board.

S040

Shareholders have a right to participation (§ 118 Sec. 1 of the German Stock Corporation Act (AktG)) and information at the Annual General Meeting (AGM) (§ 131 Sec. 1 AktG) and can exert influence by speaking and voting at the AGM (§§ 12, 134 AktG, SOLARWORLD AG's statute), submitting counter-proposals (§ 126 AktG), demanding amendment of the agenda (§ 122 Sec. 2 AktG, with 5 % or more of voting rights or a shareholding of at least € 500,000.00), submitting proposals for the election of the supervisory board members (receipt by the company at least 14 days before the Annual General Meeting, § 127 AktG), and calling an extraordinary general meeting (§ 122 AktG, provided that on a cumulative basis at least 5 % of the nominal capital is represented). In 2011, the main topics discussed at the AGM were the independence of the Supervisory Board – Corporate Governance (background: composition of the Supervisory Board has remained unchanged for 12 years), diversity on the Management Board, Supervisory Board and in management positions focusing on the proportion of women (however, as of mid-2011 we do now have a female Management Board member → [Additions to the Group Management Board](#) • p. 036//), dissatisfaction with stock performance, dividend per share seen as being too low, expected development of the solar market and positioning of SOLARWORLD, lithium mining.

/ 4.5 / **RELATIONSHIP BETWEEN COMPENSATION FOR TOP MANAGEMENT AND THE ORGANIZATION'S PERFORMANCE**

Variable compensation for Management Board members is linked to the development of the dividend and is set out for senior executives and the management of the subsidiaries in individual target agreements. Severance pay in the event of leaving the company is not negotiated in advance (there are no "golden parachutes"). There is no specific compensation component for sustainability aspects as these are supposed to be taken into account via the strategic target of sustainable corporate governance.

→ [Corporate management and control](#) • p. 026// [Remuneration report](#) • p. 123//

/ 4.6 / **MECHANISMS FOR AVOIDANCE OF CONFLICTS OF INTEREST WITHIN THE HIGHEST GOVERNANCE BODY**

To avoid conflicts of interest, SOLARWORLD does not offer any stock-based compensation elements. In this way, we wish to ensure that our top management will not strive for short to mid-term share-price increases but will rather act for the benefit of long-term corporate success. Moreover, the Chief Executive Officer is also the company's founder and main shareholder. There is a high level of continuity in the composition of the Management Board. These are not managers appointed on a short-term basis, and this serves to counteract any tendency for corporate management to be geared toward making fast profits.

/ 4.7 / **PROCESS FOR DETERMINING THE COMPOSITION, QUALIFICATIONS, AND EXPERTISE OF MEMBERS OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES UNDER CONSIDERATION OF DIVERSITY (GENDER AND OTHER INDICATORS)**

Members of the Management Board are chosen with the aim of bringing together the necessary technical expertise and the necessary management experience for core issues in the Group. This means that diversity is aimed for.

The Chief Executive Officer, **Dr.-Ing. E. h. Frank Asbeck**, holds a degree in agricultural engineering and an honorary doctorate from the Faculty of Chemistry and Physics of TU Bergakademie Freiberg. He was involved in development projects in Africa before setting up SOLARWORLD AG. He is a founding member of the Green Party. **Frank Henn (Dipl.-Wirtschaftsing.)** draws on experience in sales and marketing in multinational companies. He has been Chief Sales Officer of SOLARWORLD AG since 2004. **Boris Klebensberger (Dipl.-Ing.)** joined SOLARWORLD AG at about the time when he was finishing his degree studies. He has been the company's Chief Operations Officer since 2001. **Philipp Koecke (Dipl.-Kfm. tech.)** joined SOLARWORLD AG after working in the finance and banking sector. He has been SOLARWORLD AG's Chief Financial Officer since 2003. **Colette Rückert-Hennen (attorney)** was a lawyer before working in tourism for 13 years. She has extensive experience in international management and has been Chief Human Resources and Brand Officer since 2011.

/ 4.8 / **STATEMENT OF MISSION, VALUES, CODES OF CONDUCT, PRINCIPLES AS WELL AS STATUS OF IMPLEMENTATION**

Our vision  *Management Report* • p. 019// has always been based on the principle of sustainability. These mission statements apply throughout the Group and are implemented by means of our management instruments and by the examples set by our senior executives. Compliance management at SOLARWORLD has been put on a firmer footing over recent months. The focus has been on the groupwide strengthening of a corporate culture which promotes integrity. Since early 2012, the SOLARWORLD Group has had a Compliance Committee comprising the Chief Human Resources and Brand Officer, the Chief Financial Officer, the Global Compliance Officer, the senior auditor (Internal Auditing), the head of Group Accounting, the head of Group Controlling (incl. Risk Management) and the head of Human Resources & Organizational Development. The main tasks of the Compliance Committee are to gather information from across the company and analyze compliance cases, to decide on action to be taken in serious compliance cases, to develop and implement improvement measures, to close gaps in corporate guidelines, and continually improve the compliance organization.

In partnership with the Dutch provider People Intouch B.V., we are currently developing SOLARWORLD SpeakUp, our whistleblower system which will come into operation in the second quarter of 2012. SOLARWORLD SpeakUp will be available for employees and suppliers. All other target groups will be able to contact the Compliance Committee via email at [@ integrity@solarworld.de](mailto:@integrity@solarworld.de).

S042

Our principles are enshrined in our Code of Conduct, which follows international standards (e.g. those of the International Labor Organization and the United Nations Global Compact): e.g. with regard to our working practices, the safeguarding of human rights, our social responsibility and our product responsibility. Our Code of Conduct refers to further corporate policies and guidelines, such as the corporate policy on quality, health, safety, and the environment. In 2011, the Code of Conduct had not been communicated to all employees, as a discussion developed concerning values, culture and integrity which led to the expansion and strengthening of the entire compliance management organization. Against this background, the Code of Conduct is being revised once again and its content will be communicated to employees in stages. Particular importance will be attached to dialogue in the company on the subject of integrity and compliance.

Furthermore, SOLARWORLD signed up to the United Nations Global Compact in 2009 and has pledged to work for its 10 Principles. This includes making explicit reference to them in the SOLARWORLD Code of Conduct. We will also try to commit our business and contract partners to complying with similar standards. In this context, we adopted the SOLARWORLD Suppliers' Code of Conduct in 2009. It came into force in early 2011. The Suppliers' Code of Conduct requires our business partners to comply with all applicable environmental and social legislation, rules and standards and to operate an efficient system to identify and eliminate potential hazards. In addition, our suppliers are encouraged to make their contractors and other business partners comply with these standards, too. ➞ [Corporate management and control](#) • p. 026 // [Strategy and action](#) • p. 021 // [Employees](#) • p. 051 // @ www.solarworld.de/vision/

/ 4.9 / PROCEDURES OF HIGHEST GOVERNANCE BODY FOR OVERSEEING SUSTAINABILITY PERFORMANCE

We bring economic, ecological and social aspects together via our management instruments ➞ [Corporate management and control](#) • p. 026 // so that they can be considered together. Since 2010, all SOLARWORLD sites have been certified according to ISO 9001 and ISO 14001. Opportunities and risks are covered comprehensively by our risk management tools. ➞ [Expected future developments](#) • p. 81 // The Global Compliance Officer reports annually to the Management Board on compliance with standards and principles. ⚙ [4.8](#) • p. S041 // Achievement of all Group targets is reviewed at least once every year. We also give a highly detailed disclosure of our sustainability performance via our reporting. ⚙ [Global Compact \(Communication on Progress\)](#) • p. S011 // Ⓜ [GRI Index](#) • p. S004 //

/ 4.10 / **PROCEDURES FOR EVALUATING THE HIGHEST GOVERNANCE BODY'S OWN SUSTAINABILITY PERFORMANCE**

At the Annual General Meeting, the Management Board takes questions from shareholders. Shareholders vote on whether to approve the Management Board's actions during the past year. Our integrated sustainability management system [↪ Corporate management and control • p. 026//](#) covers sustainability aspects, but there is no separate performance assessment in this respect.
[↪ Remuneration report • p. 123//](#)

/ 4.11 / **PRECAUTIONARY PRINCIPLE**

The precautionary principle has been institutionalized in our company by way of our risk management system, quality and environmental management system, sustainability management system and the Internal Auditing department. If there is any danger of serious or irreversible damage, uncertainties in scientific assessment should not serve as a reason for postponing cost-effective anti-pollution measures until a later date. This basic orientation is also underscored by our voluntary disclosures such as reporting along the framework of the Global Reporting Initiative and participation in the Carbon Disclosure Project (CDP). [↪ Corporate management and control • p. 026// Expected future developments • p. 81//](#)

/ 4.12 / **EXTERNAL AGREEMENTS, PRINCIPLES OR INITIATIVES**

07 EXTERNAL AGREEMENTS, PRINCIPLES OR INITIATIVES

Principles/agreements/initiatives	Timeframe	Locations	Established by/including	Motivation
Application of ISO standards 9001 and 14001	Since 2010	Group	ISO	Voluntary
Member of the Global Compact	Since 2009	Group	United Nations	Voluntary
Reporting in accordance with KPIs for ESG by DVFA (since 2010 also by EFFAS)	Since 2008	Group	EFFAS/DVFA	Voluntary
Code of Conduct development	Since 2007	Group	Employees	Voluntary
Reporting under the GRI framework	Since 2007	Group	GRI, based on a worldwide multi-stakeholder dialogue	Voluntary
Participation in the NetJets Climate Initiative ↪ 1.2 • p. S031// EN17 • p. S064//	Since 2007	Group	NetJets	Voluntary
Participation in the Carbon Disclosure Project (CDP)	Since 2005	Group	Institutional investors	Voluntary

S044 / 4.13 / MEMBERSHIPS

08 VOLUNTARY MEMBERSHIP OF ASSOCIATIONS AND ADVOCACY ORGANIZATIONS

Organization	Since	Member	Function
FlaSEIA (Florida Solar Energy Industries Association)	1989	SOLARWORLD AMERICAS LLC */ Peter DeNapoli	Board member
SEIA (Solar Energy Industries Association)	1990	SOLARWORLD INDUSTRIES AMERICA INC.*/ Raju Yenamandra, Boris Klebensberger	Board member
ASQ (American Society for Quality)	1992	SOLARWORLD INDUSTRIES AMERICA INC.*/ Steve Hunter (since 1988)	Member
UL/PV section	1997	SOLARWORLD INDUSTRIES AMERICA INC. *	Advisory Council member
SESHA (Semiconductor, Environmental, Safety and Health Association)	1998	SOLARWORLD INDUSTRIES AMERICA INC.*/ Sergio Vasquez	Member
NFPA (National Fire Prevention Association)	1998	SOLARWORLD INDUSTRIES AMERICA INC.*/ Sergio Vasquez	Member
DGS (Deutsche Gesellschaft für Sonnenenergie) e.V., Munich, Germany	1998	SOLARWORLD AG	Membership
Eurosolar, Bonn	1999	SOLARWORLD AG	Membership
FSEC (Florida Solar Energy Center)	2000	SOLARWORLD AMERICAS LLC*/ Peter DeNapoli	Board member
Freiberger Interessengemeinschaft der Recycling- und Entsorgungsunternehmen (F.I.R.E.) e.V.	2002	SUNICON GMBH (formerly DEUTSCHE SOLAR GMBH)	Member
Dresdner Gesprächskreis der Wirtschaft und Wissenschaft e.V.	2002	SUNICON GMBH	Member
Solar Alliance	2003	SOLARWORLD AMERICAS LLC*	Board member
Bundesverband Solarwirtschaft	2003	SOLARWORLD AG	Member
Silicon Saxony e.V.	2003	DEUTSCHE SOLAR GMBH	Member
VIK (Verband der industriellen Energie- und Kraftwirtschaft)	2005	DEUTSCHE SOLAR GMBH	Member
European Photovoltaic Industry Association (EPIA), Brüssel	2006	Boris Klebensberger	Board member
„Technische Universität Bergakademie Freiberg“ foundation	2006	Prof. Dr. Peter Woditsch	Member of the foundation council
Stifterverband für die deutsche Wissenschaft	2006	Prof. Dr. Peter Woditsch	Member of the regional trust for central Germany
Bundesverband Solarwirtschaft	2007	Dr.-Ing. E. h. Frank Asbeck	Board member
NYSEIA (New York Solar Industry Association)	2007	SOLARWORLD AMERICAS LLC	Board member
OSEIA (Oregon Solar Industry Association)	2007	SOLARWORLD AMERICAS LLC	Board member
Zoologisches Forschungsmuseum Alexander Koenig, Leibniz-Institut für Biodiversität der Tiere	2007	Dr.-Ing. E. h. Frank Asbeck	Chairman of the trustees of the Alexander-Koenig-Gesellschaft

Organization	Since	Member	Function
Hillsboro Chamber of Commerce	2007	SOLARWORLD INDUSTRIES AMERICA INC.	Member
UnternehmensGrün e.V.	2007	SOLARWORLD AG	Member
CanSIA (Canadian Solar Industry Association)	2007	SOLARWORLD AMERICAS LLC	Member
Oregon Business Association	2008	SOLARWORLD INDUSTRIES AMERICA INC./ Ben Santarris	Member
CALSEIA (California Solar Energy Industry Association)	2008	SOLARWORLD AMERICAS LLC	Member
AriSEIA (Arizona Solar Energy Industry Association)	2008	SOLARWORLD AMERICAS LLC	Member
TREIA (Texas Renewable Energy Industries Association)	2008	SOLARWORLD AMERICAS LLC	Member
Valley Industry and Commerce Association	2008	SOLARWORLD AMERICAS LLC	Member
Oregon BEST (Oregon Built Environment and Sustainable Technologies Center)	2008	Gordon Brinser	Board member
Biodiversity in Good Company	2008	SOLARWORLD AG	Member
Foundation council of the Mittelsächsisches Theater foundation	2008	Mario Behrendt (since 2009, prior Prof. Dr. Peter Woditsch)	Member
Energiebeirat der Stadt Freiberg	2009	Mario Behrendt	Member
U.N. Global Compact der Vereinten Nationen	2009	SOLARWORLD AG	Member
Deutsche Gesellschaft für Qualität	2009	Jörg Müller	Member
Westside Economic Alliance	2009	SOLARWORLD INDUSTRIES AMERICA INC./ Ben Santarris	Member
Council of the TU Bergakademie Freiberg	2010	Mario Behrendt	Advisory member
SEMI (Semiconductor Equipment and Materials Institute) Europe	2010	DEUTSCHE CELL GMBH	Member
National Association of Manufacturers	2010	SOLARWORLD INDUSTRIES AMERICA INC.	Member
SiSoC (Silicon Solar Consortium)	2010	SOLARWORLD INDUSTRIES AMERICA INC./ Ethan Good	Chairman of the Industry Advisory Board
Centre of Excellence for TPM at Ansbach University @ www.cetpm.de//	2010	DEUTSCHE SOLAR GMBH/ Mario Behrendt	Member
Oregon Business Council	2010	SOLARWORLD INDUSTRIES AMERICA INC./ Gordon Brinser	Member
Association of the United States Army	2010	SOLARWORLD AMERICAS LLC	Member
Gesellschaft für Datenschutz (GDD) e.V.	2011	DEUTSCHE SOLAR GMBH/ Thomas Leuschel	Member
Deutsches Institut für Interne Revision	2011	DEUTSCHE SOLAR GMBH/ Thomas May	Member

* This includes the former Shell Solar and/or Siemens Solar and/or Arco Solar.

S046 / 4.14 / **STAKEHOLDER GROUPS**

The stakeholder groups involved in the decisions taken by SOLARWORLD are primarily employees, customers (wholesalers, installers, but also end customers), SOLARWORLD Group suppliers, banks/creditors and governments/authorities. Shareholders and investors are included as stakeholders in this section. Other stakeholders included here are analysts and brokers as intermediaries, NGOs, competitors, local residents, associations and trading communities, employees' representatives or organizations, the press and interested members of the public.

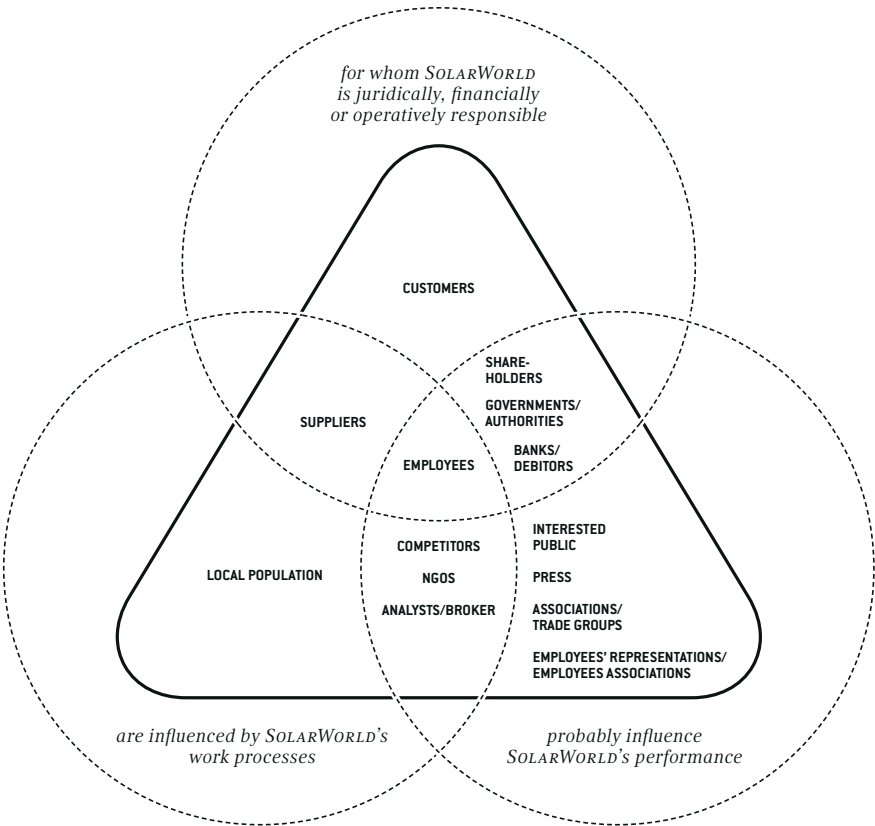
/ 4.15 / **IDENTIFICATION AND SELECTION OF STAKEHOLDER GROUPS**

Based on Mason and Mitroff, 1981, and the criteria of the AccountAbility Standards AA 1000 SES, we use the following questions to determine the stakeholder groups for our activities:

- Who are we responsible for (in legal/financial/operational terms)?
 - Who is directly or indirectly affected by/dependent on our activities or the impact of such activities?
 - Who is in a position to influence (hamper/promote) or decide about implementation of our activities?
 - Who are we in close contact with or maintain long-term relationships with?
 - Who has voiced their opinion on issues of relevance to us?
 - Which groups (formed by demographic or other characteristics) are likely to be interested in our activities and the results of these activities?
-

We maintain contacts with all stakeholder groups, with a particularly focus on the main stakeholders. Our main stakeholders are those for whom we are directly responsible:

09 **STAKEHOLDERS**



The figure above provides an overview of our stakeholders based on the scheme underlying the AA 1000 Standard which is made available by a member organization, the not-for-profit Institute of Social and Ethical Accountability.

S048 / 4.16 / **ENGAGEMENT OF STAKEHOLDERS**

The needs of all stakeholder groups are currently already incorporated but they are analyzed to varying degrees of depth. SOLARWORLD carries out an internal analysis for all stakeholder groups, based on information available within the company and in external studies. Every year, we conduct surveys among our employees (→ *Employees 2012+ • p. 108//*), our customers (→ *Operational leading indicators • p. 027//*) and our suppliers. Systematic customer surveys are carried out among our wafer customers, wholesalers and installers. So far, end customers have only been interviewed on an ad-hoc basis since such surveys require a lot of time and effort. In the mid-term, we hope to do this for our other stakeholder groups, too.

We also maintain close links with the communities at our sites: for instance in Freiberg at the Open Day for employees and their families at the occasion of Solar Factory III's inauguration or at the Open Day in the industrial area East at the occasion of the Science Night. In our Solar2World projects (@ www.solarworld.de/sustainability//) we work closely with the local stakeholders (e.g. communities and NGOs) in order to offer solutions that will give the population the maximum benefit and can be continued by the local people themselves after completion of the project.

Thanks to our membership in associations and interest groups as well as our cooperative initiatives with scientific institutions, we maintain a regular dialogue on social policy issues with stakeholders. We exchange ideas on topics like Life Cycle, Recycling and Sustainability with the EPIA (Sustainability Group), Silicon Valley Toxics Coalition (SVTC), as well as within the Solar Energy Industry Association (SEIA), and we participate in IEA Task 12 (Sustainability, Health & Safety). We also make our expertise available by way of panel discussions for example at PVSEC in Hamburg and Tokyo. The anti-dumping complaint in the U.S. was also one of the main topics of discussion with various stakeholder groups.

When compiling this report, we requested and took into account specialist feedback from rating agencies and sustainability experts. Since 2007, we have also submitted our report to the voting for the Corporate Register Reporting Award presented by the online directory CorporateRegister.com (@ www.corporateregister.com//). We also offer all stakeholders the opportunity to contact us any time via (@ placement@solarworld.de//) and (@ sustainability@solarworld.de//). Since 2009, stakeholders have had the alternative option of sending us an email – even anonymously if they so wish – via a contact form on the website.

The Communication on Progress achieved along the 10 Principles of the Global Compact is made through group reporting procedures, which means it is available to all stakeholders. Stakeholder initiatives can even influence the implementation of these Principles, for example via networks built by with stakeholders or standards requested by stakeholders.

As a result, the company is aware of the needs and able to take them into account in its decision-making processes.

10 **STAKEHOLDERS**

Main stakeholders	Instruments
Employees	Direct contact, employee surveys, Works Council, company suggestions scheme
Applicants	Direct contact, company presentations
Customers (wholesalers, installers, end customers)	Direct contact, annual customer survey
Suppliers	Direct contact, supplier surveys
Shareholders and investors	Direct contact, feedback after road shows, corporate news
Banks and creditors	Direct contact
Residents/local population	Direct contact e.g. during events on the SOLARWORLD site, in the event of concerns or complaints voiced // for Solar2World projects direct involvement in the project
Other stakeholders	Instruments
Analysts/brokers	Direct contact, feedback after road shows, investor days, corporate news
Governments/authorities	Direct contact, interviews
Non-governmental organizations (NGOs)	Networks, discussion forums
The interested public	Reporting, corporate news
Workforce representatives/ employee associations	Direct contact in negotiations
(Professional) associations/ industrial trading groups	Direct contact via networks, trade shows, etc.
Competitors	Market research, informal discussions
Press	Interviews, press releases

/ 4.17 / **KEY TOPICS AND CONCERNS RAISED BY STAKEHOLDERS**

SOLARWORLD is championing compulsory product recovery in the solar industry. SOLARWORLD is involved in intensive discussions on this matter within the Solar Energy Industry Association (SEIA), the Semiconductor Equipment and Materials Institute (SEMI) and with the Silicon Valley Toxics Coalition (SVTC) to drive this issue forward there (Principles 7–9, Global Compact). We also took part in a corporate responsibility survey carried out by our supplier 3M.

In the reporting period, there were no extraordinary questions or concerns regarding the sustainability of our business operations not covered under other items of our GRI reporting.

S050

DISCLOSURES ON MANAGEMENT APPROACH (DMA)

Extensive information about the management approach, the positioning of SOLARWORLD, and significant changes is provided in many sections of the Management Report. ➞ [Corporate management and control](#) • p. 026// ➞ [Innovation targets and priorities](#) • p. 064// [Future research and development activities 2012+](#) • p. 106// ➞ [Other segment](#) • p. 106// [Strategy and action](#) • p. 021// [Group structure and segments](#) • p. 023// [Employees](#) • p. 051// [Corporate governance](#) • p. 119// We are guided by our vision. ➞ [Vision](#) • p. 002//

The Management Report also details our goals and level of target achievement.

➞ [Target achievement 2010 and 2011 and targets for 2012+](#) • p. 028// [Business and general conditions](#) • p. 021// [The market](#) • p. 037// [Strategy and action](#) • p. 021// [Business development in the year 2011](#) • p. 033// [Innovation report](#) • p. 060// [Economic position 2011](#) • p. 066// [Financial position](#) • p. 071// [Asset position](#) • p. 075// [Expected business trend 2012+](#) • p. 104//

For the time being, the increasing scarcity of fossil fuels and continuing climate change are creating more opportunities than risks for solar energy. Further opportunities arise from our positioning as a responsible Group in international competition. Risks arise primarily from the impacts of production on the environment, health, and safety, but compared with other sectors, they should be rated as small. Other risks are the potential loss of credibility and possibly sanctions in the event that our self-imposed, strict principles were violated. Detailed information on opportunities and risks is also provided in the Management Report: ➞ [Expected future developments](#) • p. 081// ☞ [EC2](#) • p. S055//

Responsibility for SOLARWORLD's performance resides in the first tier with members of the Management Board, in the second tier with the managing directors, and in the third tier with department heads. Targets are monitored and followed up on a subject-specific basis by the respective departments in the company at the individual locations. Successes and failures are discussed in the respective explanations of the performance indicators. ➞ [Corporate management and control](#) • p. 026//

SOLARWORLD now holds ISO 9001 and 14001 certification throughout the Group and is currently striving for OHSAS 18001 certification for SOLAR FACTORY GMBH and the SOLARWORLD holding company. More than 80 percent (ef*) of our suppliers in Freiberg's production and 33 percent (ef) of our suppliers in the U.S. production are certified along ISO 9001. More than 55 percent (ef) of our suppliers in Freiberg's production and 20 (ef) percent of our suppliers in the U.S. production are certified along ISO 14001.

* ☞ [Legend](#) • p. S002//

/ DMA EC / **ECONOMIC**

Being economically successful is a basic requirement for sustainable development because the surplus that we generate gives us the freedom to take action and change things. Through our business activities, we contribute in different ways to the development of the wider economy, for example by paying taxes, creating jobs, promoting a sustainable, forward-looking energy supply, and also fulfilling our corporate responsibility in various contexts. The Management Report and consolidated financial statements provide extensive information on our economic performance, as explained in the section above.

➔ [Consolidated financial statements](#) • p. 133//

/ DMA EN / **ENVIRONMENTAL**

With our products, we supply the technology for transforming solar energy into electric power. Hence we make a direct contribution to protecting the environment. ➔ [Energy and climate protection](#) • p. 057// In manufacturing, we always pay particular attention to environmental compatibility. ➔ [Innovation targets and priorities 2011+](#) • p. 064// Corporate environmental goals are defined every year and checked at year-end. More specific measures are taken for individual subsidiaries at individual sites. Our aim is to take greater account of the environmental impacts of our business partners. For example, we perform a life cycle analysis for our products, right from extraction of raw materials.

At our production sites, we recirculate the majority of water and the use of chemical substances, and waste volumes, are being reduced as far as possible at our production sites. At DEUTSCHE SOLAR and SOLARWORLD Innovations, an energy management system per ISO 16001 is currently being introduced, and should be fully implemented by 2012/2013. At DEUTSCHE CELL, in addition to recycling waste water and silver from cell breakages, an electrostatic precipitator has been installed to clean waste air from the screen-printing process. At DEUTSCHE SOLAR, cleaning suits that have been contaminated with hazardous substances are cleaned by MEWA and reused. In Bonn, meeting rooms have been equipped with whiteboards to save on flipchart paper.

For the U.S. sites, ISO 14001 certifications were achieved for the new production capacities. In Hillsboro, at the end of 2011, an energy team set to work and realized various energy savings, for which it won the praise of the local authority and a prize of US\$ 315,000. At SOLARFACTORY, preparations for OHSAS 18001 certification were successfully completed. In Hillsboro, the local recycling target of 55% was exceeded which was awarded by the State of Washington. In addition, the Hillsboro site reports successes with its program to reduce traffic volume. The proportion of vehicles carrying only one person fell from 86% to 71%. At Hillsboro, via backwashing in the waste air purification system and in a press, it was possible to reuse water and make cost savings of € 146,501. At SOLARFACTORY, the preparations for the certification according to OHSAS 18001 were successful.

S052

There are also initiatives which are directed by individual departments, for example our “Green IT” measures. Here we are for instance gradually replacing old printers with new printers that use non-toxic solid ink instead of cartridges. As a result, we cut out waste and reduce costs. We also reduce indoor particulate levels – a positive side-effect on health and safety management.

/ DMA LA + HR + SO + PR / **SOCIAL**

Our employees are SOLARWORLD – the company lives because of them, and only they can make things happen. Often, we note that our employees tend to show a very high level of awareness of ecological and social factors. This constitutes a special part of the SOLARWORLD culture, which we wish to maintain in the future. We invest in our corporate and management culture because we want our employees to continue to see us as an attractive employer, and to create a working environment where people treat each other with respect and appreciation. We conduct regular employee surveys to find out how we are perceived as an employer and which improvement measures we should introduce. ➞ Employees • p. 051 // Employees 2012+ • p. 108 // As the internal discussion about values progressed, in 2011 SOLARWORLD began extending the reach of compliance management. Ⓢ 4.8 • p. S041 //

In the area of health and safety, we want our high standards to be documented for others and are therefore aiming to obtain OHSAS 18001 certification for SolarFactory GmbH and SOLARWORLD Holding by March 2012. This has included formulating and making a commitment to a new corporate policy, and implementing all OHSAS requirements. SOLARWORLD INDUSTRIES AMERICA INC. has also turned to this task and is currently rolling out an OHSAS 18001 certifiable management system. Accompanying this, it is conducting gap analyses and regulatory compliance audits. The injury rate calculated along the requirements of the Occupational Safety and Health Administration (OSHA) improved by 20 percent. In addition, the jury of the yearly ergonomics competition HumanTech expressed their special appreciation for the improvements achieved by our U.S. team.

Various accident prevention measures were implemented in Freiberg. Implementation of initiatives to avoid accidents while traveling by bus or taxi (from the bus stop to work/from one industrial area to another), initiative to avoid falls by using railings, roll-out of an electronic platform for recording and monitoring accidents, risk assessments for individual workflows and items of equipment in collaboration with employees, accident analysis together with employees, conducting safety patrols, holding occupational safety meetings, evacuation exercises, noise and light monitoring, regular checks and introduction of new protective glasses and gloves for employees, as well as development and implementation of a system for managing outside companies.

Various training incentives were offered for the training measures at Freiberg (first aid, defibrillators, crane, respiratory protection, safe use of equipment, fire extinguishers, protective suit for chemicals), and the introduction to health and safety at work was implemented (in partnership with BG RCI).

Occupational safety measures at Freiberg included organizing “skin protection days,” lifting and carrying training (together with physiotherapists), initial training for the safe use of equipment in the pillar production department, the “ergonomics in the workplace” campaign, and activities such as massages and back strengthening exercises.

We also take the interests of our external stakeholders very seriously, especially those of our customers. Year after year, analysis of customer satisfaction provides us with important feedback for continuous improvement. Product safety is extremely important to us.

S054

PERFORMANCE INDICATORS

The error margin (i.e. potential inaccuracies in estimates or measurements) in our quantitative data is so small that it does not impair decision-making by stakeholders. The quantitative statistical error tolerance cannot be calculated. More detailed information on the methods is provided for each of the estimates outlined below.

ECONOMIC PERFORMANCE INDICATORS

/ EC1 / CORE // DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

11) DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED // IN K€

	2011	2010	2009	2008	Comment
a) Income	1,350,640	1,430,187	1,107,774	969,978	Sales revenues + other operating income + net income from investments accounted for using the equity method + interest income
Distributed monetary value					
b) Operating expenses	-1,423,822	-1,086,431	-829,901	-586,209	Changes in inventory of products + own work capitalized + material costs + depreciation + other operating expenditure
c) Salaries and company benefits	-138,224	-126,282	-99,783	-90,130	Personnel expenditure
d) Payments to capital providers	-75,131	-68,853	-46,338	-104,970	Interest expenses + net earnings from financial instruments
e) Payments to public authorities	-23,023*	-55,172	-46,193	-56,838	Taxes on income (for distribution national and international ⊕ 37. <i>Taxes on income</i> • p. 171//)
f) Investments in the community	-508	-392	-264	-277	Donations in money and in kind (donations to political parties are not included and have not been made since 2010)
Retained monetary value (negative: reversal of retained monetary value)**	-310,068	93,057	85,295	131,554	

⊕ *Development of material income statement items* • p. 069// *Comments on the income statement* • p. 164//

* thereof Germany: 21,237, U.S.: 53, Singapore: 396, Südkorea: 1.335

** 2011: Main effect resulting from unscheduled depreciation ⊕ 32. *Amortization and depreciation* • p. 166//

/ EC2 / **CORE // FINANCIAL IMPLICATIONS DUE TO CLIMATE CHANGE**

S055

Our management takes account of the opportunities and risks related to climate change for our business activities. Opportunities and risks which could have financial implications are explained in more detail in the Management Report. For SOLARWORLD, we see more opportunities rather than regulatory risks as our products help mitigate climate change and our technology will achieve long-term competitive advantages for us in the energy market. We have not yet quantified the opportunities and risks.

➞ The market • p. 037 // Individual risks • p. 085 // Opportunities • p. 98 //

/ EC3 / **CORE // COVERAGE OF ORGANIZATION'S DEFINED BENEFITS PLAN OBLIGATIONS**

Benefit plans over and above statutory pension provisions are contribution-based. A final salary-based commitment exists in only one case. Throughout the Group, it is estimated that 20 % of employees are signed up to the company pension scheme. The exact number of agreements can be determined. Some employees have signed multiple agreements, which is why we have to estimate the percentage based on the average number of agreements per employee. In 2011, the SOLARWORLD Group's expenditure on retirement benefits came to € 603,768 (2010: € 521,760).

In Germany, SOLARWORLD AG offers a company pension scheme for employees in the form of "direct insurance" and the "pension fund," funded either by the employer or with deferred compensation (with an employer top-up). Employees who were employed at the former Munich site are entitled to direct pension commitments (final salary-based pension commitments), which are funded directly by the company. In 2011, these obligations totaled k€ 8,021 (2010: k€ 8,029). ➞ 22. Retirement benefits • p. 160 //

In the U.S., there is a voluntary program for retirement savings, the SOLARWORLD 401k Retirement Savings Plan. Under this program, employees may receive a company match of funds at a rate of US\$ 0.50 for every US\$ 1.00 contributed by the employee – up to a maximum of 3 percent of the assessment ceiling. All 401k regulations in the U.S. tax code apply to this program, which is administered by Diversified Investment Advisors. Entitlement to participate in the 401k Retirement Savings Plan begins after 90 days of regular employment, after which employees are automatically included in the program unless they opt out. Participation rates vary from site to site. In 2011, the overall rate was 60 (2010: 37) percent of regular employees.

There are no specific programs at the other sites. The amount paid into the programs is determined by employees in the case of deferred compensation. Where funding comes from the employer, the amount is specified in the contract of employment. Participation is voluntary. ➞ Employees • p. 051 //

S056 / EC4 / CORE // FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

There is no government body holding shares in SOLARWORLD AG.

⑫ FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT // IN K€

	2011	2010	2009	2008
Investment grants	38,450	14,548	10,461	10,210
Research grants	3,938	2,179	1,813	2,353

/ EC6 / CORE // SELECTION OF LOCALLY BASED SUPPLIERS

There is no company guideline under which preference is given to local suppliers. The geographical position plays a minor role in selecting suppliers since the equipment and commodity market is an international market. The selection criteria are cost, technology, quality, logistics and sustainability, with local manufacturers having a logistical advantage. For our (not-for-profit) Solar2World projects, we involve local partners as far as possible (in particular for frame technology and installation). The term “locally based” is defined in a way that is analogous to our segments (IAS 14).

➔ 40. *Segment reporting* • p. 174 //

/ EC7 / CORE // LOCALLY BASED HIRING OF EMPLOYEES

We are an international Group and mainly recruit locally at our various sites, although in this matter, there is no company guideline. We try to keep the number of “expatriates” down, but we need some employees from our existing subsidiaries and from the Head Office at the respective locations because that is key for harmonization of differences between sites. Under various non-discrimination provisions like the federal agreement on application of equal opportunities legislation (AGG) in Germany and rules and regulations by the Equal Employment Opportunity Commission (EEOC) as well as under Affirmative Action in the U.S. and pursuant to our groupwide Code of Conduct, local candidates must not be given preference nor discriminated against in the recruitment process.

We adjusted our definition of “senior executives” (German: “leitende Angestellte”) to the definition under the German Works Constitution Act (BetrVG), under which executives include board members and, where applicable, managing directors. However, we disclose such information also for the 1st tier of management, too, because we believe this distribution is relevant as well (in doing so, we are exceeding GRI requirements).

At SOLARWORLD AG, figures for the expat status of executive staff are estimated as in some cases data on the original place of residence before joining the company are not available.

19 LOCALLY BASED HIRING OF EMPLOYEES

Locally hired executive staff/employees	2011	2010	2009	2008
Percentage local (board members and managing directors)				
Germany	100 %	100 %	100 %	100 %
U.S.	100 %	100 %	50 %	0 %
Spain	50 %	50 %	0 %	0 %
Singapore	0 %	0 %	0 %	0 %
South Africa	0 %	0 %	0 %	0 %
France	0 %	0 %	–	–
Percentage local (1 st tier of management)				
Germany	95.7 %	100 %	100 %	100 %
U.S.	100 %	91 %	81 %	83 %
Spain	100 %	0 %	100 %	0 %
Singapore	0 %	100 %	100 %	0 %
South Africa	0 %	0 %	0 %	100 %
France	100 %	100 %	–	–

/ EC8 / CORE // INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED MAINLY FOR PUBLIC BENEFIT

Our Solar2World projects actively involve the local stakeholders (i.e. members of the community, users) in the project design. We also invest in the infrastructure around our sites. In Hillsboro, for example, we built a solar-powered charging station on the roof of the visitor parking area which is available for the public to use. Significant investments in infrastructure and services provided mainly for public benefit were not made. We assume that positive and negative impacts balance each other out. A needs analysis was not performed.

S058

ENVIRONMENTAL PERFORMANCE INDICATORS

In the following, data quality will be classified into six categories (the abbreviations are stated behind the figures):

ep	= estimated & preliminary
cp	= calculated & preliminary
mp	= measured & preliminary
ef	= estimated & final
cf	= calculated & final
mf	= measured & final

/ EN1 / MATERIALS USED

Our advanced life cycle analysis enables us, for the first time, to state the materials used in terms of weight. The materials used consists almost exclusively of non-renewable substances, but a large proportion is recyclable.

14 MATERIALS USED

	2011
Total material used in kg (Freiberg)	1,002,000,742 cf
of which materials directly integrated into the product in kg (Freiberg)	32,533,284 cf
of which renewable consumables, packaging materials in kg (Freiberg)	1,215,319 cf
Total material used in kg (Group)	2,122,094,429 ef
of which materials directly integrated into the product in kg (Group)	68,900,848 ef
of which renewable consumables, packaging materials in kg (Group)	2,573,872 ef

We are careful in the use of hazardous substances. In our production, we use the following substances that are generally classified as dangerous: hydrogen fluoride (HF), lead (Pb), nitric acid (HNO₃), phosphorous oxychloride (POCl₃), silane (SiH₄), sodium hydroxide (NaOH), hydrochloric acid (HCl), acetic acid (CH₃COOH), sulfuric acid (H₂SO₄), potassium hydroxide (KOH) as well as minimal quantities of ammonia (NH₃).

It is difficult to provide reliable data on our recycling rate as data are not available to us for many input factors. We know the usual recycled content of glass and aluminum. On the other hand, we can calculate our own recycled content for silicon, silicon carbide and glycol very precisely. We recirculate production water.

15 RECYCLING INPUT MATERIALS

	2011
Silicon carbide (in %)	88 cf
Glycol (in %)	88 cf
Silicon (in %)	28 cf
Glass (in %)	up to 30 ef
Aluminum (in %)	50-55 ef

S060 / EN3 / CORE // DIRECT PRIMARY ENERGY CONSUMPTION

In the SOLARWORLD Group, direct energy consumption mainly consists of non-renewable primary energy sources. Propane gas consumption had to be estimated at the Hillsboro site because approximately 237 liters were additionally used for a gas-fired grill in production, which could not be measured. Diesel consumption at DEUTSCHE SOLAR GMBH increased because the tank for the emergency generator was refilled. This volume has not been consumed yet. The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account.

16 DIRECT PRIMARY ENERGY CONSUMPTION

	2011	2010	2009	2008
Direct primary energy consumption in kWh (Group)	55,560,851.7 cp	56,113,851.3 ef	47,042,192.0 ef	36,313,594.4 cf
of which gas (kWh)	55,227,197.1 ep	55,948,582.6 mf	46,908,362.0 ef	36,313,594.4 cf
of which heating oil (l)	6,088.8 ep	5,173.4 mf	3,217.0 ep	–
of which diesel (l)	26,528.6 ep	11,585.4 ep	10,077.0 ep	–
of which gasoline (l)	151.4 ep	227.4 ef	100.0 ep	–
of which other (l)	0.0 ep	0.0 mf	–	–
Direct primary energy consumption in MJ (Group)	200,019,066.4 cp	202,009,864.6 cf	169,351,077.1 cf	130,728,939.7 cf
of which gas	198,817,909.6 cp	201,414,897.3 cf	168,870,103.1 cf	130,728,939.7 cf
of which heating oil	155,192.1 cp	131,858.3 cf	81,994.9 cf	–
of which diesel	1,040,028.4 cp	454,194.0 cp	395,058.7 cf	–
of which gasoline	5,936.3 cp	8,915.0 cf	3,920.4 cf	–
of which other	0.0 cp	0.0 cf	–	–
Total primary energy consumption in MJ (Group), i.e. direct and indirect consumption © EN4 • p. S061 //	5,108,840,415.2 cf	–	–	–

Previous year's data has been slightly adjusted because of an improved database.

/ EN4 / CORE // INDIRECT PRIMARY ENERGY CONSUMPTION

S061

The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account. It is not possible for us to give a breakdown into renewable and non-renewable energy sources as this depends on the local electricity mix, but we can provide ratios for some sites and correlate this to the total Group's consumption. It has been possible to estimate consumption in megajoules (MJ) for the first time this year. To do this, we use factors from the ecoinvent database. For energy payback periods, please consult the Management Report. ➔ *Energy and climate protection* • p. 057 //

⑰ INDIRECT PRIMARY ENERGY CONSUMPTION

	2011	2010	2009	2008
Secondary energy consumption in kWh (Group)	423,466,299.9 ep	411,274,379.1 mf	321,019,960.0 mf	233,768,979.0 cf
of which electricity	423,093,706.9 ep	410,649,430.1 mf	320,354,712.0 mf	233,190,957.0 cf
of which local heat	372,593.0 ep	624,949.0 mf	665,248.0 mf	578,022.0 mf
Secondary energy consumption in MJ (Group)	1,524,478,679.7 cp	1,480,587,764.6 cf	1,155,671,856.0 cf	841,568,324.4 cf
of which electricity	1,523,137,344.9 cp	1,478,337,948.2 cf	1,153,276,963.2 cf	839,487,445.2 cf
of which local heat	1,341,334.8 cp	2,249,816.4 cf	2,394,892.8 cf	2,080,879.2 cf
Primary energy consumed to produce secondary energy in MJ (Group)	4,908,821,348.8 cp	–	–	–
of which electricity	4,874,039,503.8 cp	–	–	–
of which local heat	4,292,271.4 cp	–	–	–
Self-generated electricity in kWh (own PV systems) fed into the grid	9,786,268.3 ep	65,630.0 mf	–	–
Proportion of renewable energies in %	3.4 ep	2.8 mf	3.1 cf	0.9 cf

Previous year's data has been slightly adjusted because of an improved database.

S062 / EN8 / CORE // TOTAL WATER WITHDRAWAL

We do not reuse any water from other organizations but we do recirculate our own water in production. The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account.

18 TOTAL WATER WITHDRAWAL

	2011	2010	2009	2008
Total water withdrawal in m ³ (Group)	1,466,030 ep	1,431,642 ep	1,115,767 ep	845,961 cf
of which surface water	676,269 ep	638,751 mf	481,931 ep	481,931 mf
of which rainwater	0 ep	0 mf	–	–
of which water from municipal water supply	789,260 ep	792,891 ef	633,836 ef	364,030 cf
of which ground water	500 ep	–	–	–

/ EN10 / ADDITIONAL // WATER RECYCLED AND REUSED

The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account.

19 WATER RECYCLED AND REUSED

	2011	2010	2009	2008
Water recycled/reused in m ³ (Group)	288,560 ep	216,894 ef	206,520 ep	121,162 mf
Water recycled/reused as a percentage of total water withdrawal (Group)	19.7 % ep	15.2 % ep	18.5 % ep	14.3 % ep

/ EN12 / CORE // IMPACT ON BIODIVERSITY

S063

SOLARWORLD is involved in the area of biodiversity. For example, we have been a member of the Biodiversity in Good Company initiative since 2008. We have insured risks resulting from the German Environmental Damage Act (USchadG). USchadG governs liability claims resulting from damage inflicted on protected species and natural habitats, as well as water and soil pollution. We are not aware of any major impacts on biodiversity in protected areas or in areas of high biodiversity outside protected areas relating to our activities, products or services at our sites. However, ground is sealed as a result of our activities. In this context, in 2012, renaturation for a service road will be carried out in the Saxonia industrial area in Freiberg.

/ EN16 / CORE // GREENHOUSE GAS EMISSIONS

The data were identified with help of the GHG Protocol's calculation tools of the Carbon Disclosure Project. The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account. The error rates that may be caused by the estimates and the calculation tools are not known. An update of the figures can be given for the reporting in the context of the Carbon Disclosure Project (May 2012). The CO_{2eq} pay back periods of our products can be found in the Management Report.

➔ *Energy and climate protection • p. 057 //*

20 GREENHOUSE GAS EMISSIONS

	2011	2010	2009	2008
Direct and indirect emissions in tCO _{2eq} (Group, CDP Scope 1+2)	188,638 cp	178,886 cf	139,284 cf	96,310 cf
Direct emissions in tCO _{2eq} (Group, CDP Scope 1)	11,754 cp	11,565 cf	9,538 cf	8,688 cf
Indirect emissions in tCO _{2eq} (Group, CDP Scope 2)	176,885 cp	167,320 cf	129,747 cf	87,622 cf

Previous year's data has been slightly adjusted because of an improved database.

S064 / EN17 / CORE // OTHER RELEVANT INDIRECT GREENHOUSE GAS EMISSIONS

There were no emissions of other substances harmful to the environment. So far, no Scope 3 data is collected, e.g. emissions of our suppliers, the vehicle fleet of our logistics services companies, emissions from business travel and emissions from collection systems for packaging and used products. Our examination of the facts and circumstances has shown that collecting these data would require a major input of time and effort. Moreover, double counting could occur since other companies, too, report their data in the framework of the Carbon Disclosure Project.

We offset part of our flight emissions (100 percent of our emissions attributable to NetJets planes) by participating in the NetJets Climate Initiative. We are currently examining how to optimally offset the emissions (CO_{2eq}) of all business air travel in the long term.

②1 OTHER RELEVANT INDIRECT GREENHOUSE GAS EMISSIONS

	2011	2010	2009	2008
Emissions offset under the NetJets Climate Initiative in tCO _{2eq}	340.10	182.48	240.68	266.74

/ EN20 / CORE // NO_x, SO_x AND OTHER SIGNIFICANT AIR EMISSIONS

The emissions of the substances listed below are below the legal thresholds. The increases are driven by production growth in the U.S. For this reason, we expect a further rise in absolute figures for the subsequent year. In Hillsboro, other air emissions occur in the form of carbon monoxide (CO). These are calculated using calculation tools for air emissions ("air district formulas"). Data from Freiberg was not yet available at the time of data collection.

②2 NO_x, SO_x AND OTHER SIGNIFICANT AIR EMISSIONS

	2011	2010	2009	2008
Hazardous air pollutants in metric tons	0.24 ep	0.35 cf	0.22 mf	0.64 mf
NO _x in metric tons	8.74 ep	5.51 cf	3.30 mf	1.85 mf
Fine dust (PM10) in metric tons	0.53 ep	0.46 cf	0.44 mf	0.34 mf
Persistent organic pollutants in metric tons	0.00 ep	–	–	–
SO _x in metric tons	0.30 ep	0.22 cf	0.20 mf	0.20 mf
Exhaust gas and fugitive emissions in metric tons	1.03 ep	–	–	–
VOC in metric tons	29.33 ep	20.63 cf	10.16 mf	6.91 mf
Other standard air emissions in metric tons	2.31 ep	1.94 cf	1.64 mf	1.13 mf

Previous year's data has been slightly adjusted because of an improved database (only 2008 SO_x, VOC and fine dust).

/ EN21 / CORE // TOTAL WATER DISCHARGE

The water treatment method is a matter for the local authorities. At our production sites and at our large sales locations in Bonn and in Camarillo, strict German and U.S. legal requirements are in force. Our waste water is not reused by other companies. The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account.

②③ TOTAL WATER DISCHARGE

The total water is fed back into the municipal sewerage system.

	2011	2010	2009	2008
Total waste water discharge in m ³ (Group)	1,404,641 ep	1,339,407 mf	896,477 mf	814,113 cf

Previous year's data has been slightly adjusted because of an improved database.

/ EN22 / CORE // WASTE BY TYPE AND DISPOSAL METHOD

In Freiberg, the volume of non-hazardous waste increased due to production growth. In Camarillo, on the other hand, the values decreased due to the plant closure. Waste is being composted for the first time in Hillsboro. Kester flux, which is a by-product, is sold on to another company. The filter press cake is used as alternate daily cover at the local landfill site. The available data is patchy for the Bonn, France, Spain, South Africa and Singapore sales locations. This is partly due to the fact that settlements are received with delay, which means they cannot be taken into account in the report. Also, in some cases, a flat fee is charged for consumption as part of the office rent. As far as possible, the missing data was estimated based on the previous year's values or comparable locations, with the result that all major factors have been taken into account.

②④ WASTE BY TYPE AND DISPOSAL METHOD

	2011	2010	2009	2008
Total weight of waste in metric tons (Group)	34,249.50 ep	20,730.83 mf	13,017.18 ep	9,382.75 ep
of which hazardous waste in metric tons (Group)	1,487.14 ep	2,264.90 mf	2,805.54 ep	3,471.42 ep
of which recycled or reused (Group)	13.8 % ep	4.3 % mf	–	34.2 % mf
of which non-hazardous waste in metric tons (Group)	32,762.36 ep	18,465.93 mf	10,211.64 cf	5,911.33 cf
of which recycled or reused (Group)	17.6 % ep	76.3 % mf	37.4 % mf	9.6 % ep

Previous year's data has been slightly adjusted because of an improved database. As of the year 2010, data from Freiberg is available, but the percentages fluctuate considerably from year to year. Data collection has to be reviewed with regard to that in future.

S066

In Freiberg, the waste is delivered to a disposal company and processed in accordance with regulations. SOLARWORLD checks this by performing its own audits of the service provider. However, a breakdown of the data by disposal volume is not yet available. Our sites in the U.S. have collected values for each disposal method via the service provider:

Camarillo	
Landfilled non-hazardous waste	327 metric tons
Recycled non-hazardous waste	274 metric tons
Incinerated hazardous waste	2.91 metric tons
Hillsboro	
Composted non-hazardous waste	6.4 metric tons
Reused hazardous waste	10.1 metric tons
Recycled non-hazardous waste	4,542.1 metric tons
Recovered non-hazardous waste	931.8 metric tons
Incinerated hazardous waste	1.5 metric tons
Landfilled non-hazardous waste	2,834.3 metric tons
Waste water treatment (non-hazardous waste)	647.4 metric tons

/ EN23 / CORE // SIGNIFICANT SPILLS

In the reporting period, as in the previous year, there were no significant spills (chemicals, oils, fuels). SOLARWORLD has insured risks resulting from the German Environmental Liability Act (UHG). UHG covers liability claims for bodily injury and damaged property resulting from the spread of harmful substances via the “environmental paths” of soil, water, and air (e.g. health problems in the neighborhood following a fire, death of fish after discharging toxic production waste water, and the associated loss of earnings of a fishery or increased costs at the sewage treatment plant, etc.).

/ EN26 / CORE // INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS

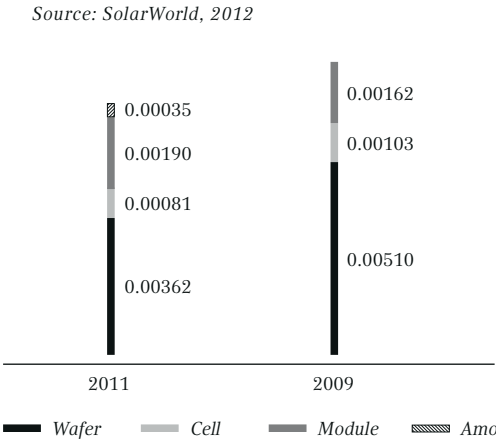
The products of SOLARWORLD have no significant environmental impact in terms of material input, water consumption, emissions, discharge water, noise or waste. The modules can be recycled at the end of their useful lives. Our life cycle analysis shows that we are continuously improving our product, and hence our sales are compensating for ever greater volumes of emissions. In our life cycle analysis, in addition to the analysis described in the Management Report ➞ *Energy and climate protection* • p. 057//, we also examine further environmental impacts resulting from the manufacturing process as a whole, i.e. from the extraction of raw materials. Over the last two years, we have achieved a clear improvement in nearly all impacts.

25 CUMULATIVE ENERGY DEMAND // IN MJ_{eq}/WP

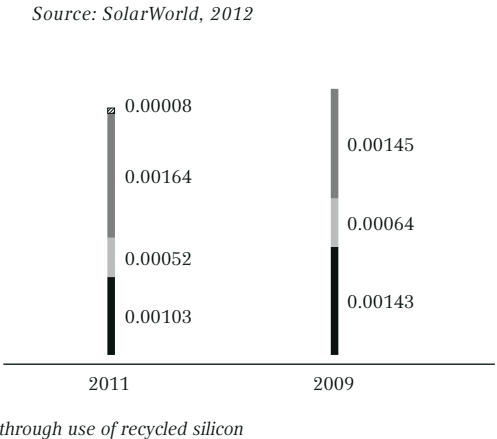


Cumulative energy demand: The cumulative primary energy demand describes how much energy is needed for the production of a watt peak (Wp).

26 ABIOTIC DEPLETION // IN KG SB_{eq}/WP



27 ACIDIFICATION // IN KG SO_{2eq}/WP



Explanation of the impact categories

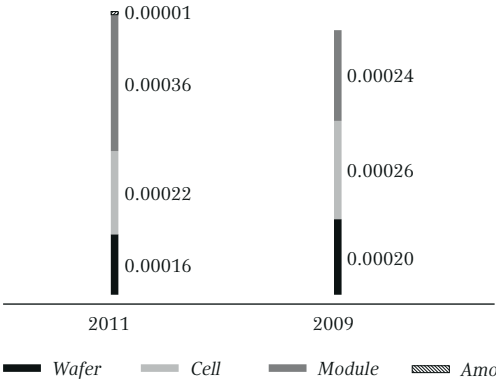
Abiotic depletion: Consumption of abiotic raw materials means the consumption of energy sources, ores and other mineral raw materials, and involves pressures on the environment and changes in the state of the environment.

Acidification: Soil and water are damaged due to acidification, e.g. due to high concentrations of CO₂ or nitrogen, acid rain, or fertilizer.

S068

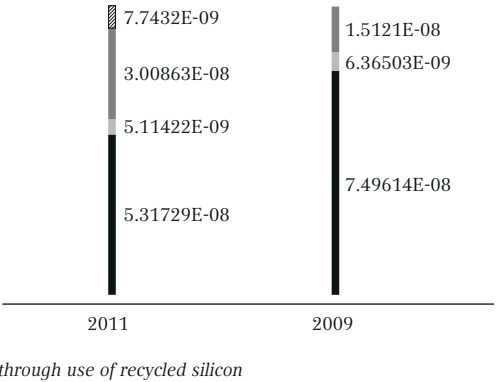
28 EUTROPHICATION // IN KG PO₄...eq /WP

Source: SolarWorld, 2012



29 OZONE LAYER DEPLETION // IN KG CFC₁₁eq /WP

Source: SolarWorld, 2012



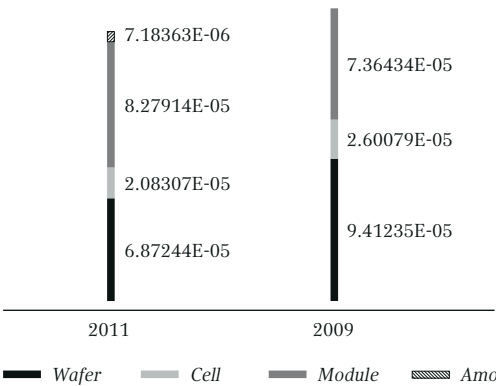
Explanation of the impact categories

Eutrophication: Eutrophication means the enrichment of soil and water by nutrients, especially nitrates and phosphates, resulting in overfertilization which can disturb the species composition.

Ozone layer depletion: The destruction of the ozone layer is primarily caused by gaseous halogen compounds, resulting in a harmful intensity of ultraviolet (UV) radiation. The presentation of the values follows the scientific notation for small figures. The “E” stands for a decimal power. 7.7432E-09 for instance equals 7.7432*10⁻⁹, i.e. 0.0000000077432.

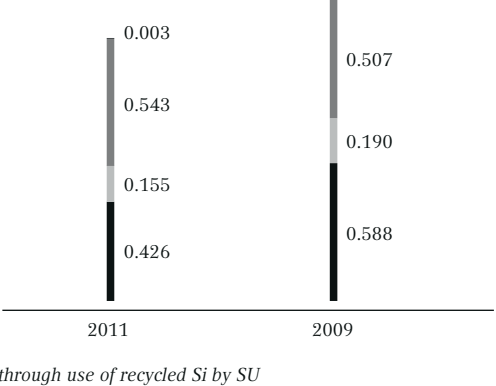
30 PHOTOCHEMICAL OXIDATION // IN KG C₂H₄ /WP

Source: SolarWorld, 2012



31 HUMAN TOXICITY // IN KG 1,4-DB_{eq} /WP


Source: SolarWorld, 2012



Explanation of the impact categories

Photochemical oxidation: Photochemical oxidation (known as “summer smog”) is caused by reactions between nitrogen oxides (NO_x) and volatile organic compounds (VOC) under UV radiation. The presentation of the values follows the scientific notation for small figures (see above explanation of ozone layer depletion).

Human toxicity: Human toxicity means the harmful impact of numerous poisonous substances (e.g. heavy metals and organic substances) on the human organism.

Further information on successes in the area of environmental management can be found in the section of the disclosures on management approach.  DMA • p.S050//

Owing to the long service life of solar modules, we do not yet have any significant volumes of returned products to report. Our products are packaged to protect them during transportation, not for advertising purposes. In Germany, we have contracted out recycling and reuse operations to Interseroh Dienstleistungen GmbH. The properly reported quantities of authorized packaging materials are determined by Interseroh on the basis of their inspection specification (as at September 2007) (in particular based on purchasing statistics, invoices and delivery notes) and are attested by auditors. These figures do not include materials taken back and recycled via a different collection system or in the framework of our own collection system as well as packaging material which has verifiably been exported. Data was not yet available for 2011, however, which is why the data from 2010 was used as an estimate. Interseroh sorts and recycles 100 percent of materials by material types. Historical values for the Bonn site can be found in the previous year's report. In Freiberg, some data was only available by volume rather than by weight. Hence metric tons and cubic meters are reported for these sites. At our sales locations in Spain, France, South Africa and Singapore, the only waste materials are office and kitchen waste, which are disposed of in accordance with local legislation and are not material.

32 PACKAGING MATERIALS

	Bonn	Freiberg	Camarillo	Hillsboro	Total
Total	996.16 t	1038.93 t plus 807.10 m ³	274.10 t	900.80 t	3209.99 t plus 807.10 m ³
Carton/cardboard/paper	141.82 t	806.33 t plus 80.60 m ³	127.50 t	408.70 t	1484.35 t plus 80.60 m ³
Wood	772.51 t	24.66 t plus 495 m ³	–	393.20 t	1190.37 t plus 495 m ³
Stretch film	20.05 t	–	–	52.30 t	72.35 t
Plastics	51.73 t	–	85.60 t	3.40 t	140.73 t
Strapping bands	9.08 t	37.91 t	–	–	46.99 t
Polystyrene/PUR	0.96 t	144.51 t plus 110 m ³	–	–	145.47 t plus 110 m ³
Composite materials	–	25.52 t plus 121.5 m ³	–	43.20 t	68.72 t plus 121.5 m ³
Metals	–	–	61.00 t	–	61.00 t

S070

SOCIAL PERFORMANCE INDICATORS

In the following, all data is measured and final (mf), unless otherwise indicated.

/ LA1 / **CORE // TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION**

For the U.S., a breakdown into permanent and fixed-term employment contracts is not possible due to legal differences (weak protection from dismissal, frequent lack of written employment contracts). In the U.S., interns are classified as temporary workers and are also paid via their employment agency. The number of temporary workers went down in 2011. 383 temporary workers were taken over into permanent employment. For further information about employees, please consult the Management Report. → *Employees • p. 051 // Future strategic alignment of the Group • p. 103*

33 TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION

Germany	2011	2010	2009	2008
Total headcount (incl. temporary workers)	2,159	2,075	1,888	1,625
Total headcount (excl. temporary workers)	1,757	1,495	1,341	1,198
Employees excl. trainees (FTE)	1,653.95	1,396.19	–	–
Employees excl. trainees	1,675	1,408	1,255	1,115
of which women	344	276	239	207
of which men	1,331	1,132	1,016	908
Part-time workers	55	41	35	19
of which women	43	34	26	13
of which men	12	7	9	6
Employees on permanent contract	1,447	1,274	1,186	1,099 ef*
of which women	303	242	230	240 ef*
of which men	1,144	1,032	956	895 ef*
Temporary workers (people)	402	580	547	427
of which women	77	–	–	–
of which men	325	–	–	–
Temporary workers (FTE)	217.73	733.26	312	–
of which women	40.14	–	–	–
of which men	177.60	–	–	–
Temporary workers taken over	123	–	–	–
Trainees	82	87	86	83
of which women	16	15	14	14
of which men	66	72	72	69

* Values for the Bonn location were estimated.

S071

U.S.	2011	2010	2009	2008
Total headcount (incl. temporary workers)	1,048	1,257	820	855
Total headcount (excl. temporary workers)	919	861	642	609
Employees excl. trainees (FTE)	919	861	401	–
Employees excl. trainees	919	861	642	609
of which women	236	241	173	131
of which men	683	620	469	478
Part-time workers	1	0	1	1
of which women	0	0	1	0
of which men	1	0	0	1
Employees on permanent contract	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0
Temporary workers (people)	129	396	178	246
of which women	29	–	–	–
of which men	100	–	–	–
Temporary workers (FTE)	129	395	150	–
of which women	29	–	–	–
of which men	100	–	–	–
Temporary workers taken over	260	–	–	–
Trainees	0	–	–	–
of which women	0	–	–	–
of which men	0	–	–	–

S072

Spain	2011	2010	2009	2008
Total headcount (incl. temporary workers)	2	3	4	5
Total headcount (excl. temporary workers)	2	3	4	5
Employees excl. trainees (FTE)	2	3	–	–
Employees excl. trainees	2	3	4	5
of which women	1	1	1	1
of which men	1	2	3	4
Part-time workers	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0
Employees on permanent contract	2	3	4	5
of which women	1	1	1	1
of which men	1	2	3	4
Temporary workers (people)	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers FTE	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers taken over	0	–	–	–
Trainees	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0

S073

Singapore	2011	2010	2009	2008
Total headcount (incl. temporary workers)	10	7	8	10
Total headcount (excl. temporary workers)	10	7	8	10
Employees excl. trainees (FTE)	10	7	–	–
Employees excl. trainees	10	7	8	10
of which women	4	3	2	3
of which men	6	4	6	7
Part-time workers	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0
Employees on permanent contract	10	7	8	10
of which women	4	3	2	3
of which men	6	4	6	7
Temporary workers (people)	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers FTE	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers taken over	0	–	–	–
Trainees	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0

S074

South Africa	2011	2010	2009	2008
Total headcount (incl. temporary workers)	8	4	3	3
Total headcount (excl. temporary workers)	8	4	3	3
Employees excl. trainees (FTE)	7.75	4	–	–
Employees excl. trainees	8	4	3	3
of which women	5	2	2	2
of which men	3	2	1	1
Part-time workers	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0
Employees on permanent contract	8	4	3	3
of which women	5	2	2	2
of which men	3	2	1	1
Temporary workers (people)	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers FTE	0	0	0	0
of which women	0	–	–	–
of which men	0	–	–	–
Temporary workers taken over	0	–	–	–
Trainees	0	0	0	0
of which women	0	0	0	0
of which men	0	0	0	0

S075

France	2011	2010
Total headcount (incl. temporary workers)	5	6
Total headcount (excl. temporary workers)	5	6
Employees excl. trainees (FTE)	4.91	5.91
Employees excl. trainees	5	6
of which women	1	1
of which men	4	5
Part-time workers	1	1
of which women	1	1
of which men	0	0
Employees on permanent contract	5	6
of which women	1	1
of which men	4	5
Temporary workers (people)	0	0
of which women	0	–
of which men	0	–
Temporary workers FTE	0	0
of which women	0	–
of which men	0	–
Temporary workers taken over	0	–
Trainees	0	0
of which women	0	0
of which men	0	0

S076

Group	2011	2010	2009	2008
Total headcount (incl. temporary workers)	3,232	3,352	2,723	2,498
Total headcount (excl. temporary workers)	2,701	2,376	1,998	1,825
Employees excl. trainees (FTE)	2,598	2,277.10	401	0
Employees excl. trainees	2,619	2,289	1,912	1,742
of which women	591	524	417	344
of which men	2,028	1,765	1,495	1,398
Part-time workers	57	42	36	20
of which women	44	35	27	13
of which men	13	7	9	7
Employees on permanent contract	1,472	1,294	1,201	1,117
of which women	314	249	235	210
of which men	1,158	1,045	966	907
Temporary workers (people)	531	976	725	673
of which women	106	–	–	–
of which men	425	–	–	–
Temporary workers FTE	346.73	1,127.76	461.88	–
of which women	69.14	–	–	–
of which men	277.60	–	–	–
Temporary workers taken over	383	0	0	0
Trainees	82	87	86	83
of which women	16	15	14	14
of which men	66	72	72	69

Previous years's data has been slightly adjusted because of an improved database.

* Values for the Bonn location were estimated.

/ LA2 / CORE // EMPLOYEE TURNOVER

S077

The employee turnover rate increased compared to the previous year. Some employment contracts were terminated by the employer: The employment contracts were terminated by notice of termination or termination agreement. A particular factor was the closure of the module production facility in Camarillo.

③④ EMPLOYEE TURNOVER

Hirings 2011	Germany	U.S.	Spain	Singapore	South Africa	France	Group
Men	225	247	0	4	3	0	479
Percentage	79 %	74 %	–	67 %	43 %	–	76 %
Women	61	86	0	2	4	0	153
Percentage	21 %	26 %	–	33 %	57 %	–	24 %
Percentage of newly hired employees							
up to age 30	46 %	40 %	–	100 %	43 %	–	27 %
aged 31-40	25 %	29 %	–	0 %	43 %	–	32 %
aged 41-50	22 %	18 %	–	0 %	14 %	–	25 %
aged over 50	7 %	13 %	–	0 %	0 %	–	16 %
Turnover by age group							
Percentage of employees leaving							
up to age 30	38 %	24 %	0 %	0 %	33 %	100.0 %	27 %
aged 31-40	31 %	18 %	100 %	0 %	67 %	0 %	21 %
aged 41-50	24 %	30 %	0 %	67 %	0 %	0 %	29 %
aged over 50	7 %	28 %	0 %	33 %	0 %	0 %	23 %

* In the year 2008, voluntary terminations and terminations by the employer were reported together.

S078

Germany, employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	45	29	18	16
Percentage	51 %	45 %	45 %	89 %
Voluntarily, women	11	7	5	2
Percentage	13 %	11 %	13 %	11 %
Termination by employer, men	22	18	14	–
Percentage	25 %	28 %	35 %	–
Termination by employer, women	10	10	3	–
Percentage	11 %	16 %	8 %	–
Employee turnover ratio	5.0 %	4.3 %	3.0 %	1.5 %

U.S., employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	98	54	27	25
Percentage	30 %	43 %	19 %	57 %
Voluntarily, women	24	17	7	19
Percentage	7 %	13 %	5 %	43 %
Termination by employer, men	128	44	73	0
Percentage	40 %	35 %	51 %	0 %
Termination by employer, women	73	11	35	0
Percentage	23 %	9 %	25 %	0 %
Employee turnover ratio	35.1 %	14.6 %	22.1 %	7.2 %

Spain, employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	0	0	0	1
Percentage	0 %	0 %	0 %	100 %
Voluntarily, women	0	0	0	0
Percentage	0 %	0 %	0 %	0 %
Termination by employer, men	1	0	0	–
Percentage	100 %	0 %	0 %	–
Termination by employer, women	0	0	0	–
Percentage	0 %	0 %	0 %	–
Employee turnover ratio	50.0 %	0.0 %	0.0 %	20.0 %

* In the year 2008, voluntary terminations and terminations by the employer were reported together.

Singapore, employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	3	1	1	1
Percentage	100 %	50 %	50 %	50 %
Voluntarily, women	0	1	1	1
Percentage	0 %	50 %	50 %	50 %
Termination by employer, men	0	0	0	–
Percentage	0 %	0 %	0 %	–
Termination by employer, women	0	0	0	–
Percentage	0 %	0 %	0 %	–
Employee turnover ratio	30.0 %	28.6 %	33.3 %	10.0 %

South Africa, employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	2	0	0	0
Percentage	67 %	0 %	0 %	0 %
Voluntarily, women	1	0	1	0
Percentage	33 %	0 %	100 %	0 %
Termination by employer, men	0	1	0	–
Percentage	0 %	100 %	0 %	–
Termination by employer, women	0	0	0	–
Percentage	0 %	0 %	0 %	–
Employee turnover ratio	37.5 %	25.0 %	33.3 %	0.0 %

France, employees leaving the company	2011	2010
Voluntarily, men	1	0
Percentage	100 %	0 %
Voluntarily, women	0	0
Percentage	0 %	0 %
Termination by employer, men	0	1
Percentage	0 %	100 %
Termination by employer, women	0	0
Percentage	0 %	0 %
Employee turnover ratio	20.0 %	16.7 %

* In the year 2008, voluntary terminations and terminations by the employer were reported together.

S080

Group, employees leaving the company	2011	2010	2009	2008*
Voluntarily, men	149	84	46	43
Percentage	36 %	43 %	25 %	66 %
Voluntarily, women	36	25	14	22
Percentage	9 %	13 %	8 %	34 %
Termination by employer, men	151	64	87	–
Percentage	36 %	33 %	47 %	–
Termination by employer, women	83	21	38	–
Percentage	20 %	11 %	20 %	–
Employee turnover ratio	15.5 %	8.2 %	9.3 %	3.6 %

* In the year 2008, voluntary terminations and terminations by the employer were reported together.

/ LA3 / ADDITIONAL // BENEFITS TO FULL-TIME EMPLOYEES

All employees throughout the Group are entitled to take parental leave. We do not grant stock options anywhere in the Group. In the U.S., employees are entitled to life assurance, health insurance, and disability insurance. At SOLARPARC also, they are entitled to life assurance, and in France and South Africa to health insurance. Pension schemes are offered at all locations except Singapore, Spain and France. Depending on the location, further non-cash benefits are provided locally, such as shuttle buses in Freiberg and subsidized lunches. Part-time employees have entitlements equivalent to those of full-time employees. Apart from the generally accessible non-cash benefits (e.g. the shuttle service), there are no benefits for temporary workers as they are employed by their employment agency. In so far as there are any entitlements, they exist with respect to the actual employer.

/ LA15 / CORE // RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE

Among male employees, it is difficult to document how many are entitled to parental leave as we only find out about this entitlement if employees come to us and tell us they have become a father. In Freiberg, among the employees who have returned from parental leave, 12 months have not yet passed since their return, but all are still employed in the company. These data are not collected yet in the U.S. In the U.S., all employees who become parents are entitled to parental leave, but only for a few weeks. For the return rates, it was assumed that all employees who took parental leave returned (which in the U.S. is the norm as the parental leave is very short).

35 PARENTAL LEAVE

Germany	2011
Women entitled to take parental leave	28
Men entitled to take parental leave	97
Women who took parental leave	12
Men who took parental leave	31
Percentage of employees who took parental leave	2.4 %
Women who returned to their job at the end of parental leave	12
Men who returned to their job at the end of parental leave	29
Women who were still employed in the company 12 months after the end of parental leave	7
Men who were still employed in the company 12 months after the end of parental leave	6
Return rate after parental leave (percentage of the total workforce)	2.3 %
Retention rate after parental leave (percentage of the total workforce)	0.7 %
U.S.	2011
Women entitled to take parental leave	–
Men entitled to take parental leave	–
Women who took parental leave	15
Men who took parental leave	9
Percentage of employees who took parental leave	2.6 %
Women who returned to their job at the end of parental leave	15
Men who returned to their job at the end of parental leave	9
Women who were still employed in the company 12 months after the end of parental leave	0
Men who were still employed in the company 12 months after the end of parental leave	0
Return rate after parental leave (percentage of the total workforce)	2.6 %
Retention rate after parental leave (percentage of the total workforce)	0.0 %
Spain	2011
Women entitled to take parental leave	0
Men entitled to take parental leave	1
Women who took parental leave	0
Men who took parental leave	1
Percentage of employees who took parental leave	50.0 %
Women who returned to their job at the end of parental leave	0
Men who returned to their job at the end of parental leave	1
Women who were still employed in the company 12 months after the end of parental leave	0
Men who were still employed in the company 12 months after the end of parental leave	0
Return rate after parental leave (percentage of the total workforce)	50.0 %
Retention rate after parental leave (percentage of the total workforce)	0.0 %

S082

Singapore	2011
Women entitled to take parental leave	0
Men entitled to take parental leave	0
Women who took parental leave	0
Men who took parental leave	0
Percentage of employees who took parental leave	0.0%
Women who returned to their job at the end of parental leave	0
Men who returned to their job at the end of parental leave	0
Women who were still employed in the company 12 months after the end of parental leave	0
Men who were still employed in the company 12 months after the end of parental leave	0
Return rate after parental leave (percentage of the total workforce)	0.0%
Retention rate after parental leave (percentage of the total workforce)	0.0%
South Africa	2011
Women entitled to take parental leave	0
Men entitled to take parental leave	0
Women who took parental leave	0
Men who took parental leave	0
Percentage of employees who took parental leave	0.0%
Women who returned to their job at the end of parental leave	0
Men who returned to their job at the end of parental leave	0
Women who were still employed in the company 12 months after the end of parental leave	0
Men who were still employed in the company 12 months after the end of parental leave	0
Return rate after parental leave (percentage of the total workforce)	0.0%
Retention rate after parental leave (percentage of the total workforce)	0.0%
France	2011
Women entitled to take parental leave	1
Men entitled to take parental leave	0
Women who took parental leave	0
Men who took parental leave	0
Percentage of employees who took parental leave	0.0%
Women who returned to their job at the end of parental leave	0
Men who returned to their job at the end of parental leave	0
Women who were still employed in the company 12 months after the end of parental leave	1
Men who were still employed in the company 12 months after the end of parental leave	0
Return rate after parental leave (percentage of the total workforce)	0.0%
Retention rate after parental leave (percentage of the total workforce)	20.0%

Group	2011
Women entitled to take parental leave	29
Men entitled to take parental leave	98
Women who took parental leave	27
Men who took parental leave	41
Percentage of employees who took parental leave	2.5 %
Women who returned to their job at the end of parental leave	27
Men who returned to their job at the end of parental leave	39
Women who were still employed in the company 12 months after the end of parental leave	8
Men who were still employed in the company 12 months after the end of parental leave	6
Return rate after parental leave (percentage of the total workforce)	2.4 %
Retention rate after parental leave (percentage of the total workforce)	0.5 %

/ LA4 / **CORE // EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS**

In Freiberg there is a Works Council (which currently has 15 Works Council members), a representative body for youth and trainees, a representative body for people with severe disabilities, and a company bargaining agreement concluded with the German Mining, Chemical and Energy Workers' Union IG BCE (applicable to: DEUTSCHE SOLAR GMBH, DEUTSCHE CELL GMBH, SOLAR FACTORY GMBH, SOLAR-WORLD INNOVATIONS GMBH). As a matter of course, we comply with all legal rules and regulations in this regard (especially with the German Works Constitution Act (BetrVG)). Transparent processes in selecting applicants, recruitment, promotion to another location or upwards promotion towards a more senior position and dismissal are ensured through legal, bargaining-related and site-specific rules (e.g. a works agreement for vacancies). It is always our aim to seek cooperation with the Works Council, and people who perform tasks for the Works Council or for the other bodies mentioned above are given the appropriate time off to do so and provided with the materials and space they need, as well as funding for training, etc. Alongside day-to-day exchange, there is a regular meeting structure for the parties within the company and within the Works Council bodies. The Works Council and the youth and trainees' representatives have their own pages/zones on the intranet. These bodies can also use the notice boards (in all buildings on the Freiberg site) and send emails to employees. The trade union that organizes within the company (IG BCE) is also granted appropriate information and communication facilities. The Works Council and employees naturally also exchange information during consultation hours, workforce meetings and surveys.

Not all Freiberg employees fall under the arrangements and provisions of the existing company agreement. However, since the company agreements, informal agreements etc. represent collective bargaining agreements, the collective agreements cover all employees as a matter of principle, with the exception of the company boards (management boards and managing directors) and executives („leitende Angestellte“, see German Industrial Relations Act for definition). In the U.S., we generally don't have a labor union representing employees.

S084

Thus, at our U.S. sites, the percentage of employees falling under collective agreements has decreased to zero as the only union existed at the Vancouver site, which was closed down in 2010.

⊗ DMA LA, HR, SO, PR • p. S052 //

All employees at our sales locations in Spain and France are also covered by collective agreements.

③⑤ EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

Germany	2011	2010	2009	2008
Employees falling under collective agreements	1,362	1,263	1,147	903
Percentage (in relation to total headcount, excl. temporary workers)	78 %	84 %	86 %	75 %
U.S.	2011	2010	2009	2008
Employees falling under collective agreements	0	0	26	79
Percentage (in relation to total headcount, excl. temporary workers)	0 %	0 %	4 %	13 %
Spain	2011	2010	2009	2008
Employees falling under collective agreements	2	3	0	0
Percentage (in relation to total headcount, excl. temporary workers)	100 %	100 %	0 %	0 %
Singapore	2011	2010	2009	2008
Employees falling under collective agreements	0	0	0	0
Percentage (in relation to total headcount, excl. temporary workers)	0 %	0 %	0 %	0 %
South Africa	2011	2010	2009	2008
Employees falling under collective agreements	0	0	0	0
Percentage (in relation to total headcount, excl. temporary workers)	0 %	0 %	0 %	0 %
France	2011	2010		
Employees falling under collective agreements	5	0		
Percentage (in relation to total headcount, excl. temporary workers)	100 %	0 %		
Group	2011	2010	2009	2008
Employees falling under collective agreements	1,369	1,266	1,173	982
Percentage (in relation to total headcount, excl. temporary workers)	51 %	53 %	59 %	54 %

/ LA7 / **CORE // INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM
AND WORK-RELATED FATALITIES**

S085

Absenteeism is expressed as the absentee rate (AR). We do not measure the lost day rate (LDR) but lost hours as this parameter is more precise. In Bonn, the planned working time has to be estimated in some cases as the number of days of leave varies, especially among part-time employees. Hence, in all cases, the standard value of 27 days of leave was used.

Reportable occupational accidents involve an inability to work for at least three days. Absence due to accidents relate to the planned working time (Exception U.S.: There, the data is collected in calendar days). The accident statistics also include persons who are performing an activity for us but who are not employees of the SOLARWORLD Group (e.g. student assistants).

As in the previous year, there were no work-related fatalities. This also applies to the joint ventures of SOLARWORLD AG. (→ Employees • p. 051// In 2011, the absence due to accidents rose year-on-year. Despite comprehensive safety measures, regular staff training, training of safety officers and detailed analyses and evaluations of all accidents, this trend was not avoided.

Absentee rates and occupational disease rates relate to the overall workforce but do not include self-employed contractors. Throughout the Group, we make sure that working conditions for external contractors are as safe as they are for our employees. In Bonn, nine external contractors work for a company that is also responsible for training these employees. One independent contractor works at Deutsche Solar, and receives occupational safety training just like the SOLARWORLD employees. Three people perform janitor duties at SOLARPARC. There have not been any incidents. In the U.S., the number of external contractors is not documented.

In Bonn, costs are incurred from a global policy provided by insurers Barmenia, and there are several items relating to health insurance benefits. In 2011, these totaled € 54,987.32. Since it is not clear which locations these should be attributed to, this amount was not included in the summary.

S086

37 INJURIES, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND WORK-RELATED FATALITIES

Germany	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	2,786,925	2,987,371	2,739,026	2,303,075
Planned working time in hours (women, excl. temporary workers)	651,026			
Actual hours worked (men, excl. temporary workers)	2,572,959	–	–	–
Actual hours worked (women, excl. temporary workers)	554,168	–	–	–
Actual hours worked (men, incl. temporary workers)	3,142,498	3,965,640	–	–
Actual hours worked (women, incl. temporary workers)	741,016	–	–	–
Absentee rate (hours lost/planned working time)	4.2 %	3.8 %	4.1 %	3.1 %
Absence due to sickness in hours (men)	115,808	114,923	111,126	71,772
Absence due to sickness in hours (women)	29,381			
Number of employees reporting sick (men)	1,017	1,028	946	707
Number of employees reporting sick (women)	249			
Sickness rate, total	72.1 %	68.8 %	70.5 %	59.0 %
of which men	80.3 %	–	–	–
of which women	19.7 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	29	47	34	10
Number of reportable occupational accidents (women incl. temporary workers)	6			
Absence due to accidents in hours (men, excl. temporary workers)	4,520	4,848	2,640	3,816
Absence due to accidents in hours (women, excl. temporary workers)	436			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0	0	0	
Accident rate (per 1,000 employees, men, incl. temporary workers)	0.013	0.023	0.018	0.006
Accident rate (per 1,000 employees, women, incl. temporary workers)	0.003			
Total direct costs for employee health and safety in the calendar year in €	322,113	300,627	247,440	3,555*
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	1.8	2.4	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	1.6		–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	43.9	–	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	19.7	–	–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	1,125.2	–	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	1,325.4	–	–	–

* Without data from Freiberg

U.S.	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	1,332,320	1,614,113	1,371,656	1,256,320
Planned working time in hours (women, excl. temporary workers)	460,000			
Actual hours worked (men, excl. temporary workers)	1,180,551	–	–	–
Actual hours worked (women, excl. temporary workers)	389,817	–	–	–
Actual hours worked (men, incl. temporary workers)	1,313,813	1,113,136	–	–
Actual hours worked (women, incl. temporary workers)	435,960	–	–	–
Absentee rate (hours lost/planned working time)	1.6 %	1.5 %	2.0 %	1.5 %
Absence due to sickness in hours (men)	20,557	24,716	27,916	19,469
Absence due to sickness in hours (women)	7,361			
Number of employees reporting sick (men)	698	738	642	609
Number of employees reporting sick (women)	241			
Sickness rate, total	100.0 %	85.7 %	100.0 %	100.0 %
of which men	74.3 %	–	–	–
of which women	25.7 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	5	4	5	7
Number of reportable occupational accidents (women incl. temporary workers)	8			
Absence due to accidents in hours (men, excl. temporary workers)	2,472	820	1,328	4,656
Absence due to accidents in hours (women, excl. temporary workers)	1,792			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0			
Accident rate (per 1,000 employees, men, incl. temporary workers)	0.011	0.004	0.004	0.071
Accident rate (per 1,000 employees, women, incl. temporary workers)	0.017			
Total direct costs for employee health and safety in the calendar year in €	860,984	83,289	97,134	1,316,127
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.8	0.7	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	3.7		–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	52.3	–	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	114.9	–	–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	435.3	–	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	472.1	–	–	–

S088

Spain	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	3,142	7,112	8,850	8,850
Planned working time in hours (women, excl. temporary workers)	1,594			
Actual hours worked (men, excl. temporary workers)	3,054	–	–	–
Actual hours worked (women, excl. temporary workers)	1,586	–	–	–
Actual hours worked (men, incl. temporary workers)	3,054	7,032	–	–
Actual hours worked (women, incl. temporary workers)	1,586		–	–
Absentee rate (hours lost/planned working time)	2.0 %	1.1 %	0.8 %	0.4 %
Absence due to sickness in hours (men)	88	80	72	32
Absence due to sickness in hours (women)	8			
Number of employees reporting sick (men)	2	3	–	2
Number of employees reporting sick (women)	1		–	
Sickness rate, total	100.0 %	100.0 %	–	40.0 %
of which men	66.7 %	–	–	–
of which women	33.3 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	0	0	0	0
Number of reportable occupational accidents (women incl. temporary workers)	0			
Absence due to accidents in hours (men, excl. temporary workers)	0	0	0	0
Absence due to accidents in hours (women, excl. temporary workers)	0			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0			
Accident rate (per 1,000 employees, men, incl. temporary workers)	0	0	0	0
Accident rate (per 1,000 employees, women, incl. temporary workers)	0			
Total direct costs for employee health and safety in the calendar year in €	0	618	862	666
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	0.0	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0		–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	720.4	–	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	126.1	–	–	–

Singapore	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	14,104	57,936	20,280	22,824
Planned working time in hours (women, excl. temporary workers)	4,714			
Actual hours worked (men, excl. temporary workers)	12,980	–	–	–
Actual hours worked (women, excl. temporary workers)	3,746	–	–	–
Actual hours worked (men, incl. temporary workers)	13,488	–	–	–
Actual hours worked (women, incl. temporary workers)	3,746	–	–	–
Absentee rate (hours lost/planned working time)	1.3 %	1.2 %	0.8 %	1.7 %
Absence due to sickness in hours (men)	206	684	160	380
Absence due to sickness in hours (women)	48			
Number of employees reporting sick (men)	5	5	5	0
Number of employees reporting sick (women)	2			
Sickness rate, total	70.0 %	71.4 %	62.5 %	0.0 %
of which men	71.4 %	–	–	–
of which women	28.6 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	0	0	0	0
Number of reportable occupational accidents (women incl. temporary workers)	0			
Absence due to accidents in hours (men, excl. temporary workers)	0	0	0	0
Absence due to accidents in hours (women, excl. temporary workers)	0			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0			
Accident rate (per 1,000 employees, men, incl. temporary workers)	0	0	0	0
Accident rate (per 1,000 employees, women, incl. temporary workers)	0			
Total direct costs for employee health and safety in the calendar year in €	11,595	3,613	2,300	5,250
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	0.0	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0		–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	396.8	–	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	320.3	–	–	–

S090

South Africa	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	5,472	8,032	6,048	5,472
Planned working time in hours (women, excl. temporary workers)	9,120			
Actual hours worked (men, excl. temporary workers)	5,456	–	–	–
Actual hours worked (women, excl. temporary workers)	8,912	–	–	–
Actual hours worked (men, incl. temporary workers)	5,456	–	–	–
Actual hours worked (women, incl. temporary workers)	8,912	–	–	–
Absentee rate (hours lost/planned working time)	1.5 %	3.3 %	4.1 %	4.7 %
Absence due to sickness in hours (men)	16	264	248	256
Absence due to sickness in hours (women)	208			
Number of employees reporting sick (men)	1	4	3	3
Number of employees reporting sick (women)	5			
Sickness rate, total	75.0 %	100.0 %	100.0 %	100.0 %
of which men	16.7 %	–	–	–
of which women	83.3 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	0	0	0	0
Number of reportable occupational accidents (women incl. temporary workers)	0			
Absence due to accidents in hours (men, excl. temporary workers)	0	0	0	0
Absence due to accidents in hours (women, excl. temporary workers)	0			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0			
Accident rate (per 1,000 employees, men, incl. temporary workers)	0	0	0	0
Accident rate (per 1,000 employees, women, incl. temporary workers)	0			
Total direct costs for employee health and safety in the calendar year in €	406	608	0	0
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	–	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	–	–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	0.0	–	–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	73.3	–	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	583.5	–	–	–

S091

France	2011	2010
Planned working time in hours (men, excl. temporary workers)	8,935.04	1,057
Planned working time in hours (women, excl. temporary workers)	1,456.04	
Actual hours worked (men, excl. temporary workers)	8,903.04	1,057
Actual hours worked (women, excl. temporary workers)	1,452.04	
Actual hours worked (men, incl. temporary workers)	10,155.04	–
Actual hours worked (women, incl. temporary workers)	1,452.04	–
Absentee rate (hours lost/planned working time)	0.3 %	0.0 %
Absence due to sickness in hours (men)	28	0
Absence due to sickness in hours (women)	0	
Number of employees reporting sick (men)	1	0
Number of employees reporting sick (women)	0	
Sickness rate, total	20.0 %	0.0 %
of which men	100.0 %	–
of which women	0.0 %	–
Number of reportable occupational accidents (men incl. temporary workers)	0	0
Number of reportable occupational accidents (women incl. temporary workers)	0	
Absence due to accidents in hours (men, excl. temporary workers)	0	0
Absence due to accidents in hours (women, excl. temporary workers)	0	
Number of fatalities (men, incl. temporary workers)	0	0
Number of fatalities (women, incl. temporary workers)	0	
Accident rate (per 1,000 employees, men, incl. temporary workers)	0	0
Accident rate (per 1,000 employees, women, incl. temporary workers)	0	
Total direct costs for employee health and safety in the calendar year in €	5,196	0
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	0.0
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	0.0	
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	0.0	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	0.0	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	78.6	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	0.0	–

S092

Group	2011	2010	2009	2008
Planned working time in hours (men, excl. temporary workers)	4,150,898	4,675,621	4,145,860	3,596,541
Planned working time in hours (women, excl. temporary workers)	1,127,910			
Actual hours worked (men, excl. temporary workers)	3,783,903	–	–	–
Actual hours worked (women, excl. temporary workers)	959,681	–	–	–
Actual hours worked (men, incl. temporary workers)	4,488,464	5,085,808	–	–
Actual hours worked (women, incl. temporary workers)	1,192,672	–	–	–
Absentee rate (hours lost/planned working time)	3.3 %	3.0 %	3.4 %	1.4 %
Absence due to sickness in hours (men)	136,703	140,667	139,522	91,909
Absence due to sickness in hours (women)	37,006			
Number of employees reporting sick (men)	1,724	1,778	1,596	1,321
Number of employees reporting sick (women)	498			
Sickness rate, total	82.3 %	74.8 %	79.9 %	72.4 %
of which men	77.6 %	–	–	–
of which women	22.4 %	–	–	–
Number of reportable occupational accidents (men incl. temporary workers)	34	51	39	17
Number of reportable occupational accidents (women incl. temporary workers)	14			
Absence due to accidents in hours (men, excl. temporary workers)	6,992	5,668	3,968	8,472
Absence due to accidents in hours (women, excl. temporary workers)	2,228			
Number of fatalities (men, incl. temporary workers)	0	0	0	0
Number of fatalities (women, incl. temporary workers)	0	0	0	0
Accident rate (per 1,000 employees, men, incl. temporary workers)	0.011	0.015	0.014	0.027
Accident rate (per 1,000 employees, women, incl. temporary workers)	0.004			
Total direct costs for employee health and safety in the calendar year in €	1,200,294	388,756	347,736	1,325,599*
Standardized injury rate (IR) – Men, incl. temporary workers (number of injuries/actual hours worked)*200,000)	1.5	2.0	–	–
Standardized injury rate (IR) – Women, incl. temporary workers (number of injuries/actual hours worked)*200,000)	2.3		–	–
Standardized lost day rate (LDR) – Men (absence due to accidents in days/actual hours worked)*200,000)	38.9	27.5	–	–
Standardized lost day rate (LDR) – Women (absence due to accidents in days/actual hours worked)*200,000)	46.7		–	–
Standardized absentee rate (AR) – Men (absence in days/actual hours worked)*200,000)	761.4	683.5	–	–
Standardized absentee rate (AR) – Women (absence in days/actual hours worked)*200,000)	775.7		–	–

Previous years's data has been slightly adjusted because of an improved database.

* Without data from Freiberg

/ LA8 / **CORE // COUNSELING AND TRAINING ON SERIOUS DISEASES**

S093

Hitherto there have been no programs of this kind in our group, nor are there any workers involved in high-risk operational activities. We have taken precautions against all kinds of hazards by means of technical inspections, personal protection equipment and training courses. The only possible hazard is due to chemicals, but this is minimized by the methods of inspection. For purposes of documentation, we record company hygiene and conduct surveys (both of these annually). We have also taken out insurance (environmental liability) in the event of spills that might cause damage to health.

/ LA10 / **CORE // INITIAL AND FURTHER TRAINING FOR EMPLOYEES**

Training and qualification programs are offered if and as needed. (→ *Employees • p. 051*) // Fluctuations from year to year are normal. As before, we again invested substantially in qualification and training programs for our employees in 2011. We apply a narrow definition of expenditure, only including direct costs (e.g. documented in the form of invoices). Costs for training courses offered e.g. by equipment suppliers as part of an entire package are not included. But the time for such training is contained in the number of hours indicated. Training and qualification initiatives are so far only partially documented by men and women.

In the U.S., training is not documented for each employee (hence there is also no male/female breakdown). This means that the data for the number of employees who took part in training activities do not contain any data from the U.S., and that the U.S. sites are not included in the calculation of the percentage of employees receiving training. Expenditures for training in the U.S. do not include training costs which the departments fund themselves, as these are not identified in the database. On the other hand, expenditures for training temporary workers are included. Data for the U.S. does not include time spent on external training, as this is not documented.

S094

③8 TRAINING FOR EMPLOYEES

Group	2011	2010	2009	2008
Total training expenditure (in €)	1,065,040	741,822	713,062	697,387
Training expenditure per employee (in €)	394.31	312.21	356.89	382.13
Number of hours spent for training (total)	373,804	417,836	39,307	11,907
Number of hours spent for training (men in management positions)	11,320	23,010	1,060	7,950
Number of hours spent for training (women in management positions)	1,505	–	–	–
Number of hours spent for training (men, non-executive staff, excl. trainees)	42,624	15,209	–	–
Number of hours spent for training (women, non-executive staff, excl. trainees)	11,844	–	–	–
Number of training programs (including temporary workers)	1,228	1,149	798	837
Number of employees having completed training programs	1,397	2,074	1,772	1,108
Number of employees having completed training programs (men in management positions)	150	–	–	–
Number of employees having completed training programs (women in management positions)	25	–	–	–
Number of employees having completed training programs (men, non-executive staff)	953	–	–	–
Number of employees having completed training programs (women, non-executive staff)	268	–	–	–
Percentage of staff undergoing training per year	82 %	91 %	93 %	64 %
Percentage of staff undergoing training per year (men in management positions)	9 %	–	–	–
Percentage of staff undergoing training per year (women in management positions)	1 %	–	–	–
Percentage of staff undergoing training per year (men, non-executive staff)	56 %	–	–	–
Percentage of staff undergoing training per year (women, non-executive staff)	16 %	–	–	–

Previous years's data has been slightly adjusted because of an improved database.

Diversity is important to us at SOLARWORLD. We promote equal opportunities throughout our Group and take account of this aspect in recruitment and employment (Principle 6, Global Compact). As a matter of principle, gender is not a criterion applied – neither in recruitment nor in career development within the company. The sole criteria are qualification, work experience and personal aptitude. Key indicators of diversity and equal opportunities at SOLARWORLD are set out in our Code of Conduct: ethnic origin, skin color, nationality, religion, sex, age, sexual orientation, gender identity, marital status, physical constitution/disability and appearance. ☺ 4.8 • p. S041 // ➞ *Employees* • p. 051 // @ www.solar-world.de/sustainability // Our reporting is based on the categories of gender, disability and age distribution. We disclose these data not only for governance bodies but also for the entire workforce. In Germany, it is illegal to ask for information about minority group membership (General Equal Treatment Act (AGG)). In the U.S., data is only recorded for employees who have actively registered themselves as members of a minority group: in 2011, 272 men and 82 women (2010: 341 men and 132 women). In April of this year, at our production site in Freiberg, we launched a partnership with Diakonie Stadtmission Chemnitz e.V. involving the laser cutting of solar cells. The order volume is approximately 140,000 solar cells cut per month (€ 15,400 per month). In addition, small orders are handled for SolarFactory GmbH. These orders involve cutting film offcuts for module production.

The Group Management Board consists of five members (three males aged between 40 and 50 years, and one female and one male aged over 50), who do not belong to any minority group. The Supervisory Board comprises three members (male, aged over 50) who do not belong to any minority group. The table shows the number of Management Board members, presidents and vice-presidents without doublecounting, if individuals fulfill more than one function.

39 DIVERSITY AND EQUAL OPPORTUNITIES

Germany	2011	2010	2009	2008
Number of Management Board members/managing directors	16	14	14	9
Women on the Management Board/in management	2	0	0	0
Proportion of women on the Management Board/in management	12.5 %	0 %	0 %	0 %
1st tier of management	46	44	50	34
Number of women in the 1 st tier of management	9	8	9	4
Proportion of women in the 1 st tier of management	20 %	18 %	18 %	12 %
Number of men in the 1 st tier of management	37	36	41	30
Proportion of men in the 1 st tier of management	80 %	82 %	82 %	88 %
Other tiers of management	139	138	105	80
Number of women in other tiers of management	13	11	6	10
Proportion of women in other tiers of management	9 %	8 %	6 %	13 %
Number of men in other tiers of management	126	127	99	70
Proportion of men in other tiers of management	91 %	92 %	94 %	88 %
Non-executive staff	1,490	1,226	1,100	1,001
Number of women in non-executive positions	322	257	224	193
Proportion of women in non-executive positions	22 %	21 %	20 %	19 %
Number of men in non-executive positions	1,168	969	876	808
Proportion of men in non-executive positions	78 %	79 %	80 %	81 %
Total workforce	1,675	1,408	1,255	1,115
Total number of women	344	276	239	207
Overall proportion of women	21 %	20 %	19 %	19 %
Total number of men	1,331	1,132	1,016	908
Overall proportion of men	79 %	80 %	81 %	81 %
Employees with disabilities	34	29	17	14
Share of employees with disabilities	2.0 %	2.1 %	1.4 %	1.3 %
Age distribution				
Percentage of employees aged 30 or below	17 %	31 %	26 %	–
Percentage of employees aged 31-40	37 %	31 %	32 %	–
Percentage of employees aged 41-50	32 %	27 %	29 %	–
Percentage of employees aged over 50	14 %	11 %	13 %	–
Percentage of executives aged 30 or below	9 %	–	–	–
Percentage of executives aged 31-40	42 %	–	–	–
Percentage of executives aged 41-50	38 %	–	–	–
Percentage of executives aged over 50	11 %	–	–	–
Percentage of non-executive staff aged 30 or below	18 %	31 %	26 %	–
Percentage of non-executive staff aged 31-40	36 %	31 %	32 %	–
Percentage of non-executive staff aged 41-50	31 %	27 %	29 %	–
Percentage of non-executive staff aged over 50	15 %	11 %	13 %	–

U.S.	2011	2010	2009	2008
Number of Management Board members/managing directors	5	8	6	6
Women on the Management Board/in management	0	0	0	0
Proportion of women on the Management Board/in management	0 %	0 %	0 %	0 %
1st tier of management	15	12	16	18
Number of women in the 1 st tier of management	3	1	4	3
Proportion of women in the 1 st tier of management	20 %	8 %	25 %	17 %
Number of men in the 1 st tier of management	12	11	12	15
Proportion of men in the 1 st tier of management	80 %	92 %	75 %	83 %
Other tiers of management	71	74	52	48
Number of women in other tiers of management	16	21	11	13
Proportion of women in other tiers of management	23 %	28 %	21 %	27 %
Number of men in other tiers of management	55	53	41	35
Proportion of men in other tiers of management	77 %	72 %	79 %	73 %
Non-executive staff	833	775	574	543
Number of women in non-executive positions	217	219	158	115
Proportion of women in non-executive positions	26 %	28 %	28 %	21 %
Number of men in non-executive positions	616	556	416	428
Proportion of men in non-executive positions	74 %	72 %	72 %	79 %
Total workforce	919	861	642	609
Total number of women	236	241	173	131
Overall proportion of women	26 %	28 %	27 %	22 %
Total number of men	683	620	469	478
Overall proportion of men	74 %	72 %	73 %	78 %
Employees with disabilities	4	8	12	15
Share of employees with disabilities	0.4 %	0.9 %	1.9 %	2.5 %
Age distribution				
Percentage of employees aged 30 or below	24 %	22 %	12 %	–
Percentage of employees aged 31-40	31 %	26 %	28 %	–
Percentage of employees aged 41-50	22 %	28 %	35 %	–
Percentage of employees aged over 50	23 %	24 %	25 %	–
Percentage of executives aged 30 or below	3 %	–	–	–
Percentage of executives aged 31-40	30 %	–	–	–
Percentage of executives aged 41-50	34 %	–	–	–
Percentage of executives aged over 50	33 %	–	–	–
Percentage of non-executive staff aged 30 or below	26 %	22 %	12 %	–
Percentage of non-executive staff aged 31-40	31 %	26 %	28 %	–
Percentage of non-executive staff aged 41-50	21 %	28 %	35 %	–
Percentage of non-executive staff aged over 50	22 %	24 %	25 %	–

S098

Spain	2011	2010	2009	2008
Number of Management Board members/managing directors	2	2	1	2
Women on the Management Board/in management	0	0	0	0
Proportion of women on the Management Board/in management	0 %	0 %	0 %	0 %
1st tier of management	1	0	2	2
Number of women in the 1 st tier of management	1	0	1	1
Proportion of women in the 1 st tier of management	100 %	0 %	50 %	50 %
Number of men in the 1 st tier of management	0	0	1	1
Proportion of men in the 1 st tier of management	0 %	–	50 %	50 %
Other tiers of management	0	1	0	0
Number of women in other tiers of management	0	1	0	0
Proportion of women in other tiers of management	–	100 %	–	–
Number of men in other tiers of management	0	0	0	0
Proportion of men in other tiers of management	–	0 %	–	–
Non-executive staff	1	2	2	3
Number of women in non-executive positions	0	0	0	–
Proportion of women in non-executive positions	0 %	0 %	0 %	–
Number of men in non-executive positions	1	2	2	3
Proportion of men in non-executive positions	100 %	100 %	100 %	100 %
Total workforce	2	3	4	5
Total number of women	1	1	1	1
Overall proportion of women	50 %	33 %	25 %	20 %
Total number of men	1	2	3	4
Overall proportion of men	50 %	67 %	75 %	80 %
Employees with disabilities	0	0	0	0
Share of employees with disabilities	0.0 %	0.0 %	0.0 %	0.0 %
Age distribution				
Percentage of employees aged 30 or below	0 %	0 %	0 %	–
Percentage of employees aged 31-40	50 %	75 %	75 %	–
Percentage of employees aged 41-50	50 %	25 %	25 %	–
Percentage of employees aged over 50	0 %	0 %	0 %	–
Percentage of executives aged 30 or below	0 %	–	–	–
Percentage of executives aged 31-40	0 %	–	–	–
Percentage of executives aged 41-50	100 %	–	–	–
Percentage of executives aged over 50	0 %	–	–	–
Percentage of non-executive staff aged 30 or below	0 %	0 %	0 %	–
Percentage of non-executive staff aged 31-40	100 %	75 %	75 %	–
Percentage of non-executive staff aged 41-50	0 %	25 %	25 %	–
Percentage of non-executive staff aged over 50	0 %	0 %	0 %	–

Singapore	2011	2010	2009	2008
Number of Management Board members/managing directors	2	1	1	1
Women on the Management Board/in management	0	0	0	0
Proportion of women on the Management Board/in management	0 %	0 %	0 %	0 %
1st tier of management	2	1	1	1
Number of women in the 1 st tier of management	1	0	0	0
Proportion of women in the 1 st tier of management	50 %	0 %	0 %	0 %
Number of men in the 1 st tier of management	1	1	1	1
Proportion of men in the 1 st tier of management	50 %	100 %	100 %	100 %
Other tiers of management	0	2	0	0
Number of women in other tiers of management	0	1	0	0
Proportion of women in other tiers of management	–	50 %	–	–
Number of men in other tiers of management	0	1	0	0
Proportion of men in other tiers of management	–	50 %	–	–
Non-executive staff	8	4	7	9
Number of women in non-executive positions	3	2	2	3
Proportion of women in non-executive positions	38 %	50 %	29 %	33 %
Number of men in non-executive positions	5	2	5	6
Proportion of men in non-executive positions	63 %	50 %	71 %	67 %
Total workforce	10	7	8	10
Total number of women	4	3	2	3
Overall proportion of women	40 %	43 %	25 %	30 %
Total number of men	6	4	6	7
Overall proportion of men	60 %	57 %	75 %	70 %
Employees with disabilities	0	–	0	0
Share of employees with disabilities	0.0 %	–	0.0 %	0.0 %
Age distribution				
Percentage of employees aged 30 or below	75 %	18 %	13 %	–
Percentage of employees aged 31-40	17 %	36 %	13 %	–
Percentage of employees aged 41-50	0 %	27 %	50 %	–
Percentage of employees aged over 50	8 %	18 %	25 %	–
Percentage of executives aged 30 or below	100 %	–	–	–
Percentage of executives aged 31-40	0 %	–	–	–
Percentage of executives aged 41-50	0 %	–	–	–
Percentage of executives aged over 50	0 %	–	–	–
Percentage of non-executive staff aged 30 or below	70 %	18 %	13 %	–
Percentage of non-executive staff aged 31-40	20 %	36 %	13 %	–
Percentage of non-executive staff aged 41-50	0 %	27 %	50 %	–
Percentage of non-executive staff aged over 50	10 %	18 %	25 %	–

S100

South Africa	2011	2010	2009	2008
Number of Management Board members/managing directors	2	2	2	2
Women on the Management Board/in management	0	0	0	0
Proportion of women on the Management Board/in management	0 %	0 %	0 %	0 %
1st tier of management	1	0	1	1
Number of women in the 1 st tier of management	0	0	0	0
Proportion of women in the 1 st tier of management	0 %	–	0 %	0 %
Number of men in the 1 st tier of management	1	0	1	1
Proportion of men in the 1 st tier of management	100 %	–	100 %	100 %
Other tiers of management	0	0	0	0
Number of women in other tiers of management	0	0	0	0
Proportion of women in other tiers of management	–	–	–	–
Number of men in other tiers of management	0	0	0	0
Proportion of men in other tiers of management	–	–	–	–
Non-executive staff	7	4	2	2
Number of women in non-executive positions	5	2	2	2
Proportion of women in non-executive positions	71 %	50 %	100 %	100 %
Number of men in non-executive positions	2	2	–	–
Proportion of men in non-executive positions	29 %	50 %	–	–
Total workforce	8	4	3	3
Total number of women	5	2	2	2
Overall proportion of women	63 %	50 %	67 %	67 %
Total number of men	3	2	1	1
Overall proportion of men	37 %	50 %	33 %	33 %
Employees with disabilities	0	0	0	0
Share of employees with disabilities	0.0 %	0.0 %	0.0 %	0.0 %
Age distribution				
Percentage of employees aged 30 or below	50 %	67 %	0 %	–
Percentage of employees aged 31-40	30 %	33 %	67 %	–
Percentage of employees aged 41-50	20 %	0 %	33 %	–
Percentage of employees aged over 50	0 %	0 %	0 %	–
Percentage of executives aged 30 or below	–	–	–	–
Percentage of executives aged 31-40	–	–	–	–
Percentage of executives aged 41-50	–	–	–	–
Percentage of executives aged over 50	–	–	–	–
Percentage of non-executive staff aged 30 or below	50 %	67 %	0 %	–
Percentage of non-executive staff aged 31-40	30 %	33 %	67 %	–
Percentage of non-executive staff aged 41-50	20 %	0 %	33 %	–
Percentage of non-executive staff aged over 50	0 %	0 %	0 %	–

France	2011	2010
Number of Management Board members/managing directors	1	2
Women on the Management Board/in management	1	1
Proportion of women on the Management Board/in management	100 %	50 %
1st tier of management	1	2
Number of women in the 1 st tier of management	0	0
Proportion of women in the 1 st tier of management	0 %	0 %
Number of men in the 1 st tier of management	1	2
Proportion of men in the 1 st tier of management	100 %	100 %
Other tiers of management	0	0
Number of women in other tiers of management	0	0
Proportion of women in other tiers of management	–	–
Number of men in other tiers of management	0	0
Proportion of men in other tiers of management	–	–
Non-executive staff	4	4
Number of women in non-executive positions	1	1
Proportion of women in non-executive positions	25 %	25 %
Number of men in non-executive positions	3	3
Proportion of men in non-executive positions	75 %	75 %
Total workforce	5	6
Total number of women	1	1
Overall proportion of women	20 %	17 %
Total number of men	4	5
Overall proportion of men	80 %	83 %
Employees with disabilities	0	0
Share of employees with disabilities	0.0 %	0.0 %
Age distribution		
Percentage of employees aged 30 or below	0 %	17 %
Percentage of employees aged 31-40	40 %	33 %
Percentage of employees aged 41-50	60 %	50 %
Percentage of employees aged over 50	0 %	0 %
Percentage of executives aged 30 or below	–	–
Percentage of executives aged 31-40	–	–
Percentage of executives aged 41-50	–	–
Percentage of executives aged over 50	–	–
Percentage of non-executive staff aged 30 or below	0 %	17 %
Percentage of non-executive staff aged 31-40	40 %	33 %
Percentage of non-executive staff aged 41-50	60 %	50 %
Percentage of non-executive staff aged over 50	0 %	0 %

S102

Group	2011	2010	2009	2008
Number of Management Board members/managing directors	25	28	20	18
Women on the Management Board/in management	3	1	0	0
Proportion of women on the Management Board/in management	12 %	4 %	0 %	0 %
1st tier of management	66	59	70	56
Number of women in the 1 st tier of management	14	9	14	8
Proportion of women in the 1 st tier of management	21 %	15 %	20 %	14 %
Number of men in the 1 st tier of management	52	50	56	48
Proportion of men in the 1 st tier of management	79 %	85 %	80 %	86 %
Other tiers of management	210	215	157	128
Number of women in other tiers of management	29	34	17	23
Proportion of women in other tiers of management	14 %	16 %	11 %	18 %
Number of men in other tiers of management	181	181	140	105
Proportion of men in other tiers of management	86 %	84 %	89 %	82 %
Non-executive staff	2,343	2,015	1,685	1,558
Number of women in non-executive positions	548	481	386	313
Proportion of women in non-executive positions	23 %	24 %	23 %	20 %
Number of men in non-executive positions	1,795	1,534	1,299	1,245
Proportion of men in non-executive positions	77 %	76 %	77 %	80 %
Total workforce	2,619	2,289	1,912	1,742
Total number of women	591	524	417	344
Overall proportion of women	23 %	23 %	22 %	20 %
Total number of men	2,028	1,765	1,494	1,397
Overall proportion of men	77 %	77 %	78 %	80 %
Employees with disabilities	38	37	29	29
Share of employees with disabilities	1.5 %	1.6 %	1.5 %	1.7 %
Age distribution				
Percentage of employees aged 30 or below	20 %	28 %	22 %	–
Percentage of employees aged 31-40	35 %	29 %	31 %	–
Percentage of employees aged 41-50	28 %	28 %	31 %	–
Percentage of employees aged over 50	17 %	16 %	17 %	–
Percentage of executives aged 30 or below	8 %	–	–	–
Percentage of executives aged 31-40	38 %	–	–	–
Percentage of executives aged 41-50	37 %	–	–	–
Percentage of executives aged over 50	18 %	–	–	–
Percentage of non-executive staff aged 30 or below	21 %	28 %	22 %	–
Percentage of non-executive staff aged 31-40	34 %	29 %	31 %	–
Percentage of non-executive staff aged 41-50	27 %	28 %	31 %	–
Percentage of non-executive staff aged over 50	17 %	16 %	17 %	–

/ LA14 / **CORE // RATIO OF WOMEN'S BASIC SALARY TO MEN'S****S103**

Most of the wages and salaries we pay at our sites are based on collective agreements. Women and men covered by the collective agreement are thus paid the same salary. We disclose salary ranges and average salaries by executive and non-executive staff and by gender. The comparison is based on annual gross basic salary including vacation and Christmas pay (for staff paid on an hourly basis, we use the annual (basic) pay, i.e. excluding any shift allowances or bonuses) and, for the first time this year, all additional bonus payments. Company cars were not included as it was not possible to calculate the monetary benefit. For data privacy reasons, we cannot publish this information for executives in ROW (Rest of World) since this group only includes very few employees with the result that the disclosures would be too transparent.

The remuneration structures differ substantially between the individual locations. The major differences between Germany and the U.S. may be explained by the strong differences in social security systems. In Germany (General Equal Treatment Act) and the U.S. (Lilly Ledbetter Fair Pay Act), equal rights for men and women are stipulated by law. In terms of salary ranges at U.S. sites, non-executive staff may receive a higher maximum remuneration than executive staff: In the U.S., employees with special skills and qualifications and/or a long-standing career with the company receive relatively high salaries, irrespective of whether they hold an executive position or not.

In 2011, in Freiberg, there was no increase in the fixed salary component for employees paid under collective bargaining agreements. There was a sharp increase in the level of payouts under the profit-oriented participation model (GOMAB) due to a change in the payment arrangements: In March 2011, employees received their 50 percent payment from 2010; the retained component from 2008 was paid with their salary for the month of June 2011, and the retained component from 2006 was paid with their salary for December.

④0 RATIO OF WOMEN'S BASIC SALARY TO MEN'S // IN €

Germany	2011			2010			2009		
	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average
Executives (excl. managing directors and Management Board members)									
Basic salary: range and average (overall, in €)	26,369	164,000	47,782	26,430	111,994	46,514	22,448	108,115	43,901
Basic salary: range and average (men, in €)	26,369	164,000	46,624	–	–	–	–	–	–
Basic salary: range and average (women, in €)	29,253	120,000	56,363	37,152	91,490	51,871	33,896	78,000	51,021
Bonuses: range and average (men, in €)	0	53,963	25,998	–	–	–	–	–	–
Bonuses: range and average (women, in €)	0	45,413	24,326	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	72,622	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	80,689	–	–	–	–	–	–
Basic salary: ratio women to men	1.1	0.7	1.2	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	1.1	–	–	–	–	–	–
Non-executive staff									
Basic salary: range and average (overall, in €)	18,811	88,348	31,475	23,181	71,001	31,118	15,000	86,466	30,815
Basic salary: range and average (men, in €)	22,354	88,348	31,171						
Basic salary: range and average (women, in €)	18,811	71,001	32,575	23,575	71,001	31,377	15,000	73,459	31,542
Bonuses: range and average (men, in €)	0	48,814	15,701	–	–	–	–	–	–
Bonuses: range and average (women, in €)	0	41,038	11,467	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	46,872	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	44,042	–	–	–	–	–	–
Basic salary: ratio women to men	0.8	0.8	1.0	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	0.9	–	–	–	–	–	–

U.S.	2011			2010			2009		
	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average
Executives (excl. managing directors and Management Board members)									
Basic salary: range and average (overall, in €)	29,845	135,659	85,786	34,073	113,576	67,394	31,228	128,912	67,232
Basic salary: range and average (men, in €)	29,845	116,279	88,252	–	–	–	–	–	–
Basic salary: range and average (women, in €)	43,702	135,659	77,092	41,644	88,429	65,084	44,403	84,296	66,050
Bonuses: range and average (men, in €)	602	14,117	8,769	–	–	–	–	–	–
Bonuses: range and average (women, in €)	2,611	13,165	8,290	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	97,021	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	85,382	–	–	–	–	–	–
Basic salary: ratio women to men	1.5	1.2	0.9	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	0.9	–	–	–	–	–	–
Non-executive staff									
Basic salary: range and average (overall, in €)	16,930	116,279	31,910	17,002	94,647	31,291	16,081	136,074	32,032
Basic salary: range and average (men, in €)	16,930	116,279	33,886	–	–	–	–	–	–
Basic salary: range and average (women, in €)	16,930	100,775	26,303	17,002	79,503	27,967	16,081	75,199	27,895
Bonuses: range and average (men, in €)	844	12,710	7,150	–	–	–	–	–	–
Bonuses: range and average (women, in €)	365	9,534	7,090	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	41,036	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	33,393	–	–	–	–	–	–
Basic salary: ratio women to men	1.0	0.9	0.8	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	0.8	–	–	–	–	–	–

S106

ROW	2011			2010			2009		
	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average	Lower limit	Upper limit	Average
Executives (excl. managing directors and Management Board members)									
Basic salary: range and average (overall, in €)	45,000	100,200	78,735	–	–	44,813	–	–	31,000
Basic salary: range and average (men, in €)	60,000	100,200	86,225	–	–	–	–	–	–
Basic salary: range and average (women, in €)	45,000	90,000	67,500	–	–	–	–	–	–
Bonuses: range and average (men, in €)	0	14,700	5,587	–	–	–	–	–	–
Bonuses: range and average (women, in €)	0	10,000	5,000	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	91,812	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	72,500	–	–	–	–	–	–
Basic salary: ratio women to men	0.8	0.9	0.8	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	0.8	–	–	–	–	–	–
Non-executive staff									
Basic salary: range and average (overall, in €)	10,305	60,000	33,347	13,373	46,000	27,882	10,937	41,358	24,993
Basic salary: range and average (men, in €)	13,740	60,000	40,292	–	–	–	–	–	–
Basic salary: range and average (women, in €)	10,305	35,674	24,859	14,226	31,150	17,099	10,937	24,815	17,876
Bonuses: range and average (men, in €)	0	20,810	6,700	–	–	–	–	–	–
Bonuses: range and average (women, in €)	677	10,108	2,799	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (men, in €)	–	–	46,993	–	–	–	–	–	–
Total (basic salary + bonuses): range and average (women, in €)	–	–	27,659	–	–	–	–	–	–
Basic salary: ratio women to men	0.8	0.6	0.6	–	–	–	–	–	–
Total (basic salary + bonuses): ratio women to men	–	–	0.6	–	–	–	–	–	–

/ HR2 / CORE // HUMAN RIGHTS SCREENING OF SUPPLIERS AND CONTRACTORS

In a two-year cycle, we subject our main suppliers to Quality, Health, Safety and Environment (QHSE) Audits. There was no systematic screening of our suppliers and contractors on human rights aspects in the past, nor is this set out in agreements. So far, this has not been a high priority because a large proportion of our suppliers and contractors has been based in industrialized countries where strict national standards apply. Our Suppliers' Code, developed in 2009, the aim of which is to make sustainability and ethical standards a systematic and explicit part of our cooperation agreements, was published in 2011.  4.8 • p. S041 //

/ HR5 / CORE // FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

According to the assessment of the HR departments of the individual sites, no business operations have been identified where freedom of association or the right to engage in collective bargaining could be significantly jeopardized. However, so far no formal procedure to identify such business operations has been established. We cultivate open and direct relations with employees, which means that any such risk should be notified to us. The legislation in Germany, Spain and the U.S. protects employees against any restrictions of their rights. At the site in South Africa, we currently have only eight employees, and at the site in Singapore only ten employees, which favors strong participation of the individual employees in the decisions of management.

/ HR6 / CORE // CHILD LABOR

Our business activities do not involve a significant risk of incidents of child labor, or work by young people under dangerous conditions. Our processes are very transparent and are supervised via documentation in the work schedules. We always consider this aspect in our regular supplier audits. We also emphatically oppose child labor in our Code of Conduct and in our Suppliers' Code.

/ HR7 / CORE // FORCED AND COMPULSORY LABOR

Our business activities do not involve any significant risk of forced or compulsory labor. Our processes are very transparent and are supervised via documentation in the work schedules. We always consider this aspect in our regular supplier audits. We also emphatically oppose forced and compulsory labor in our Code of Conduct and in our Suppliers' Code.

S108 / S02 / CORE // CORRUPTION RISKS

Responsibility is in the hands of members of the Management Board and managing directors. In 2011, all units (100 %) were classified as part of risk-based audit planning (including in accordance with the Corruption Perceptions Index). We also record the proportion of our shipments volume in countries that have a corruption index < 6.0. For further information, please consult the Management Report.

⊗ *KPIs and KPNs for ESG (key performance indicators and narratives of EFFAS/DVFA) • p. S027 // ➔ Individual risks • p. 085 // ⊗ 4.8 • p. S041 //*

④1 CORRUPTION RISKS // CORRUPTION INDEX < 6.0

	2011	2010	2009	2008
Trade corruption index	15.1 %	20.3 %	7.2 %	16.3 %
Wafer corruption index	71.3 %	47.5 %	53.0 %	–
Total corruption index	54.3 %	31.3 %	29.2 %	16.3 %

/ S05 / CORE // LOBBYING

SOLARWORLD conducts lobbying work in order to help solar energy become competitive, and is an advocate of political funding programs. This relates for example to compensation through the German Renewable Energy Sources Act (EEG). Additionally, SOLARWORLD supported the idea of integrating photovoltaics into the RoHS Directive at European level. We are also working worldwide for free access to the electricity grid for power producers because that is a prerequisite for solar energy to be competitive with other sources of power. In general terms, we work politically for climate protection, the conservation of resources, sustainable development and ethical management. That means our lobbying activity is in conformity with our declared principles.

/ S08 / CORE // SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS

No major cases of non-compliance with laws and regulations were determined in the reporting period, nor were any out-of-court arbitration proceedings held.

④2 SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS

	2011	2010	2009	2008
Sanctions for non-compliance with laws and regulations	0	0	0	0

/ PR1 / **CORE // IMPACTS ON CUSTOMER HEALTH AND SAFETY**

S109

Our products are designed to allow health and safety risks to be excluded to the best possible extent. This is constantly taken into account and evaluated throughout the entire product development and manufacturing process, for recycling, and in marketing and use (this applies to 100 percent of our products). We supply information on the correct handling and recyclability of our products. Our products are TÜV certified and have the necessary approvals in each sales market. There were no product recall activities for health and safety reasons in the reporting period.

④3 IMPACTS ON CUSTOMER HEALTH AND SAFETY

	2011	2010	2009	2008
Recalled products as a percentage of all products sold	0 %	0 %	0 %	0 %

/ PR3 / **CORE // PRODUCT INFORMATION**

We source components from reputable manufacturers. The safety of the products we deliver is ensured by our quality management. Extensive product information is provided in the form of data sheets and assembly instructions. Product safety certification is effected via UL Listing. We only use materials which have UL approval for our product. Since 2011, SOLARWORLD's SUNMODULE PLUS® solar power modules have been tested by TÜV Rheinland. SOLARWORLD is the first German manufacturer certified on the basis of such inspections. The "Power controlled" inspection mark documents that the rated power is adhered to and monitored by solar experts from this independent inspection service provider on a voluntary basis. We intend to integrate our whole module range into the new inspections program by TÜV Rheinland.



S110

The following information is included in our product labeling (i.e. for all essential products (100 percent)):

44 PRODUCT INFORMATION

Criteria	Procedure	Labeling of final products (module/system)
Origin of product components	In assessing the environmental impact, we also include the upstream process. We also assess our suppliers as required under ISO 9001. The same criteria are applied in selecting suppliers of consumables and raw materials. There is also a product information sheet for our cells.	The country of manufacture is indicated, but not the origin of individual components.
Composition	Not compulsory	Not indicated
Safe use of product	Our outgoing goods controls provide an additional check to ensure that no defective products are shipped, only products meeting customer requirements. In most cases, quality assurance agreements are additionally concluded with customers.	A warning about electrical danger is included. A user information sheet (assembly instructions) is included in deliveries.
Product disposal	Recycling of input products and final products is covered. It is always our goal to avoid producing defective goods.	Our products are fully recyclable and can be returned to SOLARWORLD for this purpose. This is now also indicated on the product.

/ PR6 / CORE // STANDARDS RELATING TO ADVERTISING

There are no written advertising-related rules of conduct or ESG standards specified for the entire organization. The SOLARWORLD Group adheres to the law in its advertising and is guided by the SOLARWORLD values, @ www.solarworld.de/sustainability/ e.g. fair competition, no discrimination. Compliance is continuously monitored through approval of advertising campaigns by the Management Board. We do not distribute any products that must not be sold in certain markets or are called into question by public debate.

CONFIRMATION FOR THE DETAILS ON SUSTAINABILITY PERFORMANCE OF SOLARWORLD AG FOR CALENDAR YEAR 2011

S111

To SOLARWORLD AG, Bonn

We have obtained an order for an audit review regarding the report segments “KPIs & KPNs FOR ESG (key performance indicators and narratives of EFFAS/DVFA)” as well as the “Performance indicators” of the details on sustainability performance 2011 of SOLARWORLD AG. It is the responsibility of the Executive Board of SOLARWORLD AG to prepare the details on sustainability performance 2011 in accordance with the following criteria set out in the G3.1 Guidelines of the Global Reporting Initiative (pages 7–18)

- | | |
|-----------------------------|-----------------|
| • materiality | • comparability |
| • stakeholder inclusiveness | • accuracy |
| • sustainability context | • timeliness |
| • completeness | • clarity and |
| • balance | • reliability |

Our task is to provide a confirmation for the details on sustainability performance on the basis of our assessment of the report segments “KPIs & KPNs FOR ESG (key performance indicators and narratives of EFFAS/DVFA)” and “Performance indicators”.

We conducted the audit review on the report segments “KPIs & KPNs FOR ESG (key performance indicators and narratives of EFFAS/DVFA)” and “Performance indicators” in accordance with the German standards for the audit of sustainability reports established by the Institute of German Auditors (IDW). Accordingly, the audit review requires us to comply with professional requirements and to plan and perform the engagement in such manner that we can rule out, through critical appraisal of the facts, that the report segments have not in all material aspects been drawn up in accordance with the above-mentioned criteria of the GRI Guidelines (G3.1) of the Global Reporting Initiative (pages 7–18). An audit review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements.

In the course of our audit review, we acquired the evidence, based on assessments of risks and materiality, to obtain limited assurance that report segments “KPIs & KPNs FOR ESG (key performance indicators and narratives of EFFAS/DVFA)” as well as “Performance indicators” comply with the specified criteria of the GRI- Guideline Version 3.1 of the Global Reporting Initiative (Pages 7–18). The nature and extent of our procedures were determined, with the additional assistance of appropriate samples, by our professional judgment as to the requirements for obtaining limited assurance. The performance of our engagement included among other things the following procedures:

S112

- Inspection of the relevant documentation, including documentation of Group principles and management and reporting structures, as well as inspection and random testing of existing documents and systems for compiling, analyzing and aggregating sustainability data
- Discussions with the team entrusted with compiling the reporting on sustainable corporate management
- Discussions with employees of other Group divisions
- Acquiring an understanding of the process used to identify themes for the reporting on sustainable corporate management in 2011
- Discussions and inspection of documents at the Bonn and Freiberg sites in relation to the sustainability data of operations at those sites.

With regard to environment data, we were able in the course of our engagement to access data and information pertaining to regular ISO 9001 and 14001 auditing.

The work we performed did not make us aware of any facts which would lead us to assume that the report segments “KPIs & KPNs FOR ESG (key performance indicators and narratives of EFFAS/DVFA)” and “Performance indicators” were not drawn up in material respects in accordance with the underlying criteria specified in the GRI Guidelines (G3.1) of the Global Reporting Initiative (pages 7–18).

Bonn, 9 March 2012

BDO AG

Wirtschaftsprüfungsgesellschaft



Lubitz
Auditor



ppa. Ahrend
Auditor



Statement GRI Application Level Check

GRI hereby states that **SolarWorld AG** has presented its report "Annual Group Report 2011 & Details on Sustainability Performance 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 7th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because SolarWorld AG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 23rd 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

S114

ABBREVIATIONS

C C ₂ H ₄ Ethylene	J JSSI Joint Solar Silicon
CDP Carbon Disclosure Project	
CFC _{11eq} Trichlorofluoromethane equivalent	K KPIS Key Performance Indicators
CNF Commission on Non-Financials	KPNS Key Performance Narratives
CO _{2eq} Carbon dioxide equivalent	KWH Kilowatt hours
D DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management	L LA Labor
DB _{eq} Dichlorbenzene equivalent	M MJ Megajoule
E EC Economy	MJ _{eq} Megajoule equivalent
EFFAS European Federation of Financial Analysts Societies	MWH Megawatt hours
EN Environment	N NGOS Non-Governmental Organizations
EPIA European Photovoltaic Industry Association	NO _x Nitrogen oxide
ESG Environmental, Social, Governance	P PR Product Responsibility
G GHG Greenhouse Gas	PO _{4-eq} Phosphate ion equivalent
GRI Global Reporting Initiative	Q QHSE Quality, Health, Safety and Environment
H HR Human Resources	QST Qatar Solar Technologies
I IDW Institut der Wirtschaftsprüfer	R R&D Research & Development
IEA International Energy Agency	S SB _{eq} Antimony equivalent
ILO International Labour Organization	SEIA Solar Energy Industries Association
ISAE International Standards on Assurance Engagement	SO _{2eq} Sulphur dioxide equivalent
IPCC Intergovernmental Panel on Climate Change	SO _x Sulphur oxides
ISO International Organization for Standardization	SVTC Solar Valley Toxics Coalition
	T TCO _{2eq} Tons of carbon dioxide equivalent
	W WP Watt peak

IMPRINT

THE DETAILS ON SUSTAINABILITY PERFORMANCE ARE ALSO AVAILABLE IN GERMAN.
ONLINE VERSIONS IN GERMAN AND ENGLISH CAN BE FOUND ON OUR HOMEPAGE
AT ANNUALGROUPREPORT2011.SOLARWORLD.DE/SUSTAINABILITY. ON THE WEB,
YOU HAVE ACCESS TO A BARRIER-FREE PDF-FILE OF OUR REPORT.

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