Q1 2010 Earnings Call

Robert J. Gillette, Chief Executive Officer

Bruce Sohn, President

Jens Meyerhoff, Chief Financial Officer

Larry Polizzotto, VP Investor Relations

Q1 2010 Earnings Call Agenda

- Q2 2010 Investor Conferences
- Q1 2010 Performance Overview
- NextLight Renewable Power, LLC acquisition
- Market and Project Update
- Q1 2010 Financial Results
- 2010 Guidance Update
- Q&A

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Q2 2010 Investor Conferences

• Deutsche Bank Clean Tech Conference , Washington DC	5/12
• 2010 First Solar Shareholder Meeting, Phoenix AZ	6/1
• Merrill Lynch Clean Tech Conference, New York City	6/2
• Credit Suisse Alternative Energy Conference, Washington DC	6/3
• Intersolar 2010, Munich Germany	6/9-10

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Forward-Looking Statements

During the course of this presentation the company will make projections and other statements that are forward-looking statements within the meaning of the federal securities laws. The forward-looking statements in this presentation are based on current information and expectations, are subject to uncertainties and changes in circumstances, and do not constitute guarantees of future performance. Those statements involve a number of factors that could cause actual results to differ materially from those statements, including the risks as described in the company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, and other filings with the Securities and Exchange Commission. First Solar assumes no obligation to update any forward-looking information contained in this presentation or with respect to the announcements described herein.

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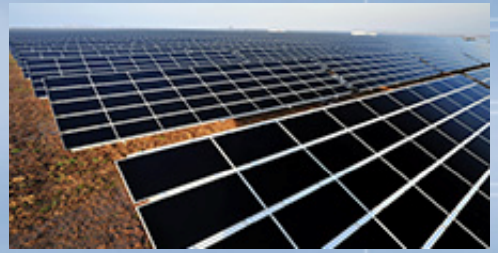
Q1 2010 Performance Summary, Market and Project Update

Robert Gillette

Chief Executive Officer



Q1 2010 Performance Summary

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Financials:

- Net Sales $568M
- Net Income $172.3M or 30.3% of net sales
- Diluted EPS $2.00
- RONA 23.2% on a 4 quarter rolling basis
- Cash and marketable securities $1.0B

Operations:

- Q1 Production 322 MW
- Annualized capacity per line 55.7 MW
- Conversion efficiency 11.1%
- Q1 Module manufacturing cost $0.81/watt
- Malaysia plants 5 and 6 on schedule for first half 2011 production
- BOD approved an additional capacity expansion that is expected to be operational in Q4 2011

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Q1 2010 Performance Summary

Systems Business Market Development: (all MW AC)

- **Projects Sold**
  - 30 MW Cimarron New Mexico to Southern Company
  - 22 MW Badajoz Spain project to Voigt & Collegen

- **First Solar Project Development**
  - Signed 300 MW PPA with PG&E for Desert Sunlight bringing total site capacity to 550 MW
  - Construction in progress on 48 MW Copper Mountain, 60 MW Sarnia and 30 MW Cimarron; sites to be substantially completed by year-end
  - Working with Chinese government on Ordos Phase 1 30 MW project development

- **Signed an agreement to acquire NextLight Renewable Power LLC**
  - 1.1 GW project development pipeline including 570 MW PPAs and experienced team

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NextLight Acquisition

Transaction:	**Acquisition of NextLight Renewable Power, LLC** • 3 PPAs totaling 570MWs (AC) with PG&E and NV Energy • 530 MW (AC) projects under various stages of development • 30 person development team
Objective:	• Increase contracted PPA pipeline to 2.2 GW(AC) and long-term visibility through 2015 • Continuation of captive demand strategy • Continue scaling of standardized balance of systems design • Adds experienced project developers and management team
Price:	• ~$285 million cash subject to adjustments as provided in the merger agreement
Conditions to Close:	• CPUC approval of PPA for one project under development, final decision expected in Q3 • Customary closing conditions, including Hart-Scott-Rodino ("HSR") antitrust approval
Expected Closing:	• Q3 2010
Initial Estimate of Financial Impact:	• Preliminary 2010 EPS impact of approximately $(0.09-0.10) per fully diluted share subject to purchase price accounting • Adds ~$12M of annual operating expenses in 2010

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2.2 GW of PPA, EPC and RESOP North American Systems Business Pipeline

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Sold / Construction in 2010

Project/Location	MW AC	PPA	Owner
Sarnia, Ontario	60	OPA[3]	Enbridge
Copper Mt, Nevada	48	PG&E[1]	Sempra
Cimarron, New Mexico	30	Tri-State	Southern

In Development

Project/Location	MW AC	PPA	Owner
Topaz, California	550	PG&E	TBD
Sunlight, California	300	PG&E	TBD
Sunlight, California	250	SCE	TBD
Stateline, California	300	SCE	TBD
Agua Caliente	**290**	**PG&E**	**TBD**
AV Solar Ranch 1	**230**	**PG&E**	**TBD**
Silver State North	**50**	**NV Energy**	**TBD**
PNM, New Mexico	22	UOG[2]	PNM
St Clair, Ontario	40	OPA[3]	TBD
Walpole, Ontario	20	OPA[3]	TBD
Belmont, Ontario	20	OPA[3]	TBD
Amherstburg, Ontario	10	OPA[3]	TBD
Tilbury, Ontario	5	OPA[3]	TBD

[1] EPC contract

[2] UOG = Utility-owned generation

[3] OPA = Ontario RESOP program

Green = NextLight contracted projects

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2010 Market Update

What Changed since Q4 Earnings Call	First Solar Response
Germany • Improved clarity of FiT change (approach, applications, decision process & dates, growth corridors) • Exact implementation not yet finalized	• Capacity constrained in 2H 2010 • 20-25% of 2H capacity is FSLR captive pipeline • Continue working with partners to expand European market opportunities • Europe expected to grow 25%[1] in 2010, including over 60%[1] outside of Germany
North America • Continuing high interest in utility scale PV • U.S. PPAs increased by almost 1 GW	• 138 MW in construction (three projects) • 30 MW Cimarron project sold • 300 MW PPA signed with PG&E for Sunlight • Acquired NextLight Renewable Power, LLC
China • Chinese FiT delayed • Project development may continue through concessionary bidding	• Continuing to work with Provincial and Federal agencies on Ordos project development • Submitted Ordos pre-feasibility study

[1]Forecasts from Auriga, Barclays, Collins Stewart, Credit Suisse, Deutsche Bank, JP Morgan, Lazard, Morgan Stanley, Raymond James, Think Equity, UBS, and Wedbush; 2009 Germany demand from Bundesnetzagentur registration data.

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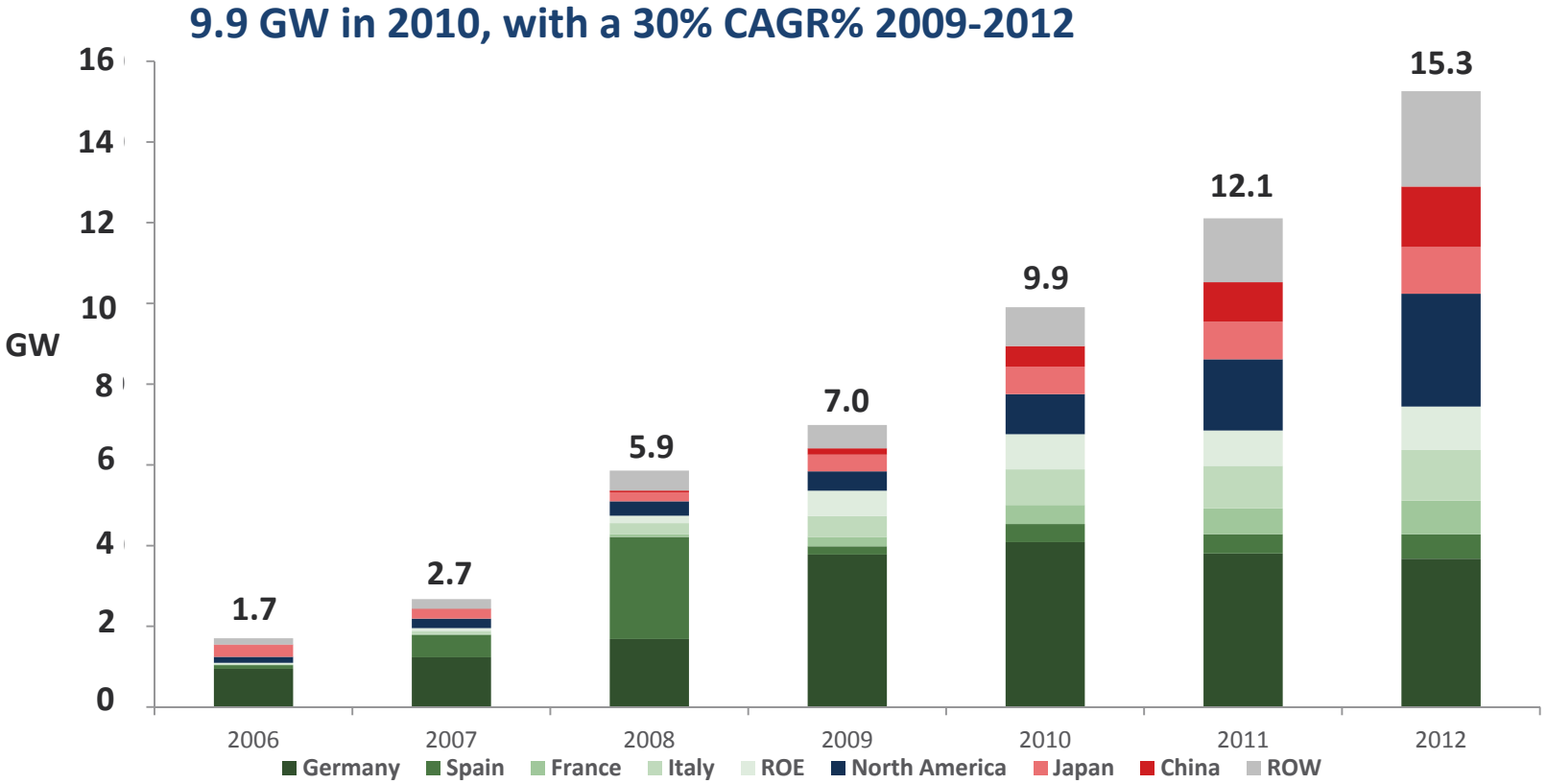
Industry Demand – Estimates[1] as of 4/16/10



[1] Forecasts from Auriga, Barclays, Collins Stewart, Credit Suisse, Deutsche Bank, JP Morgan, Lazard, Morgan Stanley, Raymond James, Think Equity, UBS, and Wedbush. 2009 Germany demand from Bundesnetzagentur registration data

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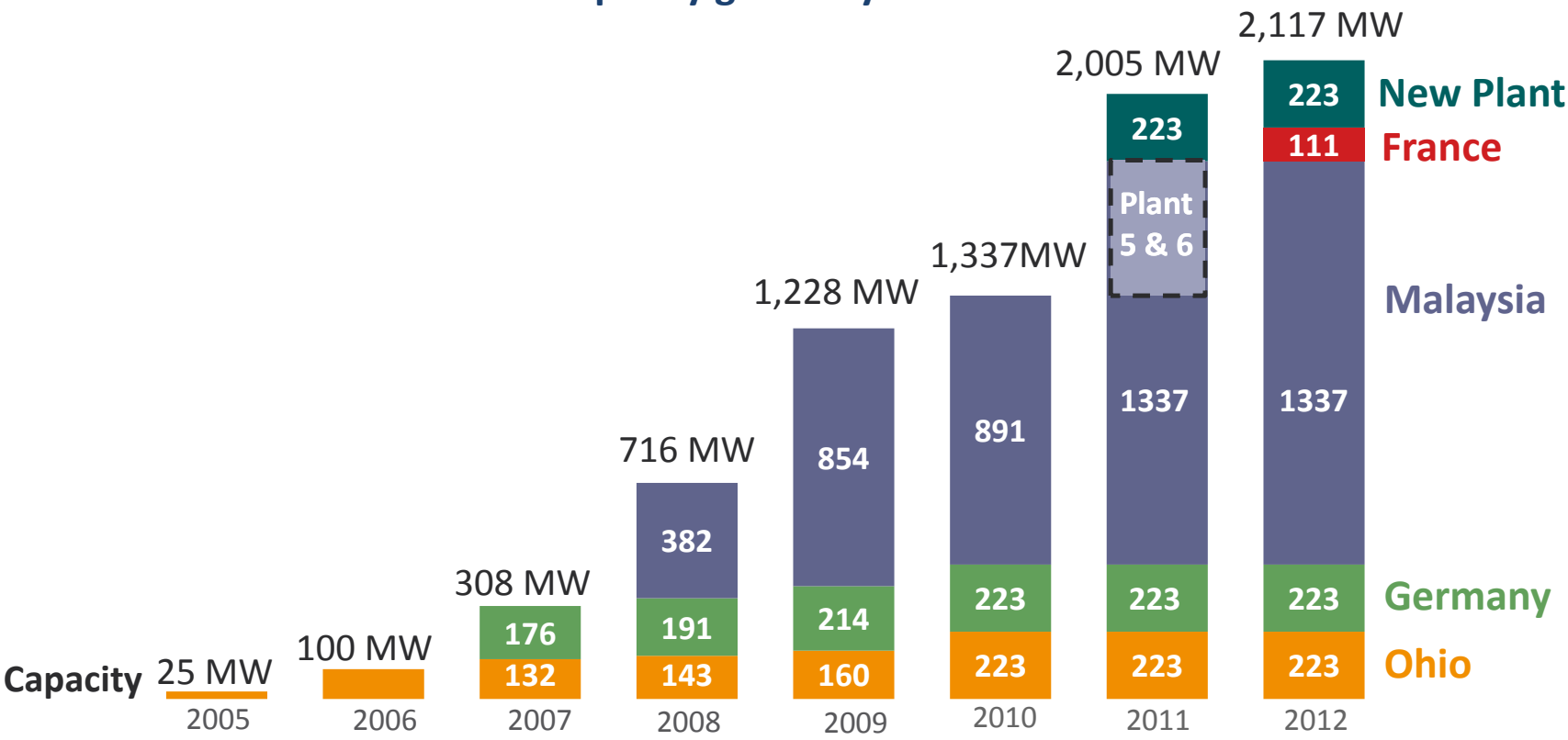
Production Capacity Growth

Total current and announced capacity grows by 780MW to 2.1GW



2005 & 2006 based on Q406 run rate; 2007 based on Q407 run rate; 2008 based on Q408 run rate; 2009 based on Q409 run rate, 2010-2012 based on Q1 2010 run-rate

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Q1 2010 Summary

- Delivered strong Q1 financial results
- First Solar demand expected to exceed our supply in 2010
- Overall pricing outlook has improved since prior quarter
- Grew our North American contracted pipeline to 1.7 GW
- NextLight acquisition increases contracted pipeline to 2.2 GW
- Announced expansion increases capacity by 780MW to 2.1 GW by 2012

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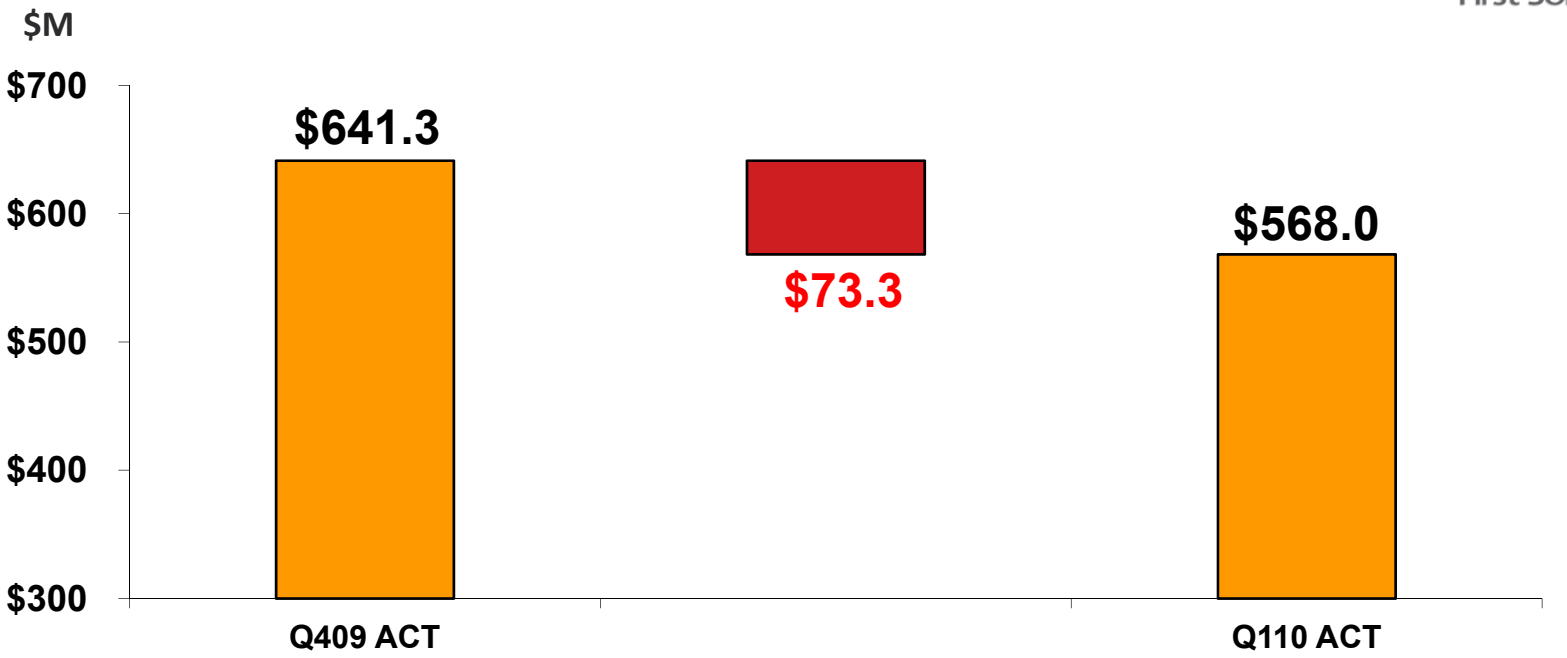
Q1'10 Financial Results and 2010 Guidance

Jens Meyerhoff

Chief Financial Officer

Net Sales



Net sales down $73.3M or 11.4% quarter over quarter:

- + Average selling price
- + Recognized revenue for approximately 13 MW of the Badajoz Spain project sale
- – Sarnia and Blythe completed and sold in Q409

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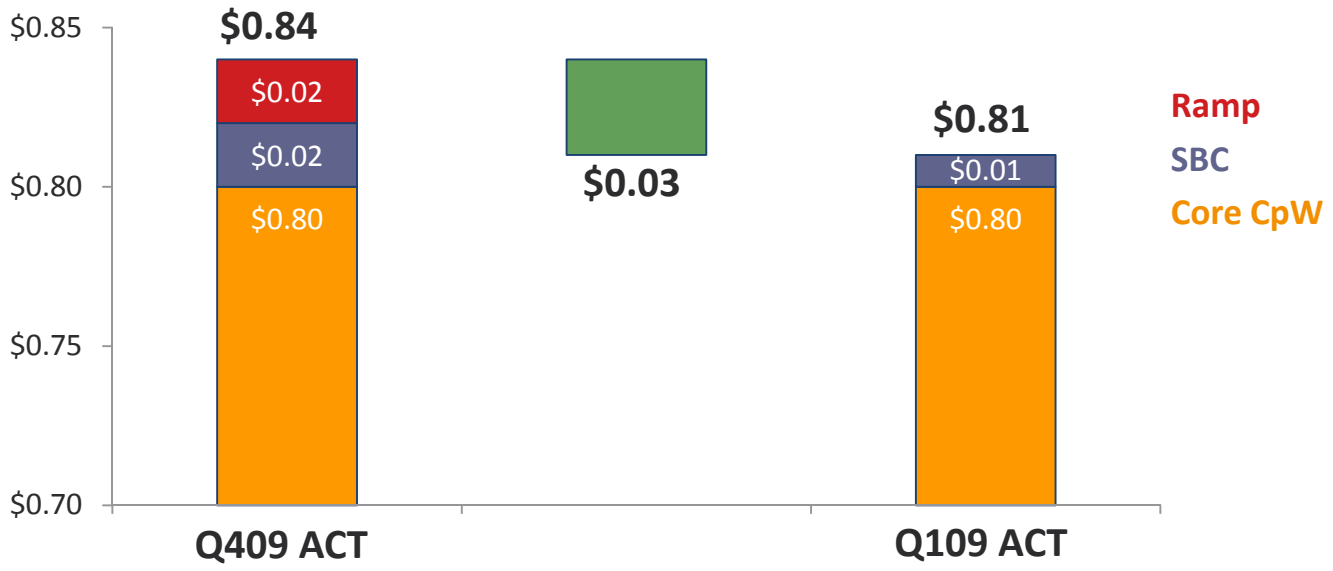
Cost per Watt Produced



Total Cost per watt produced declined 3.6% quarter over quarter:

+ Ohio ramp completed
+ Throughput improvements
– Manufacturing overhead absorption

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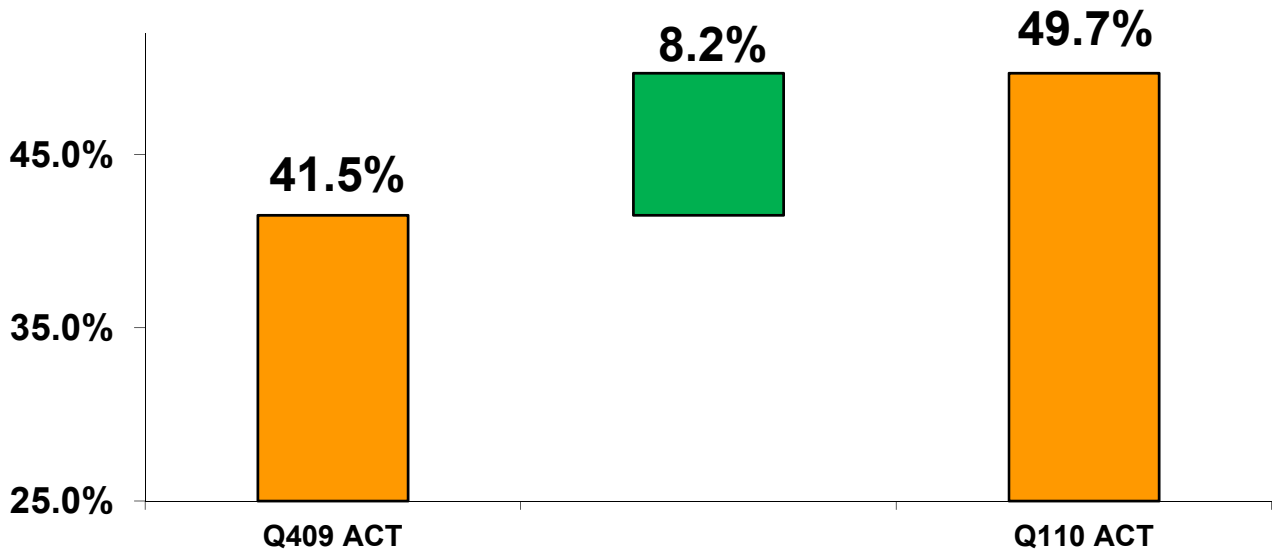
Gross Margin



Gross Margin increased 8.2% quarter over quarter:

- Higher mix to modules at 93% Q1'10vs 86% Q4'09 (Q409 higher mix of Systems due to Blythe and Sarnia projects)
- Higher ASPs (Demand, geographical and project mix)
- Ohio ramp completed

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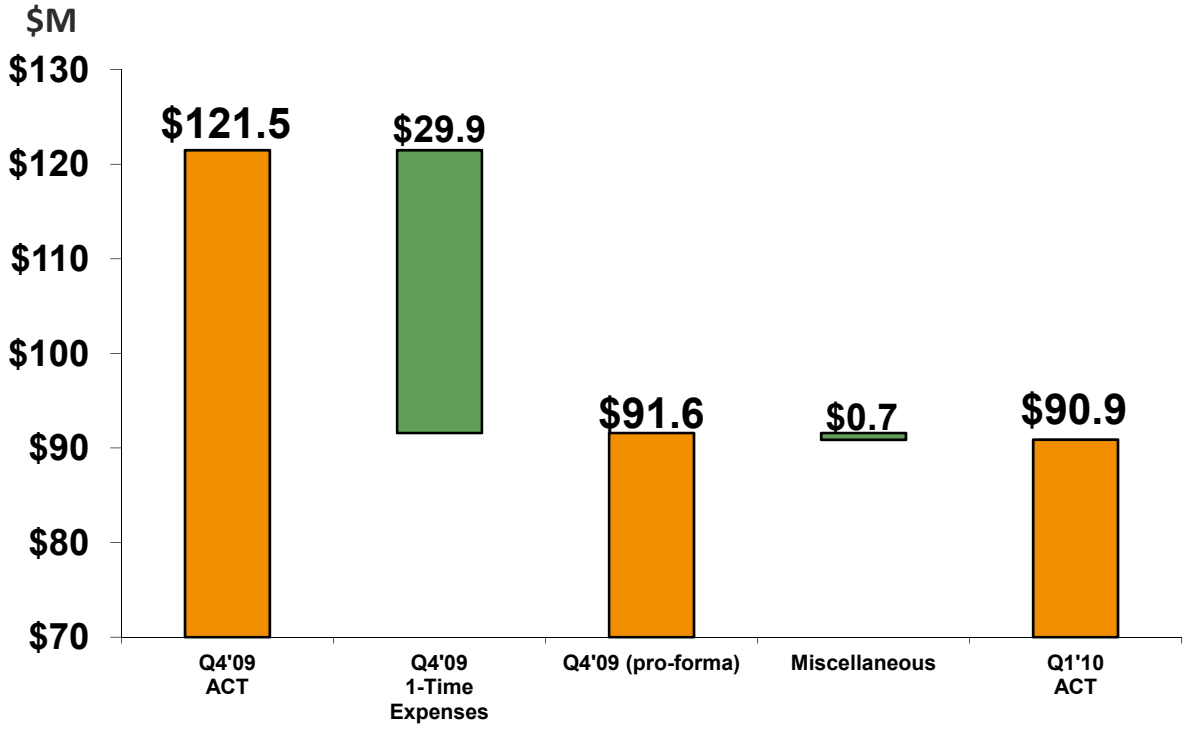
Operating Expenses



Normalized operating expenses flat quarter over quarter:

- + One-time personnel related expense in Q4’09
- + Non-recurring customer expense in Q4’09

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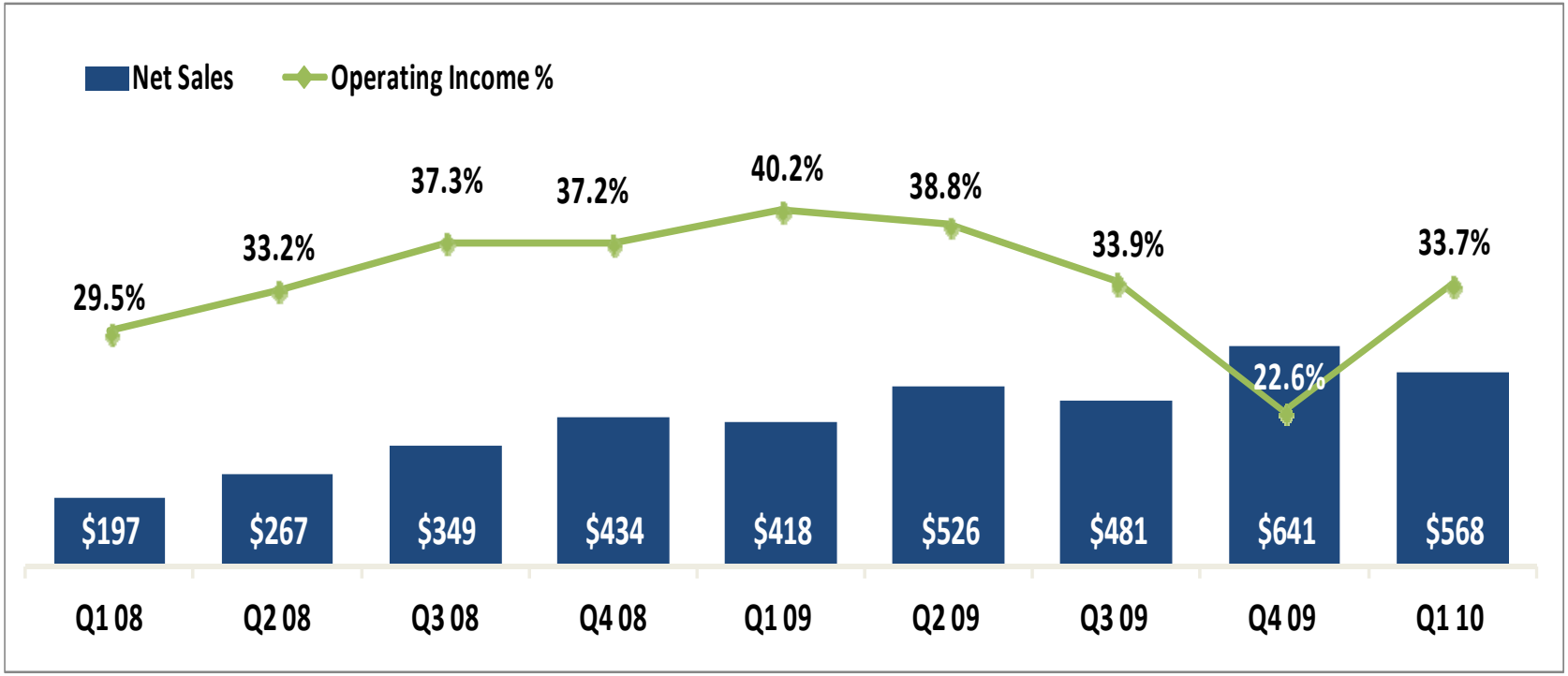
Net Sales and Operating Income Trends



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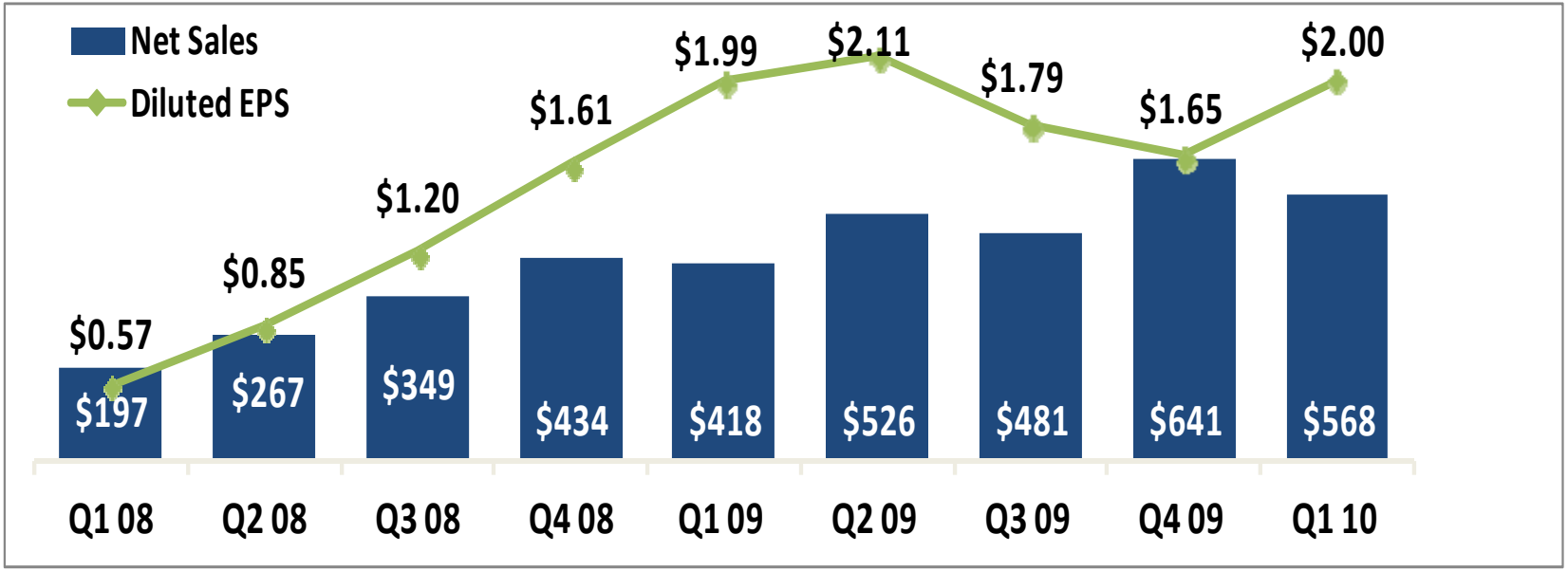
Net Sales and EPS Trends



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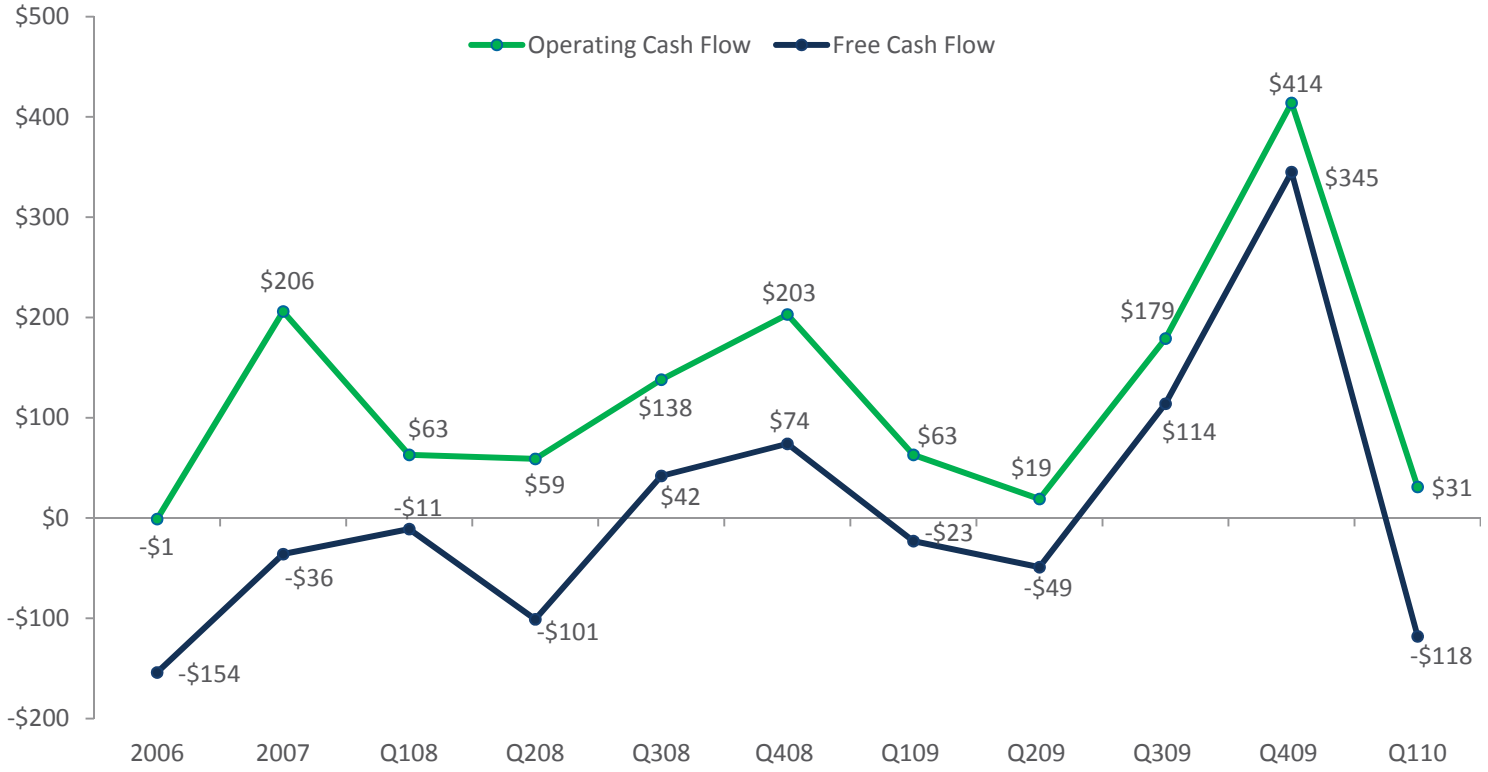
Operating and Free Cash Flow [1]



[1] Free Cash Flow is a non-GAAP measure ; see slide at end of presentation for reconciliation to Operating Cash Flow

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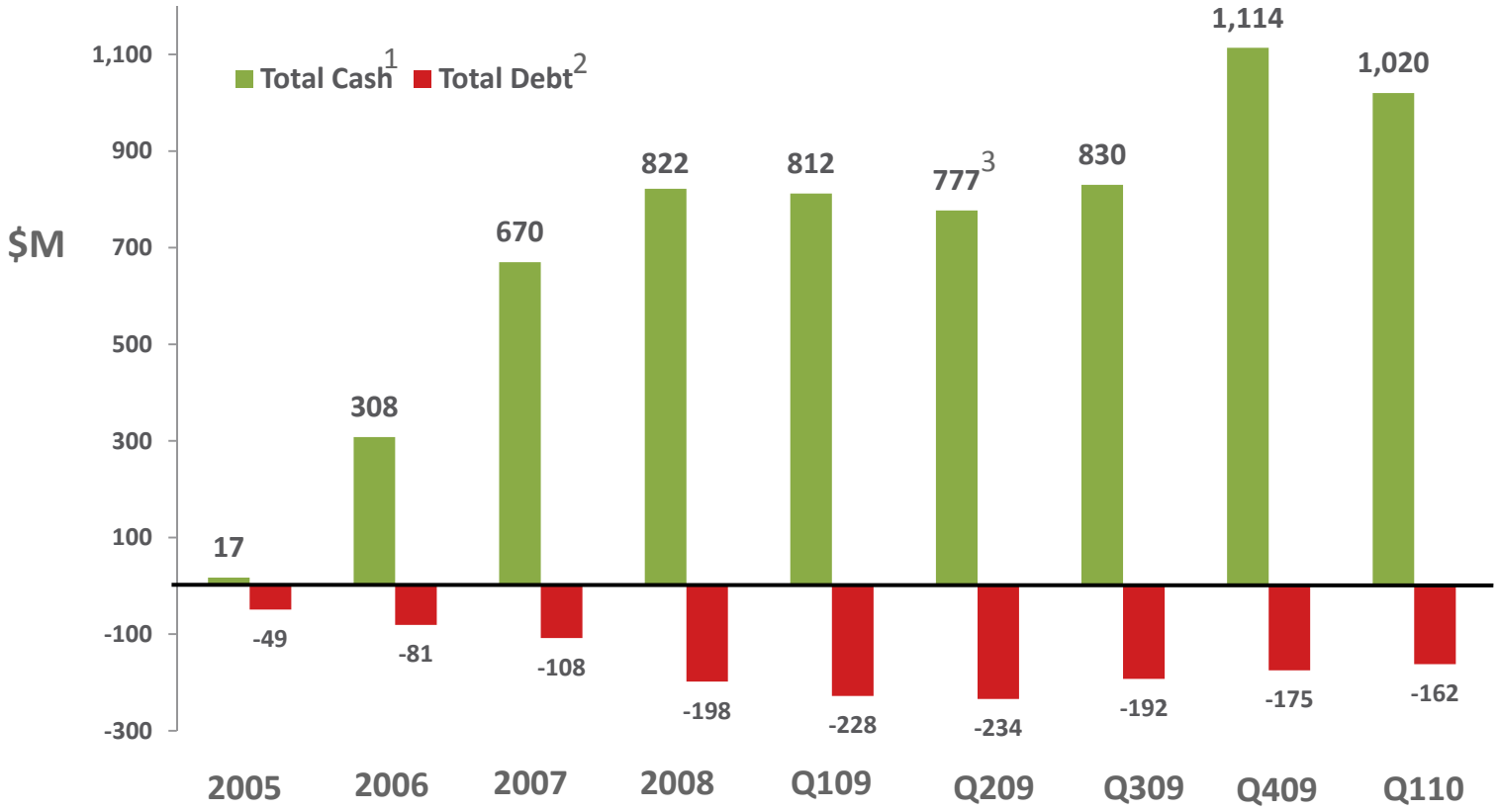
Balance Sheet



[1] Total Cash consists of cash, cash equivalents, and marketable securities
[2] Total Debt consists of long-term debt, short-term debt, and with respect to 2005, notes payable to related parties
[3] Includes $49 M restricted cash to payoff IKB debt after quarter close

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2010 Financial Guidance Assumptions as of 4/28/10

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Key Assumptions:

- Shifted some captive EPC volumes to module sales in second half due to strong demand, and moved respective EPC buffer projects to 2011
- Low-end of guidance has resilience to $40/kg poly and c-Si processing cost $0.75/watt by Q4 for non-captive demand
- Blended exchange rate $1.35/Euro for remainder of year
  - Unhedged FX at $1.30/Euro (vs. $1.40/Euro in prior guidance)
  - Q2-Q4: 43 % sales hedged, Natural hedge brings net income hedge rate to 52%, at $1.39
  - 82% Q2 net income hedged at a rate of $1.39
  - $.01 change in $/Euro spot impacts revenues ~$6 M and net income ~$3 M
- Added ~$12 M expenses for NextLight acquisition and included ($0.09-0.10) impact per diluted share
- No production volume expected from KLM 5 and 6 in 2010
- Capex includes KLM 5 and 6 and new factory; production expected in 2011

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2010 Guidance as of 4/28/10 - Raised EPS and included NextLight acquisition

	All Modules	EPC/Project Development	Consolidated
Net Sales $ B	**$2.1-2.2 B**	**$.5 B**	**$2.6– $2.7 B**
Gross Margin	**49-51%**	**~8%**	**41-43%**
Start up Expense	$27 M	0	$27 M
Stock Based Compensation	$80-85 M	$10-15 M	$90-100 M
Operating Margin	**31-33%**	**0%**	**25-27%**
Annual Tax Rate			12-14%
Diluted Share Count (year end)			86-87 M
EPS			**$6.80-7.30**
Capex			$625-650 M
Operating Cash Flow			$725-775 M
RONA			18-19%

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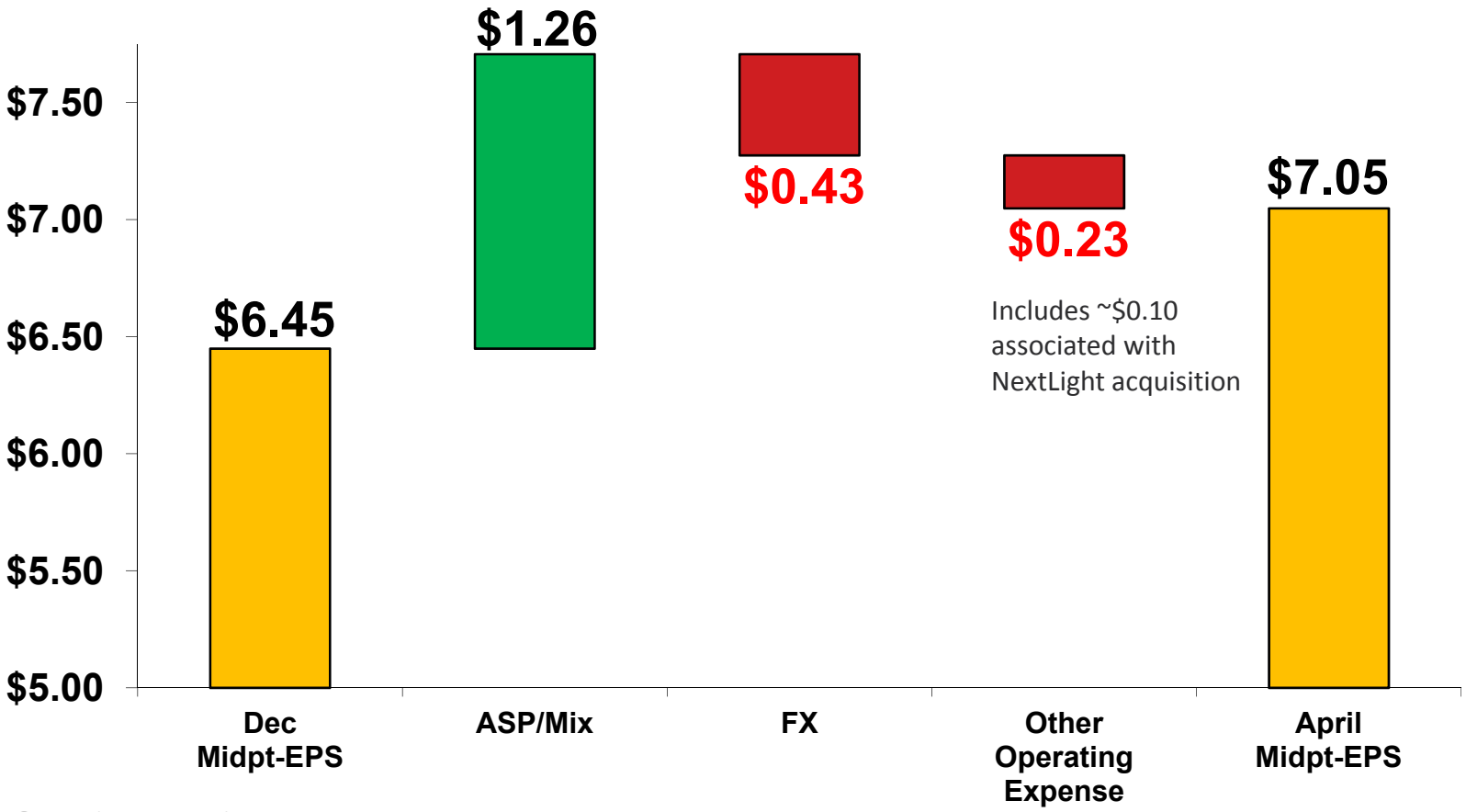
Comparison of Midpoint Prior and Current EPS Guidance



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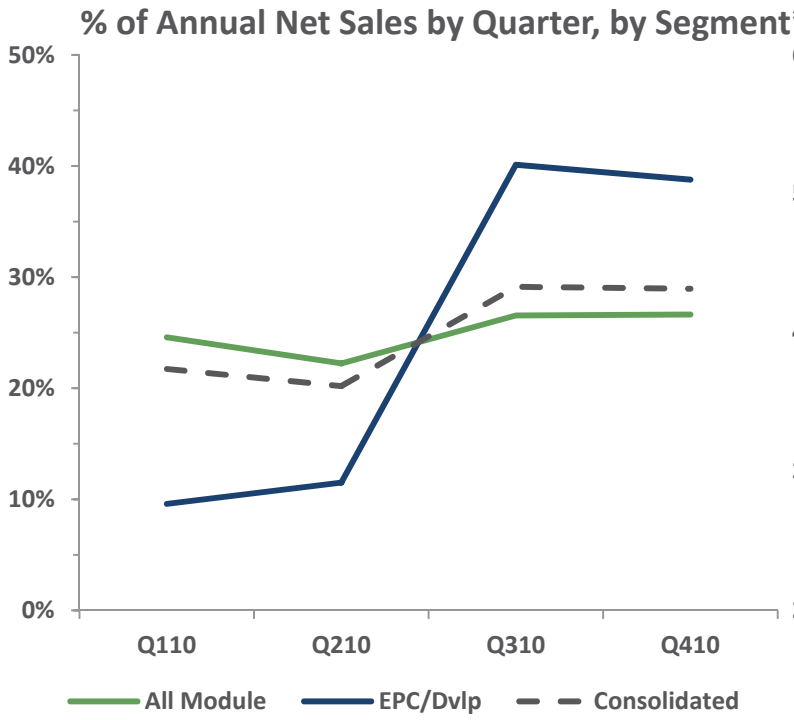
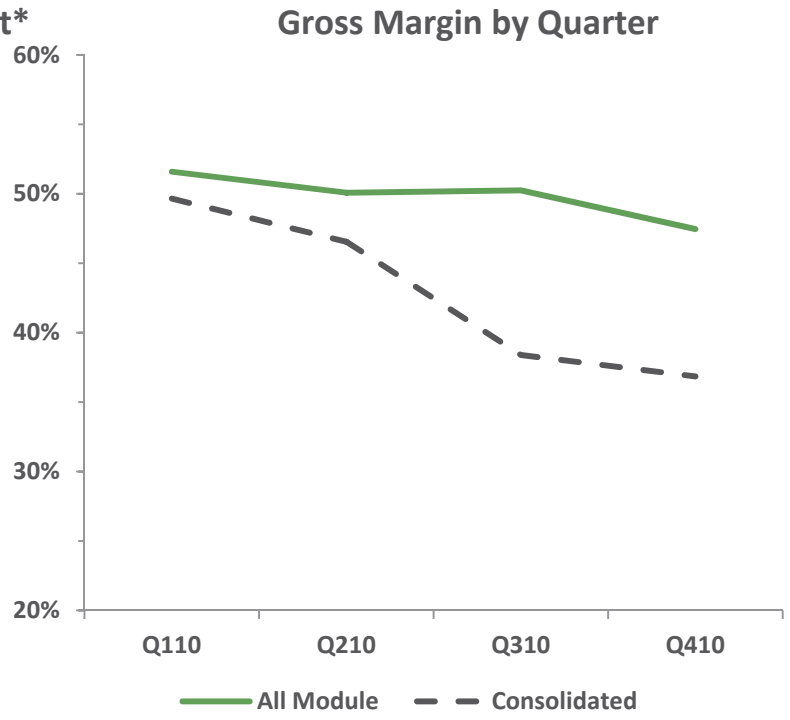
2010 Net Sales Recognition and Gross Margin Profile

Decision to move part of captive builds to 2011 impacts annual profile





*Note: actual results subject to timing of revenue recognition

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Q&A

- Robert J. Gillette, Chief Executive Officer
- Bruce Sohn, President
- Jens Meyerhoff, CFO

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Key Quarterly Financial Data

Key Quarterly Financial Data ($ in millions, except gross profit and net income per share data) (Unaudited)	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q1'10 Y/Y	Q1'10 Q/Q
Net sales	$ 418.2	$ 525.9	$ 480.8	$ 641.3	$ 568.0	36%	-11%
Gross profit %	56.3%	56.7%	50.9%	41.5%	49.7%	-6.6%	8.2%
Research and development	11.7	18.6	24.1	23.8	22.9	96%	-4%
Selling, general and administrative	49.3	72.9	54.0	96.7	66.9	36%	-31%
Production start-up	6.2	2.5	4.1	1.1	1.1	-82%	0%
Operating income	168.1	204.0	162.8	144.7	191.1	14%	32%
Income tax expense (benefit)	5.1	20.8	11.6	8.7	23.0	351%	164%
Net income	$ 164.6	$ 180.6	$ 153.3	$ 141.6	172.3	5%	22%
Share count - Diluted	82.6	85.7	85.9	86.0	86.1	4%	0%
Net income per share - Diluted	$ 1.99	$ 2.11	$ 1.79	$ 1.65	$ 2.00	1%	21%
RONA (1)	27.4%	29.4%	28.2%	25.5%	23.2%	-4.2%	-2.3%
Stock-based compensation expense	15.2	17.7	22.2	33.6	19.5	28%	-42%
Capital expenditures	86.4	59.6	64.8	69.1	106.0	23%	53%
Cash and marketable securities	$ 811.6	$ 728.1	$ 830.1	$ 1,114.3	$ 1,020.0	26%	-8%

See also Notes to our Condensed Consolidated Financial Statements

Supplemental Data (Unaudited)							
Average foreign spot exchange rate (€/USD)	1.31	1.36	1.43	1.48	1.39	6%	-6%
Free cash flow	(22.7)	(48.0)	113.8	344.7	(118.1)	420%	-134%
+ Purchases of solar module collection and recycling restricted investment	-	7.5	-	-	43.4	0%	0%
+ Purchases of property, plant and equipment	86.4	59.6	64.8	69.1	106.0	23%	53%
= Net cash provided by operating activities	63.7	19.1	178.6	413.8	31.3	-51%	-92%
MW Produced	219.5	289.7	292.4	311.0	322.1	47%	4%
Line run rate	49.4	51.7	53.0	53.4	55.7	13%	4%
Conversion efficiency	10.9%	10.9%	11.0%	11.1%	11.1%	0.2%	0.0%
Core cost per watt produced	$ 0.90	$ 0.86	$ 0.83	$ 0.80	$ 0.80	-11%	0%
Stock-based payment cost per watt (manufacturing) (2)	$ 0.01	$ 0.01	$ 0.02	$ 0.02	$ 0.01	0%	-50%
Ramp penalty (cost per watt) (3)	$ 0.02	$ -	$ -	$ 0.02	$ -	-100%	-100%
Total cost per watt produced	$ 0.93	$ 0.87	$ 0.85	$ 0.84	$ 0.81	-13%	-4%

(1) RONA = 4 quarter rolling NOPAT / 4 quarter rolling NET ASSETS (where NET ASSETS = Assets - Non interest bearing liabilities)
(2) Represents stock-based payment costs associated with factory labor.
(3) Ramp penalty start-up costs consist primarily of fixed production labor and overhead spending associated with production below normal capacity utilization in a new production facility.

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Use of Non-GAAP Financial Measure – Free Cash Flow

$M

This presentation includes information regarding Free Cash Flow, which is a financial measure not prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Free Cash Flow is Net Cash Provided by Operating Activities minus capital expenditures (purchases of property, plant and equipment) and funding of its module collection and recycling program *. The Company uses Free Cash Flow to evaluate its businesses, and this measure is considered an important indicator of the Company's liquidity and ability to pursue opportunities to enhance shareholder value, including its ability to reduce debt and make strategic investments. A general limitation of a Free Cash Flow measure is that it is not prepared in accordance with GAAP and thus may not be comparable to similarly titled measures of other companies due to differences in methods of calculation and excluded items.

Actual Data

	Years Ended				Quarters Ended								
	2006	2007	2008	2009	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10
Free cash flow	(154)	(36)	4	387	(11)	(101)	42	74	(23)	(49)	114	345	(118)
+ Purchases of solar module collection and recycling restricted investment	-	-	-	8	-	-	-	-	-	8	-	-	43
+ Purchases of property, plant and equipment	153	242	459	280	74	160	96	129	86	60	65	69	106
= Net cash provided by operating activities	(1)	206	463	675	63	59	138	203	63	19	179	414	31

Forecast Data

	High Q1'10 Guidance	Low Q1'10 Guidance
Free cash flow	107	32
+ Purchases/(Sales) of restricted investment	43	43
+ Purchases of property, plant and equipment	625	650
= Net cash provided by operating activities	775	725

* Funding of the module collection and recycling program was effective Q1'09 in the free cash flow calculation

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