

BUSINESS AND GENERAL CONDITIONS

BUSINESS FIELDS // ORGANIZATION STRUCTURE

GROUP STRUCTURE AND SEGMENTS

BUSINESS FIELDS UNCHANGED. The SOLARWORLD Group is one of the world leaders in the production of crystalline solar power technology. The emphasis of our business activity is on the production and international distribution of solar power applications and systems for roof installation through to large-scale⁹ solar plants. We operate both in the area of on-grid⁹ (grid-coupled) and off-grid⁹ (stand-alone) technology. SOLARWORLD AG and its subsidiaries are involved in research, development, production and distribution at all stages of the solar value chain⁹. The materials cycle is completed by our group's internal recycling facility.

ORGANIZATION STRUCTURE FOCUSED ON SYNERGIES. SOLARWORLD AG emerged from the sole proprietorship, Frank H. Asbeck, Ingenieurbüro für Industrieanlagen, founded in 1988. Entry as a joint stock company based on German law in the trade register of the local court in Bonn under the number HRB 8319 took place on 26 March 1999. → *Chronicle • cover inside*// SOLARWORLD AG is listed in the Prime Standard⁹ of the Frankfurt Stock Exchange (TecDAX)⁹ in Germany.

SOLARWORLD AG IS THE PARENT COMPANY OF THE SOLARWORLD GROUP. As the holding company it provides in addition to sales central services for the group. These include service, steering and control functions in the areas of Corporate Business Management (strategic group development, M&A⁹), Finance, Controlling, Investor Relations, Corporate Communications⁹ and Marketing. The coordination of production planning and controlling as well as investment planning is also performed centrally by SOLARWORLD AG on behalf of the subsidiaries. Sustainability Management⁹ as well as Internal Audit are, as staff functions, directly subordinated to the group Management Board, which in turn performs the task of managing the entire group.

In order to benefit from group-wide synergies⁹ and economies of scale⁹ we pooled our procurement function centrally at DEUTSCHE SOLAR AG at our German production location of Freiberg. From there, procurement and purchasing are controlled for the entire group. Our research and raw materials activities are also pooled there in subsidiaries such as SOLARWORLD INNOVATIONS GMBH and SUNICON AG.



The company's processes are supported by standard systems employed throughout the group. IT therefore has the entrepreneurial task of using the funds available to SOLARWORLD efficiently for the operational procedures and, in doing so, to secure and optimize the control of our business processes also, and especially, during growth processes.

LEGAL GROUP STRUCTURE CHANGED. At the cut-off date (31 December 2009) the SOLARWORLD Group consisted of 25 (previous year: 28) companies. In the year under review the legal group structure was changed as follows:

- As at 1 January 2009 we repositioned our US companies in terms of company law and tax law as well as with reference to their respective fields of activity. By this means we pooled our US business in SOLARWORLD INDUSTRIES AMERICA INC. (previously: SOLARWORLD PROPERTIES INC.) as an operating parent company in a subgroup, thus creating a tax unit in the USA at the same time.
- According to the separation and takeover agreement of 7 April 2009 and the resolutions passed at the Annual General Meetings of the two legal entities, the SolarMaterial division was separated from DEUTSCHE SOLAR AG with retrospective effect as of 1 January 2009 and transferred to SUNICON AG.
- As a wholly owned subsidiary of SOLARWORLD CALIFORNIA LLC, we established SOLARWORLD POWER PROJECTS INC. on 29 April 2009. The company, which is located in Camarillo, California, will be in charge of the development of large-scale projects in the USA, an important market for the future.
- A name change was introduced for JOINT SOLAR SILICON VERWALTUNGS GMBH. The company located in Freiberg was renamed JSSI GMBH at a shareholders' meeting on 5 February 2009.
- Through a share purchase and transfer agreement of 15 July 2009 we took over 100 per cent of our previous joint venture company, SCHEUTEN SOLARWORLD SOLICIUM GMBH. The company is now operated under the name of SOLARWORLD SOLICIUM GMBH.
- In order to accelerate expansion of our Korean joint venture in the expanding Asian solar market, SOLARWORLD increased its share in SOLARWORLD KOREA LTD. in the third quarter of the year in the context of a capital increase of € 13.9 million to 76.5 (previously: 50) per cent. Within one year our joint venture⁹ partner has the right to buy 26.5 per cent of the shares held by SOLARWORLD so that, within a short period of time, equal ownership can be re-established. → *Group structure modified • p. 112//*
- We also established SOLARPARK M.E. LTD. as a joint venture together with our partner, SolarPark Engineering Ltd., Seoul, South Korea. It designs and builds manufacturing plants for module production. The company, in which SOLARWORLD holds a 50 per cent stake, was consolidated at equity⁹ as of 1 January 2009 for the first time.
- In December 2009 we sold our 35 per cent stake in GÄLLIVARE PHOTOVOLTAIC AB.




With the exception of the changes mentioned above there were no other modifications of our legal group structure. ⁽⁶⁾ [Notes/SolarWorld Group as of 31 December 2009](#) • p. 161//


In addition, we established a liaison office in Grenoble, France, on 15 September 2009. ⁽⁷⁾ www.solarworld-france.com// The local employees will render technical support for ENERGYROOF® products, for which there is a particularly high demand. They will also train installers and distributors.

SEGMENT STRUCTURE ADJUSTED. With IFRS' 8 "Operating Segments" coming into force, an adjustment to group segment reporting was introduced in 2009, which now exclusively follows the management point of view and thus focuses on the "solar module" end product on the production and on the trade side. ⁽⁸⁾ [Notes/Basic principles, accounting policies](#) • p. 156// As of 31 December 2009 the operational business was split into four segments that will take global business activities as well as the SOLARWORLD Group organization into account. Instead of the previous segments, there are now four operating segments, "Production Germany", "Production USA", "Trade" and "Other", which reflect the strategic orientation as well as the predominant internal organization, reporting and control structure. ⁽⁹⁾ [Segment structure and stages of the value chain](#) • p. 035//

In the production field the segments include regionally coherent and fully integrated production activities in Germany as well as in the USA (segments "Production Germany" and "Production USA"). The goal we pursue is to tap synergy and efficiency potentials right across the entire value chain and, in doing so, to gain competitive advantages for the end product, i.e. "solar module". The "Trade" operating segment ultimately includes the worldwide distribution of solar modules. Wafer sales to external customers have been placed in the "Production Germany" segment. In the "Other" business segment we have combined different business activities of the group whose financial influence is not, not yet, or no longer crucial to the assets, finance and earnings situation of the group. The comparative figures for the previous year were adjusted in line with the new segment structure.

WORLDWIDE LOCATIONS OF THE GROUP


PRESENT ON ALL IMPORTANT SOLAR MARKETS. For years SOLARWORLD AG has been operating a target-oriented location strategy, thanks to which we are present on the most important solar core markets. In all, the group has 13 (previous year: 13) sites (including three permanent establishments, joint ventures⁹ and the holding company).  [World Map](#)//

Our main production sites are in Germany and the USA – the two markets which, according to expert calculations, already account for more than 50 per cent of the worldwide solar market today and can also be expected to grow in the future. In addition, further production capacities are available to us in the important future market of Asia at a production site in South Korea, which is jointly operated with our joint venture partner. Apart from the good growth prospects in these markets  [The future solar power market • p. 135](#)// these locations offer us optimum framework conditions for meeting the high SOLARWORLD quality and environmental standards worldwide: a very good infrastructure on the spot, a large number of competent skilled staff, regional political support for renewable energies⁹, a long tradition of silicon processing and/or the semiconductor industry, synergies⁹ with regional research establishments as well as a broad spectrum of suppliers.

Our broadly based international sales function is handled by our sales offices in Germany, in the USA, in Singapore, South Africa, and Spain. Due to our presence on the most important solar sales markets we can respond particularly flexibly to short-term developments and also save long transport routes. In this way we accelerate the strategic distribution of our products worldwide.

IMPORTANT PRODUCTS, SERVICES AND BUSINESS PROCESSES

OFFERING AN EXTENSIVE AND BROAD ASSORTMENT. SOLARWORLD AG concentrates exclusively on mono⁹- and poly-crystalline⁹ solar power applications. The central business activities of the group are the distribution of modules to the specialist trade and the sale of wafers to the international solar cell industry. In addition, SOLARWORLD offers systems solutions from ready-to-assembly solar kits for private roofs through to large-scale solar power plants for on-grid⁹ and off-grid⁹ power supply systems.

Above and beyond its product portfolio from raw materials through to turn-key systems, the group also offers recycling⁹ as a service to external customers.  [World Map](#)//



MARKET POSITION // INFLUENCING FACTORS

COMPETITIVE POSITION AND MAIN SALES MARKETS

POSITION MAINTAINED IN TOUGHER COMPETITION. In the year under review competitive pressure on the international solar market rose significantly. It was mainly Chinese competitors who put pressure on the entire industry with their very low product prices. Due to their substantially lower personnel and energy costs as well as their lower interest rates for credits, they were able to produce at much lower overall costs than European manufacturers, for example. Average prices for solar modules dropped by about one third industry-wide in 2009 and pushed down margins⁹ at the same time so that many solar companies made losses. Crystalline solar power technology – which is what SOLARWORLD has specialized in – holds a position of market dominance with a market share of some 80 per cent in the total solar market.

Based on its strategic alignment, SOLARWORLD was able to stand its ground successfully in the tougher competitive environment. → [Strategy and action • p. 033//](#) → [Sales strategy proves its worth • p. 082//](#) Despite declining margins we managed to generate a sound result. → [Revenues and earnings development • p. 097//](#) In the year under review we succeeded in increasing our market shares. → [Market position maintained • p. 037//](#)

The solar wafer market – our second most important sales activity – was also characterized by declining prices and increasing competitive pressure in 2009. Thanks to our integrated production strategy, in contrast to competitors, we were able to upgrade wafer volumes that had not been called off into our own solar cells and modules and place them on the market. Some 50 per cent of our SOLSIX[®] brand wafers were sold to external customers in 2009 while the rest went into our own production.

Our growth on the main sales markets in 2009 closely mirrored the market development. In the year under review we therefore succeeded in increasing our share of group-wide revenue (wafer, module and solar kit business) in Germany to 71 (previous year: 46) per cent. The second strongest sales region for SOLARWORLD was the rest of Europe, with a share of 18 (previous year: 33) per cent, followed by Asia with a share in total group revenue of 7 (previous year: 12) per cent, and the USA with a share of 3 (previous year: 8) per cent.

LEGAL AND ECONOMIC INFLUENCING FACTORS

FUNDING MEASURES DRIVE INDUSTRY DEVELOPMENT. In the year 2009 the international solar industry got significantly closer to grid parity⁹, i.e. the point in time when solar power is less expensive than the price of domestic electricity. The main reason for this was the significant price reduction concerning solar power products in the year under review. Grid parity will probably be reached on the most important solar markets within the next five years. Due to this development as well as the global increase in energy demand and the simultaneously growing scarcity of fossil fuels, solar power will increasingly become an interest-



ing energy alternative worldwide. Presently, however, the solar industry still depends on funding measures in most countries. They are an important driver for the development of this industry of the future.

With its Renewable Energy Sources Act (EEG)⁹, Germany plays a pioneering role internationally in the design of funding conditions: As a result the share of renewable energies in the power mix on this market rose to 16 (previous year: 15) per cent in 2009. Solar power covered about 1.0 (previous year: 0.7) per cent of the German electricity demand. The feed-in tariff⁹ for solar power fixed by the EEG for a period of 20 years offers plant operators the necessary security to plan their investments in a solar plant over the long term. The German EEG is one of the so-called minimum price systems, currently the most important and most successful funding instruments for solar power. They create investment security for end customers and offer an important innovation stimulus to industry in the form of the pre-determined reduction of tariffs. If minimum price systems are additionally coupled to market growth it is possible to respond swiftly to current market developments. For example, the German government approved a special reduction of the compensation for solar power at the beginning of 2010 in order to adjust the feed-in tariffs to price development on the market. ➔ *EEG amended • p. 136*// These funding mechanisms are employed in all important European solar markets such as Germany, Italy, France, the Czech Republic, Belgium, Greece, and Spain.

Another type of promotion for renewable energies comes in the form of tax credits and investment grants that are given as an initial investment in a solar power plant. Such mechanisms have the advantage that end customers get special relief during this capital-intensive phase. Unlike the minimum price systems, however, these funding measures do not offer any innovation incentives for the solar industry to provide their modules not only at lower prices but also with an optimized output. The output capacity that a solar plant delivers over many years is not taken into consideration in this type of funding. Many countries such as the USA, France, or Greece use these funding mechanisms as supplementary incentives at regional level and combine them with others.

CREDIT PROGRAMS ARE GAINING IN IMPORTANCE. In addition to the funding mechanisms just described the granting of credits has become an important factor in the development of the solar power market in the year under review. The persistently tense situation on the financial market makes it difficult for investors to raise the necessary external financing, above all in the field of large-scale projects. Countries like Germany, where there are guaranteed credits such as the program for renewable energies⁹ offered by the Reconstruction Loan Corporation (KfW), were less affected by this phenomenon. For this reason, the USA for example approved a new program for financing solar power projects with borrowed funds at the end of 2009. ➔ *Promotion programs take effect • p. 137*//



STATEMENT ON THE CORPORATE GOVERNANCE OF THE COMPANY

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CORPORATE GOVERNANCE WITHIN SOLARWORLD

STAKEHOLDERS INTEGRATED INTO DIALOGUE. We interpret Corporate Governance⁹ as responsible management and control of the company geared to the long-term and sustainable creation of value. In comparison with the “old economy”, we are a fairly young company in the middle of a dynamic market process. Our management philosophy does not exclusively follow the principle of being faster in and closer to the market – it also takes into consideration the interests of our investors, business partners, employees and the public. It is additionally based on the need to continuously confirm the trust placed in us by all stakeholder⁹ groups, and to further develop Corporate Governance within the group. In doing so SOLARWORLD AG is guided by the German Corporate Governance Code (GCGC)⁹.

According to section 4.1.1 GCGC the interests of our shareholders, our employees and other groups associated with the company are taken care of by the Board of Management in managing the company. To this end we included a new contact form on our homepage in the year under review. [\[1\] www.solarworld.de/stakeholders](http://www.solarworld.de/stakeholders)// For more information on our dialogue with our stakeholders, please go to [☉ Report on sustainable corporate management • p. 213//](#).

For successful corporate management and control we rely on the close and trustful cooperation of the Board of Management and the Supervisory Board. [☞ Report by the Supervisory Board 2009 • p. 022//](#)

CORPORATE GOVERNANCE REPORT 2009

AGAIN AN UNRESTRICTED DECLARATION OF COMPLIANCE FROM THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD. As has already been the case since 2002, the Board of Management and the Supervisory Board issued a declaration of compliance⁹ in the year under review. This is in absolute agreement with the recommendations made in the GCGC version dated 18 June 2009 as published on 5 August 2009. Pursuant to paragraph 161 German Stock Corporation Act (AktG), the declaration was made permanently available on our Internet homepage. [\[1\] www.solarworld.de/investorrelations/compliancedeclaration](http://www.solarworld.de/investorrelations/compliancedeclaration)//

Part of our philosophy concerning Corporate Governance also involves the responsible handling of risks. The Board of Management performs its duty of care by way of appropriate risk management and internal risk controlling. It regularly informs the Supervisory Board about existing risks and their development. [☞ Opportunity and risk management system • p. 114//](#)

MANAGEMENT AND CONTROL UNCHANGED IN 2009. As a German stock corporation, SOLARWORLD AG has a dual management and control structure with a separation in personnel between the management and the control/monitoring functions. The Board of Management manages the company in line with the pertinent legislation (paragraphs 77, 78 AktG), Articles of Association (paragraphs 5, 6) and Rules of Procedure un-

der its own responsibility and develops the appropriate strategic direction. It is appointed by the Supervisory Board. This, according to paragraphs 95 (1), 96 (1), 101 (1) AktG, is composed of shareholder representatives and is elected by the Annual General Meeting (AGM), which is, however, not obliged to comply with the election proposal. The legal basis for the work of the Supervisory Board of SOLARWORLD AG is formed by the Articles of Association and the Rules of Procedure. The Supervisory Board appoints and supervises the Board of Management and advises it on fundamental decisions. → [Notes/Members of the Management and the Supervisory Boards • p. 207//](#)

The Board of Management of SOLARWORLD AG as well as its respective responsibilities have remained unchanged in the course of fiscal year 2009. The Board of Management continues to consist of the following four members: → [Photo of Board of Management • p. 014//](#)

→ **Frank H. Asbeck** (Chairman and Chief Executive Officer),

As founder of the company, he is responsible for corporate development, public relations and also energy and corporate policy

Initial appointment: 1999

End of current appointment period: 9 January 2014

→ **Frank Henn** (Chief Sales Officer),

Responsible for the coordination of national and international sales

Initial appointment: 2004

End of current appointment period: 31 May 2013

→ **Boris Klebensberger** (Chief Operating Officer)

Responsible for the QM⁹ and EM⁹ areas as well as for production management and controlling; also in charge of control of the producing subsidiaries as well as Research and Development

Initial appointment: 2001

End of current appointment period: 23 September 2011

→ **Philipp Koecke** (Chief Financial Officer)

Responsible for the areas Controlling, Investor Relations/Corporate Communications, IT, HR, Accounting, Group Accounting and Internal Audit

Initial appointment: 2003

End of current appointment period: 30 April 2012



The composition of the Supervisory Board also remained unchanged in the year under review with the Board continuing to consist of three members: ➔ [Photo of Supervisory Board](#) • p. 020 //

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

Taking into consideration the functions of the Chairman of the Supervisory Board in two cases that count double, Dr. Recktenwald holds a total of eight mandates, with the currently permissible total number of mandates being ten. Dr. Gansen has four mandates, and Dr. von Bossel holds two mandates. The Supervisory Board reports on its activities in fiscal year 2009 in the present Annual Group Report. ➔ [Report by the Supervisory Board](#) • p. 022 // There, you will also find further information on implementation of the GCGC. As the Supervisory Board of SOLARWORLD AG continues to be made up of three members the instructions in section 5.3 concerning the formation of committees do not apply. Furthermore, the entire Supervisory Board deals with Management Board matters including the compensation system, and performs the required examination and supervisory tasks. In this context the cap ruling on severance pay as per section 1.2.3 will also be observed. The age limit to be imposed according to section 5.1.1 GCGC is not applied to the SOLARWORLD Board of Management due to its age structure.

TRANSPARENCY GUARANTEED VIS-À-VIS SHAREHOLDERS AND THE PUBLIC. Our goal is to inform all our target groups transparently and promptly in keeping with the principle of equal treatment. All our information is communicated on the Internet in a freely accessible way. www.solarworld.de // The Investor Relations section of the SOLARWORLD Internet page was revised and given a clearer structure in early 2009. By this means, we ensure a high degree of user friendliness in German and English, pursuant to section 6.8 GCGC. ➔ [Investor Relations work improved](#) • p. 067 //

AT THE ANNUAL GENERAL MEETING OUR SHAREHOLDERS MAY EXERCISE THEIR RIGHTS AND CAST THEIR VOTES. For shareholders who are unable to attend the AGM personally, the possibility exists to exercise voting rights through a personally selected proxy or an authorized representative of our company who will act on their instructions. The selected proxy or representative will also be accessible to our shareholders during the AGM. All information concerning the AGM can be downloaded from our website at an early point in time. Pursuant to paragraph 3 (2) of our Articles of Association, information such as invitations to the AGM may also be communicated to shareholders by way of electronic media. Pursuant to the new version of the law on implementation of the shareholder directive (ARUG) of 30 July 2009, the Board of Management and the Supervisory Board will propose appropriate changes to the Articles of Association to the AGM.



CAPITAL MARKET LAW AND COMPLIANCE DUTIES CONSTANTLY REVIEWED. Adhering to and implementing the capital market laws and disclosure rules designed to strengthen investor protection (compliance⁹) is one of the important management functions of the Board of Management. It is performed by a central Compliance Office that is attached to the office of the Chief Financial Officer. An external legal clearing office examines group-wide facts with respect to their ad-hoc relevance. With regard to the legal ban on insider trading pursuant to paragraph 14 of the German Securities Trading Act (Wertpapierhandelsgesetz = WpHG), members of the Board of Management and employees for whom access to insider information is indispensable, as well as service providers and project participants, are listed in an Insider Register.

In 2009 there were six voting rights notifications pursuant to paragraphs 21, 26 WpHG for exceeding or falling short of the voting rights thresholds defined by law. ➔ *[The shareholder structure of SolarWorld AG changed as of 31 December 2009 • p. 066](#)* // The share ownership on the part of members of the SOLARWORLD AG Board of Management amounted to a total sum of 25 per cent of the shares issued as at 31 December 2009. The members of the Supervisory Board did not hold any shares in the company. Pursuant to paragraphs 15a WpHG, members of the Board of Management and the Supervisory Board as well as persons closely related to them are legally obliged to disclose the acquisition and sale of SOLARWORLD AG shares or financial instruments derived from them if the value of the transactions conducted within one calendar year exceeds the sum of € 5,000. No such transactions were disclosed to SOLARWORLD AG in the course of the year under review. An annual document pursuant to the Securities Prospectus Act (WpPG) provides information on all publications that occurred in the year 2009 on our Internet page subsequent to publication of the Annual Financial Statements on 25 March 2010. www.solarworld.de/investorrelations/jaehrl-dokument//

REMUNERATION REPORT

With this remuneration report, the Supervisory Board and the Management Board of SOLARWORLD AG again comply with the recommendations of the German Corporate Governance Code (GCGC)⁹ in its most recent version of 18 June 2009. While section 3.10 of the GCGC requires a Corporate Governance report, which is included in this Annual report under a separate headline and, incidentally, is also covered in the Report by the Supervisory Board, section 4.2.5 of the GCGC requires an explanation concerning the remuneration system for Management Board members, including disclosure of individualized remuneration, and section 5.4.6 requires that the remuneration for members of the Supervisory Board be reported individually in the Corporate Governance Report, broken down by components, including remuneration paid and benefits extended for services provided individually, in particular advisory and agency services.

MANAGEMENT BOARD REMUNERATION. The annual Management Board remuneration agreed with all Management Board members and determined in terms of its structure by the Supervisory Board of SOLARWORLD AG consists of fixed and variable components. It is based on paragraph 87 of the German Stock Corporation Act, according to which total remuneration for an individual Management Board member must be commensurate with his tasks and the situation of the company. It also meets the require-



ments of the GCGC and reflects special features of the company in the context of the group, as well as the individual performance in the HR and functional areas, taking the relevant environment into account. The financial situation of the SOLARWORLD Group is also taken into consideration. The financial situation, in turn, determines the profit distribution possibilities which form the basis for the variable components of Management Board remuneration.

The Management Board remuneration also meets the requirements of the German Act on the Appropriateness of Management Board Remuneration, adopted by the federal parliament on 18 June 2009. Account is taken both of the individual performance of a Board member and the customary remuneration in the sector as well as sustainable corporate development. The new deductible for Management Board members of at least 10 per cent of the respective loss and at least 150 per cent of the fixed annual remuneration was already agreed as of 1 January 2010 for D&O insurance policies. Other than that, the SOLARWORLD AG Management Board remuneration was determined by the principles already applying prior to the German Act on the Appropriateness of Management Board Remuneration coming into force.

As fringe benefits, D&O insurance costs are paid for all Management Board members, who are also provided with the use of an upper mid-range company car. Furthermore, all work-related out-of-pocket costs, expenditure and expenses are refunded pursuant to paragraph 670 of the German Civil Code. In addition, the Management Board members in charge of Finance (CFO), Operations (COO), and Sales (CSO), receive grants towards their health insurance. The Chairman of the Management Board (CEO) also receives remuneration as the Supervisory Board chairman of DEUTSCHE SOLAR AG and SUNICON AG.

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

There are no separate pension entitlements. Management Board members are therefore also allowed to convert part of their remuneration into company pension schemes.

The fixed annual remuneration for Management Board members is payable in twelve monthly installments at the end of each month. In addition, every Management Board member receives a variable, performance-related special payment that is equivalent to an individually negotiated euro amount per cent and share of the dividend distributed to shareholders. This amount is paid within four weeks of the AGM at which the underlying dividend⁹ distribution was approved. The individualization of Management Board remuneration presented below relates, on the one hand, to fixed remuneration due and paid in 2009. On the other hand, it also covers variable remuneration relating to fiscal year 2009 which, however, can only fall due after the next Annual General Meeting and depends on approval of the profit appropriation proposal submitted by management, according to which 16 eurocents are to be distributed per share.

Variable remuneration has been capped so that a Management Board member must not be paid more than a multiple of the fixed remuneration previously agreed with the Supervisory Board per fiscal year. For the CFO and the CSO, the cap is three times the fixed amount (the variable component amounts to up to 200 per cent of the fixed remuneration), and for the CEO and COO, it is four times the fixed amount (the variable component may not exceed 300 per cent of the fixed remuneration).

At the Annual General Meeting of 20 May 2009, our shareholders signaled where they see the appropriate level of management salaries in Germany. In accordance with a proposal concerning a resolution to cap Management Board remuneration, it was resolved that the remuneration for a Management Board member be capped at 20 times the average pay in the SOLARWORLD Group. The calculation is based on gross wages and salaries in each completed fiscal year, divided by the headcount at year-end. This regulation will apply with immediate effect until an AGM decides otherwise. It is based on a Board request in accordance with paragraph 119 (2) of the German Stock Corporation Act. This was required to justify the AGM's competence. At the end of the day, it therefore ultimately constitutes a self-commitment by the incumbent Board implemented with the consent of the Supervisory Board, and is to be taken into account in future employment contracts. Remuneration components affected are the variable and fixed part of the respective annual income. The only components not affected are inventors' compensation, compensation for Supervisory Board mandates and other sideline payments or payments in kind. In accordance with section 4.2.2, the level and structure of remuneration are continually reviewed by the Supervisory Board. In addition, they are discussed at an annual meeting dealing with Board matters and agreed upon and updated in agreement with each Board member.



⑪ MANAGEMENT BOARD REMUNERATION // IN €

	Non-performance-related		Performance-related	Total
	Fixed	Other remuneration	Variable	
Frank H. Asbeck CEO	280,843.32		810,000.00*	[1,090,843.32]
				988,146.00 Capping of the management remuneration pursuant to a resolution passed by the AGM on 20 May 2009
		29,500.00 (Supervisory Board remuneration, DEUTSCHE SOLAR AG, incl. attendance fees of € 4,500.00) 17,400.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,400.00)		46,900.00
Previous year	280,843.32	29,500.00 (Supervisory Board DEUTSCHE SOLAR AG incl. attendance fees of € 4,500.00) 17,000.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,000.00)	810,000.00	1,137,343.32
Philipp Koecke CFO	162,821.04	3,205.20 (grants towards health insurance)	256,000.00*	422,026.24
Previous year	136,154.40	2,576.16 (grants towards health insurance)	240,000.00	378,730.56
Boris Klebensberger COO	262,407.64	2,692.71 (grants towards health insurance) 2,994.26 (inventor's compensation)	560,000.00*	828,094.61
Previous year	174,423.32	31,515.64 (Management Board, DEUTSCHE SOLAR AG), 2,379.90 (grants towards health insurance) 2,329.64 (inventor's compensation)	559,599.99**	770,248.49**
Frank Henn CSO	174,337.47	3,583.14 (grants towards health insurance)	256,000.00*	433,920.61
Previous year	174,337.43	3,375.00 (grants towards health insurance)	240,000.00	417,712.43
Total	880,409.47	59,690.31	1,882,000.00*	2,719,087.46
Previous year	765,758.47	88,676.34	1,849,599.99**	2,704,034.80**

* Resolution on profit appropriation, Annual General Meeting 2010

**The previous year's amounts for Boris Klebensberger have changed: In 2009, arrears of variable remuneration in the amount of € 34,599.99 were paid for 2008.

SUPERVISORY BOARD REMUNERATION. The AGM of SOLARWORLD AG on 25 May 2005 resolved on Supervisory Board remuneration consisting of a fixed component, performance-related special remuneration, fringe benefits and the reimbursement of expenses. This resolution took effect as of 1 January 2005 and was to apply for subsequent years unless a resolution to the contrary was passed by another AGM for the future.

In accordance with paragraph 113 (1) of the German Stock Corporation Act, Supervisory Board remuneration must be appropriate in relation to the tasks of the Supervisory Board members and the position of the company. The SOLARWORLD AG AGM also resolved that the company would pay the premiums for appropriate insurance cover against the legal liability resulting from Supervisory Board activities (D&O insurance). Since the Supervisory Board also follows the GCGC recommendation of also applying the deductible that is mandatory only for the Management Board to the Supervisory Board, the terms and conditions of the relevant D&O insurance will be adjusted accordingly as of 1 July 2010.

Accordingly, members of the Supervisory Board receive annual remuneration of € 17,500.00 respectively; the vice chairman of the Supervisory Board receives one and a half times that amount, i.e. € 26,250.00, and the chairman of the Supervisory Board receives twice that amount, i.e. € 35,000.00, plus, in each case, value-added tax if applicable. This remuneration was paid in 2010 retroactively for fiscal year 2009. In addition, each member of the Supervisory Board received a lump sum allowance of € 250.00 each to cover expenses per meeting and AGM attendance, which in 2009 was triggered eight times and added up to a total of € 2,000.00, again plus value-added tax if invoiced, which, however, the company was able to deduct as input tax. In addition, every member of the Supervisory Board received and receives performance-related special remuneration, originally determined as € 150.00 per dividend cent with capital stock consisting of 6,350,000 shares, subject to the proviso that the basic amount shall rise in line with an increase in the number of shares. As the number of shares rose from 6,350,000 to 111,720,000, a multiplier of 17.5937 applies to this fiscal year, triggering a basic amount of € 2,639.055. If the next AGM resolves on a dividend⁹ of 16 eurocents per share, the variable special remuneration will be € 42,224.80 (previous year: € 39,585.83) per Supervisory Board member. However, at its meeting on 6 August 2007, the SOLARWORLD AG Supervisory Board submitted a “Self-Commitment Declaration” entailing a partial renunciation. It is linked to the agreements made with the Management Board members on variable remuneration and reads as follows: “As long as the resolution of the AGM of 25 May 2005 applies to the remuneration of the Supervisory Board, the Supervisory Board members accept that variable remuneration due to them be capped to double the fixed annual remuneration due to them. Consequently, even if due to special results for the year and/or a further increase in the relevant number of shares, more than double the fixed annual remuneration could be claimed as variable special remuneration, the total amount paid per fiscal year will not exceed three times the fixed annual remuneration. The Supervisory Board thus agrees to (and among itself) the cap regulation provided for in section 4.2.3, penultimate paragraph of the German Corporate Governance Code.”



The performance-related special remuneration is also paid plus value-added tax if applicable. Payment is due after the close of the AGM that resolved on the underlying dividend distribution. The variable remuneration shown in the following list for 2009 will therefore only fall due and be paid when the AGM approves the dividend proposed by the Management Board and Supervisory Board.

With regard to the disclosure recommended in the last paragraph of section 5.4.6 of the 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 via other partners and employees of the law firm, this firm provides legal advice and representation services to the SOLARWORLD Group as well as international coordination services that are necessary in this context.

Concerning the provision of services for SOLARWORLD AG in 2009 – the year under review – the law firm of Schmitz Knoth Rechtsanwälte charged € 469,244.87, excluding VAT and tax-free expenses. For the 2009 service period, subsidiaries incurred additional attorney's fees, which amounted to € 124,312.20 for DEUTSCHE SOLAR AG, € 11,754.60 for DEUTSCHE CELL GMBH, € 5,538.07 for SOLAR FACTORY GMBH, € 2,059.20 for SOLARWORLD INDUSTRIES DEUTSCHLAND GMBH, € 15,446.60 for SUNICON AG and € 44,283.20 for SOLARWORLD INNOVATIONS GMBH. All individual items and the total of € 672,638.74 (previous year: € 591,301.76) paid by the group were approved by the Supervisory Board of SOLARWORLD AG, a resolution on commissioning the relevant work was adopted, and the necessity and appropriateness of the work were confirmed at the meeting on 15 March 2010, which was convened to adopt the annual accounts.

In conclusion, it is stated that the Supervisory Board members Dr. Claus Recktenwald and Dr. Georg Gansen are concurrently and respectively Deputy Chairmen of the Supervisory Board of DEUTSCHE SOLAR AG. Frank H. Asbeck, CEO of SOLARWORLD AG, is chairman of that Supervisory Board. Remuneration for the Supervisory Board of DEUTSCHE SOLAR AG was increased to an annual amount of € 25,000.00 at the AGM of 6 December 2007. That amount also applied to each Supervisory Board member in 2009, plus an attendance fee of € 750,00 per meeting reported in the list provided below. With six meetings charged in 2009, the total amount per Supervisory Board member was € 29,500.00 net, which will only fall due and be paid upon completion of the fiscal year, as is the case with all other remuneration for Supervisory Board members.

Dr Claus Recktenwald, Dr. Georg Gansen and Frank H. Asbeck are also members of the Supervisory Board of SUNICON AG. The company's AGM on 18 December 2008 resolved on Supervisory Board remuneration of € 15,000.00 net per Supervisory Board member, to apply to fiscal year 2008 for the first time and not payable until 1 January 2009, as is the attendance fee of € 400.00. With five meetings charged, the total amount per Supervisory Board member will be € 17,000.00, plus value-added tax.

⑫ SUPERVISORY BOARD REMUNERATION // IN €

		Non-performance-related			Performance-related	Total
		Fixed annual remuneration	Attendance fee	Other remuneration	Variable special remuneration	
Dr Claus Recktenwald Chairman	For 2009, paid in 2010	35,000.00	2,000.00	29,500.00 (Supervisory Board remuneration, DEUTSCHE SOLAR AG, incl. attendance fees of € 4,500.00) 17,400.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,400.00)	42,224.88*	126,124.88*
	For 2008, paid in 2009	35,000.00	2,500.00	29,500.00 (Supervisory Board remuneration, DEUTSCHE SOLAR AG, incl. attendance fees of € 4,500.00) 17,000.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,000.00)	39,585.83	123,585.83
Dr Georg Gansen Deputy Chairman	For 2009, paid in 2010	26,250.00	1,750.00	29,500.00 (Supervisory Board remuneration, DEUTSCHE SOLAR AG, incl. attendance fees of € 4,500.00) 17,400.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,400.00)	42,224.88*	117,124.88*
	For 2008, paid in 2009	26,250.00	2,500.00	29,500.00 (Supervisory Board remuneration, DEUTSCHE SOLAR AG, incl. attendance fees of € 4,500.00) 17,000.00 (Supervisory Board remuneration, SUNICON AG, incl. attendance fees of € 2,000.00)	39,585.83	114,835.83
Dr. Alexander von Bossel Member	For 2009, paid in 2010	17,500.00	2,000.00		35,000.00*	54,500.00*
	For 2008, paid in 2009	17,500.00	2,500.00		35,000.00	55,000.00
Total	For 2009, paid in 2010	78,750.00	5,750.00	93,800.00	119,449.76*	297,749.76*
Previous year	For 2008, paid in 2009	78,750.00	7,500.00	93,000.00	114,171.66	293,421.66

* Resolution on profit appropriation, Annual General Meeting 2010