CONSOLIDATED FINANCIAL STATEMENTS

149 CONSOLIDATED FINANCIAL STATEMENTS
149 CONSOLIDATED INCOME STATEMENT
150 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
151 CONSOLIDATED BALANCE SHEET
152 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
153 CONSOLIDATED CASH FLOW STATEMENT
154 NOTES
209 AUDITOR'S REPORT
210 RESPONSIBILITY STATEMENT

Cf. to text passage • *page//*
Cf. to to chart • *page//*
www.internetlink.com
Cf. to sustainability index • *page//*
Cf. to solar World Map • *Insert//*
Cf. to glossary[g]

CONTENT

149 CONSOLIDATED FINANCIAL STATEMENTS

149 CONSOLIDATED INCOME STATEMENT
150 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
151 CONSOLIDATED BALANCE SHEET
152 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
153 CONSOLIDATED CASH FLOW STATEMENT

154 NOTES

154 GENERAL DISCLOSURES
165 ACCOUNTING POLICIES
176 COMMENTS ON THE INDIVIDUAL ITEMS OF THE INCOME STATEMENT
182 SEGMENT REPORTING
186 COMMENTS ON THE BALANCE SHEET
196 OTHER COMMENTS
209 AUDITOR'S REPORT
210 RESPONSIBILY STATEMENT

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE BUSINESS YEAR JANUARY 1, 2009 TO DECEMBER 31, 2009

56 CONSOLIDATED INCOME STATEMENT 2009 // IN k€

	Notes	2009	2008
1. Revenue	22, 24, 37	**1,012,575**	900,311
2. Change in inventories of finished goods and work in progress	10, 22	**48,830**	15,160
3. Own work capitalized	25	**3,117**	7,740
4. Other operating income	6, 22, 26, 34	**50,653**	26,123
5. Cost of materials	27	**-691,062**	-454,060
6. Personnel expenses	28	**-99,783**	-90,130
7. Amortization and depreciation	7, 8, 29, 37, 38	**-63,659**	-55,166
8. Other operating expenses	6, 22, 30, 34	**-108,865**	-86,718
9. Operating result from continued operations	37	**151.806**	263,260
10. Result from investments measured at equity	9, 32	**-4,579**	-8,612
11. Interest and similar income	22,32	**29,844**	41,438
12. Interest and similar expenses	22,32	**-55,206**	-49,046
13. Other financial result	6,22,32	**9,887**	-58,371
14. Financial result		**-20,054**	-74,591
15. Income from continued operations before taxes on income		**131,752**	188,668
16. Taxes on income	23,33	**-72,779**	-53,422
17. Income from continued operations		**58,973**	135,246
18. Income after taxes from discontinued operations	35	**0**	13,432
19. Consolidated net income		**58,973**	148,678
20. Earnings per share	36		
a) Weighted average number of shares outstanding (in 1,000)		**111,720**	111,720
b) Income from continued operations (in €)		**0.53**	1.21
c) Income from discontinued operations (in €)		**0.00**	0.12
Consolidated net income (in €)		**0.53**	1.33

(57) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2009// IN k€

	2009	2008
Consolidated net income	**58,973**	148,679
Other comprehensive income		
Net result from cash flow hedges		
Profits/losses of the current period	**-12,662**	12,839
Reclassifications to income statment	**497**	-4,363
	-12,165	8,476
Income tax effects	**3,866**	-2,630
	-8,299	5,846
Currency translation of foreign operations	**-9,243**	10,359
Net result from financial assets available for sale		
Profits/losses of the current period	**0**	290
Reclassifications to income statement	**-290**	0
	-290	290
Income tax effects	**4**	-4
	-286	286
Other comprehensive income for the period, net of tax	**-17,828**	16,491
Total comprehensive income for the year	**41,145**	165,170

(58) CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31 // IN k€

Assets	Notes	Dec. 31, 2009	Dec. 31, 2008
A • Noncurrent Assets		**881,824**	666,884
I. Intangible assets	7, 38, 39	**37,297**	33,861
II. Property, plant and equipment	8, 38, 40	**787,536**	575,406
III. Investments measured at equity	9, 41	**50,243**	30,544
IV. Other financial assets	13, 42	**849**	0
V. Deferred tax assets	23, 33, 43	**5,899**	27,073
B • Current Assets		**1,334,390**	1,453,166
I. Inventories	10, 44	**598,154**	523,766
II. Trade receivables	11, 45, 61	**211,401**	71,219
III. Current income tax assets	23, 46	**2,157**	914
IV. Other receivables and assets	12, 47	**12,987**	21,164
V. Other financial assets	13, 17, 48, 61	**81,602**	404,414
VI. Liquid funds	14, 49, 61, 62	**428,089**	431,689
C • Assets Held for Sale	15, 50	**836**	572
		2,217,050	2,120,622

Equity and Liabilities	Notes	Dec. 31, 2009	Dec. 31, 2008
A • Equity	51	**865,462**	841,075
I. Subscribed capital		**111,720**	111,720
II. Capital reserve		**296,489**	296,489
III. Other reserves		**-11,517**	6,311
IV. Accumulated profits		**468,770**	426,555
B • Noncurrent Liabilities		**1,119,411**	1,093,559
I. Noncurrent financial liabilities	16, 17, 52, 61	**750,584**	675,406
II. Accrued investment grants	18, 53	**68,279**	78,842
III. Noncurrent provisions	19, 20, 54	**24,023**	23,242
IV. Other noncurrent liabilities	21, 56	**250,662**	292,485
V. Deferred tax liabilities	23, 33, 57	**25,863**	23,584
C • Current Liabilities		**232,177**	185,988
I. Current financial liabilities	6,16,17,52,61	**38,915**	28,714
II. Trade payables	16, 55, 61	**83,943**	70,413
III. Income tax liabilities	23, 58	**25,218**	20,219
IV. Current provisions	20, 54	**5,426**	5,716
V. Other current liabilities	6, 21, 56	**78,675**	60,926
		2,217,050	2,120,622

59 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2009 // IN k€

			Other reserves				
Note 4, 51	Subscribed capital	Capital reserve	Exchange reserve	Reserve from hedging of cash flows**	Reserve for assets available for sale*	Accumu-lated proftis	Total
As per Dec 31, 2007	111,720	296,489	-13,482	3,302	0	293,517	691,546
Dividend distribution						-15,641	-15,641
Total comprehensive income			10,359	5,846	286	148,679	165,170
As per Dec 31, 2008	111,720	296,489	-3,123	9,148	286	426,555	841,075
Dividend distribution						-16,758	-16,758
Total comprehensive income			-9,243	-8,299	-286	58,973	41,145
As per Dec 31, 2009	**111,720**	**296,489**	**-12,366**	**849**	**0**	**468,770**	**865,462**

* Hereinafter "AfS-reserve"
** Hereinafter "Hedging reserve"

60 CONSOLIDATED CASH FLOW STATEMENT 2009// IN k€

	Note 62	2009	2008
	Income before tax	**131,752**	202,355
+	Amortization and depreciation	**63,659**	55,166
+	Financial result (without gains/losses from currency translation)	**18,817**	72,144
+	Loss from disposal of assets	**608**	322
-	Reversal of accrued investment grants	**-10,461**	-10,210
-	Other material non-cash income	**-25,417**	-13,686
=	Cash flow from operating result	**178,958**	306,091
+/-	Changes in prepayments and customer advances (balance)	**10,148**	-10,790
-	Increase of inventories (devoid of prepayments)	**-67,969**	-42,459
+	Decrease of securities (categorized as trading)	**0**	17,041
-/+	Increase/decrease trade receivables	**-140,200**	39,855
+	Increase/decrease trade liabilities	**17,038**	19,530
+/-	Changes in other net assets	**-3,891**	-288
=	Cash flow from operating result and changes in net assets	**-5,916**	328,980
+	Interest received	**15,497**	31,623
-	Taxes on income paid	**-42,578**	-40,140
=	**Cash flow from operating activities**	**-32,997**	320,463
-	Cash outflow for asset investments	**-318,415**	-269,515
+	Cash inflow from investment grants	**5,103**	29,042
+	Cash inflow from the disposal of assets	**1,767**	8,602
+	Cash inflow from financial investments	**320,112**	53,627
+	Cash inflow from the disposal/purchase of consolidated entities	**5,885**	12,996
=	**Cashflow from investment activities**	**14,452**	-165,248
+	Cash inflow from borrowings	**100,000**	78,711
-	Cash outflow for redemption of borrowings	**-18,601**	-28,228
-	Interest paid	**-39,746**	-33,008
-	Dividend distributions	**-16,758**	-15,641
=	**Cash flow from financing activities**	**24,895**	1,834
+	Net changes in cash and cash equivalents	**6,350**	157,049
+/-	Exchange rate effects as well as effects from changes in the group of consolidated companies on cash and cash equivalents	**-1,615**	725
+	Cash and cash equivalents at the beginning of the period	**423,354**	265,580
=	**Cash and cash equivalents at the end of the period**	**428,089**	423,354

NOTES

GENERAL DISCLOSURES

1. BASIC PRINCIPLES, ACCOUNTING POLICIES

SOLARWORLD AG is a listed corporation domiciled in Germany. SOLARWORLD AG's Executive Board prepared the consolidated statements on March 12, 2010 and released them for disclosure on the same day.

The consolidated financial statements of the SOLARWORLD AG as of December 31, 2009 have been prepared – pursuant to Section 315a of the German Commercial Code (HGB) – according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union (EU) and in effect at the closing date. In addition, the commercial law regulations further stated in Section 315 para. 1 HGB have been considered. All mandatory applicable standards and interpretations were taken into account. 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.

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 2009

The following standards and interpretations or essential changes were to be initially applied in 2009:

- IAS 1 "Presentation of financial statements (revised)"
- IAS 23 "Borrowing costs (revised)"
- IAS 32 "Financial Instruments: presentation" and IAS 1 "Presentation of financial statements" – Puttable instruments and obligations on liquidation
- Amendments to IAS 39 "Financial instruments: recognition and measurement" and IFRS 7 "Financial instruments: disclosures" – Reclassification of financial assets
- Amendments to IFRS 1 "First-time adoption of international financial reporting standards" and IAS 27 "Consolidated and separate financial statements" – Cost of investments in subsidiaries, jointly controlled entities and associates
- IFRS 2 "Share-based payment: vesting conditions and cancellations"
- IFRS 7 "Financial instruments: disclosures"
- IFRS 8 "Operating segments"
- Improvements to IFRS (2008)
- IFRIC 9 "Reassessment of embedded derivatives" and IAS 39 "Financial instruments: recognition and measurement"
- IFRIC 13 "Customer loyalty programmes"
- IFRIC 15 "Agreements for the construction of real estate"
- IFRIC 16 "Hedges of a net investment in a foreign operation"

For lack of customer loyalty programmes, IFRIC 13 is not applicable to SOLARWORLD AG. IFRIC 15 and IFRIC 16 will not be applicable either. The changes of IFRS 1 are no longer applicable to SOLARWORLD AG. In the absence of share-based payment programmes, the changes in IFRS 2 are not applicable.

The amendments regarding IAS 1 "Presentation of financial statements (revised)" were published on September 6, 2007, endorsed by the EU on December 17, 2008 and are applicable to reporting periods beginning on or after January 1, 2009. The revised standard requires separate presentations for changes in equity resulting from transactions with equity holders in their capacity as equity contributors and other changes in equity. The statement of changes in equity therefore only includes details regarding transactions with shareholders while other changes in equity are presented in total by way of a reconciliation for individual equity components. In addition, the standard introduces a statement of comprehensive income in which all profit or loss components recognized in the income statement and all result components recognized in equity thereby not affecting profit or loss are either presented in a single statement or in two interconnected statements. In this respect, the Group decided to present two separate statements. Another material change of the revised IAS 1 is the obligation to disclose an opening balance sheet for the first period affected by a retrospective change of accounting. In this regard, we refer to our comments in note 6.

The amendments of IAS 23 were announced on March 29, 2007, adopted into EU law on December 10, 2008 and are applicable for financial years beginning on or after January 1, 2009. In accordance with the transitional provisions, the standard is to be applied prospectively. Thus, the application is not mandatory for qualifying assets that were capitalized prior to January 1, 2009. The amendments eliminate the option to directly recognize interest for borrowing cost in the scope of acquisition or manufacturing of qualifying assets as an expense. IAS 23.5 defines a qualifying asset as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. SOLARWORLD AG capitalizes directly attributable borrowing costs as part of cost if the production of intangible assets or assets of property, plant and equipment is scheduled to take at least one year. As a result of the amendment to this standard, no borrowing costs were capitalized in 2009.

The amendments of IAS 32 and IAS 1 were announced on February 14, 2008, adopted into EU law on January 21, 2009 and are applicable for financial years beginning on or after January 1, 2009. To a limited extent, the amendments allow exemptions that permit a classification of puttable instruments as equity if they meet certain criteria. The application of these amendments did not have any impact on the financial position and financial performance of the Group.

On November 27, 2008, the IASB published an amended version of the "Amendment to IAS 39 and IFRS 7: Reclassification of Financial Instruments" first announced on October 13, 2008. The amendments were adopted into EU law on September 9, 2009. The amendments issued on October 13, 2008 concerned the reclassification of several financial instruments and had been applicable per July 1, 2008. The reason for the new amendment was the clarification of the application date of the amendments announced on October 13, 2008. Reclassifications that were made on or after November 1, 2008 are effective from the time of reclassification and may not be recognized as such retrospectively. If the reclassification regulations were applied prior to November 1, 2008, they may be withdrawn until July 1, 2008 or a later date. However, reclassifications may not be applied before July 1, 2008.

The amendment to IFRS 7 was announced on March 6, 2009 and adopted into EU law on November 27, 2009. It is applicable for financial years beginning on or after January 1, 2009. Presentation of comparative information is not mandatory in the first year of application. The amended standard provides for additional disclosures regarding the determination of the fair values and the liquidity risk. The amendment requires a quantitative analysis of the determination of fair values on the basis of a three-step hierarchy for each class of financial instruments recognized at fair value. In addition, a reconciliation of beginning and ending balance is now mandatory for measurements at fair value with regard to step three as is the disclosure of material reclassifications between steps 1 and 2 of the determination hierarchy. The amendment also clarifies the requirements for disclosures of liquidity risks with respect to transactions that concern derivatives and of assets used for the purpose of liquidity management. The disclosures of fair values are presented in note 61.

IFRS 8 was announced on November 30, 2006, adopted into EU law on November 21, 2007 and is applicable for financial years beginning on or after January 1, 2009. IFRS 8 replaces IAS 14 "Segment Reporting" and is almost identical to SFAS 131 (US GAAP). The former primary and secondary reporting format differentiating between business segments and geographical segments is abandoned and transformed into a single reporting format, which shows segments on

the basis of information used by management for steering the entity. In addition, a reconciliation of the segment figures to the Group figures is required for each reportable segment. Furthermore, geographical areas, products and major customers are to be disclosed. SOLARWORLD AG applies the regulations of IFRS 8 starting with the financial year 2009. We refer to our comments in note 37.

On May 22, 2008, the IASB, in the scope of its first Annual Improvement Project, announced amendments for a number of existing IFRS. These were adopted into EU law on January 23, 2009. The amendments comprise both wording adjustments of individual IFRS for the purpose of clarifying existing regulations and amendments of several IFRS impacting recognition, measurement and presentation of business transactions. Most of the amendments are applicable for financial years beginning on or after January 1, 2009. The following contents of the collective standard for IFRS improvements are of basic relevance for SOLARWORLD AG:

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

The amendments of IFRIC 9 and IAS 39 were announced by the IASB on March 12, 2009 and adopted into EU law on November 30, 2009. The intention was to clarify the accounting of embedded derivatives in the event of reclassifications of financial instruments. It needs to be examined whether a derivative embedded in a host contract needs to be separated and, accordingly, needs to be separately recognized in the financial statements if the entire hybrid financial instrument is reclassified from the category "at fair value through profit or loss" due to the application of the amendments of IAS 39 of October 2008. The decisive factors for the examination are the relationships at the time the entity first became a party to the contract regarding the financial instrument or, if later than that, at the time the contract terms were amended in a manner that significantly modifies the cash flows. If, as a result of the assessment, the separation of the derivative becomes necessary but its fair value cannot be reliably determined, the entire hybrid instrument will remain in the "at fair value through profit or loss" category. This also applies if the entity cannot conduct the examination. The changes are applicable retrospectively for financial years beginning on or after June 30, 2009. This amendment does not make for any material impacts on the consolidated financial statements.

Standards and interpretations not yet mandatory

In 2009, SOLARWORLD AG did not apply any standards that were not yet mandatory. At this time, we estimate the potential effects of the following interpretations to be marginal:

- IFRS 3 — "Business combinations (revised)" and IAS 27 "Consolidated and separate financial statements (revised)" including the subsequent amendments in IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- Amendment of IAS 32 — "Financial instruments: presentation"
- IAS 39 — "Financial instruments: recognition and measurement: eligible hedged items"
- IFRIC 12 — "Service concession arrangements"
- IFRIC 17 — "Distributions of non-cash assets to owners"
- IFRIC 18 — "Transfers of assets from customers"

The revision of IFRS 3 went hand in hand with an amendment of IAS 27 in the scope of the second phase of the project Business Combinations. The revision of IFRS 3 and the amendments of IAS 27 were announced on January 10, 2008, adopted into EU law on June 3, 2009 and are applicable for financial years beginning on or after July 1, 2009. IFRS 3 (revised) introduces material changes regarding the accounting of business combinations that take place after application date. This has impact on the measurement of shares without controlling influence, accounting of transaction costs, initial recognition and subsequent measurement of conditional consideration and business combinations achieved in stages. IAS 27 (revised) requires that a change in the amount of an investment in a subsidiary that does not result in the loss of control is accounted for as a transaction with shareholders in their capacity as shareholders. Thus, such a transaction can result neither in goodwill nor in profit or loss. Furthermore, provisions for the distribution of losses to shareholders of the parent company and shares without controlling influence and accounting rules for transactions that lead to a loss of control were amended. The revised regulations of IFRS 3 (revised) and IAS 27 (revised) will affect future acquisitions or losses of control of subsidiaries and transactions with shares without controlling influence.

On October 8, 2009, the IASB announced an amendment to IAS 32, which was adopted into EU law on December 2009 and is applicable to financial years beginning on or after February 1, 2010. The amendment concerns the issuer's accounting of subscription rights, options and warrants in foreign currency on the acquisition of a fixed number of equity instruments. The amendment does not apply to SOLARWORLD Group.

The amendments of IAS 39 were announced on July 31, 2008 and are applicable to financial years beginning on or after July 1, 2009. They were adopted into EU law on September 15, 2009. The amendments clarify that it is admissible to designate only part of the changes in fair value or in cash flow fluctuations of a financial instrument as hedged item. This also includes the designation of inflation risks as a hedged risk or parts thereof in certain cases. The effects on the consolidated financial statements depend on the extent of hedging conducted and the extent of hedge accounting applied in this respect by the Group in the future.

IFRIC 12 and IFRIC 17 are of no relevance for SOLARWORLD Group.

IFRIC 18 was announced on January 29, 2009, adopted into EU law on November 27, 2009 and is applicable to financial years beginning on or after July 1, 2009. Subject of IFRIC 18 are general details on accounting for the transfer of an asset by a customer. The IASB believes this especially concerns the energy sector. The interpretation clarifies how to handle agreements in the scope of IFRS that concern the case in which a customer transfers assets to an entity (object or equipment) that have the purpose to either connect this customer to a network or provide constant supply of goods or services. This also concerns cases in which cash is provided that serves for acquiring or manufacturing said assets by the entity. In summary, it is explained when or under which circumstances an asset is at hand, the initial recognition and measurement, identification of the respective determinable services in exchange for the transferred asset, the question of at which point in time revenue is realized and in what way the transfer of payment means by customers is supposed to be accounted for. The effects on the Group's financial position and financial performance are being investigated at this time.

The following accounting standards were passed in 2009, but had not yet been adopted into European law by the EU on December 31, 2009:

- Improvements to the IFRS (2009)
- IAS 24 "Related party disclosures (revised)"
- Amendments to IFRS 1 "Exemptions for first-time adopters"
- Amendments to IFRS 2 "Group cash-settled share-based payment transactions"
- IFRS 9 "Financial instruments: classification and measurement"
- Amendments to IFRIC 14 "Prepayments of a minimum funding requirement"
- IFRIC 19 "Extinguishing financial liabilities with equity instruments"

On April 16, 2009, the IASB announced the Annual Improvements 2007 - 2009 that provide for the amendment of ten IFRS and two interpretations. The majority of the amendments is applicable for financial years beginning on or after January 1, 2010. The following selected contents of the collective standard regarding the improvements of the IFRS could become relevant for SOLARWORLD AG:

- IAS 1 "Presentation of financial statements"
- IAS 7 "Preparation of cash flows"
- IAS 17 "Leases"
- IAS 18 "Revenue"
- IAS 36 "Impairment of assets"
- IAS 38 "Intangible assets"
- IAS 39 "Financial instruments: recognition and measurement""
- IFRS 5 "Non-current assets held for sale and discontinued operations"
- IFRS 8 "Operating segments"
- IFRIC 9 "Reassessment of embedded derivatives"

IAS 1 "Presentation of financial statements": Until now, an entity had to classify a liability as current when it did not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (IAS 1.69). If, however, the owner of a convertible bond can convert it to equity at any given time, the debt component of the convertible bond would have to be recognized as current at all times, even if redemption (if the right to convert is not exercised) is not due for twelve months after balance sheet date. To avoid this, IAS 1.69 now includes the notice that possibly existing options of the other party to demand the settlement of liabilities by way of issuance of equity instruments do not influence the classification of these liabilities as current or non-current. The consequences of this amendment on the consolidated financial statements are considered marginal.

IAS 7 "Preparation of cash flows": The improvements 2009 clarified that only those outflows may be recognized in cash flow from investment activities that lead to an asset recognized on the balance sheet. Until now, expenses that were made with the intention of generating future cash flows, i.e. that did not lead to capitalizable asset, were included in the cash flow from investment activities by some entities while others included those in the cash flow from operating activities. This especially concerns the expenses for exploration and evaluation (IFRS 6), however also expenses for advertising, training and further education and research and development. This amendment is of no relevance to SOLARWORLD Group.

IAS 17 "Leases": Although accounting for leases will fundamentally change in the medium term, the improvements brought about changes to IAS 17.14 and 17.15. This mostly concerns details on the classification of property leases. In addition, the new classification criteria were expanded to land lease by way of the newly introduced IAS 17.15A. The consequences of the amendment of IAS 17 are marginal for SOLARWORLD AG.

IAS 18: "Revenue": The IASB added guidelines to the Appendix of IAS 18 that concern the assessment of whether an entity acts as a principal or an agent. The criteria to be taken into account are: Does the entity hold the primal responsibility for the performance of the transaction? Does the entity hold the inventory risk? Does the entity have a scope of discretion regarding the pricing? Does the entity hold the default risk? The Group is currently analyzing its business relationships with respect to these criteria. Substantial effects are not expected.

IAS 36 "Impairment of assets": The amendment of IAS 36 clarifies that a cash-generating unit that has been attributed goodwill acquired in the scope of a business combination may not be larger than a business segment in terms of IFRS 8 prior to aggregation in accordance with the criteria set forth by IFRS 8. The amendment has no impact on the Group, as the impairment test was adjusted to the new segments. We refer to our comments in note 7.

IAS 38 "Intangible assets": The amendments clarified that an intangible asset acquired in the course of a business combination might only be separable in connection with an associated contract, identifiable asset or liability. In this case, the intangible asset must be recognized separately from goodwill and in connection with the associated asset or liability. In addition, it was noted that a group of intangible assets complementing each other and with similar economic useful lives might be recognized as a single asset. It was also explained that the named methods for indirectly determining the fair value of intangible assets are merely possibilities and not an exhaustive enumeration of measurement methods. Given the current situation, this amendment does not affect SOLARWORLD Group.

IFRS 5 "Non-current assets held for sale and discontinued operations": It was clarified that only the disclosure requirements of IFRS 5 must be met when it comes to non-current assets and disposal groups classified as held for sale and discontinued operations. The disclosure requirements set forth by other IFRS need to be considered only if the respective standards or interpretations expressly require these disclosures for assets in terms of IFRS 5 and discontinued operations. This clarification led to the following amendment of IFRS 8.

IFRS 8 "Operating segments": The annual revision of the IFRS also led to the result that, in the scope of segment reporting, disclosures for segment assets only need to be made if these disclosures are subject of the periodic reporting to the chief operating decision maker of the entity. These disclosures used to be a mandatory component even if such information had not been provided to the chief operating decision maker of the entity. As neither segment liabilities nor segment assets are information that is made available to the chief operating decision maker of SOLARWORLD Group in the scope of internal reporting and provided this does not change, reporting in this respect will be discontinued starting in 2010.

IFRIC 9 "Reassessment of embedded derivatives": In the scope of the IFRS improvements, it was resolved to not only explicitly exclude contracts acquired in the scope of a business combination in terms of IFRS 3 from the scope of application of IFRIC 9, but to also exclude those contracts that are transferred in the scope of business combinations under participation of entities or business operations under common control or in the event of establishment of a joint venture. From today's point of view, this amendment has no impact on SOLARWORLD Group.

On November 4, 2009, the IASB announced the revised IAS 24. The amendments facilitate the disclosure obligations for entities under government control or significant government influence. Furthermore, the definition of related party relationships was clarified. The amendments apply to financial years beginning on or after January 1, 2011. They do not affect SOLARWORLD AG's consolidated financial statements.

The amended IFRS 1 is no longer relevant for SOLARWORLD Group. Moreover, the amended IFRS 2 does not have any impact on SOLARWORLD AG's consolidated financial statements.

IFRS 9, announced on November 12, 2009, is the first part of a project to replace IAS 39. The former four measurement categories are supposed to be replaced by the categories "at amortized cost" and "fair value". Classification of a financial asset in the "at amortized cost" category thereby depends on the entity's business model and the characteristics of the individual financial instrument. Non-compliance with the criteria leads to recognition at fair value through profit or loss. By way of exception, selected equity instruments can be measured at fair value without effect on income. Any changes in the fair value, however, need to be frozen in equity and do not affect profit or loss. The amendments are applicable to financial years beginning on or after January 1, 2013 and will have consequences with regard to the measurement of SOLARWORLD AG's financial instruments.

The amendment of IFRIC 14 was announced on November 26, 2009 and concerns the case that an entity is subject to minimum funding requirements and pays contribution advances to meet these obligations. The amendment then permits to recognize this benefit from the advance payment as an asset. The amendments are applicable to financial years beginning on or after January 1, 2011. At this point, we do not see any effects on the financial position and financial performance of SOLARWORLD Group.

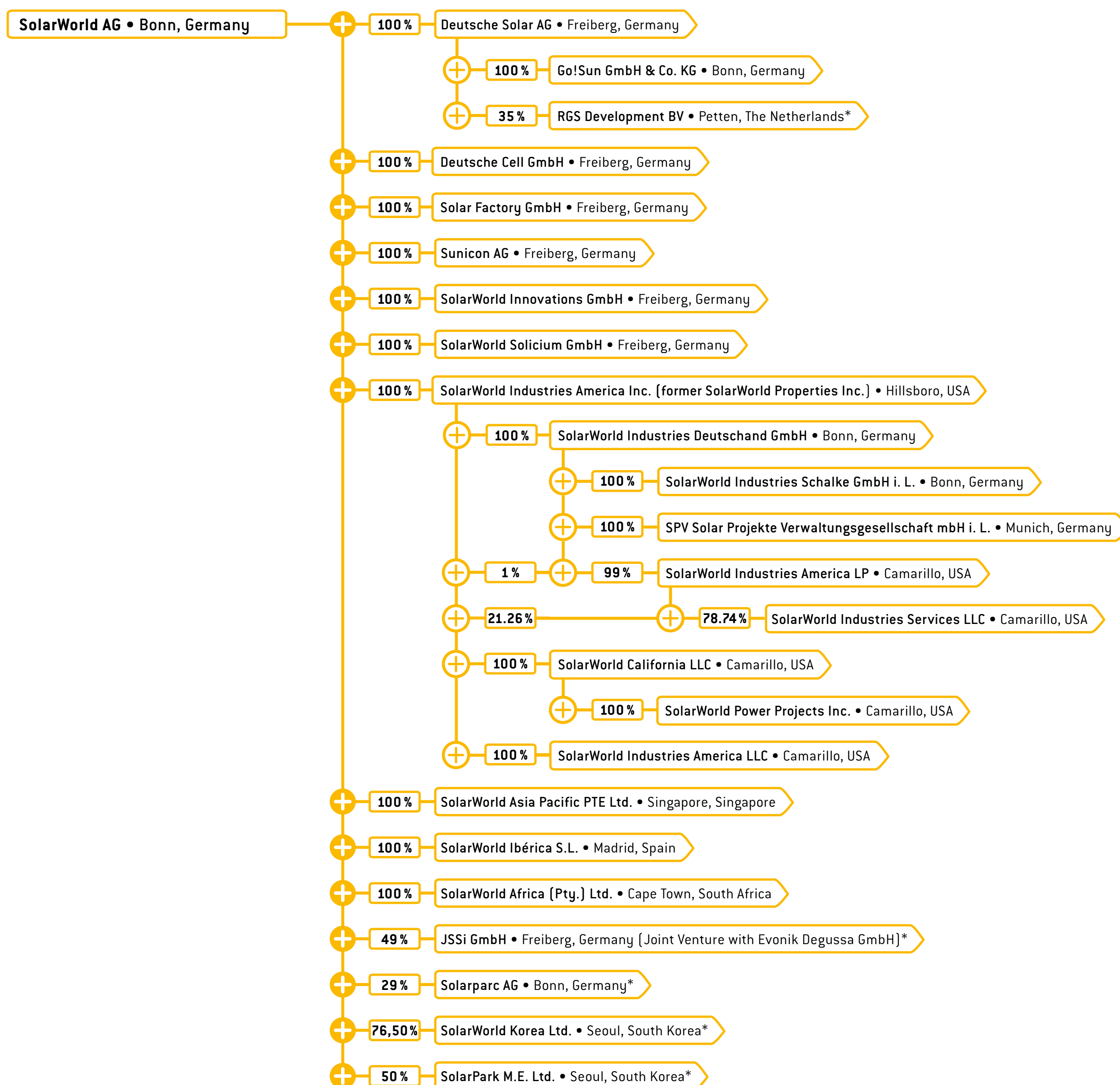
IFRIC 19 was announced on November 26, 2009 and explains the application of IFRS in the event that an entity fulfils in part or in full a financial liability by issuing shares or other equity instruments. The interpretation is applicable to financial years beginning on or after July 1, 2010. SOLARWORLD AG is not affected by this amendment.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS AND LEGAL GROUP STRUCTURE

The consolidated financial statements include SOLARWORLD AG and all domestic and foreign entities of which SOLARWORLD AG directly or indirectly owns the majority of the voting power of the company or can otherwise control the company's activities. These companies are 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 are capitalized using the equity method.

As of December 31, 2009, the following companies are part of the SOLARWORLD Group in the structure presented below.

(61) SOLARWORLD GROUP AS OF DECEMBER 31, 2009



* Consolidated at equity

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

Per January 1, 2009 the US entities were realigned in terms of corporate and tax law as well as with respect to the respective fields of operations. The US business is bundled in a sub-group with SOLARWORLD INDUSTRIES AMERICA INC. (formerly: SOLARWORLD Properties Inc.) as operational parent company while this also creates a tax entity in the USA.

On July 15, 2009, the remaining 50 per cent of the shares in SOLARWORLD SOLICIUM GMBH were acquired for a purchase price of € 1. The entity was therefore fully consolidated for the first time. The negative difference of k€ 112 resulting from the initial consolidation was recognized in the item other operating income, thereby affecting profit or loss. The assets and liabilities acquired in the scope of initial consolidation and revenue and expenses realized by SOLARWORLD SOLICIUM GMBH since the date of acquisition are immaterial from the Group's point of view. At the time of initial consolidation, the company's largest balance sheet item was liquid funds in an amount of k€ 221.

SOLARWORLD POWER PROJECTS INC. was founded as a wholly owned subsidiary of SOLARWORLD CALIFORNIA LLC on April 29, 2009. The company will oversee the development of major projects on the important future market USA and start conducting business in 2010.

In December 2009, the 35 per cent share in GÄLLIVARE PHOTOVOLTAIC AB (GPV), Gällivare/Sweden, was sold for € 1. A negative effect on consolidated net income of k€ 4,933 fell upon the shares in GPV, which are recognized in "result from investments measured at equity".

In the scope of a capital increase, SOLARWORLD AG acquired new shares in the Joint Venture SolarWorld Korea Ltd. on July 29, 2009, and now holds 76.5 per cent in the company. However, the Joint Venture partner is entitled to reacquire 26.5 per cent of the shares in the company for a fixed price within the period of one year in order to re-establish an equal share quota. Therefore and due to the other contractual specifics of the Joint Venture, SolarWorld Korea Ltd. is still consolidated at equity at December 31, 2009.

On December 10, 2008, SolarPark Engineering Ltd., Seoul/South Korea, and SOLARWORLD AG concluded a Joint Venture agreement through which SOLARWORLD AG acquired 50 per cent of the shares in SOLARPARK M.E. LTD. on January 9, 2009. The Joint Venture was consolidated as an at equity investment per acquisition date. In 2009, SOLARPARK M.E. LTD.'s contribution to consolidated income amounts to k€ 336.

3. CONSOLIDATION PRINCIPLES

The financial statements of domestic and foreign entities included in the consolidation are reconciled to uniform accounting policies for the purpose of preparing the consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company. All intra-group balances, income and expenses as well as unrealized profits and losses and dividends from intra-group 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 or 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. whose functional currency is the US-Dollar.

For the purpose of translating the foreign companies' financial statements into the reporting currency of the group, assets and liabilities are translated per closing rate while expenses and revenue are translated by means of the average annual rate. Due to the application of the closing date method, differences resulting from the translation are transferred to an exchange reserve, thereby not affecting profit or loss. The 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 decisive for currency translation:

		Closing rate		Average rate	
1 € =		**2009**	**2008**	**2009**	**2008**
USA	USD	**1.44**	1.39	**1.40**	1.47
Sweden	SEK	**10.25**	9.44	**10.59**	9.26
South Africa	ZAR	**10.67**	13.07	**11.52**	12.09
Korea	KRW	**1,666.97**	1,839.00	**1,770.04**	1,788.65*

* Average rate Oct.–Dec. 2008

5. SUBSTANTIAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS OF MANAGEMENT

In the scope of preparing the consolidated financial statements in consideration of IFRS, some items require that 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 disclosure of contingent assets and liabilities. The uncertainty about 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 2009:

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

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

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

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

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

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 33.

To the extent to that the fair value of financial assets and liabilities recognized on the balance sheet cannot be determined by way of active market data, it is determined in application of measurement procedures including the discounted cash flow method. If possible, the factors included in the model are based on observable market data. Should this be impossible, determination of the fair values is – to some extent – a decision based on judgment. Judgments concern parameters like liquidity risk, credit risk and volatility. Any change in the assumption of these factors could have an effect on the recognized fair value of the financial instruments. For further details, we refer to note 61.

Expenses from post-employment defined benefit plans and the present value of pension obligations are determined on the basis of actuarial computations. The actuarial measurement is carried out on the basis of assumptions regarding discount rates, future increases in wages and salaries, mortality and future increase in pensions. Due to the complexity of measurement, the assumptions used as a basis and their long-term nature, a performance-oriented 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 creditworthiness. The mortality rate is based on publicly accessible mortality tables. Future increases in wages, salaries and pensions are based on expected future inflation rates. Further details regarding the applied assumptions can be found in notes 19 and 54.

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 20 and 54.

ACCOUNTING POLICIES

6. CHANGES IN DISCLOSURE

To show the operating result adjusted by exchange rate gains and losses, the Group decided in 2009 to show the exchange rate result in the income statement item "other financial result". The prior year's figures were adjusted accordingly.

k€	4. Other operating income	8. Other operating expenses	9. Operating result from continued operations	13. Other financial result	14. Financial result
Prior year value	36,841	-99,883	260,813	-55,924	-72,144
Reclassification of gains/losses from currency translation	-10,718	13,165	2,447	-2,447	-2,447
Adjusted prior year value	26,123	-86,718	263,260	-58,371	-74,591

In contrast to the prior year, deposits in connection with toll manufacturing are no longer recognized in other current liabilities but in current financial liabilities. The balance sheet figures of the prior year were adjusted accordingly. The opening balance sheet per January 1, 2008 did not require any adjustments as such deposits did not exist in 2007.

k€	C.I. Current financial liabilities	C.V. Other current liabilties
Prior year value	24,137	65,503
Reclassification of liabilities from deposits from toll manufacturers	4,577	-4,577
Adjusted prior year value	28,714	60,926

We would like to also refer to our comments in note 52.

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. Expenses on research incurred upon generation of intangible assets is immediately recognized as an expense. The same applies as regards development expenses because research and development are iteratively linked and reliable severability therefore does not exist. Permanent impairments are taken into account by extraordinary amortization.

Gains or losses from de-recognition of intangible assets are measured 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.

Goodwill – including that from capital consolidation – is subjected to an annual impairment test in accordance with IFRS 3 and IAS 36 and 38. As in prior years, the impairment test per December 31, 2009 again showed that goodwill recognized is not impaired.

For the purpose of the impairment test, the goodwill's carrying amount was assigned to the respective cash-generating unit (Cash Generating Unit, CGU) "Production Germany" which equals the "Production Germany" segment. The reclassification became necessary due to adjustments in the segment structure and follows the Group's strategic alignment, which schedules a fully integrated production with the end product "Solar module".

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

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

With regard to the CGU "Production Germany", the forecasts are based on the following basic assumptions:

- Prices for raw materials (silicon) decreasing in the short and medium term.

- Expansion of manufacturing capacities and increase of volume of wafer production of up to 1,000 MW and module production of up to 450 MW; basis of this assumption is the current plan regarding the expansion of capacities at the Freiberg plant and the market expectations as well as existing supply contracts.

- Annual decrease of the sales' market prices in a one-digit percentage range; basis of this assumption are relevant third party market surveys.

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

For determining the recoverable amount, the future cash flows of the CGU "Production Germany" were discounted using a risk adequate discounting rate after taxes of some 9.1 per cent (prior year: 9.4 per cent). External analysts of SOLARWORLD AG corroborate this interest rate.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less regular physical depreciation. Cost comprises all individual expenses directly attributable to the manufacturing process as well as appropriate proportions of the necessary cost of materials and manufacturing overhead. In addition, cost includes depreciation caused by manufacturing and the manufacturing-related pro-rata costs for company retirement benefit plans as well as the voluntary social benefits of the company. Administration costs are considered to the extent to which they can be attributed to manufacturing. Cost also includes – in addition to the purchase price after reduction of discounts, rebates and cash discounts – all directly attributable costs incurred to bring the asset to a location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs that can be directly attributed to acquisition, construction or production of a qualified asset are capitalized as 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 all qualifying assets the construction of which was initiated on or after January 1, 2009. Borrowing costs in connection with construction projects that were initiated prior to January 1, 2009 are still capitalized as an expense. In 2009, no qualifying assets were identified. Thus, all borrowing costs were recognized as an expense.

If 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.

The present value of the expected disposal of the 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 54.

With respect to own work capitalized in this connection, we refer to note 25.

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

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

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.

Residual amounts, useful lives and depreciation methods of the assets are subject to inspection at the end of each business year and are adjusted prospectively if the need arises.

9. INVESTMENTS MEASURED AT EQUITY

The Group's investments in associates are recognized in accordance with the equity method. Furthermore, the Group is utilizing the option in accordance with IAS 31.38 and recognizes its interest in jointly controlled entities (Joint Venture) 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 date as well as of the unrealized proportionate intra-group results from transactions with the investee. The goodwill connected with the investment is included in the carrying amount of the investment and is subject to neither regular amortization nor separate impairment tests.

The consolidated income statement contains in line item "income 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 minority interests in the investee's subsidiaries. The Group recognizes any changes recognized directly in the investee's equity to the extent of its share also directly in equity. Unrealized intra-group 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 associate companies are prepared as per the same balance sheet date as those of the parent. To the extent to which it is necessary, adjustments are made to conform the associates' accounting policies to those of the investor.

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

10. INVENTORIES

Inventories include raw materials and supplies, work in process and finished goods, merchandise and prepayments for inventories. Purchased inventories are recognized at acquisition cost that, depending on the type of inventory, is determined either on the basis of average costs or in accordance with the first-in-first-out (FiFo) method. Inventories of the Group's own making are recognized at production cost. In addition to the individual costs, cost includes adequate proportions of the necessary cost of materials and manufacturing overhead based on regular capacity utilization of the production facilities. Cost also includes depreciation caused by manufacturing which can be directly allocated to the manufacturing process and, to the extent to that they are manufacturing-related, pro-rata expenses for company retirement benefit plans and voluntary social benefits. Administration costs are taken into account to the extent to that they concern manufacturing. Borrowing costs are not taken into account, as inventories do not constitute qualifying assets from the Group's point of view.

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

Due to the prevailing manufacturing circumstances in both entity and industry, finished goods and merchandise are summarized in the comments on inventories in note 44.

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

11. TRADE RECEIVABLES

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

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

We refer to our explanations in note 22 and 24.

12. OTHER RECEIVABLES AND ASSETS

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

13. OTHER FINANCIAL ASSETS

Financial assets in terms of IAS 39 are either categorized as financial assets "measured at fair value through profit or loss", "held-to-maturity-investments", "financial assets available for sale", "loans and receivables" or derivates that were designated as hedging instruments and are effective as such. The Group determines the classification of its financial assets upon initial recognition. Upon initial recognition, financial assets are measured at fair value plus transaction costs. Financial assets classified as "measured at fair value through profit or loss" are exempted therefrom, as they are initially recognized at fair value without taking transaction costs into account.

At balance sheet 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 instruments are designated as "measured 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 SOLARWORLD AG.

Financial assets "measured 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 with effect on income. 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 61.

Financial assets categorized as "loans and receivables" are non-derivative financial 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 remaining other financial assets. These insurances serve as insolvency insurance with regard to early retirement obligations. Recognition is based on the insurance company's statements regarding the asset value and conducted in the amount in that the insurance value exceeds the amount of the early retirement obligations (plan asset surplus).

14. LIQUID FUNDS

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

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.

15. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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.

16. 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 17 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 guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenses required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

17. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

SOLARWORLD Group utilizes derivatives for hedging interest rate risks and changes in foreign currency exchange rates 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 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 hedging relationships in terms of IAS 39. Profits or losses from financial liabilities held for trading are recognized through profit or loss.

Derivative financial instruments that are not designated as hedging instruments and are effective as such are, on the basis of an assessment of the facts and circumstances, classified as current or noncurrent or split into a current and noncurrent part.

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 in "other financial result".

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 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 61.

18. ACCRUED INVESTMENT GRANTS

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

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.

19. RETIREMENT BENEFITS

Group retirement benefits predominantly occur via 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 (Pensionssicherungsverein). 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. Actuarial gains and losses are recognized as expenses or income if the net cumulated unrecognized actuarial gains and losses at the end of the prior reporting period exceed 10 per cent of the obligation at this date. The interest proportion included in the pension expenses is recognized in the item "interest and similar expenses".

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

20. OTHER PROVISIONS

Other provisions are recognized to the extent to which an obligation to third parties exists that will probably make for a future outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the extent of the obligation. Provisions for obligations that will probably not make for an outflow of resources in the year following the reporting year are recognized at present value of the expected outflow of resources. For further details, we refer to note 54.

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

21. OTHER LIABILITIES

Accrued liabilities included in the balance sheet item “other liabilities” are recognized for services and goods received 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 the amount. Measurement is conducted at best estimate of the expenditure required.

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

In 2009, in the scope of a “trust agreement for insolvency protection”, payments were made to a trust account in connection with the accrued liabilities for profit-oriented employee compensation. These payments concern obligations from the business years 2008 and before. As these obligations are considered other long-term employee benefits in terms of IAS 19.126 (d), the present value of the obligations at balance sheet date has to be netted with the fair value of the trust 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 noncurrent netting was conducted at balance sheet date.

22. RECOGNITION OF REVENUE AND EXPENSES

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 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 stage 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.

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 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.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income or expenses are recognized on the income statement as part of interest and similar income or interest and similar expenses and recognized on an accrual basis.

23. TAXES

Current taxes on income

The 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 as of balance sheet date in the countries the Group is operating in and generates taxable income.

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 where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable 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 with the exemption of 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 foreseeable 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 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 taxation authority.

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 taxation 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 taxation authority is recognized on the balance sheet in the item "other receivables and assets" or in "other current liabilities".

COMMENTS ON THE INDIVIDUAL ITEMS OF THE INCOME STATEMENT

24. REVENUE

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

in k€	2009	2008
Module- and assembly kit sales (group and third party manufacturing)	**674,377**	653,882
Project proceeds	**86,132**	11,187
Cells/Wafers	**247,543**	232,615
Other revenue	**4,523**	2,627
	1,012,575	900,311

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

As per balance sheet date, projects in process exist whose revenue was accrued in accordance with the percentage of completion method as stated in IAS 11. As of balance sheet date, the following liabilities (prior year: receivables) are disclosed which result from business transactions in 2009 and prior years:

in k€	Dec. 31, 2009	Dec. 31, 2008
Aggregate amount of costs incurred and recognized profits (less recognized losses)	**6,246**	12,736
Advances received	**-6,439**	-8,377
	-193	4,359
Receivables from construction contracts (Note 45)	**0**	4,359
Liabilities from construction contracts (Note 55)	**-193**	0

Other turnover mainly includes income from silicon processing and power input.

25. OWN WORK CAPITALIZED

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

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

26. OTHER OPERATING INCOME

in k€	2009	2008
Reversal of advances received	**25,417**	0
Reversal of accrued investment grants	**10,461**	10,210
Reversal of provisions and liabilities	**5,120**	1,496
Income from other trade	**2,159**	2,366
Earnings from grants for research and development	**1,813**	2,353
Compensation payments	**1,147**	0
Income from other grants related to expenses	**0**	6,608
Miscellaneous other operating income	**4,536**	3,090
	50,653	26,123

Income from the reversal of received customer advances results from the lapse of the obligation to credit advances for wafer supplies against future supplies. k€ 14,319 of the income result from the complete lapse of the obligation with regard to a single customer while an amount of k€ 11,098 results from shortfalls of orders for wafer supplies that were subject to fixed order volumes in 2009.

The reversal of provisions and liabilities mainly result from the out-of-court settlement of legal disputes.

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

27. COST OF MATERIALS

in k€	2009	2008
Cost of raw materials, supplies and merchandise	**597,584**	395,540
Cost of purchased services	**93,478**	58,520
	691,062	454,060

28. PERSONNEL EXPENSES

in k€	2009	2008
Wages and salaries	**84,361**	74,814
Social securities and pensions	**15,422**	15,316
	99,783	90,130

29. AMORTIZATION AND DEPRECIATION

The composition of amortization and depreciation can be taken from the fixed-asset movement schedule.

30. OTHER OPERATING EXPENSES

in k€	2009	2008
External staff	**19,861**	14,900
Maintenance expenses	**16,693**	13,683
Marketing costs and travel expenses	**16,195**	9,629
Selling expenses	**9,114**	8,549
Insurances	**5,490**	3,945
Expenses from additions to warranty provision	**4,340**	2,936
Rent and lease expenses	**4,284**	4,041
Data processing expenses	**3,774**	2,317
Legal fees, consultancy and audit expenses	**3,588**	4,032
Research and development costs (third party)	**3,183**	2,180
Allowances for receivables and uncollectible receivables	**2,523**	1,024
Sewage and waste disposal	**1,699**	1,254
Phone, postage, internet	**1,303**	862
External services	**840**	570
Relocation expenses	**774**	125
Expenses from additions to other provisions	**412**	4,162
Miscellaneous other operating expenses	**14,792**	12,509
	108,865	86,718

31. RESEARCH AND DEVELOPMENT

Research and development costs of SOLARWORLD Group made for a total amount of k€ 11,958 (prior year: k€ 13,024), the largest part of which results from personnel expenses.

32. FINANCIAL RESULT

a) Result from investments measured at equity

in k€	2009	2008
Income from investments measured at equity	**5,856**	1,376
Expenses from investments measured at equity	**-10,435**	-9,988
	-4,579	-8,612

b) Interest and similar income

in k€	2009	2008
Interest income	**10,608**	24,491
Other financial income	**19,236**	16,947
	29,844	41,438

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 payments made in advance.

c) Interest and similar expenses

in k€	2009	2008
Interest expenses	**38,671**	38,250
Other financial expenses	**16,535**	10,796
	55,206	49,046

Interest expenses exclusively consist of interest expenses 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 a profit-oriented employee compensation.

Other financial expenses mainly include expenses from the addition of accrued interest from received customer advances as well as commitment interest.

d) Other financial result

in k€	2009	2008
Net gains and losses from		
financial assets designated as at fair value through profit or loss	**11,095**	-56,221
financial assets held for trading	**29**	297
	11,124	-55,924
Result from currency translation		
Gains from currency translation	**16,062**	10,718
Losses from currency translation	**-17,299**	-13,165
	-1,237	-2,447
	9,887	-58,371

Of the net result of the category "designated at fair value through profit or loss" some € 4m (prior year: € -30m) can be attributed to changes in credit risks.

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

33. TAXES ON INCOME

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

in k€	2009	2008
Actual domestic tax expenses (+)	**46,180**	56,079
Actual foreign tax expenses (+)	**14**	759
Total actual tax expenses (+)	**46,194**	56,838
Deferred domestic tax expenses (+)	**6,003**	5,038
Deferred foreign tax expenses (+) / income (-)	**20,582**	-8,454
Total deferred tax expenses (+) / income (-)	**26,585**	-3,416
Total recognized tax expenses (+)	**72,779**	53,422

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

The US entities incurred tax losses in the past year as well as in prior years. At first, these were due to restructuring measures and, subsequently, the set up of new manufacturing facilities in Camarillo and a new and enlarged manufacturing facility in Hillsboro. On the basis of the strategic alignment of the Group, the market expectations and the current planning of the US entities, the realization of the deferred tax assets resulting from these losses can still be expected. IAS 12, however, makes great demands when it comes to capitalization of deferred taxes in case of losses in the near past. As the consequences of the financial crisis and the difficult market environment in the photovoltaic sector made for a shortfall regarding the originally expected 2009 result of the US entities, we did not set up any more deferred taxes for the 2009 tax loss carryforwards (potentially k€ 12,633) while we wrote down deferred taxes already set up in the prior year by some k€ 19,814.

With regard to “Federal Tax”, the tax loss carryforwards of the US entities amount to an equivalent of some € 86m. They can be offset with tax profits until at least 2024 and will then gradually be forfeited in the years 2025 and 2029. Deferred tax assets of some € 27m fall upon these loss carryforwards. With regard to “State Tax”, the tax loss carryforwards amount to some € 74m. They can be offset with tax profits until at least 2016. They will then gradually be forfeited in between 2017 and 2019 in amount of € 28m. For the rest, they will gradually be forfeited in between 2022 and 2029. Altogether, deferred taxes of some € 6m fall upon these loss carryforwards.

For the rest, tax loss carryforwards within the Group are marginal.

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

	Deferred tax assets		Deferred tax liabilities	
in k€	**2009**	**2008**	**2009**	**2008**
Intangible assets/property, plant and equipment	**1,550**	1,655	**25,609**	15,919
Current assets	**8,663**	3,676	**11,053**	8,549
Accrued investment grants	**5,272**	3,745	**0**	0
Other noncurrent liabilities	**3,481**	3,750	**2,873**	6,007
Current liabilities	**895**	1,227	**521**	56
Tax loss carryforwards	**231**	19,967	**0**	0
	20,092	34,020	**40,056**	30,531
Offsetting	**-14,193**	-6,947	**-14,193**	-6,947
Recognized deferred taxes	**5,899**	27,073	**25,863**	23,584

In connection with hedge accounting, deferred tax assets of k€ 349 (prior year: k€ 282) and deferred tax liabilities of k€ 709 (prior year: k€ 4,508) resulting in neither profit nor loss were recognized in equity at balance sheet date.

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 per December 31, 2009. The corresponding temporary differences make for a total of k€ 12,979 (prior year: k€ 13,614).

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

in k€	**2009**	**2008**
Income before taxes	**131,752**	188,669
Expected income tax rate (incl. trade tax)	**30,0%**	30,0%
Expected income tax expenses (+)	**39,526**	56,601
Allowances for existing deferred taxes on loss carryforwards	**19,814**	0
Not formed deferred taxes on new loss carryforwards	**12,916**	0
Deviating domestic and foreign tax burden	**-1,621**	-2,280
Tax reductions due to tax exempt gains	**-1,436**	-5,227
Taxes from non-deductible expenses	**2,778**	1,850
Current taxes relating to other periods	**1,146**	-371
Other tax deviations	**-344**	2,849
Recognized income tax expenses (+)	**72,779**	53,422
Effective income tax rate	**55.2%**	28.3%

34. SUBSTANTIAL EXPENSES AND INCOME RELATING TO OTHER PERIODS

As in the prior year, substantial expenses and income relating to other periods did not exist in the reporting year 2009.

35. INCOME AFTER TAXES FROM DISCONTINUED OPERATIONS

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

in k€	2009	2008
Profit from disposal of discontinued operations	**0**	13,686
Income before tax	**0**	13,686
Allocable income tax expenses	**0**	-254
Result from discontinued operations after tax	**0**	13,432

Cash flows attributable to discontinued operations are presented in note 62.

36. EARNINGS PER SHARE

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

37. SEGMENT REPORTING

a) Segment disclosures

From January 1, 2009, IFRS 8 "Operating segments" replaces IAS 14 "Segment Reporting". In application of the "full management approach", we identified the following four reportable operating segments that replace the former segments "wafer", "cell", "module" and "trade":

- Production Germany,
- Production USA,
- Trade,
- Miscellaneous.

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 production and trade. The greater objective of the Group is to increase the existing synergy and efficiency potentials of the entire value 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 combine regionally related and fully integrated manufacturing activities in Germany and the USA and each include the manufacturing areas of the entire value chain.

The operating segment "trade" comprises the worldwide distribution of solar modules.

The segment "other" includes various business activities of the Group that did not materially affect the financial position and financial performance in 2009.

Management separately monitors the EBIT of the operating segments in order to make decisions on the allocation of resources and determine the profitability of the segments.

Transfer prices between the operating segments are determined in accordance with the arm's length principle.

The following segment revenue and results exclusively concern continued operations. With regard to discontinued operations, we refer to note 35.

The prior year's comparative figures were adjusted to the new segment structure. The measurement methods remained unchanged from the prior year.

INFORMATION ON OPERATING SEGMENTS FOR THE BUSINESS YEAR 2009 // IN M€

	Production Germany	Production USA	Trade	Other	Elimination	Consolidated
Revenue						
External revenue	415	39	759	2	-202	
Intersegment revenue	365	179	3	7	-554	
Total revenue	780	218	762	9	-756	1,013
Result						
Operating result (EBIT)	165	-15	10	-1	-7	152
Financial result						-20
Income before taxes on income						132
Taxes on income						-73
Income from continued operations						59
Regular amortization and depreciation	40	22	1	1	0	64
Material non-cash items	25	0	0	0	0	25
Assets						
Intangible assets and property, plant and equipment	441	309	10	36	29	825
Investments in intangible assets and property, plant and equipment	154	112	7	20	0	293

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

	Production Germany	Production USA	Trade	Other	Elimination	Consolidated
Revenue						
External revenue	281	1	653	13	-48	
Intersegment revenue	364	152	4	4	-524	
Total revenue	645	153	657	17	-572	900
Result						
Segment result	216	-18	50	7	2	257
Non-operating result						6
Operating result (EBIT)						263
Financial result						-74
Income before taxes on income						189
Taxes on income						-54
Income from continued operations						135
Regular amortization and depreciation	38	16	1	0	0	55
Assets						
Intangible assets and property, plant and equipment	330	230	4	16	29	609
Investments in intangible assets and property, plant and equipment	102	155	2	13	0	272

With respect to external revenue, the elimination column includes eliminations in connection with toll manufacturing, whereas with respect to intersegment revenue, the elimination column includes eliminations in connection with the consolidation of income and expense.

Reconciliation of the balance of the segment results to the Group results is mainly attributable to journal entries in connection with the intra-group profit elimination and to other consolidation entries with effect on profit or loss.

The adjustment of the intangible assets and property, plant and equipment of the individual segments for the purpose of reconciliation to Group assets is due to the capitalization of goodwill in connection with the acquisition of DEUTSCHE SOLAR AG on Group level in 2000.

Revenue of the “other” segment basically comprises the following:

in m€	2009	2008
External project proceeds and module sales	**1**	13
Research and development (intragroup)	**7**	4
Proceeds from power input	**1**	0
	9	17

b) Disclosures on group level

With respect to the breakdown of revenue in accordance with products, we refer to the information provided in note 24.

In 2009, there is no external customer who makes for more than 10 per cent of the revenue of SOLARWORLD Group.

	Revenue		Intangible assets and property, plant and equipment	
in m€	**2009**	**2008**	**2009**	**2008**
Germany	**716**	414	**516**	379
Rest of Europe	**180**	294	**0**	0
Asia	**75**	108	**0**	0
USA	**33**	73	**309**	230
Others	**9**	11	**0**	0
	1,013	900	**825**	609

COMMENTS ON THE BALANCE SHEET

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

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

	Cost			
in k€	**As per Jan. 1, 2009**	**Reclassi-fication**	**Addition**	**Disposal**
I. Intangible assets				
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	12,267	527	4,246	16
2. Goodwill	34,547	0	250	0
3. Prepayments	116	-221	495	0
	46,930	306	4,991	16
II. Property, plant and equipment				
1. Land and buildings	139,003	53,545	61,876	121
2. Technical equipment and machinery	417,871	75,793	70,049	11,874
3. Other equipment, factory and office equipment	17,415	426	6,253	611
4. Construction in progress and prepayments	165,409	-130,070	150,013	107
	739,698	-306	288,191	12,713
	786,628	0	293,182	12,729

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

				Amortization and depreciation				Carrying amounts	
Currency difference	As per Dec. 31, 2009	As per Jan. 1, 2009	Reclassi-fication	Addition	Disposal	Currency difference	As per Dec. 31, 2009	As per Dec. 31, 2009	As per Dec. 31, 2008
-87	**16,937**	8,109	1	1,563	16	-40	**9,617**	**7,320**	4,158
0	**34,797**	4,960	0	250	0	0	**5,210**	**29,587**	29,587
0	**390**	0	0	0	0	0	**0**	**390**	116
-87	**52,124**	13,069	1	1,813	16	-40	**14,827**	**37,297**	33,861
-3,213	**251,090**	21,038	86	10,002	0	-374	**30,752**	**220,338**	117,965
-5,971	**545,868**	134,369	-76	48,875	8,789	-984	**173,395**	**372,473**	283,502
-227	**23,256**	8,885	-11	2,969	510	-163	**11,170**	**12,086**	8,530
-2,606	**182,639**	0	0	0	0	0	**0**	**182,639**	165,409
-12,017	**1,002,853**	164,292	-1	61,846	9,299	-1,521	**215,317**	**787,536**	575,406
-12,104	**1,054,977**	177,361	0	63,659	9,315	-1,561	**230,144**	**824,833**	609,267

				Amortization and depreciation				Carrying amounts	
Currency difference	As per Dec. 31, 2008	As per Jan. 1, 2008	Reclassi-fication	Addition	Disposal	Currency difference	As per Dec. 31, 2008	As per Dec. 31, 2008	As per Dec. 31, 2007
104	**12,267**	7,131	0	1,012	73	39	**8,109**	**4,158**	3,088
0	**34,547**	5,295	0	0	335	0	**4,960**	**29,587**	29,587
0	**116**	0	0	0	0	0	**0**	**116**	0
104	**46,930**	12,426	0	1,012	408	39	**13,069**	**33,861**	32,675
2,933	**139,003**	16,598	-1,762	8,257	2,259	204	**21,038**	**117,965**	105,592
4,905	**417,871**	103,100	3,253	43,570	16,024	470	**134,369**	**283,502**	203,843
200	**17,415**	8,039	-1,491	2,327	75	85	**8,885**	**8,530**	6,414
5,247	**165,409**	0	0	0	0	0	**0**	**165,409**	33,753
13,285	**739,698**	127,737	0	54,154	18,358	759	**164,292**	**575,406**	349,602
13,389	**786,629**	140,163	0	55,166	18,766	798	**177,361**	**609,267**	382,277

39. INTANGIBLE ASSETS

Goodwill recognized in intangible assets results from the acquisition of DEUTSCHE SOLAR AG in 2000. The goodwill is attributed to the Cash Generating Unit (CGU) "Production Germany". We refer to note 7.

40. PROPERTY, PLANT AND EQUIPMENT

At balance sheet date, leased property, plant and equipment to be capitalized did not exist.

41. INVESTMENTS MEASURED AT EQUITY

in k€	Dec. 31, 2009	Dec. 31, 2008
SolarWorld Korea Ltd.	**26,428**	4,683
JSSi GmbH	**12,318**	11,166
Solarparc AG	**8,375**	8,285
RGS Development B.V.	**1,941**	1,261
SolarPark M.E. Ltd	**1,181**	0
Gällivare PhotoVoltaic AB	**0**	4,564
SolarWorld Solicium GmbH	**0**	585
	50,243	30,544

The investment in the listed SOLARPAC AG is held via SOLARWORLD AG and concerns a 29 per cent share in assets, result and voting rights. Aside from regenerative power generation, the company's operations include management, project planning, conceptual design and marketing of solar parks and wind power plants. The fair value of the investment in SOLARPARC AG derived from its stock market price amounted to k€ 12.915 (prior year: k€ 8.285) at balance sheet date.

The investment in JSSI GMBH is held via SOLARWORLD AG and concerns a 49 per cent share in the assets and result. Together with EVONIK-Degussa GmbH, the company has developed and produced a manufacturing process for solar silicon on the basis of which it now produces the latter.

DEUTSCHE SOLAR AG holds the investment in RGS DEVELOPMENT B.V. The interest concerns a 35 per cent share in the assets and result. The company's purpose is the joint development of a new process for producing silicon wafers for use in solar cells.

SOLARWORLD AG holds the investment in SOLARWORLD KOREA LTD, which concerns a 76.5 per cent share in the assets and result. The company operates a module plant.

SOLARWORLD AG holds the investment in SOLARPARK M.E. LTD. The interest concerns a 50 per cent share in the assets and result. Until now, the company basically designed and constructed production facilities for module assembly.

The investments in JSSI GMBH, RGS DEVELOPMENT B.V., SOLARPARK M.E. LTD. and SOLARWORLD KOREA LTD. are jointly controlled entities in terms of IAS 31 as all significant decisions regarding business and finance policy can only be made in unison.

We refer to note 64 as regards related party disclosures.

The following chart includes summarized financial information regarding the investments measured at equity:

in k€	Dec. 31, 2009	Dec. 31, 2008
Attributable assets	**201,236**	62,397
thereof current	**144,415**	27,022
thereof noncurrent	**56,821**	35,375
Attributable liabilities	**151,826**	34,479
thereof current	**131,931**	10,945
thereof noncurrent	**19,895**	23,534
Attributable revenue	**138,130**	26,969
Attributable profit or loss for the year	**576**	-4,562

42. NON-CURRENT OTHER FINANCIAL ASSETS

The other financial assets mainly include amounts classified as non-current for re-insurances of k€ 849 (prior year: k€ 0) 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 balance sheet date. The current proportion is recognized in current other financial assets (compare note 48).

43. DEFERRED TAX ASSETS

The development of deferred tax assets is included in the comments on tax expenses (note 33).

44. INVENTORIES

in k€	Dec. 31, 2009	Dec. 31, 2008
Raw materials and supplies	**74,485**	56,521
Work in progress	**61,216**	39,156
Finished goods and merchandise	**78,164**	50,220
Prepayments	**384,289**	377,869
	598,154	523,766

Finished goods of the Group in terms of the aforestated itemization only concern photovoltaic modules and wafers of DEUTSCHE SOLAR AG.

In 2009, impairments of inventories in amount of k€ 5,276 have been recognized as expense.

Of the prepayments, a partial amount of k€ 329,647 (prior year: k€ 333,972) will not be due to be set off with raw material supplies for more than 12 months after balance sheet date.

45. TRADE RECEIVABLES

in k€	Dec. 31, 2009	Dec. 31, 2008
Trade receivables	**211,401**	66,860
Receivables from construction contracts	**0**	4,359
	211,401	71,219

The following chart illustrates the aging structure of the receivables:

in k€	Dec. 31, 2009	Dec. 31, 2008
Neither past due nor impaired	**181,280**	60,431
Past due but not impaired		
- up to 30 days	**10,712**	6,528
- between 31 and 60 days	**4,458**	2,034
- between 61 and 90 days	**5,263**	234
- between 91 and 180 days	**2,945**	1,230
- between 181 and 360 days	**6,543**	737
- exceeding 360 days	**200**	3
Impaired	**0**	22
	211,401	71,219

We did not identify any indications requiring valuation allowances for those trade receivables not impaired or allowances did not have to be set up due to existing collaterals. Approximately half of the receivables included in the cluster “between 61 and 90 days” were paid in the course of preparation of the consolidated financial statements. The majority of the receivables included in “between 91 and 360 days” result from wafer sales that mostly originate from long-term agreements. With regard to the respective default risks, we refer to note 61 d).

The following chart illustrates the development of valuation allowances:

in k€	Dec. 31, 2009	Dec. 31, 2008
As per Jan 1	**1,239**	629
Utilization	**-240**	-47
Net additions/reversals	**1,426**	739
Currency translation	**52**	-82
As per Dec 31	**2,477**	1,239

46. INCOME TAX RECEIVABLES

Tax receivables concern refund claims for corporation and trade tax paid or corresponding foreign taxes due to excessive prepayments and necessary changes to the tax assessment of previous business years.

47. OTHER RECEIVABLES AND ASSETS

in k€	Dec. 31, 2009	Dec. 31, 2008
VAT receivables	**3,124**	5,808
Other prepayments	**2,970**	103
Deferred items	**2,835**	1,869
Electricity tax refund	**1,718**	1,699
Residual receivable sale GPV	**0**	5,775
Tax credit claims	**0**	4,822
Others	**2,340**	1,088
	12,987	21,164

Financial assets included in other receivables and assets are not significantly past due.

48. OTHER CURRENT FINANCIAL ASSETS

in k€	Dec. 31, 2009	Dec. 31, 2008
Debt securities and similar investments	**56,458**	303,569
Money market and similar investments	**21,888**	89,638
Loans to related parties	**3,000**	1,796
Derivative financial instruments thereof in hedging relationship: k€ 0 (prior year: k€ 6,924)	**0**	6,924
Other financial assets	**256**	2,487
	81,602	404,414

With respect to investment strategy, measurement and risks of money market and similar investments, we refer to our financial instrument disclosures in notes 5, 13 and 61.

The remaining financial assets mainly include amounts for re-insurances of k€ 179 (prior year: k€ 1,051) that were accounted for in accordance with IFRIC 14 and IAS 19. We refer to our comments in note 61.

49. LIQUID FUNDS

Liquid funds almost entirely concern bank balances. As per balance sheet date, these were invested in – mostly short-term – fixed term deposits and day-to-day money at different banks.

50. ASSETS AND LIABILITIES HELD FOR SALE

Property, plant and equipment held for sale in an amount of k€ 836 (prior year: k€ 572) concern several facilities that are no longer employed in the manufacturing or research process and are scheduled for sale in the short run. Impairments and losses of k€ 415 (prior year: k€ 1,332) were recognized with regard to assets held for sale. The remaining amount equals the expected net realizable value and results from market observations with regard to used machinery of this kind. Impairments and losses are recognized in other operating expenses.

51. EQUITY

Subscribed capital

At balance sheet date, the capital stock amounts to € 111,72m (prior year: € 111.72m) and exclusively comprises common stock, a total of 11,720.000 non-par bearer shares.

Authorized capital

At the shareholders' meeting of May 24, 2006, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 5,472,500.00 until December 31, 2010.

At the shareholders' meeting of May 24, 2007, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 20,947,500.00 until December 31, 2011.

At the shareholders' meeting of May 21, 2008, the Executive Board was authorized to increase – upon approval of the Supervisory Board – the capital stock by a total of € 27,930,000 until December 31, 2012.

Conditional capital

SOLARWORLD AG does not have any conditional capital.

Own shares

By resolution of the shareholders' meeting of May 20, 2009, the Executive Board was authorized to purchase treasury shares. In accordance with § 71 para. 1 No. 8 AktG, the authorization is subject to a fixed-term and expires per 12 midnight of November 20, 2010, and is limited to an extent of up to 10 per cent of the capital stock. The earlier authorization for acquisition of treasury shares, granted by resolution of the shareholders' meeting of May 21, 2008, was revoked as of the new authorization taking effect.

Other reserves

EXCHANGE RESERVE. The exchange reserve includes differences arising from currency translation in the course of translating financial statements of foreign subsidiaries.

HEDGING RESERVE AND AFS-RESERVE. An amount of k€ 849 (prior year: k€ 9,148) of the reserve are gains and losses from hedging relations that were classified as effective in the scope of cash flow hedges. At balance sheet date, an AfS-reserve no longer exists (prior year: k€ 286). With regard to deferred taxes set off against the hedging reserve, we refer to note 33.

Dividend suggestion

The Executive Board suggests the distribution of a dividend of € 0.16 per share for the reporting year 2009. The payment of this dividend depends on the approval of the shareholders' meeting in May 2010 and will, if approved by the shareholders, amount to some € 17.9m.

52. NONCURRENT AND CURRENT FINANCIAL LIABILITIES

in k€	Dec. 31, 2009	Dec. 31, 2008
Issued assignable note loans	**404,569**	407,888
Bank loans	**227,594**	153,401
Issued senior notes (US-Private Placement)	**121,720**	126,045
Deposits from toll manufacturers	**13,589**	4,577
Derivative financial instruments thereof in hedging relationship: k€ 10,057 (prior year: k€ 1,100)	**12,289**	2,407
Bonds	**8,978**	9,042
Others	**760**	760
	789,499	704,120

Bank loans are hedged by customary chattel mortgages of property, plant and equipment and inventories as well as by provision of land charges in an amount of € 18.7m (prior year: € 24.3m) that are the respective group companies' responsibility.

Deposits from toll manufacturers are payments received from toll manufacturers at balance sheet date regarding SOLARWORLD products that are to be processed which will only be returned after successful processing.

Other financial liabilities include an amount of k€ 66 (prior year: k€ 42) for a financial guarantee issued by SOLARWORLD AG.

53. 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.

54. NONCURRENT AND CURRENT PROVISIONS

in k€	As per Jan. 1, 2009	Utilization	Reversal	Addition	Currency translation	As per Dec. 31, 2009
Warranties	**11,484**	655	19	4,646	-59	**15,397**
Pensions	**7,912**	338	0	421	0	**7,995**
Building restoration obligations	**5,046**	496	104	172	-151	**4,467**
Pending losses from onerous contracts	**1,378**	600	1	0	-36	**741**
Other provisions	**3,138**	1,660	1,045	412	4	**849**
	28,958	3,749	1,169	5,651	-242	**29,449**

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 per cent of all of SOLARWORLD Group's module revenue. Due to the noncurrent nature of the provision (performance guarantees are granted for a period of 25 years), it is subject to compounding at matched maturity interest rate. In the business year, this makes for interest expenses of k€ 306 (prior year: k€ 200), which are recognized in other financial expenses in note 32 c).

The provision for building restoration obligations concerns tenant fixtures that have to be removed by SOLARWORLD Group after expiration of the lease term. Due to the noncurrent nature of the provision, it is subject to compounding at matched maturity interest rate. In the reporting year, this makes for interest expenses of k€ 172 (prior year: k€ 171), which are recognized in other financial expenses in note 32 c).

Other provisions include provisions for risks of litigation in an amount of k€ 508 (prior year: k€ 2,555), which concern possible claims from pending legal disputes.

Provisions for pending losses from onerous contracts include expected losses from rental and service agreements.

Pension provisions

Pension provisions include promises of retirement benefits to employees of the Group on the basis of direct compensation. The pension claims earned depend on the salary amount at the time of retirement.

The following measurement parameters were uniformly used as a basis for calculating the DBO (defined benefit obligation):

in %	Dec. 31, 2009	Dec. 31, 2008
Discount rate	**5.5**	5.5
Future salary increase	**2.5**	2.5
Future pension increase	**2.0**	2.0

The Heubeck standard tables RT 2005 G were used with regard to mortality and invalidity.

Reconciliation of the DBO with the balance sheet is illustrated below:

in k€	Dec. 31, 2009	Dec. 31, 2008
Present value of funded obligations	**7,470**	7,407
Unrealized actuarial gains (+)	**525**	505
Pension provision	**7,995**	7,912

The following chart illustrates the DBO's development:

in k€	2009	2008
Extent of obligation per Jan 1	**7,407**	7,419
Interest cost	**407**	401
Current service cost	**14**	35
Benefit paid	**-338**	-267
Curtailments	**0**	-48
New actuarial gains (-)	**-20**	-133
Extent of obligation per Dec 31	**7,470**	7,407

The following DBO-amounts were recognized for defined benefit plans in the current and prior reporting periods:

in k€	2009	2008	2007	2006	2005
Extent of obligation per Dec 31	**7,470**	7,407	7,419	8,200	0

The unredeemed actuarial gains (+) can be taken from the following chart:

in k€	2009	2008
As per Jan 1	**505**	404
Additions	**20**	133
Curtailments	**0**	-32
As per Dec 31	**525**	505

55. TRADE PAYABLES

in k€	Dec. 31, 2009	Dec. 31, 2008
Trade payables	**83,750**	70,413
Liabilities from construction contracts	**193**	0
	83,943	70,413

56. OTHER NONCURRENT AND CURRENT LIABILITIES

in k€	Dec. 31, 2009	Dec. 31, 2008
Customer advances	**275,965**	286,976
Other personnel obligations	**14,095**	11,880
Outstanding invoices	**12,520**	7,675
Profit-oriented employee compensation	**8,951**	34,244
VAT	**7,404**	5,585
Claimed contributions	**938**	1,424
Others	**9,464**	5,627
	329,337	353,411

The decrease of liabilities from profit-oriented employee compensation mainly results from the insolvency protection initially conducted for prior years in 2009, which was netted with corresponding obligations in full (k€ 20,093). The recognized liability now only includes that part of the profit-oriented employee compensation incurred in 2009 and the social security contributions regarding liabilities that originated in earlier periods. We refer to note 21. Interest expenses from interest of the liabilities for profit-oriented employee compensation amounts to k€ 1,758 (prior year: k€ 2,049) and is recognized in interest expenses in note 32 c).

57. 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 33).

58. INCOME TAX LIABILITIES

The item includes corporation and trade tax assessed by the tax authorities and calculated or estimated by the group companies as well as corresponding foreign taxes resulting from tax laws, including those amounts that will probably result from tax field audits performed.

With regard to potentially generated future taxable profits of SOLARWORLD INDUSTRIES AMERICA LP, SOLARWORLD Group is additionally burdened with German corporation tax plus solidarity surcharge irrespective of American taxation. This might make for future tax payments in a maximum amount of k€ 19,244 (prior year: k€ 19,244) for SOLARWORLD Group. No current or deferred tax liabilities had to be recognized in this respect as these tax payments neither concern the current period or previous periods nor result from temporary differences.

OTHER COMMENTS

59. OTHER FINANCIAL OBLIGATIONS

in m€	Dec. 31, 2009	Dec. 31, 2008
Financial commitments from raw material and licence agreements		
- within one year	**343**	264
- between 1 and 5 years	**1,228**	1,307
- more than 5 years	**1,046**	894
Financial commitments from investments in property, plant and equipment		
- within one year	**158**	116
- between 1 and 5 years	**0**	0
- more than 5 years	**0**	0
Financial obligations from lease agreements concluded for several years		
- within one year	**4**	3
- between 1 and 5 years	**7**	9
- more than 5 years	**3**	5
	2,789	2,598

60. 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 to be prepared and published at the same time as these consolidated financial statements. Amongst others, the group management report goes into detail with regard to the expectations for future development of selling prices and the overall market.

61. FINANCIAL INSTRUMENTS

a) Capital management

A comprehensive presentation of the principles and objectives regarding the Group's capital management is included in the group management report that, in accordance with German laws and regulations, is to be prepared and published at the same time as these consolidated financial statements. The details are given in the scope of the group's financial position.

b) Principles and objectives of financial risk management

With regard to its assets, liabilities and future transactions already set and planned, SOLARWORLD AG as an internationally acting group is exposed to market, liquidity and default risks in the course of its business activities. Objective of financial risk management is the limitation of these risks through the current operating and financial activities.

The Executive Board and the respective subsidiaries agree main features of financial policies on a regular basis. Selected derivative and non-derivative financial instruments are utilized to limit or take risks on a controlled basis, depending on the respective risk assessment, planning ability regarding future transactions and current market situation. As a basic principle, however, only those risks are addressed that have consequences on the Group's cash flow. Implementation of

financial policies as well as risk management is handled by the respective departments, which report to the Executive Board on a regular basis.

Derivative financial instruments are regularly used as hedging instruments but not for trading or speculation purposes. To minimize default risks, hedging agreements are only concluded with leading financial institutions that have a credit rating in the investment grade area.

With regard to the investment of liquid funds, SOLARWORLD Group aims at attaining a rate of return slightly exceeding the money market level. Thus, SOLARWORLD Group basically invests free liquid funds in financial investment products in the form of sight deposits (fixed-term deposits as well as day-to-day money) with financial institutes, investment funds, assignable loans and investment certificates. To limit the risks from changes in market prices, the investments are limited to financial investment products whose risk structure can be allotted to the money or debt securities market. Moreover, central management and broad diversification of the investments with regard to different market risks and debtors works against the establishment of risk concentrations. To minimize default risks, assignable loans and investment certificates are purchased only from leading financial institutions that have a credit rating in the investment grade area.

c) Market risks

With respect to market risks, SOLARWORLD Group is especially prone to risks from the change in currency translation 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 indebtedness, 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. In the prior year, only the borrowing side was included.

Currency risks
SOLARWORLD Group's currency risks mainly result from financing measures and operating activities. Foreign currency risks are hedged to the extent to which they influence the group's cash flows. On principle, risks that result from the translation of assets and liabilities of foreign subsidiaries into the group reporting currency are not hedged. However, hedging of these risks is not entirely ruled out in the future.

In the financing sector, foreign currency risks result from the issuance of senior notes (US Private Placement) in US dollar that, however, were fully hedged by application of an interest/currency swap.

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 increasingly exposed to currency risks. In addition, SOLARWORLD Group is exposed to foreign currency risks in connection with foreign currency transactions already set and planned. These mainly concern transactions in US dollars in connection with long-term contracts for the procurement of raw materials. As in the prior year, no or merely marginal hedging relationships existed for these transactions at balance sheet date.

The significant non-derivative financial instruments aside from, in part, liquid funds, are either denominated in functional currency or are translated into functional currency by way of using derivatives. Hence, exchange rate changes basically influence the result only with regard to the liquid funds denominated in foreign currency. Interest income and expenses from financial instruments are also either directly recognized at functional currency or transferred to functional currency by way of using derivatives. Thus, only irrelevant 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 dollar by 10 per cent, this will make for a negative (positive) effect on earnings before tax of k€ 2,579 (prior year: k€ 1,435). If taxes were not taken into account, the hedging reserve would, in the event of a respective revaluation or devaluation, be k€ 1,906 (prior year: k€ 3,017) higher or k€ 1,559 (prior year: k€ 9,457) lower, respectively. With regard to all other currencies, the Group's currency risk is irrelevant.

Interest risks
On the borrowing side, the Group steers 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 84 per cent (prior year: 95 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.

If the market interest rate increases (decreases) by 50 basis points, the positive (negative) effect on earnings before tax amounted to k€ 1,550 (prior year: k€ 1,997). If taxes were not taken into account, the hedging reserve would, in the event of a respective increase or decrease, be k€ 270 (prior year: k€ 403) higher or k€ 277 (prior year: k€ 273) lower, respectively.

Other price risks
SOLARWORLD Group owns securities that are subject to various price change risks. The securities are mainly accounted for at fair value. Thus, changes in market prices directly affect profit and loss or equity.

If the market price level of the securities included in the portfolio increased (decreased) by a total of 5 per cent, the positive (negative) effect on earnings before tax would amount to k€ 2,365 (prior year: k€ 3,994) while the AfS reserve would be k€ 252 higher (lower) if taxes were not taken into account.

d) Default risks

At balance sheet date, SOLARWORLD Group has certificated receivables from financial institutions in a nominal amount of € 50m. The credit ratings of these financial institutions range at Aa1 (source: Moody's). For the rest, SOLARWORLD Group invested most of its free liquidity in sight deposits at German financial institutions. Thus, we estimate that the default risk is rather marginal.

With regard to supplies to non-inner-group customers and depending on type and amount of the respective service, 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-inner-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, credit insurances do not exist 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 equals 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 intra-group loans. Central cash management determines the group-wide financial resources requirements on the basis of business planning. Due to available liquidity and existing credit lines, SOLARWORLD Group is not exposed to significant liquidity risks.

Contracts in connection with borrowed funds in amount of € 697m 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 Executive Board. The key data mainly concerns financial ratios regarding the level of indebtedness and equity. In the course of the business year, these ratios were continuously exceeded and there are no indications at hand that suggest they might not be met in the future. In addition, creditors are entitled to request the premature repayment 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.

The following chart shows the future undiscounted cash flows of financial liabilities that affect the future liquidity status of SOLARWORLD Group.

Interest and redemption payments are taken into account. Interest and redemption payments are based on the contractually stipulated interest and redemption payments. The interest rates last specified prior to December 31, 2009 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 balance sheet date is used for the future.

Undiscounted cash flows per Dec 31, 2009 in k€	Total	2010	2011	2012	2013	2014	2015 ff.
Issued assignable loans	**526,791**	21,371	21,371	21,371	21,371	197,178	244,129
Issued senior notes (US Private Placement)	**159,849**	7,224	7,224	7,224	84,970	2,645	50,562
respective derivative financial instrument	**9,179**	-456	-456	-456	6,970	-169	3,746
Bonds	**9,386**	601	8,785	0	0	0	0
Bank loans	**259,055**	26,464	46,994	57,687	48,080	77,877	1,953
respective derivative financial instrument	**1,999**	927	576	352	144	0	0
Derivative financial instruments with no relation to financial liabilities	**2,232**	2,232	0	0	0	0	0
Trade payables	**83,943**	83,943	0	0	0	0	0
Other liabilities	**9,714**	2,888	1,585	4,884	357	0	0
	1,062,148	**145,194**	**86,079**	**91,062**	**161,892**	**277,531**	**300,390**

Undiscounted cash flows per Dec 31, 2008 in k€	Total	2009	2010	2011	2012	2013	2014 ff.
Issued assignable loans	553,136	21,271	21,215	21,222	21,257	21,236	446,935
Issued senior notes (US Private Placement)	172,933	7,478	7,478	7,478	7,478	87,955	55,066
respective derivative financial instrument	2,852	-710	-710	-710	-710	3,984	1,708
Bonds	10,457	605	605	9,247	0	0	0
Bank loans	109,435	33,649	23,669	19,134	17,951	9,391	5,641
respective derivative financial instrument	1,157	452	327	203	124	51	0
Derivative financial instruments with no relation to financial liabilities	1,307	1,307	0	0	0	0	0
Trade payables	70,413	70,413	0	0	0	0	0
Other liabilities	39,432	11,946	5,237	13,243	8,632	374	0
	961,122	146,411	57,821	69,817	54,732	122,991	509,350

f) Fair values, carrying amounts and residual terms of financial instruments by categories

The following chart shows the fair values and carrying amounts of the financial assets and financial liabilities included in the individual balance sheet items:

Assets Dec. 31, 2009	Measurement category IAS 39		
	Designated as at fair value through profit or loss	Loans and receivables	Available for sale
in k€			
Trade receivables		211,401	
Other receivables and assets		169	
Other financial assets	47,396	28,928	5,022
Liquid funds		428,089	
	47,396	668,587	5,022

Assets Dec. 31, 2008	Measurement category IAS 39		
	Designatedas at fair value through profit or loss	Loans and receivables	Available for sale
in k€			
Trade receivables		71,219	
Other receivables and assets		6,042	
Other financial assets	79,884	246,905	69,650
Liquid funds		431,689	
	79,884	755,855	69,650

Liabilities Dec. 31, 2009	Measurement category IAS 39			
	Financial liabilities recognized at amortized cost	Held for trading	Derivatives in hedging relations	ca
in k€				
Financial liabilities	777,210	2,232	10,057	
Trade payables	83,943			
Other liabilities	8,951			
	870,104	2,232	10,057	

Liabilities Dec. 31, 2008	Measurement category IAS 39			
	Financial liabilities recognized at amortized cost	Held for trading	Derivatives in hedging relations	ca
in k€				
Financial liabilities	701,713	1,307	1,100	
Trade payables	70,413			
Other liabilities	29,667			
	801,793	1,307	1,100	

Derivatives in hedging relations	Total carrying amounts	Total fair value	IFRS 7 not applicable	Total carrying amounts
	211,401	**211,401**		**211,401**
	169	**169**	12,818	**12,987**
0	**81,346**	**84,046**	1,105	**82,451**
	428,089	**428,089**		**428,089**
0	**721,005**	**723,705**	13,923	**734,928**

Derivatives in hedging relations	Total carrying amounts	Total fair value	IFRS 7 not applicable	Total carrying amounts
	71,219	**71,219**		**71,219**
	6,042	**6,042**	15,122	**21,164**
6,924	**403,363**	**402,921**	1,051	**404,414**
	431,689	**431,689**		**431,689**
6,924	**912,313**	**911,871**	16,173	**928,486**

				Term to maturity		
Total carrying amounts	Total fair value	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
789,499	**804,746**		**789,499**	38,915	485,289	265,295
83,943	**83,943**		**83,943**	83,943		
8,951	**8,951**	320,386	**329,337**	78,675	141,899	108,763
882,393	**897,640**	320,386	**1,202,779**	201,533	627,188	374,058

				Term to maturity		
Total carrying amounts	Total fair value	IFRS 7 not applicable	Total carrying amounts	up to 1 year	between 1 and 5 years	exceeding 5 years
704,120	**716,755**		**704,120**	28,714	48,078	627,328
70,413	**70,413**		**70,413**	70,413		
29,667	**29,667**	323,744	**353,411**	60,926	183,899	108,586
804,200	**816,835**	323,744	**1,127,944**	160,053	231,977	735,914

Trade receivables include receivables from construction contracts in an amount of k€ 0 (prior year: k€ 4,359). Trade payables include payables from construction contracts in amount of k€ 193 (prior year: k€ 0).

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:

- For the most part, trade receivables, other receivables and assets, liquid funds, trade liabilities and the material proportion of the remaining liabilities in terms of IFRS 7 are subject to short residual terms. Thus, their carrying amounts at balance sheet date approximately equal fair value.

- Other liabilities include financial obligations to employees resulting from a programme regarding the 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.

- Other financial assets include shares in an investment fund that are classified as designated as at fair value. For this fund, payment of the return value as well as its determination and announcement at balance sheet date and until the date of preparation are momentarily broken off. At preparation date, there was no active market for most of the securities included in the fund portfolio either. In addition, no valid market data was available for measuring the fund shares in application of the discounted-cash flow method. The fair value of this fund is therefore based on an indicative measurement determined by the fund management company. This measurement in turn is based on the individual prices determined by the lead managers of the respective securities included in the portfolio, individual prices by third parties (brokers) and accepted model calculations. For validation of this value, we fell back on the development of a comparable fund for which return prices exist. We also acknowledged the development of the indicative value of the fund management company after balance sheet date. In consideration of these analyses, the fund shares were measured at k€ 21,888 (prior year: k€ 23,238) at balance sheet date. This equals the indicative measurement of the fund management company. The reduction of the carrying amount exclusively results from the distribution of earnings in amount of k€ 6,006 in 2009.

- 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 220 (prior year: 200) basis points was continuously 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 and spot and forward exchange rates. All but one derivative financial instrument were measured in application of this measurement method.

- Financial liabilities include a derivative financial instrument that entitles our joint venture partner to acquire 26.5 per cent of shares in SolarWorld Korea Ltd. at a fixed price (call option). This derivative was measured on the basis of the entity's measurement in the scope of a capital increase conducted in July 2009 and in consideration of significant changes in value from this date on. The option has been executed on February 11, 2010.

Financial instruments accounted for at fair value per balance sheet 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 significantly affecting 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€	Total Dec. 31, 2009	Stage 1	Stage 2	Stage 3
Financial assets measured at fair value				
designated as such	**47,396**	0	25,508	21,888
available for sale	**5,022**	5,022	0	0
Financial liabilites measured at fair value				
held for trading	**-2,232**	0	0	-2,232
derivatives in hedging relations	**-10,057**	0	-10,057	0
	40,129	5,022	15,451	19,656

The following chart shows the development of financial instruments included in stage 3 over the course of the business year:

in k€	2009
As per Jan 1	**24,538**
Gains recognized in other financial result	6,161
Disposal	-5,037
Distribution	-6,006
As per Dec 31	**19,656**

The financial instruments still held at balance sheet date, which were assigned to stage 3, make for a profit of k€ 2,423 in 2009. This profit is included in the other financial result.

g) Net gains and losses by measurement category

Net gains and losses of the measurement categories “financial assets designated as at fair value through profit or loss” and “financial assets held for trading” can be taken from other financial result in note 32. In addition to results from fair value measurement, they also include interest, dividend and currency effects.

In addition to losses from exchange effects mentioned below, net gains and losses of the measurement category “loans and receivables” mainly contain allowances in an amount of k€ 2,523 (prior year: k€ 1,024). The latter are included in other operating expenses.

With respect to the measurement categories “loans and receivables” and “financial liabilities measured at amortized cost”, net gains and losses also include losses from currency effects, which were not allocated to the individual categories for reasons because of cost and benefit consideration. The balance made for losses from currency effects in an amount of k€ 1,237 (prior year: k€ 2,447) in the business year. These are recognized in other financial result.

In addition to part of the mentioned losses from currency effects, gains from repayment of financial liabilities in an amount of k€ 1,429 were to be considered in the prior year’s net results of “financial liabilities measured at amortized cost”. These were included in other financial income.

Thus, net losses from the measurement categories “loans and receivables” and “financial liabilities measured at amortized cost” in total amount to k€ 3,760 (prior year: k€ 2,042).

Aside from interest income of k€ 27 (prior year: k€ 409) recognized through profit or loss, no AfS reserve additions (prior year: k€ 286) were recognized in the financial year with regard to "financial assets available for sale".

h) Hedging

SOLARWORLD Group concluded an interest rate swap ("static pay – variable receipt") with a current nominal volume of k€ 29,000 (prior year: k€ 40,000) for hedging the cash flow risk of a variable interest loan, the term of the swap expiring at the end of 2013. The variable interest bank loan was designated hedged item. This hedging is aimed at transforming the variable interest bank loan in fixed interest financial liabilities. The fair value of the interest rate swap amounts to k€ -1,168 (prior year: k€ - 1,100) at balance sheet date.

For hedging existing currency risks from senior notes denominated in US dollar, SOLARWORLD Group has five cross currency swaps ("static pay in € – static receipt of USD"), the nominal volume of which amounts to a total of kUSD 175,000. The senior notes denominated in US dollar were designated hedged items. The hedging is aimed at transforming the US dollar liabilities regarding the nominal amount as well as the open interest payments to financial liabilities in €. The fair values of the swaps amounted to a total of k€ -8,889 (prior year: k€ 6,924) at balance sheet date.

Proof of prospective effectiveness is provided by way of the critical terms match method. The retrospective effectiveness is regularly provided by means of the hypothetical derivative method. The results of the retrospective effectiveness tests ranged within a scope of 80 to 125 per cent. Thus, effective hedging can be assumed. An unrealized gain of k€ 849 (prior year: k€ 9,148) was therefore recognized in equity per balance sheet date.

62. COMMENTS ON THE CASH FLOW STATEMENT

Cash flow from discontinued operations

The cash flow statement shows cash flows including those of discontinued operations. The following cash flow proportions fall upon discontinued operations:

in k€	2009	2008
Cash flow from operating activities	**0**	0
Cash flow from investment activities	**5,775**	12,996
Cash flow from financing activities	**0**	0
Net changes in cash and cash equivalents	**5,775**	12,996

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 result. Cash flow from operating result and changes in net assets takes the changes of net current assets into account.

The non-cash income of the business year recognized in the cash flow statement concerns income from the reversal of advances received. We refer to our comments in note 26. The non-cash income of the prior year concerns the gains from disposing of discontinued operations. This resulted from the sale of 65 per cent of the former subsidiary GPV.

Customer advances and prepayments particularly concern noncurrent selling agreements regarding silicon wafers and noncurrent purchase agreements regarding elemental silicon concluded in a timely connection. The following chart illustrates the cash inflows and outflows resulting therefrom:

in k€	2009	2008
Increase (+) / decrease (-) in customer advances	**5,371**	108,425
Increase (-) / decrease (+) in prepayments	**4,777**	-119,215
Changes in cash flow	**10,148**	-10,790

Interest paid and interest received are included in cash flow from financing activities and cash flow from operating activities, respectively.

Cash flow from investing activities

Cash flow from investing activities includes payments for asset investments as well as investment grants received for this purpose. In addition, the item contains in- and outflowing payments in connection with financial investments and cash inflows from the payment of the remaining purchase price of shares in the subsidiary GPV (compare above). Due to the acquisition of 50 per cent of the shares in SOLARWORLD SOLICIUM GMBH and in consideration of the purchase price paid, SOLARWORLD Group received k€ 110 in liquid funds.

Cash flow from financing activities

Cash flow from financing activities takes into account the increased financial debts. Dividend distributions to the shareholders of SOLARWORLD AG are included as payments. Lastly, interest paid is shown as part of the cash flow from financing activities.

Cash and cash equivalents

Cash and cash equivalents comprise the balance of the liquid funds recognized on the balance sheet in an amount of k€ 428,089 (prior year: k€ 431,689) and of the liabilities due on a daily basis recognized in the item current financial liabilities in an amount of k€ 0 (prior year: k€ 8,335). This takes into account k€ 111 (prior year: k€ 0) due to the initial consolidation of SOLARWORLD SOLICIUM GMBH in terms of scope of consolidation-related changes in cash and cash equivalents.

63. CONTINGENT LIABILITIES

SOLARWORLD AG issued an absolute guarantee in an amount of k€ 12,667 for SOLARPARC AG to Deutsche Bank AG.

64. RELATED PARTY DISCLOSURES

In the reporting year 2009, the following material transactions involving related parties were carried out:

Administration and commercial property in Bonn was leased from members of the Asbeck family, the annual rent amounting to € 1m (prior year: € 0.6m). SOLARWORLD AG recognized liabilities of k€ 30 (prior year: k€ 30) at balance sheet date. Module deliveries and other services in an amount of k€ 145 (prior year: k€ 391) were rendered to Frank H. Asbeck, k€ 129 (prior year: k€ 391) of which were still unsettled at balance sheet date.

With regard to Solarparc Vilshofen GmbH residual receivables in amount of k€ 100 (prior year: € 4.8m) exist as of balance sheet date resulting from security deposits. In January 2009, the company had been sold by SOLARPARC AG to Solar Holding Beteiligungsgesellschaft mbH of which Frank H. Asbeck holds the majority of the shares.

In the course of the reporting year, module deliveries and project services in an amount of € 97.1m were rendered to SOLARPARC Group (prior year: € 4m to Solarparc Vilshofen GmbH), € 95.8m (prior year: € 5.5m, thereof € 4.8m due from Solarparc Vilshofen GmbH) of which were still unsettled at balance sheet date because the largest part was brought to account only in the fourth quarter 2009. In addition, SOLARWORLD Group received management and planning services in an amount of k€ 273 (prior year: k€ 203) from SOLARPARC AG. At balance sheet date, k€ 6 (prior year: k€ 0) of these were still unsettled. Furthermore, SOLARWORLD Group rendered services to SOLARPARC Group in an amount of k€ 37 (prior year: k€ 9), k€ 1 (prior year: k€ 0) of which were still unsettled at balance sheet date.

For interim financing of a project, SOLARWORLD AG issued an absolute guarantee in an amount of k€ 12,667 (prior year: k€ 12,667) for SOLARPARC AG to Deutsche Bank AG for which it received k€ 128 (prior year: k€ 108) in commission in 2009. In addition, SOLARWORLD AG gave out loans in a total amount of € 6m to SOLARPARC AG in 2009, € 3m of which were still unsettled at December 31, 2009. In this connection, interest income of k€ 61 (prior year: k€ 218) accrued.

SOLARWORLD AG had given out a short-term loan to a joint venture in 2008, which was fully redeemed at balance sheet date (prior year: k€ 1,796) and made for interest income of k€ 111 (prior year: k€ 10) in 2009.

SOLARWORLD Group sold or rendered goods, fixed assets, toll manufacturing services and other services of k€ 11,023 (prior year: k€ 4,761) to joint ventures. Receivables from these transactions amount to k€ 2,398 (prior year: k€ 1,138) at balance sheet date.

Goods, fixed assets, toll manufacturing services and other services in a total amount of k€ 76,554 (prior year: k€ 6,173) were purchased from joint ventures. In consideration of the accounting for supply and purchase agreements that economically constitute toll manufacturing relationships (compare note 5), total liabilities amount to k€ 8,815 (prior year: k€ 343) and advances paid of k€ 955 (prior year: k€ 11,400) at balance sheet date. With regard to civil law, total liabilities and receivables amount to k€ 18,885 (prior year: k€ 343) and k€ 16,194 (prior year: k€ 0) at balance sheet date, respectively. Furthermore, civil law claims from advances paid of k€ 15,165 (prior year: k€ 11,400) are still outstanding.

Deposit obligations with regard to a jointly controlled entity make for liabilities of € 1m (prior year: € 1.4m).

The law firm 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 € 0.7m (prior year: € 0.6m) was rewarded for these services in 2009.

Remuneration of the members of the Executive Board is presented note 66 or in the remuneration report, which is part of the management report.

All transactions were handled in compliance with the arm's length principle.

65. EMPLOYEES

The average number of employees amounted to 1,858 (prior year: 1,591) and falls upon the company's areas of operation or segments as follows:

Headcount	2009	2008
Production Germany	**1,007**	879
Production USA	**603**	507
Trade	**187**	155
Others	**61**	50
	1,858	1,591

Per December 31, 2009, the number of employees amounted to 2,000 (prior year: 1,825), including 86 trainees (prior year: 83).

66. EXECUTIVE BOARD AND SUPERVISORY BOARD

For assuming their duties in both parent company and subsidiaries in 2009, the members of the Executive Board received a total remuneration of k€ 2,719 (prior year: k€ 2,704), which includes variable remuneration of k€ 1,882 (prior year: k€ 1,850).

For assuming their duties in both parent company and subsidiaries in 2009, the members of the Advisory Board received remuneration including reimbursements in a total amount of k€ 297 (prior year: k€ 293), each plus statutory VAT. The total includes variable remuneration of net k€ 119 (prior year: k€ 114).

Individualized disclosures regarding the remuneration of the Executive Board are included in the company's management report.

As in the prior year, the Executive Board members are:

- Dipl.-Ing. Frank H. Asbeck (Chairman)
- Dipl.-Ing. Boris Klebensberger (Operations)
- Dipl.-Kfm. tech. Philipp Koecke (Finance)
- Dipl.-Wirtschaftsing. Frank Henn (Sales)

At balance sheet date, the Chairman of the Executive Board, Frank H. Asbeck, directly and indirectly held 25 per cent (prior year: 25 per cent) 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 in the law firm Schmitz Knoth Rechtsanwälte, Bonn
- Dr. Georg Gansen (Deputy Chairman), attorney-at-law/Corporate Legal Counsel at Deutsche Post AG, Bonn
- Dr. Alexander von Bossel, LL.M (Edinb.); attorney-at-law and partner in the law firm CMS Hasche Sigle, Cologne

Frank H. Asbeck, Chairman of the Executive Board, is Chairman of the Supervisory Board of DEUTSCHE SOLAR AG as well as of SUNICON AG.

Dr. Claus Recktenwald, Chairman of the Supervisory Board, is Chairman of the Supervisory Board of SOLARPARC AG, Vice-Chairman of the Supervisory Board of DEUTSCHE SOLAR AG, Vice-Chairman of the Supervisory Board of SUNICON AG, member of the Supervisory Board of VEMAG Verlags- und Medien Aktiengesellschaft, Cologne, member of the Supervisory Board of Wanderer-Werke AG, Augsburg (until November 2009) as well as member of the Advisory Board of Grünenthal GmbH, Aachen (since January 2010).

Dr. Georg Gansen, Vice-Chairman of the Supervisory Board, is also the Vice-Chairman of the Supervisory Boards of SOLARPARC AG, DEUTSCHE SOLAR AG and SUNICON AG.

Dr. Alexander von Bossel, member of the Supervisory Board, is also a member of the Supervisory Board of SOLARPARC AG.

67. AUDITOR'S FEES

In 2009, total fees for the auditor of the consolidated financial statements, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg/Bonn, including reimbursement of costs, amount to:

a) Year-end audits k€ 563 (prior year: k€ 500)
b) Other certification and valuation services k€ 6 (prior year: k€ 11)
c) Tax consultancy services k€ 2 (prior year: k€ 13)
d) Other services k€ 117 (prior year k€ 4)

68. CORPORATE GOVERNANCE

On November 24, 2009 and December 14, 2009, Supervisory Board and Executive Board, respectively, issued the statement required by §161 AktG, stating that the recommendations of the "Regierungskommission Deutscher Corporate Governance Kodex" ("Government Commission German Corporate Governance Code") as announced by the Federal Ministry of Justice were and are complied with. The statement is published on SOLARWORLD AG's website *www.solarworld.de/investorrelations/compliancedeclaration* //

Bonn, 12 March 2010

Dipl.-Ing.Frank H. Asbeck
Chairman of the Board

Dipl.-Wirtschaftsing. Frank Henn
Executive Board member/Sales

Dipl.-Kfm. tech. Philipp Koecke
Executive Board member/Finance

Dipl.-Ing. Boris Klebensberger
Executive Board member/Operations

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the SOLARWORLD AG, Bonn, comprising the balance sheet, the income statement, 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, 2009 to December 31, 2009. 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 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.

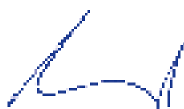
We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that 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 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, 12 March 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Dr. Gorny
German Public Auditor

ppa. Ahrend
German Public Auditor

RESPONSIBILY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Bonn, 12 March 2010

SOLARWORLD AG
Board of Management

Dipl.-Ing.Frank H. Asbeck
Chairman of the Board

Dipl.-Wirtschaftsing. Frank Henn
Executive Board member/Sales

Dipl.-Kfm. tech. Philipp Koecke
Executive Board member/Finance

Dipl.-Ing. Boris Klebensberger
Executive Board member/Operations