



# 4Q12 Earnings Presentation

**March 2013**



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## Fourth Quarter Highlights



Delivered record shipments amid changing market conditions



Lowered costs and improved operational efficiency



Continued investment in R&D and new technology



Established our module business in new markets as part of our global expansion strategy



Maintained leadership in wafer processing technology



# Business Highlights

# Research and Development Updates



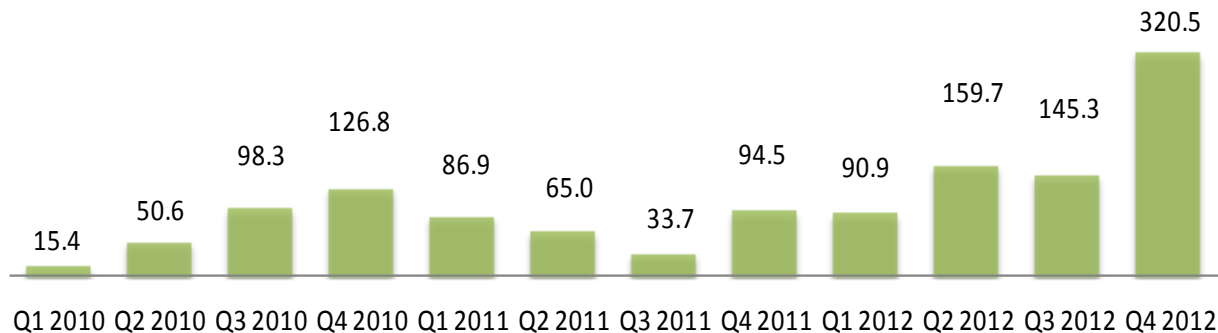
- Our next generation Virtus A+++ wafer technology is now in trial production, with average efficiencies of 17.6 - 17.8%
- Our 60-cell 260 W Virtus II modules with efficiencies of 16% are now in trial production, and our 60-cell 260W Virtus I modules are now in mass production
- We are developing our second generation Micro Replus microinverter, which will reduce costs to customers by 20%, as compared to the first generation Micro Replus
- US customers have bought and begun using Micro Replus
- We've begun researching small-scale storage systems, with the aim of providing such products in 1H 2013
- We are developing DC optimizers, with the aim of marketing these in 2H 2013
- We are developing a PV home kit solution, with a plan to market it by mid-2013
- We will continue to invest in R&D to enhance the technology behind our products and manufacturing, with the primary goals of lowering costs and improving efficiency.

# Module Business Updates

- We delivered 320.5 MW of solar modules in Q4 2012, an increase of 120.6% Q-o-Q
- Nearly all shipments were Virtus modules
- For Q4 2012, our total solar module selling cost was approximately \$0.60/W, a decrease from \$0.65/W in Q3 2012
- Module ASPs were \$0.63/W in Q4 2012, compared to \$0.67/W in Q3 2012
- Gross margin for our module business was approximately 4.7% in Q4 2012
- We expect total solar module manufacturing cost to decrease to approximately \$0.55/W in Q1 2013
- In Q1 2013, we expect shipments of our solar modules to be in a range of 280 MW to 300 MW, due to seasonality
- Full year module shipment is expected to be in a range of 1.4 GW to 1.6 GW , an increase of approximately 100% compared to 2012
- We will not expand capacity, but instead may outsource production to 3rd parties under our supervision

## Module Shipments

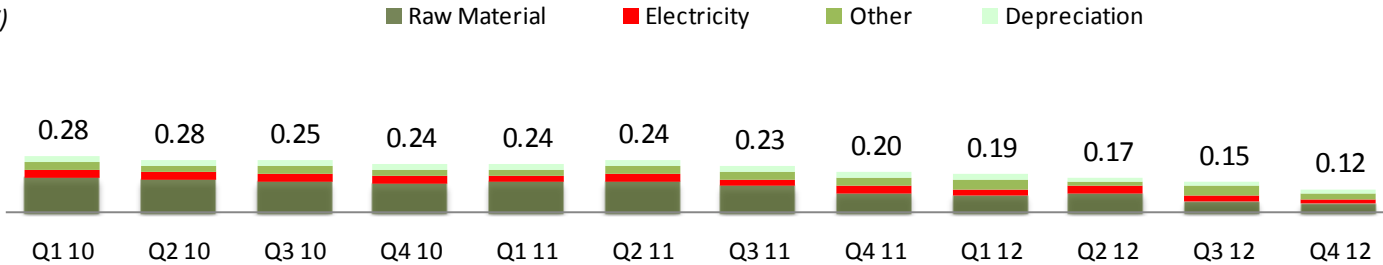
(Units in MW)



# Wafer Business Updates

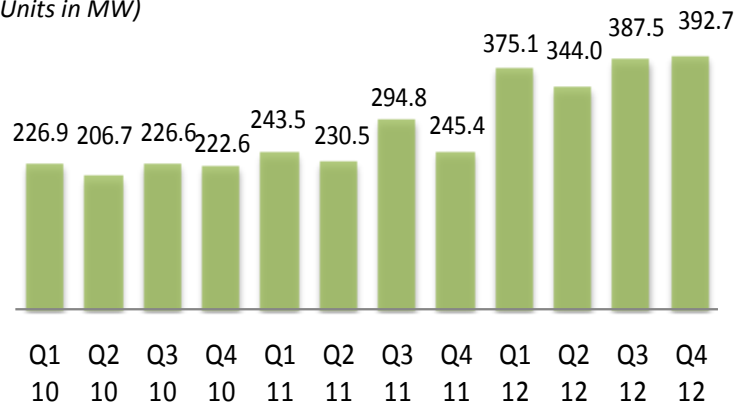
## Wafer Processing Cost Breakdown

(US\$/W)



## Wafer Shipment Growth

(Units in MW)



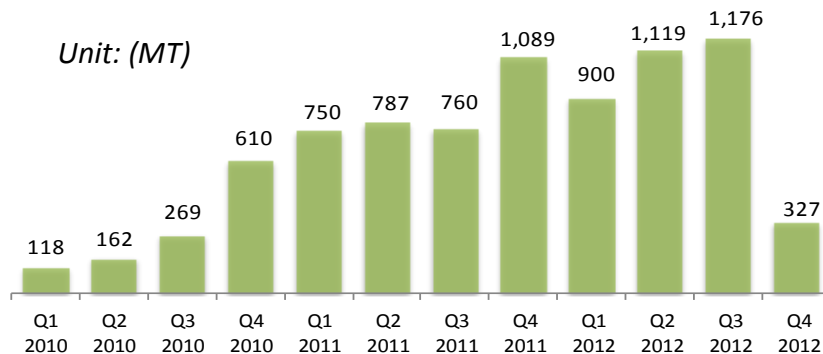
- We reached our year-end solar wafer processing cost target of \$0.12/W in Q4 2012
- Wafer ASPs were \$0.24/W in Q4 2012, compared to \$0.28/W in Q3 2012
- We have begun trial production of our next generation Virtus A+++ wafer processing technology, which will allow us to produce PID free solar wafers with efficiencies of over 17.6% and costs of under \$0.11/W
- Our target is to maintain overall processing cost around \$0.11/W throughout 2013
- Wafer capacity should remain at 2 GW throughout 2013



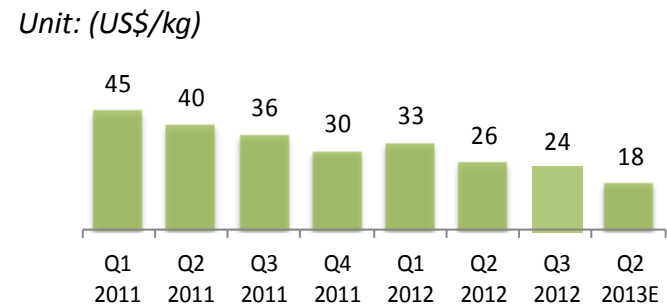
# Polysilicon Production Updates

- Internal polysilicon production cost decreased to approximately \$23.50/kg in Q4 2012, from \$23.57/kg in Q3 2012
- Internal polysilicon production was approximately 327 MT in Q4 2012, a decrease from approximately 1,175.7 MT in Q3 2012
- Internal polysilicon production decreased as a result of the temporary halt of polysilicon production at the end of October 2012 to upgrade our facilities and equipment, as well as to integrate Phase II with Phase I
- We have now begun trial production for the newly integrated polysilicon plant
- Polysilicon capacity is currently 10,000 MT
- Our target cost for both phases combined is \$18/kg by the end of Q2 2013

## Production Output



## Cost Reduction



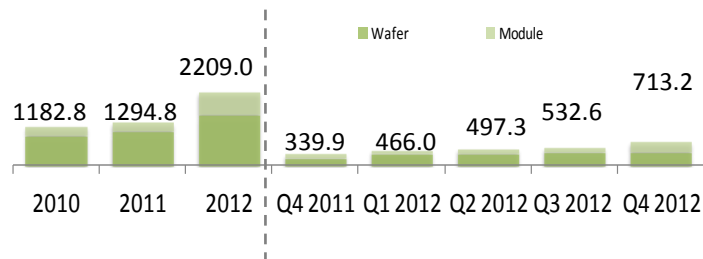


# Financial Highlights

# Fourth Quarter Snapshot

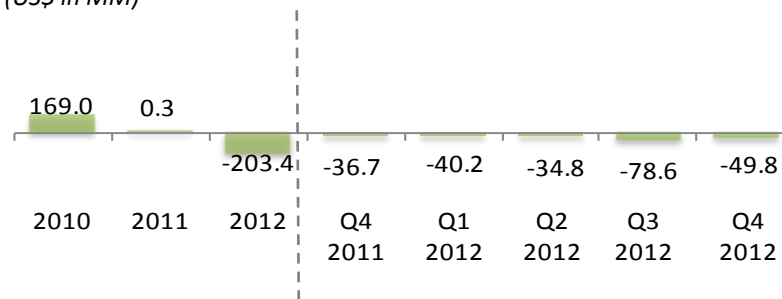
## Total Solar Wafer and Module Shipments

(Units in MW)



## Net Income

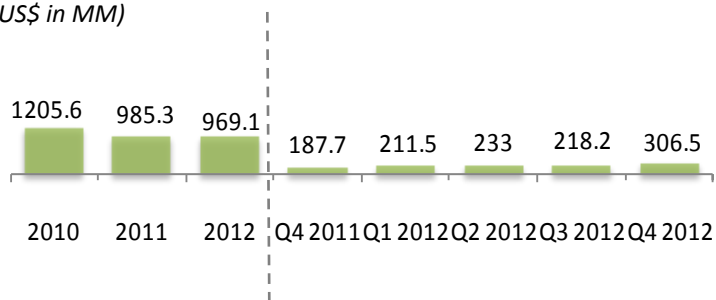
(US\$ in MM)



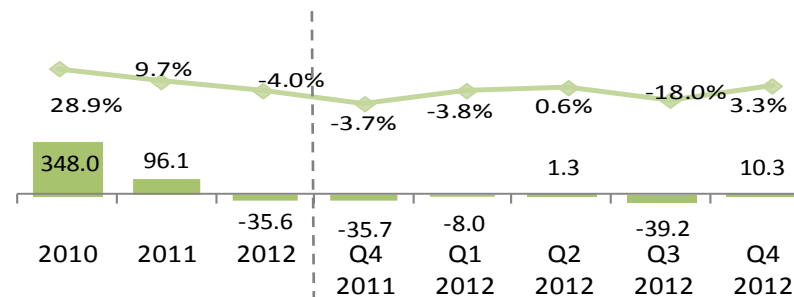
Note: The Company adjusted its efficiency calculation used in determining MW shipped starting January 1, 2010. Data before 2010 has not been adjusted.

## Revenues

(US\$ in MM)



## Gross Profit and Margin



Gross margin was 3.3% in Q4 and net loss was \$49.8 million including a \$16.8 million impairment of a deferred tax asset

# Key Financial Ratios

Financial Ratio	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Trade Receivable Turnover Days	24	34	41	51	56	64	74	72	52
Trade Payable Turnover Days	72	70	75	85	78	106	133	140	134
Inventory Turnover Days	56	60	70	87	62	68	75	78	75
Interest Coverage Ratio	12	11	2	-0.3	-3.5	-2.8	-3.1	-6.2	-1.43
Net debt to equity	34%	42%	44%	59%	65%	93%	103%	140%	157%

- Despite challenging industry conditions, our financial position is stable, with strict internal controls on credit and inventory

# Income Statement Summary

US\$ Million	2008	2009	2010	2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenue	670.4	510.4	1,205.6	985.3	211.5	233.0	218.2	306.5
Gross Profit	-14.3	-43.2	348.0	96.1	-8.0	1.3	-39.2	10.3
Gross Margin	-2.1% (18.3%*)	-8.5% (5.5%*)	28.9%	9.7% (14.7%*)	-3.8% (2.0%*)	0.6% (3.9%*)	-18% (-3.5%*)	3.3%
Operating Expense	34.2	47.4	102.0	84.5**	29.8	35.9	43.6**	34.0
EBIT Margin	-6.8%	-17.7%	20.4%	3.3%	-16.2%	-16.6%	-36.4%	-6.0%
Interest Expense	11.9	17.1	23.2	37.2	12.3	12.6	12.8	13.0
Tax Benefits (Expense)	2.4	41.2	-60.0	4.9	6.2	16.3	13.6	-18.4
Net Income (Loss)	-54.9	-71.9	169.0	0.3	-40.2	-34.8	-78.6	-49.8
Net Margin	-8.2% (12.2%*)	-14.1% (3.7%*)	14.0%	0.03% (4.7%*)	-19.0%	-14.9%	-36.0%	-16.2%

Note: \* Excludes inventory write-downs of \$137.0 million in 2008, \$71.3 million in 2009, \$45.6 million in 2011, \$12.2 million in Q1 2012, \$15.5 million in Q2 2012, \$31.6 million in Q3 2012, as well as a provision of \$8.6 million in 2009 and a reversal of a product warranty reserve expense of \$7.8 million in Q2 2012.

\*\* Includes a one-time gain of \$13.5 million arising from the forfeiture of a prepaid deposit due to the breach of a solar wafer contract by one of our clients in 2011, as well as an impairment loss on long-lived assets of \$6.1 million and a goodwill impairment charge of \$5.8 million in Q3 2012.



# Balance Sheet Summary

US\$ Million	Balance Sheet Summary							
	As of December 31				As of Mar 31	As of Jun 30	As of Sep 30	As of Dec 31
	2008	2009	2010	2011	2012	2012	2012	2012
<b>Cash and Equivalents</b>	112.3	106.8	290.7	379.0	338.9	314.2	265.4	93.3
<b>Restrictive cash</b>	6.0	25.3	33.6	58.3	49.4	79.9	69.7	174.8
<b>Accounts Receivable</b>	43.2	108.0	81.5	129.6	170.8	211.2	139.5	216.8
<b>Inventory</b>	193	137.8	170.6	154.2	176.4	209.8	236.5	254.9
<b>Accounts Payable</b>	37.9	93.4	220.8	235.8	283.1	404.0	395.6	483.6
<b>Short-term Borrowings</b>	192.0	358.6	400.8	570.9	662.6	691.1	715.8	733.6
<b>Long-term Borrowings</b>	32.8	189.3	121.5	144.7	138.2	130.2	134.5	56.6
<b>Convertible Notes</b>	138.9	32.5	-	111.6	111.6	111.6	111.6	111.6
<b>Shareholder Equity</b>	381.8	396.3	586.5	601.1	561.6	521.0	449.1	404.0

- Our balance sheet position at the end of Q4 2012 was relatively healthy with approximately \$268.1 million in net cash and cash equivalents plus restricted cash and \$790.2 million in debt (excluding convertible notes)

# Guidance

## Q1 2013 Guidance

- Total solar wafer and module shipments to be in the range of 660 MW to 680 MW
- Solar module shipments are expected to be in the range of 280 MW to 300 MW
- Revenues are expected to be in the range of \$260 million to \$270 million
- Gross margin is expected to be positive

## FY 2013 Guidance

- Total solar wafer and module shipments to be in the range of 2.7 GW to 2.9 GW
- Solar module shipments are expected to be in the range of 1.4 GW to 1.6 GW



[ THANK YOU ]  
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