

# FIRST SOLAR Q2'18 EARNINGS CALL

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July 26, 2018



LEADING THE WORLD'S  
SUSTAINABLE ENERGY FUTURE



# IMPORTANT INFORMATION

## Cautionary Note Regarding Forward Looking Statements

This presentation contains forward-looking statements which are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements concerning: effects resulting from certain module manufacturing changes and associated restructuring activities; our business strategy, including anticipated trends and developments in and management plans for our business and the markets in which we operate; future financial results, operating results, revenues, gross margin, operating expenses, products, projected costs (including estimated future module collection and recycling costs), warranties, solar module technology and cost reduction roadmaps, restructuring, product reliability, investments in unconsolidated affiliates, and capital expenditures; our ability to continue to reduce the cost per watt of our solar modules; the impact of public policies, such as tariffs or other trade remedies imposed on solar cells and modules; our ability to expand manufacturing capacity worldwide; our ability to reduce the costs to construct photovoltaic (“PV”) solar power systems; research and development (“R&D”) programs and our ability to improve the conversion efficiency of our solar modules; sales and marketing initiatives; the impact of U.S. tax reform; and competition. These forward-looking statements are often characterized by the use of words such as “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “seek,” “believe,” “forecast,” “foresee,” “likely,” “may,” “should,” “goal,” “target,” “might,” “will,” “could,” “predict,” “continue” and the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events and therefore speak only as of the date of this presentation. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason, whether as a result of new information, future developments or otherwise. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include, but are not limited to: structural imbalances in global supply and demand for PV solar modules; the market for renewable energy, including solar energy; our competitive position and other key competitive factors; reduction, elimination, or expiration of government subsidies, policies, and support programs for solar energy projects; our ability to execute on our long-term strategic plans; our ability to execute on our solar module technology and cost reduction roadmaps; interest rate fluctuations and both our and our customers' ability to secure financing; our ability to attract new customers and to develop and maintain existing customer and supplier relationships; our ability to successfully develop and complete our systems business projects; our ability to convert existing production facilities to support new product lines, such as Series 6 module manufacturing; general economic and business conditions, including those influenced by U.S., international, and geopolitical events; environmental responsibility, including with respect to cadmium telluride (“CdTe”) and other semiconductor materials; claims under our limited warranty obligations; changes in, or the failure to comply with, government regulations and environmental, health, and safety requirements; effects resulting from pending litigation; future collection and recycling costs for solar modules covered by our module collection and recycling program; our ability to protect our intellectual property; our ability to prevent and/or minimize the impact of cyber-attacks or other breaches of our information systems; our continued investment in R&D; the supply and price of components and raw materials, including CdTe; our ability to attract and retain key executive officers and associates; and the matters discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of our most recent Annual Report on Form 10-K and our subsequently filed Quarterly Reports on Form 10-Q, as supplemented by our other filings with the Securities and Exchange Commission.

# AGENDA

- Business & Technology Update
- Q2'18 Financial Results
- 2018 Guidance
- Q&A



# SERIES 6 MANUFACTURING UPDATE

## Manufacturing Readiness

### Ohio



- Started production in early Q2
- Commercial shipments underway

### Malaysia



- Started production in late Q2
- Commercial shipments underway

### Vietnam #1



- Fully staffed & completing tool factory acceptance
- First production module in late Q3

### Vietnam #2



- Construction progressing according to schedule
- First tools arriving on site

## Manufacturing Ramp

### Wattage



- ~415 watt current fleet average
- ~420 watt current top bin, progressing to 425 watts

### Throughput



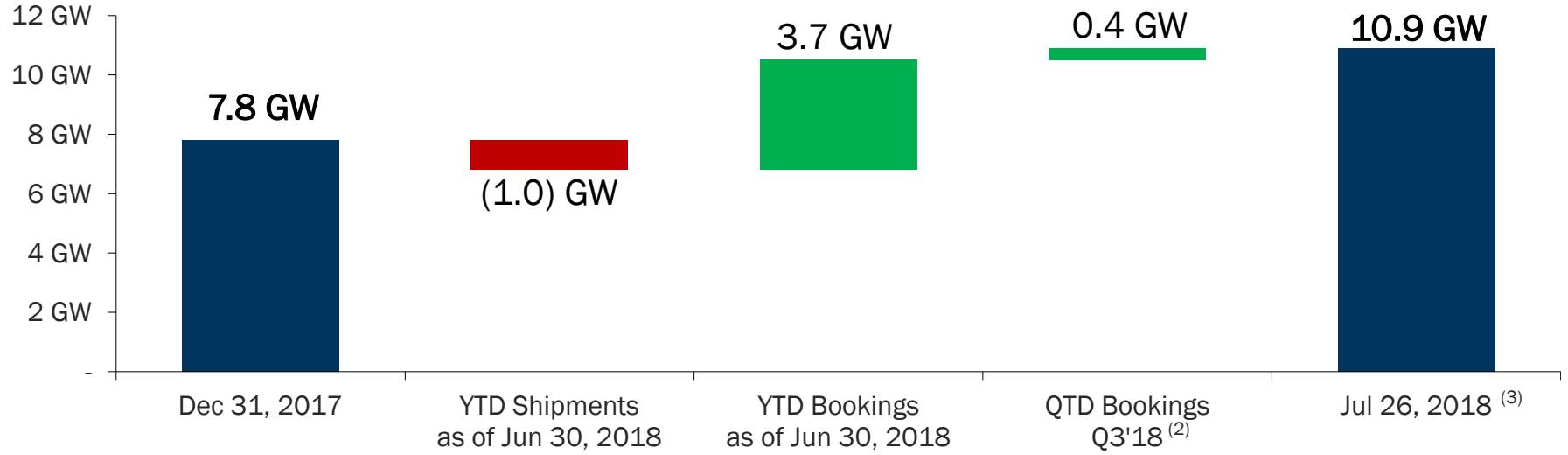
- Ohio currently at ~60% of nameplate capacity
- Malaysia currently at ~40% of nameplate capacity

### Product Readiness



- UL & IEC Certifications complete
- Other product readiness measures on track

# EXPECTED MODULE SHIPMENTS<sup>(1)</sup> (GW<sub>DC</sub>): SYSTEMS + THIRD-PARTY MODULE



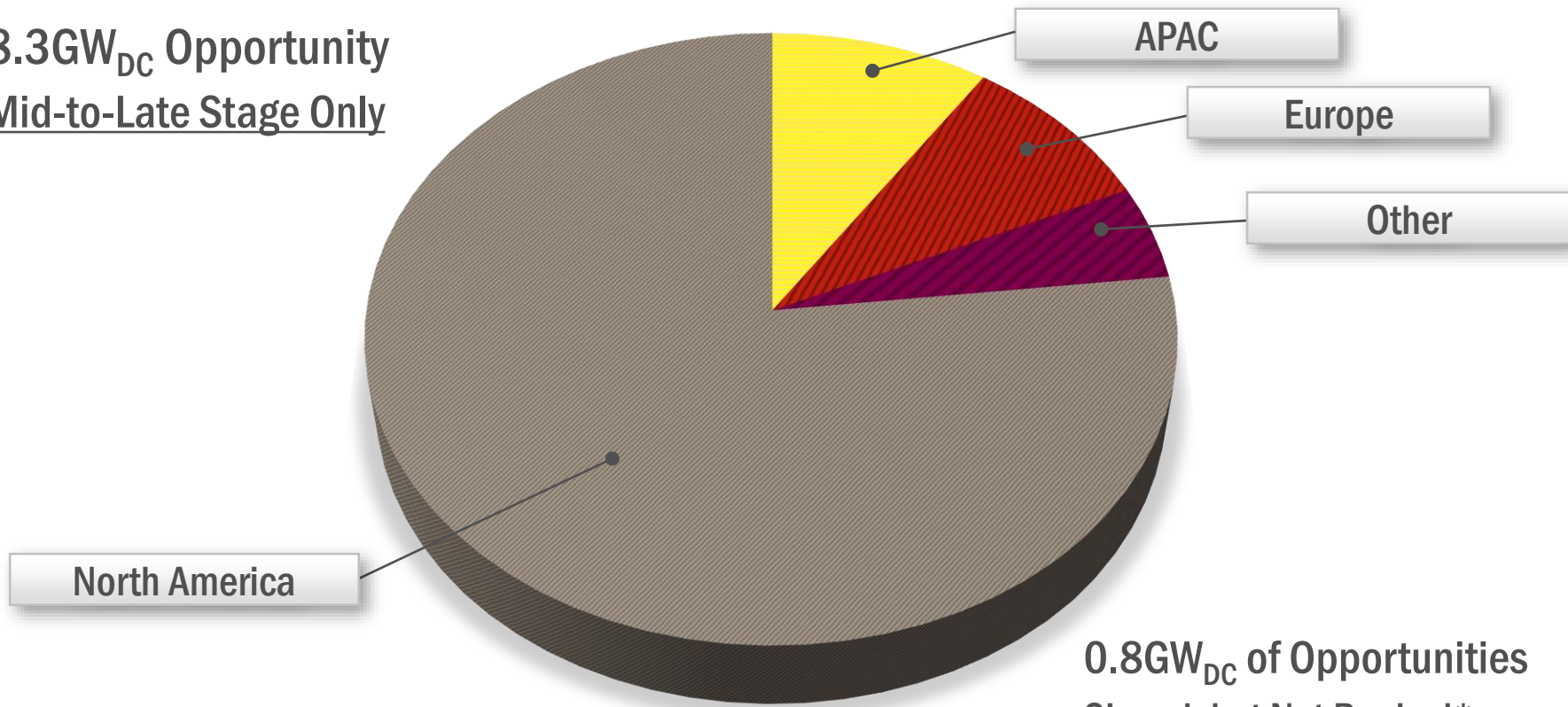
The above table presents the actual module shipments for 2018 through Jun 30, 2018, new module volume bookings through Jul 26, 2018, and the expected module shipments beyond Jul 26, 2018. A module is considered to be shipped when it leaves one of our manufacturing plants. Expected module shipments do not have a direct correlation to expected revenues as expected module shipments do not represent total systems revenues and do not consider the timing of when all revenue recognition criteria are met, including timing of module installation.

- (1) Expected Module Shipments includes systems projects and contracted 3<sup>rd</sup> party module-only sales. Systems projects include (a) under sales agreement, (b) executed PPA not under sales agreement and (c) no PPA and not under sales agreement, but electricity to be sold on an open contract basis.
- (2) Reflects new bookings from Jul 1, 2018 to Jul 26, 2018.
- (3) Balance includes remaining shipment volumes as of Jun 30, 2018 and bookings through Jul 26, 2018. Shipments from Jul 1 to Jul 26, 2018 not deducted.



# POTENTIAL BOOKING OPPORTUNITIES: BY GEOGRAPHY

8.3GW<sub>DC</sub> Opportunity  
Mid-to-Late Stage Only

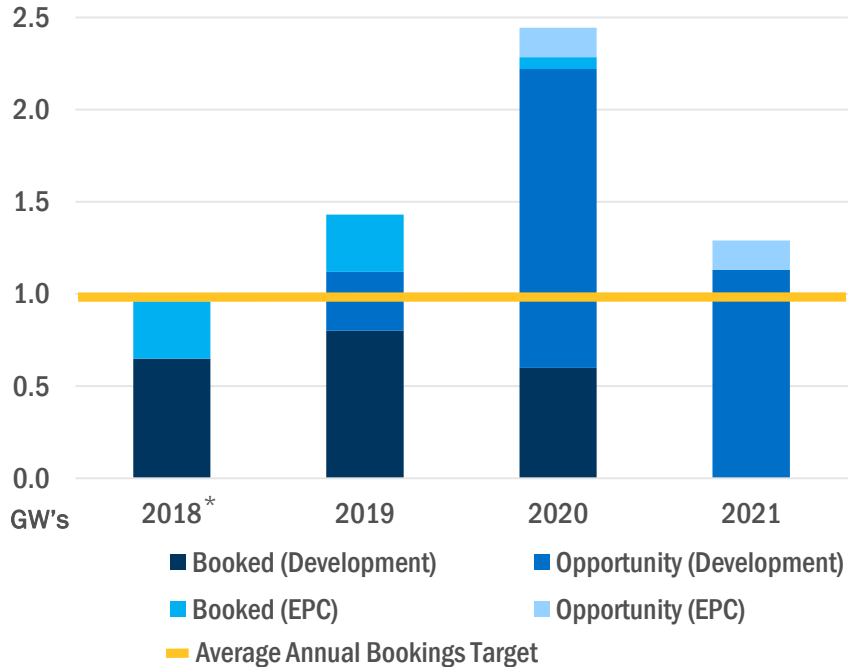


0.8GW<sub>DC</sub> of Opportunities  
Signed, but Not Booked\*

\*0.8GW included in the 8.3GW total

# SYSTEMS PIPELINE UPDATE

## Booked Systems Shipments + Mid/Late Opportunities



- **Total Systems Pipeline = 6.1GW<sub>DC</sub>\***
  - 2.7GW<sub>DC</sub> Booked\* ; 3.4GW<sub>DC</sub> Mid-to-Late Stage
  
- **North America Systems Projects = 5.5GW<sub>DC</sub>\***
  - 2.5GW<sub>DC</sub> Booked\* ; 3.0GW<sub>DC</sub> Mid-to-Late Stage
  
- **International Systems Projects = 0.6GW<sub>DC</sub>\***
  - 0.2GW<sub>DC</sub> Booked\* ; 0.4GW<sub>DC</sub> Mid-to-Late Stage
  - >300MW mid-to-late opportunities in Japan

Progress to Reaching ~1GW of Average Annual Systems Business

\*Includes actual shipments from Jan 1<sup>st</sup> to Jun 30<sup>th</sup>, and remaining shipments for 2018



# Q2 2018 FINANCIAL RESULTS



# KEY INCOME STATEMENT DATA

	Q2'18	Q/Q	Y/Y
(in millions, except gross profit % and net loss per share data)			
(Unaudited)			
Net sales	\$309.3	(45)%	(50)%
Gross profit %	(2.6)%	-33.1 ppt	-20.4 ppt
Selling, general and administrative	50.9	24%	4%
Research and development	20.4	0%	(5)%
Production start-up	24.4	(12.7)	16
Operating loss	(103.6)	(177.9)	(117.5)
Other loss, net	(4.3)	(22.3)	(1.6)
Income tax benefit	6.2	17.8	(33.8)
Equity in earnings, net of tax	40.1	41.8	38.1
Net loss	(\$48.5)	(\$131.5)	(\$100.5)
Share count - Diluted	104.8	(1)%	0%
Net loss per share - Diluted	(\$0.46)	(\$1.24)	(\$0.96)

# KEY BALANCE SHEET AND CASH FLOW DATA

	Q2'18	Q1'18	Q/Q
(in millions)			
(Unaudited)			
<b>Assets &amp; Liabilities</b>			
Cash, cash equivalents, and marketable securities	\$3,134.9	\$2,878.5	\$256.4
Accounts receivable trade, net	125.4	273.3	(147.9)
Accounts receivable, unbilled and retainage	177.7	151.4	26.3
Inventories – current	234.2	174.1	60.1
Balance of systems parts	72.4	65.4	7.0
PV solar power systems, net	316.6	355.1	(38.5)
Project assets – current and noncurrent	563.3	440.8	122.5
Restricted cash – current and noncurrent	73.9	89.2	(15.3)
Equity method investments	8.1	201.0	(192.9)
Long-term debt – current and noncurrent	\$456.3	\$437.9	\$18.4
<b>Cash Flow</b>			
Net cash provided by operating activities	\$129.2	(\$45.3)	\$174.5

# 2018 GUIDANCE AS OF JULY 26, 2018

	Prior GAAP	Current GAAP
Net Sales	\$2.45B to \$2.65B	<b>\$2.5B to \$2.6B</b>
Gross Margin (%) <sup>1</sup>	21.5% to 22.5%	<b>20.5% to 21.5%</b>
Operating Expenses <sup>2</sup>	\$400M to \$410M	<b>\$390M to \$400M</b>
Operating Income	\$130M to \$180M	<b>\$120M to \$160M</b>
Earnings Per Share	\$1.50 to \$1.90	<b>\$1.50 to \$1.90</b>
Net Cash Balance <sup>3</sup>	\$2.0B to \$2.2B	<b>\$2.2B to \$2.4B</b>
Operating Cash Flow	\$0M to \$100M	<b>\$100M to \$200M</b>
Capital Expenditures	\$850M to \$950M	<b>\$800M to \$900M</b>
Shipments	2.9GW to 3.0GW	<b>2.8GW to 2.9GW</b>

1. Includes approximately \$60 million of ramp penalty costs
2. Includes approximately \$120 million of production start-up expense
3. Cash and marketable securities less expected debt at the end of 2018



# Q2'18 SUMMARY & HIGHLIGHTS



## FINANCIALS:

- Record ending net cash of \$2.7B
- 2018 EPS guidance of \$1.50 to \$1.90
- 2018 Net Cash guidance of \$2.2 to \$2.4 billion



## SERIES 6:

- Start of Series 6 production in June at Malaysia factory
- Start of Series 6 production in Vietnam expected in Q3



## BOOKINGS:

- 4.1GW<sub>DC</sub> booked 2018 YTD
- 0.9GW<sub>DC</sub> booked since prior earnings call
- 8.3GW<sub>DC</sub> of mid-to-late stage opportunities, including 0.8GW<sub>DC</sub> signed



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