

# FIRST SOLAR Q1'17 EARNINGS CALL

---

May 2, 2017



# IMPORTANT INFORMATION

## Forward Looking Statements

This presentation contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements, among other things, concerning effects on our financial statements and guidance 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 anticipated module shipments; our anticipated bookings opportunities by stage and geography; our ability to continue to reduce the cost per watt of our solar modules; our ability to reduce the costs to construct PV solar power systems; research and development programs and our ability to improve the conversion efficiency of our solar modules; our ability to expand manufacturing capacity worldwide; sales and marketing initiatives; 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. The forward-looking statements in this presentation are based on current information and expectations, are subject to uncertainties and changes in circumstances, and do not constitute guarantees of future performance. Those statements involve a number of factors that could cause actual results to differ materially from those statements, including the risks as described in First Solar, Inc.'s ("First Solar" or the "Company") most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission. First Solar assumes no obligation to update any forward-looking information contained in this presentation or with respect to the announcements described herein.

## Non-GAAP Financial Measures

This presentation includes the presentation and discussion of certain financial information that differs from what is reported under generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures include non-GAAP earnings per fully diluted share ("EPS"), free cash flow, adjusted operating expenses, adjusted operating income and non-GAAP guidance for EPS, operating expenses and operating income. See the Appendix for a reconciliation of each of these non-GAAP financial measures to its most directly comparable GAAP measure and further information regarding such measures. Investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or superior to, measures of financial performance prepared in accordance with GAAP.

# AGENDA

- Business & Technology Update
- Q1'17 Financial Results
- 2017 Guidance
- Q&A



# SERIES 6 COMMERCIAL READINESS

- Series 6 prototype module installation trials at U.S. demo site
- Optimizing install on industry leading PV mounting structures
- Advantaged (lower) install hours per MW vs crystalline silicon
- Independent assessment of electrical BOS profile
- Initial 3<sup>rd</sup> Party EPC quotes indicate a total BOS cost similar to c-Si



Enabling a cost-effective solution supported by a vibrant ecosystem in all key global markets

# SERIES 6 VOICE OF CUSTOMER

## Listening to Customers

- Soliciting feedback from:
  - EPCs, Structure Providers & Independent Engineers
- Providing onsite trials at Arizona 'sandbox'



## Engaging with Customers

- >100 Customers at Series 6 Conference
- Positive customer response



## Customer Feedback on Series 6

“Congratulations, looks like a winner”

“Smart and innovative design”

“Is there anyway we can get this sooner?”

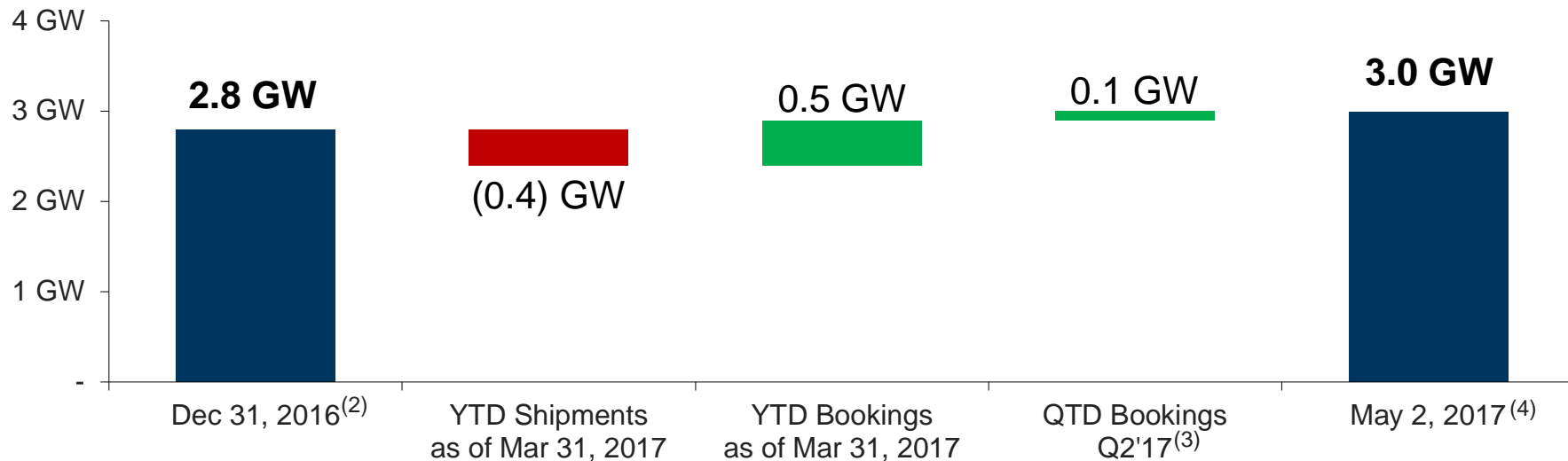
Customer survey respondents indicated they were likely to purchase Series 6

# SERIES 6 MANUFACTURING MILESTONES

Milestone	Ohio (Pilot)	Status	Malaysia #1	Status
Series 4 Production Stop	Q4'16 (4 lines)	✓	Q2'17 (8 lines)	✓
Series 6 Major Tools Ordered from Suppliers	Q1'17	✓	Q2'17	✓
Begin Series 6 Tool Installation	Q3'17		Q4'17 – Q1'18	
Series 6 Front End Operational	Q4'17		Q2'18 – Q3'18	
Series 6 Production Start	Q2'18		Q3'18 – Q4'18	

**Series 6 Transition Progressing as Planned**

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



The above table presents the actual module shipments for 2017 through Mar 31, 2017, new module volume bookings through May 2, 2017, and the expected module shipments beyond May 2, 2017. 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) contracted/sold (b) with PPA but not yet sold and (c) no PPA and not yet sold, but electricity to be sold on an open contract basis.
- (2) Ending 2016 balance of 3.2GW, reduced by Tribal Solar de-booking of 0.4GW which occurred in Q1'17.
- (3) Reflects new bookings from Apr 1, 2017 to May 2, 2017
- (4) Balance includes remaining shipment volumes as of Mar 31, 2016 and bookings through May 2, 2017. Shipments from Apr 1 to May 2, 2017 not deducted.

# SERIES 4: REMAINING MODULE SUPPLY (GW<sub>DC</sub>)



**More Than Half of Remaining Series 4 Supply Booked**

(1) Expected remaining Series 4 production for 2017 to 2018, including current inventory.

(2) Subset of projects in contracted systems pipeline expected to utilize Series 4 modules.

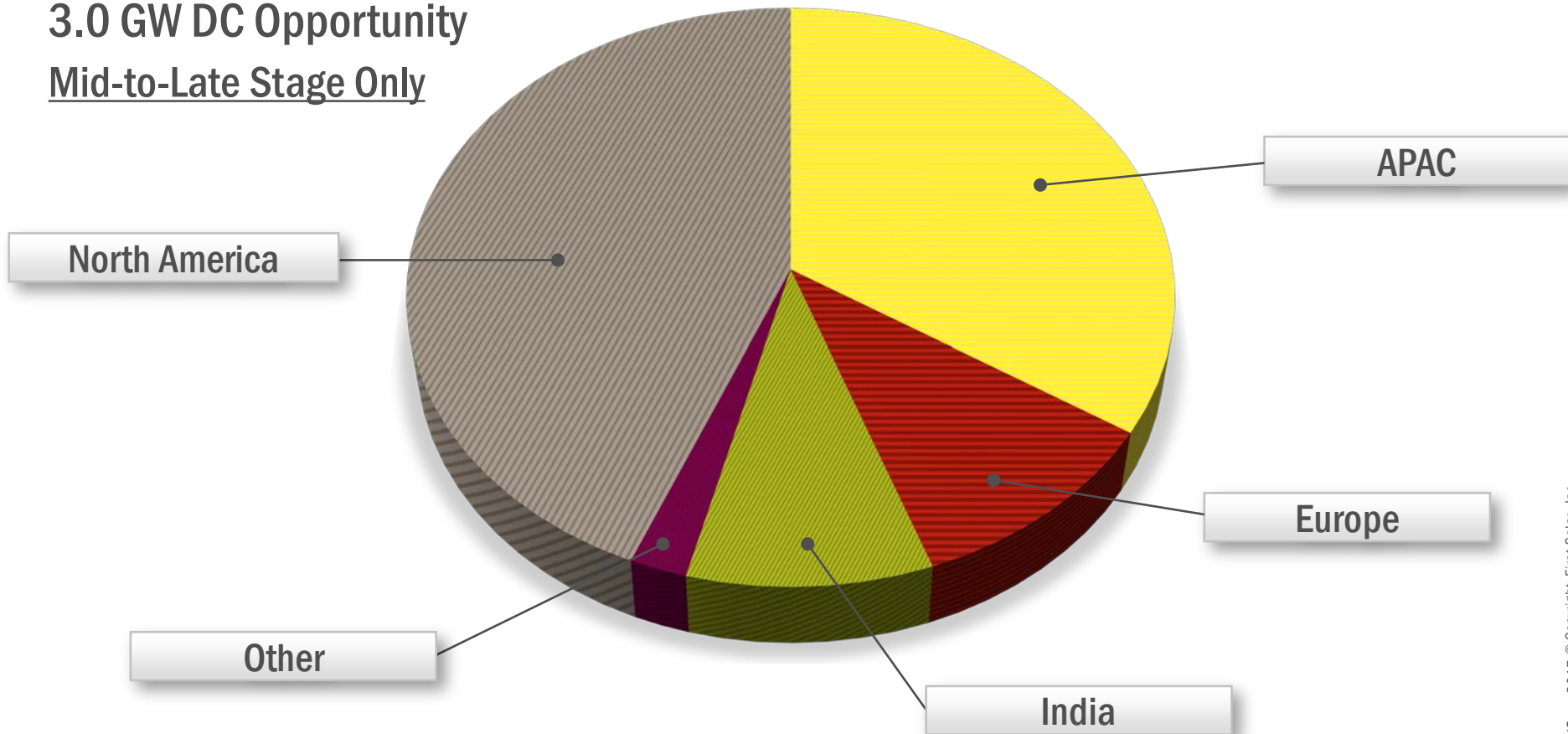
(3) Contracted bookings with third-party customers that are planned to utilize Series 4 modules.

(4) Expected remaining supply of Series 4 modules as of May 2, 2017.



# POTENTIAL BOOKING OPPORTUNITIES: BY GEOGRAPHY





3.0 GW DC Opportunity  
Mid-to-Late Stage Only





# Q1 2017 FINANCIAL RESULTS

# Q1'17 OPERATIONS OVERVIEW

Metric	Q1'17	Q1'17 VS Q4'16
Production (MW <sub>DC</sub> )	712	 6%
Capacity Utilization	98%	 6 pts
Conversion Efficiency (Fleet Average)	16.7%*	 10 bps
Conversion Efficiency (Best Line Quarter Average)	16.9%	 10 bps

\*Fleet average efficiency of 16.6%. 16.7% adjusted for warranty modules produced in Q1.

# KEY INCOME STATEMENT DATA

(in millions, except gross profit % and net income per share data)

(Unaudited)

	Q1'17	Q/Q	Y/Y
Net sales	\$891.8	170%	2%
Gross profit %	9.4%	7 ppt	-22.3 ppt
Research and development	\$22.8	-23%	-25%
Selling, general and administrative	\$48.2	-32%	-29%
Restructuring and asset impairments	\$20.0	-97%	100%
Operating loss	(\$8.0)	\$813.2	(\$187.9)
Other income (expense)	\$25.9	\$34.4	(\$9.7)
Income tax expense (benefit)	\$5.7	(\$50.4)	(\$22.3)
Equity in earnings of unconsolidated affiliates, net of tax	(\$0.6)	(\$138.1)	(\$10.3)
Net income (loss)	\$9.1	\$759.9	(\$186.5)
Share count – Diluted	104.4	0%	1%
Net income (loss) per share – Diluted	\$0.09	\$7.31	(\$1.81)
Non-GAAP net income per share – Diluted <sup>(1)</sup>	\$0.25	N/A	N/A

(1) Refer to the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure

# KEY BALANCE SHEET AND CASH FLOW DATA

	Q1'17	Q4'16	Q/Q
(in millions)			
(Unaudited)			
<b>Assets &amp; Liabilities</b>			
Cash and marketable securities	\$2,446	\$1,955	\$491
Accounts receivable trade, net	\$151	\$267	(\$116)
Accounts receivable, unbilled and retainage	\$71	\$207	(\$136)
Inventories - current	\$433	\$363	\$70
Balance of systems parts	\$33	\$63	(\$30)
PV solar power systems, net	\$452	\$449	\$3
Project assets — current and noncurrent	\$960	\$1,463	(\$503)
Restricted cash — current and noncurrent	\$54	\$69	(\$15)
Investments in unconsolidated affiliates and joint ventures	\$228	\$235	(\$7)
Long-term debt — current and noncurrent	\$277	\$188	\$89
<b>Cash Flow</b>			
Net cash provided by operating activities	\$493	\$268	\$225
Free cash flow <sup>(1)</sup>	\$380	\$215	\$165

(1) Refer to the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure

# 2017 GUIDANCE AS OF MAY 2, 2017

	Prior GAAP	Current GAAP	Prior Non-GAAP*	Current Non-GAAP*
Net Sales	\$2.8B to \$2.9B	\$2.85B to \$2.95B		
Gross Margin (%)	11% to 13%	12.5% to 14.5%		
Operating Expenses	\$335M to \$380M	\$360M to \$405M	\$280M to \$300M	\$320M to \$340M
Operating Income	\$(40M) to \$25M	\$(25M) to \$40M	\$40M to \$80M	Unchanged
Earnings Per Share	\$(0.80) to \$(0.05)	\$(0.30) to \$0.40	\$0.00 to \$0.50	\$0.25 to \$0.75
Net Cash Balance <sup>1</sup>	\$1.4B to \$1.6B	\$1.5B to \$1.7B		
Operating Cash Flow	\$250M to \$350M	\$350M to \$450M		
Capital Expenditures	\$525M to \$625M	Unchanged		
Shipments	2.4GW to 2.6GW	Unchanged		

\*See the appendix for a reconciliation of these forward looking non-GAAP measures to their most directly comparable GAAP measures

1. Cash and marketable securities less expected debt at the end of 2017

# Q1'17 RESULTS SUMMARY

- **Financial Results**

- Q1'17 Net sales of \$892 million
- Q1'17 GAAP earnings per share of \$0.09
- Q1'17 non-GAAP EPS of \$0.25
- Raise full year 2017 revenue, operating cash flow, net cash and EPS

- **Technology and Operation Roadmap**

- Series 6 tools ordered for Ohio and Malaysia #1 factories
- Series 6 first tool installation on track for Q3'17
- Series 4 full fleet average efficiency of 16.6% for Q1'17
- Series 4 lead line efficiency of 16.9% for Q1'17

- **Pipeline Additions**

- 2017 YTD bookings of 0.6GW
- Mid to late stage booking opportunities of 3.0GW

\*See the appendix for a reconciliation of these non-GAAP measures to their most directly comparable GAAP measures



# APPENDIX



Key Quarterly Financial Data	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q1'17	Q1'17
						Q/Q	Y/Y
(\$ in millions, except gross profit % and net income per share data)							
(Unaudited)							
Net sales	\$ 876.1	\$ 1,016.4	\$ 681.3	\$ 330.8	\$ 891.8	170%	2%
Gross profit %	31.7%	17.9%	25.1%	2.4%	9.4%	7 ppt	-22.3 ppt
Research and development	30.2	32.9	32.2	29.5	22.8	-23%	-25%
Selling, general and administrative	67.5	63.8	60.3	70.4	48.2	-32%	-29%
Production start-up	-	0.1	0.8	0.2	1.2	500%	100%
Restructuring and asset impairments	-	85.5	4.3	728.9	20.0	-97%	100%
Operating income (loss)	179.9	(0.2)	73.3	(821.2)	(8.0)	813.2	(187.9)
Income tax expense (benefit)	28.0	7.3	(68.2)	56.1	5.7	(50.4)	(22.3)
Equity in earnings of unconsolidated affiliates, net of tax	9.7	(7.3)	4.5	137.5	(0.6)	(138.1)	(10.3)
Net income (loss)	\$ 195.6	\$ (11.4)	\$ 150.5	\$ (750.8)	\$ 9.1	\$ 759.9	\$ (186.5)
Share count - Diluted	102.9	103.9	103.7	104.0	104.4	0%	1%
Net income (loss) per share - Diluted	\$ 1.90	\$ (0.11)	\$ 1.45	\$ (7.22)	\$ 0.09	\$ 7.31	\$ (1.81)
Share-based compensation expense	\$ 11.5	\$ 7.1	\$ 5.9	\$ 4.2	\$ 7.1	69%	-38%
Capital expenditures	51.8	78.4	45.7	53.6	113.0	111%	118%
Cash, cash equivalents, and marketable securities	\$ 1,880.5	\$ 1,667.4	\$ 2,090.2	\$ 1,955.1	\$ 2,445.7	25%	30%

### Supplemental Data

Net cash provided by (used in) operating activities	\$ 84.2	\$ (61.7)	\$ (84.2)	\$ 268.4	\$ 493.1	\$ 224.7	\$ 408.9
- Purchases of property, plant and equipment	(51.8)	(78.4)	(45.7)	(53.6)	(113.0)	(59.4)	(61.2)
= Free cash flow	\$ 32.4	\$ (140.1)	\$ (129.9)	\$ 214.8	\$ 380.1	\$ 165.3	\$ 347.7
MW Produced	774.0	784.8	778.9	759.7	711.9	-6%	-8%
Average conversion efficiency	16.2%	16.2%	16.5%	16.6%	16.6%	0 bps	40 bps

Total amounts may not foot due to rounding

See below for more information regarding free cash flow, a non-GAAP financial measure

# USE OF NON-GAAP FINANCIAL MEASURES

In this presentation we provided non-GAAP earnings per share, adjusted operating expenses and adjusted operating income for the three months ended March 31, 2017 and December 31, 2016. We have included these non-GAAP financial measures to adjust for (i) restructuring, asset impairment and related charges primarily associated with the transition from Series 4 to Series 6 production and (ii) the associated tax effect. We believe non-GAAP earnings per share, adjusted operating expenses and adjusted operating income, when taken together with corresponding GAAP financial measures, to be relevant and useful information to our investors because such measures provides them with additional information in assessing our financial operating results. Our management uses these non-GAAP financial measure in evaluating our operating performance. However, these measures have limitations, including that they excludes the effect of certain changes to our assets and liabilities and certain amounts that we may ultimately have to pay in cash. Accordingly, these non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to the corresponding financial measures prepared in accordance with GAAP. The following are the reconciliations of non-GAAP earnings per share, adjusted operating expenses and adjusted operating income to the corresponding measures prepared in accordance with GAAP for each period presented (in millions, except per share amounts):

## RECONCILIATION OF ADJUSTED OPERATING EXPENSES AND ADJUSTED OPERATING INCOME TO GAAP

	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017
Total operating expenses	\$ 829.0	\$ 92.2
Restructuring and asset impairments	(728.9)	(20.0)
Adjusted operating expenses	\$ 100.1	\$ 72.2

	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017
Operating loss	\$ (821.2)	\$ (8.0)
Restructuring and asset impairments	728.9	20.0
Write-downs of crystalline silicon module inventories	2.6	-
Adjusted operating (loss) income	\$ (89.7)	\$ 12.0

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

	Three Months Ended March 31, 2017	
Net income	\$	9.1
Restructuring and asset impairments		20.0
Tax effect*		(2.7)
Non-GAAP Net Income	\$	<u>26.4</u>
Weighted-average number of shares used for diluted earnings per share		104.4
Diluted GAAP earnings per share	\$	0.09
Diluted Non-GAAP earnings per share	\$	0.25

\*Restructuring treated as a non-discrete item for tax purposes and will be reflected in the effective tax rate over the duration of 2017.

# USE OF NON-GAAP FINANCIAL MEASURES: NON-GAAP GUIDANCE

In the presentation above, we provided non-GAAP guidance as of May 2, 2017 for our operating expenses, operating income and earnings per share for the year ending December 31, 2017. We have included these forward-looking non-GAAP financial measures to adjust our GAAP projections of such financial measures for, as applicable (i) restructuring, asset impairment and related charges primarily associated with the transition from Series 4 to Series 6 production and (ii) additional restructuring activities expected during the remainder of the year. Other GAAP charges, including those related to certain asset impairments, restructuring programs or litigation, that would be excluded from non-GAAP earnings per share are possible for the periods presented, but such amounts are dependent on numerous factors that we currently cannot ascertain with sufficient certainty or are presently unknown. These GAAP charges are also dependent upon future events and valuations that have not yet occurred or been performed. We believe these forward-looking non-GAAP financial measures, when taken together with our corresponding financial guidance based on GAAP, to be relevant and useful information to our investors because they provide them with additional information in assessing our financial operating results. Our management also uses such non-GAAP guidance in evaluating our operating performance. However, such measures have limitations, including that they exclude the effect of certain changes to our assets and liabilities, certain amounts that we may ultimately have to pay in cash and certain tax impacts. Accordingly, these forward-looking non-GAAP financial measures that exclude the aforementioned items should be considered in addition to, and not as substitutes for or superior to, financial guidance based on GAAP. The following are the reconciliations of our current and prior non-GAAP 2017 guidance to our current and prior GAAP 2017 guidance (in millions, except per share amounts):

# RECONCILIATION OF CURRENT GAAP GUIDANCE TO CURRENT NON-GAAP GUIDANCE

2017	GAAP Guidance	Restructuring Charges <sup>1</sup>	Non-GAAP Guidance
Operating Expenses	\$360 to \$405	\$(40) to \$(65)	\$320 to \$340
Operating Income	\$(25) to \$40	\$65 to \$40	\$40 to \$80
Earnings per share	\$(0.30) to \$0.40	\$0.55 to \$0.35	\$0.25 to \$0.75

1. \$40 to \$65 million of restructuring and asset impairment charges associated with the acceleration of our transition to Series 6 module manufacturing

# RECONCILIATION OF PRIOR GAAP GUIDANCE TO PRIOR NON-GAAP GUIDANCE

2017	GAAP Guidance	Restructuring Charges <sup>1</sup>	Non-GAAP Guidance
Operating Expenses	\$335 to \$380	\$(55) to \$(80)	\$280 to \$300
Operating Income	\$(40) to \$25	\$80 to \$55	\$40 to \$80
Earnings per share	\$(0.80) to \$(0.05)	\$0.80 to \$0.55	\$0.00 to \$0.50

1. \$55 to \$80 million of restructuring and asset impairment charges associated with the acceleration of our transition to Series 6 module manufacturing



**First Solar**®