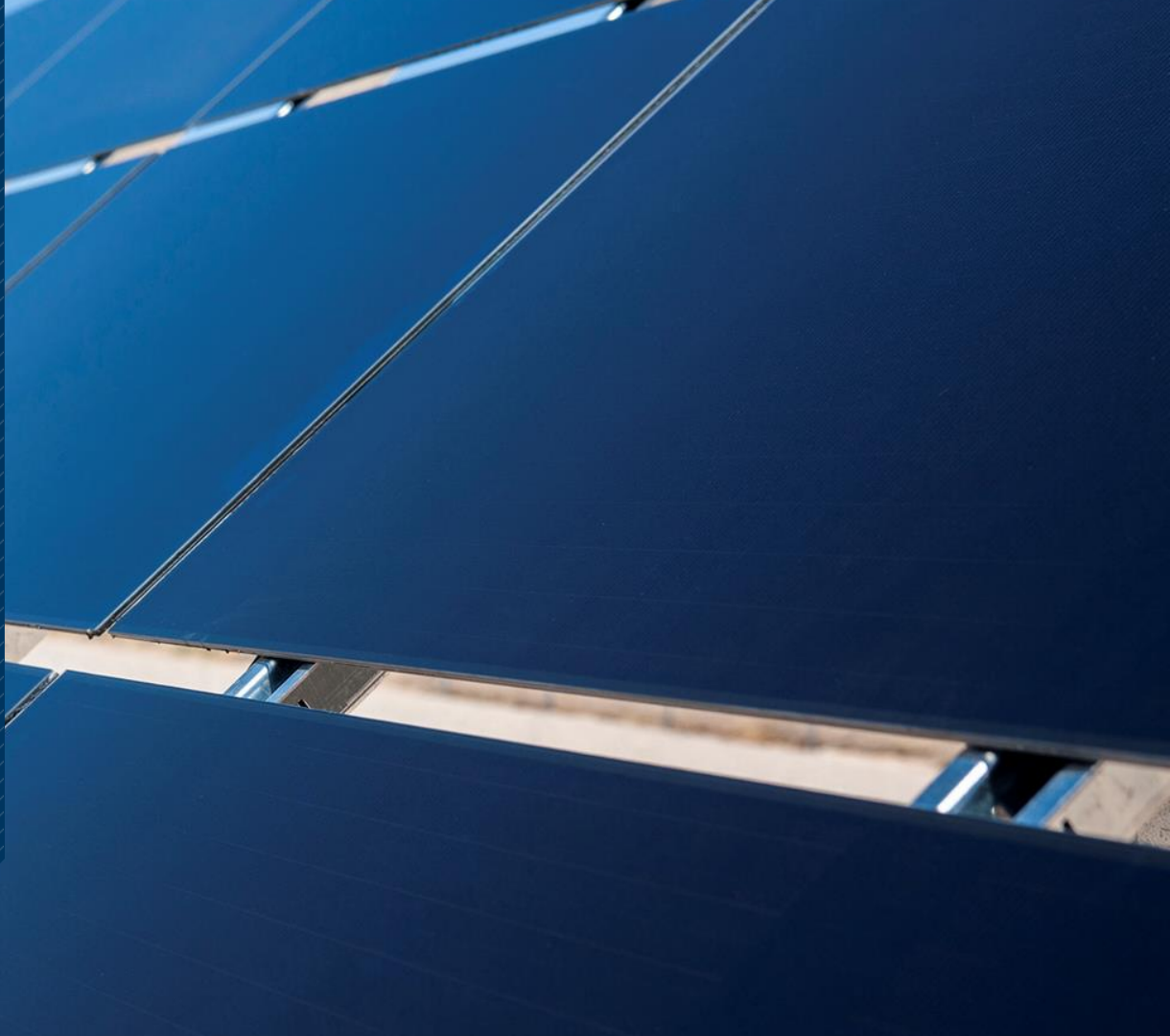


# FIRST SOLAR Q3'16 EARNINGS CALL

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November 2, 2016



# 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 possible module manufacturing changes; 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 efficiency and balance of systems 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 and non-GAAP guidance for EPS, operating expenses, operating income and effective tax rate. 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.

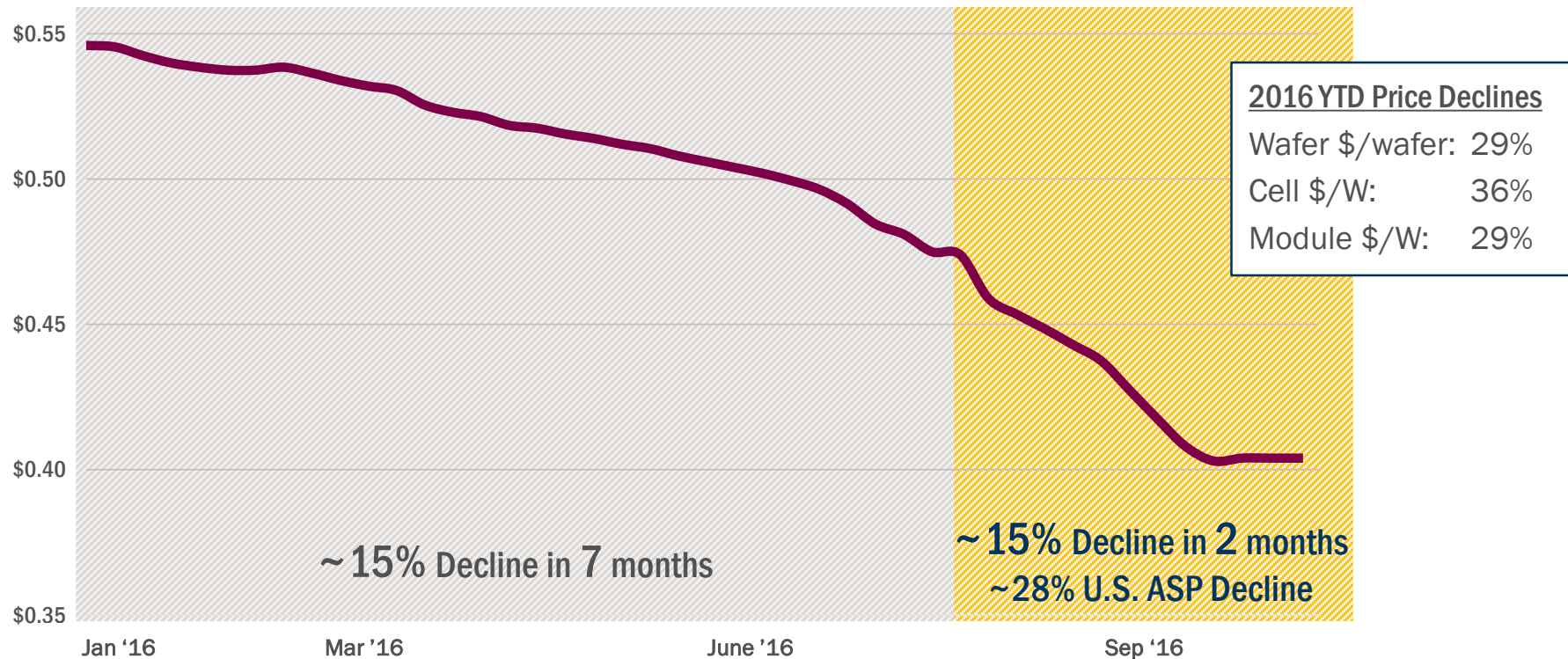
# AGENDA

- Business & Technology Update
- Q3'16 Financial Results
- 2016 Guidance Update
- Q&A

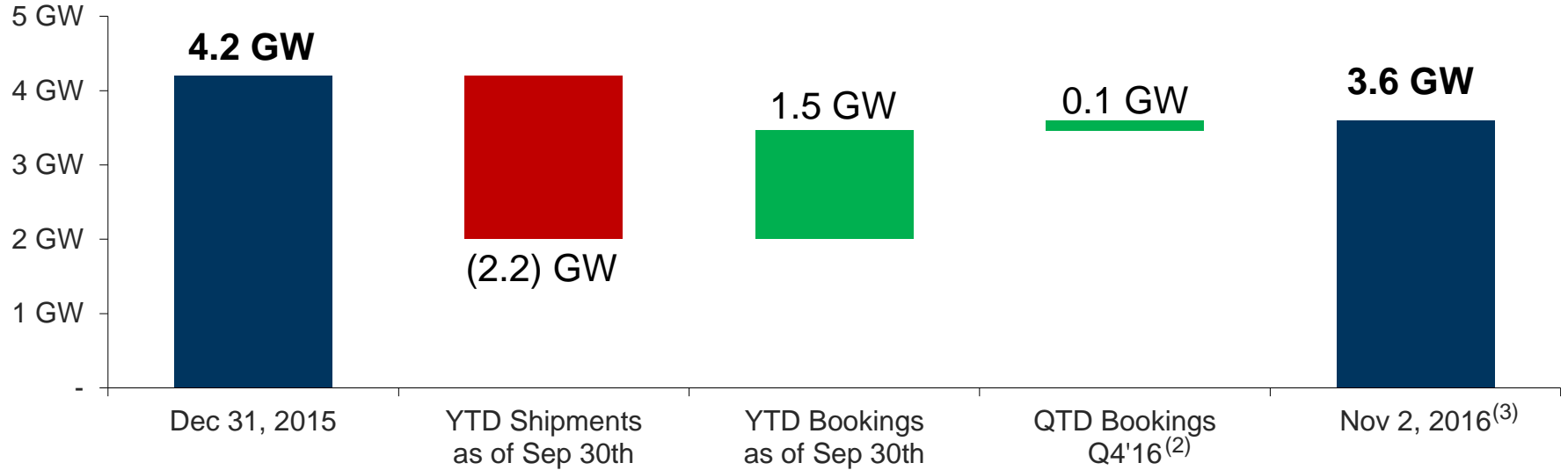


# MARKET PRICING TRENDS

## Global c-Si Module Price Trend (\$/W)



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



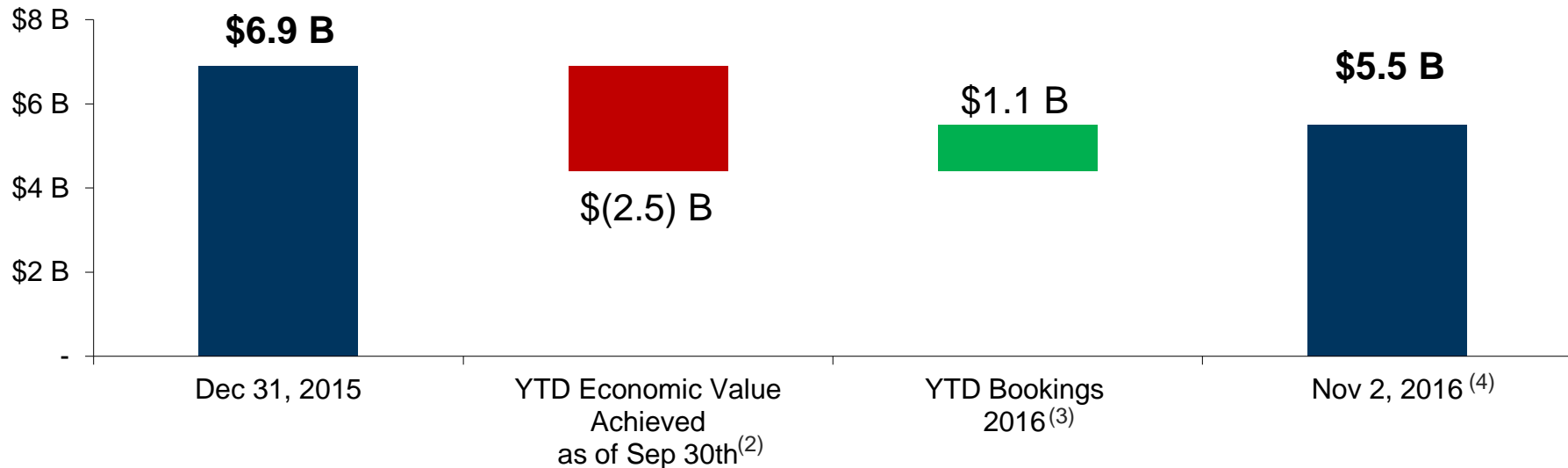
The above table presents the actual module shipments for 2016 through Sep 30, 2016, new module volume bookings through Nov 2, 2016, and the expected module shipments beyond Sep 30, 2016. A module is considered to be shipped when it leaves one of our manufacturing plants. Expected module shipments do 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) Reflects quarter-to-date 2016 additions through Nov 2, 2016.

(3) Balance includes remaining shipment volumes as of Sep 30, 2016 and bookings through Nov 2, 2016. Shipments from Oct 1 to Nov 2, 2016 not deducted.

# EXPECTED ECONOMIC VALUE<sup>(1)</sup>: SYSTEMS + THIRD-PARTY MODULE



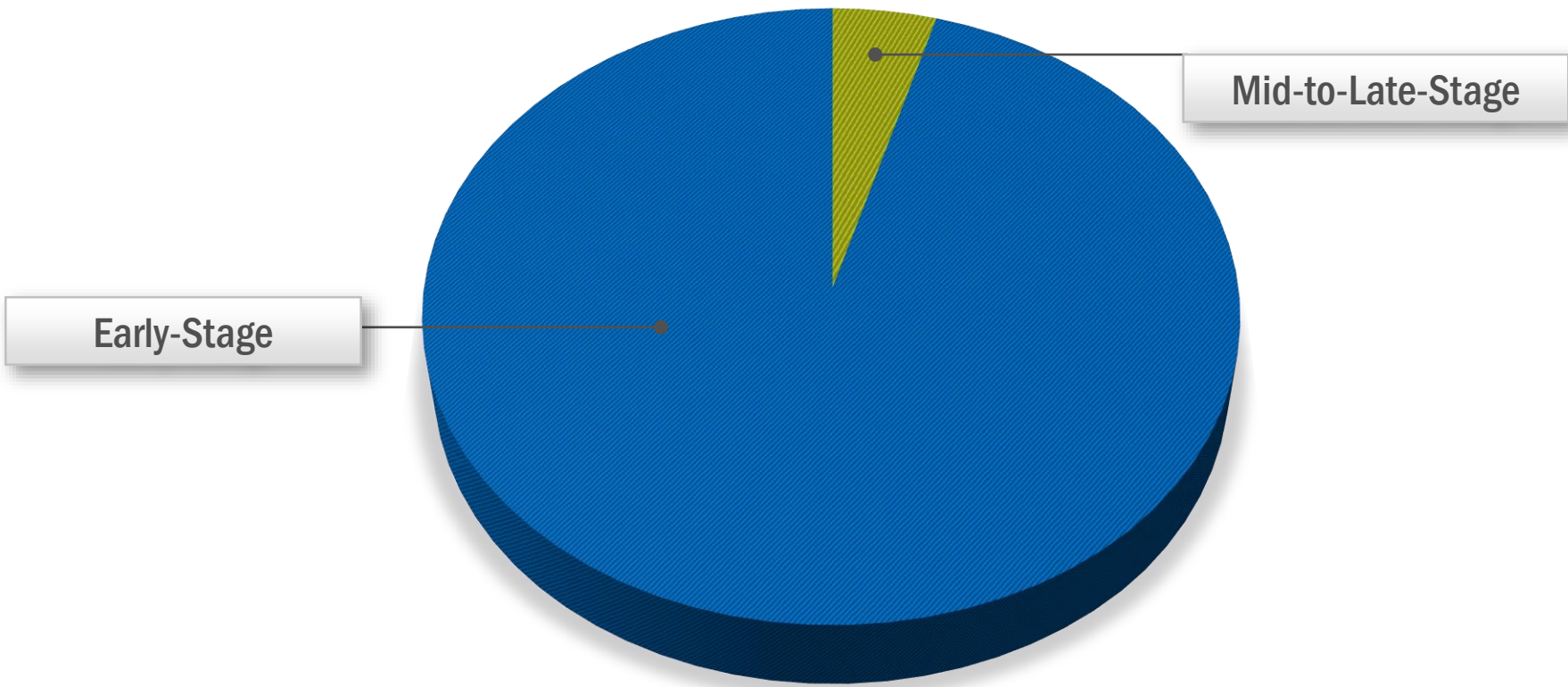
(1) Expected economic value includes projections of value from both systems projects and contracted 3<sup>rd</sup>-party module-only shipments. Systems projects include (a) contracted/sold (b) with PPA but not yet sold and (c) no PPA & not yet sold, but electricity to be sold on an open contract basis. Expected economic value from projects not yet sold/contracted and with no PPA and not yet sold are based on internal projected value. Excludes O&M & electricity generation.

(2) 2016 economic value realized thru Sep 30, 2016 and a \$0.1B reduction due to revised estimates for future expected value of certain self-developed projects.

(3) Reflects year-to-date 2016 additions through Nov 2, 2016.

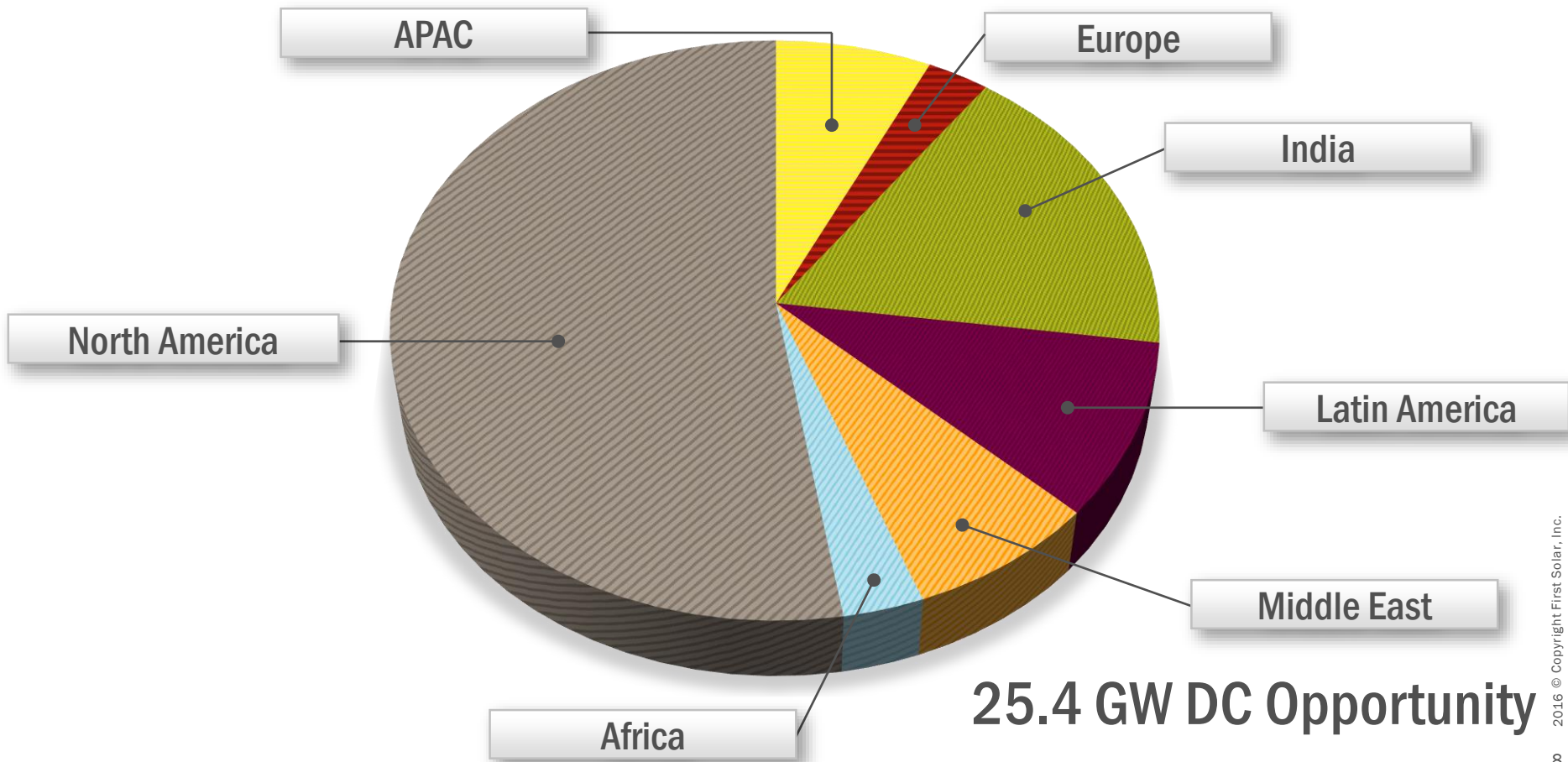
(4) The Nov 2, 2016 balance includes (i) \$0.1B of expected economic value from contracted/sold projects as of Sep 30, 2016 and (ii) expected economic value from contracted 3<sup>rd</sup>-party module-only shipments, systems projects which have PPAs, but are not yet sold/contracted and systems projects with no PPA and not yet sold, but electricity to be sold on an open contract basis as of Nov 2, 2016. Excludes O&M, electricity generation and impact of potential adjustments for future YieldCo dropdowns or tax equity structuring.

# POTENTIAL BOOKING OPPORTUNITIES: BY STAGE



25.4 GW DC Opportunity

# POTENTIAL BOOKING OPPORTUNITIES: BY GEOGRAPHY





# ALEX BRADLEY, CFO



- Appointed Chief Financial Officer in October 2016
- Previously served as Vice President, Treasury and Project Finance for First Solar.
- Led or supported the structuring, sale, and financing of over \$10 billion and approximately 2.7 GW of the Company's worldwide development assets.
- Director on the board for the general partner of 8point3 Energy Partners.
- 10 years in investment banking, mergers and acquisitions, project finance, and business development in the United States and internationally.
- Master of Arts from the University of Edinburgh, Scotland.



# Q3 2016 FINANCIAL RESULTS

# Q3'16 OPERATIONS OVERVIEW

METRIC	Q3'16	Q3'16 VS Q2'16	Q3'16 VS Q3'15
Production (MW <sub>DC</sub> )	779	1%	19%
Capacity Utilization	97%	3 pts	3 pts
Conversion Efficiency (Fleet Average)	16.5%	30 bps	70 bps
Conversion Efficiency (Best Line Quarter Average)	16.6%	20 bps	40 bps
Conversion Efficiency (Best Line Exit)	16.9%	30 bps	50 bps

# KEY INCOME STATEMENT DATA

	Q3'16	Q/Q	Y/Y
(in millions, except gross profit % and net income per share data)			
(Unaudited)			
Net sales	\$688.0	-26%	-46%
Gross profit %	27.1%	6.6 ppt	-11.0 ppt
Research and development	\$32.2	-2%	9%
Selling, general and administrative	\$60.3	-5%	12%
Restructuring and asset impairments	\$4.3	-95%	100%
Operating income	\$88.7	\$79.8	(\$309.1)
Other income	\$6.4	(\$0.4)	\$8.1
Income tax benefit	(\$50.5)	(\$59.5)	(\$99.0)
Net income	\$154.1	\$140.7	(\$195.2)
Share count – Diluted	103.7	0%	1%
Net income per share – Diluted	\$1.49	\$1.36	(\$1.92)
Non-GAAP net income per share – Diluted <sup>(1)</sup>	\$1.22	\$0.35	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

	Q3'16	Q2'16	Q/Q
(in millions)			
(Unaudited)			
<b>Assets &amp; Liabilities</b>			
Cash and marketable securities	\$2,090	\$1,667	\$423
Accounts receivable, trade	\$323	\$369	(\$46)
Accounts receivable, unbilled and retainage	\$246	\$173	\$73
Inventories - current	\$369	\$385	(\$16)
Balance of systems parts	\$78	\$93	(\$15)
PV solar power systems, net	\$487	\$411	\$76
Project assets and deferred project costs – current and noncurrent	\$1,407	\$1,360	\$47
Restricted cash – current and noncurrent	\$36	\$45	(\$9)
Investments in unconsolidated affiliates and joint ventures	\$449	\$427	\$22
Long-term debt – current and noncurrent	\$787	\$233	\$554
<b>Cash Flow</b>			
Net cash used in operating activities	(\$76)	(\$75)	(\$1)
Free cash flow <sup>(1)</sup>	(\$132)	(\$139)	\$7

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

# 2016 GUIDANCE UPDATE AS OF NOVEMBER 2, 2016

2016 Guidance	Prior GAAP	Current GAAP	Prior Non-GAAP	Current Non-GAAP*
Net Sales	\$3.8B to \$4.0B	\$2.8B to \$2.9B		
Gross Margin (%)	18.5% to 19%	25.5% to 26.0%		
Operating Expenses	\$485M to \$520M	\$480M to \$500M	\$380M to \$400M	\$375M to \$385M
Operating Income	\$205M to \$250M	\$235M to \$255M	\$310M to \$370M	\$340M to \$370M
Effective Tax rate	4% to 6%	(5%) to (3%)	16% to 18%	8% to 10%
Earnings Per Share <sup>1</sup>	\$3.65 to \$3.90	\$3.75 to \$3.90	\$4.20 to \$4.50	\$4.30 to \$4.50
Net Cash Balance <sup>2</sup>	\$1.9B to \$2.2B	\$1.4B to \$1.5B		
Operating Cash Flow <sup>3</sup>	\$500M to \$650M	(\$100M) to \$0M		
Capital Expenditures	\$275M to \$325M	\$225M to \$275M		
Shipments	2.9GW to 3.0GW	2.8GW to 2.9GW		

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

1. Includes a gain of approximately \$110 million, net of tax, from the expected sale of an equity method investment and our share of 8point3 earnings and a gain in other income of approximately \$20 million, net of tax, from the sale of restricted investments in Q1 2016
2. Defined as cash and marketable securities less expected debt at the end of 2016
3. Excludes cash from the sale of an equity method investment treated as an investing cash flow

# Q3'16 RESULTS SUMMARY

- **Financial Results**

- Q3 Net Sales of \$688M and Q3 GAAP EPS of \$1.49
- Q3 Non-GAAP EPS of \$1.22\*
- Narrow 2016 EPS Guidance: GAAP \$3.75 to \$3.90; Non-GAAP \$4.30 to \$4.50\*

- **Technology and Operation Roadmap**

- Full fleet average efficiency of 16.5%
- Lead line average efficiency of 16.6%
- Lead line efficiency exit 16.9%

- **Pipeline Additions**

- 1.6 GW DC booked year-to-date 2016
- Potential Booking Opportunities increased to 25.4 GW DC

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



# APPENDIX



## Key Quarterly Financial Data

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

(Unaudited)

	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q3'16 Q/Q	Q3'16 Y/Y
Net sales	\$ 1,271.2	\$ 942.3	\$ 848.5	\$ 934.4	\$ 688.0	-26%	-46%
Gross profit %	38.1%	24.6%	31.0%	20.5%	27.1%	6.6 ppt	-11.0 ppt
Research and development	29.6	36.7	30.2	32.9	32.2	-2%	9%
Selling, general and administrative	53.7	62.9	67.5	63.8	60.3	-5%	12%
Production start-up	3.2	-	-	0.1	0.8	700%	-75%
Restructuring and asset impairments	-	-	-	85.5	4.3	-95%	100%
Operating income	397.8	131.8	165.3	8.9	88.7	\$ 79.8	\$ (309.1)
Income tax expense (benefit)	48.5	(15.3)	33.8	9.0	(50.5)	\$ (59.5)	\$ (99.0)
Net income	\$ 349.3	\$ 164.1	\$ 170.6	\$ 13.4	\$ 154.1	\$ 140.7	\$ (195.2)
Share count - Diluted	102.3	102.3	102.7	103.9	103.7	0%	1%
Net income per share - Diluted	\$ 3.41	\$ 1.60	\$ 1.66	\$ 0.13	\$ 1.49	\$ 1.36	\$ (1.92)
Share-based compensation expense	\$ 12.2	\$ 11.8	\$ 11.5	\$ 7.1	\$ 5.9	-17%	-52%
Capital expenditures	45.2	27.2	51.8	78.4	45.7	-42%	1%
Cash, cash equivalents, and marketable securities	\$ 1,809.5	\$ 1,830.3	\$ 1,880.5	\$ 1,667.4	\$ 2,090.2	25%	16%

## Supplemental Data

Net cash (used in) provided by operating activities	\$ 21.0	\$ 53.1	\$ 50.5	\$ (75.3)	\$ (75.8)	\$ (0.5)	\$ (96.8)
+ Excess tax benefits from share-based compensation arrangements	7.0	(5.6)	13.7	14.4	(9.9)	\$ (24.3)	\$ (16.9)
- Purchases of property, plant and equipment	(45.2)	(27.2)	(51.8)	(78.4)	(45.7)	\$ 32.7	\$ (0.5)
= Free cash flow **	\$ (17.2)	\$ 20.3	\$ 12.4	\$ (139.3)	\$ (131.5)	\$ 7.8	\$ (114.3)

MW Produced	653.8	761.2	774.0	784.8	778.9	-1%	19%
Average conversion efficiency	15.8%	16.1%	16.2%	16.2%	16.5%	20 bps	60 bps

\*\* Total amounts may not foot due to rounding

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

# USE OF NON-GAAP FINANCIAL MEASURE: NON-GAAP EPS

In this presentation we provided non-GAAP earnings per share for the three months ended September 30, 2016. We have included this non-GAAP financial measure to adjust for (i) restructuring and asset impairment charges primarily related to severance benefits to terminated employees and certain other actions unrelated to the end of our crystalline silicon module production, (ii) write-downs of certain crystalline silicon module inventories, (iii) the reversal of a liability associated with an uncertain tax position related to the income of a foreign subsidiary and (iv) the tax benefits associated with these items. We believe non-GAAP earnings per share, when taken together with corresponding GAAP financial measures, to be relevant and useful information to our investors because it provides them with additional information in assessing our financial operating results. Our management uses this non-GAAP financial measure in evaluating our operating performance. However, this measure has limitations, including that it excludes the effect of certain changes to our assets and liabilities and certain amounts that we may ultimately have to pay in cash. Accordingly, this non-GAAP financial measure should be considered in addition to, and not as a substitute for, or superior to net earnings per share prepared in accordance with GAAP. The following is the reconciliation of earnings per share prepared in accordance with GAAP to non-GAAP earnings per share (in millions, except per share amounts):

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

	Three Months Ended September 30, 2016	
Net income	\$	154.1
Restructuring and asset impairments		4.3
Write-downs of crystalline silicon module inventories		4.9
Foreign Tax Benefit		(35.4)
Tax benefit*		(1.3)
Non-GAAP Net Income	\$	<u>126.6</u>
Weighted-average number of shares used for diluted earnings per share		103.7
GAAP earnings per share	\$	1.49
Non-GAAP earnings per share	\$	1.22

\*Restructuring treated as a non-discrete item for tax purposes and will be reflected in the effective tax rate over the duration of 2016.

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

In this presentation we provided non-GAAP guidance for our operating expenses, operating income, effective tax rate and earnings per share for the year ending December 31, 2016 as of the date of this press release (“current non-GAAP 2016 guidance”) and as of the date of the press release announcing our earnings for the quarter ended June 30, 2016 (“prior non-GAAP 2016 guidance”). We have included these forward-looking non-GAAP financial measures to adjust our GAAP projections of such financial measures for (i) restructuring and asset impairment charges primarily associated with the end of our crystalline silicon operations, (ii) additional restructuring activities expected during the remainder of the year and (iii) the reversal of a liability associated with an uncertain tax position related to the income of a foreign subsidiary. Other GAAP charges, including those related to asset impairments, restructuring programs or litigation, that would be excluded from non-GAAP earnings per share are possible for the year ending December 31, 2016, 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 benefits. 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 non-GAAP 2016 guidance and our prior non-GAAP 2016 guidance is the reconciliation of financial guidance based on GAAP to the corresponding non-GAAP information GAAP 2016 guidance as of the applicable date (in millions, except per share amounts):

# RECONCILIATION OF CURRENT GAAP TO CURRENT NON-GAAP GUIDANCE

	GAAP Guidance	Restructuring Charges <sup>1</sup>	Foreign Tax Benefit <sup>2</sup>	Non-GAAP Guidance
Operating Expenses	\$480 to \$500	(\$105 to \$115)	-	\$375 to \$385
Operating Income	\$235 to \$255	\$105 to \$115	-	\$340 to \$370
Effective Tax Rate <sup>3</sup>	(5%) to (3%)	\$15 to \$20	\$35	8% to 10%
Earnings per share	\$3.75 to \$3.90	\$0.85 to \$0.90	(\$0.30)	\$4.30 to \$4.50

1. \$90 to \$95 million of restructuring, asset impairment and related charges primarily associated with the end of our crystalline silicon module production and \$15 to \$20 million associated with other actions
2. Tax benefit in Q3 2016 from the reversal of a liability associated with an uncertain tax position related to the income of a foreign subsidiary
3. Effective tax rate reconciliation provides the estimated tax benefit associated with restructuring and asset impairment charges and the reversal of an uncertain tax position liability

# RECONCILIATION OF PRIOR GAAP TO PRIOR NON-GAAP GUIDANCE

	GAAP Guidance	Restructuring Charges <sup>1</sup>	Foreign Tax Benefit <sup>2</sup>	Non-GAAP Guidance
Operating Expenses	\$485 to \$520	(\$105 to \$120)	-	\$380 to \$400
Operating Income	\$205 to \$250	\$105 to \$120	-	\$310 to \$370
Effective Tax Rate <sup>3</sup>	4% to 6%	\$15 to \$25	\$35	16% to 18%
Earnings per share	\$3.65 to \$3.90	\$0.85 to \$0.90	(\$0.30)	\$4.20 to \$4.50

1. \$90 to \$100 million of restructuring, asset impairment and related charges primarily associated with the end of our crystalline silicon module production and \$15 to \$20 million associated with other actions
2. Expected tax benefit in Q3 2016 from the reversal of a liability associated with an uncertain tax position related to the income of a foreign subsidiary
3. Effective tax rate reconciliation provides the estimated tax benefit associated with restructuring and asset impairment charges and the reversal of an uncertain tax position liability

# USE OF NON-GAAP FINANCIAL MEASURE: FREE CASH FLOW

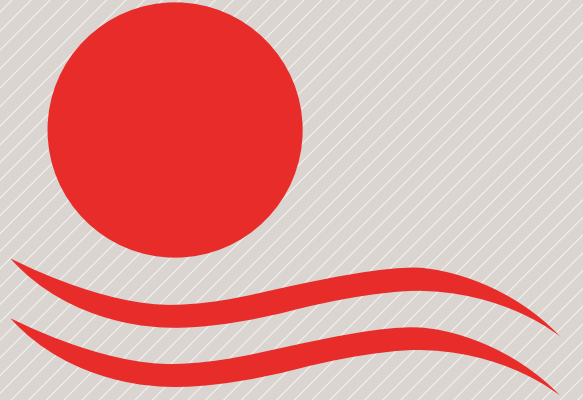
This presentation includes information regarding free cash flow, which is a financial measure not prepared in accordance with GAAP.

Free cash flow is defined as net cash provided by (used in) operating activities plus excess tax benefits from share-based compensation arrangements minus capital expenditures (purchases of property, plant and equipment). The Company uses free cash flow to evaluate its businesses, and this measure is considered an important indicator of the Company's liquidity and ability to pursue opportunities to enhance shareholder value, including its ability to reduce debt and make strategic investments. A general limitation of a free cash flow measure is that it is not prepared in accordance with GAAP and thus may not be comparable to similarly titled measures of other companies due to differences in methods of calculation and excluded items. Accordingly, this non-GAAP financial measure should be considered in addition to, and not as a substitute for or superior to, net cash provided by (used in) operating activities.

## Actual Data

\$ in millions	Years Ended*		Quarters Ended										
	2014	2015	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Net cash provided by (used in) operating activities	681.0	(360.9)	(318.2)	118.4	(47.2)	928.0	(424.6)	(10.4)	21.0	53.1	50.5	(75.3)	(75.8)
+ Excess tax benefits from share-based compensation arrangements	31.2	17.7	11.7	4.5	11.7	3.3	14.4	1.9	7.0	(5.6)	13.7	14.4	(9.9)
- Purchases of property, plant and equipment	(257.5)	(166.4)	(50.8)	(62.4)	(71.0)	(73.3)	(55.3)	(38.8)	(45.2)	(27.2)	(51.8)	(78.4)	(45.7)
= Free cash flow	454.6	(509.6)	(357.3)	60.5	(106.6)	858.0	(465.5)	(47.3)	(17.2)	20.3	12.4	(139.3)	(131.5)

\*Year ended data and totals may not sum due to rounding



**First Solar**®