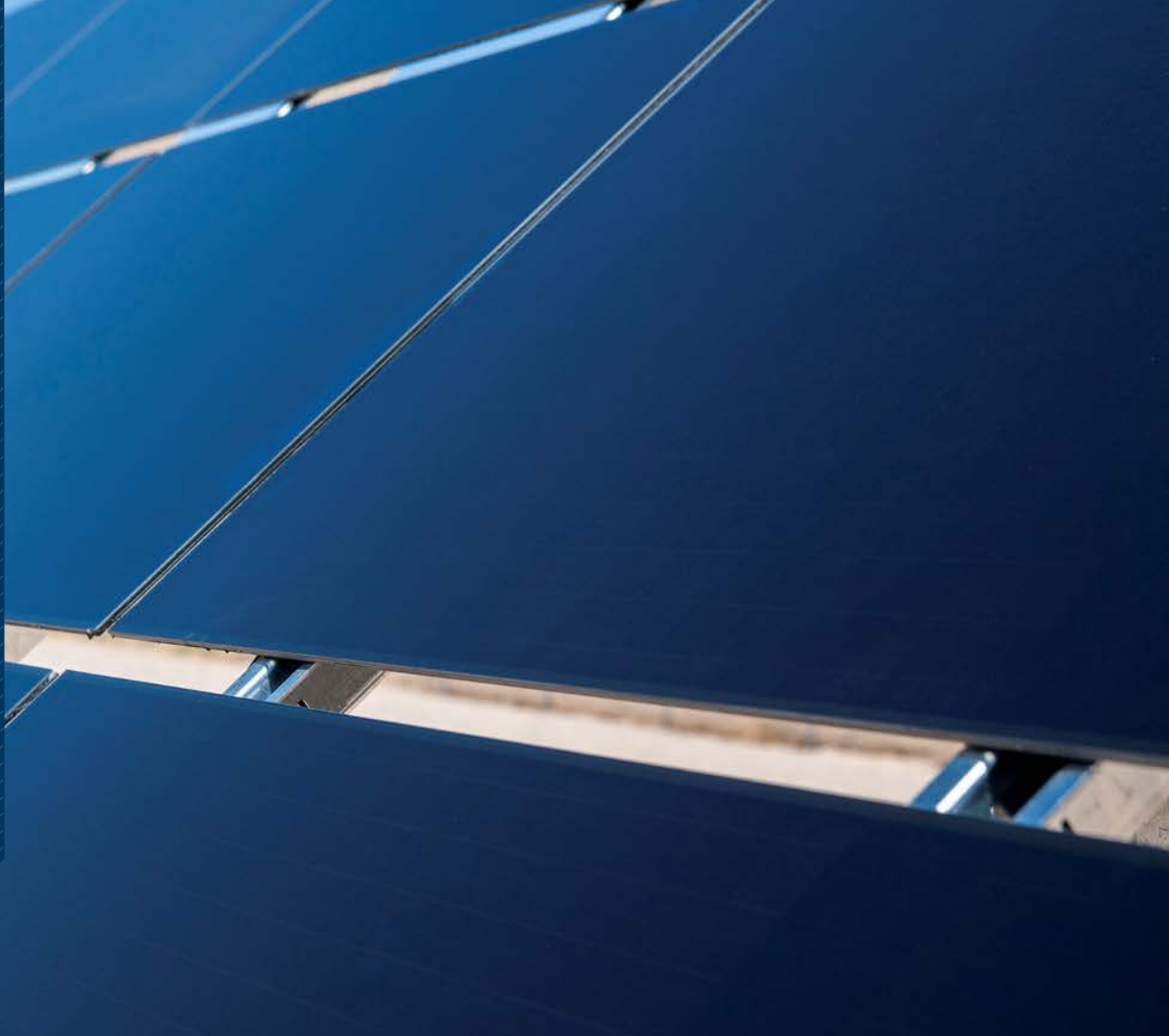


# FIRST SOLAR Q4'16 EARNINGS CALL

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February 21, 2017



# IMPORTANT INFORMATION

## Forward Looking Statements

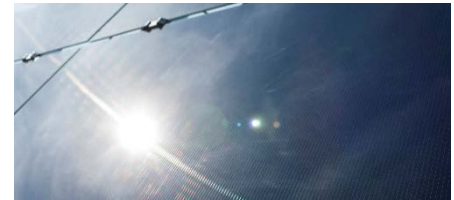
This presentation contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements, among other things, concerning effects on our financial statements and guidance resulting 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
- Q4'16 Financial Results
- 2017 Guidance Update
- Q&A



# SERIES 6 PRODUCT READINESS

## Technology

- Core technology unchanged
- Experienced R&D and manufacturing teams
- Leveraging long-standing supplier relationships

## Performance

- >18% efficiency target based on proven methods
- Extensive testing & validation

## Cost

- Solidified CAPEX cost of ~\$0.30/w for brownfield capacity
- On path to targeted ~40% module CpW reduction

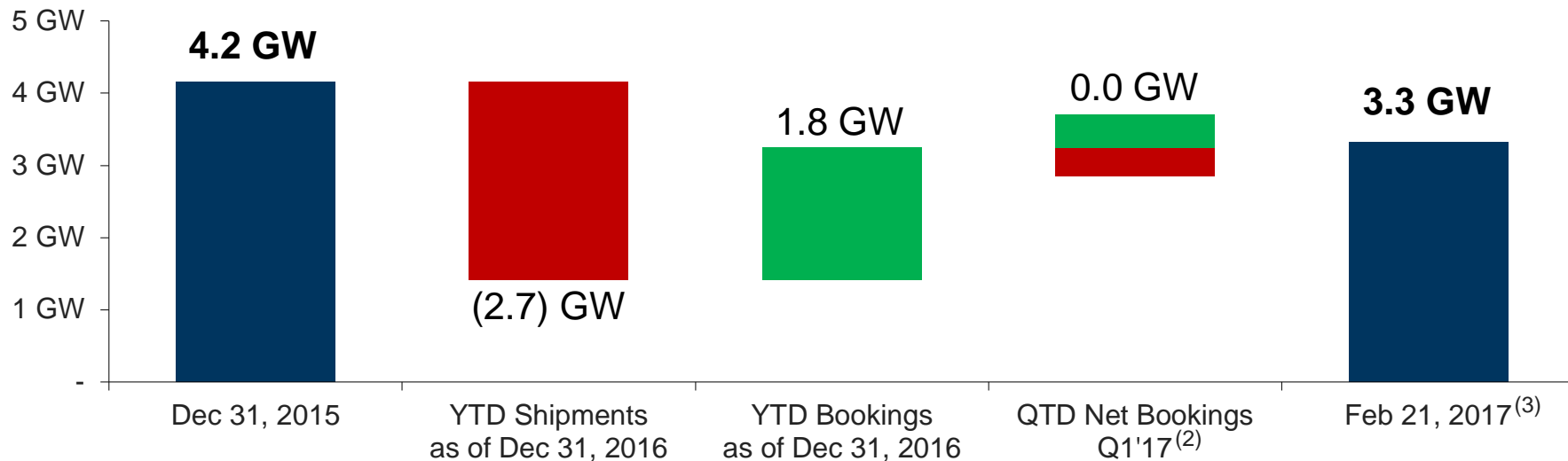
**Best Performance at the Lowest Cost**

# 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**

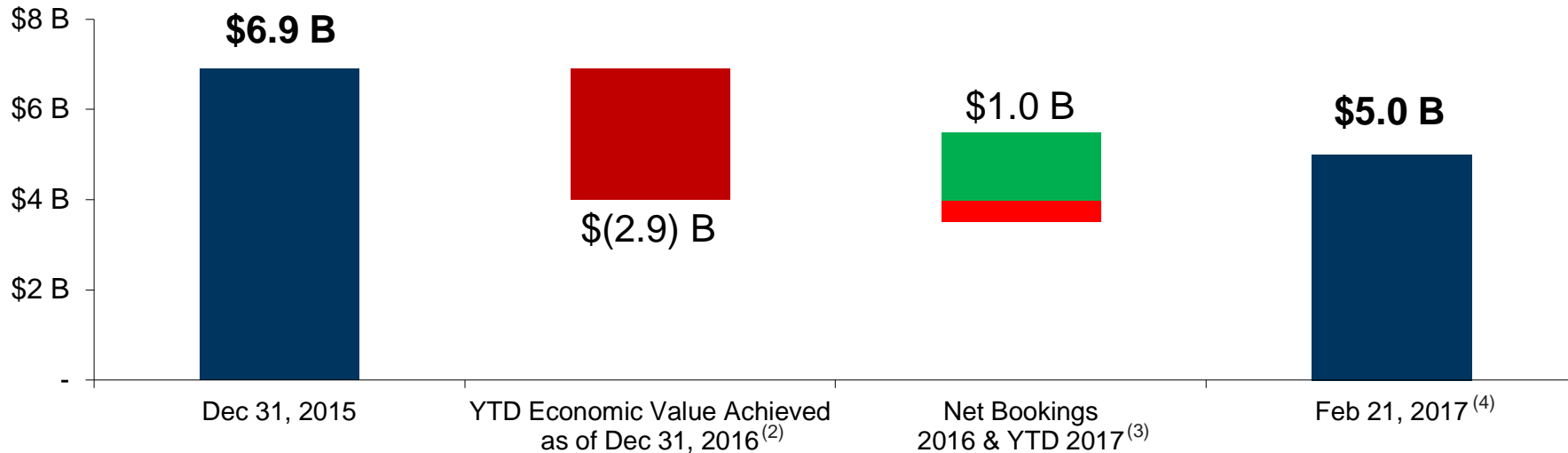
# EXPECTED MODULE SHIPMENTS<sup>(1)</sup> (GW<sub>DC</sub>): SYSTEMS + THIRD-PARTY MODULE



The above table presents the actual module shipments for 2016 through Dec 31, 2016, new module volume bookings through Feb 21, 2017, and the expected module shipments beyond Dec 31, 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 new bookings from Jan 1, 2017 to Feb 21, 2017 of 0.4GW and reduction for discontinuing development of Tribal Solar project of 0.4GW.
- (3) Balance includes remaining shipment volumes as of Dec 31, 2016 and bookings through Feb 21, 2017. Shipments from Jan 1 to Feb 21, 2017 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 as of a stated date but excludes projected values for O&M and electricity generation. 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. Expected economic value from projects not yet sold/contracted and with no PPA and not yet sold are based on internal projected value.

(2) 2016 economic value realized thru Dec 31, 2016 and a \$0.1B reduction due to revised estimates for future expected value of certain self-developed projects.

(3) Reflects 2016 additions and 2017 additions from Jan 1 to Feb 21, 2017 and reduction for discontinuing development of Tribal Solar project.

(4) The Feb 21, 2017 expected economic value balance (a) includes (i) \$0.8B of expected economic value from contracted/sold projects as of Dec 31, 2016 and (ii) expected economic value from contracted 3<sup>rd</sup>-party module-only shipments; systems projects that 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 in each case as of Feb 21, 2017 and (b) excludes O&M, electricity generation and impact of potential adjustments for future YieldCo dropdowns or tax equity structuring.

# SERIES 4: REMAINING MODULE SUPPLY



**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.

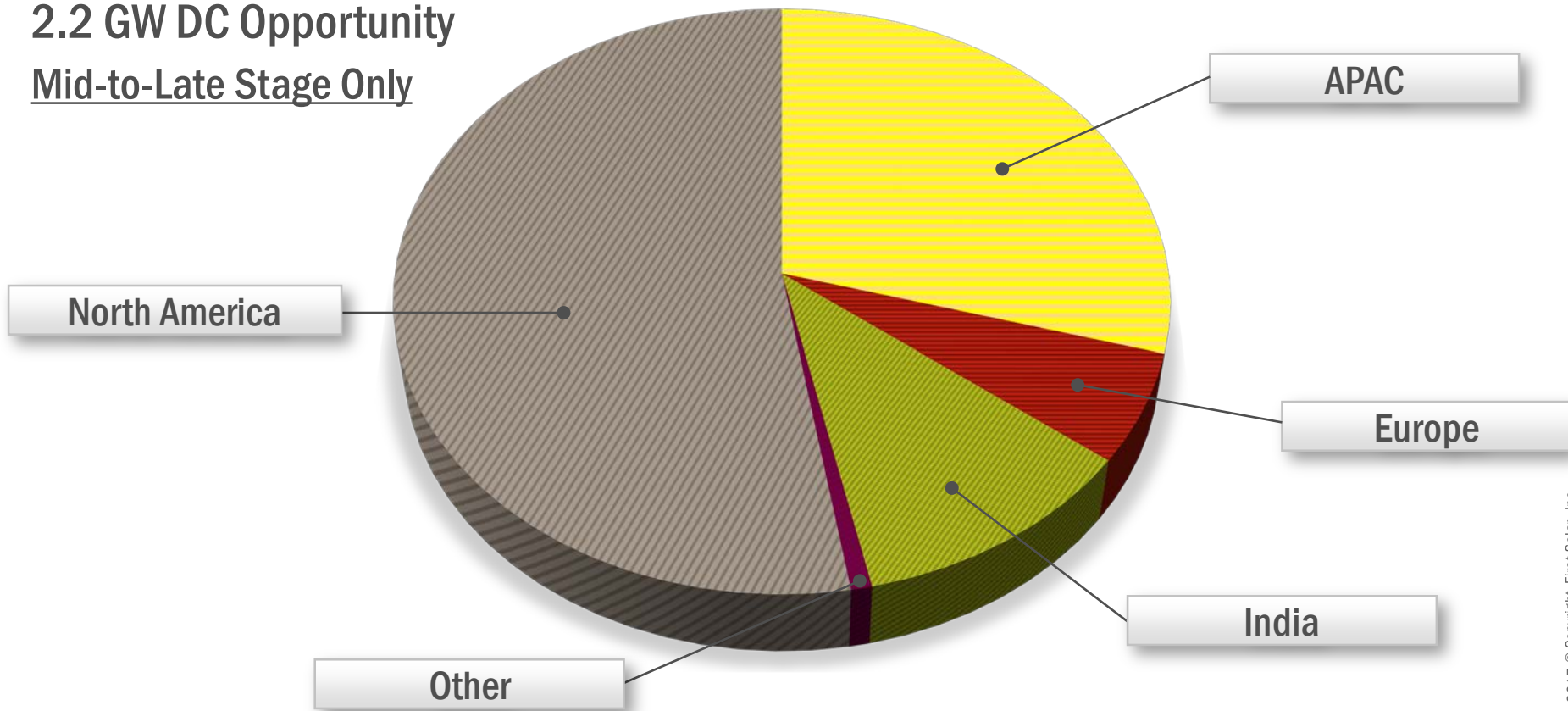
(3) Contracted bookings with third-party customers that are planned to utilize Series 4 modules.

(4) Expected remaining supply of Series 4 modules as of Feb 21, 2017.



# POTENTIAL BOOKING OPPORTUNITIES: BY GEOGRAPHY

2.2 GW DC Opportunity  
Mid-to-Late Stage Only





# Q4 2016 FINANCIAL RESULTS









# 2016 HIGHLIGHTS: DELIVERING ON COMMITMENTS

Metric	Target*	Result	
2016 Full Fleet Efficiency	16.4%	16.4%	✓
Fleet Exit Efficiency**	16.7%	16.7%	✓
Module Cost per Watt	Not Disclosed	Better than target	✓
Net Sales	\$3.9B to \$4.1B	\$3.0B	Project sale timing
Non-GAAP EPS	\$4.00 - \$4.50	\$5.17	✓
Net Cash	\$2.0B to \$2.3B	\$1.8B	Project sale timing

\*Efficiency targets from April 2016 Analyst Day Event. Financial targets provided in December 2015 on 2016 Guidance call.

\*\*Exit efficiency is December month average for all lines.

# Q4'16 OPERATIONS OVERVIEW

Metric	Q4'16	Q4'16 VS Q3'16	Q4'16 VS Q4'15
Production (MW <sub>DC</sub> )	760	 2%	Unchanged
Capacity Utilization	92%	 5 pts	 8 pts
Conversion Efficiency (Fleet Average)	16.6%	 10 bps	 50 bps
Conversion Efficiency (Best Line Quarter Average)	16.8%	 20 bps	 40 bps
Conversion Efficiency (Best Line Exit)	16.9%	Unchanged	 50 bps

# KEY INCOME STATEMENT DATA

	Q4'16	Q/Q	Y/Y	2016	Y/Y
(in millions, except gross profit % and net income per share data)					
(Unaudited)					
Net sales	\$480.4	-30%	-49%	\$2,951.3	-18%
Gross profit %	13.2%	-13.9 ppt	-11.4 ppt	23.9%	-1.8 ppt
Research and development	\$29.5	-8%	-20%	\$124.8	-4%
Selling, general and administrative	\$70.4	17%	12%	\$262.0	3%
Restructuring and asset impairments	\$728.9	*	100%	\$818.8	100%
Operating (loss) income	(\$765.4)	(\$854.1)	(\$897.2)	(\$502.6)	(\$1,019.3)
Other (expense) income	(\$8.5)	(\$14.9)	(\$6.7)	\$40.3	\$40.3
Income tax expense	\$89.7	\$155.4	\$105.0	\$58.2	\$64.4
Equity in Earnings of unconsolidated affiliates, net of tax	\$146.3	\$135.8	\$127.5	\$171.9	\$151.5
Net (loss) income	(\$719.9)	(\$889.2)	(\$884.0)	(\$358.0)	(\$904.4)
Share count – Diluted	104.0	0%	2%	102.9	1%
Net income per share – Diluted	(\$6.92)	(\$8.55)	(\$8.52)	(\$3.48)	(\$8.85)
Non-GAAP net income per share – Diluted <sup>(1)</sup>	\$1.24	N/A	N/A	\$5.17	N/A

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

\* No meaningful figure

# KEY BALANCE SHEET AND CASH FLOW DATA

	Q4'16	Q3'16	Q4'15	Q/Q	Y/Y
(in millions)					
(Unaudited)					
<b>Assets &amp; Liabilities</b>					
Cash and marketable securities	\$1,955	\$2,090	\$1,830	(\$135)	\$125
Accounts receivable, trade	\$267	\$323	\$501	(\$56)	(\$234)
Accounts receivable, unbilled and retainage	\$206	\$246	\$59	(\$40)	\$147
Inventories - current	\$363	\$369	\$380	(\$6)	(\$17)
Balance of systems parts	\$63	\$78	\$137	(\$15)	(\$74)
PV solar power systems, net	\$449	\$487	\$94	(\$38)	\$355
Project assets and deferred project costs – current and noncurrent	\$1,502	\$1,407	\$1,299	\$95	\$203
Restricted cash – current and noncurrent	\$69	\$36	\$80	\$33	(\$11)
Investments in unconsolidated affiliates and joint ventures	\$242	\$449	\$400	(\$207)	(\$158)
Long-term debt – current and noncurrent	\$188	\$787	\$289	(\$599)	(\$101)
<b>Cash Flow</b>					
Net cash used in operating activities	\$268	(\$84)	\$53	\$352	\$215
Free cash flow <sup>(1)</sup>	\$215	(\$130)	\$20	\$345	\$195

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

# 2017 GUIDANCE AS OF FEBRUARY 21, 2017

	Prior GAAP	Current GAAP	Prior Non-GAAP*	Current Non-GAAP*
Net Sales	\$2.5B to \$2.6B	\$2.8B to \$2.9B		
Gross Margin (%)	12.5% to 14.5%	11% to 13%		
Operating Expenses	\$290M to \$305M	\$335M to \$380M	\$280M to \$300M	Unchanged
Operating Income	\$30M to \$75M	(\$40M) to \$25M	\$40M to \$80M	Unchanged
Earnings Per Share	(\$0.10) to \$0.45	(\$0.80) to (\$0.05)	\$0.00 to \$0.50	Unchanged
Net Cash Balance <sup>1</sup>	\$1.4B to \$1.6B	Unchanged		
Operating Cash Flow	\$550M to \$650M	\$250M to \$350M		
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

# Q4'16 RESULTS SUMMARY

- **Financial Results**

- Net sales of \$3.0 billion for 2016 and \$480 million for Q4
- GAAP loss per share of (\$3.48) for 2016 and (\$6.92) for Q4
- Non-GAAP EPS of \$5.17 for 2016 and \$1.24 for Q4\*
- Maintain 2017 non-GAAP EPS guidance

- **Technology and Operation Roadmap**

- Full fleet average efficiency of 16.4% for 2016; 16.6% in Q4
- Lead line efficiency exit 16.9%

- **Pipeline Additions**

- 2016 bookings of 1.8GW
- Mid to late stage booking opportunities of 2.2GW

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





# APPENDIX

Key Quarterly Financial Data	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q4'16	Q4'16
						Q/Q	Y/Y
(\$ in millions, except gross profit % and net income per share data)							
(Unaudited)							
Net sales	\$ 942.3	\$ 848.5	\$ 934.4	\$ 688.0	\$ 480.4	-30%	-49%
Gross profit %	24.6%	31.0%	20.5%	27.1%	13.2%	-13.9 ppt	-11.4 ppt
Research and development	36.7	30.2	32.9	32.2	29.5	-8%	-20%
Selling, general and administrative	62.9	67.5	63.8	60.3	70.4	17%	12%
Production start-up	-	-	0.1	0.8	0.2	-75%	100%
Restructuring and asset impairments	-	-	85.5	4.3	728.9	*	100%
Operating income (loss)	131.8	165.3	8.9	88.7	(765.4)	(854.1)	(897.2)
Income tax (benefit) expense	(15.3)	25.8	8.3	(65.7)	89.7	155.4	105.0
Equity in earnings	18.8	5.0	10.2	10.5	146.3	135.8	127.5
Net income (loss)	\$ 164.1	\$ 178.5	\$ 14.1	\$ 169.3	\$ (719.9)	(\$ 889.2)	(\$ 884.0)
Share count - Diluted	102.3	102.7	103.9	103.7	104.0	0%	2%
Net income (loss) per share - Diluted	\$ 1.60	\$ 1.73	\$ 0.14	\$ 1.63	\$ (6.92)	\$ (8.55)	\$ (8.52)
Share-based compensation expense	\$ 11.8	\$ 11.5	\$ 7.1	\$ 5.9	\$ 4.2	-29%	-64%
Capital expenditures	27.2	51.8	78.4	45.7	53.6	17%	97%
Cash, cash equivalents, and marketable securities	\$ 1,830.3	\$ 1,880.5	\$ 1,667.4	\$ 2,090.2	\$ 1,955.1	-6%	7%

## Supplemental Data

Net cash provided by (used in) operating activities	\$ 53.1	\$ 84.2	\$ (61.7)	\$ (84.2)	\$ 268.4	\$ 352.6	\$ 215.3
+ Excess tax benefits from share-based compensation arrangements	(5.6)	-	-	-	-	-	5.6
- Purchases of property, plant and equipment	(27.2)	(51.8)	(78.4)	(45.7)	(53.6)	(7.9)	(26.4)
= Free cash flow **	\$ 20.3	\$ 32.4	\$ (140.1)	\$ (129.9)	\$ 214.8	\$ 344.7	\$ 194.5
MW Produced	761.2	774.0	784.8	778.9	759.7	-2%	0%
Average conversion efficiency	16.1%	16.2%	16.2%	16.5%	16.6%	20 bps	50 bps

\* No meaningful figure

\*\* 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 and year ended 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 the end of our crystalline silicon operations, (ii) write-downs of certain crystalline silicon module inventories, (iii) contingent consideration adjustments related to the likelihood of achieving certain crystalline silicon module shipment milestones in connection with our TetraSun acquisition, (iv) the reversal of a liability associated with an uncertain tax position related to the income of a foreign subsidiary, (v) the tax expense associated with the distribution of cash to the United States from a foreign subsidiary and (vi) the tax effect 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 for each period presented (in millions, except per share amounts):

# RECONCILIATION OF NON-GAAP OPERATING EXPENSES AND OPERATING INCOME

	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Year Ended December 31, 2016
Total operating expenses	\$ 97.6	\$ 829.0	\$ 1,206.6
Restructuring and asset impairments	(4.3)	(728.9)	(818.8)
Adjusted operating expenses	\$ 93.3	\$ 100.1	\$ 387.8

	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Year Ended December 31, 2016
Operating income (loss)	\$ 88.7	\$ (765.4)	\$ (502.6)
Restructuring and asset impairments	4.3	728.9	818.8
Write-downs of crystalline silicon module inventories	4.9	2.6	16.0
Adjusted operating income (loss)	\$ 97.9	\$ (33.9)	\$ 332.2

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

	Three Months Ended December 31, 2016	
Net loss	\$	(719.9)
Restructuring and asset impairments		728.9
Write-downs of crystalline silicon module inventories		2.6
Tax expense on cash distribution		195.6
Tax effect*		(78.1)
Non-GAAP Net Income	\$	<u>129.1</u>
Weighted-average number of shares used for diluted earnings per share		104.0
GAAP earnings per share	\$	(6.92)
Weighted-average number of shares used for diluted earnings per share		104.3
Non-GAAP earnings per share	\$	1.24

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

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

	Year Ended December 31, 2016	
Net loss	\$	(358.0)
Restructuring and asset impairments		818.8
Write-downs of crystalline silicon module inventories		16.0
TetraSun contingent consideration adjustments		(7.4)
Foreign tax benefit		(35.4)
Tax expense on cash distribution		195.6
Tax effect		(94.7)
Non-GAAP Net Income	\$	<u>534.9</u>
Weighted-average number of shares used for diluted earnings per share		102.9
GAAP earnings per share	\$	(3.48)
Weighted-average number of shares used for diluted earnings per share		103.4
Non-GAAP earnings per share	\$	5.17

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

In the presentation above, we provided non-GAAP guidance as of February 21, 2017 for our operating expenses, operating income and earnings per share for the year ending December 31, 2017 (“non-GAAP 2017 guidance”). 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 the end of our crystalline silicon operations and (ii) additional restructuring activities expected during the remainder of the year. 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 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 non-GAAP 2017 guidance to our current and prior GAAP guidance (in millions, except per share amounts):

# RECONCILIATION OF CURRENT GAAP GUIDANCE TO NON-GAAP GUIDANCE

	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



# RECONCILIATION OF PRIOR GAAP GUIDANCE TO NON-GAAP GUIDANCE

	GAAP Guidance	Restructuring Charges <sup>1</sup>	Non-GAAP Guidance
Operating Expenses	\$290 to \$305	(\$10) to (\$5)	\$280 to \$300
Operating Income	\$30 to \$75	\$10 to \$5	\$40 to \$80
Earnings per share	(\$0.10) to \$0.45	\$0.10 to \$0.05	\$0.00 to \$0.50

1. \$5 to \$10 million of other charges related to restructuring of manufacturing operations

# 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							
	2015	2016	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Net cash provided by (used in) operating activities	(360.9)	206.8	(424.6)	(10.4)	21.0	53.1	84.2	(61.7)	(84.2)	268.4
+ Excess tax benefits from share-based compensation arrangements	17.7	-	14.4	1.9	7.0	(5.6)	-	-	-	-
- Purchases of property, plant and equipment	(166.4)	(229.5)	(55.3)	(38.8)	(45.2)	(27.2)	(51.8)	(78.4)	(45.7)	(53.6)
<b>= Free cash flow</b>	<b>(509.6)</b>	<b>(22.7)</b>	<b>(465.5)</b>	<b>(47.3)</b>	<b>(17.2)</b>	<b>20.3</b>	<b>32.4</b>	<b>(140.1)</b>	<b>(129.9)</b>	<b>214.8</b>

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



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