



| First Solar was founded in 1999 with the goal of applying new technologies to the process of solar power generation. The company initially conducted only research and development operations, until commercial operations began in January 2002. The company went public in November 2006, issuing 22.9 million shares at \$20 each, in a deal underwritten by Credit Suisse and Morgan Stanley. | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | © VALUE LINE PUB. LLC | 14-16 |
|---|------|------|------|------|-------|-------|--------|--------|--------|--------|---------------------------------------|-------|---------------------------------|-------|
| | -- | -- | -- | -- | 1.06 | 1.87 | 6.41 | 15.27 | 24.24 | 29.86 | 41.35 | 53.65 | Sales per sh ^A | 84.20 |
| | -- | -- | -- | -- | d.07 | .20 | 1.73 | 5.00 | 9.03 | 9.55 | 11.30 | 13.55 | "Cash Flow" per sh | 17.40 |
| | -- | -- | -- | -- | d.14 | .07 | 1.43 | 4.24 | 7.53 | 7.68 | 9.10 | 11.10 | Earnings per sh ^{A B} | 14.85 |
| | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Nil | Nil | Div'ds Decl'd per sh | Nil |
| | -- | -- | -- | -- | .94 | 2.12 | 3.08 | 5.63 | 3.28 | 6.86 | 12.50 | 6.75 | Cap'l Spending per sh | 9.45 |
| | -- | -- | -- | -- | .29 | 5.69 | 13.96 | 18.54 | 31.13 | 40.25 | 48.50 | 58.65 | Book Value per sh | 81.35 |
| | -- | -- | -- | -- | 45.21 | 72.33 | 78.58 | 81.60 | 85.23 | 85.84 | 88.00 | 89.00 | Common Shs Outst'g ^C | 95.00 |
| | -- | -- | -- | -- | -- | NMF | 73.1 | 50.7 | 19.3 | 16.5 | Bold figures are Value Line estimates | | Avg Ann'l P/E Ratio | 25.0 |
| | -- | -- | -- | -- | -- | NMF | 3.88 | 3.05 | 1.29 | 1.06 | | | Relative P/E Ratio | 1.65 |
| CAPITAL STRUCTURE as of 6/30/11 | | | | | | | | | | | | | | |
| Total Debt \$360.8 mill. Due in 5 Yrs \$131.7 mill. | -- | -- | -- | -- | 48.1 | 135.0 | 504.0 | 1246.3 | 2066.2 | 2563.5 | 3640 | 4775 | Sales (\$mill) ^A | 8000 |
| LT Debt \$332.5 mill. LT Interest \$3.4 mill. (8% of Cap'l) | -- | -- | -- | -- | NMF | 9.6% | 32.1% | 39.9% | 39.2% | 35.3% | 30.5% | 29.0% | Operating Margin | 25.0% |
| Leases, Uncapitalized Annual rentals \$8.4 mill. | -- | -- | -- | -- | 3.4 | 10.2 | 24.5 | 59.5 | 129.6 | 156.1 | 205 | 225 | Depreciation (\$mill) | 275 |
| | -- | -- | -- | -- | d6.6 | 4.0 | 111.7 | 348.3 | 640.1 | 664.1 | 790 | 980 | Net Profit (\$mill) | 1380 |
| | -- | -- | -- | -- | -- | 56.7% | 28.4% | 24.9% | 6.7% | 12.8% | 13.0% | 15.0% | Income Tax Rate | 20.0% |
| | -- | -- | -- | -- | NMF | 2.9% | 22.2% | 27.9% | 31.0% | 25.9% | 21.7% | 20.6% | Net Profit Margin | 17.2% |
| No Defined Benefit Pension Plan | -- | -- | -- | -- | d7.3 | 336.4 | 616.0 | 695.6 | 956.4 | 1114.8 | 1250 | 1750 | Working Cap'l (\$mill) | 3150 |
| | -- | -- | -- | -- | 28.6 | 61.0 | 68.9 | 163.5 | 146.4 | 210.0 | 330 | 330 | Long-Term Debt (\$mill) | 330 |
| | -- | -- | -- | -- | 13.1 | 411.4 | 1097.3 | 1513.0 | 2652.8 | 3455.0 | 4250 | 5230 | Shr. Equity (\$mill) | 7725 |
| Common Stock 86,304,748 shs. as of 7/29/11 | -- | -- | -- | -- | NMF | .9% | 9.8% | 20.9% | 23.0% | 18.1% | 18.0% | 17.5% | Return on Total Cap'l | 17.0% |
| MARKET CAP: \$6.8 billion (Large Cap) | -- | -- | -- | -- | NMF | 1.0% | 10.2% | 23.0% | 24.1% | 19.2% | 19.0% | 19.0% | Return on Shr. Equity | 18.0% |
| CURRENT POSITION 2009 2010 6/30/11 (\$mill.) | -- | -- | -- | -- | NMF | 1.0% | 10.2% | 23.0% | 24.1% | 19.2% | 19.0% | 19.0% | Retained to Com Eq | 18.0% |
| | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Nil | Nil | All Div'ds to Net Prof | Nil |

BUSINESS: First Solar, Inc. designs and manufactures solar modules for use in the conversion of solar energy for everyday use. The modules are produced using a proprietary thin-film semiconductor technology that allows for a lower manufacturing cost per watt (\$0.75, 2010) than traditional crystalline silicon solar modules. From 2002 to 2005, sold a total of 28 megawatts (MW) worth of modules. In '07, 201 MW; '08, 498 MW; '09, 568 MW; '10, 727 MW. Has 6,100 employees. Foreign sales: 87% of '10 total (Germany, 46%, down from 65% in '09). The Walton family owns 35.0% of common; officers/dir's, 1.2% (5/11 Proxy). CEO: Robert J. Gillette. Inc.: DE. Address: 350 W. Washington St., Suite 600, Tempe, AZ 85281. Tel.: 602-414-9300. Internet: www.firstsolar.com.

| | | | |
|---------------|-------|-------|-------|
| Other | 290.6 | 360.8 | 373.7 |
| Current Liab. | 394.9 | 469.7 | 591.9 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '08-'10 to '14-'16 |
|---------------------------------|--------------|-------------|--------------------------|
| Sales | -- | -- | 24.0% |
| "Cash Flow" | -- | -- | 14.0% |
| Earnings | -- | -- | 15.0% |
| Dividends | -- | -- | Nil |
| Book Value | -- | -- | 18.0% |

| Cal-endar | QUARTERLY SALES (\$ mill.) | | | | Full Year |
|-----------|----------------------------|--------|--------|--------|-----------|
| | Mar.31 | Jun.30 | Sep.30 | Dec.31 | |
| 2008 | 196.9 | 267.0 | 348.7 | 433.7 | 1246.3 |
| 2009 | 418.2 | 525.9 | 480.8 | 641.3 | 2066.2 |
| 2010 | 568.0 | 587.8 | 797.9 | 609.8 | 2563.5 |
| 2011 | 567.3 | 532.8 | 1030 | 1509.9 | 3640 |
| 2012 | 950 | 1125 | 1250 | 1450 | 4775 |

| Cal-endar | EARNINGS PER SHARE ^B | | | | Full Year |
|-----------|---------------------------------|--------|--------|--------|-----------|
| | Mar.31 | Jun.30 | Sep.30 | Dec.31 | |
| 2008 | .58 | .85 | 1.20 | 1.61 | 4.24 |
| 2009 | 1.99 | 2.11 | 1.79 | 1.65 | 7.53 |
| 2010 | 2.00 | 1.84 | 2.04 | 1.80 | 7.68 |
| 2011 | 1.33 | .70 | 2.75 | 4.32 | 9.10 |
| 2012 | 2.10 | 2.60 | 2.95 | 3.45 | 11.10 |

| Cal-endar | QUARTERLY DIVIDENDS PAID | | | | Full Year |
|-----------|--------------------------|--------|--------|--------|-----------|
| | Mar.31 | Jun.30 | Sep.30 | Dec.31 | |
| 2007 | | | | | |
| 2008 | | | | | |
| 2009 | | | | | |
| 2010 | | | | | |
| 2011 | | | | | |

NO CASH DIVIDENDS BEING PAID

First Solar stock has continued to decline in tandem with its rivals' shares. Increasing economic softness, especially in Europe, where a good deal of its product is shipped, is hurting demand. And the lack of clarity with regard to future government support in Germany and Italy is interfering with project economics and financing, causing customers to put off commitments. Consequently, average selling prices fell more than we expected (some erosion is normal), and June-quarter results came in short of estimates. Revenues declined 9%, to \$532.8 million, and earnings per share were \$0.70, down more than half the level in the comparable period the year before and \$0.30 short of our estimate.

A rise in domestic demand should pick up the slack. With heavy cuts to large-scale (nonresidential) module prices over the summer, the U.S. project development pipeline has swelled over the past two months by 40%, to 24 gigawatts. Much of this demand is in California, thanks to the Golden State's aggressive policy toward the preferable use of renewable resources. As one of the top module producers, First Solar stands to significantly benefit from this development.

Greater participation in the peak electricity generation market appears likely. The company has made significant progress in lowering total systems costs, which are down 30% in the past three years. We think another cut of 20% or so is possible over the intermediate term. This should allow First Solar to provide turnkey utility-scale systems that generate power at a break-even cost of \$0.10 to \$0.12 per kilowatt hour in high-irradiant zones like the southwestern United States, India, China, Australia, Middle East, Spain, and Italy. Under this scenario, the company would be far less reliant on government subsidies.

We have raised our 2012 share-net call \$0.40, to \$11.10. The 3- to 5-year profit outlook is bright, as well. With the above-mentioned positives, combined with U.S. federal loan guarantees now in the funding stage, we think EPS of \$14.85 by mid-decade is achievable. As a result, at the current depressed price, FSLR stock holds attractive long-term appeal.

Warren Thorpe September 30, 2011