FIRST SOLAR, INC.
Form 424B4
August 13, 2007

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-144714

6,500,000 Shares

First Solar, Inc.
Common Stock

We are selling 4,000,000 shares and the selling stockholders named in this prospectus are selling 2,500,000 shares of our common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our common stock is listed on The Nasdaq Global Market under the symbol FSLR . The last reported sale price of our common stock on August 9, 2007 was $103.00 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 7.

PRICE $95.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to First Solar, Inc.	Proceeds to Selling Stockholders
Per Share	$95.00	$3.5625	$91.4375	$91.4375
Total	$617,500,000	$23,156,250	$365,750,000	$228,593,750

A selling stockholder has granted the underwriters the right to purchase up to an additional 975,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on August 15, 2007.

Credit Suisse	**Goldman, Sachs & Co.**	**Morgan Stanley**
Cowen and Company		**Piper Jaffray**
Banc of America Securities LLC		**Deutsche Bank Securities**
Lazard Capital Markets		**ThinkEquity Partners LLC**

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You should rely only on information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. We are not making an offer of these securities in any state where the offer is not permitted. The information in this prospectus may only be accurate as of the date on the front of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights information about First Solar, Inc. and the offering contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. You should carefully read the entire prospectus before making an investment decision, especially the information presented under the heading Risk Factors and the financial statements and notes thereto included elsewhere in this prospectus. In this prospectus, except as otherwise indicated or as the context may otherwise require, all references to First Solar , we , us and our refer to First Solar, Inc. and its subsidiaries.

First Solar

We design and manufacture solar modules using a proprietary thin film semiconductor technology that has allowed us to reduce our average solar module manufacturing costs to among the lowest in the world. Our average manufacturing costs were $1.40 per Watt in 2006 and $1.38 per Watt in the first six months of 2007, which we believe were significantly less than those of traditional crystalline silicon solar module manufacturers. We are the first company to integrate non-silicon thin film technology into high volume low cost production. Our manufacturing process transforms an inexpensive 2ft x 4ft (60cm x 120cm) sheet of glass into a complete solar module in less than three hours, using approximately 1% of the semiconductor material used to produce traditional crystalline silicon solar modules. Our ability to attract customers with competitive pricing, in combination with our replicable low cost manufacturing process, afforded us a gross margin of 40% in 2006 and 41% in the first six months of 2007. By continuing to expand production and improve our technology and manufacturing process, we believe that we can further reduce our manufacturing costs per Watt and improve our cost advantage over traditional crystalline silicon solar module manufacturers. Our objective is to become, by 2010, the first solar module manufacturer to offer a solar electricity solution that competes on a non-subsidized basis with the price of retail electricity in key markets in North America, Europe and Asia.

Our net sales grew from $13.5 million in 2004 to $135.0 million in 2006 and from $41.5 million in the first six months of 2006 to $144.2 million in the first six months of 2007. Historically, almost all of our net sales have been to project developers and system integrators headquartered in Germany, who then resell our solar modules to end-users. Strong market demand, a positive customer response to our solar modules and our ability to expand production without raw material constraints present us with the opportunity to expand sales rapidly and increase market share.

To date, we have primarily engaged with our customers in long-term solar module supply contracts. We currently have long-term solar module supply contracts with nine project developers, system integrators and operators of renewable energy projects (the Long Term Supply Contracts) that, in the aggregate, allow for approximately 3.2 billion ($4.1 billion at an assumed exchange rate of $1.30/ 1.00) in sales from 2007 to 2012 for the sale of a total of 2.2 GW of solar modules. The Long Term Supply Contracts provide for a decline of approximately 6.5% in sales price at the beginning of each year. As a result, we must reduce our average manufacturing cost per Watt by at least the same rate at which our contractual prices decline to maintain our historical gross margins. The Long Term Supply Contracts also provide for either a specified annual increase in the minimum average number of Watts per module or a base number of Watts per module that increases annually at a specified rate. Our failure to meet the minimum average annual number of Watts per module required in a given year would provide the basis for termination under some of our Long Term Supply Contracts, while other Long Term Supply Contracts apply a price adjustment per Watt if the minimum Watts per module delivered are higher or lower than the base number of Watts per module. The information in this paragraph is designed to summarize the financial terms of the Long Term Supply Contracts and is not intended to provide guidance about our future operating results, including revenues or profitability.

In order to satisfy our contractual requirements and address additional market demand, we are expanding our annual manufacturing capacity from 90MW in the second half of 2006 to 450MW by the first half of 2009. We describe our manufacturing capacity with a nameplate rating, which means minimum expected annual production. We periodically review and update the nameplate rating of our production lines to reflect improvements in module throughput and Watts per module (or conversion efficiency). As a result of a recent review, we increased the nameplate rating of each production line from 25MW to the current 30MW, thereby increasing the manufacturing capacity rating of each of our current and future manufacturing facilities. In August 2006, we expanded our Ohio plant from one to three production lines, increasing our annual manufacturing capacity to 90MW. In April 2007, we started initial production at a 120MW manufacturing facility in Germany, which we expect to reach full capacity by the fourth

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quarter of 2007. In April 2007, we also began construction of plant one of our Malaysia manufacturing center, and we plan to begin construction of plant two in the fourth quarter of 2007. We expect plant one to reach its full capacity of 120MW in the second half of 2008 and plant two to reach its full capacity of 120MW in the first half of 2009. After plant two of our Malaysia manufacturing center reaches its full capacity, we will have fifteen production lines and an annual global manufacturing capacity of 450MW.

Market Opportunity

Global demand for electricity is expected to increase from 14.8 trillion kilowatt hours in 2003 to 27.1 trillion kilowatt hours in 2025, according to the Energy Information Administration. However, supply constraints, rising prices, dependence on foreign countries for fuel feedstock and environmental concerns could limit the ability of many conventional sources of electricity to supply the rapidly expanding global demand. These challenges create a unique growth opportunity for the renewable energy industry, including solar energy. According to the Department of Energy, solar energy is the only source of renewable power with a large enough resource base to supply a significant percentage of the world s electricity needs. Worldwide, annual installations by the photovoltaic industry grew from 0.4GW in 2002 to 1.7GW in 2006, representing an average annual growth rate of over 42%. In 2006, the cumulative installed capacity of solar modules worldwide reached just below 7GW.

Competitive Strengths

We believe that we possess a number of competitive strengths that position us to become a leader in the solar energy industry and compete in the broader electric power industry:

Cost-per-Watt advantage. Our proprietary thin film semiconductor technology allowed us to achieve an average manufacturing cost per Watt of $1.40 per Watt in 2006 and $1.38 per Watt in the first six months of 2007, which we believe were among the lowest in the world and significantly less than the per Watt manufacturing cost of crystalline silicon solar modules.

Continuous and scalable production process. We manufacture our solar modules on high-throughput production lines that complete all manufacturing steps, from semiconductor deposition to final assembly and testing, in an automated, proprietary, continuous process.

Replicable production facilities. We use a systematic replication process to build new production lines with operating metrics that are comparable to the performance of our existing production lines. By expanding production, we believe we can take advantage of economies of scale, accelerate development cycles and leverage our operations, enabling further reductions in the manufacturing cost per Watt of our solar modules.

Stable supply of raw materials. We are not currently constrained by and do not foresee a shortage of cadmium telluride, our semiconductor material. In addition, because our solar modules contain a relatively small amount of semiconductor material, we believe our exposure to cadmium telluride price increases is limited.

Pre-sold capacity through Long Term Supply Contracts. Our Long Term Supply Contracts provide us with predictable net sales and enable us to realize economies of scale from capacity expansions quickly. By pre-selling the solar modules to be produced on future production lines, we minimize the customer demand risk of our rapid expansion plans.

Favorable system performance. Under real-world conditions, including variation in the ambient temperature and intensity of sunlight, we believe systems incorporating our solar modules generate more kilowatt hours of electricity per Watt of rated power than systems incorporating crystalline silicon solar modules, increasing our end-users return on investment.

Strategies

Our goal is to create a sustainable market for our solar modules by utilizing our proprietary thin film semiconductor technology to develop a solar electricity solution that, by 2010, competes on a non-subsidized basis

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with the price of retail electricity in key markets in North America, Europe and Asia. We intend to pursue the following strategies to attain this goal:

Penetrate key markets rapidly. Upon completion of our German plant and plant one at our Malaysia manufacturing center, we expect to be a global fully-integrated solar module manufacturer. Our new production lines will enable us to diversify our customer base, gain market share in key solar module markets and reduce our dependence on any individual country s subsidy programs.

Further reduce manufacturing cost. We deploy continuous improvement systems and tools to increase the throughput of all of our production lines and the efficiency of our workforce and to reduce our capital intensity and raw material requirements. In addition, as we expand production, we believe we can absorb fixed costs over higher production volumes, reduce fixed costs by manufacturing in low-cost regions such as Malaysia, negotiate volume-based discounts on certain raw material and equipment purchases and gain production and operational experience that translates into improved process and product performance.

Increase sellable Watts per module. We are implementing several programs designed to increase the number of sellable Watts per solar module, which is driven primarily by conversion efficiency. From 2003 to the end of the first six months of 2007, we increased the average conversion efficiency of our solar modules from approximately 6.8% to approximately 9.5%.

Enter the mainstream market for electricity. We believe that our ability to enter the non-subsidized, mainstream market for electricity will require system development and optimization, new system financing options and the development of new market channels. As part of these activities, we are developing solar electricity solutions beyond the solar module that we plan to offer in select market segments.

Challenges

Before you invest in our stock, you should carefully consider all the information in this prospectus, including matters set forth under the heading Risk Factors . We believe that the following are some of the major risks and uncertainties that may affect us:

Thin film technology has a limited operating history. The oldest solar module manufactured during the qualification of our pilot line has only been in use since 2001, and we do not have a large amount of data to validate our estimates of useful life and degradation. If our thin film technology and solar modules perform below expectations, we could lose customers and face high warranty expenses.

Failure to achieve anticipated operating metrics at new production lines. To satisfy our contractual requirements, we must expand our production capacity. If our systematic replication process does not yield new production lines that meet our committed schedules and with operating metrics that are comparable to the performance of our existing production lines, we would be unable to produce the MW volume required to satisfy our contractual requirements and could lose customers.

Failure to increase sellable Watts per module and reduce manufacturing costs. Our Long Term Supply Contracts require either a specified annual increase in the minimum average number of Watts per module or a base number of Watts per module that increases annually at a specified rate. All of our Long Term Supply Contracts also specify a decline of approximately 6.5% in sales price at the beginning of each year. Our failure to achieve these metrics could reduce our profitability or allow

some of our customers to terminate their contracts.

Reduction or elimination of government subsidies. The reduction or elimination of government subsidies before we achieve our goal of cost-competitiveness with conventional sources of electricity could significantly limit our customer base and reduce our net sales.

Intense competition from providers of conventional and renewable sources of electricity. We face intense competition from providers of conventional and renewable electricity, including solar module manufacturers using crystalline silicon and other thin film technologies. Other sources of electricity could prove to be more cost competitive or desirable than our thin film technology.

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Corporate Information

First Solar, Inc., a Delaware corporation, was incorporated on February 22, 2006. We operated as a Delaware limited liability company from 1999 until 2006. Our corporate headquarters are located at 4050 East Cotton Center Boulevard, Building 6, Suite 68, Phoenix, Arizona 85040 and our telephone number is (602) 414-9300. We maintain a website at www.firstsolar.com. ***The information contained in or connected to our website is not a part of this prospectus.***

The Offering

Common stock offered by us	4,000,000 shares
Common stock offered by the selling stockholders	2,500,000 shares
Common stock to be outstanding after this offering	77,105,929 shares
Use of Proceeds	We estimate that we will receive net proceeds from our offering of common stock, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, of approximately $365.8 million. Of the net proceeds we receive in this offering, we intend to use: approximately $150 million to build plant two at our Malaysia manufacturing center; approximately $30 million to fund the associated production start-up and ramp-up costs; and the remainder for working capital and general corporate purposes, including possible future capacity expansions. We will not receive any proceeds from the sale of our common stock by the selling stockholders in this offering, including any proceeds from the underwriters exercising their over-allotment option. See Use of Proceeds .
Dividend Policy	We do not currently intend to pay any cash dividends on our common stock. See Dividend Policy and Description of Capital Stock Common Stock .
The Nasdaq Global Market Symbol	FSLR .

The number of shares to be outstanding after this offering is based on 72,997,929 shares of our common stock outstanding as of July 31, 2007 and reflects the exercise by certain selling stockholders of options to acquire 108,000 shares of our common stock to be sold by such selling stockholders in this offering.

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Summary Historical Consolidated Financial and Operating Data

The following tables provide a summary of our historical consolidated financial and operating data for the periods and at the dates indicated. The summary historical consolidated financial information for the fiscal years ended December 25, 2004, December 31, 2005 and December 30, 2006 and as of December 30, 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial information for the six months ended July 1, 2006 and June 30, 2007 and as of June 30, 2007 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements, and include all adjustments, consisting only of normal recurring adjustments, that are considered necessary for a fair presentation of our financial position and operating results. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

The information presented below should be read in conjunction with Use of Proceeds , Capitalization , Selected Historical Financial Data , Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	Year Ended			Six Months Ended	
	Dec 25, 2004	Dec 31, 2005	Dec 30, 2006	July 1, 2006	June 30, 2007
	(dollars in thousands)				
Statement of Operations:					
Net sales	$ 13,522	$ 48,063	$ 134,974	$ 41,485	$ 144,172
Cost of sales	18,851	31,483	80,730	29,113	85,759
Gross profit (loss)	(5,329)	16,580	54,244	12,372	58,413
Research and development	1,240	2,372	6,361	3,055	6,821
Selling, general and administrative	9,312	15,825	33,348	14,005	30,975
Production start-up	900	3,173	11,725	6,641	9,997
Operating income (loss)	(16,781)	(4,790)	2,810	(11,329)	10,620
Foreign currency gain (loss)	116	(1,715)	5,544	3,090	(249)
Interest expense	(100)	(418)	(1,023)	(708)	(1,484)
Other income (expense), net	(6)	372	1,849	591	7,286
Income tax (expense) benefit			(5,206)		33,273
Cumulative effect of change in accounting for share-based compensation		89			
Net income (loss)	$ (16,771)	$ (6,462)	$ 3,974	$ (8,356)	$ 49,446
Other Financial Data:					
Net cash from (used in) operating activities	$ (15,185)	$ 5,040	$ (576)	$ (9,137)	$ 25,335
Capital expenditures	$ 7,733	$ 42,481	$ 153,150	$ 67,804	$ 80,388

	Actual	As Adjusted

Balance Sheet Data:	Dec 30, 2006	June 30, 2007 (dollars in thousands)	June 30, 2007(1)
Cash, cash equivalents and marketable securities	$ 308,415	$ 315,007	$ 680,757
Property, plant and equipment, net	178,868	245,559	245,559
Other current and long-term debt	80,697	122,211	122,211
Total stockholders equity	411,440	481,304	847,054

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	Year Ended		Six Months Ended	
	Dec 31, 2005	Dec 30, 2006	July 1, 2006	June 30, 2007
Other Operating Data (unaudited):				
Solar modules produced (in MW)(2)	21.4	59.9	17.2	59.8
Cost per Watt(3)	$ 1.59	$ 1.40	$ 1.60	$ 1.38

(1) Reflects the sale of 4,000,000 shares of our common stock by us in this offering at a public offering price of $95.00 per share.
(2) Solar modules produced (in MW) includes solar modules held in inventory.
(3) We define average cost per Watt as the total manufacturing costs incurred during the period divided by the total Watts produced during the period.

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RISK FACTORS

An investment in our stock involves a high degree of risk. You should carefully consider the following information, together with the other information in this prospectus, before buying shares of our stock. If any of the following risks or uncertainties occur, our business, financial condition and results of operations could be materially and adversely affected, the trading price of our stock could decline and you may lose all or a part of the money you paid to buy our stock.

Risks Relating to Our Business

Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations.

We have a limited operating history. Although we began developing our predecessor technology in 1987, we did not complete the qualification of our pilot production line until January 2002 and the first production line at our Ohio plant until November 2004. From our launch of commercial operations in January 2002 through the end of 2006, we have sold approximately 84MW of solar modules. Relative to the entire solar energy industry, which had a worldwide installed capacity of almost 7GW at the end of 2006, we have sold only a small percentage of the worldwide installed solar modules. As such, our historical operating results may not provide a meaningful basis for evaluating our business, financial performance and prospects. While our net sales grew from $13.5 million in 2004 to $135.0 million in 2006, we may be unable to achieve similar growth, or grow at all, in future periods. Accordingly, you should not rely on our results of operations for any prior period as an indication of our future performance.

We have incurred net losses until recently and may be unable to generate sufficient net sales in the future to sustain profitability.

We incurred net losses of $16.8 million in 2004 and $6.5 million in 2005. Although we had net income of $4.0 million in 2006 and $49.4 million in the first six months of 2007, we had an accumulated deficit of $96.0 million at June 30, 2007 and may incur losses in the future. In addition, we expect our operating expenses to increase as we expand our operations. Our ability to sustain profitability depends on a number of factors, including the growth rate of the solar energy industry, the continued market acceptance of solar modules, the competitiveness of our solar modules and services and our ability to increase production volumes. If we are unable to generate sufficient net sales to sustain profitability and positive cash flows, we could be unable to satisfy our commitments and may have to discontinue operations.

Thin film technology has a short history and our thin film technology and solar modules may perform below expectations.

Researchers began developing thin film semiconductor technology over 20 years ago, but were unable to integrate the technology into a production line until recently. Our oldest active production line has only been in operation since November 2004 and the oldest solar modules manufactured during the qualification of our pilot line have only been in use since 2001. As a result, our thin film technology and solar modules do not have a sufficient operating history to confirm how our solar modules will perform over their estimated 25-year useful life. If our thin film technology and solar modules perform below expectations, we could lose customers and face substantial warranty expense.

Our failure to further refine our technology and develop and introduce improved photovoltaic products could render our solar modules uncompetitive or obsolete and reduce our net sales and market share.

We will need to invest significant financial resources in research and development to keep pace with technological advances in the solar energy industry. However, research and development activities are inherently uncertain and we could encounter practical difficulties in commercializing our research results. Our significant expenditures on research and development may not produce corresponding benefits. Other companies are developing a variety of competing photovoltaic technologies, including copper indium gallium diselenide and amorphous silicon, that could produce solar modules that prove more cost-effective or have better performance than our solar modules. As a result, our solar modules may be rendered obsolete by the technological advances of others, which could reduce our net sales and market share.

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If photovoltaic technology is not suitable for widespread adoption, or if sufficient demand for solar modules does not develop or takes longer to develop than we anticipate, our net sales may flatten or decline and we may be unable to sustain profitability.

The solar energy market is at a relatively early stage of development and the extent to which solar modules will be widely adopted is uncertain. If photovoltaic technology proves unsuitable for widespread adoption or if demand for solar modules fails to develop sufficiently, we may be unable to grow our business or generate sufficient net sales to sustain profitability. In addition, demand for solar modules in our targeted markets, including Germany, may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of photovoltaic technology and demand for solar modules, including the following:

- cost-effectiveness of solar modules compared to conventional and other non-solar renewable energy sources and products;
- performance and reliability of solar modules and thin film technology compared to conventional and other non-solar renewable energy sources and products;
- availability and substance of government subsidies and incentives to support the development of the solar energy industry;
- success of other renewable energy generation technologies, such as hydroelectric, wind, geothermal, solar thermal, concentrated photovoltaic and biomass;
- fluctuations in economic and market conditions that affect the viability of conventional and non-solar renewable energy sources, such as increases or decreases in the price of oil and other fossil fuels;
- fluctuations in capital expenditures by end-users of solar modules, which tend to decrease when the economy slows and interest rates increase; and
- deregulation of the electric power industry and the broader energy industry.

Even if demand for solar modules continues to grow, the rapid expansion plans of many solar cell and module manufacturers could create periods where supply exceeds demand. During any such period, our competitors could decide to reduce their sales price, even below their manufacturing cost, in order to generate sales. As a result, we may be unable to sell our solar modules at attractive prices, or for a profit, during any period of excess supply of solar modules, which would reduce our net sales and harm our results of operations.

Our future success depends on our ability to build new manufacturing plants and add production lines in a cost-effective manner, both of which are subject to risks and uncertainties.

Our future success depends on our ability to significantly increase both our manufacturing capacity and production throughput in a cost-effective and efficient manner. If we cannot do so, we may be unable to expand our business, decrease our cost per Watt, maintain our competitive position, satisfy our contractual obligations or sustain profitability. Our ability to expand production capacity is subject to significant risks and uncertainties, including the following:

- the need to raise significant additional funds to build additional manufacturing facilities, which we may be unable to obtain on reasonable terms or at all;

delays and cost overruns as a result of a number of factors, many of which may be beyond our control, such as our inability to secure successful contracts with equipment vendors;

our custom-built equipment may take longer and cost more to engineer than expected and may never operate as designed;

delays or denial of required approvals by relevant government authorities;

diversion of significant management attention and other resources; and

failure to execute our expansion plans effectively.

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If our future production lines are not built in line with our committed schedules or do not achieve operating metrics similar to our existing production lines, our solar modules could perform below expectations and cause us to lose customers.

Currently, the three production lines at our Ohio plant are our only production lines that have a history of operating at full capacity. Although the four production lines at our German plant are producing some modules during the qualification phase, we do not expect them to operate at full capacity until the fourth quarter of 2007. These four production lines and future production lines could produce solar modules that have lower efficiencies, higher failure rates and higher rates of degradation than solar modules from our existing production lines, and we could be unable to determine the cause of the lower operating metrics or develop and implement solutions to improve performance. The second and third production lines at our Ohio plant, completed in August 2006, represent a standard building block that we replicated twice to build the four production lines at our German plant. We plan to use the same systematic replication process to build our Malaysia manufacturing center and future production facilities, including expansion of our existing production facilities. Our replication risk in connection with building production lines at our German plant, Malaysian manufacturing center and other future manufacturing plants could be higher than our replication risk was in expanding the Ohio plant because these new production lines are located internationally, which could entail other factors that will lower their operating metrics. If we are unable to systematically replicate our production lines to meet our committed schedules and achieve and sustain similar operating metrics in our German plant, Malaysian manufacturing center and future production lines as our existing production lines, our manufacturing capacity could be substantially constrained, our manufacturing costs per Watt could increase and we could lose customers, causing lower net sales and net income than we anticipate.

Some of our manufacturing equipment is customized and sole sourced. If our manufacturing equipment fails or if our equipment suppliers fail to perform under their contracts, we could experience production disruptions and be unable to satisfy our contractual requirements.

Some of our manufacturing equipment is customized to our production lines based on designs or specifications that we provide the equipment manufacturer, who then undertakes a specialized process to manufacture the custom equipment. As a result, the equipment is not readily available from multiple vendors and would be difficult to repair or replace if it were to become damaged or stop working. If any piece of equipment fails, production along the entire production line could be interrupted and we could be unable to produce enough solar modules to satisfy our contractual requirements. In addition, the failure of our equipment suppliers to supply equipment in a timely manner or on commercially reasonable terms could delay our expansion plans and otherwise disrupt our production schedule or increase our manufacturing costs.

We may be unable to manage the expansion of our operations effectively.

We expect to expand our business significantly in order to meet our contractual obligations, satisfy demand for our solar modules and increase market share. In August 2006, we expanded our Ohio plant from one to three production lines, increasing our annual manufacturing capacity to 90MW. In April 2007, we started initial production at a 120MW manufacturing facility in Germany, which we expect to reach full capacity by the fourth quarter of 2007. Also in April 2007, we began construction of plant one of our Malaysia manufacturing center and we plan to begin construction of plant two in the fourth quarter of 2007. Following the completion of plant two of our Malaysia manufacturing center, estimated for the first half of 2009, we will have grown from one production line to fifteen production lines with an annual global manufacturing capacity of 450MW in approximately three years.

To manage the rapid expansion of our operations, we will be required to improve our operational and financial systems, procedures and controls and expand, train and manage our growing associate base. Our management will

also be required to maintain and expand our relationships with customers, suppliers and other third parties and attract new customers and suppliers. In addition, our current and planned operations, personnel, systems and internal procedures and controls might be inadequate to support our future growth. If we cannot manage our growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

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We depend on a limited number of third-party suppliers for key raw materials and their failure to perform could cause manufacturing delays and impair our ability to deliver solar modules to customers in the required quality and quantities and at a price that is profitable to us.

Our failure to obtain raw materials and components that meet our quality, quantity and cost requirements in a timely manner could interrupt or impair our ability to manufacture our solar modules or increase our manufacturing cost. Most of our key raw materials are either sole-sourced or sourced by a limited number of third-party suppliers. As a result, the failure of any of our suppliers to perform could disrupt our supply chain and impair our operations. In addition, many of our suppliers are small companies that may be unable to supply our increasing demand for raw materials as we implement our planned rapid expansion. We may be unable to identify new suppliers or qualify their products for use on our production lines in a timely manner and on commercially reasonable terms. Raw materials from new suppliers may also be less suited for our technology and yield solar modules with lower conversion efficiencies, higher failure rates and higher rates of degradation than solar modules manufactured with the raw materials from our current suppliers.

A disruption in our supply chain for cadmium telluride, our semiconductor material, could interrupt or impair our ability to manufacture solar modules.

The key raw material we use in our production process is a cadmium telluride compound, with the tellurium component of the compound being the most critical. Currently, we purchase all of our cadmium telluride in manufactured form from two suppliers. If our current suppliers or any of our future suppliers is unable to perform under its contracts or purchase orders, our operations could be interrupted or impaired. In addition, because our suppliers must undergo a lengthy qualification process, we may be unable to replace a lost supplier in a timely manner and on commercially reasonable terms. Our supply of cadmium telluride could also be limited if any of our current suppliers or any of our future suppliers is unable to acquire an adequate supply of tellurium in a timely manner or at commercially reasonable prices. If our competitors begin to use or increase their demand for cadmium telluride, supply could be reduced and prices could increase. If our current suppliers or any of our future suppliers cannot obtain sufficient tellurium, it could substantially increase prices or be unable to perform under its contracts. We may be unable to pass increases in the cost of our raw materials through to our customers because our customer contracts do not adjust for raw material price increases and are generally for a longer term than our raw material supply contracts.

We currently depend on nine customers, with six customers accounting for substantially all of our net sales in the first six months of 2007. The loss of, or a significant reduction in orders from, any of these customers could significantly reduce our net sales and harm our operating results.

We currently sell substantially all of our solar modules to customers headquartered in Germany and France. During 2006, our five largest customers each accounted for between 16% and 19% of our net sales. In the first six months of 2007, our six largest customers each accounted for between 14% and 22% of our net sales. The loss of any of our large customers, their inability to perform under their contracts or their default in payment could significantly reduce our net sales and adversely impact our operating results. In addition, our Long Term Supply Contracts extend through 2012 and we expect them to allocate a significant amount of our production capacity to a limited number of customers. As a result, we do not expect to have a significant amount of excess production capacity to identify and then build relationships with new customers that could replace any lost customers, and we will have to rely on future expansions to attract and service new customers. In addition, our customer relationships have been developed over a relatively short period of time and we cannot guarantee that we will have good relations with our customers in the future. Several of our competitors have more established relationships with our customers and may gain a larger share of our customers business over time.

If we are unable to further increase the number of sellable Watts per solar module and reduce our manufacturing cost per Watt, we will be in default under certain of our Long Term Supply Contracts and our profitability could decline.

Our Long Term Supply Contracts require either an increase in the minimum average number of Watts per module of approximately 5% annually from 2007 to 2009 and then by 3% in 2012 or a base number of Watts per module that increases 3-4% annually from 2007 to 2009 and then remains fixed through 2012. Our failure to achieve these metrics could reduce our profitability or allow some of our customers to terminate their contracts. In addition, all of our Long Term Supply Contracts specify a sales price per Watt that declines by approximately 6.5% at the beginning

of each year through the expiration date of each contract in 2012. Our profitability could decline if we are unable to reduce our manufacturing cost per Watt by at least the same rate at which our contractual prices decrease.

Reduced growth in or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications could reduce demand for our solar modules, lead to a reduction in our net sales and adversely impact our operating results.

Reduced growth in or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity may result in the diminished competitiveness of solar energy relative to conventional and non-solar renewable sources of energy, and could materially and adversely affect the growth of the solar energy industry and our net sales. We believe that the near-term growth of the market for on-grid applications, where solar energy is used to supplement the electricity a consumer purchases from the utility network, depends significantly on the availability and size of government and economic incentives. Currently, the cost of solar electricity substantially exceeds the retail price of electricity in every significant market in the world. As a result, federal, state and local governmental bodies in many countries, most notably Germany, Italy, Spain, France, South Korea, Japan, Canada and the United States, have provided subsidies in the form of feed-in tariffs, rebates, tax write-offs and other incentives to end-users, distributors, systems integrators and manufacturers of photovoltaic products. For example, Germany, which accounted for 99.3% of our net sales in the first six months of 2007, has been a strong supporter of photovoltaic products and systems and political changes in Germany could result in significant reductions in or the elimination of incentives. Many of these government incentives expire, phase out over time, exhaust the allocated funding or require renewal by the applicable authority. For example, German subsidies decline at a rate of 5.0% to 6.5% per year (based on the type and size of the photovoltaic system) and discussions are ongoing about modifying the German Renewable Energy Law, or the EEG. The German Federal Ministry for the Environment recently published a progress report on the EEG recommending a gradual increase of two percentage points from 2009 through 2010 and three percentage points in 2011 in the rate at which German subsidies decline. If the German government reduces or eliminates the subsidies under the EEG, demand for photovoltaic products could significantly decline in Germany. The Spanish Royal Decree currently supports system installations of 400MW cumulatively. If the Spanish government decides not to further increase this limitation, the program would run out of funding within two years. In addition, the Emerging Renewables Program in California has finite funds that may not last through the current program period. California subsidies declined from $2.80 to $2.50 per Watt in March 2006 and will continue to decline as cumulative installations exceed stated thresholds. Net metering policies in California, which currently only require each investor owned utility to provide net metering up to 2.5% of its aggregate customer peak demand, could also limit the amount of solar power installed within California. Emerging subsidy programs, such as the recently announced programs in Italy, France, Greece and Ontario, Canada, may require an extended period of time to attain effectiveness because the applicable permitting and grid connection processes associated with these programs can be lengthy and administratively burdensome.

In addition, if any of these statutes or regulations is found to be unconstitutional, or is reduced or discontinued for other reasons, sales of our solar modules in these countries could decline significantly, which could have a material adverse effect on our business and results of operations. For example, the predecessor to the German EEG was challenged in Germany on constitutional grounds and in the European Court of Justice as impermissible state aid. Although the German Federal High Court of Justice dismissed these constitutional concerns and the European Court of Justice held that the purchase requirement at minimum feed-in tariffs did not constitute impermissible state aid, new proceedings challenging the Renewable Energies Act or comparable minimum price regulations in other countries in which we currently operate or intend to operate may be initiated.

Electric utility companies or generators of electricity from fossil fuels or other renewable energy sources could also lobby for a change in the relevant legislation in their markets to protect their revenue streams. Reduced growth in or the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar energy

applications, especially those in our target markets, could cause our net sales to decline and materially and adversely affect our business, financial condition and results of operations.

Currency translation and transaction risk may negatively affect our net sales, cost of sales and gross margins and could result in exchange losses.

Although our reporting currency is the U.S. dollar, we conduct our business and incur costs in the local currency of most countries in which we operate. As a result, we are subject to currency translation risk. For example,

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95.0% and 100.0% of our net sales were outside the United States and denominated in euros for the fiscal year ended December 30, 2006 and the six months ended June 30, 2007, respectively, and we expect a large percentage of our net sales to be outside the United States and denominated in foreign currencies in the future. In addition, with the expansion of our manufacturing operations into Germany and our current expansion into Malaysia, our operating expenses for the plants in these countries will be denominated in the local currency. Changes in exchange rates between foreign currencies and the U.S. dollar could affect our net sales and cost of sales and could result in exchange losses. In addition, we incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from our reporting currency. For example, our Long Term Supply Contracts specify fixed pricing in euros through 2012 and do not adjust for changes in the U.S. dollar to euro exchange rate. We cannot accurately predict the impact of future exchange rate fluctuations on our results of operations.

We could also expand our business into emerging markets, many of which have an uncertain regulatory environment relating to currency policy. Conducting business in such emerging markets could cause our exposure to changes in exchange rates to increase.

An increase in interest rates could make it difficult for end-users to finance the cost of a photovoltaic system and could reduce the demand for our solar modules.

Many of our end-users depend on debt financing to fund the initial capital expenditure required to purchase and install a photovoltaic system. As a result, an increase in interest rates could make it difficult for our end-users to secure the financing necessary to purchase and install a photovoltaic system on favorable terms, or at all, and thus lower demand for our solar modules and reduce our net sales. In addition, we believe that a significant percentage of our end-users install photovoltaic systems as an investment, funding the initial capital expenditure through a combination of equity and debt. An increase in interest rates could lower an investor s return on investment in a photovoltaic system, or make alternative investments more attractive relative to photovoltaic systems, and, in each case, could cause these end-users to seek alternative investments.

We face intense competition from manufacturers of crystalline silicon solar modules, thin film solar modules and solar thermal and concentrated photovoltaic systems.

The solar energy and renewable energy industries are both highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete with the larger electric power industry. We believe that our main sources of competition are crystalline silicon solar module manufacturers, other thin film solar module manufacturers and companies developing solar thermal and concentrated photovoltaic technologies.

At the end of 2006, the global photovoltaic industry consisted of over 100 manufacturers of solar cells and modules. Within the photovoltaic industry, we face competition from crystalline silicon solar cell and module manufacturers, including BP Solar, Evergreen Solar, Kyocera, Motech, Q-Cells, Renewable Energy Corporation, Sanyo, Schott Solar, Sharp, SolarWorld, Sunpower and Suntech. We also face competition from thin film solar module manufacturers, including Antec, Kaneka, Mitsubishi Heavy Industries, Shell Solar, United Solar and several crystalline silicon manufacturers who are developing thin film technologies. We may also face competition from semiconductor manufacturers and semiconductor equipment manufacturers, or their customers, several of which have already announced their intention to start production of solar cells, solar modules or turnkey production lines. In addition to manufacturers of solar cells and modules, we face competition from companies developing solar thermal and concentrated photovoltaic technologies.

Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. A competitor s greater size provides them with a competitive advantage because they often can

realize economies of scale and purchase certain raw materials at lower prices. Many of our competitors also have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our current and potential distributors and have extensive knowledge of our target markets. As a result of their greater size, some of our competitors may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. In addition, a significant increase in the supply of silicon feedstock or a significant reduction in the manufacturing cost of crystalline silicon solar modules could lead to pricing pressures for solar modules. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors may materially and adversely affect our financial condition and results of operations.

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We identified several significant deficiencies in our internal control over financial reporting that were deemed to be material weaknesses. If we are unable to successfully address the material weaknesses in our internal controls, our ability to report our financial results on a timely and accurate basis may be adversely affected.

In connection with the audit of our financial statements for the fiscal years ended December 25, 2004 and December 31, 2005, we identified several significant deficiencies in our internal control over financial reporting that were deemed to be material weaknesses, as defined in standards established by The Public Company Accounting Oversight Board (PCAOB). See Management s Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures .

A material weakness is defined by the PCAOB as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

As of December 31, 2005, we did not maintain effective controls over the preparation, review and presentation and disclosure of our consolidated financial statements due to a lack of personnel with experience in financial reporting and control procedures necessary for SEC registrants. This failure caused several significant deficiencies, four of which had a large enough impact on our operating results to individually constitute material weaknesses. These material weaknesses were: (i) we did not maintain effective controls to ensure that the appropriate labor and overhead expenses were included in the cost of our inventory and that intercompany profits in inventory were completely and accurately eliminated as part of the consolidation process; (ii) we did not maintain effective controls to ensure the complete and accurate capitalization of interest in connection with our property, plant and equipment additions; (iii) we did not maintain effective controls to properly accrue for warranty obligations; and (iv) we did not maintain effective controls to properly record the formation of First Solar US Manufacturing, LLC in 1999 and the subsequent liquidation of minority membership units in 2003.

These control deficiencies resulted in the restatement of our consolidated financial statements for 2004 and audit adjustments to our 2005 consolidated financial statements and to the consolidated financial statements of each interim period in 2005. These control deficiencies could result in more than a remote likelihood that a material misstatement to our annual or interim financial statements would not be prevented or detected. Accordingly, we have concluded that each of these control deficiencies constitutes a material weakness.

We are in the process of adopting and implementing several measures to improve our internal control over financial reporting . If the remedial procedures we have adopted and implemented are insufficient to address our material weakness and significant deficiencies, we may fail to meet our future reporting obligations, our financial statements may contain material misstatements and our operating results may be adversely affected.

We cannot assure you that additional significant deficiencies or material weaknesses in our internal controls over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or difficulties we encounter in their implementation, could result in additional significant deficiencies or material weaknesses, cause us to fail to meet our future reporting obligations or cause our financial statements to contain material misstatements. Any such failure could also adversely affect the results of the periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal controls over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act of 2002, and which will become applicable to us beginning with the required filing of our Annual Report on Form 10-K for fiscal 2007 in the first quarter of 2008. Internal control deficiencies could also result in a restatement of our financial statements in the future or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Our substantial international operations subject us to a number of risks, including unfavorable political, regulatory, labor and tax conditions in foreign countries.

We have significant marketing and distribution operations outside the United States and, with the completion of our German plant and construction of our Malaysia manufacturing center, we expect to have significant manufacturing operations outside the United States. In the first six months of 2007, 99.3% of our net sales were generated from customers headquartered in Germany. In the future, we expect to expand our operations in other European countries, Malaysia and other Asian countries and, as a result, we will be subject to the legal, political, social and

regulatory requirements and economic conditions of many jurisdictions. Risks inherent to international operations, include, but are not limited to, the following:

- difficulty in enforcing agreements in foreign legal systems;
- foreign countries may impose additional withholding taxes or otherwise tax our foreign income, impose tariffs or adopt other restrictions on foreign trade and investment, including currency exchange controls;
- fluctuations in exchange rates may affect product demand and may adversely affect our profitability in U.S. dollars to the extent the price of our solar modules and cost of raw materials, labor and equipment is denominated in a foreign currency;
- inability to obtain, maintain or enforce intellectual property rights;
- risk of nationalization of private enterprises;
- changes in general economic and political conditions in the countries in which we operate, including changes in the government incentives we are relying on;
- unexpected adverse changes in foreign laws or regulatory requirements, including those with respect to environmental protection, export duties and quotas;
- difficulty with staffing and managing widespread operations;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our solar modules and make us less competitive in some countries; and
- difficulty of and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer and sell our solar modules.

Our business in foreign markets requires us to respond to rapid changes in market conditions in these countries. Our overall success as a global business depends, in part, on our ability to succeed in differing legal, regulatory, economic, social and political conditions. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. In addition, each of the foregoing risks is likely to take on increased significance as we implement our plans to expand our foreign manufacturing operations.

Problems with product quality or performance may cause us to incur warranty expenses, damage our market reputation and prevent us from maintaining or increasing our market share.

Our solar modules are sold with a five year materials and workmanship warranty for technical defects and a ten year and twenty-five year warranty against declines of more than 10% and 20% of their initial rated power, respectively. As a result, we bear the risk of extensive warranty claims long after we have sold our solar modules and recognized net sales. As of June 30, 2007, our accrued warranty liability was $4.0 million.

While our warranty extends for twenty-five years, our oldest solar modules manufactured during the qualification of our pilot production line have only been in use since 2001. Because of the limited operating history of our solar modules, we have been required to make assumptions regarding the durability and reliability of our solar modules. Our assumptions could prove to be materially different from the actual performance of our solar modules, causing us

to incur substantial expense to repair or replace defective solar modules in the future. For example, our glass-on-glass solar modules could break, delaminate or experience power degradation in excess of expectations. In addition, once our solar modules are installed, connected and exposed to sunlight, but before they are connected to a power grid or there is a load otherwise put on them, they are in an open circuit condition. We are continuing to collect data on the long-term effects on reliability and service life that results from extended periods of the solar modules being in an open circuit condition, particularly in high ambient temperature conditions. Although the data available to us to date does not suggest significant deterioration in long-term performance of solar modules that are left in a prolonged open circuit condition, it may become apparent with future experience that the long-term performance and service life of our solar modules is affected by remaining in an open circuit condition for prolonged periods of time. Any widespread product failures may damage our market reputation and cause our sales to decline and require us to repair or replace the defective modules, which could have a material adverse effect on our financials results.

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If our estimates regarding the future cost of reclaiming and recycling our solar modules are incorrect, we could be required to accrue additional expenses at and from the time we realize our estimates are incorrect and face a significant unplanned cash burden when our end-users return their solar modules.

We pre-fund our estimated future obligation for reclaiming and recycling our solar modules based on the present value of the expected future cost of the reclaiming and recycling process. This cost includes the cost of packaging the solar module for transport, the cost of freight from the solar module s installation site to a recycling center and the material, labor and capital costs of the recycling process. The related expense that we recognize in our financial statements also includes an estimated third-party profit margin and risk rate for such services. Currently, we base our estimates on our experience reclaiming and recycling solar modules that do not pass our quality control tests and solar modules returned under our warranty and on our expectations about future developments in recycling technologies and processes and about economic conditions at the time the solar modules will be reclaimed and recycled. If our estimates prove incorrect, we could be required to accrue additional expenses at and from the time we realize our estimates are incorrect and also face a significant unplanned cash burden at the time we realize our estimates are incorrect or end-users return their solar modules, which could harm our operating results. In addition, our end-users can return their solar modules at any time. As a result, we could be required to reclaim and recycle our solar modules earlier than we expect and before recycling technologies and processes improve.

Our future success depends on our ability to retain our key associates and to successfully integrate them into our management team.

We are dependent on the services of Michael J. Ahearn, our Chief Executive Officer, Bruce Sohn, our President, Jens Meyerhoff, our Chief Financial Officer, Ken Schultz, our Vice President of Sales and Marketing, and other members of our senior management team. The loss of Messrs. Ahearn, Sohn, Meyerhoff, Schultz or any other member of our senior management team could have a material adverse effect on us. There is a risk that we will not be able to retain or replace these key associates. Several of our current key associates, including Messrs. Ahearn, Sohn, Meyerhoff and Schultz, are subject to employment conditions or arrangements that contain post-employment non-competition provisions. However, these arrangements permit the associates to terminate their employment with us upon little or no notice. We recently added several members to our senior management team, including Mr. Sohn, our new President. Integrating them into our management team could prove disruptive to our daily operations, require a disproportionate amount of resources and management attention and prove unsuccessful.

If we are unable to attract, train and retain technical personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain technical personnel. Recruiting and retaining capable personnel, particularly those with expertise in the photovoltaic industry, thin film technology and cadmium telluride, are vital to our success. There is substantial competition for qualified technical personnel and we cannot assure you that we will be able to attract or retain our technical personnel. In addition, a significant percentage of our current technical personnel have stock options that vest in 2008 and it may be more difficult to retain these individuals after their options vest. If we are unable to attract and retain qualified associates, our business may be materially and adversely affected.

Our failure to protect our intellectual property rights may undermine our competitive position and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

Protection of our proprietary processes, methods and other technology, especially our proprietary vapor transport deposition process and laser scribing process, is critical to our business. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies. We rely primarily on patents,

trademarks, trade secrets, copyrights and other contractual restrictions to protect our intellectual property. As of June 30, 2007, we held 23 patents in the United States and 17 patents in select foreign jurisdictions. A majority of our patents expire at various times between 2007 and 2023. Our existing patents and future patents could be challenged, invalidated, circumvented or rendered unenforceable. We have pending patent applications in the United States and in foreign jurisdictions. Our pending patent applications may not result in issued patents, or if patents are issued to us, such patents may not be sufficient to provide meaningful protection against competitors or against competitive technologies.

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We also rely upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality agreements with our associates and third parties to protect our intellectual property, such confidentiality agreements are limited in duration and could be breached and may not provide meaningful protection for our trade secrets or proprietary manufacturing expertise. Adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and manufacturing expertise. In addition, others may obtain knowledge of our trade secrets through independent development or legal means. The failure of our patents or confidentiality agreements to protect our processes, equipment, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on our business. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in some foreign countries, especially any developing countries into which we may expand our operations. In some countries we have not applied for patent, trademark or copyright protection.

Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition and operating results. Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention and other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards or prohibit us from the manufacture and sale of our solar modules or the use of our technology.

Our success depends largely on our ability to use and develop our technology and know-how without infringing or misappropriating the intellectual property rights of third parties. The validity and scope of claims relating to photovoltaic technology patents involve complex scientific, legal and factual considerations and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, which may not be available on reasonable terms, or at all, or pay ongoing royalties, require us to redesign our solar module, or subject us to injunctions prohibiting the manufacture and sale of our solar modules or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our solar modules until the resolution of such litigation.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory and economic barriers to the purchase and use of photovoltaic products, which may significantly reduce demand for our solar modules.

The market for electricity generation products is heavily influenced by foreign, federal, state and local government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned

electricity generation. In the United States and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. These regulations and policies could deter end-user purchases of photovoltaic products and investment in the research and development of photovoltaic technology. For example, without a mandated regulatory exception for photovoltaic systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost to our end-users of using photovoltaic systems and make them less desirable, thereby harming our business, prospects, results of operations and financial condition. In addition, electricity generated by photovoltaic systems mostly competes with expensive peak hour electricity, rather than the less expensive average price of electricity. Modifications to the peak hour pricing policies of utilities, such as to a flat rate, would require photovoltaic systems to achieve lower prices in order to compete with the price of electricity.

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We anticipate that our solar modules and their installation will be subject to oversight and regulation in accordance with national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. It is difficult to track the requirements of individual states and design equipment to comply with the varying standards. Any new government regulations or utility policies pertaining to our solar modules may result in significant additional expenses to us, our resellers and their customers and, as a result, could cause a significant reduction in demand for our solar modules.

Environmental obligations and liabilities could have a substantial negative impact on our financial condition, cash flows and profitability.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, state, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the cleanup of contaminated sites and occupational health and safety. We have incurred and will continue to incur significant costs and capital expenditures in complying with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subjected to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, cleanup costs or other costs. While we believe we are currently in substantial compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of presently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

In addition, our products contain cadmium telluride and cadmium sulfide. Elemental cadmium and certain of its compounds are regulated as hazardous due to the adverse health effects that may arise from human exposure. Although the risks of exposure to cadmium telluride are not believed to be as serious as those relating to exposure to elemental cadmium, the chemical, physical and toxicological properties of cadmium telluride have not been thoroughly investigated and reported. We maintain engineering controls to minimize associate exposure to cadmium and require our associates who handle cadmium compounds to follow certain safety procedures, including the use of personal protective equipment such as respirators, chemical goggles and protective clothing. In addition, we believe the risk of exposure to cadmium or cadmium compounds from our end-products is limited by the fully encapsulated nature of these materials in our products, as well as the implementation in 2005 of our end of life recycling program for our solar modules. While we believe that these factors and procedures are sufficient to protect our associates, end-users and the general public from cadmium exposure, we cannot assure you that human or environmental exposure to cadmium or cadmium compounds used in our products will not occur. Any such exposure could result in future third-party claims against us, as well as damage to our reputation and heightened regulatory scrutiny of our products, which could limit or impair our ability to sell and distribute our products. The occurrence of future events such as these could have a material adverse effect on our business, financial condition or results of operations.

The use of cadmium in various products is also coming under increasingly stringent governmental regulation. Future regulation in this area could impact the manufacture and sale of cadmium-containing solar modules and could require us to make unforeseen environmental expenditures or limit our ability to sell and distribute our products. For example, the European Union Directive 2002/96/EC on Waste Electrical and Electronic Equipment, or the WEEE Directive, requires manufacturers of certain electrical and electronic equipment to be financially responsible for the collection, recycling, treatment and disposal of specified products sold in the European Union. In addition, European Union Directive 2002/95/EC on the Restriction of the Use of Hazardous Substances in electrical and electronic equipment, or the RoHS Directive, restricts the use of certain hazardous substances, including cadmium, in specified products. Other jurisdictions are considering adopting similar legislation. Currently, photovoltaic solar modules in general are not subject to the WEEE or RoHS Directives; however, these directives allow for future amendments subjecting

additional products to their requirements and the scope, applicability and the products included in the WEEE and RoHS Directives are currently being considered and may change. If, in the future, our solar modules become subject to requirements such as these, we may be required to apply for an exemption. If we were unable to obtain an exemption, we would be required to redesign our solar modules in order to continue to offer them for sale within the European Union, which would be impractical. Failure to comply with these directives could result in the imposition of fines and penalties, the inability to sell our solar modules in the European Union, competitive disadvantages and loss of net sales, all of which could have a material adverse effect on our business, financial condition and results of operations.

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We have limited insurance coverage and may incur losses resulting from product liability claims, business interruptions, or natural disasters.

We are exposed to risks associated with product liability claims in the event that the use of our solar modules results in personal injury or property damage. Our solar modules are electricity-producing devices, and it is possible that users could be injured or killed by our solar modules due to product malfunctions, defects, improper installation or other causes. We commenced commercial shipment of our solar modules in 2002 and, due to our limited historical experience, we are unable to predict whether product liability claims will be brought against us in the future or the effect of any resulting adverse publicity on our business. Moreover, we may not have adequate resources and insurance to satisfy a judgment in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Any business disruption or natural disaster could result in substantial costs and diversion of resources.

The Estate of John T. Walton and its affiliates have significant control over us and their interests may conflict with or differ from your interests as a stockholder.

Upon consummation of this offering, our largest stockholder, the Estate of John T. Walton and its affiliates, including JCL Holdings, LLC, will beneficially own approximately 47.9% of our outstanding common stock, or approximately 46.6% if the underwriters exercise their over-allotment option in full. As a result, the Estate of John T. Walton and its affiliates have substantial influence over all matters requiring stockholder approval, including the election of our directors and the approval of significant corporate transactions such as mergers, tender offers and the sale of all or substantially all of our assets. In addition, our amended and restated certificate of incorporation and by-laws provide that unless and until the Estate of John T. Walton, JCL Holdings, LLC, John T. Walton s surviving spouse, descendants, any entity (including a trust) that is for the benefit of John T. Walton s surviving spouse or descendants or any entity (including a trust) over which any of John T. Walton s surviving spouse, descendants or siblings has voting or dispositive power (collectively, the Estate) collectively owns less than 40% of our common stock then outstanding, stockholders holding 40% or more of our common stock then outstanding may call a special meeting of the stockholders, at which our stockholders could replace our board of directors. In addition, unless and until the Estate collectively owns less than 40% of our common stock then outstanding, stockholder action may be taken by written consent. See Description of Capital Stock. The interests of the Estate could conflict with or differ from your interests as a holder of our common stock. For example, the concentration of ownership held by the Estate could delay, defer or prevent a change of control of our company or impede a merger, takeover or other business combination which you may view favorably.

Risks Relating to This Offering

If our stock price fluctuates after this offering, you could lose a significant part of your investment.

The market price of our stock may be influenced by many factors, some of which are beyond our control, including those described above under Risks Relating to Our Business and the following:

- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common stock;
- announcements by us or our competitors of significant contracts, productions, acquisitions or capital commitments;

variations in quarterly operating results;

general economic conditions;

terrorist acts;

future sales of our common stock; and

investor perception of us and the renewable energy industry.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the offering price. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

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Shares eligible for future sale may cause the market price of our common stock to drop significantly, even if our business is doing well.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offering or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

After the consummation of this offering, there will be 77,105,929 shares of our common stock outstanding. Of these shares, the 6,500,000 shares of common stock sold in this offering by us and the selling stockholders (7,475,000 shares if the underwriters exercise their over-allotment option in full) and the 22,942,500 shares of common stock sold in our initial public offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, as amended, by persons other than our affiliates within the meaning of Rule 144 under the Securities Act. The remaining shares of common stock held by our existing stockholders upon completion of this offering will be restricted securities, as that phrase is defined in Rule 144 under the Securities Act, and may be resold, in the absence of registration under the Securities Act, pursuant to an exemption from such registration, including among others, the exemptions provided by Rules 144, 144(k) or 701 under the Securities Act. Upon expiration of the lock-up period 90 days after the date of this prospectus, approximately 46,326,124 shares will be available for sale pursuant to Rules 144, 144(k) or 701.

We are incurring and will continue to incur costs as a result of being a public company that we did not incur when we were a private company.

As a newly public company, we are incurring and will continue to incur significant legal, accounting and other expenses that we did not incur when we were a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and The Nasdaq Global Market, have required changes in corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. In addition, we will incur additional costs associated with our public company reporting requirements. We also expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we will be required to document and test our procedures for internal control over financial reporting in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm that both addresses our management s assessment of the effectiveness of internal control over financial reporting and the effectiveness of our internal control over financial reporting. During the course of our testing, we may identify deficiencies which we may not be able to remediate in time to meet our deadline for compliance with Section 404. Testing and maintaining internal controls can divert our management s attention from other matters that are important to our business. We also expect these regulations to increase our legal and financial compliance cost, make it more difficult to attract and retain qualified officers and members of our board of directors, particularly to serve on our audit committee, and make some activities more difficult, time consuming and costly. We may not be able to conclude on an ongoing basis that we have effective internal control over financial

reporting in accordance with Section 404 or our independent registered public accounting firm may not be able or willing to issue an unqualified report on the effectiveness of our internal control over financial reporting. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations since there is presently no precedent available by which to measure compliance adequacy. If either we are unable to conclude that we have effective internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report as required by Section 404, then investors could lose confidence in our reported financial information, which could have an adverse effect on the trading price of our stock. See Risks Relating to Our Business We identified several significant deficiencies in our internal control over financial reporting that were deemed to be material weaknesses. If we are unable to successfully address the material weaknesses in our internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected .

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future net sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information and, in particular, appear under the headings Prospectus Summary , Management s Discussion and Analysis of Financial Condition and Results of Operations , Industry and Business . When used in this prospectus, the words estimates , expects , anticipates , projects , pla intends , believes , forecasts , foresees , likely , may , should , goal , target and variations of such words or expressions are intended to identify forward-looking statements. All forward-looking statements are based upon information available to us on the date of this prospectus.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this prospectus in the sections captioned Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations . Factors you should consider that could cause these differences are:

- the worldwide demand for electricity and the market for renewable energy, including solar energy;
- the ability or inability of conventional fossil fuel-based generation technologies to meet the worldwide demand for electricity;
- our competitive position and our expectation regarding key competitive factors;
- government subsidies and policies supporting renewable energy, including solar energy;
- our expenses, sources of net sales and international sales and operations;
- future pricing of our solar modules and the photovoltaic systems in which they are incorporated;
- the performance, features and benefits of our solar modules and plans for the enhancement of solar modules;
- the possibility of liability for pollution and other damage that is not covered by insurance or that exceeds our insurance coverage;
- the supply and price of components and raw materials, including tellurium;
- our ability to expand our manufacturing capacity in a timely and cost-effective manner;
- our ability to attract new customers and to develop and maintain existing customer and supplier relationships;
- our ability to retain our current key executives, integrate new key executives and to attract and retain other skilled managerial, engineering and sales marketing personnel;

elements of our marketing, growth and diversification strategies including our strategy to reduce dependence on government subsidies;

our intellectual property and our continued investment in research and development;

changes in the status of legal proceedings or the commencement of new material legal proceedings;

changes in, or the failure to comply with, government regulations and environmental, health and safety requirements;

interest rate fluctuations and both our and our end-users ability to secure financing on commercially reasonable terms or at all;

foreign currency fluctuations and devaluations and political instability in our foreign markets; and

general economic and business conditions including those influenced by international and geopolitical events such as the war in Iraq and any future terrorist attacks.

There may be other factors that could cause our actual results to differ materially from the results referred to in the forward-looking statements. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events, except as required by law.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from our offering of our common stock, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us, of approximately $365.8 million. Of the net proceeds we receive in this offering, we intend to use approximately $150 million to build plant two at our Malaysia manufacturing center, which will increase the annual manufacturing capacity of our Malaysia manufacturing center to eight production lines and 240MW, approximately $30 million to fund the associated production start-up and ramp-up costs and the remainder for working capital and general corporate purposes, including possible future capacity expansions.

We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders in this offering.

PRICE RANGE OF COMMON STOCK

Our common stock has been listed on The Nasdaq Global Market under the symbol FSLR since November 17, 2006. Prior to this time, there was no public market for our common stock. The following table sets forth the range of high and low sales prices per share as reported on The Nasdaq Global Market for the periods indicated.

	High	Low
Fiscal 2006		
First Quarter	N/A	N/A
Second Quarter	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter	$ 30.00	$ 23.50
Fiscal 2007		
First Quarter	$ 59.88	$ 27.54
Second Quarter	$ 91.10	$ 52.08
Third Quarter (through August 9, 2007)	$ 123.21	$ 88.60

The closing sales price of our common stock on The Nasdaq Global Market was $103.00 per share on August 9, 2007. As of July 31, 2007 there were approximately 15 record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee names.

DIVIDEND POLICY

We have never paid, and it is our present intention for the foreseeable future not to pay, dividends on our common stock. The declaration and payment of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net income, financial conditions, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and marketable securities and our capitalization as of June 30, 2007 (i) on an actual consolidated basis for First Solar, Inc. and (ii) on an as adjusted basis after giving effect to this offering. You should read this table in conjunction with Use of Proceeds , Selected Historical Financial Data , Management s Discussion and Analysis of Financial Condition and Results of Operations and all of the financial statements and the related notes thereto included elsewhere in this prospectus.

	As of June 30, 2007	
	Actual	As Adjusted(1)
	(in thousands, except par value)	
Cash, cash equivalents and marketable securities	$ 315,007	$ 680,757
Debt:		
IKB credit facility	$ 103,982	$ 103,982
Debt with the State of Ohio	18,217	18,217
Capital lease obligations	12	12
Total debt:	122,211	122,211
Common Stock and Shareholders Equity:		
Common stock, par value $0.001 per share (*actual:* 500,000,000 shares authorized, 72,997,929 shares issued and outstanding; *as adjusted:* 500,000,000 shares authorized, 77,105,929 shares issued and outstanding)	73	77
Additional paid-in capital	575,047	940,793
Accumulated deficit	(96,013)	(96,013)
Accumulated other comprehensive income	2,197	2,197
Total stockholders equity	481,304	847,054
Total capitalization	$ 603,515	$ 969,265

(1) Reflects the sale of 4,000,000 shares of our common stock by us in this offering at a public offering price of $95.00 per share.

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SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected consolidated financial data for the periods and at the dates indicated. First Solar US Manufacturing, LLC cancelled substantially all of its minority membership units in January 2003, leaving it as a single-member limited liability company. In the table, Predecessor refers to First Solar before cancellation of the minority interests, and Successor refers to First Solar after cancellation of the minority interests.

The selected consolidated financial data for the fiscal years ended December 25, 2004, December 31, 2005 and December 30, 2006 and as of December 31, 2005 and December 30, 2006 have been derived from the audited consolidated financial statements of the Successor included elsewhere in this prospectus. The selected consolidated financial data for the fiscal year ended December 27, 2003 and as of December 27, 2003 and December 25, 2004 have been derived from the audited consolidated financial statements of the Successor not included in this prospectus. The selected consolidated financial data for the fiscal year ended and as of December 28, 2002 have been derived from the unaudited consolidated financial statements of the Predecessor not included in this prospectus. The selected historical consolidated financial data for the six months ended July 1, 2006 and June 30, 2007 and as of June 30, 2007 have been derived from the unaudited consolidated financial statements of the Successor included elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements, and include all adjustments, consisting only of normal recurring adjustments, that are considered necessary for a fair presentation of our financial position and operating results. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

The information presented below should be read in conjunction with Use of Proceeds , Capitalization , Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	Predecessor(1)	Successor(1)					
						Six Months	
	Years Ended	Years Ended				Ended	
	Dec 28, 2002	Dec 27, 2003	Dec 25, 2004	Dec 31, 2005	Dec 30, 2006	July 1, 2006	June 30, 2007
	(dollars in thousands, except per unit/share amounts)						
Statement of Operations:							
Net sales	$ 490	$ 3,210	$ 13,522	$ 48,063	$ 134,974	$ 41,485	$ 144,172
Cost of sales	7,007	11,495	18,851	31,483	80,730	29,113	85,759
Gross profit (loss)	(6,517)	(8,285)	(5,329)	16,580	54,244	12,372	58,413
Research and development	6,029	3,841	1,240	2,372	6,361	3,055	6,821
Selling, general and administrative	9,588	11,981	9,312	15,825	33,348	14,005	30,975
Production start-up			900	3,173	11,725	6,641	9,997
	(22,134)	(24,107)	(16,781)	(4,790)	2,810	(11,329)	10,620

Operating income (loss)							
Foreign currency gain (loss)			116	(1,715)	5,544	3,090	(249)
Interest expense	(4,158)	(3,974)	(100)	(418)	(1,023)	(708)	(1,484)
Other income (expense), net	68	38	(6)	372	1,849	591	7,286
Income tax (expense) benefit					(5,206)		33,273
Income (loss) before cumulative effect of change in accounting principle	(26,224)	(28,043)	(16,771)	(6,551)	3,974	(8,356)	49,446
Cumulative effect of change in accounting for share-based compensation				89			
Net income (loss)	$ (26,224)	$ (28,043)	$ (16,771)	$ (6,462)	$ 3,974	$ (8,356)	$ 49,446
Net income (loss) per unit/share data:							
Basic net income (loss) per unit/share:							
Net income (loss) per unit/share		$ (0.78)	$ (0.39)	$ (0.13)	$ 0.07	$ (0.16)	$ 0.68
Weighted average units/shares		36,028	43,198	48,846	56,310	52,567	72,472
Diluted net income (loss) per unit/share:							
Net income (loss) per unit/share		$ (0.78)	$ (0.39)	$ (0.13)	$ 0.07	$ (0.16)	$ 0.65
Weighted average units/shares		36,028	43,198	48,846	58,255	52,567	75,740

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	Predecessor(1)	Successor(1)				
	Years Ended Dec 28, 2002	Years Ended Dec 27, 2003	Dec 25, 2004	Dec 31, 2005	Dec 30, 2006	Six Months Ended July 1, 2006	June 30, 2007
				(dollars in thousands)			
Cash Flow Data:							
Net cash provided by (used in) operating activities	$ (22,128)	$ (22,228)	$ (15,185)	$ 5,040	$ (576)	$ (9,137)	$ 25,335
Net cash used in investing activities	(3,833)	(15,224)	(7,790)	(43,832)	(159,994)	(69,461)	(287,926)
Net cash provided by financing activities	26,450	39,129	22,900	51,663	451,550	83,370	61,285

	Predecessor(1)	Successor(1)				
	Dec 28, 2002	Dec 27, 2003	Dec 25, 2004	Dec 31, 2005	Dec 30, 2006	June 30, 2007
				(dollars in thousands)		
Balance Sheet Data:						
Cash and cash equivalents	$ 2,050	$ 3,727	$ 3,465	$ 16,721	$ 308,092	$ 107,799
Accounts receivable, net	201	1,907	4,125	882	27,123	13,736
Inventories	2,058	1,562	3,686	6,917	16,510	26,848
Property, plant and equipment, net	9,842	23,699	29,277	73,778	178,868	245,559
Total assets	14,377	31,575	41,765	101,884	578,510	723,212
Total liabilities	58,005	11,019	19,124	63,490	116,844	181,202
Accrued recycling				917	3,724	6,448
Current debt				20,142	19,650	25,734
Long-term debt	50,000	8,700	13,700	28,581	61,047	96,477
Total stockholders equity (deficit)	(43,628)	20,556	22,641	13,129	411,440	481,304

(1) In January 2003, First Solar US Manufacturing, LLC cancelled substantially all of its minority membership units, leaving it as a single-member limited liability company. The cancellation of substantially all of First Solar US Manufacturing, LLC s minority membership units in January 2003 did not affect the results of operations, financial condition and cash flows of the Successor.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the three year period ended December 30, 2006 and the six month periods ended July 1, 2006 and June 30, 2007. This discussion contains forward-looking statements that involve known and unknown risks and uncertainties. Our actual results could differ significantly from those anticipated by the forward-looking statements for many reasons, including those described in Cautionary Statement Concerning Forward-Looking Statements , Risk Factors and elsewhere in this prospectus. You should read the following discussion with Selected Historical Financial Data and all the historical financial statements and related notes thereto included elsewhere in this prospectus.

Overview

We design and manufacture solar modules using a proprietary thin film semiconductor technology that has allowed us to reduce our average solar module manufacturing costs to among the lowest in the world. Each solar module uses a thin layer of cadmium telluride semiconductor material to convert sunlight into electricity. We manufacture our solar modules on a high-throughput production line and we perform all manufacturing steps ourselves in an automated, proprietary, continuous process. In 2006 and during the first six months of 2007, we sold almost all of our solar modules to solar project developers and system integrators headquartered in Germany.

Currently, we manufacture our solar modules and conduct our research and development activities at our Perrysburg, Ohio manufacturing facility. We completed the qualification of the first production line at this plant for high volume production in November 2004. During 2005, the first full year this production line operated at high volume production, we reduced our average manufacturing cost per Watt to $1.59, from $2.94 in 2004. Our average manufacturing cost per Watt decreased further to $1.40 in 2006. In the first six months of 2007, our average manufacturing cost per Watt was $1.38, compared to $1.60 in the first six months of 2006. We define average manufacturing cost per Watt as the total manufacturing cost incurred during the period divided by the total Watts produced during the period. By continuing to expand production globally and improve our technology and manufacturing process, we believe that we can further reduce our manufacturing costs per Watt. Our objective is to become, by 2010, the first solar module manufacturer to offer a solar electricity solution that competes on a non-subsidized basis with the price of retail electricity in key markets in North America, Europe and Asia. To approach the price of retail electricity in such markets, we believe that we will need to reduce our manufacturing costs per Watt by an additional 40-50%, assuming prices for traditional energy sources remain flat on an inflation adjusted basis.

First Solar was founded in 1999 to bring an advanced thin film semiconductor process into commercial production through the acquisition of predecessor technologies and the initiation of a research, development and production program that allowed us to improve upon the predecessor technologies and launch commercial operations in January 2002. From January 2002 to the end of 2005, we sold approximately 28MW of solar modules. During 2006 and the six months ended June 30, 2007, we sold approximately 56MW and approximately 61MW of solar modules, respectively.

On February 22, 2006, we converted from a Delaware limited liability company to a Delaware corporation. Prior to that date, we operated as a Delaware limited liability company.

Our fiscal year ends on the Saturday on or before December 31. All references to fiscal year 2006 relate to the 52 weeks ended December 30, 2006, all references to fiscal year 2005 relate to the 53 weeks ended December 31, 2005 and all references to fiscal year 2004 relate to the 52 weeks ended December 25, 2004. We use a 13 week fiscal quarter. All references to the first six months of 2007 relate to the 26 weeks ended June 30, 2007 and all references to the first six months of 2006 relate to the 26 weeks ended July 1, 2006.

Manufacturing Capacity

We commenced low volume commercial production of solar modules with our pilot production line in Perrysburg, Ohio in January 2002. During 2003 and 2004, while continuing to sell solar modules manufactured on our pilot line, we designed and built our first replicable, high-throughput production line at the Ohio plant. We ultimately merged most of the equipment from the pilot line into this first production line, completing its qualification for full

volume production in November 2004. In February 2005, we commenced construction of two additional production lines at our Ohio plant. We completed the qualification of these two additional production lines for full volume production in August 2006. During the construction of these two production lines, we improved certain aspects of our first production line, including the building design and layout and the design and manufacture of certain production equipment. Our two-line Ohio expansion represents a standard building block for building future production facilities or expansions of our existing production facilities. Our Ohio plant currently has an annual manufacturing capacity of 90MW.

In February 2006, we commenced construction of our German plant, a new manufacturing facility located in Frankfurt (Oder), in the State of Brandenburg, Germany that will house four 30MW production lines. We started initial production at the German plant in April 2007, and we expect the plant to reach its full capacity of 120MW by the fourth quarter of 2007. In addition, on January 24, 2007 we entered into a land lease agreement for a manufacturing center site in the Kulim Hi-Tech Park in the State of Kadah, Malaysia. The Malaysia site can accommodate up to two 120MW plants and includes an option exercisable over six years for an adjacent land site that could accommodate up to an additional eight production lines. In April 2007, we began construction of plant one of our Malaysia manufacturing center, which we expect to reach its full capacity of 120MW in the second half of 2008. We plan to begin construction of plant two in the fourth quarter of 2007. After plant two of our Malaysia manufacturing center reaches its full capacity of 120MW, planned for the first half of 2009, we will have fifteen production lines and an annual global manufacturing capacity of 450MW.

The following table summarizes our current and in-process production capacity:

Manufacturing Facility	Number of Production Lines	Annual Nameplate Production Capacity of Manufacturing Facility Watts	Full Volume Production
Ohio plant	3	90MW	August 2006[1]
German plant	4	120MW	By fourth quarter of 2007[2]
Malaysia plant I	4	120MW	By fourth quarter of 2008[2]
Malaysia plant II	4	120MW	First half of 2009[2]
Total Current and Planned	15	450MW	

(1) We completed the qualification for full volume production of the first production line at our Ohio plant in November 2004 and the second and third production lines in August 2006.

(2) Anticipated date for full volume production.

We describe our manufacturing capacity with a nameplate rating, which means minimum expected annual production. In reality, we expect actual annual production per line to exceed nameplate rating over time as a result of continuous improvements in module throughput and Watts per module (or conversion efficiency). For example, we increased the number of sellable Watts per solar module from approximately 49 Watts at the end of 2003 to approximately 69 Watts at the end of the first six months of 2007. We periodically review and update the nameplate rating of our production lines to reflect these improvements. As a result of a recent review, we increased the nameplate rating of each

production line from 25MW to the current 30MW, thereby reflecting the increased manufacturing capacity rating of each of our current and future manufacturing facilities.

Financial Operations Overview

The following describes certain line items in our statement of operations and some of the factors that affect our operating results.

Net Sales

We generate substantially all of our net sales from the sale of solar modules. Over the past three years and during the first six months of 2007, the main constraint limiting our sales has been production capacity as customer demand has exceeded the number of solar modules we could produce. We price and sell our solar modules per Watt of power. For example, our average sales price was $2.35 per Watt during the six months ended June 30, 2007. As a result, our net sales can fluctuate based on our output of sellable Watts. We currently sell almost all of our solar modules to solar project developers and system integrators headquartered in Germany and France, which then resell

our solar modules to end-users who receive government subsidies. Our net sales could be negatively impacted if legislation reduces the current subsidy programs in Europe, North America or Asia or if interest rates increase, which could impact our end-users ability to either meet their target return on investment or finance their projects.

In April 2006, we entered into long-term contracts for the purchase and sale of our solar modules with six European project developers and system integrators, and in May and July 2007, we entered into additional long-term contracts for the purchase and sale of our solar modules with three European project developers that also own and operate renewable energy projects (collectively, the Long Term Supply Contracts). These contracts account for a significant portion of our planned production over the period from 2006 through 2012 and therefore will significantly affect our overall financial performance. Our Long Term Supply Contracts in the aggregate allow for approximately 3.2 billion ($4.1 billion at an assumed exchange rate of $1.30/ 1.00) in sales from 2007 to 2012 for the sale of a total of 2.2GW of solar modules.

Our Long Term Supply Contracts entered into in 2006 require us to deliver solar modules each year that, in total, meet or exceed a specified minimum average number of Watts per module for the year. Under these Long Term Supply Contracts, we are required to increase the minimum average number of Watts per module by approximately 5% annually from 2007 to 2009 and then by 3% for modules delivered in 2012. If we are unable to meet the minimum average annual number of Watts per module in a given year, we will be in breach of the applicable agreements, entitling our customers to certain remedies, potentially including the right to terminate their Long Term Supply Contracts. Our Long Term Supply Contracts entered into in 2007 do not require a minimum average number of Watts per module but provide for a base number of Watts per module that increases 3-4% annually from 2007 to 2009, and then remains fixed through 2012, and contain a price adjustment per Watt if the Watts delivered per module are higher or lower than the base number of Watts per module. All of our Long Term Supply Contracts specify a sales price per Watt that declines by approximately 6.5% at the beginning of each year through the expiration date of the contracts in 2012. Because the sales prices under our Long Term Supply Contracts are fixed and have the built-in decline each year, we cannot pass along any increases in manufacturing costs to these customers. Although we believe that our total manufacturing costs per Watt will decline at the same rate or more rapidly than our prices under the Long Term Supply Contracts, our failure to achieve our manufacturing cost per Watt targets could result in a reduction of our gross margin. The annual 6.5% decline in the sales price under the Long Term Supply Contracts will reduce our net sales by approximately 5-6% each year, assuming that the rated power of our solar modules remains flat, and will impact our cash flow accordingly. As a result, our profitability could decline if we are unable to reduce our manufacturing cost per Watt by at least the same rate as the contractual sales prices decrease. Furthermore, the sales prices under the Long Term Supply Contracts are denominated in euros, exposing us to risks from currency exchange rate fluctuations.

Under our customer contracts, starting in April 2006, we transfer title and risk of loss to the customer and recognize revenue upon shipment. Under our customer contracts in effect prior to April 1, 2006, we did not transfer title or risk of loss, or recognize revenue, until the solar modules were received by our customers. Our customers do not have extended payment terms or rights of return under these contracts.

We retain the right to terminate the Long Term Sales Contracts upon 12 months notice and the payment of a termination fee if we determine that certain material adverse changes have occurred, including one or more of the following: new laws, rules or regulations with respect to our production, distribution, installation or reclamation and recycling program have a substantial adverse impact on our business; unanticipated technical or operational issues result in our experiencing widespread, persistent quality problems or the inability to achieve stable conversion efficiencies at planned levels; or extraordinary events beyond our control substantially increase the cost of our labor, materials or utility expenses or significantly reduce our throughput. The average termination fee under those agreements is 3.7 million ($4.8 million at an assumed exchange rate of $1.30/ 1.00).

Our customers are entitled to certain remedies in the event of missed deliveries of kilowatt volume. These delivery commitments are established through rolling four quarter forecasts to be negotiated with each of the customers and define the specific quantities to be purchased on a quarterly basis and the schedules of the individual shipments to be made to the customers. In the case of a late delivery, certain of our customers are entitled to a maximum charge representing a percentage of the delinquent revenue. If we do not meet our annual minimum volume shipments, our customers also have the right to terminate these contracts on a prospective basis.

The information about our Long Term Supply Contracts in the preceding paragraphs is intended to summarize the financial terms of the Long Term Supply Contracts and is not intended to provide guidance about our future operating results, including revenues or profitability.

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No single customer accounted for more than 19% and 22% of our net sales in 2006 and the first six months of 2007, respectively.

We spent $70.1 million in capital expenditures for the Ohio expansion. In addition, we spent $150.0 million for the build-out of our German plant through 2007. We expect to spend approximately $150.0 million to build each of the two plants at our Malaysia manufacturing center. We anticipate that the build-out of plant one and plant two at our Malaysia manufacturing center will require approximately $160.0 million through 2008 and an additional $140.0 million through the first half of 2009.

Cost of sales

Our cost of sales includes the cost of raw materials, such as tempered back glass, TCO coated front glass, cadmium telluride, laminate, connector assemblies and laminate edge seal. Our total material cost per solar module has been stable over the past three years, even though the cost of tellurium, a component of cadmium telluride, increased by approximately three times from 2003 to 2006. The increase in the cost of tellurium did not have a significant impact on our total raw material cost per solar module because raw tellurium represents a relatively small portion of our overall material and manufacturing costs. Historically, we have not entered into long term supply contracts with fixed prices for our raw materials. In 2006, however, we entered into a multi-year tellurium supply contract in order to mitigate potential cost volatility and secure raw material supplies. We expect our raw material cost per Watt to decrease over the next several years as costs per solar module remain stable and sellable Watts per solar module increase.

Other items contributing to our cost of sales are direct labor and manufacturing overhead such as engineering expense, equipment maintenance, environmental health and safety, quality and production control and procurement. Cost of sales also includes depreciation of manufacturing plant and equipment and facility related expenses. In addition, we accrue warranty and end of life reclamation and recycling expenses to our cost of sales.

We implemented a program in 2005 to reclaim and recycle our solar modules after their use. Under our reclamation and recycling program, we enter into an agreement with the end-users of the photovoltaic systems that use our solar modules. In the agreement, we commit, at our expense, to remove the solar modules from the installation site at the end of their life and transport them to a processing center where the solar module materials and components will be recycled and the owner agrees not to dispose of the solar modules except through our program or another program that we approve. The photovoltaic system owner is responsible for disassembling the solar modules and packaging them in containers that we provide. At the time we sell a solar module, we record an expense in cost of sales equal to the present value of the estimated future end of life obligation. We record the accretion expense on this future obligation to selling, general and administrative expense.

Overall, we expect our cost of sales per Watt to decrease over the next several years due to an increase of sellable Watts per solar module, an increase in unit output per line, geographic diversification into lower-cost manufacturing regions and more efficient absorption of fixed costs driven by economies of scale.

Gross profit is affected by a number of factors, including our average selling prices, foreign exchange rates, our actual manufacturing costs and the effective utilization of our production facilities. For example, our Long Term Supply Contracts specify a sales price per Watt that declines approximately 6.5% at the beginning of each year. Another factor impacting gross profits is the ramp of production due to a reduced ability to absorb fixed costs until full production volumes are reached. As a result, gross profits may vary from quarter to quarter and year to year.

Research and development

Research and development expense consists primarily of salaries and personnel-related costs and the cost of products, materials and outside services used in our process and product research and development activities. In 2006, we began adding equipment for further process developments and recording the depreciation of such equipment as research and development expense. We may also allocate a portion of the annual operating cost of the Ohio expansion to research and development expense.

We maintain a number of programs and activities to improve our technology in order to enhance the performance of our solar modules and manufacturing processes. We maintain active collaborations with the National Renewable Energy Laboratory, a division of the Department of Energy, Brookhaven National Laboratory and several universities. We report our research and development expense net of grant funding. During the past three years, we received grant funding that we applied towards our research and development programs. We received $1.0 million in research and development grants during fiscal year 2004, $0.9 million during each of fiscal years 2005 and 2006 and

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$0.8 million during the first six months of 2007. We expect our research and development expense to increase in absolute terms in the future as we increase personnel and research and development activity. Over time, we expect research and development expense to decline as a percentage of net sales and on a cost per Watt basis as a result of economies of scale.

Selling, general and administrative

Selling, general and administrative expense consists primarily of salaries and other personnel-related costs, professional fees, insurance costs, travel expense and other selling expenses. We expect these expenses to increase in the near term, both in absolute dollars and as a percentage of net sales, in order to support the growth of our business as we expand our sales and marketing efforts, improve our information processes and systems and implement the financial reporting, compliance and other infrastructure required for a public company. Over time, we expect selling, general and administrative expense to decline as a percentage of net sales and on a cost per Watt basis as our net sales and our total Watts produced increase.

Production start-up

Production start-up expense consists primarily of salaries and personnel-related costs and the cost of operating a production line before it has been qualified for full production, including the cost of raw materials for solar modules run through the production line during the qualification phase. I