FIRST SOLAR, INC.
Form 424B4
November 20, 2006

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-135574
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20,000,000 Shares
First Solar, Inc.
Common Stock

This is the initial public offering of shares of our common stock. We are selling 13,250,000 shares and the selling stockholders named in this prospectus are selling 6,750,000 shares of our common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is $20.00 per share. Our common stock has been approved for listing on The Nasdaq Global Market under the symbol FSLR .

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

PRICE $20.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to First Solar, Inc.	Proceeds to Selling Stockholders
Per Share	$20.00	$1.24	$18.76	$18.76
Total	$400,000,000	$24,800,000	$248,570,000	$126,630,000

We have granted the underwriters the right to purchase up to an additional 2,942,500 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 November 22, 2006.

Credit Suisse **Morgan Stanley**
Piper Jaffray **Cowen and Company** **First Albany Capital** **ThinkEquity Partners LLC**
November 16, 2006

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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.

Dealer Prospectus Delivery Obligation

Until December 11, 2006 (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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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 $1.59 per Watt in 2005 and $1.50 per Watt in the first nine months of 2006, 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 35% both in 2005 and in the first nine months of 2006. 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 the United States, Europe and Asia.

Our net sales grew from $3.2 million in 2003 to $48.1 million in 2005 and from $34.5 million in the first nine months of 2005 to $82.3 million in the first nine months of 2006, although we have incurred net losses in each year since inception. 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.

We recently entered into long-term solar module supply contracts (the Long Term Supply Contracts) with six project developers and system integrators headquartered in Germany that allow for approximately 1.2 billion ($1.4 billion at an assumed exchange rate of $1.20/ 1.00) in sales from 2006 to 2011. These Long Term Supply Contracts contemplate the manufacture and sale of a total of 745MW of solar modules. Under each of our Long Term Supply Contracts, we have a unilateral option, exercisable until December 31, 2006, to increase the sales volumes and extend such contract through 2012. We plan to exercise each option promptly following the completion of this offering, after which these contracts will allow for approximately 1.9 billion ($2.3 billion at an assumed exchange rate of $1.20/ 1.00) in sales from 2006 to 2012 for a total of 1,270MW of solar modules. The sales contemplated by the Long Term Supply Contracts increase year over year through 2008 and remain constant thereafter. The Long Term Supply Contracts require a 6.5% annual decline in sales price and an approximately 5% annual increase from 2007 to 2009 in the minimum average sellable Watts per module. As a result, to maintain our historical gross margins we must reduce our average manufacturing cost per Watt by at least the same rate at which our contractual prices decrease. In addition, these contracts can be terminated by our customers if we are unable to meet the minimum average annual number of Watts per module required in a given year. The information in this paragraph is designed to summarize the financial terms of our Long Term Supply Contracts and is not intended to provide guidance on our future operating results, including revenues or profitability.

In order to satisfy our contractual requirements and to address additional market demand, we are expanding our annual manufacturing capacity from 75MW to 175MW by the second half of 2007. Currently, we operate three 25MW production lines. We refer to the original 25MW production line in our Ohio facility as our base plant. In August 2006, we completed an expansion of our Ohio facility, adding two 25MW production lines. We refer to these

two new 25MW production lines as our Ohio expansion. With the completion of our Ohio expansion, we have an annual manufacturing capacity of 75MW, and have become the largest thin film solar module manufacturer in the world. We are currently building four 25MW production lines in Germany, which we refer to as our German plant. After our German plant reaches full capacity, estimated for the second half of 2007, we will have an annual manufacturing capacity of 175MW. We are also in the planning stage for a new manufacturing plant in Asia.

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Market Opportunity

We operate in a large, rapidly growing market that is widely untapped and highly elastic at certain price points. 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, especially 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 0.3GW in 2001 to 1.5GW in 2005, representing an average annual growth rate of over 43%. In 2005, the cumulative installed capacity of solar modules surpassed 5GW.

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 $1.59 in 2005 and $1.50 per Watt in the first nine months of 2006, which we believe were among the lowest in the world and significantly less than the per Watt manufacturing cost of producing 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, 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 base plant, as recently demonstrated with the completion of our Ohio expansion. By expanding production, we believe we can take advantage of economies of scale and accelerate development cycles, enabling further reductions in the price 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 most critical semiconductor material. In addition, because of the relatively small amount of semiconductor material we use, we believe our exposure to cadmium telluride price increases is limited. By contrast, Solarbuzz estimates that a shortage of silicon feedstock will constrain the production of certain crystalline silicon solar module manufacturers until 2008.

Pre-sold capacity through Long Term Supply Contracts. Our Long Term Supply Contracts provide us with predictable net sales and will enable us to realize economies of scale from capacity expansions quickly, as we utilize and sell most of our production capacity upon the qualification of a new production line. 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 with the price of retail electricity in key markets in the United States, 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 contemplated Asian plant, we expect to become 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.

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Further reduce manufacturing cost. We deploy continuous improvement systems and tools to increase the throughput 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, 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 nine months of 2006, we increased the average conversion efficiency of our solar modules from approximately 7%, or approximately 49 Watts per module, to approximately 9%, or approximately 64 Watts per module.

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 with operating metrics that are comparable to the performance of our base plant, 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 an approximately 5% annual increase from 2007 to 2009 in the minimum average sellable Watts per module and a 6.5% annual decline in sales price. Failure to achieve these specified metrics could reduce our gross profit and gross margin or allow our customers to terminate the 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.

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.***

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The Offering

Common stock offered by us	13,250,000 shares
Common stock offered by the selling stockholders	6,750,000 shares
Common stock to be outstanding after this offering	69,387,276 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 $247.7 million, or approximately $302.9 million if the underwriters exercise their over-allotment option in full. Of the net proceeds we receive from this offering, we intend to use: approximately $150.0 million to build a manufacturing facility in Asia and approximately $30.0 million to fund the associated ramp-up costs; approximately $26.0 million to repay related party debt; and the remainder for working capital and general corporate purposes, including potential acquisitions and vertical integration. We will not receive any proceeds from the sale of our common stock by the selling stockholders. 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 .
Listing	Our common stock has been approved for listing on The Nasdaq Global Market under the symbol FSLR .

All information in this prospectus, unless otherwise indicated or the context otherwise requires:

assumes that the underwriters will not exercise the over-allotment option granted to them by us;

gives effect to the 4.85-to-1 stock split of our common stock on November 1, 2006;

does not give effect to up to 1,500,000 options, with an exercise price equal to the price per share set forth on the cover of this prospectus, we plan to grant recent hires, directors and certain employees upon the consummation of this offering; and

gives effect to the dissolution of our majority stockholder, JWMA Partners, LLC, or JWMA, whereby the members of JWMA will become direct stockholders of First Solar, Inc. See Principal and Selling Stockholders .

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Summary Historical Consolidated Financial and Operating Data

The following table provides a summary of our historical consolidated financial information for the periods and at the dates indicated. The summary historical consolidated financial information for the fiscal years ended December 27, 2003, December 25, 2004 and December 31, 2005 and as of December 31, 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial information for the nine months ended September 24, 2005 and September 30, 2006 and as of September 30, 2006 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.

	Years Ended			Nine Months Ended	
	Dec 27, 2003	Dec 25, 2004	Dec 31, 2005	Sept 24, 2005	Sept 30, 2006
	(as restated)	(as restated)			
	(dollars in thousands)				
Statement of Operations:					
Net sales	$ 3,210	$ 13,522	$ 48,063	$ 34,482	$ 82,279
Cost of sales	11,495	18,851	31,483	21,672	53,650
Gross profit (loss)	(8,285)	(5,329)	16,580	12,810	28,629
Research and development	3,841	1,240	2,372	910	4,712
Selling, general and administrative	11,981	9,312	15,825	8,834	22,398
Production start-up		900	3,173	1,410	7,750
Operating income (loss)	(24,107)	(16,781)	(4,790)	1,656	(6,231)
Foreign currency gain (loss)		116	(1,715)	(1,052)	2,792
Interest expense	(3,974)	(100)	(418)	(146)	(866)
Other income (expense), net	38	(6)	372	195	422
Income tax expense					181
Cumulative effect of change in accounting for share-based compensation			89	89	
Net income (loss)	$ (28,043)	$ (16,771)	$ (6,462)	$ 742	$ (4,064)
Other Financial Data:					
Net cash from (used in) operating activities	$ (22,228)	$ (15,185)	$ 5,040	$ (2,099)	$ (13,903)

Capital expenditures	$ 14,854	$ 7,733	$ 42,481	$ 23,424	$ 98,049

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Balance Sheet Data:	Actual Dec 31, 2005	Actual Sept 30, 2006	As Adjusted Sept 30, 2006(1)
	(dollars in thousands)		
Cash and cash equivalents	$ 16,721	$ 31,373	$ 253,043
Property, plant and equipment, net	73,778	156,799	156,799
Related party debt	28,700	26,000	
Other current and long-term debt	20,023	45,017	45,017
Total stockholders equity	13,129	121,258	368,928

	Year Ended Dec 31, 2005	Nine Months Ended Sept 24, 2005	Nine Months Ended Sept 30, 2006
Other Operating Data (unaudited):			
Solar modules produced (in MW)(2)	21.4	15.1	35.2
Cost per Watt(3)	$ 1.59	$ 1.53	$ 1.50

(1) Reflects the sale of 13,250,000 shares of our common stock by us in this offering at an initial public offering price of $20.00 per share and the application of the net proceeds to the Company to repay $26.0 million of related party debt as described further under Use of Proceeds .

(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, including stock-based compensation expense relating to our adoption of SFAS 123(R), divided by the total Watts produced during the period. Excluding stock-based compensation expense relating to our adoption of SFAS 123(R) of $822,000 for the year ended December 31, 2005 and $76,000 and $3,409,000 for the nine months ended September 24, 2005 and September 30, 2006, respectively, our average cost per Watt would have been $1.55 for the year ended December 31, 2005 and $1.52 and $1.41 for the nine months ended September 24, 2005 and September 30, 2006, respectively.

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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 manufacturing line until January 2002 and our base plant until November 2004. From our launch of commercial operations in January 2002 through the end of 2005, we sold approximately 28MW of solar modules. Relative to the entire solar energy industry, which had a worldwide installed capacity of 5GW, or 5,000MW, at the end of 2005, we have sold only a small percentage of the 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 $3.2 million in 2003 to $48.1 million in 2005, we may be unable to achieve similar growth, or to 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 losses since our inception and may be unable to generate sufficient net sales in the future to achieve and then sustain profitability.

We incurred a net loss of $28.0 million in 2003, $16.8 million in 2004, $6.5 million in 2005 and $4.1 million in the first nine months of 2006, and had an accumulated deficit of $153.4 million at September 30, 2006. We may continue to incur losses in the future. For example, we expect our net loss to increase significantly in 2006 because of production start-up expenses related to the Ohio expansion and German plant, stock-based compensation expense relating to our adoption of SFAS 123(R) and expenses related to becoming a public company. In addition, we expect our operating expenses to increase as we expand our operations. Our ability to reach and then 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 become profitable and have a positive cash flow, 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. In addition, the oldest solar module manufactured during the qualification of our pilot line has 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 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 achieve and then 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 achieve and then 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 prices 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.

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 become profitable. 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.

If our future production lines do not achieve operating metrics similar to our base plant, our solar modules could perform below expectations and cause us to lose customers.

Currently, our 25MW base plant is our only production line that has a meaningful history of operating at full capacity. We recently added two 25MW production lines in our Ohio expansion; however, they did not operate at full volume capacity until August 2006. While our two new production lines produced some solar modules during the qualification phase, they do not have a sufficient operating history for us to determine whether we were successful in replicating the base plant. The production lines in our Ohio expansion 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 base plant, and we could be unable to determine the cause of the lower operating metrics or develop and implement solutions to achieve similar operating metrics as our base plant. The Ohio expansion represents a standard building block that we intend to replicate in future production facilities and expansions of our existing production facilities, including the German plant and the contemplated Asian plant. Our replication risk in connection with building the German plant, the contemplated Asian plant and other future manufacturing plants could be higher than our replication risk in the Ohio expansion because we expect new lines to be located internationally, which could raise other factors that will lower the operating metrics. If we are unable to systematically replicate our production lines and achieve and sustain similar operating metrics in our Ohio expansion and future production lines as our base plant, 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 line based on designs or specifications that we provide the equipment manufacturer. Following construction, each piece of equipment is qualified to ensure it meets our production standards. As a result, such 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. Recently, we expanded our manufacturing capacity from the existing 25MW at our base plant to an aggregate of 75MW with the completion of our Ohio expansion, and we expect to continue expanding our manufacturing capacity to an aggregate of 175MW by the second half of 2007. To manage the expansion of our operations, we will be required to improve our operational and financial systems, procedures and controls, increase manufacturing capacity and throughput and expand, train and manage our growing employee base. Our management will also be required to maintain and expand our relationships with customers, suppliers and other third parties as well as 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.

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, 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 than solar modules manufactured with the raw materials from our current suppliers.

A disruption in our supply chain for cadmium telluride, the key component of our semiconductor layer, could interrupt or impair our ability to manufacture solar modules.

The primary raw material we use in our production process is cadmium telluride, with the tellurium component of cadmium telluride being the most critical. Currently, we purchase all of our cadmium telluride in

manufactured form from two manufacturers. If any of our current or future suppliers is unable to perform under its contracts or purchase orders, our operations could be interrupted or impaired. In addition, because each supplier 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 our suppliers are unable to acquire an adequate supply of tellurium in a timely manner or at commercially reasonable prices. If our suppliers cannot obtain sufficient tellurium, they could substantially increase their prices or be unable to perform under their 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 six customers for substantially all of our net sales. 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 six customers headquartered in Germany. In 2005, sales to our largest customer accounted for approximately 45% of our total net sales. In the first nine months of 2006, the same customer accounted for 20% of our net sales, while two other customers accounted for 23% and 20% of our net sales. The loss of any of our customers or their default in payment could significantly reduce our net sales and harm our operating results. In addition, our Long Term Supply Contracts extend for six years and we expect them to allocate a significant majority 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. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future because we have pre-sold a significant majority of the planned capacity of our base plant, Ohio expansion and German plant through 2011, or 2012 if we exercise our option under each of the six contracts to extend each such contract for an additional year. As a result, 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 our Long Term Supply Contracts and our gross profit and gross margin could decrease.

Our Long Term Supply Contracts require us to deliver solar modules that, in total, meet or exceed a specified minimum average number of Watts per module for the year. Beginning in 2007, we are required to increase the minimum average number of Watts per module by approximately 5% annually between 2007 and 2009. If we are unable to meet the minimum average annual number of Watts per module in a given year, we will be in default under the agreements, entitling our customers to certain remedies, potentially including the right to terminate. In addition, our Long Term Supply Contracts specify a sales price per Watt that declines 6.5% each year. Our gross profit and gross margin 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.

The reduction or elimination 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 harm our operating results.

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, South Korea, Japan 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 99.6% of our net sales in 2005, has been a strong supporter of photovoltaic products and systems, and political changes in Germany could result in significant reductions 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 currently underway about modifying the German Renewable Energy Law, or the EEG. If the German government reduces or eliminates the subsidies under the EEG, demand for photovoltaic products could decline in Germany. 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.

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 could also lobby for a change in the relevant legislation in their markets to protect their revenue streams. The reduction or elimination 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, 99.6% and 97.9% of our net sales were outside the United States and denominated in Euros for the year ended December 31, 2005 and the nine months ended September 30, 2006, 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. 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 for the next six years, or seven years if we exercise our option under each of the contracts to extend for an additional year, 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. Currently, we do not engage in any exchange rate hedging activities and, as a result, any volatility in currency exchange rates may have an immediate adverse effect on our financial condition and 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.

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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 2005, the global photovoltaic industry consisted of over 100 manufacturers of photovoltaic cells and solar modules. Within the photovoltaic industry, we face competition from crystalline silicon photovoltaic cell and solar 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 photovoltaic cells, solar modules or turnkey production lines. In addition to manufacturers of photovoltaic cells and solar 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. Our competitors greater size in some cases provides them with a competitive advantage because they 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.

We identified several significant deficiencies in our internal controls 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 years ended December 25, 2004 and December 31, 2005 and the preparation of this registration statement for our initial public offering, we identified several significant deficiencies in our internal controls that were deemed to be material weaknesses , as defined in standards established by The Public Company Accounting Oversight Board. See Management s Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures .

A material weakness is a control deficiency, or combination of control 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 2004 and 2003 annual consolidated financial statements as well as audit adjustments to our 2005 annual consolidated financial statements and to each of the 2005 interim consolidated financial statements. These control deficiencies could result in more than a remote likelihood

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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 controls. 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 harmed.

We cannot assure you that additional significant deficiencies or material weaknesses in our internal control 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 control 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 expect to continue to have significant manufacturing operations outside the United States in the near future. In 2005, 99.6% of our net sales were generated from customers headquartered in Germany. In the future, we expect to have operations in other European countries and Asia 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 and labor 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;
- 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.

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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 September 30, 2006, our accrued warranty expense amounted to $2.5 million.

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 modules could break, delaminate or experience power degradation in excess of expectations. Any widespread product failures may damage our market reputation and cause our sales to decline.

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

We pre-fund the estimated future obligation for reclaiming and recycling our solar modules based on the present value of the expected future cost of such reclaiming and recycling. 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, as well as 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 modules returned under our warranty, as well as 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 from the time we realize our estimates are incorrect and also face a significant unplanned cash burden at the time our 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 by paying a small penalty. 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 employees and to successfully integrate them into our management team.

We are dependent on the services of Michael J. Ahearn, our President and Chief Executive Officer, George A. (Chip) Hambro, our Chief Operating Officer, Jens Meyerhoff, our Chief Financial Officer, and other members of our senior management team. The loss of Messrs. Ahearn, Hambro, Meyerhoff 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 employees. Several of our current key employees, including Messrs. Ahearn, Hambro and Meyerhoff, are subject to employment conditions or arrangements that contain post-employment non-competition provisions. However, these arrangements permit the employees to terminate their employment with little or no notice. We recently added several members to our senior management team. 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 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 employees, our business may be materially and adversely affected.

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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 September 30, 2006, we held 26 patents in the United States and 16 patents in 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 15 pending patent applications in the United States and 37 pending patent applications in foreign jurisdictions. Our pending patent applications may not result in issued patents, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies.

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 employees 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. 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 or 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 questions 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, pay ongoing royalties or 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 resolution of such litigation.

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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.

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. Such 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 unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations or financial condition.

In addition, certain components of 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 the exposure of elemental cadmium, the chemical, physical and toxicological properties of cadmium telluride have not been thoroughly investigated and reported. We maintain engineering controls to minimize employee exposure to cadmium and require our employees 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 such 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 such factors and procedures are sufficient to protect our employees, 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. The occurrence of such future events 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. 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 placed on the market 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, our solar modules are not subject to the WEEE or RoHS Directives; however, the Directives allow for future amendments subjecting additional products to the Directives requirements. If, in the future, our solar modules become subject to such requirements, 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 the 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.

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. Since our solar modules are electricity-producing devices, it is possible that users could be injured or killed by our solar modules, whether by 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 will control us after this offering, and their interests may conflict with or differ from your interests as a stockholder.

Upon the consummation of this offering and the dissolution of JWMA Partners, LLC, our current majority stockholder, the Estate of John T. Walton and its affiliates, including JCL Holdings, LLC, will beneficially own a majority of our outstanding common stock. Although we intend to have an independent board upon the consummation of this offering, the Estate of John T. Walton and its affiliates will 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 JWMA Partners, LLC, 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 otherwise view favorably.

We are a controlled company within the meaning of the NASD rules and, as a result, will qualify for exemptions from certain corporate governance requirements.

Upon the consummation of this offering, the Estate of John T. Walton and its affiliates will continue to control a majority of our outstanding common stock. Under the NASD rules, a company of which more than 50% of

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the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating committee that is composed entirely of independent directors with a formal written charter or board resolution addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a formal written charter or board resolution addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and compensation committees.

We do not intend to utilize these exemptions upon the consummation of this offering. However, we could decide to utilize one or more of these exceptions in the future. If we decide to utilize any of these exceptions, you would not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements.

Risks Relating to This Offering

No market currently exists for our common stock. We cannot assure you that an active trading market will develop for our common stock.

Prior to this offering, there has been no public market for shares of our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on The Nasdaq Global Market or otherwise or how liquid that market might become. The initial public offering price for the shares of our common stock is, or will be determined by, negotiations between us, the selling stockholders and the underwriters, and may not be indicative of prices that will prevail in the open market following 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 after this offering 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 initial offering price. These broad market and industry factors may materially reduce the market price of our common

stock, regardless of our operating performance.

Public investors will experience immediate and substantial dilution as a result of this offering.

Existing investors have paid substantially less per share for our common stock than the assumed initial public offering price in this offering. Accordingly, if you purchase common stock in this offering, you will experience immediate and substantial dilution of your investment. Based upon the issuance and sale of 13,250,000 shares of common stock by us at an initial public offering price of $20.00 per share, you will incur

immediate dilution of approximately $14.68 in the net tangible book value per share if you purchase shares in this offering.

We also have approximately 5,094,000 outstanding stock options to purchase common stock with exercise prices that are below the assumed initial public offering price of the common stock. To the extent that these options are exercised, there will be further dilution.

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 69,387,276 shares of our common stock (72,329,776 shares if the underwriters exercise their over-allotment option in full). The 20,000,000 shares of common stock sold in this offering (22,942,500 shares if the underwriters exercise their over-allotment option in full) 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.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and The Nasdaq Stock Market, have required changes in corporate governance practices of public companies. We expect these new 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 new 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 new 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 controls 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 internal control procedures 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 management s assessment of the effectiveness of internal control over financial reporting and the effectiveness of 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 control can divert our management s attention from other matters that are important to our business. We also expect the new 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 auditors are 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 a negative effect on the trading price of our stock. See Risks Relating to Our Business We identified several significant

deficiencies in our internal controls 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 .

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that involve risks and uncertainties. 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 , plans , intends , believes , foresees , likely , may , should , goal , target and variations of such words or similar expressions are intended to ic 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 $247.7 million, or approximately $302.9 million if the underwriters exercise their over-allotment option in full. Of the net proceeds we receive from this offering, we intend to use approximately $150.0 million to build a manufacturing facility in Asia and approximately $30.0 million to fund the associated ramp-up costs, approximately $26.0 million to repay debt to the Estate of John T. Walton, our majority stockholder upon the completion of this offering, and the remainder for working capital and general corporate purposes, including potential acquisitions and vertical integration.

The debt that we intend to redeem with the net proceeds of this offering bears interest at the commercial prime lending rate and is due upon the earlier of the completion of this offering and January 18, 2008. We incurred this debt on July 26, 2006, and used $8.7 million of the proceeds to repay the principal of our loan from Kingston Properties LLC and the remainder to fund capital expenditures for the German plant.

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

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 and cash equivalents and our capitalization as of September 30, 2006 (i) on an actual consolidated basis for First Solar, Inc. and (ii) on an as adjusted basis after giving further effect to this offering, including the application of the net proceeds. You should read this table in conjunction with Selected Historical Financial Data , Use of Proceeds , 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 September 30, 2006	
	Actual	As Adjusted
	(in thousands, except par value)	
Debt:		
IKB credit facility	$ 24,986	$ 24,986
Related party debt	26,000	
Debt with the State of Ohio	20,000	20,000
Capital lease obligations	31	31
Total debt:	71,017	45,017
Common Stock and Shareholders Equity:		
Common stock, par value $0.001 per share (*actual:* 242,500,000 shares authorized, 56,137,276 shares issued and outstanding; *as adjusted:* 242,500,000 shares authorized, 69,387,276 shares issued and outstanding)	56	69
Additional paid-in-capital	274,707	522,364
Accumulated deficit	(153,441)	(153,441)
Accumulated other comprehensive income	(64)	(64)
Total stockholders equity	121,258	368,928
Total capitalization	$ 192,275	$ 413,945

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after the completion of this offering.

Dilution results from the fact that the per share offering price of our common stock is substantially in excess of the book value per share attributable to the existing stockholders for our presently outstanding stock. Our net tangible book value as of September 30, 2006 was $121.3 million, or $2.16 per share of common stock. Assuming that the 13,250,000 shares of our common stock offered by us under this prospectus are sold at a public offering price of $20.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of September 30, 2006, would have been approximately $368.9 million, or $5.32 per share. This represents an immediate increase in pro forma net tangible book value of $3.16 per share to existing stockholders and an immediate dilution of $14.68 per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates this substantial and immediate per share dilution to new investors:

		Per Share
Initial public offering price		$ 20.00
Net tangible book value as of September 30, 2006	$ 2.16	
Increase in net tangible book value attributable to new investors purchasing shares in this offering	3.16	
Pro forma net tangible book value after this offering		5.32
Dilution to new investors		$ 14.68

If the underwriters exercise their over-allotment option in full, the increase in net tangible book value attributable to new investors purchasing shares in this offering would be $302.9 million, the pro forma net tangible book value per share of common stock would be $5.86 and the dilution to new investors would be $14.14.

The following table summarizes, as of September 30, 2006, on a pro forma basis after giving effect to this offering, the total number of shares of common stock purchased from us, the total consideration paid to us (before deducting the underwriting discounts and commissions and estimated offering expenses payable by us in this offering), and the average price per share paid by existing stockholders and by new investors purchasing shares in this offering.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	56,137,276	80.9%	$ 264,861,000	50.0%	$ 4.72
New investors(1)	13,250,000	19.1%	265,000,000	50.0%	$ 20.00
Total	69,387,276	100.0%	$ 529,861,000	100.0%	

(1) Excludes 6,750,000 shares or of our common stock to be sold by the selling stockholders to the new investors in this offering, and for which we will not receive any net proceeds. See Principal and Selling Stockholders .

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If the underwriters exercise their over-allotment option in full, the number of shares held by new investors will increase to 16,192,500 shares, or 22.4% of the total number of shares of our common stock outstanding after this offering.

Except as otherwise noted, the discussion and tables above assume no exercise of the 5,093,780 outstanding stock options as of September 30, 2006, with a weighted average exercise price of $3.11 per share, all of which are in-the-money, compared to the price set forth on the cover page of this prospectus. To the extent any of these options are exercised, there will be further dilution to new investors. If all of our outstanding stock options are exercised, you will experience additional dilution of $0.15 per share.

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SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical consolidated financial information 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 Selected Historical Financial Data, Predecessor refers to First Solar pre-cancellation of minority interests and Successor refers to First Solar post-cancellation of minority interests.

The selected historical consolidated financial information for the fiscal years ended December 27, 2003, December 25, 2004 and December 31, 2005 and as of December 25, 2004 and December 31, 2005 have been derived from the audited consolidated financial statements of the Successor included elsewhere in this prospectus. The selected historical consolidated financial information as of December 27, 2003 have been derived from the audited consolidated financial statements of the Successor not included in this prospectus. The selected historical consolidated financial information for the years ended December 29, 2001 and December 28, 2002 and as of December 29, 2001 and 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 information for the nine months ended September 24, 2005 and September 30, 2006 and as of September 30, 2006 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)				
	Years Ended		Years Ended			Nine Months Ended	
	Dec 29, 2001 (as restated)	Dec 28, 2002 (as restated)	Dec 27, 2003 (as restated)	Dec 25, 2004 (as restated)	Dec 31, 2005	Sept 24, 2005	Sept 30, 2006
	(dollars in thousands, except per unit/share amounts)						
Statement of Operations:							
Net sales	$	$ 490	$ 3,210	$ 13,522	$ 48,063	$ 34,482	$ 82,279
Cost of sales	14,271	7,007	11,495	18,851	31,483	21,672	53,650
Gross profit (loss)	(14,271)	(6,517)	(8,285)	(5,329)	16,580	12,810	28,629
Research and development	3,766	6,029	3,841	1,240	2,372	910	4,712
Selling, general and administrative	7,570	9,588	11,981	9,312	15,825	8,834	22,398
Production start-up				900	3,173	1,410	7,750
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Facility closure and relocation							
Operating income (loss)	(25,726)	(22,134)	(24,107)	(16,781)	(4,790)	1,656	(6,231)
Foreign currency gain (loss)				116	(1,715)	(1,052)	2,792
Interest expense	(1,408)	(4,158)	(3,974)	(100)	(418)	(146)	(866)
Other income (expense), net		68	38	(6)	372	195	422
Income tax expense							181
Income (loss) before cumulative effect of change in accounting principle	(27,134)	(26,224)	(28,043)	(16,771)	(6,551)	653	(4,064)
Cumulative effect of change in accounting for share-based compensation					89	89	
Net income (loss)	$ (27,134)	$ (26,224)	$ (28,043)	$ (16,771)	$ (6,462)	$ 742	$ (4,064)
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)	$ 0.01	$ (0.08)
Weighted average units/shares			36,028	43,198	48,846	48,462	53,757
Diluted net income (loss) per unit/share:							
Net income (loss) per unit/share			$ (0.78)	$ (0.39)	$ (0.13)	$ 0.01	$ (0.08)
Weighted average units/shares			36,028	43,198	48,846	50,015	53,757

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	Predecessor(1)			Successor(1)			
	Years Ended			Years Ended		Nine Months Ended	
	Dec 29, 2001 (as restated)	Dec 28, 2002 (as restated)	Dec 27, 2003 (as restated)	Dec 25, 2004 (as restated)	Dec 31, 2005	Sept 24, 2005	Sept 30, 2006
	(dollars in thousands)						
Cash Flow Data:							
Net cash from (used in) operating activities	$ (15,420)	$ (22,128)	$ (22,228)	$ (15,185)	$ 5,040	$ (2,099)	(13,903)
Net cash from (used in) investing activities	(2,855)	(3,833)	(15,224)	(7,790)	(43,832)	(24,658)	(103,556)
Net cash from (used in) financing activities	18,876	26,450	39,129	22,900	51,663	29,305	132,221

	Predecessor(1)		Successor(1)			
	Dec 29, 2001 (as restated)	Dec 28, 2002 (as restated)	Dec 27, 2003 (as restated)	Dec 25, 2004 (as restated)	Dec 31, 2005	Sept 30, 2006
	(dollars in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 1,560	$ 2,050	$ 3,727	$ 3,465	$ 16,721	$ 31,373
Accounts receivable, net	374	201	1,907	4,393	1,098	26,433
Inventories	307	2,058	1,562	3,686	6,917	10,526
Property, plant and equipment, net	7,158	9,842	23,699	29,277	73,778	156,799
Total assets	9,634	14,377	31,575	41,765	101,884	255,146
Total liabilities	27,048	58,005	11,019	19,124	63,490	108,944
Accrued recycling					917	2,762
Current debt					20,142	35,448
Long-term debt	23,550	50,000	8,700	13,700	28,581	35,569
	(17,414)	(43,628)	20,556	22,641	13,129	121,258

Total stockholders equity (deficit)	

(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. As a result, we believe that the Predecessor and Successor financial statements are comparable.

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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 31, 2005 and the nine month periods ended September 24, 2005 and September 30, 2006. 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 established us as one of the lowest cost solar module manufacturers in the world. Each solar module employs 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, continuous process. In 2005 and during the first nine months of 2006, 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 our base plant in Perrysburg, Ohio for high volume production in November 2004. During 2005, the first full year our base plant 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 from $1.53 in the first nine months of 2005 to $1.50 in the first nine months of 2006. Our average manufacturing cost per Watt in the first nine months of 2006 includes stock-based compensation expense relating to our adoption of SFAS 123(R) of $0.09 per Watt compared to $0.01 per Watt in the first nine months of 2005. During the three months ended September 30, 2006, we produced approximately 18MW of solar modules at a manufacturing cost per Watt of $1.42, including stock-based compensation expense relating to our adoption of SFAS 123(R) of $0.07 per Watt. We define average manufacturing cost per Watt as the total manufacturing cost incurred during the period, including stock-based compensation expense relating to our adoption of SFAS 123(R), divided by the total Watts produced during the period. By continuing to expand production 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 the United States, Europe and Asia. To approach the price of retail electricity in such markets, we believe that we will need to reduce our manufacturing costs by an additional 40-50% per Watt, 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 technology and the initiation of a research, development and production program that allowed us to improve upon the predecessor technology and launch commercial operations in January 2002. From January 2002 to the end of 2005, we sold approximately 28MW of solar modules. During the three months and nine months ended September 30, 2006, we sold approximately 17MW and approximately 34MW of solar modules, respectively.

We converted, on February 22, 2006, from a Delaware limited liability company to a Delaware corporation. Prior to February 22, 2006, we operated as a Delaware limited liability company.

Our fiscal year ends on the Saturday before December 31. All references to fiscal year 2005 relate to the 53 weeks ended December 31, 2005, all references to fiscal year 2004 relate to the 52 weeks ended December 25, 2004 and all references to fiscal year 2003 refer to the 52 weeks ended December 27, 2003. References to fiscal year 2006 and years thereafter relate to our fiscal years for such periods. We use a 13 week fiscal quarter. All references to the first nine months of 2006 relate to the 39 weeks ended September 30, 2006 and all references to the first nine months of 2005 relate to the 39 weeks ended September 24, 2005.

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 the base plant, a replicable, high-throughput production line. We ultimately merged most of the equipment from the pilot line into the base plant, completing the qualification of the base plant for full volume

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production in November 2004. The base plant has an expected annual capacity of 25MW. In February 2005, we commenced construction of two additional 25MW production lines at our Perrysburg, Ohio facility in our Ohio expansion. We completed the qualification of the Ohio expansion for full volume production in August 2006. During the construction of the Ohio expansion, we improved certain aspects of the base plant, 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.

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 25MW production lines. We anticipate completing the qualification of the German plant for full volume production during the second half of 2007. We are also in the planning stage for a new manufacturing plant in Asia.

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

		Annual Production Capacity of Manufacturing Facility(1)		
Manufacturing Facility	Number of Production Lines	Number of Solar Modules	Watts	Date Qualification Completed for Full Volume Production
Base plant	1	400,000	25MW	November 2004
Ohio expansion	2	800,000	50MW	August 2006
German plant	4	1,600,000	100MW	Second half of 2007 (2)
Total Current and Planned	7	2,800,000	175MW	

(1) The annual capacity of our manufacturing facilities is based on an annual run rate of 400,000 solar modules per production line and a power rating of approximately 62 Watts per solar module.

(2) Anticipated.

Each production line currently has an annual production capacity of 400,000 solar modules, representing 25MW. We anticipate that we will be able to increase both the run rate and MW volume of our existing production lines through our continuous improvement processes. For example, we increased the average conversion efficiency of our solar modules from approximately 7% in 2003 to approximately 9% at the end of the first nine months of 2006, thereby increasing the number of sellable Watts per solar module from approximately 49 Watts to approximately 64 Watts over the same period.

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 nine months of 2006, 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 $2.40 per Watt during the three months ended September 30, 2006. 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, 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 the United States, Europe or Asia or 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 contracts for the purchase and sale of our solar modules with six European project developers and system integrators, or the Long Term Sales Contracts. These contracts account for a significant portion of our planned production over the period of fiscal 2006 to 2011, and therefore will significantly affect our overall financial performance. The Long Term Sales Contracts allow for approximately 1.2 billion ($1.4 billion at an assumed exchange rate of $1.20/ 1.00) of sales from 2006 to 2011 for 745MW of solar modules. We estimate that the total sales volume will account for a significant majority of our planned production volumes from the base plant, Ohio expansion and German plant. We have spent $69.5 million and committed an additional $1.7 million in capital expenditures for the Ohio expansion. We are committing $150.0 million for the build-out of our German plant through 2007 and anticipate that the build-out of our contemplated Asian plant will require

approximately $150.0 million through 2008. Under each of our Long Term Sales Contracts, we have a unilateral option, exercisable until December 31, 2006, to increase the sales volumes and extend each contract through 2012. We plan to exercise each option promptly following the completion of this offering, after which the contracts will allow for approximately 1.9 billion ($2.3 billion at an assumed exchange rate of $1.20/ 1.00) of sales from 2006 to 2012 for 1,270MW of solar modules. We have additional unilateral options to increase 2006 sales volumes by a total of 14MW with approximately 10 weeks notice to our customers. After giving effect to expected sales under the Long Term Sales Contracts, we expect that no single customer will account for more than 25% of our net sales in 2006.

Our Long Term Supply Contracts 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. Beginning in 2007, we are required to increase the minimum average number of Watts by approximately 5% annually between 2007 and 2009. 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 agreements, entitling our customers to certain remedies, potentially including the right to terminate their Long Term Supply Contracts. In addition, our Long Term Supply Contracts specify a sales price per Watt that declines each year. Our gross profit and gross margin could decline if we are unable to reduce our manufacturing cost per Watt by at least the same rate as which our contractual prices decrease.

Sales prices under our Long Term Sales Contracts are fixed, with a built-in decline of 6.5% each year. As a result, we cannot pass along any increases in manufacturing costs to those 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 Sales 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 Sales Contracts will reduce our net sales by approximately 5-6% each year, assuming that rated power of our solar modules remains flat, and will impact our cash flow accordingly. In addition, sales prices under the Long Term Sales Contracts are denominated in Euros, exposing us to risks related to currency exchange rate fluctuation.

Under the Long Term Sales Contracts, starting in April 2006, we transfer title and risk of loss to the customer, and recognize revenue upon shipment. Under our previous customer contracts, we did not transfer title or risk of loss, or recognize revenue, until the solar modules arrived and 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 any of the following material adverse changes have occurred: 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 expense or significantly reduce our throughput. The average termination fee under those agreements is 2.8 million ($3.3 million at an assumed exchange rate of $1.20/ 1.00) under the base volume and 3.8 million ($4.6 million at an assumed exchange rate of $1.20/ 1.00) if the option is exercised.

Our customers are entitled to certain remedies in the event of missed deliveries of the total kilowatt volume. Such delivery commitments are established through a rolling four quarter forecast and define the specific quantities to be purchased on a quarterly basis and schedules the individual shipments to be made to our customers. In the case of a late delivery, our customers are entitled to a maximum charge of up to 6% of the delinquent revenue. If we do not meet our annual minimum volume shipments or the minimum average Watt per module, our customers also have the right to terminate these contracts on a prospective basis.

Cost of sales

Our cost of sales includes the cost of raw materials, such as tempered back glass, TCO coated front glass, cadmium telluride, EVA 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 five to six times from 2003 to 2005. 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, 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 for warranty and end of life reclamation and recycling expenses in our cost of sales.

We implemented a program in 2005 to reclaim and recycle our solar modules after use. Under our reclamation and recycling program, we enter into an agreement with the end-users of the photovoltaic systems that employ our solar modules. In the agreement we commit, at our expense, to remove the solar modules from the installation site at the end of use 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 annually in 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 and more efficient absorption of fixed costs driven by economies of scale.

Gross profits are 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. As a result, gross profits may vary from quarter to quarter.

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 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. As of September 30, 2006, we had a total of 33 employees working on these developmental activities. In addition, 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 development programs. We received $1.4 million in research and development grants during fiscal year 2003, $1.0 million during fiscal year 2004, $0.9 million in fiscal year 2005 and $0.4 million during the first nine months of 2006. 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 sold 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. It also includes all expenses related to the selection of a new site and the related legal and regulatory costs and the costs to maintain our plant replication program, to the extent we cannot capitalize the expenditure. We incurred production start-up expenses of $3.2 million in fiscal year 2005 and $7.8 million during the first nine months of 2006 in connection with the qualification of the Ohio expansion

and the planning of the German plant. We also expect to incur production start-up expenses in fiscal year 2006 and fiscal year 2007 in connection with the German plant and the contemplated manufacturing facility in Asia. As a result of these production start-up expenses, we expect our net loss to increase significantly in fiscal year 2006. In general, we expect production start-up expenses per production line to be higher

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when we build an entire new manufacturing facility compared to the addition of a new production line at an existing manufacturing facility, primarily due to the additional infrastructure investment required. Over time, we expect production start-up expenses to decline as a percentage of net sales and on a cost per Watt basis as a result of economies of scale.

Interest expense

Interest expense is associated with various debt financings. See Description of Certain Indebtedness .

Foreign currency gain (loss)

Foreign currency gain (loss) consists of gains and losses resulting from holding assets and liabilities and conducting transactions denominated in currencies other than our functional currency, the U.S. dollar.

Other income (expense)

Other income (expense), net consists primarily of interest earned on our cash and cash equivalents.

Income Taxes

First Solar, Inc., a Delaware corporation, was incorporated on February 22, 2006. As a Delaware corporation, we are subject to federal and state income taxes. Prior to February 22, 2006, we operated as a Delaware limited liability company and were not subject to state or federal income taxes. As a result, the annual historical financial data included in this prospectus does not reflect what our financial position and results of operations would have been, had we been a taxable corporation for a full fiscal year.

On December 31, 2005, we had non-U.S. net operating loss carry-forwards of $3.4 million, which will begin expiring in 2008. On September 30, 2006, we had non-U.S. net operating loss carry-forwards of $6.8 million, which will begin expiring in 2008. Our ability to use the net operating loss carry-forwards is dependent on our ability to generate taxable income in future periods and subject to certain restrictions under the Internal Revenue Code and certain international tax laws.

Certain of our non-U.S. subsidiaries are subject to income taxes in their foreign jurisdictions. We expect the tax consequences of our non-U.S. subsidiaries will become significant as we expand our non-U.S. production capacity.

We recognize deferred tax assets and liabilities for differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when management cannot conclude that it is more likely than not that some portion or all of the deferred tax asset will be realized. As of December 31, 2005, we had a deferred tax asset of $1.9 million consisting primarily of non-U.S. net operating loss carry-forwards and plant start-up cost. As of September 30, 2006, we had a net deferred tax asset of $54.7 million consisting primarily of tax-basis goodwill and property, plant and equipment. We have recorded a full valuation allowance against our net deferred tax assets, because we determined that it is more likely than not that our net deferred tax assets will not be realized.

Critical Accounting Policies and Estimates

In preparing our financial statements in conformity with generally accepted accounting principles in the United States (GAAP), we have to make estimates and assumptions about future events that affect the amounts of reported assets, liabilities, revenues and expenses, as well as the disclosure of contingent liabilities in our financial statements and the related notes thereto. Some of our accounting policies require the application of significant judgment by management in the selection of appropriate assumptions for determining these estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. As a result, we cannot assure you that actual results will not differ significantly from estimated results. We base our judgments and estimates on our historical experience, on our forecasts and on other available information, as appropriate. Our significant accounting policies are further described in Note 2 to our audited consolidated financial statements included elsewhere in this prospectus.

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Our most significant accounting policies, which reflect significant management estimates and judgment in determining amounts reported in our audited consolidated financial statements included elsewhere in this prospectus are as follows:

Revenue recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred and title and risk of loss has passed to the customer, the sales price is fixed or determinable and collectibility of the resulting receivable is reasonably assured. In accordance with this policy, we record a trade receivable for the selling price of our product and reduce inventory for the cost of goods sold when delivery occurs in accordance with the terms of the respective sales contracts. Our only significant revenue generating activity is the sale of our single type of solar module. We are able to determine that the criteria for revenue recognition have been met by examining objective data, and the only estimates that we generally have to make regarding revenue recognition pertain to the collectibility of the resulting receivable. We have not experienced significant variability in our collections because we have historically sold our solar modules primarily to six well-established customers.

End of life recycling and reclamation. At the time of sale, we recognize an expense for the estimated fair value of our future obligation for reclaiming and recycling the solar modules that we have sold once they have reached the end of their useful lives. We base our estimate of the fair value of our reclamation and recycling obligations on the present value of the expected future cost of reclaiming and recycling the solar modules, which 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 and an estimated third-party profit margin and risk rate for such services. We based this estimate on our experience reclaiming and recycling our solar modules 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. In the periods between the time of our sales and our settlement of the reclamation and recycling obligations, we accrete the carrying amount of the associated liability by applying the discount rate used in its initial measurement. We charged $0.9 million and $1.5 million to cost of sales for the fair value of our reclamation and recycling obligation for solar modules sold during the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. During both the year ended December 31, 2005 and the nine months ended September 30, 2006, the accretion expense on our reclamation and recycling obligations was insignificant. We performed a sensitivity analysis on the cost we charged to cost of sales in the year ended December 31, 2005 for the reclamation and recycling of solar modules that we sold during that year and determined that an increase of 10% or a decrease of 10% in our estimate of the future cost of reclaiming and recycling each solar module would result in a 10% increase or decrease, respectively, in our reclamation and recycling cost accrual for the year ended December 31, 2005; a 10% increase in the rate we use to discount the future estimated cost would result in a 9% decrease in our estimated costs; and a 10% decrease in the rate would result in a 10% increase in the cost.

Product warranties. We provide a limited warranty to the original purchasers of our solar modules for five years following delivery for defects in materials and workmanship under normal use and service conditions. We also warrant to the original purchasers of our solar modules that solar modules installed in accordance with agreed-upon specifications will produce at least 90% of their initial power output rating during the first 10 years following their installation and at least 80% of their initial power output rating during the following 15 years. Our warranties may be transferred from the original purchaser of our solar modules to a subsequent purchaser. We accrue warranty costs when we recognize sales, using amounts estimated based on our historical experience with warranty claims, our monitoring of field installation sites and in-house testing. During the year ended December 31, 2005, we reduced our estimate of our product warranty liability by $1.0 million because lower manufacturing costs reduced the replacement cost of our solar modules under warranty.

Stock-based compensation. In December 2004, the FASB issued SFAS 123 (revised 2004), *Share-Based Payments*, which requires companies to recognize compensation expense for all stock-based payments to employees, including grants of employee stock options, in their statements of operations based on the fair value of the awards, and we adopted SFAS 123(R) during the first quarter of the year ended December 31, 2005 using the modified retrospective method of transition. In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. (SAB) 107, which provides guidance regarding the implementation of SFAS 123(R). In

particular, SAB 107 provides guidance regarding calculating assumptions used in stock-based compensation valuation models, the classification of stock-based compensation expense, the capitalization of stock-based compensation costs and disclosures in management s discussion and analysis in filings with the SEC.

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the date of grant using any valuation model requires judgment. We use the Black-Scholes option pricing model to

estimate the fair value of employee stock options, consistent with the provisions of SFAS No. 123(R). Option pricing models, including the Black-Scholes model, require the use of input assumptions, including expected volatility, expected term, expected dividend rate and expected risk-free rate of return. Because our stock is not currently publicly traded, we do not have an observable share-price volatility; therefore, we estimate our expected volatility based on that of similar publicly-traded companies and expect to continue to do so until such time as we might have adequate historical data from our own traded share price. We estimated our options expected terms using our best estimate of the period of time from the grant date that we expect the options to remain outstanding. If we determine another method to estimate expected volatility or expected term was more reasonable than our current methods, or if another method for calculating these input assumptions is prescribed by authoritative guidance, the fair value calculated for stock-based awards could change significantly. Higher volatility and expected terms result in a proportional increase to stock-based compensation determined at the date of grant. The expected dividend rate and expected risk-free rate of return are not as significant to the calculation of fair value.

In addition, SFAS No. 123(R) requires us to develop an estimate of the number of stock-based awards which will be forfeited due to employee turnover. Quarterly changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment is made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements during the quarter of the change. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment is made to decrease the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. These adjustments affect our cost of sales, research and development expenses and selling, general and administrative expenses. Through the first nine months ended September 30, 2006, the effect of forfeiture adjustments on our financial statements has been insignificant. The expense we recognize in future periods could differ significantly from the current period and/or our forecasts due to adjustments in the assumed forfeiture rates.

Valuation of Long-Lived Assets. Our long-lived assets include manufacturing equipment and facilities. Our business requires significant investment in manufacturing facilities that are technologically advanced, but may become obsolete through changes in our industry or the fluctuations in demand for our solar modules. We account for our long-lived tangible assets and definite-lived intangible assets in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* As a result, we assess long-lived assets classified as held and used , including our property, plant and equipment, for impairment whenever events or changes in business circumstances arise that may indicate that the carrying amount of the long-lived asset may not be recoverable. These events would include significant current period operating or cash flow losses combined with a history of such losses, significant changes in the manner of use of assets and significant negative industry or economic trends. We evaluated our long-lived assets for impairment during 2005 and concluded that the carrying values of these assets were recoverable.

Accounting for Income Taxes. First Solar Holdings, LLC was formed as a limited liability company and, accordingly, was not subject to U.S. federal or state income taxes, although certain of its foreign subsidiaries were subject to income taxes in their local jurisdictions. However, upon incorporation during the first quarter of 2006, First Solar, Inc. became subject to U.S. federal and state income taxes. We account for income taxes using the asset and liability method, in accordance with SFAS 109, *Accounting for Income Taxes.* We operate in multiple taxing jurisdictions under several legal forms. As a result, we are subject to the jurisdiction of a number of U.S. and non-U.S. tax authorities and to tax agreements and treaties among these governments. Our operations in these different jurisdictions are taxed on various bases, including income before taxes calculated in accordance with jurisdictional regulations. Determining our taxable income in any jurisdiction requires the interpretation of the relevant tax laws and regulations and the use of estimates and assumptions about significant future events, including the following: the amount, timing and character of deductions; permissible revenue recognition methods under the tax law; and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income tax assets, liabilities, expenses and benefits that we record during any given period.

Controls and Procedures

We have restated our consolidated financial statements for the years ended December 27, 2003 and December 25, 2004 and as of December 25, 2004 in order to correct errors that we identified during the preparation of this registration statement in connection with our initial public offering and the performance of the associated audits for our years ended December 25, 2004 and December 31, 2005. We identified several significant deficiencies in our internal controls that were deemed to be material weaknesses in our internal controls as

defined in standards established by the Public Company Accounting Oversight Board (PCAOB). 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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the company s ability to initiate, authorize, record, process or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company s annual or interim financial statements that is more than inconsequential will not be prevented or detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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 a material weakness. 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 led to the restatement of our financial statements for the years ended December 27, 2003 and December 25, 2004, resulting in a $2.6 million increase in our net loss for the year ended December 27, 2003 and a $2.0 million increase in our net loss for the year ended December 25, 2004. See note 19 to the audited consolidated financial statements included elsewhere in this prospectus for further details. 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 constitute a material weaknesses.

To improve our financial accounting organization and processes, we have hired a new chief financial officer, are creating an audit committee comprised entirely of independent directors, have appointed a new independent director to be the chairman of the audit committee and have hired a new corporate controller. We are in the process of adding ten new positions in the areas of finance, tax, treasury, internal controls and internal audit. We are adopting and implementing additional policies and procedures to strengthen our financial reporting capability including investments into further enhancements of our enterprise resource planning system. However, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See Risk Factors Risks Relating to Our Business We identified several significant deficiencies in our internal controls 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.

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Results of Operations

The following table sets forth our consolidated statements of operations for the periods indicated as a percentage of net sales:

	Years Ended			Nine Months Ended	
	December 27, 2003	December 25, 2004	December 31, 2005	September 24, 2005	September 30, 2006
Net sales	100%	100%	100%	100%	100%
Cost of sales	358.1%	139.4%	65.5%	62.9%	65.2%
Gross profit (loss)	(258.1)%	(39.4)%	34.5%	37.1%	34.8%
Research and development	119.7%	9.2%	5.0%	2.6%	5.7%
Selling, general and administrative	373.2%	68.9%	32.9%	25.6%	27.2%
Production start-up expense	0.0%	6.6%	6.6%	4.1%	9.5%
Operating income (loss)	(751.0)%	(124.1)%	(10.0)%	4.8%	(7.6)%
Foreign currency gain (loss)	0.0%	0.9%	(3.6)%	(3.0)%	3.4%
Interest expense	(123.8)%	(0.8)%	(0.9)%	(0.5)%	(1.0)%
Other income (expense)	1.2%	(0.0)%	0.9%	0.6%	0.5%
Income tax expense					0.2%
Cumulative effect of change in accounting for share-based compensation			0.2%	0.3%	
Net income (loss)	(873.6)%	(124.0)%	(13.4)%	2.2%	(4.9)%

Nine Months Ended September 30, 2006 and September 24, 2005

Net sales

	Nine Months Ended			
	September 24, 2005	September 30, 2006	Nine Month Period Change	
(Dollars in thousands)				
Net sales	$ 34,482	$ 82,279	$47,797	139%

Net sales increased by $47.8 million, or 139%, from $34.5 million during the first nine months of 2005 to $82.3 million during the first nine months of 2006. The increase in our net sales was due primarily to a 1