Hanwha SolarOne

May 30, 2012

# Hanwha SolarOne Reports First Quarter 2012 Results

SHANGHAI, May 30, 2012 /PRNewswire/ -- Hanwha SolarOne Co., Ltd. ("SolarOne" or the "Company") (Nasdaq: HSOL), a vertically integrated manufacturer of silicon ingots, wafers and photovoltaic ("PV") cells and modules in China, today reported its unaudited financial results for the quarter ended March 31, 2012. The Company will host a conference call to discuss the results at 8:00 am Eastern Time (8:00 pm Shanghai Time) on May 30, 2012. A slide presentation with details of the results will also be available on the Company's website prior to the call.

**FIRST QUARTER 2012 HIGHLIGHTS**[1]

- Total net revenues were RMB803.9 million (US$127.7 million), a decrease of 17.8% from 4Q11, and a decrease of 63.5% from 1Q11.
- PV module shipments, including module processing services, were 160.7 MW, a decrease of 15.0% from 189.1 MW in 4Q11, and a decrease of 35.3% from 248.5 MW in 1Q11.
- Average selling price ("ASP"), excluding module processing services, decreased to RMB5.30 per watt (US$0.84) from RMB6.29 per watt in 4Q11, and decreased from RMB11.23 per watt in 1Q11.
- Gross loss decreased by 87.6% to RMB75.2 million (US$11.9 million), from a gross loss of RMB604.6 million in 4Q11. Gross profit was RMB380.0 million in 1Q11. [2]
- Gross margin was negative 9.4%, compared with negative 61.8% in 4Q11, primarily because the decline in production costs outpaced the decline in ASP.[3] Gross margin in 1Q11 was positive 17.2%.
- Operating loss decreased by 78.0% to RMB220.9 million (US$35.1 million) from an operating loss of RMB1,005.2 million in 4Q11. The Company recorded an operating profit of RMB262.2 million in 1Q11. The decrease in operating loss in 1Q12 from 4Q11 was primarily due to the decline in gross loss, tight control of operating expenses, in particular selling and marketing expenses and general and administrative expenses.
- Operating margin was negative 27.5%, compared with negative 102.8% in 4Q11 and positive 11.9% in 1Q11.
- Net loss attributable to shareholders on a non-GAAP basis was RMB269.9 million (US$42.9 million), compared with a net loss of RMB862.3 million in 4Q11 and net income of RMB154.4 million in 1Q11.
- Net loss per basic ADS on a non-GAAP basis was RMB3.20 (US$0.51), compared with a net loss per basic ADS of RMB10.22 in 4Q11 and net income per basic ADS on a non-GAAP basis of RMB1.84 in 1Q11.
- Net loss attributable to shareholders on a GAAP basis was RMB303.7 million (US$48.2 million), compared with a net loss attributable to shareholders on a GAAP basis of RMB832.9 million in 4Q11. The Company recorded a non-cash loss of RMB9.5 million (US$1.5 million) from the change in fair value of the convertible feature of the Company's convertible bonds as compared with a non-cash gain of RMB33.2 million in 4Q11. Net income attributable to shareholders on a GAAP basis in 1Q11 was RMB149.4 million, including a non-cash gain of RMB47.9 million from the change in fair value of the convertible feature of the Company's convertible bonds. As explained in prior quarters, the fluctuations in the fair value of the convertible feature of the Company's convertible bonds are primarily due to changes in the Company's ADS price, over which the Company has no direct control, and does not reflect the operating performance of the Company. The Company also recorded a RMB56.1 million (US$8.9 million) loss on the extinguishment of debt related to its repurchase of convertible bonds.
- Net loss per basic ADS on a GAAP basis was RMB3.60 (US$0.57), compared with a net loss per basic ADS on a GAAP basis of RMB9.88 in 4Q11 and net income per basic ADS on a GAAP basis of RMB1.78 in 1Q11.
- Annualized Return on Equity ("ROE") on a non-GAAP basis was negative 29.4% in 1Q12, compared with negative 81.5% in 4Q11 and positive 12.6% in 1Q11.
- Annualized ROE on a GAAP basis was negative 29.2% in 1Q12, compared with negative 70.6% in 4Q11 and positive 11.3% in 1Q11.

Mr. Ki-Joon HONG, Chairman and CEO of Hanwha SolarOne commented, "Our first quarter results reflect our decision to reduce shipments to the U.S. in order to avoid any potential retroactive tariffs. This strategy now appears prudent as the U.S. Department of Commerce recently decided to retroactively enforce new countervailing duty and anti-dumping tariffs. The industry still faces some challenges, but we are encouraged by certain areas of progress for the Company. We have increased utilization of our cell and module capacities, reflecting a significant improvement in demand. We are pleased with the cost reductions we have achieved so far, and we expect to see further cost reductions in the coming quarters. We have been able to maintain tight control over our operating expenses while still investing in people, product quality, branding, technology and management systems. We are also making progress in our downstream initiatives. The $180 million loan facility we obtained in April 2012 provides us with the necessary capital to grow our business. The holding company of our largest shareholder, Hanwha Chemical Corporation, guaranteed the loan facility, demonstrating its continued and strong commitment to our company. We believe the next quarter will show the progress we have made as we start to see higher volumes, continued reductions in processing costs and a return to positive gross margins."

**FIRST QUARTER 2012 RESULTS**

- Total net revenues were RMB803.9 million (US$127.7 million), a decrease of 17.8% from RMB978.3 million in 4Q11, and a decrease of 63.5% from RMB2,203.1 million in 1Q11. The decrease in total net revenues in 1Q12 compared with 4Q11 was primarily due to lower shipments and reduced ASP.
- Revenue contribution from PV module processing services as a percentage of total net revenues was 7.7%, compared with 8.9% in 4Q11. This reflected a decrease in revenue from Q-Cells, which filed a petition for bankruptcy in April 2012, and the Company's efforts in building its own brand.
- PV module shipments, including module processing services, were 160.7 MW, a decrease from 189.1 MW in 4Q11, and a decrease from 248.5 MW in 1Q11. The decrease in module shipments in 1Q12 was primarily due to our decision to reduce shipments to the U.S. to avoid potential retroactive tariffs.
- The Company saw robust demand from Germany prior to the pending feed-in-tariff reductions. Germany accounted for 43% of total shipments, an increase from 23% in 4Q11. Shipments to the U.S. were curtailed in order to avoid potential retroactive tariffs as a result of the U.S. Department of Commerce countervailing duty and anti-dumping investigations. The U.S. accounted for 5% of total shipments, a decrease from 33% in 4Q11. Demand fom India remained robust at 13% of total shipments, followed by Australia and Italy at 5% each. Some new markets in Eastern Europe (Bulgaria and Slovenia) in aggregate accounted for 4% of total shipments. Demand from China was light in 1Q12, but is expected to see renewed momentum in 2H12.

(Photo: http://photos.prnewswire.com/prnh/20120530/LA15523-INFO-a)

(Photo: http://photos.prnewswire.com/prnh/20120530/LA15523-INFO-b)

- ASP, excluding module processing services, decreased to RMB5.30 per watt (US$0.84) from RMB6.29 per watt in 4Q11 and from RMB11.23 per watt in 1Q11.

- Gross loss was RMB75.2 million (US$11.9 million), compared with a gross loss of RMB604.6 million in 4Q11 and a gross profit of RMB380.0 million in 1Q11.
- Gross margin was negative 9.4%, compared with negative 61.8% in 4Q11. Gross loss in 4Q11 included non-cash charges from an inventory write-down and provisions for advance payments on the Company's purchase commitment under long-term supply contracts totaling RMB407.5 million. Internal production costs decreased significantly and outpaced the decline in ASP from 4Q11 to 1Q12 . Gross margin in 1Q11 was positive 17.2%.

(Photo: http://photos.prnewswire.com/prnh/20120530/LA15523-INFO-c)

(Photo: http://photos.prnewswire.com/prnh/20120530/LA15523-INFO-d)

- The blended cost of goods sold ("COGS") per watt, excluding module processing services, was US$0.92, representing a 20.7% decrease from US$1.16 (excluding US$0.45 per watt of non-cash charges from an inventory write-down and provisions for advance payments on the Company's purchase commitment under long-term supply contracts) in 4Q11. The blended COGS takes into account the production cost (silicon and non-silicon) using internally sourced wafers, purchase costs and additional processing costs of externally sourced wafers and cells.
- Internal production costs (including both silicon and non-silicon costs) using internally sourced wafers were US$0.78 per watt, representing a 24.3% decrease from US$1.03 per watt in 4Q11. The decrease was primarily due to reduced polysilicon costs as well as operational improvements.
- Operating loss was RMB220.9 million (US$35.1 million), compared with an operating loss of RMB1,005.2 million in 4Q11 and an operating profit of RMB262.2 million in 1Q11. Operating margin decreased to negative 27.5% from negative 102.8% in 4Q11, compared with positive 11.9% in 1Q11.
- Operating expenses as a percentage of total net revenues were 18.1% in 1Q12, compared with 40.9% in 4Q11 and 5.3 % in 1Q11. The Company reduced total operating expenses (excluding the non-cash charges for goodwill impairment in 4Q11) by 45.2% from 4Q11. The higher percentage in 1Q12 compared with 1Q11 was primarily due to a decrease in total net revenues in 1Q12.
- Interest expense was RMB69.1 million (US$11.0 million), compared with RMB41.7 million in 4Q11 and RMB41.8 million in 1Q11, as a result of the Company's higher debt levels.
- The Company recorded a net gain of RMB11.4 million (US$1.8 million), from which combined effect of a foreign exchange gain with a gain from the change in fair value of derivatives. The Company recorded a net loss of RMB0.1 million in 4Q11 and a net loss of RMB36.8 million in 1Q11, which were the net effect of the foreign exchange gain/loss and the gain/loss from changes in fair value of derivatives.
- Loss from the change in fair value of the conversion feature of the Company's convertible bonds was RMB9.5 million (US$1.5 million), compared with a gain of RMB33.2 million in 4Q11 and RMB47.9 million in 1Q11. The fluctuations resulting from the application of ASC 815-40, were primarily due to changes in the Company's ADS price during the quarter. This line item has fluctuated, and is expected to continue to fluctuate quarter-to-quarter. The Company has no direct control over the fluctuations.
- Income tax benefit in 1Q12 decreased to RMB37.7 million (US$6.0 million), compared with RMB179.9 million in 4Q11 and income tax expense of RMB84.3 million in 1Q11.
- Net loss attributable to shareholders on a non-GAAP basis1 was RMB269.9 million (US$42.9 million), compared with a net loss attributable to shareholders of RMB862.3 million in 4Q11 and net income attributable to shareholders of RMB154.4 million in 1Q11.
- Net loss per basic ADS on a non-GAAP basis was RMB3.20 (US$0.51), compared with a net loss per basic ADS on a non-GAAP basis of RMB10.22 in 4Q11 and net income per basic ADS on a non-GAAP basis of RMB1.84 in 1Q11.
- Net loss attributable to shareholders on a GAAP basis was RMB303.7 million (US$48.2 million), compared with a net loss attributable to shareholders of RMB832.9 million in 4Q11 and net income attributable to shareholders of RMB149.4 million in 1Q11.
- Net loss per basic ADS on a GAAP basis was RMB3.60 (US$0.57), compared with a net loss per basic ADS of RMB9.88 in 4Q11 and net income per basic ADS of RMB1.78 in 1Q11.
- Annualized ROE on a non-GAAP basis was negative 29.4% in 1Q12, compared with negative 81.5% in 4Q11 and positive 12.6% in 1Q11.
- Annualized ROE on a GAAP basis was negative 29.2% in 1Q12, compared with negative 70.6% in 4Q11 and positive 11.3% in 1Q11.

**FINANCIAL POSITION**

As of March 31, 2012, the Company had cash and cash equivalents of RMB1,908.9 million (US$303.1 million) and net working capital of RMB45.9 million (US$7.3 million), compared with cash and cash equivalents of RMB1,976.6 million and net working capital of RMB908.3 million as of December 31, 2011. Total short-term bank borrowings (including the current portion of long-term bank borrowings) were RMB2,727.0 million (US$433.0 million), compared with RMB2,006.9 million as of December 31, 2011. The increase in short-term borrowings was primarily for working capital needs.

As of March 31, 2012, the Company had total long-term debt of RMB1,458.6 million (US$231.6 million), which comprised both long-term bank borrowings and convertible notes payable. The Company's long-term bank borrowings are to be repaid in installments until their maturities, which range from 2 to 4 years. Holders of the convertible notes have the option to require the Company to redeem the notes beginning on January 15, 2015.

Net cash generated from operating activities in 1Q12 was RMB46.0 million (US$7.3 million), compared with net cash generated from operating activities of RMB311.3 million in 4Q11 and net cash used in operating activities of RMB67.5 million in 1Q11.

As of March 31, 2012, accounts receivable were RMB603.9 million (US$95.9 million), compared with RMB537.5 million as of December 31, 2011 and RMB1,722.0 million as of March 31, 2011. Days sales outstanding was 64 days in 1Q12, compared with 82 days in 4Q11, and 62 days in 1Q11.

As of March 31, 2012, inventories decreased to RMB659.1 million (US$104.7 million) from RMB684.0 million as of December 31, 2011, and from RMB990.7 million as of March 31, 2011. Days inventory was 69 days in 1Q12, compared with 53 days in 4Q11 and 44 days in 1Q11.

Capital expenditures were RMB355.5 million (US$56.5 million) in 1Q12. The Company has repurchased approximately US$50 million of its convertible bonds since January 1, 2012 and may do so in the future, subject to market conditions and other factors. No additional purchases were made since the previous disclosure.

**CAPACITY** As of March 31, 2012, the Company had production capacities of 800 MW for ingots and wafers, 1.3 GW for cells and 1.5 GW for modules. The Company currently has no near-term plan to add additional capacities. Management will review expansion needs in the future in line with changes in overall market demand.

**BUSINESS OUTLOOK**

The Company provides the following guidance based on current operating trends and market conditions.

For 2Q12, the Company expects

- Total module shipments to be approximately 230-240 MW, of which about 10% will be for PV module processing services.
- Gross margin to be positive.

For the full year 2012, the Company expects:

- Module shipments to be approximately 1 GW, of which about 5% will be for PV module processing services.
- Capital expenditures of US$150 million, depending on demand and other market conditions.
- Processing costs (excluding silicon costs) to be below US$0.50 per watt by year-end 2012.

**CONFERENCE CALL**

The Company will host a conference call to discuss the first quarter of 2012 results at 8:00 am Eastern Time (8:00 pm Shanghai Time) on May 30, 2012.

Mr. Ki-Joon HONG, Chairman and CEO, Mr. Hee Cheul KIM, President, Mr. Dong Kwan KIM, Chief Strategy Officer, and Mr. Jung Pyo SEO, Chief Financial Officer, will discuss the results and take questions following the prepared remarks.

The dial-in details for the live conference call are as follows:

| | |
|---|---|
| - U.S. Toll Free Number: | +1 866 519 4004 |
| - U.S. New York local number: | +1 718 354 1231 |
| - International dial-in number: | +65 6723 9381 |
| - China Toll Free Number: | 800 819 0121 |
| | 400 620 8038 |
| Passcode: HSOL | |

A live webcast of the conference call will be available on the investor relations section of the Company's website at: http://www.hanwha-solarone.com. A replay of the webcast will be available for one month.

A telephone replay of the call will be available for seven days after the conclusion of the conference call. The dial-in details for the replay are as follows:

| | |
|---|---|
| - U.S. Toll Free Number: | +1 866 214 5335 |
| - International dial-in number: | +61 2 8235 5000 |
| | |
| Passcode: 80803471 | |

**FOREIGN CURRENCY CONVERSION**

The conversion in this release of Renminbi into U.S. dollars is made solely for the convenience of the reader, and is based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board as of March 30, 2012, which was RMB6.2975 to US$1.00. No representation is intended to imply that the Renminbi amounts could have been, or could be, converted, realized or settled into U.S. dollars at that rate on March 31, 2012 or at any other date. The percentages stated in this press release are calculated based on Renminbi amounts.

**USE OF NON-GAAP FINANCIAL MEASURES**

The Company has included in this press release certain non-GAAP financial measures, including certain line items presented on the basis that the accounting impact of ASC 815-40 had not been recorded. The Company believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing the performance of the Company and when planning and forecasting future periods. Readers are cautioned not to view non-GAAP financial measures on a stand-alone basis or as a substitute for GAAP measures, or as being comparable to results reported or forecasted by other companies, and should refer to the reconciliation of GAAP measures with non-GAAP measures also included herein.

**SAFE HARBOR STATEMENT**

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements include 2Q and/or full-year 2012 estimates for PV product shipments, ASPs, gross margin, production capacities, production costs and other results of operations. Forward-looking statements involve inherent risks and uncertainties and actual results may differ materially from such estimates depending on future events and other changes in business climate and market conditions. Hanwha SolarOne disclaims any obligation to update or correct any forward-looking statements.

**About Hanwha SolarOne**

Hanwha SolarOne Co., Ltd. (NASDAQ: HSOL) is a vertically integrated manufacturer of silicon ingots, wafers, PV cells and modules. Hanwha SolarOne offers high-quality, reliable products and services at competitive prices. Partnering with third-party distributors, OEM manufacturers, and systems integrators, Hanwha SolarOne serves the utility, commercial, government, and residential markets. The Company maintains a strong presence worldwide, with employees located throughout Europe, North America and Asia, and embraces environmental responsibility and sustainability, with an active role in the voluntary photovoltaic recycling program. Hanwha Group, Hanwha SolarOne's largest shareholder, is active in solar project development and financing, and plans to produce polysilicon in the future. For more information, please visit: http://www.hanwha-solarone.com.

For further information, please contact:

Hanwha SolarOne Co., Ltd.

Paul Combs
V.P. of Investor Relations
Tel: +86 21 3852 1533 / Mobile: +86 138 1612 2768
Email: paul.combs@hanwha-solarone.com

Myung Sin Shim
Director Investor Relations

Tel: +86 21 3852 1511 / Mobile: +86 186 0174 7263
Email: Myung.Shim@hanwha-solarone.com

Christensen

Tip Fleming
Tel: +852 9212 0684
E-mail: tfleming@christensenIR.com

Teal Willingham
Tel: +86 10 5826 4988
E-mail: twillingham@christensenIR.com

**Hanwha SolarOne Co., Ltd.**
**CONSOLIDATED BALANCE SHEETS**
**(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$")**

| | March 31 2011 (Unaudited) RMB'000 | December 31 2011 (Audited) RMB'000 | March 31 2012 (Unaudited) RMB'000 | March 31 2012 (Unaudited) US$'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 1,354,392 | 1,976,555 | 1,908,859 | 303,114 |
| Restricted cash | 152,636 | 281,626 | 217,841 | 34,592 |
| Derivative contracts | 14,258 | 29,091 | 3,198 | 508 |
| Accounts receivable, net | 1,722,038 | 537,540 | 603,860 | 95,889 |
| Notes receivable | - | 60,208 | 7,799 | 1,238 |
| Inventories, net | 990,708 | 684,049 | 659,116 | 104,663 |
| Advance to suppliers, net | 825,224 | 475,645 | 573,587 | 91,082 |
| Other current assets | 243,377 | 528,572 | 382,416 | 60,725 |
| Deferred tax assets - net | 94,453 | 264,590 | 306,988 | 48,748 |
| Amount due from related parties | 17,347 | 241,453 | 96,568 | 15,334 |
| **Total current assets** | **5,414,433** | **5,079,329** | **4,760,232** | **755,893** |
| **Non-current assets** | | | | |
| Fixed assets — net | 2,774,846 | 4,715,962 | 4,899,072 | 777,939 |
| Intangible assets — net | 204,669 | 334,987 | 340,336 | 54,043 |
| Goodwill | 134,735 | - | - | - |
| Deferred tax assets - net | 18,477 | 16,493 | 11,915 | 1,892 |
| Long-term deferred expenses | 25,578 | 49,702 | 34,136 | 5,421 |
| Amount due from related parties | 10,000 | - | - | - |
| Long-term prepayment | 469,788 | 204,570 | 204,570 | 32,484 |
| **Total non-current assets** | **3,638,093** | **5,321,714** | **5,490,029** | **871,779** |
| **TOTAL ASSETS** | **9,052,526** | **10,401,043** | **10,250,261** | **1,627,672** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Derivative contracts | 40,424 | 30,670 | 6,094 | 968 |
| Short-term bank borrowings | 777,214 | 1,764,251 | 2,103,536 | 334,027 |
| Long-term bank borrowings, current portion | 210,000 | 242,604 | 623,492 | 99,006 |
| Accounts payable | 1,001,172 | 1,024,947 | 1,133,379 | 179,973 |
| Notes payable | 263,309 | 462,602 | 316,105 | 50,195 |
| Accrued expenses and other liabilities | 387,889 | 375,238 | 338,331 | 53,725 |
| Customer deposits | 50,329 | 84,871 | 37,998 | 6,034 |
| Unrecognized tax benefit | 173,585 | 143,473 | 143,473 | 22,783 |
| Amount due to related parties | 24,183 | 42,342 | 11,921 | 1,893 |
| **Total current liabilities** | **2,928,105** | **4,170,998** | **4,714,329** | **748,604** |
| **Non-current liabilities** | | | | |
| Long-term bank borrowings | 90,000 | 1,352,373 | 1,075,722 | 170,817 |
| Convertible bonds | 658,143 | 498,646 | 382,922 | 60,805 |
| Long term payable | | 50,000 | 50,000 | 7,940 |
| Deferred tax liabilities | 25,829 | 25,387 | 25,240 | 4,008 |
| **Total non-current liabilities** | **773,972** | **1,926,406** | **1,533,884** | **243,570** |
| **TOTAL LIABILITIES** | **3,702,077** | **6,097,404** | **6,248,213** | **992,174** |
| **Redeemable ordinary shares** | 55 | 24 | 24 | 4 |
| **EQUITY** | | | | |
| **Shareholders' equity** | | | | |
| Ordinary shares | 314 | 315 | 315 | 50 |

| | | | | |
|---|---|---|---|---|
| Additional paid-in capital | 3,963,670 | 3,996,418 | 3,998,485 | 634,932 |
| Statutory reserves | 198,141 | 174,456 | 174,456 | 27,702 |
| Retained earnings | 1,188,269 | 132,426 | -171,232 | -27,190 |
| **Total shareholders' equity** | **5,350,394** | **4,303,615** | **4,002,024** | **635,494** |
| **TOTAL EQUITY** | **5,350,449** | **4,303,639** | **4,002,048** | **635,498** |
| **TOTAL LIABILITIES, REDEEMABLE ORDINARY SHARES AND SHAREHOLDERS' EQUITY** | **9,052,526** | **10,401,043** | **10,250,261** | **1,627,672** |
| | 0.00 | 0.00 | 0.00 | 0.00 |

**Hanwha SolarOne Co., Ltd.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"),**
**except for number of shares (ADS) and per share (ADS) data**

| | For the three months ended | | | |
|---|---|---|---|---|
| | March 31, 2011 (Unaudited) RMB'000 | December 31, 2011 (Unaudited) RMB'000 | March 31, 2012 (Unaudited) RMB'000 | March 31, 2012 (Unaudited) US$'000 |
| **Net revenues** | **2,203,147** | **978,272** | **803,873** | **127,650** |
| **Cost of revenues** | **(1,823,197)** | **(1,582,900)** | **(879,111)** | **(139,597)** |
| **Gross profit** | **379,950** | **(604,628)** | **(75,238)** | **(11,947)** |
| **Operating expenses** | | | | |
| Selling expenses | (49,649) | (98,185) | (58,695) | (9,320) |
| G&A expenses | (59,511) | (145,565) | (63,329) | (10,057) |
| R&D expenses | (8,601) | (22,071) | (23,596) | (3,747) |
| Loss on goodwill impairment | | (134,735) | - | - |
| Total operating expenses | (117,761) | (400,556) | (145,620) | (23,124) |
| **Operating profit** | **262,189** | **(1,005,184)** | **(220,858)** | **(35,071)** |
| Interest expenses | (41,809) | (41,732) | (69,111) | (10,974) |
| Interest income | 4,059 | 3,207 | 2,668 | 424 |
| Exchange gain (loss) | 16,656 | (5,029) | 2,630 | 418 |
| Gain (loss) on change in fair value of derivative | (53,492) | 4,919 | 8,742 | 1,388 |
| Gain (loss) on change in conversion feature fair value of convertible bond | 47,898 | 33,181 | (9,472) | (1,504) |
| Loss on extinguishment of debt | - | - | (56,114) | (8,911) |
| Other income | 693 | 1,808 | 1,900 | 302 |
| Other expenses | (2,474) | (3,986) | (1,710) | (272) |
| **Net income before income tax** | **233,720** | **(1,012,816)** | **(341,325)** | **(54,200)** |
| Income tax expenses | (84,296) | 179,877 | 37,667 | 5,981 |
| **Net income** | **149,424** | **(832,939)** | **(303,658)** | **(48,219)** |
| **Net income attributable to shareholders** | **149,424** | **(832,939)** | **(303,658)** | **(48,219)** |
| **Net income per share** | | | | |
| Basic | 0.36 | (1.98) | (0.72) | (0.11) |
| Diluted | 0.29 | (1.98) | (0.72) | (0.11) |
| **Shares used in computation** | | | | |
| Basic | 419,408,428 | 421,676,232 | 421,816,336 | 421,816,336 |
| Diluted | 465,445,803 | 421,676,232 | 421,816,336 | 421,816,336 |
| **Net income per ADS** | | | | |
| Basic | 1.78 | (9.88) | (3.60) | (0.57) |
| Diluted | 1.46 | (9.88) | (3.60) | (0.57) |
| **ADSs used in computation** | | | | |
| Basic | 83,881,686 | 84,335,246 | 84,363,267 | 84,363,267 |
| Diluted | 93,089,161 | 84,335,246 | 84,363,267 | 84,363,267 |

**Hanwha SolarOne Co., Ltd.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$")**

For the three months ended

| | March 31, 2011 (Unaudited) RMB'000 | December 31, 2011 (Unaudited) RMB'000 | March 31, 2012 (Unaudited) RMB'000 | March 31, 2012 (Unaudited) US$'000 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Net income | 149,424 | (832,939) | (303,658) | (48,219) |
| **Adjustments to reconcile net income (loss) to net cash provided (used) in operating activities:** | | | | |
| Unrealised (gain)/loss from derivative contracts | 25,608 | (31,154) | 1,317 | 209 |
| Amortization of convertible bonds discount | 18,607 | 26,133 | 24,102 | 3,828 |
| Changes in fair value of conversion feature of convertible bonds | (47,898) | (33,181) | 9,472 | 1,504 |
| Loss on extinguishment of debt | - | - | 56,114 | 8,911 |
| Loss from disposal of fixed assets | 201 | 473 | 263 | 42 |
| Depreciation and amortization | 52,464 | 52,464 | 84,855 | 13,474 |
| Loss on goodwill impairment | - | 134,735 | - | - |
| Amortization of long-term deferred expenses | 1,695 | 6,129 | 1,395 | 222 |
| Provision for doubtful debt of advance to suppliers | - | 287,749 | - | - |
| Provision for doubtful debt of other receivables | - | 54,456 | - | - |
| Reversal of doubtful debt of advance to suppliers | - | - | | - |
| Provision for doubtful debt of accounts receivable | - | - | - | - |
| Reversal of doubtful debt for accounts receivable | - | - | - | - |
| Write down of inventories | 37,953 | 305,820 | 417,673 | 66,324 |
| Stock compensation expense | 5,504 | 2,208 | 2,067 | 328 |
| Warranty provision | 15,805 | 8,641 | 4,432 | 704 |
| Warranty reversal | (8,733) | (7,022) | (2,195) | (349) |
| Deferred tax benefit | (4,707) | (112,641) | (37,967) | (6,029) |
| Unrecognized tax benefit | 30,112 | (26,344) | - | - |
| **Changes in operating assets and liabilities** | | | | |
| Restricted cash | (32,144) | 25,974 | 12,290 | 1,952 |
| Inventory | (237,889) | 195,468 | (392,740) | (62,364) |
| Account and notes receivables | (429,231) | 726,054 | (13,911) | (2,209) |
| Advance to suppliers and long-term prepayments | (136,667) | 124,433 | (97,942) | (15,553) |
| Long-term deferred expenses | - | (2,322) | - | - |
| Intangible assets | - | - | (7,104) | (1,128) |
| Other current assets | 12,056 | (128,730) | 156,713 | 24,884 |
| Amount due from related parties | 15,472 | (144,669) | 144,885 | 23,007 |
| Accounts and notes payable | 460,789 | (360,070) | 102,350 | 16,253 |
| Accrued expenses and other liabilities | (23,752) | 25,049 | (39,144) | (6,216) |
| Customer deposits | 16,791 | 25,955 | (46,873) | (7,443) |
| Amount due to related parties | 11,000 | (11,320) | (30,421) | (4,831) |
| Long-term payable | - | - | - | - |
| **Net cash provided (used) in operating activities** | (67,540) | 311,349 | 45,973 | 7,301 |
| **Cash flows from investing activities** | | | | |
| Acquisition of fixed assets | (598,094) | (289,902) | (406,888) | (64,611) |
| Change of restricted cash | (20,002) | 27,638 | 51,495 | 8,177 |
| **Net cash provided (used) in investing activities** | (618,096) | (262,264) | (355,393) | (56,434) |
| **Cash flows from financing activities** | | | | |
| Proceeds from share lending | 9 | - | - | - |
| Proceeds from exercise of stock option | 947 | - | - | - |
| Payment for repurchase of redeemable oridnary shares | - | (18) | - | - |
| Payment for repurchase of shares lending to Hanwha | - | (16) | - | - |
| Payment for repurchase of convertible bonds | - | - | (199,831) | (31,732) |
| Change of restricted cash | - | (115,000) | - | - |
| Proceeds from short-term bank borrowings | 666,561 | 1,045,751 | 1,096,384 | 174,098 |
| Proceeds from long-term bank borrowings | - | 116,515 | 104,237 | 16,552 |
| Payment of short term bank borrowings | (208,266) | (886,711) | (757,099) | (120,222) |
| Payment for long term bank borrowings | (50,000) | (20,000) | - | - |
| Repayment of advances from related parties | - | - | - | - |
| Payment of arrangement fee of long-term loans | - | (42,586) | - | - |
| Payment of arrangement fee of short-term loans | - | (5,625) | (1,967) | (312) |
| **Net cash provided (used) by financing activities** | 409,251 | 92,310 | 241,724 | 38,384 |
| **Net increase (decrease) in cash and cash equivalents** | (276,385) | 141,395 | (67,696) | (10,749) |
| **Cash and cash equivalents at the beginning of period** | 1,630,777 | 1,835,160 | 1,976,555 | 313,863 |
| **Cash and cash equivalents at the end of period** | 1,354,392 | 1,976,555 | 1,908,859 | 303,114 |
| **Supplemental disclosure of cash flow information:** | | | | |
| Interest paid | 27,135 | (9,609) | 39,151 | 6,217 |
| Income tax paid | 51,522 | 3,442 | 26,384 | 4,190 |

| | | | | |
|---|---|---|---|---|
| Realized gain/(loss) from derivative contracts | (27,884) | (26,235) | 10,059 | 1,597 |
| **Supplemental schedule of non-cash activities:** | | | | |
| Acquisition of fixed assets included in accounts payable, accrued expenses and other liabilities | 144,298 | 85,371 | (140,415) | (22,297) |

| | For the three months ended | | | |
|---|---|---|---|---|
| | **March 31, 2011** (RMB million) | **December 31, 2011** (RMB million) | **March 31, 2012** (RMB million) | **March 31, 2012** (US$ million) |
| Non-GAAP net income/(loss) | 154.4 | (862.3) | (269.9) | (42.9) |
| Fair value changes of the conversion features of the Convertible bonds | | 33.3 | (9.5) | (1.4) |
| Accretion of interest of the Convertible bonds | (22.8) | (30.2) | (24.3) | (3.9) |
| Unrecognized tax benefit | (30.1) | 26.3 | - | - |
| GAAP net income/(loss) | 149.4 | (832.9) | (303.7) | (48.2) |

| | For the three months ended | | | |
|---|---|---|---|---|
| | **March 31, 2011** (RMB) | **December 31, 2011** (RMB) | **March 31, 2012** (RMB) | **March 31, 2012** (US$) |
| Non GAAP net income per ADS - Basic | 1.84 | (10.22) | (3.20) | (0.51) |
| Fair value changes of the conversion features of the Convertible bonds | 0.57 | 0.39 | (0.11) | (0.01) |
| Accretion of interest of the Convertible bonds | (0.27) | (0.36) | (0.29) | (0.05) |
| Unrecognized tax benefit | (0.36) | 0.31 | - | - |
| Net profit contributed to shareholders per ADS - Basic | 1.78 | (9.88) | (3.60) | (0.57) |
| ADS (Basic) | 83,881,686 | 84,335,246 | 84,363,267 | 84,363,267 |

| | For thee months ended | | | Annualized for the three months ended | | |
|---|---|---|---|---|---|---|
| | **March 31, 2011** | **December 31, 2011** | **March 31, 2012** | **March 31, 2011** | **December 31, 2011** | **March 31, 2012** |
| Non-GAAP Return on Equity | 3.14% | -20.37% | -7.36% | 12.56% | -81.48% | -29.44% |
| Fair value changes of the conversion features of the Convertible bonds | 0.69% | 2.80% | 0.64% | 2.77% | 11.20% | 2.56% |
| Accretion of interest of the Convertible bonds | -0.43% | -0.64% | -0.59% | -1.73% | -2.56% | -2.36% |
| Unrecognized tax benefit | -0.57% | 0.56% | 0.00% | -2.28% | 2.24% | 0.00% |
| GAAP Return on equity | 2.83% | -17.65% | -7.31% | 11.32% | -70.60% | -29.24% |

[1] All non-GAAP numbers used in this press release exclude the accounting impact from the adoption of ASC 815-40, which relates to the accounting treatment for the convertible bonds. Please refer to the attached financial statements for the reconciliation between the GAAP and non-GAAP financial results.
[2]During 4Q11, the Company recorded certain non-cash charges totaling RMB596.7 million, including RMB119.8 million from an inventory write-down, RMB342.2 million from provisions for advance payments on the Company's purchase commitment under long-term supply contracts, and RMB134.7 million from goodwill impairment. Gross loss in 4Q11 included non-cash charges from an inventory write-down and provisions for advance payments on the Company's purchase commitment under long-term supply contracts totaling RMB407.5 million.
[3]Gross margin excluding the aforementioned provisions was negative 20.1% in 4Q11.

SOURCE Hanwha SolarOne Co., Ltd.

News Provided by Acquire Media