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news asia-pacific

Suntech inks 7 GW wafer deal amid flat sales

June, 2008: Productivity disruptions related to snowstorms in China's Jiangsu province didn't completely freeze manufacturing PV cell and module maker Suntech Power Holdings Co. Ltd. in the first quarter.



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Spanish sun: Like many others, Suntech is also active in Europe's hottest market. For example, 12,600 of its panels were installed at the 2.1 MW Archivel PV power plant.

On May 22, the company reported a better start to 2008 than most Wall Street analysts covering the New York Stock Exchange-listed company had expected.

Wuxi, Jiangsu-based Suntech, the world's third-largest PV cell producer in 2007, posted revenues in the first quarter of 2008 of \$434.5 million – a 76-percent rise compared to the previous year's first quarter. However, revenues were basically flat compared to the fourth quarter and will largely remain flat again in this year's second quarter, according to Suntech, which is forecasting between \$430 and \$440 million.



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Operating income for the first quarter of 2008 increased to \$61.8 million from \$28.5 million a year earlier, while net income doubled to \$55.8 million, or 33¢ per diluted American Depository Share.

The company is projecting annual revenue in the range of \$1.9 to \$2.1 billion, with 60 percent of that coming in the second half, when the company will have brought more production on line. The rapidly expanding company – which produced 336 MW of multi- and monocrystalline cells in 2007 and had a year-end manufacturing capacity of 540 MW (see PI 3/2008, p. 140) – confirmed that it is on track to produce 530 MW this year while expanding capacity to 1 GW by the end of the year.

Suntech's New York Stock Exchange-listed stock slipped the day of the first-quarter report, losing \$4.56 per share to close at \$44.95. The stock wasn't helped much several days later, on May 27, when Suntech announced its acquisition of a minority stake in single-crystal wafer manufacturer Shunda Holdings Co. Ltd. – also based in China's Jiangsu province – for about \$100 million.

As part of the transaction, Suntech sealed a 13-year wafer supply agreement that is expected to deliver the company 7 GW of wafers from 2008 to 2020. This year, however, the deal is not expected to deliver meaningful quantities, as Shunda, founded in 2003, also has supply contracts with Chinese PV companies JA Solar and Canadian Solar Inc. Nevertheless, the deal is valuable immediately, said Suntech CEO Shi Zhengrong in an official statement: »The relatively small quantities of silicon wafers to be supplied in 2008 from Shunda will replace some of our higher-priced spot market silicon.« In 2009, Shunda is expected to supply 50 MW, lifting Suntech's contracted wafer supply to 800 MW, according to the Suntech CEO.

In addition to wafers, Shunda is expanding further up the value chain and plans to enter polysilicon production using Siemens reactor technology with an initial phase of 1,500 tons intended to start operation in the third quarter of this year.

In market developments, while Germany and Spain continue to be the engines of growth, Suntech in May reported a strategically significant deal in France's Alsace region for a 4.5 MW building-integrated PV project at a farm. BIPV installations enjoy a 20-year electricity feed-in payment of 57 euro cents (88.7¢) per kWh and Suntech's Japanese subsidiary MSK has specialized in these types of solar systems for many years.