

# A place in the sun sees great growth

China is at the cutting edge of **photovoltaic manufacturing** and **Solarfun** is one of Asia's leading companies in the sector. The upswing in PV interest mirrors the company's rapid growth rate of the last few years and there is confidence this curve can be maintained. We talk to new **CEO Harold Hoskens**, who has joined the company after extensive experience with Philips, has great insight into the East-West working environment, and the measures Solarfun is taking to succeed in 2009-10.



Harold Hoskens  
CEO of Solarfun

**PES:** Solarfun is using its reputation as one of the leading manufacturing platforms for PV products in Asia to expand its base in Europe. How is this working, and can you tell us about any new developments?

**Harold Hoskens:** Solarfun has been ranked as one of Asia's largest PV manufacturers for the past four years and our capacity has reached 360MW for this year. We have been distributing in Europe since our earliest days and our success is exponential. From Q1 2007 to Q1 2008 our shipments have grown by more than 500 per cent.

It is true that our European clients feel comfortable working with us, in part for our size and strong reputation in electronics production. Also important is our vertically-integrated cell and module manufacturing which ensures supply stability and consistently excellent products. And, we've recently announced progress on ingot making and wire-saw facilities.

In working together with our European clients we understand how important it is to be nearby and provide local service. This is why we have opened our European Sales Headquarters in Munich, Germany

(Solarfun Power GmbH) and Solarfun Spain for convenient sales and also technical assistance. We combine global manufacturing strength with local service and support.

**PES:** You are planning to achieve an aggregate annual manufacturing capacity of 360 MW by the end of 2008. Are you on target for this, and how is it being achieved?

**HH:** We're installing four new lines, which will be completed and go into production in Q3 2008. By then we will be going to six mono lines and six multi lines with 30MW nominal capacity each, for a total of 360MW. Considering the long lead time of several key machines, in-advance and delicate planning as well as close cooperation with suppliers are important to achieve this.

**PES:** How are your efforts being directed into producing solar products with minimal impact on the environment?

**HH:** We minimise our impact on the environment using a five-pronged approach. First, we utilise advanced water and air treatment technologies to ensure the cleanliness of our water and vapours. Next, we handle all solid waste, such as containers used for the shipping of chemicals, with extreme care. These materials are sorted and either recycled, or when that is not possible, carefully disposed of at registered facilities. We also have stringent requirements for our suppliers to ensure they also respect the environment, and we oblige each of them to hold certifications as proof of their responsibility. And finally, as we strive to be good neighbours, we have put into place Noise Isolation facilities and policies to minimise possible audio disruption within our community.

**PES:** Your net revenue for the first quarter of 2008 was \$171 million, an increase of 529 per cent from the first quarter of 2007. What do you put this astonishing rate of growth down to?

**HH:** The considerable growth of our revenue in 1Q 08 makes a strong statement about our ability to maintain and attract customers. With strong market demand during the first quarter, we improved product quality; diversified sales channel and geographic split to improve our customer base. We now have sales in Europe, North America and Oceania and supply to several big name customers. I think it's fair to say we are growing at a rate in excess of the overall market, so we have been gaining share in these periods.

Our ASP's were \$4.07, which is a testament to strong market demand as well as the strength of the Euro versus the US\$ together with customers.

**PES:** Is it possible to sustain such rapid growth, and if so how do you plan to do it?

**HH:** We've raised our shipment guidance from 160 MW to a range of 160-180 MW in Q1 earning call. Through expanding cell lines, increasing footprint of value chain, and better security of supply, we're confident to maintain rapid growth.

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**PES:** Almost 50 per cent of this net revenue was achieved in Spain. Can you tell us more about the Spanish operation?

**HH:** We founded Solarfun Spain in 2007 in response to the increased demand for our products in the region. Our sales office is established in Barcelona and from there we offer our clients local sales and service support, in Spanish of course. By being present locally and working closely with our customers, we have developed a strong understanding of the Spanish subsidies and also the local market requirements. As an example, Solarfun was one of the first Chinese manufacturers whose projects qualified for financing by Spanish banks. This is a major achievement and not only proves our product dependability, but also our attention to the details that make business easier for our customers.

In Spain, you'll see some of our customers are successfully expanding their business in other parts of the Southern Europe, notably Greece and Italy. Our business relations with these Spanish customers serve as a springboard.

**PES:** Solarfun recently organised the SNEC International Solar and PV conference in Shanghai. Was this a

useful event, and will it provide closer co-operation between the European and Chinese PV industries?

**HH:** The global solar industry is growing tremendously, an estimated 38 per cent in 2007, and we are active at shows and events across the continents-- including the SNEC Conference.

We believe that China and Europe both have very important roles to play in the development of solar. Thanks to our global operations we are in an ideal position to support both regions' markets and encourage their growth through strategic cooperation. Europe leads the world in installations; China leads the world in PV production. We see Solarfun as a bridge to unite these expertises. Because of our long-term strategy for building China's use of solar energy, we have supported the SNEC conference since its founding to help inform regional policymakers about the advantages of renewable energy, especially solar, and to learn more about its applications. Our goal to encourage the use of solar energy within the renewable mix and the success stories we're seeing from Europe are key to this effort

China is at an exciting stage in the development of renewable energy, pledging that 15 per cent of all production be from renewable energy sources by 2015. This is considerable considering that in 2004, China's primary energy production amounted to 1.845 billion tons of coal equivalent (TCE) and total consumption of energy reached 1.97 billion TCE, making China the second largest energy producer and energy consumer in the world. Progress toward renewable energy is being made however, and Solarfun has taken a strong lead with the completion of China's first 1MW grid-tied solar installation.

**PES:** You hold the ISO 9001 quality control certificate. Could you explain what effect this standard has on your manufacturing processes?

**HH:** While obtaining ISO 9001 certification we recorded and analysed millions of data points in order to build a complete understanding of each process. These processes were then maximized and standardized, and are now controlled daily. Equipment is regularly fine-tuned and is well maintained, incoming raw materials and outgoing products are strictly inspected to ensure high quality, and each of our Line Operators has received extensive initial and ongoing training.

**PES:** In 2007 you acquired a 70 per cent stake in Yangguang Solar, a silicon wafer producer. What are the results of this acquisition and how has it benefited Solarfun?

**HH:** On June 23, 2008, we acquired the remaining 48 per cent equity interest (subject to customary approval) upon the 52 per cent shares we acquired of 07 in Jiangsu Yangguang Solar Technology Co. Ltd, a rapidly expanding manufacturer of silicon ingots, which are the key raw material for our cell and module production. Yangguang Solar will reach 200 MW of installed capacity by year end 2008 and 300 MW during 2009. Along with our new wire saw facility being constructed in Qidong, this will enable us to align silicon specifications and quality along the value chain to bring the best value products to our customers.

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**PES:** Solarfun is keen to promote strong links with the community. How does this work in practice in China, and across the rest of the countries you have a presence in?

**HH:** It is natural that community development is guiding principle in Solarfun's activities. Both our founder, Mr. Yonghua Lu, and our primary shareholder, Good Energies, have solid reputations for good citizenship in the community. Solar energy helps to provide for a cleaner world. We are constantly on the lookout for opportunities to promote the advantages of solar energy and have provided thousands of modules for showcase projects around the country. For example, our BIPV modules have recently been installed in Beijing's Millennium Park, where we hope that thousands of people will discover the possibilities for solar energy.

**PES:** As a company, what do you think the benefits of having close community links are?

**HH:** We believe that a company can only truly excel with the dedication of each employee. By taking an active role in the local community we are able to increase enthusiasm for solar energy and Solarfun. This has important returns both for our company and for the community.

Through our Educational Outreach Program, Solarfun cooperates with schools and universities to promote science education. We provide schools with much needed science equipment, and offer intensive classes to high-potential students interested in learning more about the science behind solar. We also reward successful students with activities and scholarships and have developed a partnership with Shanghai's most prestigious university. We have seen excellent results from these programs and are now seeing many of these highly trained students enter the workforce with a strong loyalty for Solarfun. In an industry with such a limited supply of

technical experts, we are very privileged to have these talented scientists and solar engineers lining up for an opportunity at Solarfun.

In addition, we are working to develop the infrastructure around our manufacturing facilities. Solarfun is offering financing for a new 12km road (approx 7.5 miles) to be built in Qidong, China. Qidong, home of over two million people, is a city in development and in need of infrastructure improvements. In order to help the city support their growth and give greater access to Shanghai, this road will link parts of rural Qidong with the highway to Shanghai. This infrastructure improvement will provide Qidong's rural citizens a stronger link to outside communities.

**PES:** How do you see the PV industry developing over the next 10 years, and where will Solarfun's place be in that development?

**HH:** As many sources forecast growth for solar modules of at least 40 per cent per annum for the next five years, we believe we are going to address a market with quite healthy and sustainable growth. Once grid parity is reached, the market potential is explosive.

Solarfun continues to grow to support these global trends going forward. We support our customers in these markets by providing local service, and by creating best value from our total supply chain. ▲

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