The largest Taiwanese solar wafer maker did not fare better in the first quarter than those cell manufacturers we reported on yesterday. Green Energy Technology announced sales of NT$2.76B (US$95M) with a net loss of NT$850M (US$29M), and an earnings-per-share loss of NT$3.13 (US$0.10). Gross margin was a negative 25.6%, which is actually a 50% improvement over the fourth quarter result. The company managed to sell off more expensive inventory in the last quarter, which helped reduce the cost. GET raised NT$1.5B last month in oversubscribed share issuance to support working capital and to further reduce indebtedness. The company reported $52M in cash and equivalents in this quarter, while the level of debt in Q1 was at US$434M, a significant reduction from US$513M in Q4.

In commentary on the market conditions, the company observed a reduction of the global wafer capacity down to only 40% due to high conversion expectations and ASP remaining below the cash cost for many low-tier producers.

While vertically integrated companies are expected to use their own wafer supplies, true wafer vendors are being impacted in a similar way to specialized cell producers by their shrinking module-making customer base. Naturally, a lack of demand for cells eliminates the need for wafers. Vertically integrated Chinese US-listed companies have around 14.7GW of wafer; their deficit towards full capacity in module is around 4.4GW. This gap is met with more than necessary 8GW from GCL. To make things worse, overall global wafer supply exceeds all existing module supply. Luckily for GET, not all wafers - even within the Tier 1 group - have a good cost structure or are in the high conversion category.

One of the significant selling points mentioned by GET is conversion, which the company described to be in an area of 17.2% to 17.6%. This is a one of the major drivers behind the 90% utilization of GET's own 1.5GW capacity. GET had discussed transition to quasi-mono wafers in the fourth quarter, but did not disclose whether this transition fully materialized at this time, adding to confusion around a global quasi-mono capacity after a Solarbuzz NDP report issued recently. SPVI received an e-mail update from Jessy Fang of GCL Poly on the topic. The company had transitioned 50% of the current capacity of 8GW into quasi-mono at the end of 2011; however, 2011 sales have only yielded 10% of volume in this category. We were informed that GCL is ready to move to 90% of quasi-mono, but this will be dictated by customer orders and product acceptance. To date, Taiwanese Tainergy and Chinese Canadian Solar are the purchasers of GCL's "strong" quasi-mono wafers. Those wafers have an average conversion rate above 18%. Another dominant maker of quasi- mono wafers is Renesola. Virtus wafer made by the company has a conversion range between 17.5 to 18.2% and yearly production

capacity of the product is around 1.6GW. Therefore it appears that global quasi-mono inventory may have around 6.5GW. LDK at one point reported 400MW of quasi-mono production lines but we were unable to confirm if this capacity is in place or is operational.