

Hanwha SolarOne Delivers Higher Shipments, Improved Costs

Written by Sarfaraz Khan

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The shares of the Chinese solar panel manufacturer **Hanwha SolarOne Co Ltd (NASDAQ:HSOL)** dropped by more than 4% at NASDAQ following the earnings release. The company has reported a drop in profits and lowered the full-year shipment guidance.

Total revenues have fallen by 9.9% sequentially and by 32.8% from the same quarter last year to \$153.7M. Although the PV module shipments increased by 3.8% from Q2-2012 and 19.2% from Q3-2011 to 239.5 MW, the average selling prices (ASPs) – excluding module processing services – fell by 13% from Q2-2012 and by 46.3% from Q3-2011 to \$0.67 per watt, causing the drop in revenues despite achieving higher shipments. Moreover, the blended cost of goods sold (COGS), excluding module processing services, fell by just 1.4% from the previous quarter to \$0.71 per watt. Since the fall in ASPs was almost 10 times bigger than the fall in COGS, the business ended up losing money. The internal production costs for wafers have also fallen by 5.6% from the previous quarter \$0.67 per watt.

The company has reported a gross loss of \$8.9M, dropping from the gross profit of \$10.8M in the previous quarter, but still considerably better than the gross loss of \$24.8M in the same quarter last year. Like its peers [LDK Solar Co., Ltd. \(NYSE: LDK\)](#) and [Daqo New Energy Corp \(NYSE:DQ\)](#), Hanwha SolarOne has also performed a non-cash inventory write-down of \$5.1M. The freight charges have also increased, which has pushed the operating expenses to 20.2% of the total revenues from 14% in Q2-2012 and 12% in Q3-2011.

Hanwha SolarOne's net losses have widened by 20.7% from the previous quarter and by 81.3% from the same quarter last year to \$51.3M. This has translated into a loss per share of \$0.61, while its Return on Equity has now fallen to negative 36% from negative 27.6% in Q2-2012 and negative 13.6% in Q3-2011.

Commenting on the results, Hanwha's chief Mr. Ki-Joon Hong pointed out, "In spite of a difficult operating environment, we achieved some good progress in shipment and production costs during the third quarter even though we suffered from continued ASP decline."

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For the fiscal 2012, Hanwha SolarOne expects to achieve shipments of 825 MW to 850 MW, which is lower than its earlier announced guidance of 900 MW to 1 GW.

In its third quarter, about 63% of the total shipments went to the Europe and Africa regions, 22% were made to Asia Pacific and 13% to North America. Germany remains the dominant market with 39% of the total shipments. In Asia Pacific, 11% of the total shipments went to China. A day before the announcement of the current results, Hanwha SolarOne revealed that it has been awarded two PV projects in South Africa in Free State and Northern Cape totaling 155 MW. This will be Hanwha SolarOne's biggest supply contract and will significantly increase its foothold in the continent. The delivery of modules will be completed by H1-2013.