

PRESS RELEASE

Study: The crystalline photovoltaic market: How dangerous is the Chinese dragon in reality?

Munich, August 31, 2010. European, American and Japanese manufacturers of photovoltaic modules (PV manufacturers) are still well-placed for the medium term, compared with Chinese competitors and contrary to the general perception. Their internationally recognized quality and, above all, their reliable lead times enable international manufacturers to command prices that are 16% higher than the global average and mean that banks in a position to finance extensive solar projects are more willing to lend to them. This qualifies them in particular for the customer segment made up of large-volume field installation projects. This is one of the findings of a recent study by goetzpartners looking into the global market in which crystalline PV manufacturers operate.

"International players still have everything to play for in the battle against the Chinese dragon," says Michael Sanktjohanser, Managing Director at goetzpartners, who was in charge of the study. "If international suppliers concentrate on their strengths and align their future business models accordingly, they will be able to hold their own in a growing market. But it won't be a walk in the park, given that especially the Chinese suppliers are in a position to make good their competitive disadvantages much faster than the international suppliers."

Prior to the study, goetzpartners conducted a survey of more than 40 of the world's largest crystalline photovoltaic module manufacturers, which was then taken as a basis for analyzing the market with regard to the four success factors below:

- **Production costs:** Chinese suppliers have a clear 30% cost advantage over international suppliers, partly helped by the rising demand in Asian countries.
- **Internationalization:** The growing shift in demand toward the US dollar zone is an advantage for Chinese suppliers. Some of them have production capacities in these markets, giving them the necessary infrastructure, which some of the international players first need to establish.
- **Organization:** Here the international suppliers have a clear advantage. They have established organizational structures and, unlike the fast growing Chinese suppliers, can concentrate fully on penetrating new markets or realigning their business models to suit changes in the markets.
- **Sales & marketing:** The solar market is increasingly turning into a commodity market that demands efficient marketing and services. Here too, international suppliers are ahead thanks to their established processes and customer relationships.

Chinese solar companies may be outshining international suppliers on the stock markets right now, but the competitive situation in the photovoltaic market will be determined only in the medium term. "It's all about backing the right horse," says Günther Schermer, Partner and study author. "International and Chinese market players each have individual strengths

in the different customer segments – from homeowners to multi-MW solar power plants. It's important to meet the interests of the various customer groups with specific strategies."

This is an opinion shared by Sebastian Olbert, Senior Manager and study co-author: "International players have the competitive edge over the 'Chinese dragon' in the field installation segment. Whenever it comes down to reliable lead times and value added services, that's where they win points. This is reflected in clear bankability advantages."

Even the Chinese dragon has its Achilles heel. Consequently, besides realizing quick wins, both groups need to concentrate on their respective strengths and continue to push them so that they can convert their own weaknesses into strengths in the medium term. Each company should determine the necessary steps individually and embed them in the organization in the form of a mission statement, recommend goetzpartners.

About goetzpartners

goetzpartners is one of the leading independent advisory firms in Europe, offering M&A (mergers & acquisitions) and management consulting services under one roof. The group stands for an innovative consulting approach and tailor-made solutions that are successfully implemented together with their clients. goetzpartners has offices in Munich, Düsseldorf, Frankfurt, Zurich, London, Paris, Madrid, Moscow and Prague as well as co-operations in New York, San Francisco, Los Angeles, Bangalore, Mumbai, and Budapest.

goetzpartners Corporate Finance is focused on M&A. goetzpartners Management Consultants specialises in the fields of strategy, organization, operational excellence, sales and marketing, restructuring and strategic due diligence. goetzpartners is a 2009 "Hidden Champion" in the consulting sectors of strategic due diligence, financing and merger strategies and post-merger integration (corporate finance advisory). ("Hidden Champions of the Consultancy Market" study by Wissenschaftliche Gesellschaft für Management und Beratung (WGMB), Prof. Dietmar Fink, 2009).

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