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## ***Q-Cells makes outlandishly conflicting claims about upgraded metallurgical silicon.***

As the global demand for solar energy rises, so does the need for high purity silicon. Solar cell manufacturers such as Q-Cells are scrambling to solidify long-term supply contracts for this critical entry point material.

During its March 27, 2008 earnings call, Q-Cells AG (Public, FRA: QCE) acknowledged that its polysilicon supplies are a "determinant factor" in achieving its earnings projections. Without polysilicon, Q-Cells cannot provide confident revenue predictions. Despite its dependence, Q-Cells disclosed that it has not entered into long term contracts to secure its polysilicon supply.

After making it quite evident that Q-Cells does not have sufficient polysilicon supplies, it then spent a significant portion of its time describing new contracts with producers of metallurgical grade silicon, a cheap "dirty" commodity that cannot be used to make solar cells. On the conference call, Q-Cells' CFO claimed that "Thanks to the new silicon supply contract we increased our guidance for the year 2008."

To support their irregular claim, Q-Cells announced it had developed new technology that allows it to use the cheap "dirty" metallurgical material to produce solar cells. Q-Cells claimed it could use upgraded metallurgical grade silicon material "running at 100%...mixing nothing." In other words, Q-Cells had mysteriously developed the technological wherewithal to avoid blending cheaper dirty silicon material with polysilicon, as all of its competitors must do. However, company spokespeople quickly retreated during the Q&A section.

After outlining the allegations on the positive impact that metallurgical grade silicon would have on Q-Cells' short term profit and loss results, Mr. Milner commented that Q-Cells knows that "the stuff is very early on the development phase" and the company does not have any "security" with respect to the cells' efficiency. Mr. Milner noted that "you can, in principle," use the metallurgical grade silicon, but would not satisfactorily elaborate on any details.

Q-Cells then admitted that in order to use metallurgical grade silicon it must first create a new proprietary, in-house process in Malaysia where it will establish a "competence center to develop the specific techniques" it will need. Specifically, the company expects to test "some very interesting synergy aspects between the wafering and the cell." Q-Cells alleged that it will get a "separation" of the impurities during its new in-house Malaysian ingoting process. In his discussion of the ingoting process, Mr. Milner confessed that "dirty silicon" introduces additional challenges to cell production.

Despite Q-Cells' best efforts to convince listeners otherwise, it was difficult for callers to find any factual basis in Q-Cells' unsupported opinions and inconsistent claims. At one point during the call Mr. Milner defensively claimed that "metallurgical grade silicon is very, very old, it's older than polysilicon" yet he failed to tell his audience that despite billions of dollars and decades of research, it has never been used to commercially produce efficient solar cells.

Under further scrutiny, Q-Cells' executives refused to provide any specific processing results, any customer that was willing to guarantee a metallurgical grade silicon product, or any other vital figures necessary to verify their claims.

Instead when confronted with the inconsistencies in given statistics the CEO said the numbers were “off the top of my head” and when asked for details he said the company will "never" make such disclosures.