

UPDATE 3-First Solar profit tops Street, trims sales view

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- * Q2 EPS \$1.84 vs Wall St. \$1.61
 - * Revenue up 12 percent to \$588 million
 - * Cuts full-year sales view
 - * Raises full-year profit outlook to \$7.00-\$7.40/shr
 - * Shares slip in post market trade
- (Recasts, adds analyst comments, background)

By Matt Daily

NEW YORK, July 29 (Reuters) - First Solar (FSLR.O) reported better-than-expected quarterly profits on Thursday, but trimmed its 2010 sales forecast because of weaker prices.

Its shares fell 4 percent in after hours trading.

The company, the biggest photovoltaic solar maker by market value, also raised its earnings forecast for the second time in three months and said it expected robust demand to continue into 2011.

Demand for solar energy systems this year has outpaced most analysts' expectations as sales in Germany have surged ahead of planned subsidy cuts there.

Chief Executive Rob Gillette, who took the helm of the company in October last year, sought to assuage fears that demand could evaporate next year with the reduced incentives in Germany.

"The global market is very strong in 2010, and we expect it to continue into 2011," Gillette told a conference call.

His comments echoed those of German rival SolarWorld (SWVG.DE), whose CEO Frank Asbeck said the market there would decline somewhat in the second half of the year, but would be offset by resilient demand in Italy. [ID:nLDE66R21M]

First Solar has steadily reduced selling prices as German incentives shrink, and said it now expected full-year sales between \$2.5 billion and \$2.6 billion, compared with the \$2.6 billion to \$2.7 billion it had predicted in April.

That appeared to surprise the market, one analyst said, even though the overall figures were positive.

"The reduction in the revenue guidance might have caught some people off guard. What you need to see is they are increasing EPS guidance," said Simmons & Co analyst Burt Chao.

PROFIT OFF, COSTS SHRINK

The company's net profit in the April-June period fell 12 percent to \$159 million, or \$1.84 per share, from \$180.6 million, or \$2.11 per share, a year ago.

Revenue at the company, the industry's lowest-cost producer, rose 12 percent to \$588 million.

Analysts had expected earnings of \$1.61 per share, on revenue of \$545.4 million, according to Thomson Reuters I/B/E/S.

The decline in second quarter earnings from a year ago was largely due to lower selling prices for its modules, the company said, as well as weakness in the euro versus the U.S. dollar.

First Solar continued to slash its production costs, cutting 5 cents from its per watt cost to reach an industry leading 76 cents per watt. Unlike most photovoltaic solar companies that use polysilicon in their solar modules, First Solar uses cadmium telluride.

Going forward, the key areas investors would be looking at are further cost cuts and efficiency improvements in panels, given the increasing competition the company is facing from low-cost products from China, said **Pallavi Madakasira, analyst with Primary Global Research.**

The company raised its full-year profit forecast for the second time in three months, saying it now expects earnings per share between \$7.00 to \$7.40 per share, up from \$6.80 to \$7.30 it had previously expected.

Analysts have forecast earnings of \$7.12 per share for the year and sales of \$2.62 billion.

Shares in First Solar were down 4 percent to \$130 in post market trade.

(Additional reporting by Adveith Nair and Poornima Gupta in San Francisco; editing by Carol Bishopric, Leslie Gevirtz)