

## RENESOLA LTD

### RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

ReneSola Ltd (“ReneSola” or the “Company”) (AIM: SOLA), a leading manufacturer of silicon wafers for the solar PV industry, is pleased to announce its financial results for the third quarter ended 30 September 2007 and to provide a trading update.

#### Highlights for Third Quarter 2007

- Production output up 56.5% to 36 MW compared with 23 MW in the second quarter, exceeding the guidance range of 30 MW to 35 MW
- Total net revenues increased by 63.2% to US\$74.4 million from US\$45.6 million in the second quarter
- Net profit increased by 106.7% to US\$11.2 million from US\$5.4 million in the second quarter
- Successful installation of 15 multicrystalline furnaces with a total capacity of 75 MW as at 19 November 2007
- Construction on track for the first phase of the polysilicon joint venture in Henan Province, China with a projected annualised capacity of 300 tonnes. Trial production is expected to commence in the first quarter of 2008
- Development of a wholly-owned green field polysilicon plant with a projected annualised capacity of 1,500 tonnes in Sichuan Province, China. Trial production is expected to commence in the second half of 2009
- Two long term polysilicon purchase contracts signed for a total of 4,650 tonnes in the first three years, including delivery of 350 to 400 tonnes in 2008
- Agreement signed with Suntech Power to supply 510 MW of wafers over a four year period with delivery to begin in 2008
- Completion of construction of facility at overseas recycling subsidiary, ReneSola Malaysia

	Q3 2007	Q2 2007	9 months ended 30 Sept 2007	9 months ended 30 Sept 2006
Net revenue (US\$000)	74,375	45,582	156,554	52,457
Gross profit (US\$000)	15,216	9,653	33,814	15,904
Gross margin (%)	20.5	21.2	21.6	30.3
Operating profit (US\$000)	12,955	7,387	28,301	14,915
Foreign exchange loss (US\$000)	(562)	(2,249)	(2,873)	-
Profit for the period (US\$000)	11,215	5,426	23,057	14,465
Production output (MW)	36.0	23.0	74.3	23.2

Mr. Li Xian Shou, Chief Executive Officer of ReneSola, said, “We continued our production capacity expansion during the quarter. With 15 multicrystalline furnaces in the initial phase of production, we now have a balanced product offering to better meet customers’ needs. We believe this will enhance our existing customer relationships and provide the potential for significant customer gains.

“We have also taken further steps to increase and diversify our feedstock sources by signing additional long term polysilicon supply contracts and continuing our efforts to secure reclaimable raw materials through our global sourcing network. In addition to our polysilicon joint venture in Henan Province which is expected to commence trial production during the first quarter 2008, we have initiated the development of a wholly-owned green field polysilicon plant in Sichuan, China. We believe this strategy will help us secure feedstock and further improve our position in an increasingly competitive market.

“Demand for wafers remained robust through the third quarter. We announced several multi-year wafer sales contracts and strengthened our long term customer partnerships.

“Feedstock costs continued increasing during the third quarter reflecting the ongoing industry shortage of polysilicon. Higher feedstock costs are expected to continue in fourth quarter 2007, which may lead to a decline in our gross margin sequentially over the next two quarters. We will continue to focus on implementing strict cost controls, achieving further technical productivity improvements and increasing toll production in order to mitigate the negative impact. In addition to securing long term polysilicon supply contracts, we expect an incremental supply from our upstream polysilicon manufacturing due to come onstream in 2008. Together with our continuing efforts to achieve productivity gains, this will help alleviate the pressure on our gross margins in the future.”

## **Financial Review**

### *Net revenue*

ReneSola reported net revenues of US\$74.4 million for the third quarter 2007, an increase of 63.2% sequentially and 161.9% year-on-year. Excluding revenue from tolling production and ingot sales of approximately US\$6.9 million during the quarter, revenue from wafer sales was US\$67.5 million on shipment of approximately 29.3 MW. Tolling contracts accounted for 18.9% of total output and 8.8% of net revenue in the third quarter. The net revenue growth rate was higher than that of production output due to an increased average selling price (“ASP”) of wafers during the quarter.

### *Gross profit*

Third quarter gross profit was US\$15.2 million, a 57.6% increase sequentially and 78.3% year-on-year. The gross margin for the third quarter 2007 was 20.5% compared to 21.2% in the second quarter 2007. The change in gross margin was attributable to an increase of over 10% in average feedstock costs during the quarter. The negative impact was mitigated both by improvements in in-house slicing yields, due to a significantly lower wafer breakage rate and the use of thinner wires, as well as an increase in wafer ASPs.

### *Operating profit*

Operating profit in the third quarter 2007 was US\$13.0 million, an increase of 75.4% sequentially and a 57.5% increase year-on-year. Operating margin was 17.4% in the third quarter compared to 16.2% in the second quarter. Administration expenses increased by US\$0.1 million compared to the second quarter, but decreased as a percentage of revenue from 4.8% to 3.0%, reflecting economies of scale.

### *Profit before tax*

Profit before tax in the third quarter was US\$11.1 million, an increase by 142.8% sequentially and 39.8% year-on-year. Finance costs increased by 11.6% sequentially, reflecting increased bank borrowings and interest rates. Finance costs as a percentage of net revenue decreased from 3.7% to 2.5% during the quarter. The third quarter foreign exchange loss was significantly reduced to US\$0.6 million from US\$2.2 million in the second quarter due to decreased assets denominated in US dollars.

### *Taxation*

ReneSola's subsidiary, Zhejiang Yuhui Solar Energy Source Co. Ltd, recognised a tax credit of US\$0.1 million in the third quarter 2007, down from US\$0.86 million in the second quarter, due to a decrease in domestic equipment purchases.

### *Net profit*

Third quarter 2007 net profit increased 106.7% sequentially and 41.5% year-on-year to US\$11.2 million due to the reasons stated above.

## **Business Review**

### *Furnace delivery and installation*

The number of monocrystalline furnaces remained unchanged in the third quarter of 2007. In line with our expansion plan, 40 new monocrystalline furnaces are expected to be delivered by the end of the year to increase our mono manufacturing capacity to 218 MW.

ReneSola commenced the installation of multicrystalline furnaces in September following the delivery of the coated crucibles. 15 multicrystalline furnaces, with a combined manufacturing capacity of 75 MW, have now been delivered and installed and are in initial production. The remaining 17 furnaces will be delivered and installed, as planned, by the end of 2007.

As such, the Company remains on track to achieve the slightly increased year end ingot production capacity target of 378 MW.

### *Investment in solar grade virgin polysilicon plant*

Construction of the polysilicon joint venture in Henan Province, which was announced on 23 August 2007, is on schedule and the first phase, with a projected annualised capacity of 300 tonnes is expected to commence trial production in the first quarter 2008. ReneSola has committed to purchase 90% of the joint venture's production output, which will help alleviate pressure on gross margins.

The Company has committed to invest approximately RMB102.9 million in cash for a 49% interest and has paid RMB60.3 million with the remaining RMB42.6 million to be paid within a year.

To provide an additional secure, stable and lower-cost source of feedstock, the Company has incorporated a wholly-owned subsidiary in Sichuan Province, China, to develop a polysilicon production facility with a projected annualised capacity of 1,500 tonnes. Trial production of this facility is expected to commence in the second half of 2009. The Company has also signed contracts to purchase some of the equipment from suppliers.

The Directors believe this facility will add an important new component to its sources of feedstock and will complement the polysilicon joint venture in Henan Province.

### *Feedstock procurement*

In addition to the long term purchase contract with Sichuan Yongxiang Polysilicon Co. Ltd. announced on 22 October 2007, which is expected to deliver 200 tonnes of polysilicon in 2008, the Company has signed a long term polysilicon contract with Daqo New Material Co. Ltd. for a supply of 150 to 200 tonnes of polysilicon in 2008 and 2,000 tonnes of polysilicon over five years, starting from the second half of 2008.

ReneSola has made significant progress in securing feedstock for the planned production output in 2008. In addition to 350 to 400 tonnes of polysilicon secured from long term supply contracts and 200 to 300 tonnes expected from the polysilicon joint venture in Henan Province, the Company has been able to purchase a monthly average of over 70 tonnes of feedstock over the first nine months of 2007 despite the industry shortage of polysilicon and believes that it can continue to do so in 2008. The shortfall in feedstock for the planned output in 2008 is expected to be filled through tolling arrangements.

### *Additional recycling facility*

ReneSola Malaysia has completed construction of a new recycling facility which is ready for full commissioning subject to receiving final approval from the local government. The new Malaysian facility is expected to provide an annualised recycling capacity of 1,000 tonnes, supplementing the existing recycling capacity in Zhejiang. The Directors believe this new facility will further strengthen its recycling capacity and will bolster its continuing efforts to secure feedstock at competitive rates.

### *Sales contracts*

In addition to the previously announced wafer sales contracts with JA Solar Co. Ltd. and Jetion Holding Limited, ReneSola recently announced an agreement with Suntech Power to supply 510 MW of wafers over a four year period beginning in January 2008.

### *Appointment*

The Directors are pleased to announce that Mr. Cheng Hsien Yeh has been appointed Chief Operating Officer. Mr. Yeh has extensive experience in the solar industry. Prior to joining ReneSola, he was the general manager of Motech (Suzhou) New Energy Co., Ltd. from 1999 to 2007. From 1997 to 1999, Mr. Yeh served as the sales manager of Leoco (Suzhou) Electronics. The Directors believe that Mr. Yeh will make a valuable contribution in improving management efficiency and helping to enhance the Company's competitiveness.

### *Share incentive plan*

In September 2007 the Board adopted a share incentive plan with 7,500,000 new shares reserved for issuance under the plan. In October 2007, the Board granted to certain officers and employees options over 4,250,000 shares. Options granted under the 2007 share incentive plan generally vest over a five-year period following the date of grant. The plan is intended to attract and retain the best available personnel for positions of substantial responsibility and to provide an additional incentive to employees, directors and consultants and promote the success of our business.

### **Production Output Guidance**

We maintain our production output guidance range of 120MW to 125MW for 2007.

## INCOME STATEMENT

	<b>Three months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Jun 2007 US\$000</b>	<b>Nine months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Sep 2006* US\$000</b>	<b>Nine months ended 30 Sep 2006* US\$000</b>
<b>Sales</b>	74,375	45,582	156,554	28,395	52,457
<b>Cost of sales</b>	(59,159)	(35,929)	(122,740)	(19,861)	(36,553)
<b>Gross profit</b>	15,216	9,653	33,814	8,534	15,904
Selling and marketing expenses	(180)	(195)	(479)	(9)	(134)
Administrative expenses	(2,266)	(2,171)	(5,369)	(504)	(1,084)
Other operating expenses		(11)	(11)	-	-
Other operating income	185	111	346	207	229
<b>Operating profit</b>	<u>12,955</u>	<u>7,387</u>	<u>28,301</u>	<u>8,228</u>	<u>14,915</u>
Investment revenue	551	1,095	1,705	-	-
Foreign exchange loss	(562)	(2,249)	(2,873)	-	-
Finance costs	(1,864)	(1,670)	(4,150)	(305)	(450)
<b>Profit before income tax</b>	<u><b>11,080</b></u>	<u><b>4,563</b></u>	<u><b>22,983</b></u>	<u><b>7,923</b></u>	<u><b>14,465</b></u>
<b>Taxation benefits</b>	<u>98</u>	<u>863</u>	<u>37</u>	<u>-</u>	<u>-</u>
<b>Profit for the period</b>	11,178	5,426	23,020	7,923	14,465
<b>Minority interest</b>	<u>37</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>
<b>Profit for the period</b>	<u><u><b>11,215</b></u></u>	<u><u><b>5,426</b></u></u>	<u><u><b>23,057</b></u></u>	<u><u><b>7,923</b></u></u>	<u><u><b>14,465</b></u></u>

## BALANCE SHEET

	<b>30 Sep 2007</b>	<b>As at 30 Jun 2007</b>	<b>30 Sep 2006*</b>
	<b>US\$000</b>	<b>US\$000</b>	<b>US\$000</b>
<b>Non-current assets</b>			
Property, plant and equipment	93,774	52,879	18,198
Deposits and prepayments	29,539	41,647	-
Deferred tax asset	4,597	3,479	-
	<u>127,910</u>	<u>98,005</u>	<u>18,198</u>
<b>Current assets</b>			
Inventories	94,263	75,214	25,555
Trade and other receivables	72,319	65,721	32,363
Cash and cash equivalents	68,935	67,899	19,620
	<u>235,517</u>	<u>208,834</u>	<u>77,538</u>
 Total assets	 363,427	 306,839	 95,736
<b>Current liabilities</b>			
Trade and other payables	50,170	35,235	38,775
Tax payable	-	14	5
Bank loans	74,554	58,929	13,030
	<u>124,724</u>	<u>94,178</u>	<u>51,810</u>
 Net current assets/(liabilities)	 110,793	 114,656	 25,728
<b>Non Current Liabilities</b>			
Convertible bond payable	117,002	112,948	-
Warranty cost	65	65	-
Long-term bank loans	6,657	4,739	-
	<u>123,724</u>	<u>117,752</u>	<u>-</u>
 Net assets	 <u>114,979</u>	 <u>94,909</u>	 <u>43,926</u>
<b>Equity</b>			
Reserves	105,352	94,909	43,926
Capital and reserves attributable to equity holders	105,352	94,909	43,926
Minority interests	9,627	-	-
 Total equity	 <u>114,979</u>	 <u>94,909</u>	 <u>43,926</u>



## CASH FLOW STATEMENT

	<b>Three months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Jun 2007 US\$000</b>	<b>Nine months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Sep 2006* US\$000</b>	<b>Nine months ended 30 Sep 2006* US\$000</b>
<b>Cash flows from operating activities</b>					
Cash used by operations	(759)	(48,298)	(57,261)	(7,060)	(399)
Interest paid	<u>(1,688)</u>	<u>(905)</u>	<u>(2,797)</u>	<u>(18)</u>	<u>(127)</u>
<b>Net used by operating activities</b>	(2,447)	(49,203)	(60,058)	(7,078)	(526)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(32,958)	(22,018)	(61,757)	(9,616)	(19,512)
Deposits for property, plant and equipment	15,272	(10,904)	(6,469)	-	-
Interest received	551	1,095	1,705	12	18
<b>Net cash used in investing activities</b>	<u>(17,135)</u>	<u>(31,827)</u>	<u>(66,521)</u>	<u>(9,604)</u>	<u>(19,494)</u>
<b>Cash flows from financing activities</b>					
Contribution from minority shareholder of subsidiaries	361	-	361	-	-
Proceeds from capital contribution	2,133	-	2,133	27,000	27,000
Net proceeds from bond issue	-	-	115,771	-	-
Net proceeds of bank loans	<u>16,646</u>	<u>16,730</u>	<u>64,604</u>	<u>2,694</u>	<u>12,306</u>
<b>Net cash provided by financing activities</b>	19,140	16,730	182,869	29,694	39,306
Net (decrease) / increase in cash and cash equivalents	(442)	(64,300)	56,290	13,012	19,286
<b>Cash and cash equivalents at beginning of the period</b>	<u>67,899</u>	<u>131,034</u>	<u>9,862</u>	<u>6,714</u>	<u>404</u>
Effects of exchange rate restatements on cash and cash equivalents	1,478	1,165	2,783	(106)	(70)
<b>Cash and cash equivalents at end of the period</b>	<u>68,935</u>	<u>67,899</u>	<u>68,935</u>	<u>19,620</u>	<u>19,620</u>

## NOTE TO THE CASH FLOW STATEMENT

	<b>Three months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Jun 2007 US\$000</b>	<b>Nine months ended 30 Sep 2007 US\$000</b>	<b>Three months ended 30 Sep 2006* US\$000</b>	<b>Nine months ended 30 Sep 2006* US\$000</b>
<b>Profit before tax</b>	11,080	4,563	22,983	7,923	14,465
<i>Adjustment for:</i>					
Depreciation	1,205	705	2,428	227	393
Net movement on doubtful debt provision	3	32	91	36	62
Amortization of lease payment	49	27	103	-	-
Employees share compensation cost	95	95	259	-	-
Deferred tax	(926)	(120)	(1,046)	-	-
Interest revenue	(551)	(1,094)	(1,705)	(12)	(18)
Interest expenses	1,864	1,670	4,150	245	354
<i>Changes in working capital:</i>					
<i>(Increase)/decrease in:</i>					
Inventories	(17,619)	(14,701)	(46,738)	(6,900)	(22,410)
Trade VAT and other receivables	(14,067)	(10,424)	(31,384)	(3,165)	(5,199)
Prepayment for raw materials	6,280	(22,916)	(9,940)	(10,643)	(20,159)
<i>Increase/(decrease) in:</i>					
Trade payables and other payables	2,870	1,151	3,834	519	1,899
Unearned revenue	8,972	(6,437)	(361)	4,595	29,731
Tax payables	-14	(914)	-	2	4
Accrued expenses	-	65	65	113	479
<b>Cash used by operations</b>	<u>(759)</u>	<u>(48,298)</u>	<u>(57,261)</u>	<u>(7,060)</u>	<u>(399)</u>

\* The income and cash flow statements for the three and nine month periods ending 30 September 2006 and the balance sheet at 30 September 2006 are those of Zhejiang Yuhui Solar Energy Source Co. Ltd, ReneSola Ltd's wholly owned subsidiary and have been included for comparative purposes.

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