

Multiple growth drivers on the horizon

Key growth drivers ignored by investors; Reiterate Buy

Most investors are impressed by its strong earnings growth, but few would recognize new growth drivers such as in-house polysilicon and metallurgical, which made us incrementally more positive. We are also encouraged by news that 60% of ReneSola's '09 production is already booked, reducing much of the '09 demand risk feared by some investors. We reiterate our Buy rating and PO of 750p. Please note we have introduced coverage of the ADR with a US\$30 target.

Strong 2Q08 results consistent with our positive preview

Strong performance of 2Q08 is consistent with our positive preview we published a month ago, "[Stock oversold despite strong 2Q momentum, on 11 July](#)". 2Q08 revenue of \$173mn exceeded our bullish estimate of \$149mn and consensus of \$141mn. ADR EPS of \$0.39 was better than our estimate of \$0.33 and consensus of \$0.32 due to rising ASP and improving silicon utilization from 6.3g/w to 6.24g/W.

Polysilicon JV adds c.\$0.04 to 3Q08 EPS

We expect the polysilicon JV to generate \$5mn investment income for ReneSola and an additional EPS of \$0.04/share. We expect the Henan JV to produce about 75-85MT of polysilicon during 3Q08 and is earning a gross margin of 60%.

Metallurgical silicon provides margin upside

The company announced significant progress in using metallurgical silicon and the conversion efficiency is satisfactory, according to the management. Little information has been disclosed but we expect metallurgical wafers will be significantly accretive to its margin due to its low cost. ReneSola's competitor LDK had been successful in marketing such product recently as well within a short period of time.

Consensus to move past our bullish estimate

We expect consensus of \$612mn to move past our bullish estimates of \$626mn based on management's new guidance. With higher ASP and increased production, ReneSola raised its FY08 guidance to \$640-670mn from \$570-590mn, on shipment target of 340-350MW from 330-340MW. As such, we still see upside risk to our Street-high FY08 EPS of \$1.45 compared to consensus of \$1.29.

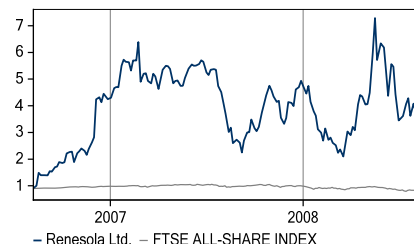


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Stock Data

Price (Common / ADR)	469.25p / US\$17.81
Price Objective	750.00p / US\$30.00
Date Established	30-May-2008 / 20-Aug-2008
Investment Opinion	C-1-9 / C-1-9
Volatility Risk	HIGH / HIGH
ML Symbol / Exchange	RESLF / LSE
ML Symbol / Exchange	SOL / NYS
Bloomberg / Reuters	SOLA LN / SOLA.L



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Refer to important disclosures on page 3 to 4. Analyst Certification on Page 2. Price Objective Basis/Risk on page 2.

Price objective basis & risk

Renesola Ltd (RESLF / SOL)

Our PO of 750p is based on ROOC mid-cycle fair value of \$800p, PO of 750p is based on 20x FY08E EPS of 38p/\$0.745 or \$1.49 per ADR. We believe that this is reasonable compared to industry peer average of 10-25x 2008E earnings. Risks are execution on the expansion of new capacity and implementation of new technological solutions. Competition could affect pricing, while material supply could also be a risk in terms of both supply and pricing, and changes in legislation and customer activity could also affect end demand.

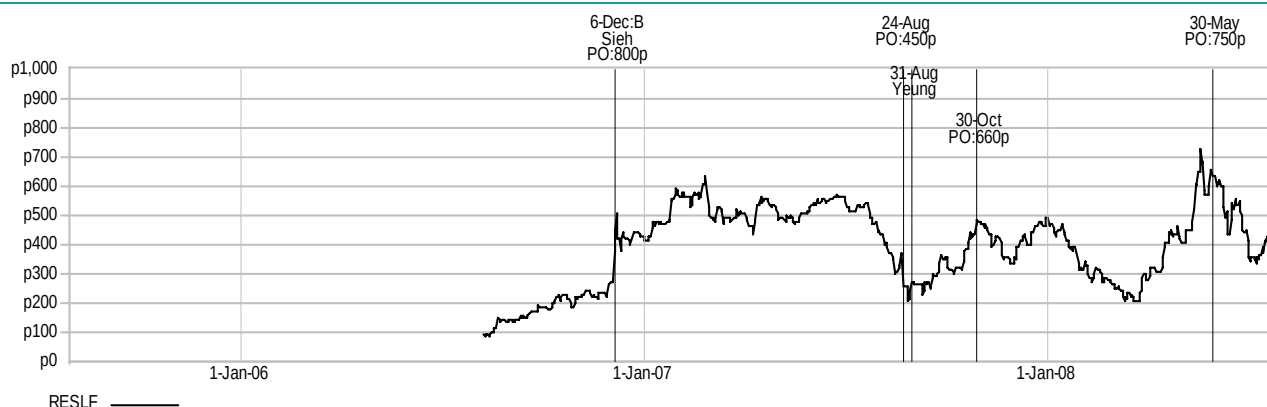
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20 August 2008

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RESLF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of July 31, 2008 or such later date as indicated.

Investment Rating Distribution: Utilities Group (as of 01 Jul 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	66	45.21%	Buy	30	50.00%
Neutral	33	22.60%	Neutral	16	51.61%
Sell	47	32.19%	Sell	13	31.71%

Investment Rating Distribution: Global Group (as of 01 Jul 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1664	47.42%	Buy	441	29.46%
Neutral	803	22.88%	Neutral	224	31.46%
Sell	1042	29.70%	Sell	217	22.84%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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