



# 2Q12 Earnings Presentation

August 2012



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## Second Quarter Highlights



Continued investment in R&D and new technology



Increasingly focused on our high-margin module business



Delivered record shipments despite tough market conditions

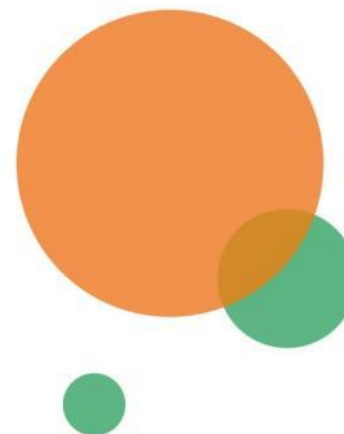


Continued to reduce wafer, module and polysilicon costs



Maintained leadership in wafer processing and technology

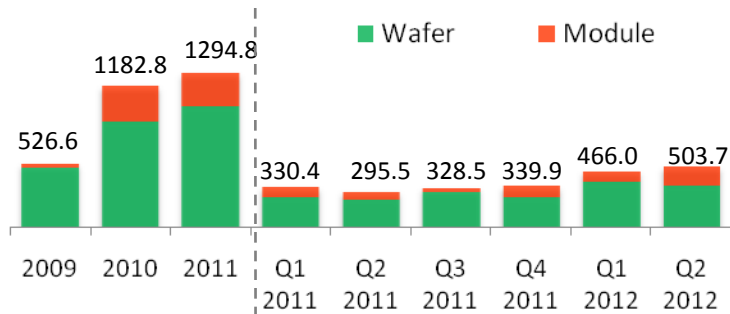
# Business Highlights



# Second Quarter Snapshot

## Total Solar Wafer and Module Shipments

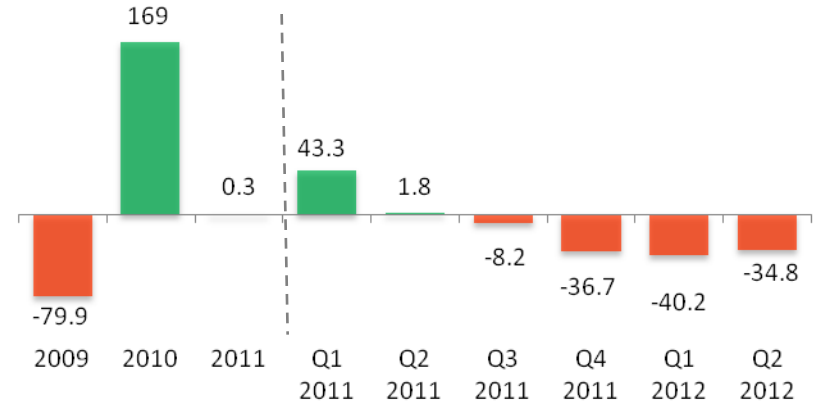
(Units in MW)



Note: The Company adjusted its efficiency calculation used in determining MW shipped starting January 1, 2010. Data before 2010 has not been adjusted.

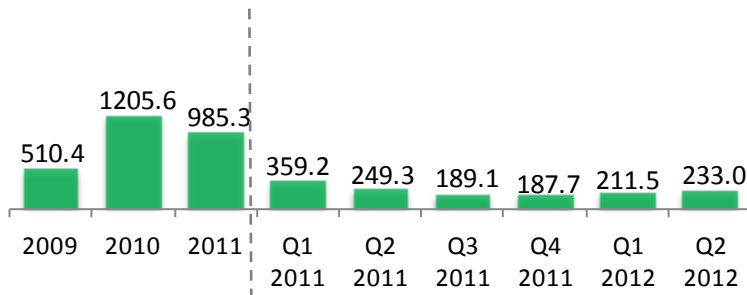
## Net Income

(US\$ in MM)



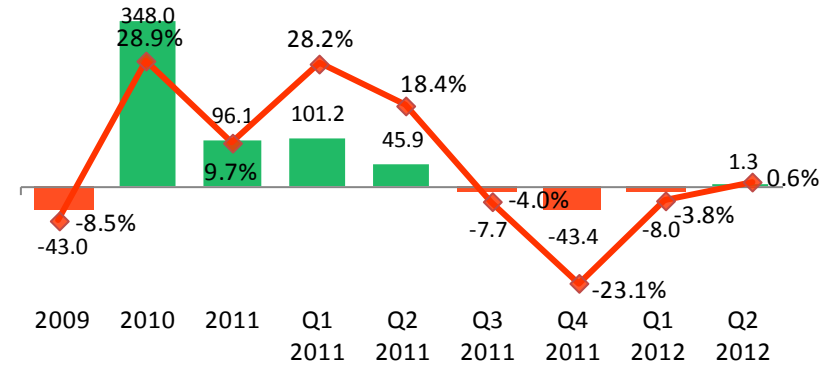
## Revenues

(US\$ in MM)



## Gross Profit and Margin

(US\$ in MM)



Gross margin was 3.9% not including inventory write-down and reversal of product warranty reserve expense

# Research and Development Updates



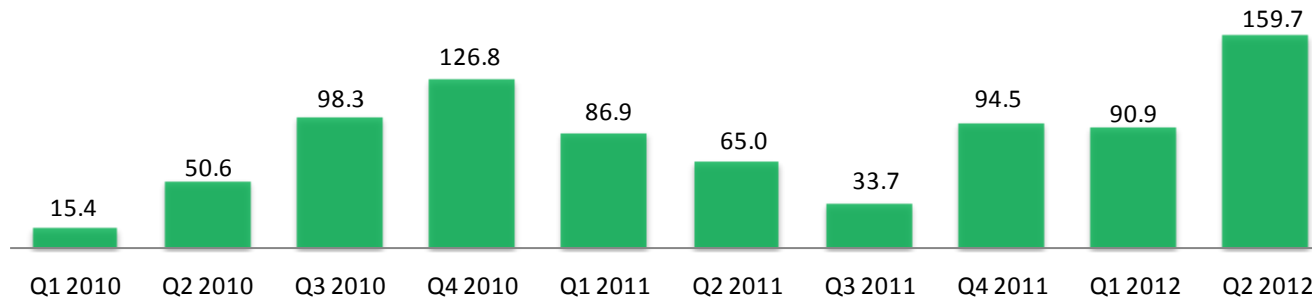
- Developed second generation of Virtus wafers, Virtus II
- Virtus II utilizes our new in-house proprietary Virtus A++ manufacturing process, which does not require any crystalline seeds
- The Virtus II modules use of the Virtus A++ manufacturing process produces high-efficiency Virtus A++ wafers with lower light-induced degradation and lower processing cost
- Current processing cost in our latest facilities is close to \$0.12/W, which we believe can be lowered to \$0.11/W by year end
- In Q2 2012, we developed a microinverter, Replus, which can be used with our modules for power conversion in solar systems
- Continued R&D of low-oxygen concentration solar wafers
- Continued R&D of carbon composite materials

# Module Business Updates

- Q2 2012 module shipments were a record 159.7 MW, up 75.7% Q-o-Q and 145.7% Y-o-Y
- We shipped 76.1 MW of Virtus modules in Q2 2012
- Q2 2012 module ASP was \$0.75/W, compared to \$0.84/W in Q1 2012
- Total selling cost for modules in Q2 2012 was \$0.66/W
- To meet growing demand, we increased our module capacity to 1.2 GW in Q2 2012
- In Q3 2012, we expect to ship 150-170 MW of solar modules
- We expect ASPs to further decrease in Q3 2012
- We expect total manufacturing cost to be below \$0.63/W in Q3 2012
- We will continue our sales and marketing efforts in 2H 2012 to raise our brand awareness and expand geographically

## Module Shipments

(Units in MW)



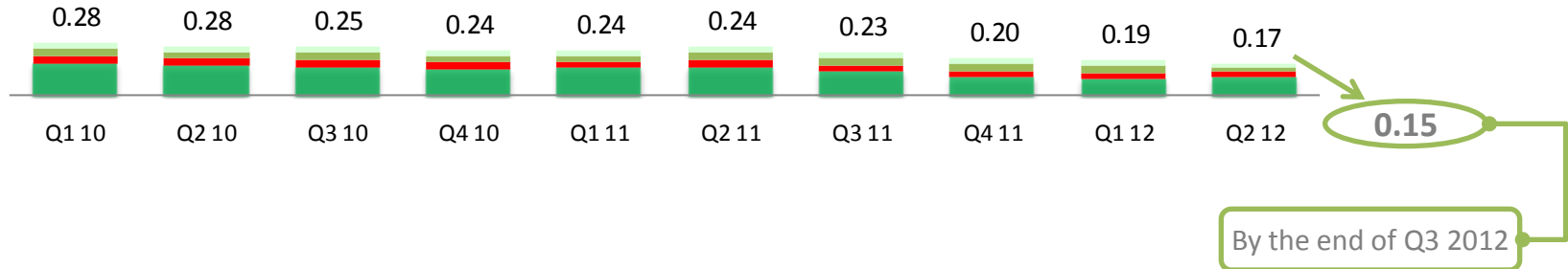


# Wafer Business Updates

## Wafer Processing Cost Breakdown

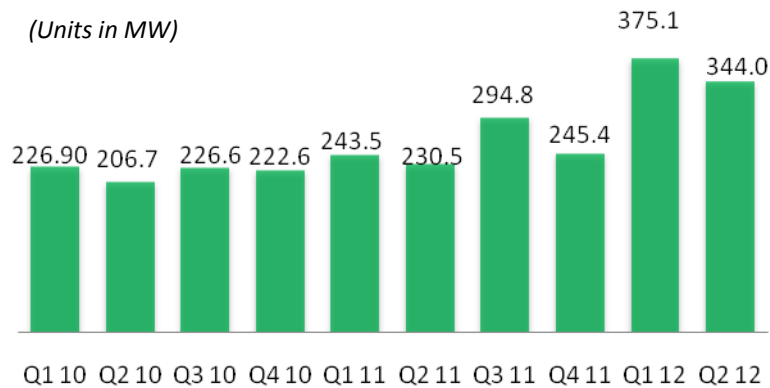
(US\$/W)

Raw Material Electricity Other Depreciation



## Wafer Shipment Growth

(Units in MW)

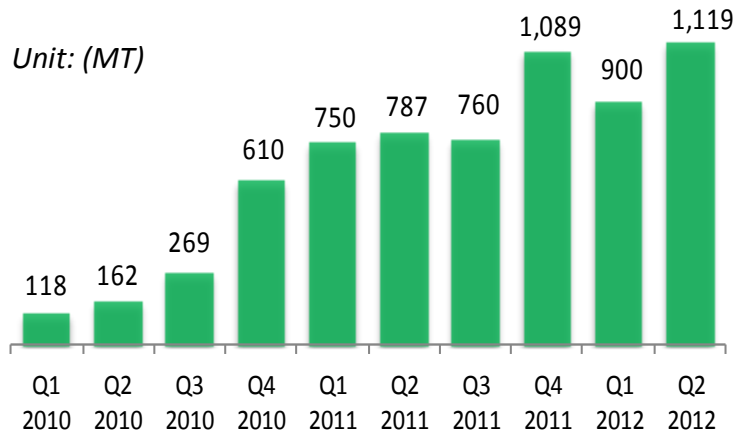


- Our costs for mono, high efficiency multi, and Virtus were \$0.21, \$0.15 and \$0.15, respectively
- In Q2 2012, developed a second generation of Virtus wafers, Virtus II, which uses a new manufacturing process without any crystalline seeds.
- Virtus II processing cost is close to \$0.12/W, significantly lower than our overall wafer processing cost \$0.17/W, with a conversion efficiency of 17.5%
- Target to drive overall processing cost down to \$0.15/W by the end of Q3 and Virtus II processing cost further down to \$0.11/W by the end of the year

# Polysilicon Production Updates

- Internal polysilicon production cost decreased to approximately US\$ 25.80 /kg
- Internal polysilicon production increased to approximately 1,119 MT in Q2 2012
- Internal polysilicon production cost is expected to drop to US\$24/kg by the end of Q3 2012 and US\$22/kg by the end of 2012.
- By the end of 2012, we expect polysilicon production to be 10,000 MT upon completion of Phase II of our polysilicon plant
- We expect Phase II's stand-alone production cost to be US\$18/kg and total blended cost for Phase I and Phase II combined to be about US\$20-22/kg

## Production Output



## Cost Reduction



# Systems and Project Business

## Bulgarian project

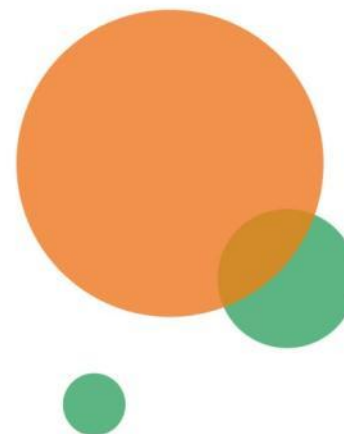
- Successfully completed 9.7 MW project in Bulgaria in Q2 2012
- Connected to the grid and generating an IRR > 25%
- This is in addition to our existing 20 MW power facility in Qinghai, which is also connected to the grid, generating a high IRR and has received a RMB220 million from the China Development Bank

## Projects in the pipeline

- 60 - 70 MW project pipeline for the remainder of 2012
- We plan to be highly selective in our power projects business and will place importance on due diligence in evaluating project opportunities

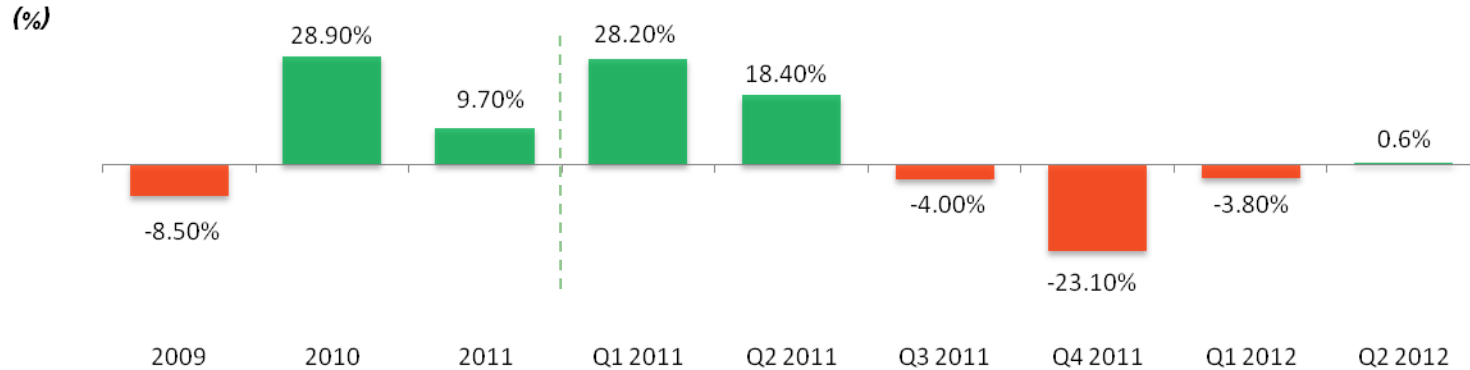


# Financial Highlights

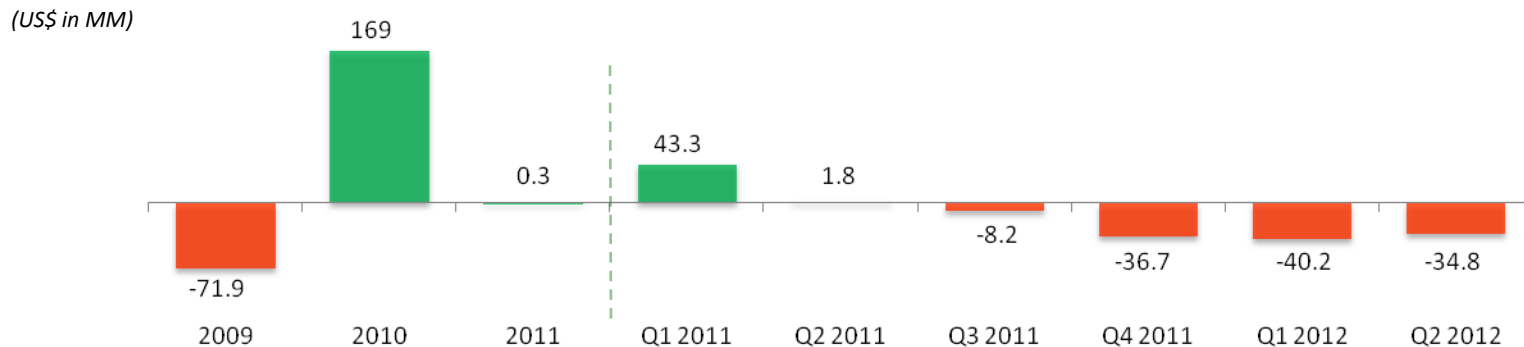


# Gross margin and net income affected by declining ASPs

## Gross Margin



## Net Income



- Q2 2012 gross profit not including a write-down of \$15.5 million for inventory and a reversal of our product warranty reserve expense of \$7.8 million would have been \$9 million

# Key Financial Ratios

Financial Ratio	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Trade Receivable Turnover Days	28	24	34	41	51	56	64	74
Trade Payable Turnover Days	74	72	70	75	85	78	106	133
Inventory Turnover Days	61	56	60	70	87	62	68	75
Interest Coverage Ratio	14	12	11	2	-0.3	-3.5	-2.8	-3.1
Net debt to equity	50%	34%	42%	44%	59%	65%	93%	103%

- Our financial position is relatively healthy with strict internal controls on credit and inventory
- Low financing costs - 6.0% for Q2 2012
- Our relatively healthy balance sheet enables us to remain stable financially despite tough industry conditions

# Income Statement Summary

US\$ Million	2006	2007	2008	2009	2010	2011	Q1 2012	Q2 2012
Revenue	84.4	249.0	670.4	510.4	1,205.6	985.3	211.5	233.0
Gross Profit	24.7	53.5	-14.3	-43.2	348.0	96.1	-8.0	1.3
Gross Margin	29.3%	21.5%	-2.1% (18.3%*)	-8.5% (5.5%*)	28.9%	9.7% (14.7%*)	-3.8% (2.0%*)	0.6% (3.9%*)
Operating Expense	2.5	10.1	34.2	47.4	102.0	84.5**	29.8	35.9
EBIT Margin	27.2%	16.6%	-6.8%	-17.7%	20.4%	3.3%	-16.2%	-16.6%
Interest Expense	0.3	4.5	11.9	17.1	23.2	37.2	12.3	12.6
Tax Benefits (Expense)	2.7	6.2	2.4	41.2	-60.0	4.9	6.2	16.3
Net Income (Loss)	25.3	42.9	-54.9	-71.9	169.0	0.3	-40.2	-34.8
Net Margin	30.0%	17.2%	-8.2% (12.2%*)	-14.1% (3.7%*)	14.0%	0.03% (4.7%*)	-19.0%	-14.9%

Note: \* Excludes inventory write-downs of \$137.0 million in 2008, \$71.3 million in 2009, \$45.6 million in 2011, \$12.2 million in Q1 2012 and \$15.5 million in Q2 2012, as well as a provision of \$8.6 million in 2009 and a reversal of a product warranty reserve expense of \$7.8 million in Q2 2012

\*\* Includes a one-time gain of \$13.5 million arising from the forfeiture of a prepaid deposit due to the breach of a solar wafer contract by one of our clients in 2011



# Balance Sheet Summary

US\$ Million	Balance Sheet Summary							
	2006	2007	As of December 31				As of March 31	As of June 30
			2008	2009	2010	2011	2012	2012
<b>Cash and Equivalents</b>	9.9	53.1	112.3	106.8	290.7	379.0	338.9	314.2
<b>Restrictive cash</b>	0	0	6.0	25.3	33.6	58.3	49.4	79.9
<b>Accounts Receivable</b>	0.7	8.8	43.2	108.0	81.5	129.6	170.8	211.2
<b>Inventory</b>	44.8	110.6	193	137.8	170.6	154.2	176.4	209.8
<b>Accounts Payable</b>	4.9	13.1	37.9	93.4	220.8	235.8	283.1	404.0
<b>Short-term Borrowings</b>	14.7	71.7	192.0	358.6	400.8	570.9	662.6	691.1
<b>Long-term Borrowings</b>	-	17.8	32.8	189.3	121.5	144.7	138.2	130.2
<b>Convertible Notes</b>	-	128.3	138.9	32.5	-	111.6	111.6	111.6
<b>Shareholder Equity</b>	72.5	125.7	381.8	396.3	586.5	601.1	561.6	521.0

- Our balance sheet position at the end of Q2 2012 was relatively healthy with approximately \$394.2 million in cash and \$821.3 million in debt (excluding convertible notes)
- We are well prepared for the difficult market conditions



# Guidance

## Q3 2012 Guidance

- Total solar wafer and module shipments to be in the range of 510 MW to 530 MW
- Module shipments of 150 MW to 170 MW
- Revenues are expected to be in the range of \$200 million to \$220 million

## FY 2012 Guidance

- Total solar wafer and module shipments to be in the range of 2.2 GW to 2.4 GW

**THANK YOU**  
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