

Excerpt from Reuter's, April 26, 2010

<http://www.reuters.com/article/idUSN2616946720100426?type=marketsNews>

Solar sales to soar, but will profits follow?

Analysts are predicting solar companies will report strong first-quarter sales but say profit margins could suffer, keeping their share prices from benefiting.

Higher-than-expected sales estimates this month from China's JA Solar ([JASO.O](#)) and U.S.-based Evergreen Solar ([ESLR.O](#)) have boosted expectations for the sector, as demand for panels that turn sunlight into electricity rebounds sharply from 2009.

"Results should be pretty strong on the balance," said Simmons & Co analyst Burt Chao. "If we haven't passed the bottom, we're very, very close to it," he added.

Much of this year's surge in demand has occurred in Germany, where renewable energy developers have rushed to get projects in place ahead of planned cuts in incentives that have made the country the world's largest solar market.

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And despite strong demand, most solar stocks, and stocks of clean-tech companies generally, have struggled this year.

Since the start of 2010, the Wilderhill Clean Energy Index .ECO, an index made up of green energy companies, has sunk 5.3 percent. By comparison, the S&P 500 .SPX has risen 9.2 percent.

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Shares are not likely to see a significant upswing soon, most analysts say, as markets wait to see what will happen after the German cuts. Some say demand will drop and that companies, which have been working to bulk up their capacities, will be stuck with excess supply.

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