

NEWSLETTER

Edition July 2007 - Issue: Spain

EPURON

POWER FOR PORTFOLIOS

A COMPANY ON A HIGH ROAD TOWARDS SUCCESS: EPURON SPAIN

Spain is one of the world's major solar energy markets. A compound annual growth rate of 70 percent is expected for newly installed power until 2010. EPURON Spain will play a key role in influencing this trend.

Shortly after the Spanish Royal Decree of 2004 passed, the renewable energy market in Spain experienced a major boom. The new EPURON team in Madrid and Almería immediately began working on photovoltaic and solar thermal project development. At the time, the market was



The Spanish EPURON Team

still quite young with an installed PV capacity of around 37 MWp. Last year, total capacity exceeded 160 megawatts which has nearly quadrupled since 2004. In order to meet the rising demand, 30 solar experts were hired. Last April, a third office was opened in Seville which will focus on the PV market in southern Spain. The structure of the Spanish affiliates provides a full range of services to better ease the implementation of projects. These services include: a highly proficient team of developers, financing experts with in-

ternational experience, lawyers and marketing resources and close ties to the EPURON global network which will help ensure optimal coverage of the market. Additionally, the company has built an excellent network of local project and financing partners. In addition to developing proprietary projects, cooperation with project partners opens the options to acquire developed projects or jointly realize solar power plants. EPURON's high standards for each project and their close ties to major banks help facilitate the preconditions that secure reliable funding. Framework financing ensures rapid implementation and is essential for dynamic growth. EPURON aims to be the leading company to develop and finance large-scale photovoltaic and solar thermal power projects in Spain. With the support of a strong team of experts and a well-filled project pipeline, this goal is certainly within reach. The first two photovoltaic projects were completed in the second quarter. EPURON is planning to install several large-scale plants by the end of the year. The solar thermal power segment is also being driven forward with determination. An eight-person team based in Almería is planning and developing projects in the south of Spain.

EDITORIAL

With a 50/50/08 growth strategy, our parent company, Conergy, has set clear targets: By 2008, all companies in the Conergy Group are expected to generate 50 percent of their sales abroad. Furthermore, 50 percent of the sales should be provided by non-photovoltaic technologies. With subsidiaries in the US, Turkey, Italy, France and 8 other countries, EPURON is already on the way to reaching this target.

As the fastest growing photovoltaic market in the world, Spain has been the focus of our strategic international expansion. EPURON has been active on the Iberian Peninsula from the beginning and has recently implemented its first large-scale project – reason enough to make EPURON Spain the subject of our Newsletter.

What projects have been built? What projects are being planned? What opportunities do they generate for investors? How will the market develop? – are topics that we will cover in this edition of our newsletter. The Managing Director of EPURON Spain, Antonio Arce, will go into more detail in an interview about his team's potential and successes.

In our last quarter, we have also exhibited great success in other markets apart from Spain: in the News and Dates section, you will be updated on what has been happening with EPURON and Conergy and which trade fairs and conventions you can visit us at.

We wish you a sunny summer 2007.

The EPURON Management Board:

*Nikolaus Krane,
Joachim Mueller
Thomas-Tim Saevecke*



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EPURON NEWS

EPURON applies for large-scale projects in Greece

With the opening of EPURON EPE in May, EPURON has officially become active in Greece. In June, the company applied for several large-scale projects of around 25 MWp with the Greek National Regulation Authority. The foundation is now set for profitable growth in one of the sunniest countries in Europe. The investment volume of the project package is over 140 million Euros. The projects will be distributed among the regions of Thessalien and Macedonia.



Part of the Breeze portfolio: Windpark Soltau

EPURON wins advertising Oscar

EPURON won the Golden Lion for best advertising spot at the International Advertising Festival in Cannes. The commercial was created by the award winning Nordpol+ Hamburg advertising agency. The campaign was supported by the German Federal Ministry of Environment. The spot cleverly demonstrates



Watch the video at www.epuron.eu

in a very charming and poetic way the strength of the wind – when used intelligently – benefits everyone. „When I saw ‘Power of Wind’ for the first time, I was drawn by the motive and the humour of it. The Nordpol team did a great job in interpreting the meaning of wind energy into image and sound. It was an excellent ad for the future of renewable energies,“ said Environment Minister, Sigmar Gabriel. EPURON will present the commercial to its international B2B customers on TV and on-line.

Breeze: EPURON hands wind portfolio to HypoVereinsbank

EPURON GmbH renewed a wind portfolio under the Breeze transaction of HypoVereinsbank. The portfolio amounts to 107 million Euros and has been an integral part of HVB's Breeze wind park loan three times already. Altogether, five turnkey wind projects totalling 76.4 megawatts (MW) were handed over. EPURON has developed parks in Germany (68.4 MW) and France (8 MW). The plants will generate over 150 million kilowatt-hours of annual electrical power. This is enough to cover the electrical requirements of a city of about 150,000 inhabitants. Last year, EPURON successfully used Breeze as a financing option for its wind projects. „The interest of institutional investors in wind power projects is continuing to grow. Large portfolios are especially popular because they provide excellent risk diversification; and as a result, we will continue to offer attractive packages in this sector,“ said Joachim Mueller, Managing Director of EPURON and responsible for finance. „Investors attach great importance to the diversification of a portfolio. The increasing internationalisation of our projects meets this demand,“ Mueller added. EPURON has developed and financed wind projects with a capacity of approximately 235 megawatts. Last year, EPURON expanded its wind business into international markets with projects in France and Italy. Wind projects with a capacity of over 600 megawatts are currently being developed.



Detailed view of a wind turbine

FROM PRIVATE TO INSTITUTIONAL INVESTORS: FINANCING IN SPAIN

The Spanish projects were successfully completed, and a strong demand from institutional investors can now be met with changes to the law that were recently enacted.



Solar park in Loja, Andalusia

During the autumn of last year, the project finance department celebrated unprecedented success: a framework financing agreement was finalised with WestLB of Madrid for Spanish photovoltaic projects. This agreement immediately secured external capital for plants with a minimum of 45 MWp capacity; equivalent to 394 million Euros. For Florian Pfeffer and his team responsible for financing in Spain, this agreement was a significant step: „This is the largest European framework financing agreement in the photovoltaics segment to date. The financing agreement with WestLB gives us planning security which will help us rapidly implement all the projects that we have planned for Spain.“



Florian Pfeffer, Head of Project Finance PV

Up to now, equity structuring has proved to be a little more complicated. The reason for this lies in the current regulations set in Spain: assistance was provided particularly for plants with a capacity below 100 kilowatts. For such PV plants, supply payments of 44 cents per kilowatt-hour were guaranteed. The supply payment for large-scale plants, EPURON's core business, was way below this level. At the beginning of 2007, twenty-three cents per kilowatt-hour were paid. The capacity volume of our plants at 1.6 and 1.5 MW respectively is way above the 100 kW threshold. In order for these plants to be supported, large-scale plants were often legally split: for each 100 kWp an "SL" – the Spanish equivalent of the German GmbH (limited company) – was established and sold to investors. The equity for these partial plants was raised by EPURON from local partners. These partners established contacts with private investors who acquired long-term assets with good returns on their investment. In order to raise the equity for a plant as in the case of La Junquera, at least 16 investors had to contribute. Unfortunately, the huge interest of

institutional investors to include Spanish PV projects in their portfolios could not be accommodated, given this general framework.

With new regulations, the administrative complexity will be reduced considerably in the future: At the end of May 2007, the rate for large-scale plants increased as part of a restructuring of the assistance regulations. Thus, Spanish legislators allowed for both project development and financing of large-scale plants to be made considerably easier. "We are satisfied with the new law," said Florian Pfeffer. "Now we will have greater leeway in developing financing structures."

In the future, a Spanish photovoltaic project can also be offered to institutional investors when there is a strong demand. For this group of investors, EPURON can optimally structure investment opportunities that meet the requirements for high volume, international and technological diversification.

LOJA AND LA JUNQUERA: SOLAR ENERGY FOR THE IBERIAN PENINSULA

With an average of 300 sunny days per year, the Murcia region is among the brightest areas in Spain. Apart from its traditional agricultural landscape, these excellent climate conditions are harnessing an increase in solar power production. With a major inauguration this past April, EPURON completed its entry into this exceptional market.

For Domingo Aranda, mayor of Caravaca de la Cruz, the ceremonial inauguration of the 1.5MW plant, La Junquera, is an important step towards environmental protection and safeguarding sustainable energy supplies. The inauguration took place on April 12 which was an important date for EPURON as well: La Junquera was the first completed large-scale project in Spain – a major feat for the Spanish team and the first of many projects to come.



Photovoltaic project in Loja, Andalusia



Tracking systems in Caravaca de la Cruz

The solar power plant in Caravaca de la Cruz covers an area of 10 hectares (an equivalent to 14 soccer fields). Nine-thousand PV modules were installed and fitted to a double-axis tracking system. There was a good reason for choosing a tracking system: Compared to fixed PV-systems, the initial costs may be higher, but tracking systems use the sun's rays more efficiently – generating approximately 30 percent more power. The installation costs for such plants in regions with high solar radiation levels are paid for within a short period of time. The plant in Caravaca de la Cruz produces around 3.2 million kilowatt-hours of solar power a year – enough to supply 970 households.

Present at the inauguration ceremony were the Minister of Agriculture and Water for the Murcia region, Antonio Cerdá, and a large group of journalists. Thomas-Tim Saevecke took this opportunity to state that EPURON's Spanish subsidiary has made outstanding progress: "With a combination of international financing expertise and cooperation with local partners,

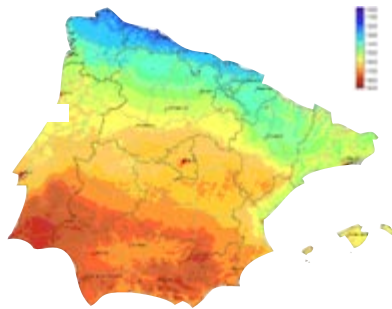
we have established ourselves as one of the leading companies to implement and finance large-scale photovoltaic power plants in Spain."

EPURON will continue to develop its market position this year with full force. One month following the inauguration of La Junquera, the Spanish team was able to link a subsequent photovoltaic plant to a power grid. Built by our sister company, SunTechnics, the Loja solar park in Andalusia has a capacity of 1.9 megawatts. The plant will produce around 2.9 million kilowatt-hours of solar power a year equipped to supply 880 households.

EPURON is developing many other solar projects in the south of Spain most of which are expected to be completed by the end of this year. Thus, the Spanish team, headed by Antonio Arce, is well on its way to becoming the leading project development company in Spain.

SPAIN'S LEGAL FRAMEWORK FOSTERS UNPRECEDENTED PV GROWTH

According to "MarketBuzz™ 2007: Annual World Solar Photovoltaic Industry Report", the photovoltaic market saw record growth last year around the world. Photovoltaic installations contributed an output of 1,744 MW to the global energy mix - that's a growth rate of 19% over the previous year. Germany still leads the market with about 55 % of the global share, but all eyes are shifting towards Spain. That's highly encouraging especially from a country that mainly depends on energy imports.



Solar irradiation in Spain

Legislative background

This remarkable development is the result of 10 years of legislative efforts to reform Spain's energy structure to meet the aims of the Kyoto Protocol. In the late 1990's, the Spanish government passed the Electrical Power Act 54/1997 which deregulated electricity and mandated that renewable energy sources contribute 12% to the total energy demand by 2010. Additionally, a Renewable Energy Plan for 2005-2010 was created to keep targets on track and set a stable and profitable framework for private investors. To date, the REP 2005-2010 has helped create favourable development conditions such as tax deductions on renewable energy systems, soft loans with stable financing and investment incentives (subsidies, partial debt relief). The REP will

be revised again in 2010 and will set a new strategy from 2011-2020.

Current laws

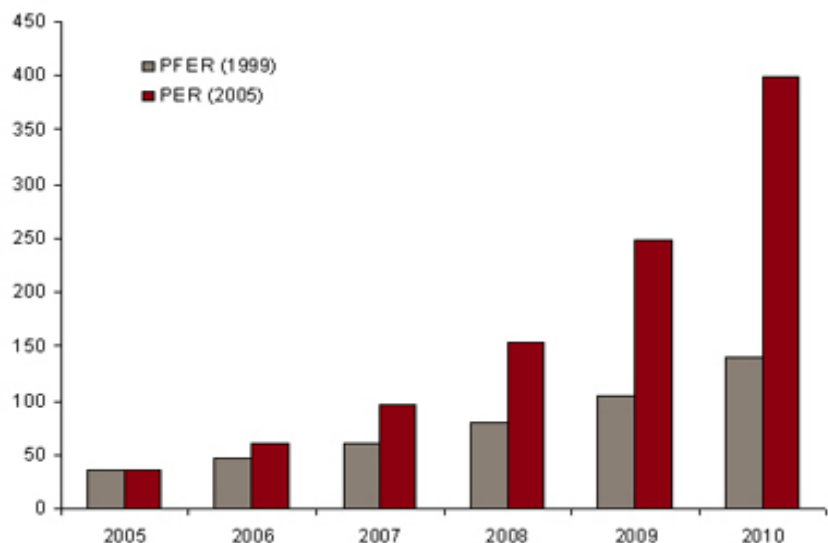
One of the key factors to leverage further development this year will be the Royal Decree 661/2007 which was approved last May. Replacing the Royal Decree 436-2004, the new decree has raised the regulated PV tariff for plants above 100kw/h by 82% and fixed it for 25 years. For installations with an output of less than 100kw/h the rate is fixed at 44 Euro cents; outputs between 100kw-10MW/h are fixed at 41.75 Euro cents, and 10MW to 50MW/h at 22.97 Euro cents. The new policy seems to be highly welcomed by the industry as it will better safeguard against price fluctuations on the market. Now, PV producers have greater potential to receive a higher and more stable income.

The new decree also mandates that PV installers will have to present guarantees of 500 Euros per kilowatt before requesting

connection to a grid. The amount will be given back once the facility enters operation. This will reduce the load of speculator requests and give more attention to companies seriously looking to connect projects to a grid.

A present concern in Spain, however, is the PV cap set at 400MW which analysts say could be reached before the due date of 2010. Revisions to the law won't be made again until 2011 where new tariffs and goals will be set.

Like Germany, Spain's generous feed-in tariffs and ambitious goals have greatly expanded its solar market. Both Spain and Germany have exhibited the most growth out of all other EU Member States. This framework has attracted many solar companies from abroad to invest in the Iberian Peninsula which currently has one of the ripest sales markets for photovoltaics.



Expected growth according to the REP

INTERVIEW WITH ANTONIO ARCE, THE MANAGING DIRECTOR OF EPURON SPAIN

In June 2006, Antonio joined the Conergy Group. Since the beginning of 2007, he has lead the Spanish EPURON team as managing director. In the following interview, Antonio Arce gives insight into the Spanish market and explains EPURON's strategy ...

What is special about the Spanish PV market?

Among the European countries, Spain has the most potential for solar energy production: The solar radiation on the Spanish surface varies between 3.2 kW/m² per day in the north to 5.3 kW/m² per day as far south as the Tenerife Island. The Spanish Government has realised this enormous potential and began supporting renewable energies as a way to benefit to their country: environmentally (reduce climate changes), strategically (guarantee for energy supply) and economically (technological innovation and job creation).

How would you assess the market development in Spain?

All studies show that the industry will reach the intended objectives stated by the Renewable Energy Plan (PER) two years before schedule. There are already many projects nearly completed or under construction with a total capacity of about 20MW. According to Photon International's May edition, there are enormous large-scale projects that will be finished by the end of the year. Even the power of only one of these plants would be higher than the installed capacity in 2005 (14.5MW) and a 30% higher than the installed capacity in 2006.

EPURON has developed a mixed strategy which combines the development of "mid-sized" plants (2-6 MW) to assure prompt realisation along with "large-scale" plants. The setting for initial construction of the first large-scale plant has already been se-

cured and will start in the second half of the year.

Will the recent changes in the legal framework have an impact on EPURON Spain?

First of all, our objectives will not change and we will reach our ambitious targets for 2007. However, within our financing structure there might be some changes. With our current legal-financial framework (see Article „Financing in Spain“) the highest premium is guaranteed. Yet, we have to analyse whether the high demand of economic and logistic efforts creates individual SPVs. What we do now compensates the marginally lower incentives. The difference is only 5% (See Article: „The Spanish Market“).

Changing the current structure would involve accepting a broader scope of investors – from large investors capable of acquiring an entire plant to small private investors. According to experts, a change in the framework would be beneficial especially for projects above 2MW. Nonetheless, we will have to study all the possible scenarios and determine which would be the most beneficial for EPURON.

Do you have any developments planned in other technologies besides PV?

EPURON is constantly evaluating different opportunities within the renewable energy sector in order to find alternatives to diversify. These last years, special attention has been addressed to the CSP market. Our CSP team of experts –lead by Rainer



ABOUT ANTONIO ARCE

Antonio Arce (Cartagena – Murcia 1963) majored in engineering with a focus on energy and fuels at the Polytechnic University of Madrid. He completed his studies with a Master of Energy Technologies. During a big part of his professional career, he worked for the multinational consultant firm Accenture. His main customers were national energy companies like Iberdrola, Grupo Endesa, Gas Natural and Unión Fenosa and international energy players such as Enel, Israeli Electric Authority, Nepa and Electricidad de Portugal. This enabled him to participate actively in the process of liberalising the Spanish energy market.

Kistner- has many projects in advanced stages of development. Further analysis is being done within the wind and biomass sectors.

Compared to its competitors – why is EPURON the better alternative?

EPURON offers a one stop solution service that is quite unique in the market. We

manage the whole process: We develop, finance, implement, operate and maintain large-scale PV projects.

I believe our pillar of competitive advantages are our expertise in structured finance and close ties to investors. Our project finance team of experts –lead by Florian Pfeffer- is a pioneer in the development of financing agreements. On the other hand, our motivated and dedicated team is very

keen on making the most use out of the synergies from the Conergy Group. It is important to highlight SunTechnics' vast experience in project planning, as well as Conergy's very own sophisticated PV modules, components and maintenance services.

NEWS FROM THE CONERGY GROUP

SunTechnics builds a 20 megawatt solar power plant in Korea

Asia's largest solar park will be developed this year in SinAn, southwest of the Korean capital Seoul. The leading construction company in Korea, Dongyang Engineering & Construction Corp. of Seoul, commissioned SunTechnics with the planning and implementation of the 90 million Euro solar plant. The sun-tracking photovoltaic systems, with a maximum output of 19.6 megawatts, is the

size of around 56 football fields (400,000 m²), and will produce more than 27,000 megawatt-hours of annual electricity. This will provide 6,000 households with clean electricity every year.



Conergy: New solar facility produces first modules

During a press conference at Intersolar

2007, Conergy presented their first high-performance solar modules to roll off its new solar production facility in Frankfurt (Oder). Conergy has set up the first fully integrated solar module manufacturing facility with a production capacity of 250 MW. The „Conergy Power Plus“ series will begin production this summer. The module certification process began in May. The prototypes have surpassed numerous internal and external tests which have exhibited outstanding output performance.

IMPRINT

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CALENDAR

1. HUSUMWind, GERMANY
The Leading International Trade Fair, Husum, 18 - 22 Sept.
You can find us in Hall 2, Booth C01.
More information: www.husumwind.com
2. SOLAR POWER 2007, USA
Conference & Expo, Long Beach, California, 24 - 27 Sept.
You can find us in Hall B, Booth 542.
More information: www.solarpowerconference.com