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FEATURED COMPANY

Evergreen Solar: String Ribbon Technology May Set the Standard

BY ELLEN PFEIFER

After several decades of intense development, solar energy seems finally to be taking its place in the sun. Among the hottest solar products fueling the trend are ribbon silicon cells and modules. One of the companies on the ribbon fast



track is Evergreen Solar (NASDAQ:ESLR), based in Marlboro, MA. With technology that promises high efficiency and cost effectiveness, plus an aggressive expansion strategy, the company is positioned to become an important player.

Solar Industry – Hot, Hot, Hot

The demand for solar electric energy has been growing by 20 – 25% annually over the past 20 years, with “new solar capacity

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CLIMATE CHANGE: HAS THE TIME COME TO ACT?

BY ELIZABETH LEVY AND DIANA NEZAMUTINOVA

HAS THE UNITED STATES REACHED A TIPPING POINT IN THE WAY IT ADDRESSES CLIMATE CHANGE? RECENT WEATHER CATASTROPHES, INDEPENDENT STATE AND LOCAL GOVERNMENT STRATEGIES, VOLUNTARY BUSINESS INITIATIVES, PRESSURE EXERTED BY FOREIGN GOVERNMENTS AND INCREASING INVESTOR ACTIVISM SUGGEST THAT THE ERA OF OSTRICH-LIKE BEHAVIOR MAY SOON BE ENDING. GOVERNMENTS AND RECALCITRANT BUSINESSES MAY BE FORCED TO BECOME PART OF THE SOLUTION. COUNTING ON THIS, THE MOST FORWARD-THINKING INVESTORS AND BUSINESSES ARE LOOKING FOR WAYS TO CAPITALIZE ON IT.

Movement on the Side

Recognizing the extreme risks of climate change, more than 150 foreign governments have ratified the Kyoto Protocol. This United Nations-brokered agreement obliges industrialized countries to reduce and maintain carbon and green house gas (GHG) emissions at 5.2% below their 1990 levels, while allowing carbon emission “credits” to be traded between signatory countries and carbon emitters within those countries. The agreement became binding last

year with Russia’s ratification of the treaty, and December saw the first meeting of the participants since its enforcement.

The United States, a Kyoto signatory, has not ratified or implemented the agreement, citing potential negative repercussions on the U.S. economy. The U.S. did announce the development of the Asia-Pacific Partnership for Clean Development and Climate over the past summer, linking the U.S., Japan, Australia and the developing

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Funk Steps Up for United Natural Foods

Michael Funk takes on leadership role as President and Chief Executive Officer



MARKETBEAT PAGE 2

Stars are Lining Up for Green Energy

Disruptive technology set to prosper as concerns about climate change grow

PRUDENT JUDGMENT

On September 1, 2005, The CFA institute sent out its updated “Asset Manager Code of Professional Conduct” guidelines. One of the most often quoted guidelines states: “Use reasonable care and prudent judgment when managing client assets.” This statement has long been held by the investment management community as evidence that any use of non-financial metrics in the investment process violated this fundamental tenant of “prudent” judgment.

With the recent release of a report from the United Nations Environment Programme Finance Initiative, titled “A legal framework for the integration of environmental, social and governance issues into institutional investment”, conventional wisdom has been turned on its head. The study set out to determine if traditional fiduciary guidelines allowed for the inclusion of non-financial metrics in the investment process. The conclusion was that in order to exercise proper fiduciary oversight in the investment management process, investment managers must incorporate environmental, social and governance factors.

The reasons seem clear to those of us who have long toiled in the field of socially responsible investing. We have found that companies that work on minimizing their environmental footprint, reduce employee turnover, develop strong ties to the communities they are based in and work toward sustainable and long-term supply relationships are healthier companies. We believe they are, quite simply, better run. Over time, we believe these companies provide better growth and stronger returns to shareholders.

MARKETBEAT

ALTERNATIVE ENERGY ON FIRE

BY JACKSON W. ROBINSON

The stars are lining up for green energy technologies, companies, and industries – good news for green investors.

Climate change is happening, and carbon restrictions have arrived around the world. To reverse or even slow climate change, we will need to reduce the amount of greenhouse gases (GHGs) in the atmosphere now, and emit fewer GHGs in the future. Carbon dioxide, the main GHG culprit, is an unfortunate byproduct of energy generation, produced during the combustion of fuels – primarily the fossil fuels that produce most of our current energy: natural gas, oil and coal. Although improving the energy efficiency of the machines that drive the world’s economy will help slow the increase of GHG concentrations, it won’t be enough. As countries such as China and India continue to develop and their citizens adopt a more “western,” energy-intensive lifestyle, carbon emissions from fossil fuel combustion are bound to increase despite any efficiency gains. And adding to climate change woes are the growing realities of declining oil reserves and geopolitics that are making new energy sources particularly desirable.

The solution is alternative energy. As more countries adapt to the carbon constraints imposed by agreements such as the now binding Kyoto Protocol, alternative energy companies with “disruptive” technologies that are commercially viable will prosper. So will their shareholders.

There are many types of alternative energy technologies available today, and more in development. One group of technologies does not actually produce energy, but rather seeks to conserve energy through improved efficiency. Examples include super conducting wires that transmit electricity more efficiently or adapters that reduce the amount of electricity consumed by appliances in

standby mode. Another category of technologies produces power from alternative sources, such as solar, wind, geothermal, biomass or hydroelectric energy. A third group of technologies will make up the “hydrogen economy” – in which energy is derived from hydrogen instead of the combustion of fossil fuels. Production, transport and storage technologies will be necessary for this new economy, as will fuel cells to convert the hydrogen to energy.

There won’t be a single solution for our many energy challenges. Rather, we believe there will be a mosaic of economically viable energy technologies, each with its own role to play: solar power in sunny places, wind power in windy ones, conservation and efficiency everywhere and so on. The real question switches from what technologies will be the solution to what companies can provide it in a cost effective manner.

In 2005, with the big rise in fossil fuel prices and growing evidence of global warming, investors discovered new and even profitable alternative energy companies. And with alternative energy stock prices climbing this year, the companies took advantage of the opportunity to raise capital for continuing activities. For example, in the fall, several firms secured financing through initial public offerings (IPO’s) or sale of additional stock, highlighted by the IPOs of several solar companies, including the American firm SunPower, the German companies Q-Cells, Ersol and Sunline and the Chinese firm Suntech Power. The consulting firm New Energy Finance reported that alternative energy companies completed public market transactions worth \$982 million in the months October and November alone.

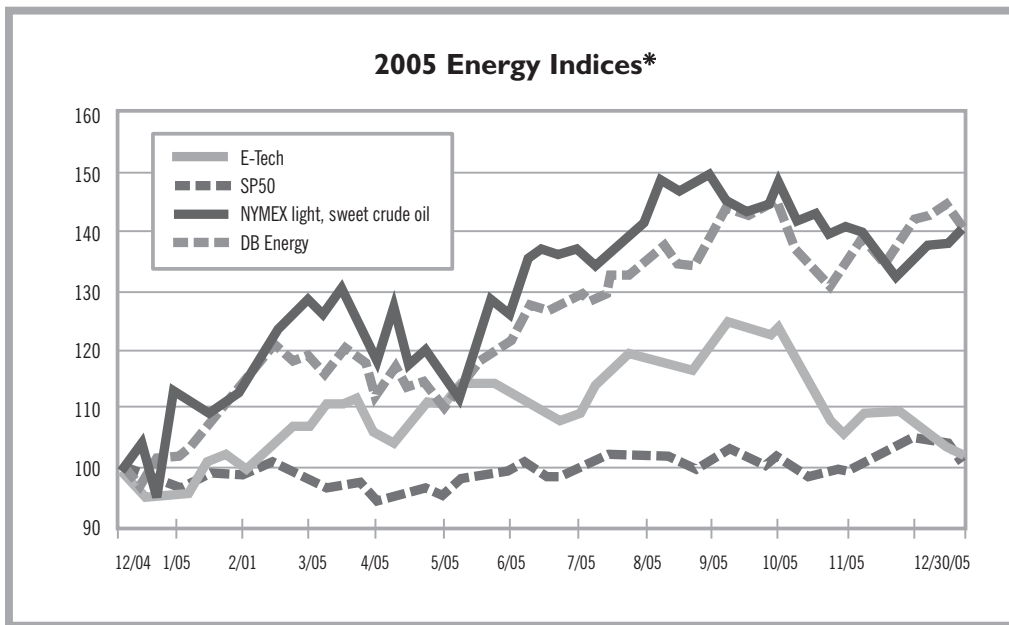
Investment banks are recognizing the growth opportunities in alternative energy, and banks have

been founded to target the space and raise growth capital. For example, Ardour Capital Partners, LLC was founded in 2002 to focus solely on energy technology and alternative power companies. In late 2004, Ardour established its Global Energy Technology Index (E-Tech), a market capitalization weighted index of 50 public alternative/renewable energy stocks that it tracks on a weekly basis. The chart below shows the E-Tech index along with the S&P500, crude oil, and – for comparison – Deutsch Bank’s Energy Index, primarily composed of large, global, fossil fuel-based companies*.

reduce energy usage and carbon emissions and to invest in alternative energy technologies on the merit of their business potential. As often mentioned, GE has predicted a doubling of its “green” businesses to \$20 billion in 2010 and is currently developing new energy technologies. And in November, BP announced plans to increase its capital spending on alternative energy technologies eight-fold, with plans to invest up to \$8 billion in solar, wind, hydrogen and carbon-abatement over ten years.

Despite the bad news about global warming,

Investment banks are recognizing the big growth opportunities in alternative energy, and banks have been founded to target the space and raise growth capital.



While the Ardour E-Tech index tracked the price of oil and Deutsch Bank’s fossil fuel index in the first half of 2005 – all outperforming the S&P 500 – the correlation ended in October*. We believe the relative decline in the E-tech index is temporary because of the rapid and dramatic rise in unmet demand for green energy products and services.

Investors and investment banks are not the only ones taking note – so are some of the very large multinational corporations. The year 2005 saw a number of corporate commitments, both to

we are seeing great demand for green energy technologies in the large developing markets. For example, China, which is growing exponentially and faces severe pollution problems, recently announced that it is planning to generate 15% of its power from renewables by the year 2020. This is very good news for the alternative energy industry.

We believe that the industry has finally passed through its point of inflection and that the outlook for green energy profitability and growth is extremely bullish. □

*For information on the Ardour Capital E-Tech index, please contact Ardour at www.ardourcapital.com. For information on the Deutsche Bank Energy Index, including a list of components, please see Finance.yahoo.com, ticker symbol ^DXE. The S&P 500 is an unmanaged index that includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Returns for the S&P are calculated monthly, assume reinvestment of dividends and, unlike an investment in a mutual fund or other account, do not reflect any fees, charges or expenses. An investor cannot invest directly in any of the indices mentioned. **Past performance is not indicative of future results.**

Most notably, seven northeastern states have agreed to stabilize emissions from power plants at their current level between 2009 and 2015.

CLIMATE CHANGE continued from page 1

economies of China, India and South Korea. This initiative is aimed at the development and transfer of clean technologies, but skeptics criticize the agreement for lacking binding targets and funding. Also last summer, several senators proposed a variety of climate-related amendments to the Energy Bill of 2005, although none were eventually adopted.

As the federal government proceeds by half measures, some state governments have begun to take matters into their own hands. Most notably, seven northeastern states, including most of New England, New York, New Jersey and Delaware, have agreed to stabilize power plant emissions at their current level between 2009 and 2015, and then cut them by 10% between 2015 and

2020 (as of writing on December 20th). California, New York and Vermont will require automakers to cut emissions of CO₂ and other gases from cars and trucks by 25% beginning with the 2009 model year and by 30 % as of 2016. Additionally, 18 states have implemented renewable portfolio standards that mandate that a certain percentage of the state's energy must be generated from renewable sources.

Public Pressure Builds

Concerned about both natural disasters and uncertain regulatory environments, investors are increasingly wary of American businesses' responsibility and potential liability for their carbon emissions. As a Portfolio Strategy briefing from Goldman Sachs Global Strategy Research published this summer noted, "It is hard to ignore the poten-



California, New York and Vermont will require automakers to cut emissions of CO₂ and other gases from cars and trucks by 25% beginning with the 2009 model year and by 30 % as of 2016.

tial parallels between climate change . . . and the asbestos issue . . . Asbestos liabilities were very long-tailed in nature . . . and exceedingly difficult to calculate . . . As with asbestos, the potential for [climate change] liabilities to be realized at a future date is a real issue."

Accordingly, investors are taking action—such as

sponsoring shareholder resolutions and calling on companies and the government to take actions addressing climate change emissions. The Carbon Disclosure Project, a group of 155 global institutional investors representing over \$21 trillion in assets, sends an annual information request asking Financial Times Global 500 companies to report their emissions and action plans. Sixty percent of the largest U.S. companies answered the third survey in 2005.

Although most of the participating companies believe climate change does pose commercial risk, only 45% of global companies in the study have established emission reduction program targets.

Consumers are also starting to vote with their checkbooks. Having gotten the message about climate change and foreign oil dependency and stung by high gas prices, they are looking for more fuel-efficient cars. Indeed, sales of U.S. cars – which tend to be gas-guzzlers and therefore carbon dioxide-spewers – are declining, and Ford and GM's bond debts were downgraded to "junk" status in 2005. Comparatively, stocks of Honda and Toyota, makers of more efficient cars, have soared over the last year. As *New York Times* columnist Thomas Friedman commented in September, ". . . coddling [American] auto and industrial compa-

nies when it comes to mileage standards and the environment . . . is ensuring that . . . Chinese, Japanese and Indian companies will take the lead in green technologies.”

New Corporate Solutions

Forward-looking American companies are increasingly volunteering to address growing public concern about climate change. As we reported in the July issue of WEN, General Electric has promised to double its research and development investments in environmentally friendly technologies and reduce its GHG emissions. Alcoa, an aluminum producer, reduced its direct GHG emissions 26% below 1990 levels in 2003 through energy efficiency improvements, and has captured over \$16 million per year in energy savings. PG&E Corp., a utility, met its voluntary target of 50% reduction of 1998 level GHG emissions in 2002. And the CEO of Wal-Mart admitted in a recent speech to employees that the science supporting climate change and its links to natural disasters such as droughts, floods and hurricanes is “overwhelming”

and announced several energy conservation and efficiency programs.

Analysis of a company’s carbon responsibility is attracting investor attention as an additional instrument to judge management quality and to estimate long-term profitability. As the Goldman Sachs briefing stated, “An issue such as climate change may present a host of concerns for individual companies, such as regulatory, reputation and litigation risks. However, there are potential opportunities as well, such as developing new ‘green’ products or obtaining a relative advantage over a competing firm that is not as well positioned to adapt to a carbon-emission constrained world.” While the path to carbon constraints in the U. S. may not yet be clear, the future existence of constraints is becoming more certain, and companies that act now remain poised to reap the benefits. □

For more information on this topic, please see the Winslow white paper “The New Playing Field: the Emerging Carbon Market” on our website, www.winslowgreen.com. We welcome feedback at inquiry@winslowgreen.com.

Alcoa reduced its emissions 26% below 1990 levels in 2003 through energy efficiency improvements, and has captured over \$16 million per year in energy savings.

WINSLOW NEWS

Winslow has been extremely busy this fall. On October 31st, the Winslow Green Growth Fund earned a ★★★★★ Overall Morningstar Rating*, Morningstar’s highest, in comparison to 643 small cap growth funds. Morningstar calculates the Fund’s Overall Rating by employing a set of proprietary criteria which includes, among other things, the Fund’s risk-adjusted performance for the 3-year period. As of December 31st, the Winslow Green Growth Fund’s Overall Morningstar Rating was 5 stars, in comparison to 650 funds small cap growth funds.

In addition, we recently launched our newly redesigned website, www.winslowgreen.com, in January. Working with local designers and developers, 360 Communications and Internet Technology Group (ITG), we created a site that is informative and easy to use. With its new look, streamlined navigation and updated content, all we can say is “Happy browsing!” We welcome your feedback.

Before investing you should carefully consider the Fund’s investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting the Fund’s website. Please read the prospectus carefully before you invest.

*For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ metric each month by subtracting the return on a 90-day U.S. Treasury Bill from the fund’s load-adjusted return for the same period, and then adjusting this excess return for risk. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The Winslow Green Growth Fund was rated against the following numbers of U.S.-domiciled small-cap growth funds over the following time period: 650 funds in the last three years. With respect to these Small-cap growth funds, the Winslow Green Growth Fund received a Morningstar Rating™ of 5 stars for the three-year period ended 12/31/05. Past performance is no guarantee of future results.

The Fund invests in small- and medium-sized companies. Investments in these companies involve greater risks, such as limited product lines, markets and financial or managerial resources. Foreside Fund Services, LLC, distributor.

PORTFOLIO UPDATE

Intellisync Corporation

(NASDAQ: SYNC)

SAN JOSE, CA – Intellisync, a leading data synchronization software provider, announced in November that the company has signed a definitive agreement to be acquired by Nokia (NYSE: NOK), a mobile communications firm. Under the terms of the agreement, Intellisync stockholders will receive \$5.25 per share in cash for each Intellisync common share, implying an enterprise value of approximately \$430 million on a fully-diluted basis.

"This agreement recognizes the key roles that Intellisync and our people play in the mobile market, and reflects the power of our brand, our products, our team and our technology," said Woodson 'Woody' Hobbs, president and chief executive officer of Intellisync. "Our combined teams will present the most compelling mobility offering to enterprises and carriers all over the world."

"We want to make it simple for our business customers to mobilize their workforces no matter what their starting point," said Mary McDowell, executive vice president and general manager of Nokia's Enterprise Solutions

business group. "The combination of our portfolios and the addition of the Intellisync team will make Nokia the core mobility provider for businesses of all sizes."

The acquisition is expected to be completed within three to four months, pending regulatory approval, other customary closing conditions and the approval of Intellisync's shareholders.

United Natural Foods

(NASDAQ: UNFI)

DAYVILLE, CT – United Natural Foods announced a series of leadership changes this fall. In October, the company announced that Steven H. Townsend retired and resigned his roles as President and Chief Executive Officer, and that Director Michael S. Funk assumed the additional responsibilities of President and Chief Executive Officer. At the company's Annual Meeting in December, Director Thomas B. Simone was elected Chair of the Board.

Mr. Funk, who co-founded UNFI in 1996 and has been affiliated with its predecessors since 1976, has previously served as CEO, President and both Chair and Vice Chair of the Board. Mr. Simone has been a member of the Board of Directors since 1996, and has served as both Lead Independent Director and Chair of the Board.

"I've dedicated my career to building an organization that has excelled in the distribution of natural and organic foods and wellness products," stated Michael S. Funk. "I am excited about United Natural Foods' future. We have a highly experienced management team, a base of over 20,000 cus-

tomers nationwide in every class of trade and a solid balance sheet, all of which positions us for long-term sustainable growth."

Green Mountain Coffee

Roasters, Inc. (NASDAQ: GMCR)

BOSTON, MA – In October, McDonald's announced that they are partnering with Green Mountain Coffee Roasters to source, roast and package Newman's Own Organics Blend coffee exclusively for more than 650 McDonald's restaurants in Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine and Albany, NY. The coffee served will be a new blend of organic and Fair Trade Certified specialty light and medium roast coffees, created exclusively for McDonald's.

"McDonald's is committed to providing our valued customers with the highest quality and best tasting products, as we have for the past 50 years," says John Lambrechts, general manager and vice president, McDonald's Boston Region. "We are partnering with Green Mountain Coffee Roasters to introduce Newman's Own Organics Blend, a unique and exceptional coffee to meet the changing tastes and needs of our customers."

"We are very excited about the tremendous opportunity that McDonald's has given us to introduce our organic coffee to their customers," says Nell Newman, co-founder and president of Newman's Own Organics.

Robert Stiller, president and CEO of Green Mountain Coffee Roasters says, "This coffee is a member of the Newman's Own

Organics family of coffees that has been our best-selling line of new products in supermarkets."

Unigene Labs, Inc.

(OTC BB: UGNE)

FAIRFIELD, NJ – Unigene is a biotechnology company focused on the delivery of protein-based pharmaceuticals and their peptide components. Unigene's core competencies are in the extremely efficient and environment friendly production of proteins. The company produces its leading product calcitonin, a naturally occurring protein which aids bone health, in an efficient process which uses far less chemicals than traditional peptide manufacturing processes.

In August of 2005, Unigene launched the sale of its first product, Fortical, a nasal calcitonin, with its new partner, Uspher-Smith, a private pharmaceutical company. On the back of Fortical sales, the company reported a profitable 3Q. Unigene also has major relationships with Novartis and GlaxoSmithKline. Novartis, the worldwide leader in calcitonin, is attempting to license Unigene's manufacturing technology. For Glaxo, Unigene is both developing a unique delivery method and production method of another bone agent, PTH. These relationships bring both stamps of approval for Unigene and the potential for significant milestone payments and future royalty streams. In 2006, the combination of Fortical sales ramp and milestone payments hopefully will allow Unigene to strengthen its balance sheet and regain its listing on the NASDAQ market.

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increasing in 2004 by 62 percent over the previous year to 927 megawatts,” according to consulting firm Solarbuzz Inc. Indeed, BusinessWeek recently predicted annual increases for solar power of 35% until 2010. So while the current solar market supplies less than 1% of the world’s energy needs that percentage could swell to 8% by 2030, says the European Renewable Energy Council.

However, even though solar prices are declining, solar energy is still a subsidized industry. Solar prices are currently around 30 cents/kWh, or about 2-5 times the cost of average residential electricity. But more governments are jumping on the solar subsidy bandwagon. Japan and Germany, which offer generous incentive programs, boast robust solar markets, and last year’s failed proposition to greatly increase solar capacity in California was recently revived.

Given those circumstances, it’s not surprising that new companies are leaping into the rapidly expanding arena. While conglomerates like BP Solar, Sharp, Kyocera and Shell Solar dominate the industry, smaller pure plays like Evergreen are growing rapidly. Hugely successful IPOs in the last year by Q-Cells and Sunpower and the recent stock price doubling of several solar companies, including Evergreen, are a testament to investors’ enthusiasm for this burgeoning field.

Perhaps the only cloud on the horizon is the shortage and expense of silicon feedstocks. Silicon can currently comprise up to 25% of the cost of a PV system, and the industry is currently using all of the silicon it can access. Part of the dot-com collapse legacy, the semi-conductor industry doesn’t

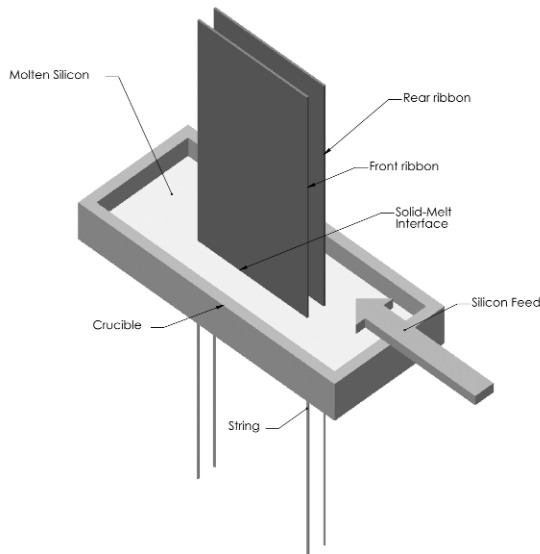
have enough manufacturing capacity to create the highly refined silicon needed to make wafers and modules, hindering the solar industry’s access to silicon. This could put a serious, if temporary, damper on growth; the New York Times reported in September that the price of solar-grade silicon had increased more than 60% in the last two years and the shortages could impact the industry until 2007-8.

Make it Cheaper and Faster

Evergreen was founded in 1994 to develop and commercialize its proprietary string ribbon wafer,

invented by Dr. Emanuel Sachs of MIT. Traditional PV manufacturing processes saw crystalline silicon ingots into wafers to make solar cells. The string ribbon process instead involves pulling two strings vertically through a molten silicon bath, drawing out flat, thin films or ribbons that can be trimmed to whatever length desired.

Although these silicon



In the String Ribbon technique, two high temperature strings are pulled vertically through a shallow silicon melt, and the molten silicon spans and freezes between the strings

ribbons are less efficient in converting solar energy into electricity than single crystal or polycrystalline silicon cells, they are cheaper to produce because there is no silicon wasted from sawing. Indeed, Evergreen company materials claim “string ribbon yields over twice as many solar cells per pound of silicon as conventional methods.”

The company continues to enhance the string ribbon platform. Having moved from a single ribbon to double ribbon production in 2002, the company is now working on quad ribbon production with prototype furnaces set to start pilot-testing in February. If successful, “we could produce twice as many ribbons as we do now,” says Evergreen’s Vice President and CFO, Richard Chleboski. “This would

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leverage both electricity use and labor costs.”

Another new technology in the works is thin film ribbons. Currently, the string ribbon Evergreen produces is about 330 micrometers (0.33 millimeters) thick, but the company is working to create ribbons slightly less than half that thickness, says Chleboski. The 150 micron ribbons would use 60% less silicon than a normal wafer. With thin wafer production virtually as efficient as its normal ribbon manufacturing process, Evergreen is going through product certification (as of December 2005) to ensure that the new wafers are up to industry standards. Confident of the outcome, the company is planning to convert the Marlboro factory to the thin wafer process beginning at the end of 2005.

Strategic Partnerships

Perhaps Evergreen's most significant strategy, however, is its partnership with Germany's Q-Cells AG. The joint venture, signed in early 2005, calls for the two companies, operating under the name Ever-Q, to build a state-of-the-art 30 MW manufacturing plant in Thalheim, part of the former East Germany. The new factory, on target to begin operations in March with full ramp-up by July, will produce wafers, cells and modules based on Evergreen's String Ribbon technology.

If things go according to plan, Evergreen and Q-Cells will begin to talk next summer about enlarging the Thalheim facility to 120 MW, gradually increasing Q-Cells' percentage of ownership and introducing some of Evergreen's new technologies, such as quad ribbon production, into the German plant. And in November, the companies announced that the world's largest solar-grade silicon supplier, Norway's Renewable Energy Corporation, signed a deal to become Ever-Q's long-term silicon supplier and 15% owner of the venture.

Chleboski sees the partnership as a way for Evergreen and Q-Cells to take advantage of what each does best. He says that in order for solar power to be competitive with other energy sources, "We need to work cooperatively upstream and downstream to enable the cost reductions. We think we can get there and we're excited by the prospect."

Clearly, 2005 was a banner year for Evergreen. The company's stock increased 164% through December 15* and in November the company announced its largest sales agreement to date, a \$70 million deal with PowerLight Corporation that can increase to \$170 million. Indeed, the forecast looks sunny for Evergreen. □

*Past performance is not indicative of future results.



Should you invest for
the **environment**
superior growth
or **both?**

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