

**DROEGE & COMP.**

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INTERNATIONAL MANAGEMENT CONSULTANTS

# U.S. Solar Energy Market Opportunities

Defining strategy in the U.S. solar market

New York, May 8, 2009

# Droege & Comp. helps leverage its potential in the U.S. market

## Management Summary

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- ▶ Choosing the right strategy is key for success in the high-potential growing and relatively untapped U.S. solar market
- ▶ The U.S. is expected to dramatically increase its number of solar installations in the next 2 years, and is poised to exceed the growth rates of Spain, Greece, and Italy
- ▶ The U.S. solar market dynamics are very different from the rest of the world. U.S. government support is ramping up; however the design and implementations of subsidies/regulations require expertise
- ▶ Through its Energy Competence Center, Droege & Comp. has experience advising German based solar companies on how to take advantage of this growth market
- ▶ There are 3 ways Droege & Comp. can specifically assist you in the U.S.
  - 1: Market entry strategy
  - 2: Strategy execution and operational efficiency
  - 3: U.S. M&A/Partnerships
- ▶ We would like to discuss how Droege & Comp. can help you enter the quickly growing U.S. solar market in a faster, cheaper, and more efficient way

Droege & Comp. helps to take advantage of the U.S. market opportunities

# Agenda



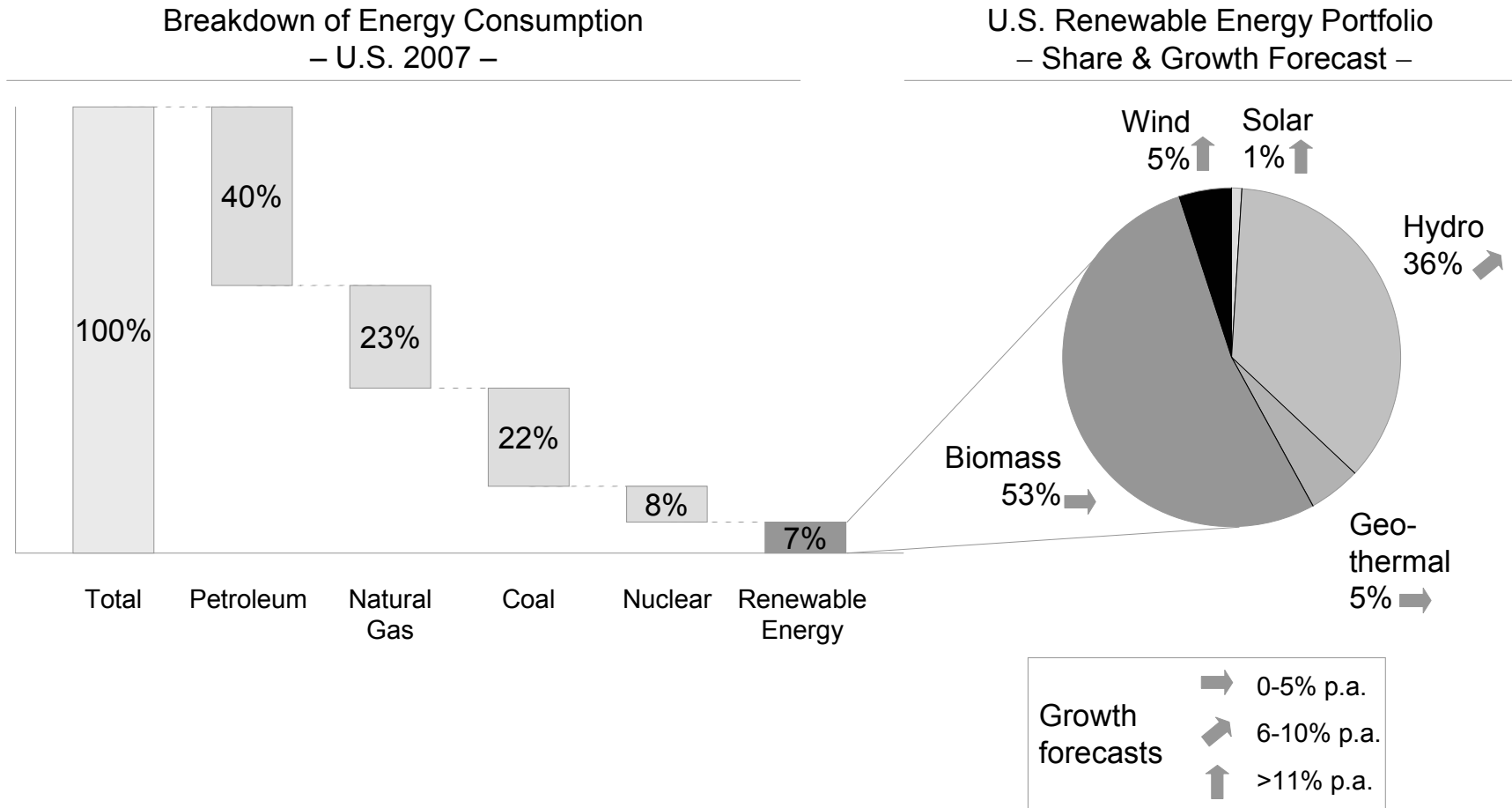
## **Overview of the U.S. Solar Market**

Value Proposition & Project Approach

Droege & Comp. Introduction

# U.S. renewable space still young with tremendous growth potential

U.S. energy portfolio

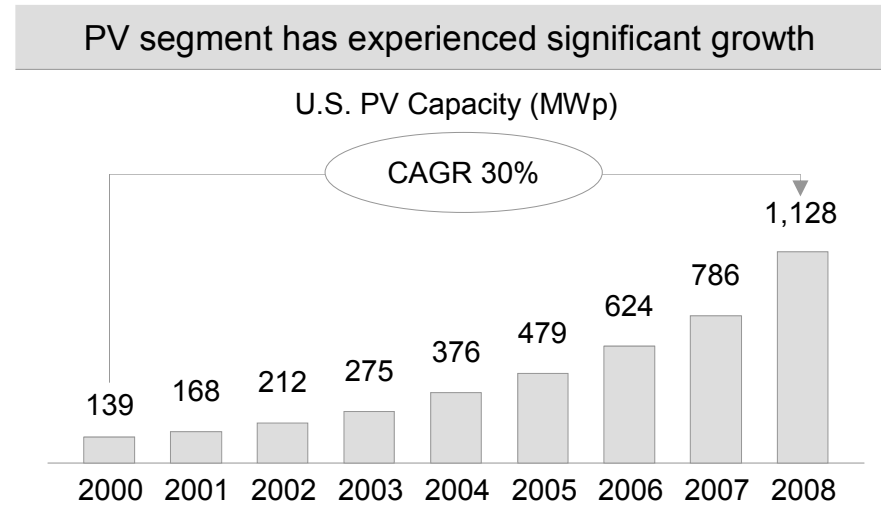
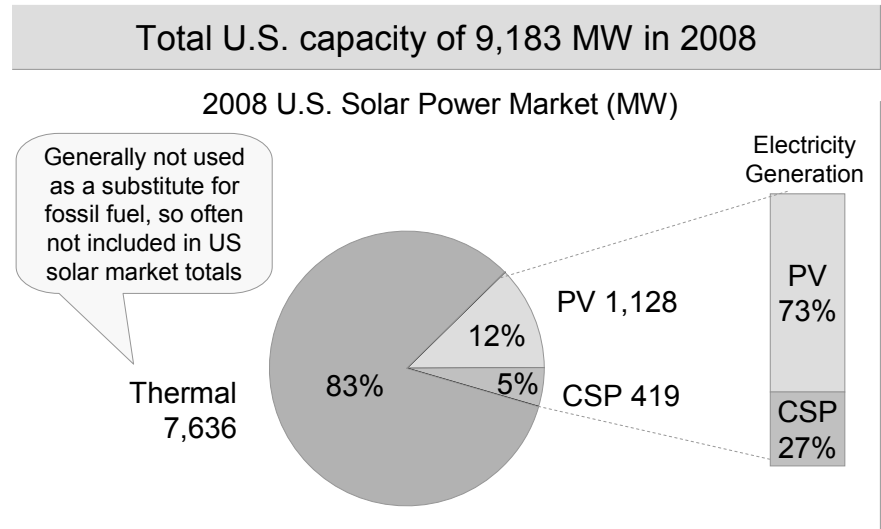


Solar & wind are showing the biggest growth potential among the renewable energy portfolio

Source: EIA

# Particularly the PV space offers huge growth opportunities

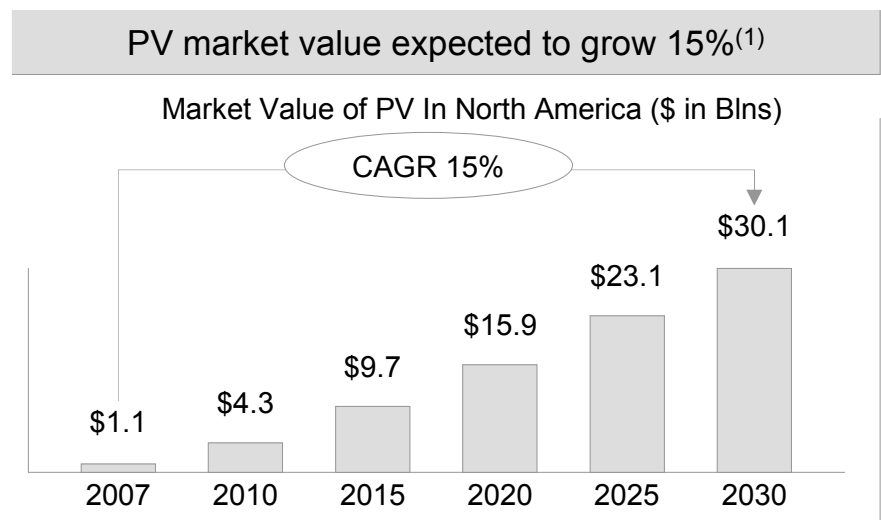
## PV segment overview



**Domestic manufacturing continues to grow**

Domestic PV cell Manufacturing (MW)

	2007	2008E	Growth
Production	271	414	53%
Capacity	415	685	65%
Utilization	65%	60%	



<sup>1</sup> Based on exchange rate of \$1.3425 / € as of 04.01.09 (Yahoo finance)  
Source: IEA; EPIA; SEIA Reports

# The new administration has put tremendous support behind growing solar

Overview of U.S. policies

Not Exhaustive

## Overview of U.S. renewable energy policies affecting the solar space

### 1 Manufacturer & Developer Support

- \$60B in loans for transmission and production facilities
- \$2.3B in Investment Tax Credits (ITC) and cash grants for assets used to manufacture “advanced energy property”
- \$125M to the Bureau of Land Management for energy rights-of-way permitting projects
- \$1.6B for financing facilities

### 2 Facilitation of Localized Demand

- Solar for schools: states must use 18.2% of \$53.6B fiscal stabilization provision for public safety and other government services, solar applies
- Nearly every state has separate solar support mechanisms

### 3 Investment Tax Credits

- Eight year extension was passed on October 2008: Businesses or individuals can qualify for full ITC, plus receive state grants, below-market loans or tax-preferred bonds

\$15 - \$20B in direct stimulus potential for solar projects

Further solar subsidies (feed-in-tariffs, national renewable portfolio standards) are expected, making it an ideal time to enter the U.S. market

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# Droege & Comp. can assist you in the U.S. in three ways

Potential Droege & Comp. value added: **Competence Center Energy**

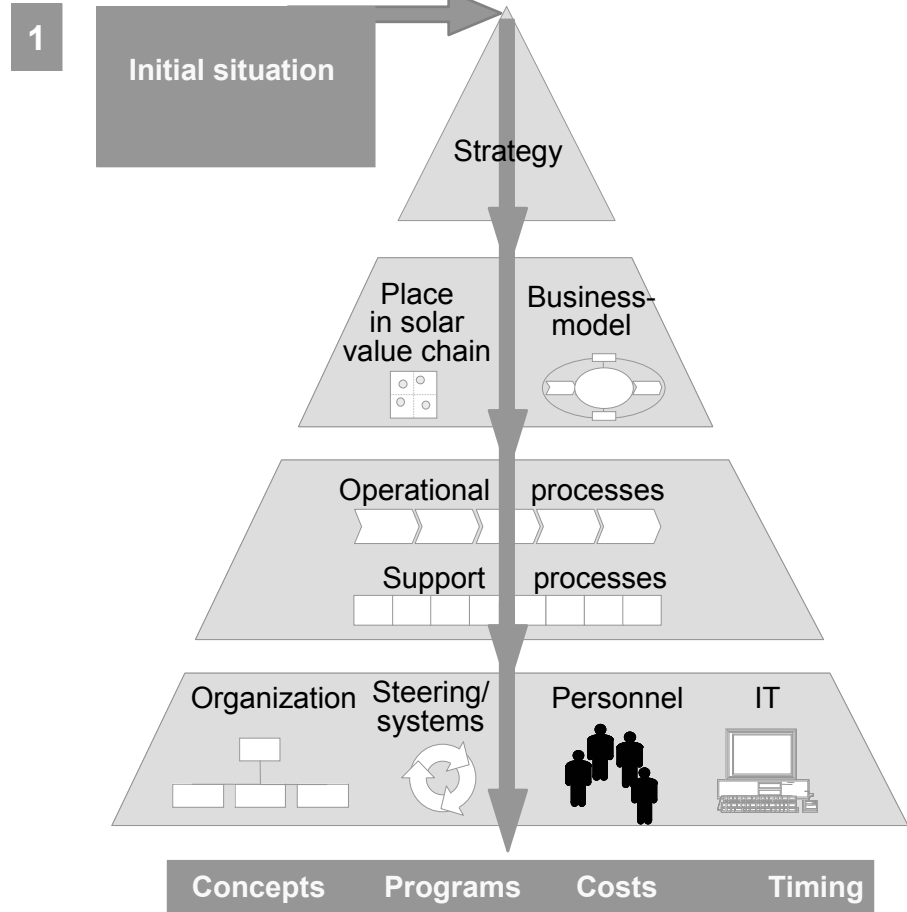
U.S. CEO Agenda	Major components – Selected Topics	Droege & Comp value added
<p>1 Market Entry Strategy</p>	<ul style="list-style-type: none"> <li>▪ U.S. growth strategy development</li> <li>▪ U.S. market assessment &amp; evaluation</li> <li>▪ U.S. sales &amp; mkt. approach + org. blueprinting</li> <li>▪ U.S. maintenance &amp; service org. blueprinting</li> </ul>	<p>In-depth know-how of U.S. renewable energy market</p> <p>Local U.S. data access</p>
<p>2 Strategy Execution/ Operational Efficiency</p>	<ul style="list-style-type: none"> <li>▪ U.S. location and site selection</li> <li>▪ Ramp-up support for U.S. operations</li> <li>▪ U.S. project lead generation &amp; support</li> <li>▪ Supply chain optimization/suppliers access</li> </ul>	<p>Extensive network to industry</p> <p>10 years of experience supporting German companies in the U.S.</p>
<p>3 M&amp;A and Partnership Strategy</p>	<ul style="list-style-type: none"> <li>▪ Industry screening and target/partnership selection</li> <li>▪ Commercial/market due diligence</li> <li>▪ Post merger integration</li> </ul>	<p>Understanding of cultural issues faced by German mid-caps</p>

Droege & Comp. can assist you in significantly stepping up your U.S. operations

# How to take advantage of the U.S. solar market?

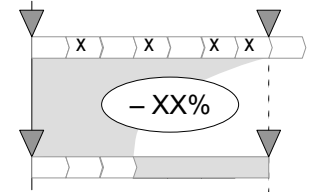
Project approach to strategic market entry

## Overview



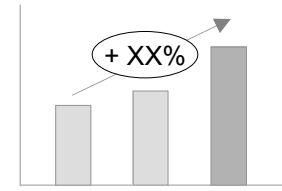
### A thorough evaluation of growth options ...

- Based on the current market situation and growth needs, all options for expansion or cost-cutting are considered



### ... includes organic growth potential ...

- Direct expansion to the US
- Other areas (e.g. JV or partnership) may be identified during the process



### ... as well as growth through acquisition

- Expansion through acquisition is also an option, particularly given current solar market values
- Acquisition delivers the fastest revenue growth, but requires precision



Droege & Comp. will develop your U.S. business entry and expansion strategy

## 2 Strategic Implementation: execute developed strategies for client

Relevant project implementation sampling

Illustrative



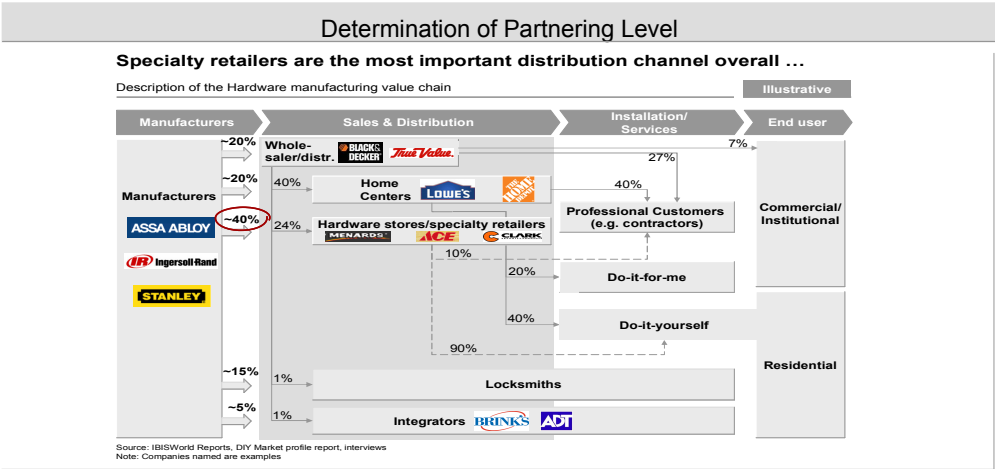
Droege & Comp. has extensive experience in executing market strategies and operation efficiency improvements for clients

### 3 M&A/JV/Partnership Strategy: select your best partner in market

Relevant project implementation sampling

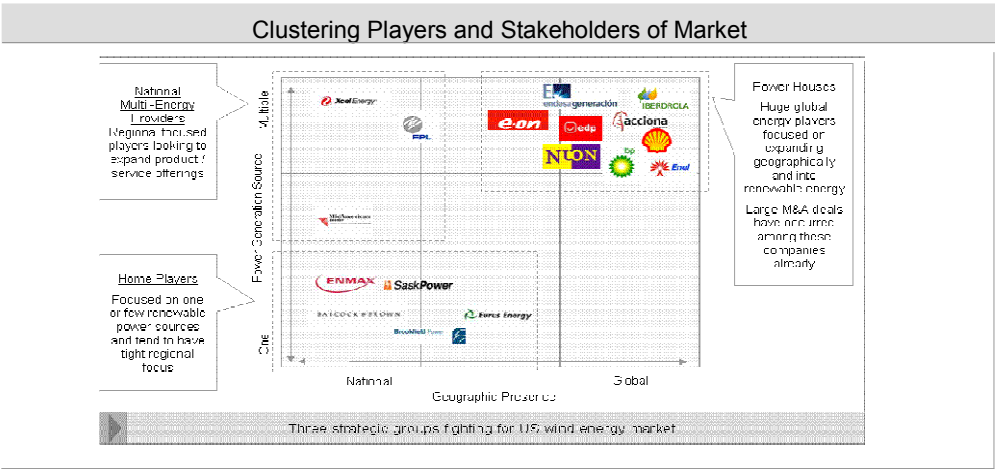
Illustrative

Value Chain Partnering Evaluation



- Detailed picture of U.S./ regional value chain flow with major players in each market
- “Fit test” between current business set up and value chain level partnering

Partnership Selection



- First analysis on market players in market clusters
- Funneling of market players based on defined criteria
- Profiling of prioritized target/partners

Criteria on market, corporate and management level considered in D&C evaluation

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# Clear differentiation: “Making things happen”...

Why we are different

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1	Focus on improving bottom-line and balance sheet results for quantifiable client benefits	▶	<b>“P&amp;L focus”</b>
2	Experienced consultants with seniority, who can be trusted to deliver outstanding work	▶	<b>“Down-to-earth”</b>
3	Focus on quick wins – we aim to achieve benefits early in the project	▶	<b>“Speed”</b>
4	High level of organizational buy-in – intensive client staff involvement in project work	▶	<b>“Effective implementation”</b>
5	Clear commitment to implementation ensured by success-oriented fee structures	▶	<b>“Risk sharing”</b>

# Droege & Comp. in the USA

## Overview

Location	U.S. Specialist for German Mid-caps		Experience
	Topics	Industries	
<p><b>Droege &amp; Comp. New York</b></p> <hr/>  <p><b>Office Heads</b> Lars Knorn, Ulrich Korff,</p> <p><b>Team</b> 16 consultants 3 support staff</p> <p>US-native and German-native staff</p> <p><b>Droege &amp; Comp. Advisory Board</b> Klaus Kunze</p> <p><b>Memberships/cooperations</b> German American Chamber of Commerce Turnaround Management Association The Solar Energy Consortium [TSEC]</p>	Growth / Transatlantic Mid-cap M&A	Automotive Suppliers	Strategy/ market studies
	Operational Efficiency	Machinery & Tooling	Operational excellence
	Restructuring	MedTech	Turnaround/ restructuring
		Renewable Energy	Due diligence/ M&A support
		Post merger integration	
		Lean manufacturing/ Six Sigma	

# Why Droege & Comp.?

Key elements of our value proposition

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<b>Droege &amp; Comp. Competence Center Energy</b>	<b>1</b>	Substantial project track record in Renewable Energy (large & small cap): Operational excellence, financial engineering, ...
	<b>2</b>	In-depth understanding of CEO agenda of energy companies
	<b>3</b>	Ability to act as sparring partner both for renewable energy companies AND for their investors
	<b>4</b>	Ensuring transfer of expertise and of proven know-how from the advanced German to the highly competitive U.S. market
	<b>5</b>	Local footprint of renewable energy experts to support renewable energy companies in the USA

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