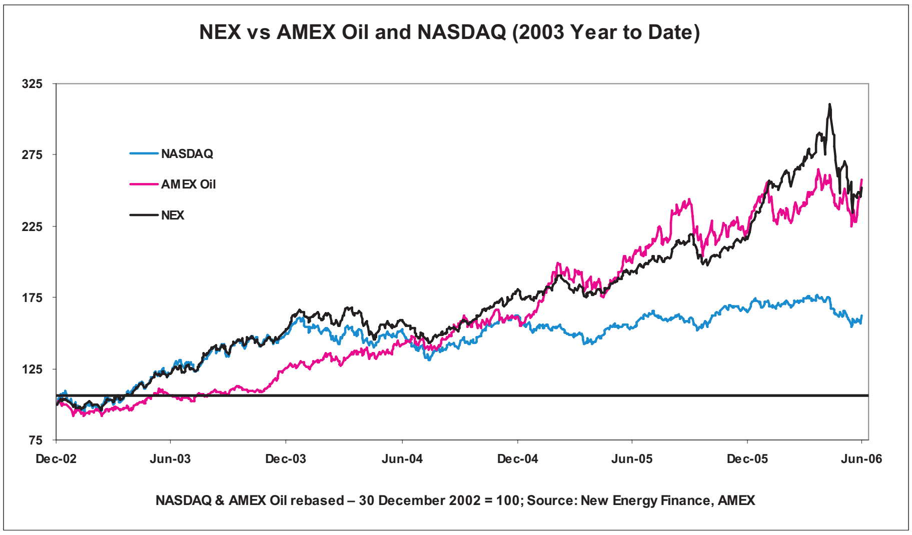
WilderHill New Energy Global Innovation Index



Source: New Energy Finance

NEX : 252.37
CHANGE SINCE
29/03/06: - 6.7%

BIG MOVERS UP IN Q2 2006	
Applied Films	+ 45.5%
Nordex	+ 33.7%
Zoltek Cos	+ 32.9%
MGP Ingredients	+ 32.1%
Baoding Tianwei Baobian Electric	+ 24.3%

BIG MOVERS DOWN IN Q2 2006	
Ebara	- 32.8%
Sunways	- 38.6%
Capstone Turbine	- 40.7%
RailPower Technologies	- 42.0%
ATS Automation Tooling Systems	- 44.0%

AFTER trading in negative territory for much of June 2006, the NEX recovered 2.9% or 7.05 points between 20 June and 29 June, to close at 252.37. Overall, the NEX fell 6.7% or 18.26 points in the second quarter of 2006. Meanwhile, the NASDAQ posted the similar performance by dropping 7.0%, while the AMEX Oil increased 6.5% thanks to the continued spiking oil prices.

The second quarter of 2006 saw an increase in volatility of clean energy stocks. Although the market had been expecting a correction, it happened sooner than many anticipated. The NEX, which had started the year at 216.25, closed the day at 310.96 on 10th May, up a whopping 43.8%. One month later, on June 14th it was back down to 231.72, a drop of 25.6% from its peak. It had recovered 7.8% by the end of June.

There were four main reasons for the drop: the effects of the general market correction, some profit taking among investors that had seen particularly good gains over the past 18 months in clean energy stocks, concerns that some valuations were running ahead of results, and the crash in European carbon prices, which might affect the prospects of some NEX constituents.

Hydrogen & Fuel Cells was the worst performing sector: all eight ended the period down, falling by an average of 17%. The biggest faller was Japanese engineering group, Ebara, which slid 32.8% as investors greeted its recent corporate restructuring with caution. Shares in LSE-listed chemical company, Johnson Matthey, fell 3.9% despite reporting a 28.0% year-on-year increase in profits before tax.

Generation Efficiency & Smart Distribution companies finished the quarter 12.0% lower. The main casualty was NASDAQ-listed micro-turbine energy systems manufacturer, Capstone Turbine, which fell 40.7% after it reported net losses of USD 11.8m in Q4 FY06. In contrast, shares in US superconductor specialist, Intermagnetics General, surged 8.9% after Dutch electronics company, Royal Philips Electronics, agreed to acquire the company for USD 1.3bn.

Solar stocks also felt the pressure, with the 16 constituents down an average of 11.8%. The worst hit was Canadian manufacturing equipment supplier, ATS Automation Tooling Systems, which shed 44.0% on the back of unsatisfactory results for Q1 FY06. At the other end of the scale, NASDAQ-traded Applied Films jumped 45.5% after US silicon chip manufacturing tool maker, Applied Materials, announced it is to acquire the company for USD 464m.

Power Storage finished the quarter down 10.3%. Japanese electric appliance manufacturer Sanyo Electric topped the loser board with a fall of 21.1% after it announced it had missed its results targets. In contrast, Hong Kong-listed Byd Co, the world's largest nickel cadmium battery manufacturer, experienced the smallest decline, dipping only 2.5%.

Demand-Side Energy Saving companies fell by an average of 9.9%. Canadian hybrid locomotive manufacturer, RailPower Technologies, slumped 42.0% after reporting a net loss of CAD 8.7m (USD 7.8m) in Q1 FY06 compared with a net loss of CAD 5.3m (USD 4.7m) in Q1 FY05. On the plus side, NYSE-listed energy holding company Avista soared 12.3% after reporting net income of USD 31.6m in Q1 FY06, compared with USD 10.2m

NEX UPDATE

The WilderHill New Energy Global Innovation Index (NEX) is comprised of companies worldwide whose technologies and services focus on the generation and use of cleaner energy, energy conservation and efficiency, and advancement of renewable energy. For sector definitions please see http://www.newenergyfinance.com/NEF/HTML/Press/NEX.pdf. The NEX is calculated by AMEX every 15 seconds. The WilderHill New Energy Global Innovation Index will be rebalanced each quarter by the addition of new qualifying companies and the removal of companies that no longer qualify. Index Construction.The rules for the construction of the index are as follows:(1) The Index will be quoted in dollars. Some of the underlying equities being non-dollar denominated, the Index will bear an element of currency exposure. (2) The Index uses a double-modified equal-weighting methodology. The modifications consist of (i) weighting by sector, to ensure an appropriate representation across different technologies and business models within the clean energy industry; and (ii) separation into two market capitalisation bands within each sector, to reflect the mix of larger and smaller companies in the sector. (3) Sector weightings will be set at the sole discretion of the Index Provider and updated from time to time. Weightings will take into account the relative scale of the sectors; judgment regarding sectors which are over- or under-represented among quoted companies; and smoothing, so that weightings do not change too rapidly over time. The Index Provider will also take into account the need to achieve an appropriate international balance to reflect the industry as a whole. (4) No single stock may exceed 5.0% of the total Index weight after each quarterly rebalancing. (5) For a stock to be included in the selection universe, the company must be identified as one that has a meaningful exposure to clean energy, either as a technology, equipment, service or finance provider, such that profitable growth of the industry can be expected to have a positive impact on that company's performance. Generally, meaningful exposure is taken to mean that the company derives at least 10.0% of its market value from activities in clean energy, in the judgment of the Index Provider. (6) The Index will not include the stocks of funds investing in quoted equities, as these can themselves qualify for direct inclusion in the Index. The Index may, however, include the stocks of companies or funds whose main activity is investing in or holding portfolios of renewable energy generating capacity or other infrastructure, as long as they meet the other criteria for inclusion. It may also include companies or quoted funds that invest in privately held equity of qualifying companies. (7) Stocks in the Index will generally meet the following criteria relating to liquidity: • They will have three-month average market capitalisation of at least USD 150m. Market capitalisation for a majority of Index stocks is typically USD 250m and above. To account for the notable but smaller companies sometimes significant to the clean energy field, a minority of Index stocks may have market capitalisations between USD 150m and USD 250m. • We do not guarantee that calculation of the NEX does not contain errors and we accept no liability for investment decisions taken as a result of the information we provide.

TABLE 1: NEX PERFORMANCE BY SECTOR IN Q2 2006 PERCENTAGE CHANGES IN USD BY SECTOR (29 MARCH 2006 - 29 JUNE 2006)	
Demand-Side Energy Saving	-9.9% (9)
Generation Efficiency & Smart Distribution	-12.0% (8)
Hydrogen & Fuel Cells	-17.0% (8)
Power Storage	-10.3% (7)
Renewable - Solar	-11.8% (16)
Renewable - Wind	4.5% (11)
Renewables - Biofuels, Biomass & WTE	4.2% (11)
Renewables - Other	-4.0% (6)
Services & Suppliers	-5.8% (11)
Overall:	-6.7% (87)
Note: Number of NEX companies per sector in brackets.	

Source: New Energy Finance

during the same period in 2005.

Services & Suppliers were off 5.8%. US-based advanced structural materials supplier, Hexcel, bore the brunt of sell-off; falling 28.5% after analysts at Wedbush Morgan maintained their “hold” rating on the company, while reducing the target price from USD 25.0 to USD 20.0. US carbon fiber manufacturer, Zoltek, was the top gainer, soaring 32.9% on its well-received Q2 FY06 results that revealed an increase in net sales of 91.0%.

Renewables-Other (Hydroelectric and Geothermal) also fared poorly, moving down 4.0%. The weakest performance was by Indian state-owned Bharat Heavy Electricals, which lost 8.4% despite announcing a series of new contracts. The only bright spot was US utility holding company Puget Energy’s 0.9% gain on the back of positive Q1 2006 results.

Wind companies were among the few companies to grow, ending the quarter up 4.5%. German wind turbine manufacturer, Nordex, led the way, shooting up a massive 33.7% as investors warmed to its better-than-expected Q1 2006 results. The company reported an increase in revenues of more than 250% to EUR 125m (USD 156m) and EBIT of EUR 3.7m (USD 4.6m). Indian company Suzlon Energy, on the other hand, fell as its latest quarterly results revealed that rising raw material costs had dragged operating profit margins sharply lower.

Biofuels, Biomass & Waste-to-Energy were also in demand, edging up 4.2%. The best performer was US-based ethanol producer, MGP Ingredients, which climbed 32.1% after reporting increased net income for Q3 FY06. On the downside, Canadian independent power project developer, Maxim Power, fell 28.5% as traders seemingly ignored improved Q1 2006 figures.

In the second quarter of 2006, NEX constituents quoted in countries that have ratified the Kyoto Protocol lost 2.0%, while those listed on exchanges in the US and Australia, which have not signed the treaty, traded 8.1% weaker. The gap between the two groups widened to 13.1% in the first half of 2006, from 5.8% in Q1 2006 (see Table 2).

TABLE 2: NEX PERFORMANCE BY EXCHANGE IN Q2 2006 PERCENTAGE CHANGES IN USD BY EXCHANGE (29 MARCH 2006 - 29 JUNE 2006)	
Copenhagen (2)	13.4%
EN Brussels (1)	-3.6%
EN Paris (1)	-10.5%
Helsinki (1)	3.5%
Hong Kong (1)	-2.6%
London (4)	5.8%
Madrid (4)	6.2%
Milan (3)	7.4%
Mumbai (2)	-17.7%
NZX (1)	-4.9%
Sao Paulo (1)	-9.0%
Shanghai (1)	24.7%
Tokyo (11)	-9.0%
Toronto (6)	-26.0%
XETRA (9)	4.4%
Kyoyo Markets (48)	**-2.0%**
ASX (2)	-9.0%
NASDAQ N-Mkt (27)	-10.4%
New York (10)	-5.0%
Non-Kyoto Markets (39)	**-8.1%**
Overall (87):	**-6.7%**
Difference between Kyoto and non-kyoto countries	**6.1%**
Note: Number of NEX companies per exchange in brackets	

Source: New Energy Finance

NEX UPDATE