

TerniEnergia



**TerniEnergia**

**A leading Italian PV energy company**

Lugano, September 28, 2010

# TerniEnergia at a glance

## Business overview

- **A leading Italian fully integrated PV energy company**
- Operating in the **photovoltaic segment** as a **supplier of photovoltaic systems** (“System Integrator”) and **energy producer** (“Power Generation”)
- **Rapidly expanding towards the Power Generation activity:** from 1.7MWp to 35.4MWp since the beginning of the 2008

## Asset overview

- As of June 30, 2010, the Company completed **154 PV plants for a total installed capacity of 64.2MWp**
  - ▶ **43.7MWp expected to be installed within the end of September 2010** (40MWp target for the entire 2010)
- **5 JVs with EDF Energies Nouvelles** (EDF EN Italia) for the production of energy
  - ▶ **32.6MWp installed** as of June 30, 2010, out of which **18.9MWp already in use**
- **6 JVs with other partners** (3.0MWp installed as of June 30, 2010)

## Financial overview

- **Sales increased from €10.0m in 2007 to €46.8m in 2009** (CAGR 2007-2009: +117%)
- **EBITDA multiplied by 8.7x in 3 years**
- **2009 net income grew to €3.7m** (€3.6m in 1H 2010)

# Key milestones

History: progressive and rapid company evolution

## September 2004

T.E.R.N.I. Research S.r.l.  
set-up (S.p.A. from December 2004)

## September / October 2007

T.E.R.N.I. Research PV business is  
conferred to T.E.R.N.I. Ricerca e  
Industrie S.p.A. that subsequently  
becomes **TerniEnergia**

## August 2010

**TerniEnergia** signed a  
€40m contract with TRP  
BV for the development of  
two solar parks with a  
total installed capacity of  
12MWp

## March 2007

Established the **first JV with EDF  
EN Italia** (Solar Energy S.r.l.)

## July 2010

**Capital increase announcement** and  
request for the admission to the **STAR**  
segment



## July 2005

**First ministerial decree  
"Conto Energia"**

## February 2007

**Second ministerial decree  
"Conto Energia"**

## August 2010

**Third ministerial decree  
"Conto Energia"**

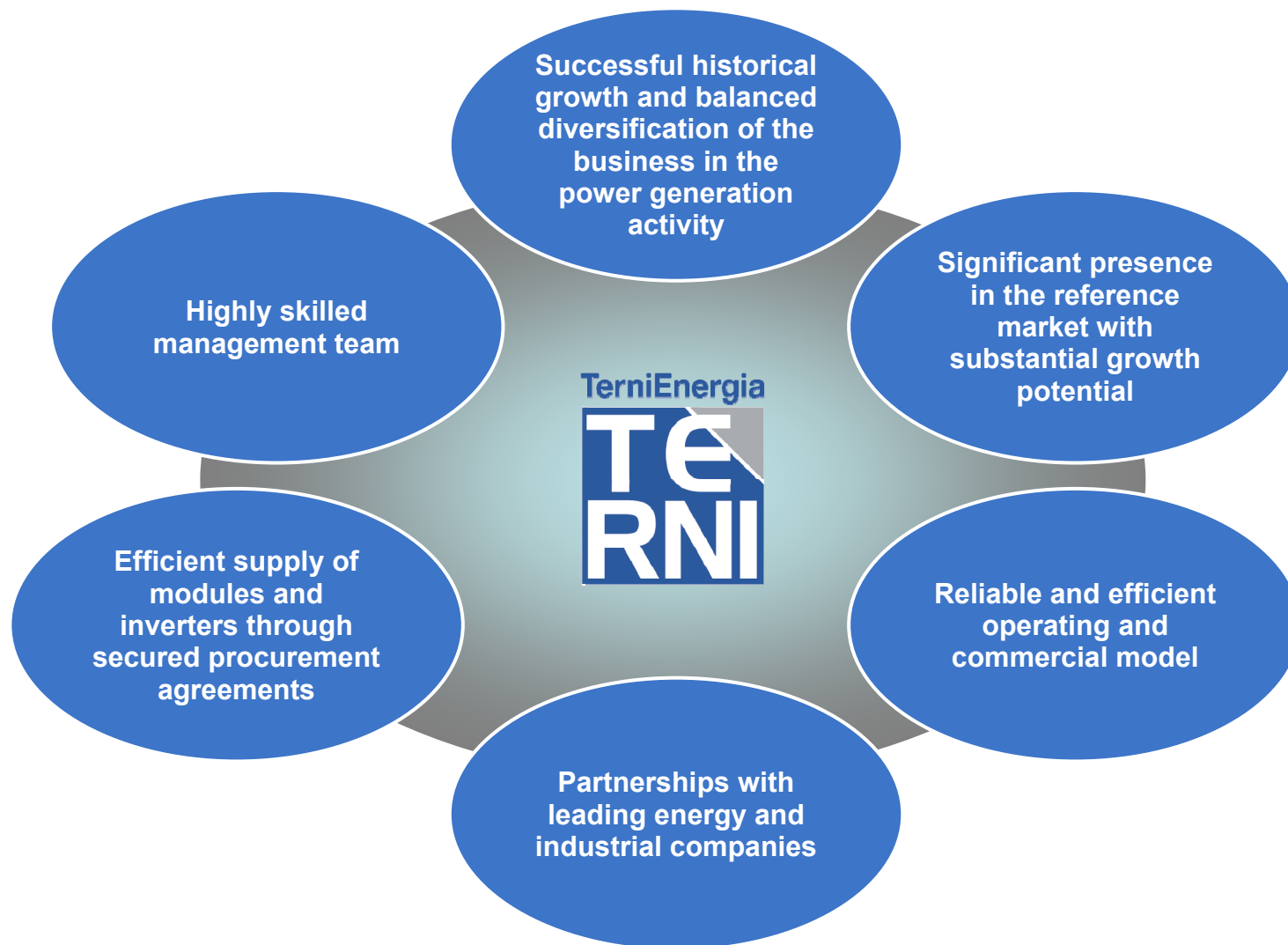
## July 2008

**IPO** on the Milan MTA (Mercato  
Telematico Azionario) of Borsa  
Italiana

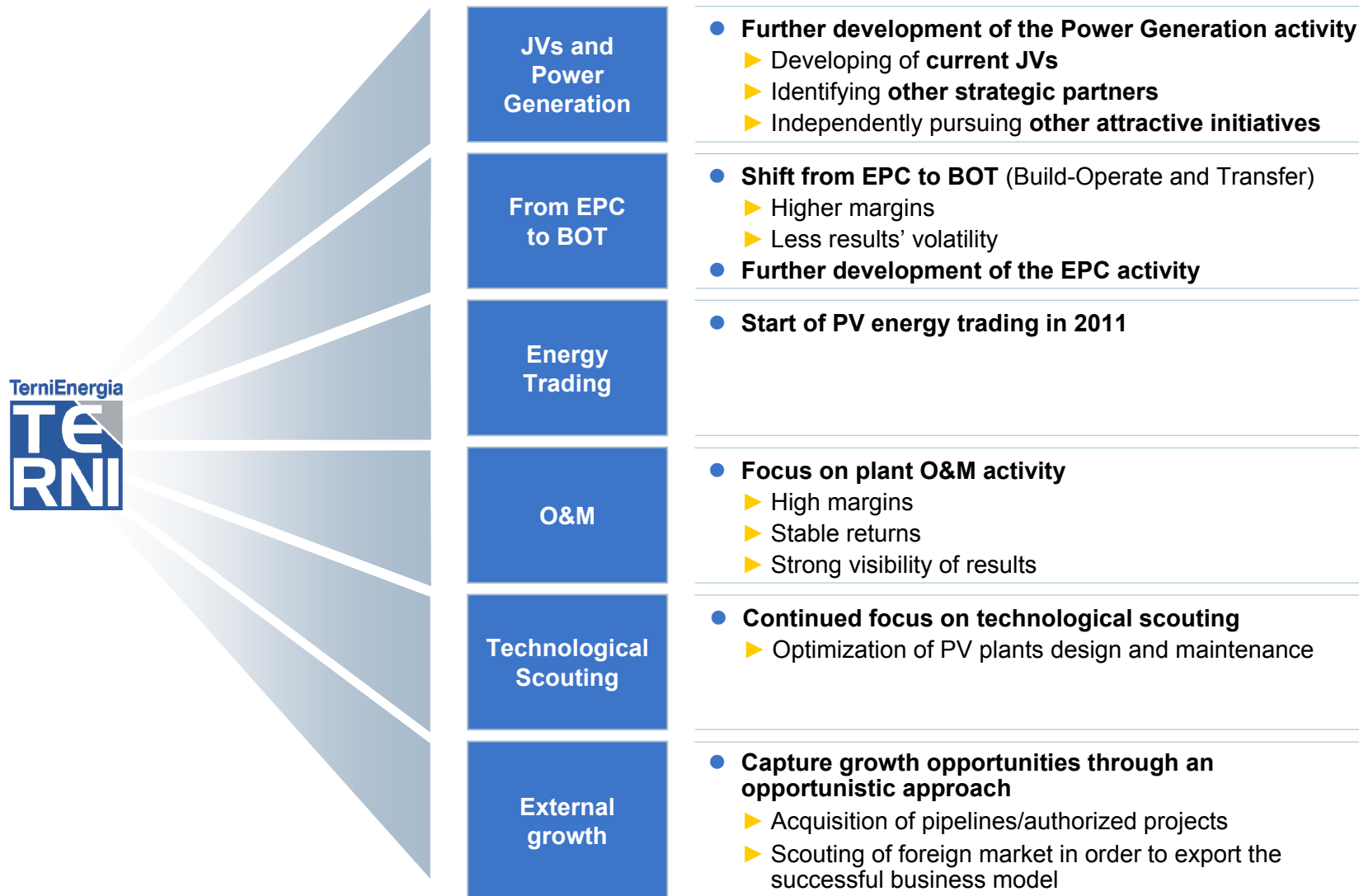
## March 2009

**Capital increase**  
(800,000 new shares)

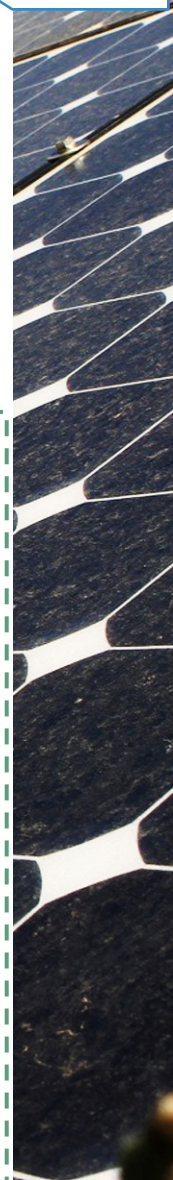
# Investment highlights



**TerniEnergia is a unique investment opportunity, best positioned to take advantage of the fast growing Italian PV market**



# Photovoltaic market value chain



- **Players:**
  - ▶ Producers of silicon and wafers
- **Market structure**
  - ▶ Global
  - ▶ Concentrated
- **Business characteristics:**
  - ▶ Huge barriers to entry

- **Players:**
  - ▶ Manufacturers of solar cells
  - ▶ Assemblers of modules
- **Main countries:** the US, Germany, China and Japan
- **Market structure:**
  - ▶ 40% of the manufacturers are not integrated
  - ▶ 60% are integrated
- **Business characteristics:**
  - ▶ Capital intensive
  - ▶ High degree of automation

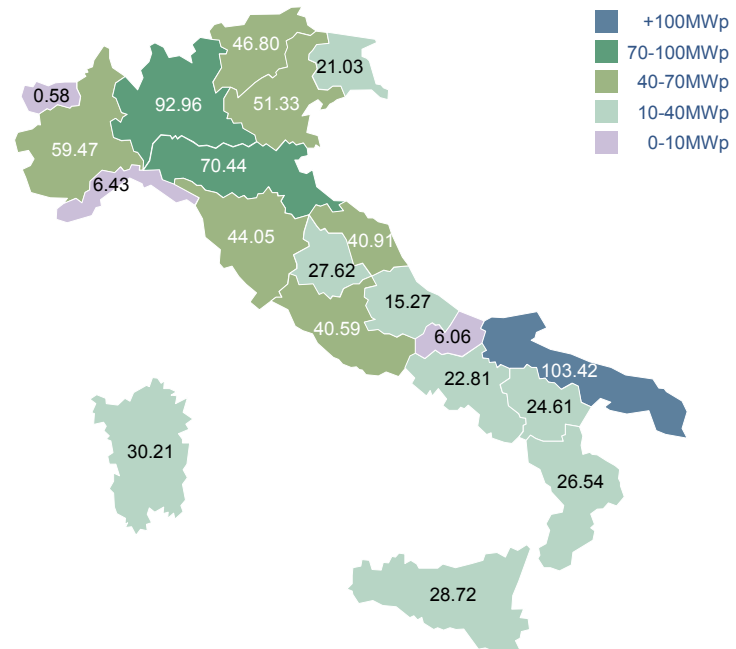
- **Players:**
  - ▶ System integrators
- **Role:**
  - ▶ The management of the authorization demand
  - ▶ The design of the PV plant
  - ▶ Installation
- **Business characteristics:**
  - ▶ Strong relationships with local authorities are key
  - ▶ High working capital needs

- **Players:**
  - ▶ Producers of electricity from the conversion of the sunlight

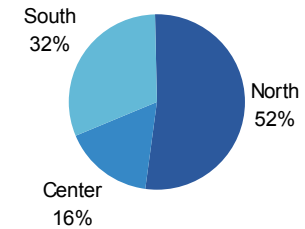
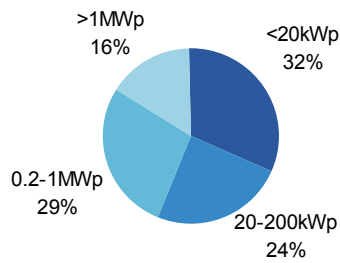
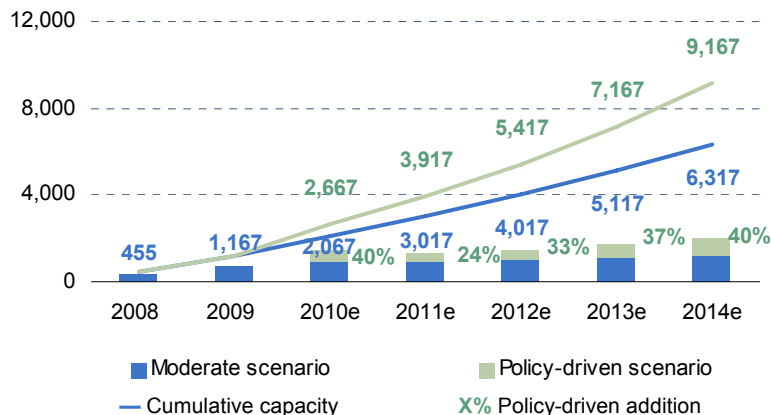
# Italian photovoltaic market overview

- 3<sup>rd</sup> largest market in Europe with approx. 1.2GW of installed capacity as of end of 2009
- Very strong potential for PV due to:
  - ▶ Geographical location
  - ▶ High-energy dependency (c. 87% vs. c. 54% European average)
  - ▶ Strong acceptability of PV vs. wind and nuclear
- Major growth driver in recent years:
  - ▶ 55% tax rebate covering energy efficiency measures in existing buildings, o/w solar thermal installations
  - ▶ Solid feed-in tariff (Conto Energia)
  - ▶ Ease of financing (i.e. leasing and project financing)

## DISTRIBUTION OF PV INSTALLED CAPACITY (MWp)



## SOLAR PV DEMAND FORECASTS 2010–2014 (MWp)



2009 Italian PV standard size

2009 Italian PV capacity by region

Source: EPIA

Source: Photon, as of 31/12/2009

# Italian market regulatory framework

Key features of Conto Energia 2007/2010 and the new Conto Energia 2011/2013

## MD 19/02/2007 – Conto Energia 2007/2010

## MD 06/08/2010 – Conto Energia 2011/2013

- Applicable to photovoltaic plants **commencing operation within December 31, 2010 and those plants within the scope of eligibility**

- Tariff overview:

(€/kWh)	1-3kWp	3-20kWp	>20kWp
Integrated	0.471	0.442	0.423
Partially-integrated	0.423	0.403	0.384
Non-integrated	0.384	0.365	0.346

- National target: **3,000MWp within 2016**
- Feed-in tariffs cap: **1,200MWp** (reached in July 2010)
- Tariff recognition: **20 years** (from grid connection)
- Following the achievement of the 1,200MWp cap, 2010 tariffs have been extended to all plants that will:
  - ▶ **Complete the installation** of the relevant PV plant **within the end of 2010**
  - ▶ **Provide notice** to the relevant admin. body upon receipt of the **requisite authorisation**
  - ▶ **Notify** to the grid operator and the GSE by the **completion date of the plant**
  - ▶ **Start operation within June 30, 2011**

- Applicable to PV plants **commencing operation from January 1, 2011**

- **Incentive tariffs** applicable under the new CE 2011/2013 vary according to:

- ▶ The **type of the PV plant**
- ▶ **Total installed capacity**
- ▶ The **period** in which the application is submitted

- Categories of PV plant eligible to receive incentive tariffs:

- ▶ **Conventional PV plants** (dividend into **roof PV systems** and **other plants**)
- ▶ **Integrated PV plants with innovative characteristics**
- ▶ **Concentrated PV plants**

- National target: **8,000MWp within 2020**

- Feed-in tariffs cap: **3,000MWp**

- ▶ Following the achievement of the cap, incentives will be granted to all plants commissioned within 14 months from the date on which the cap is reached

- Tariff recognition: **20 years** (from grid connection)





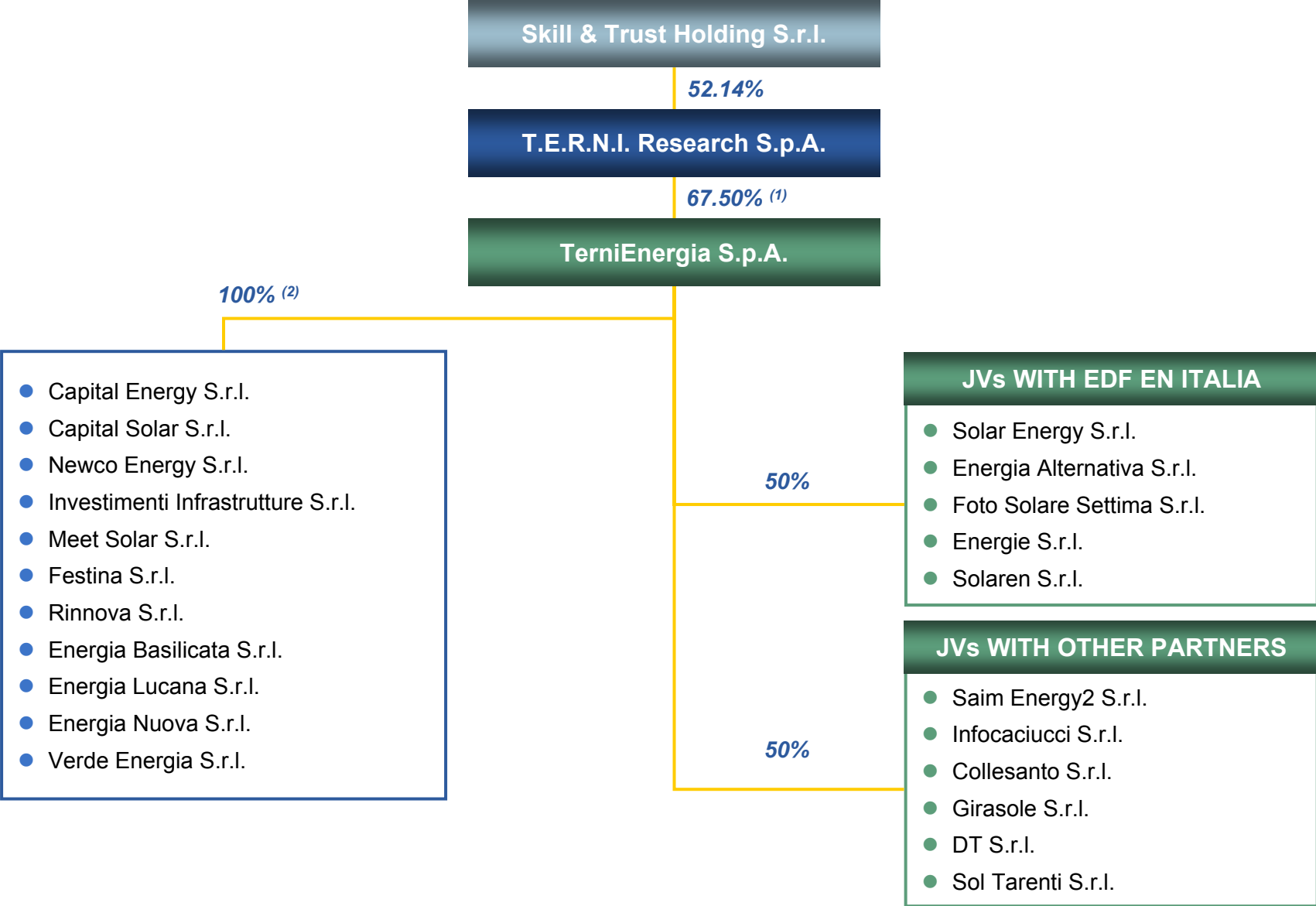
## EPC Turnkey Solutions Business

- Drafting & feasibility studies
- Authorization procedures
- PV panels purchase and installation
- Plant construction
- Plant operation and maintenance
- Customer support

## Power Generation Business

- 50:50 JVs with highly reputable partners
- Financing of projects guaranteed
- Leveraging “turnkey” expertise of TerniEnergia
- Agricultural and industrial sites acquisition for PV project implementation

# Group structure



(1) Mr. Neri owns directly and indirectly approx 1.3% additional shares

(2) Companies which own authorisation already granted or in process to be granted for the development of new PV plants to be addressed to power generation

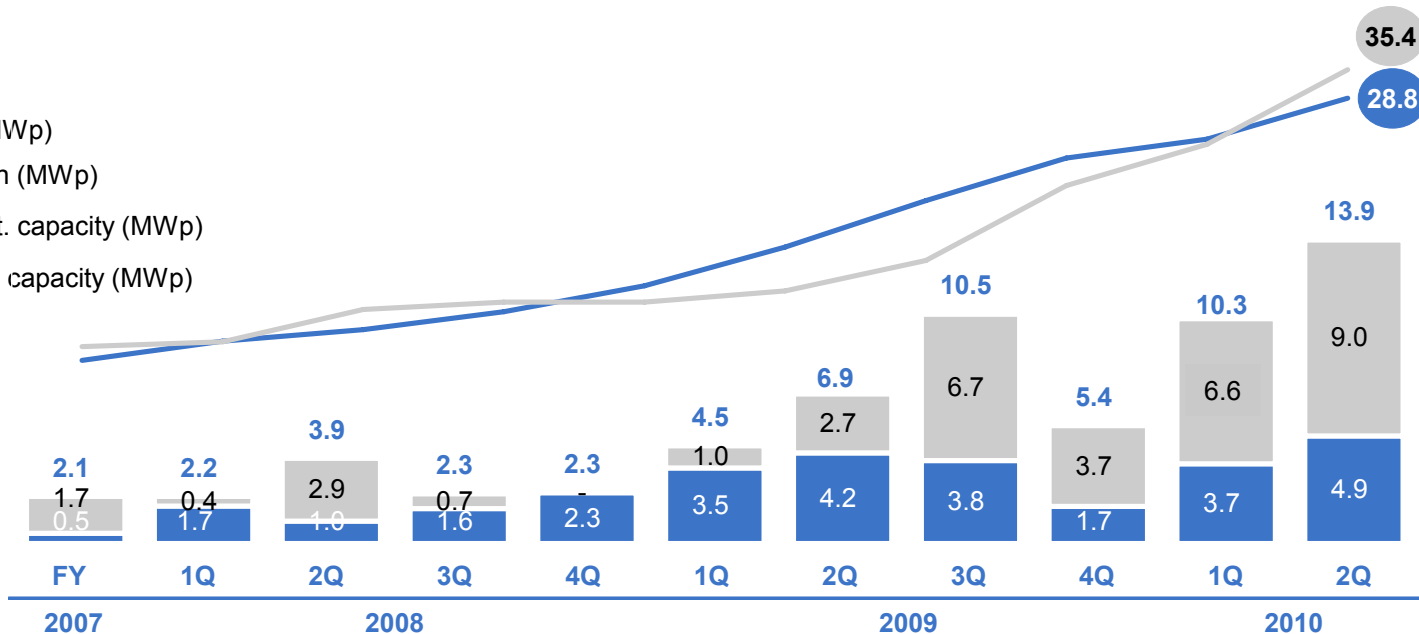


# Installed capacity evolution

**Total cumulated installed capacity as of June 30, 2010: 64.2MWp**

## Legend

- EPC third parties (MWp)
- JV Power generation (MWp)
- Cumulated EPC inst. capacity (MWp)
- Cumulated JVs inst. capacity (MWp)



	2007					2008				2009				2010	
# of new EPC plants	55	18	9	4	5	1	9	5	2	4	6				
# of new JV plants	2	1	3	1	-	1	3	5	4	7	9				
<b>Total plants</b>	<b>57</b>	<b>19</b>	<b>12</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>12</b>	<b>10</b>	<b>6</b>	<b>11</b>	<b>15</b>				
<b>Average (KWp)</b>	<b>38</b>	<b>113</b>	<b>325</b>	<b>454</b>	<b>462</b>	<b>2,234</b>	<b>571</b>	<b>1,050</b>	<b>900</b>	<b>936</b>	<b>927</b>				

Source: Company information

- **154 photovoltaic plants** completed for a total installed capacity of **64.2MWp**
  - ▶ **35.4MWp** for the **Power Generation** activity
- **26 plants completed in H1 2010** (30 in 2009) for a total installed capacity of **24.2MWp**
  - ▶ **15.6MWp** for the **Power Generation** activity



# EPC “turn-key” solutions business

- The development process for the construction of photovoltaic plants comprises **5 distinct phases**:

## 1 SITE IDENTIFICATION

- Identification of:
  - ▶ Sites / areas for the installation of a PV plant
  - ▶ SPV with one or more PV plants authorizations

## 2 MARKETING

- Preparation of estimate and offer
- Contract management and job order

## 3 PROJECT DEVELOPMENT

- Preparation of the documentation needed to obtain the administrative authorisations
- Contacts with the local grid operator to commence the procedure necessary to secure grid connection

## 4 PV PLANT CONSTRUCTION

- Preparation of: final design; materials planning and procurement; warehousing and receipt of goods; construction and installation activities; grid connections and request for incentive tariffs

## 5 REMOTE CONTROL AND MAINTENANCE

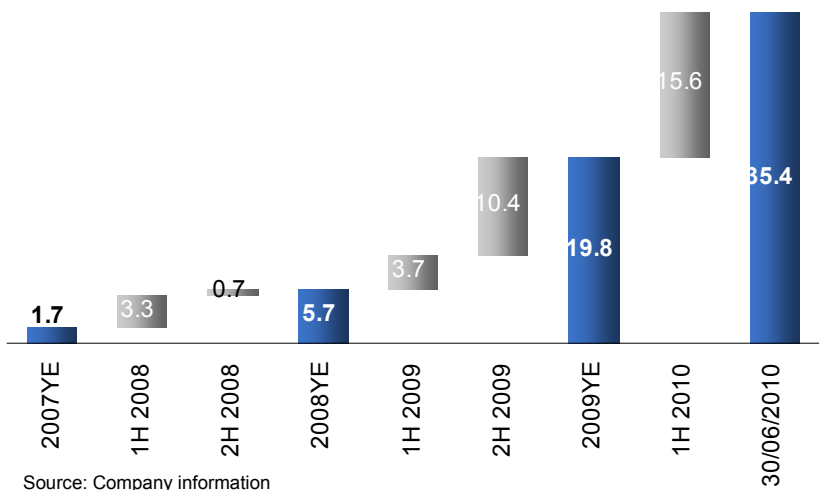
- Installation of TR-SUN, a proprietary terminal unit system which allows TerniEnergia to control remotely the PV plants
- Maintenance contracts: 20 years
- Customer service

- **The timeframe required for the construction** of a PV plant mainly depends on **the size** of the plant
  - ▶ For example, a **1MWp plant**, requires approx. **1 month for the construction of the relevant plant** and approx. **3 months to complete grid connections and obtain eligibility to receive incentive tariffs**

# Power generation business

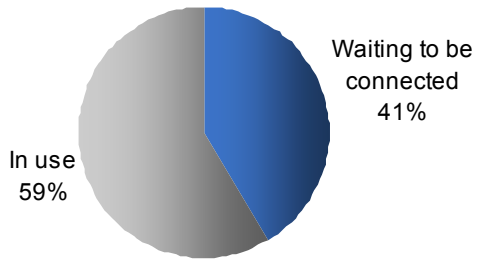
- **Since 2007**, through industrial partnership established with **EDF EN Italia**, TerniEnergia has started **producing energy** through the **conversion of solar energy**
- **TerniEnergia is responsible** for the:
  - ▶ **Identification** of sites potentially suitable for the installation of a photovoltaic plant
  - ▶ **Feasibility study**
  - ▶ **Preliminary design** of the system and filing of the documentation needed to obtain the administrative authorization
- Once the project is developed, **TerniEnergia transfers the project to one of the JVs**, which contracts the Company to build, operate and maintain the photovoltaic plant
- Partnerships with EDF EN Italia and other selected partners allow TerniEnergia to:
  - ▶ **Diversify** into the power generation business with a **moderate equity commitment**
  - ▶ **Guarantee the procurement** of the **solar panels** and the funding of the plants at **favourable conditions**
  - ▶ **Reduce company risk profile** ensuring a **defined revenues flow** for the **next 20/25 years**
- TerniEnergia has signed **11 industrial partnerships** with:
  - ▶ EDF EN Italia: Solar Energy, Energia Alternativa, Foto Solare Settima, Energie and Solaren
  - ▶ Local partners: Saim Energy2, Infocaciucci, Collesanto, Girasole, DT and Ferrero Elettra

## JVs INSTALLED CAPACITY EVOLUTION (MWp)



Source: Company information

## JVs INSTALLED CAPACITY BREAKDOWN



**35.4MWp installed as of June 30, 2010**

Source: Company information



## Industrial results

- As of September 30, 2010, TerniEnergia is expected to complete the construction of other **18 PV plants for an additional installed capacity of 19.5MWp**
  - ▶ **6.8MWp for the Power Generation** activity of which **5.8MWp** to be carried out through JVs with **EDF EN Italia**
  - ▶ Average size of 0.9MWp for 16 PV plants
  - ▶ **2 large installations** with an **average peak capacity of 2.5MWp**

## Industrial targets

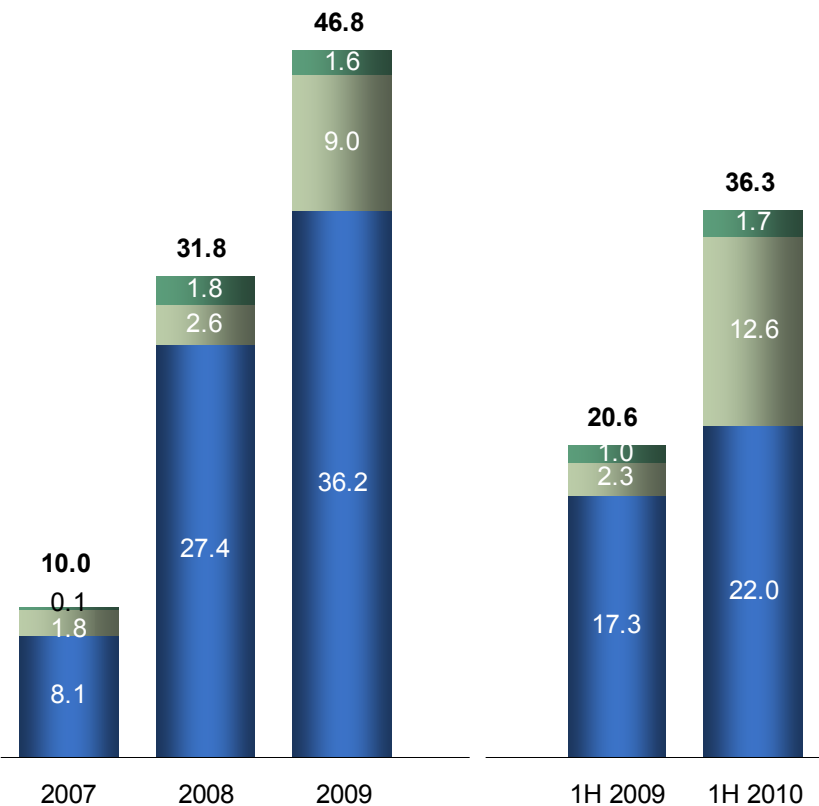
- In the first **9 months of 2010**, TerniEnergia is expected to complete **44 PV plants for a total installed capacity of 43.7MWp**
  - ▶ **21.4MWp for the Power Generation** activity
- **JVs with EDF EN Italia: 38.4MWp** estimated to be installed as of **September 30, 2010**

# Key financials (1/2)

Strong revenues growth with improving margins

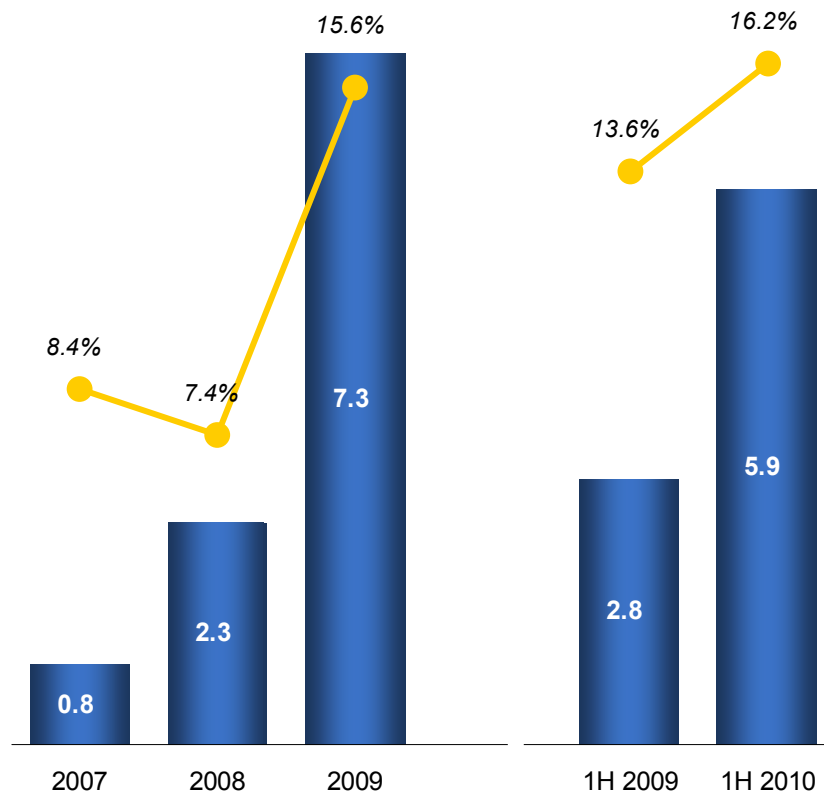
## Revenues (€m)

CAGR 2007-2009: +116.8% YoY growth: +76.0%



## EBITDA (€m) and EBITDA margin (%)

CAGR 2007-2009: +194.9% YoY growth: +109.3%



■ EPC - Third parties

■ EPC - JVs

■ Other sales

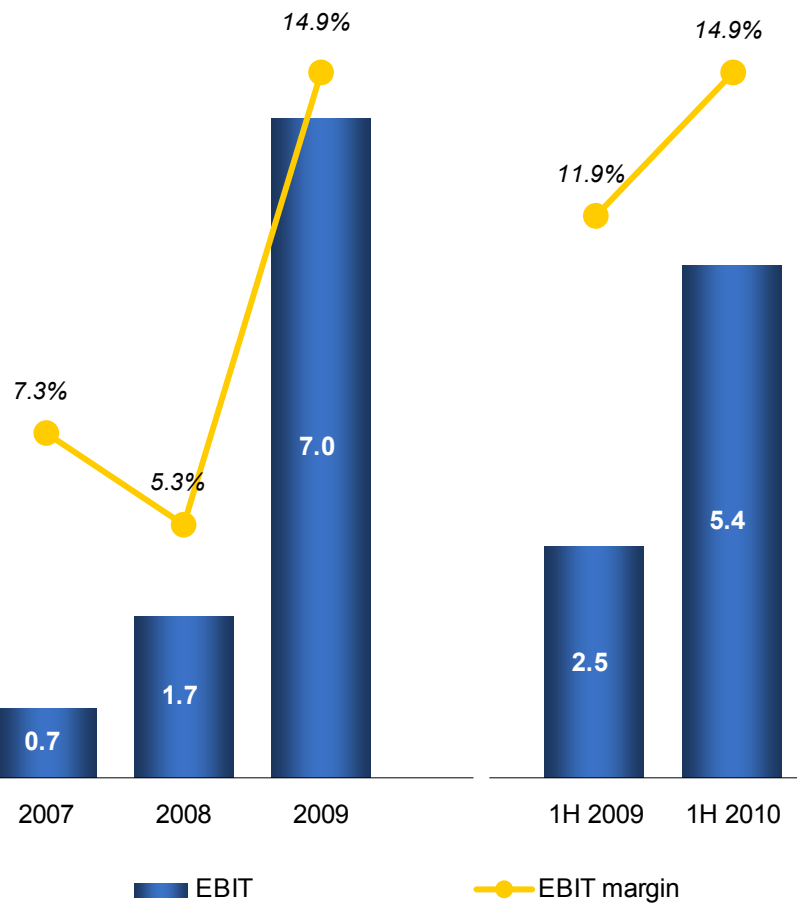
■ EBITDA

● EBITDA margin

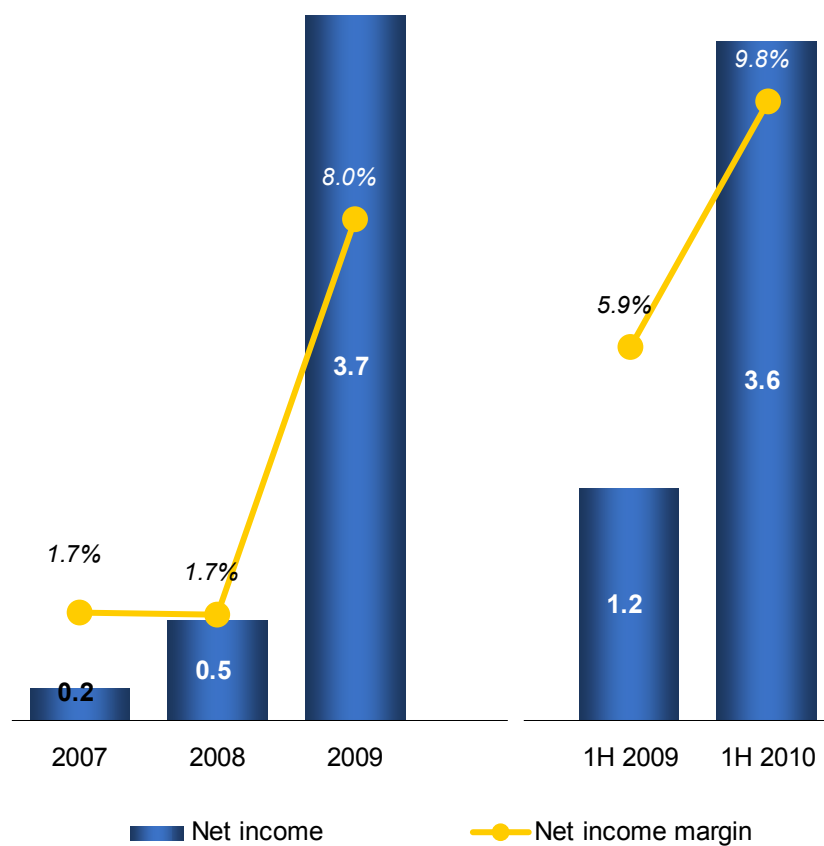
# Key financials (2/2)

Outstanding growth of both EBIT and net income

EBIT (€m) and EBIT margin (%)



Net income (€m) and net income margin (%)





## Key financial data - P&L

Figures in €m	Financial Year to Dec 31			Interim Period to August 31	
	2007	2008	2009	6M 2009	6M 2010
<b>EPC - Third parties</b>	<b>8.1</b>	<b>27.4</b>	<b>36.2</b>	<b>17.3</b>	<b>22.0</b>
% growth	n/a	239.8%	32.1%	-	26.9%
<b>EPC - JVs</b>	<b>1.8</b>	<b>2.6</b>	<b>9.0</b>	<b>2.3</b>	<b>12.6</b>
% growth	n/a	47.5%	244.8%	-	447.8%
<b>Other sales</b>	<b>0.1</b>	<b>1.8</b>	<b>1.6</b>	<b>1.0</b>	<b>1.7</b>
% growth	n/a	1307.3%	(11.5%)	-	71.7%
<b>Total revenues</b>	<b>10.0</b>	<b>31.8</b>	<b>46.8</b>	<b>20.6</b>	<b>36.3</b>
% growth	-	219.5%	47.1%	-	76.0%
Operating expenses	(9.1)	(29.5)	(39.5)	(17.8)	(30.4)
% revenues	(91.6%)	(92.6%)	(84.4%)	(86.4%)	(83.8%)
<b>EBITDA</b>	<b>0.8</b>	<b>2.3</b>	<b>7.3</b>	<b>2.8</b>	<b>5.9</b>
% revenues	8.4%	7.4%	15.6%	13.6%	16.2%
D&A	(0.1)	(0.6)	(0.3)	(0.3)	(0.5)
<b>EBIT</b>	<b>0.7</b>	<b>1.7</b>	<b>7.0</b>	<b>2.5</b>	<b>5.4</b>
% revenues	7.3%	5.3%	14.9%	11.9%	14.9%
<b>Net income</b>	<b>0.2</b>	<b>0.5</b>	<b>3.7</b>	<b>1.2</b>	<b>3.6</b>
% revenues	1.7%	1.7%	8.0%	5.9%	9.8%

## Key financial data - Balance sheet

Figures in €m	Financial Year to Dec 31			As of
	2007	2008	2009	June 30, 2010
Fixed assets	2.4	2.7	5.6	9.2
Net working capital	2.2	12.4	12.3	16.4
Non-current provisions and deferred tax assets	(0.0)	(0.1)	(2.0)	(3.7)
<b>Capital Employed</b>	<b>4.6</b>	<b>15.0</b>	<b>16.0</b>	<b>21.9</b>
Net debt / (cash)	(0.4)	5.9	2.7	8.1
Sh.'s Equity	5.0	9.1	13.3	13.8
<b>Capital Employed</b>	<b>4.6</b>	<b>15.0</b>	<b>16.0</b>	<b>21.9</b>
<i>Net Debt / EBITDA</i>	<i>nm</i>	<i>2.5x</i>	<i>0.4x</i>	<i>0.8x<sup>(1)</sup></i>
<i>Net Debt / Equity</i>	<i>nm</i>	<i>0.7x</i>	<i>0.2x</i>	<i>0.6x</i>

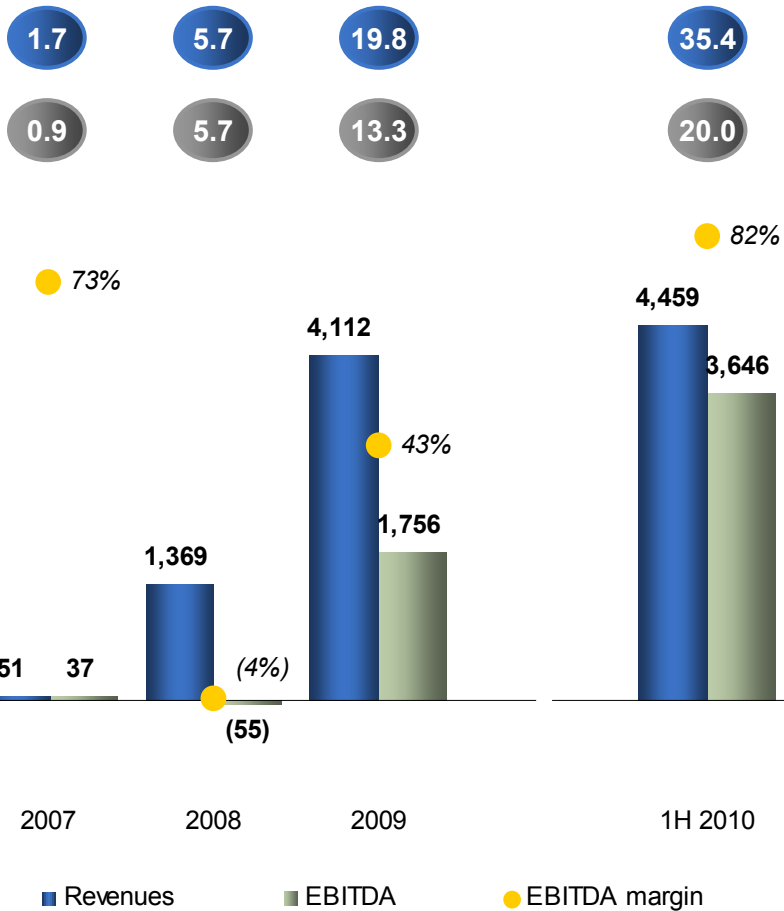
Source: Company information

(1) Based on LTM EBITDA

# Overview of joint ventures



## JVs – Sales and EBITDA (€ '000)



## Comments

- According to IFRS, JVs are not included in the consolidated EBITDA nor in the net debt of Terni Energia
- JV business model: 15% equity (shared ½ by JV's partners) – 85% debt
- **36 plants completed**
- Total capacity: **20MWp in operation**
- JVs consolidated net debt: €100.7m as of June 30, 2010
  - ▶ Approx. 50% long term debts (18/20 years)
  - ▶ Approx. 80-90% swapped at a fixed rate in order to stabilise cash-flows
- Assets (PV plants): €136m
- **The EBITDA margin is typically affected by the time gap between the installation phase** (when most of the operating costs are incurred) **and the grid connection** (when the plant start generating revenues)
- At regime, it is expected that **EBITDA margin could range between 80-90%** according to the electricity production results

# Case study – PV Plant “Bosco”

<b>CUSTOMER</b>	Solar Energy S.r.l.	
<b>COUNTRY</b>	Italy	
<b>SITE</b>	Narni (TR)	
<b>DATE</b>	2007	
<b>SIZE</b>	873.6kWp	
<b>DURATION OF REALIZATION PHASES</b>	<ul style="list-style-type: none"> <li>● Engineering: 15 days</li> <li>● Realization: 60 days</li> <li>● Grid connection: 3 days</li> </ul>	

## Highlights

- Solar Modules: SolarWorld SW 210, 210Wp
- Inverters: Santerno
- Grid connection: 07/11/2007
- Estimated yearly energy production: 1.1GWh

## Scope of supply

- Engineering
- Project Management
- Realization
- Supply transformers and MV switchgears
- Supply monitoring system
- Service and Maintenance



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