



4th Nov 2010, Session 13: Financing and Investments

Structuring energy deals and IPO's for clean energy companies

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First Climate Group

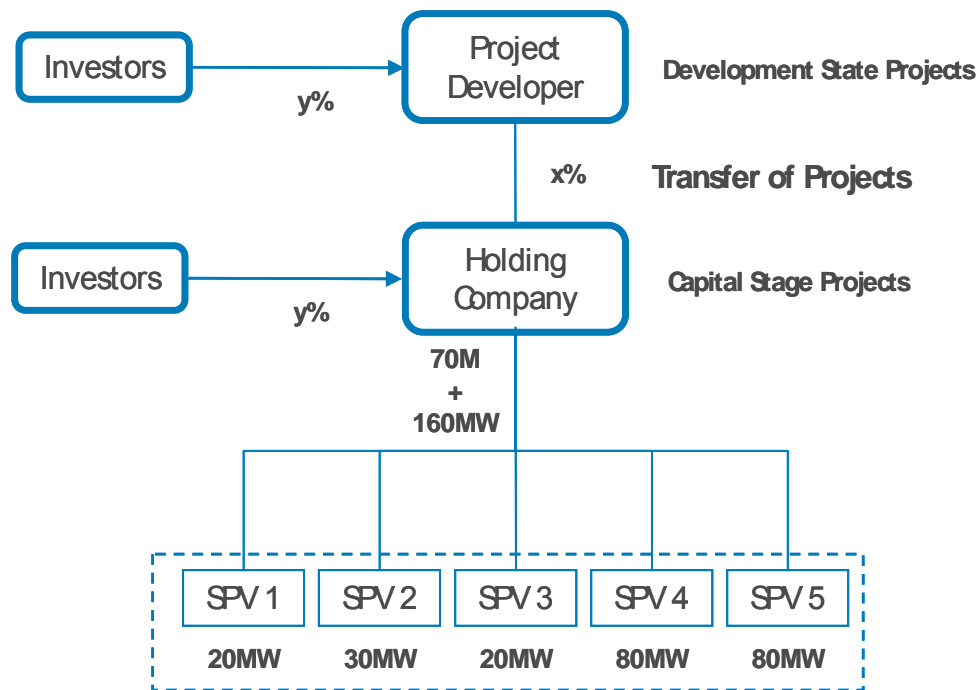
- Zurich / Frankfurt based specialist carbon and clean energy investment house with 14 offices world-wide
- Investment in emerging market clean energy and carbon (green house gas mitigation) projects
- Purchase and trading of carbon certificates (Kyoto, ETS, RECs)
- Covers the entire spectrum of activities in the carbon/ clean energy sector – carbon methodology/ project development, technology partnerships, project financing, fund management

Characteristics of Clean Energy Companies

- Individual projects tend to be small/ medium sized
- Have 'early stage' development risks
- Projects miss out on 'limited recourse' financing/ risk mitigation structures
- Longer development phase and payback
- Reduced leverage for the first projects
- Limited access to 'mainstream' financing sources

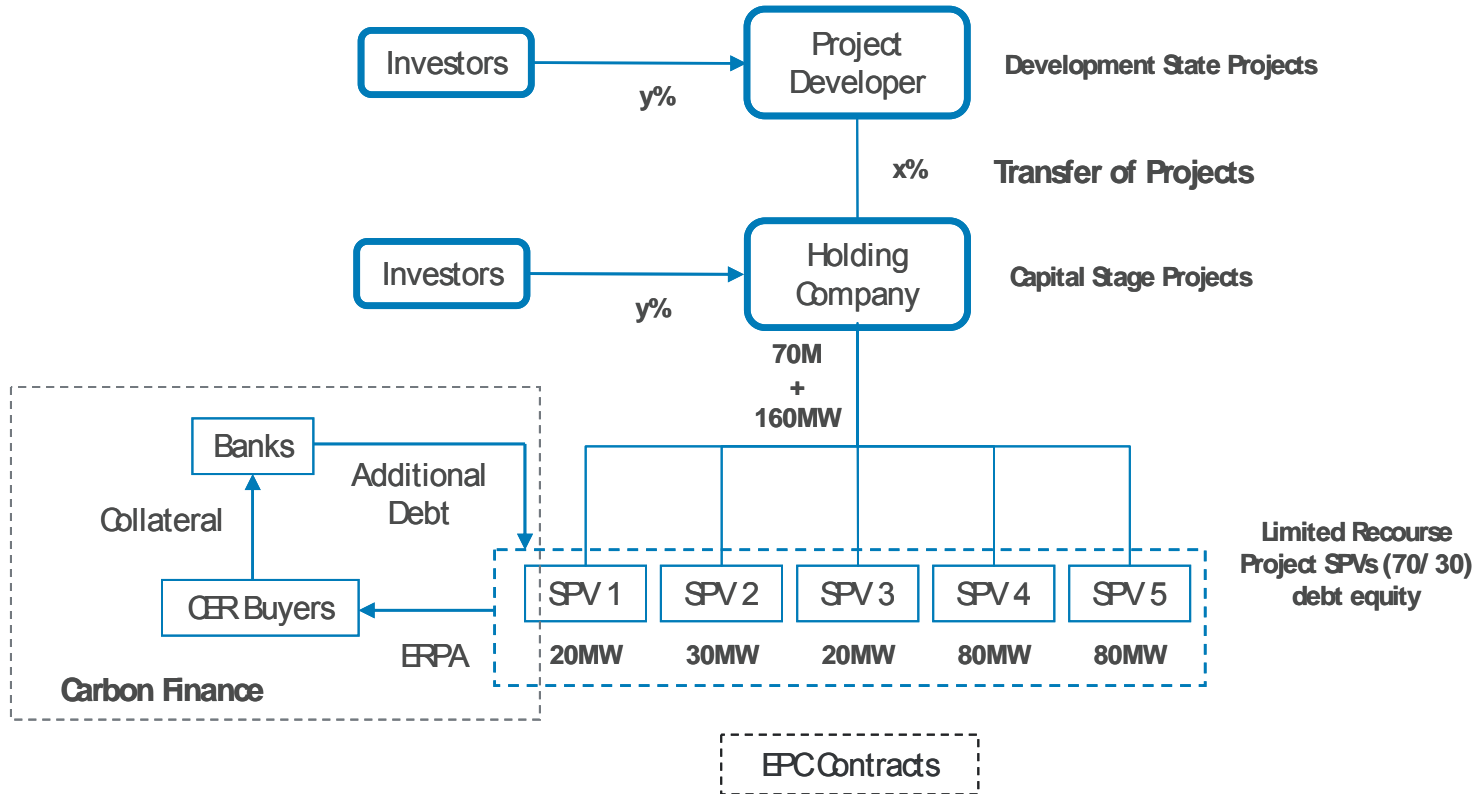
Phased financing approach for clean energy companies -
Example of a recent First Climate investment transaction

Reducing Early Stage Development Risks for Investors



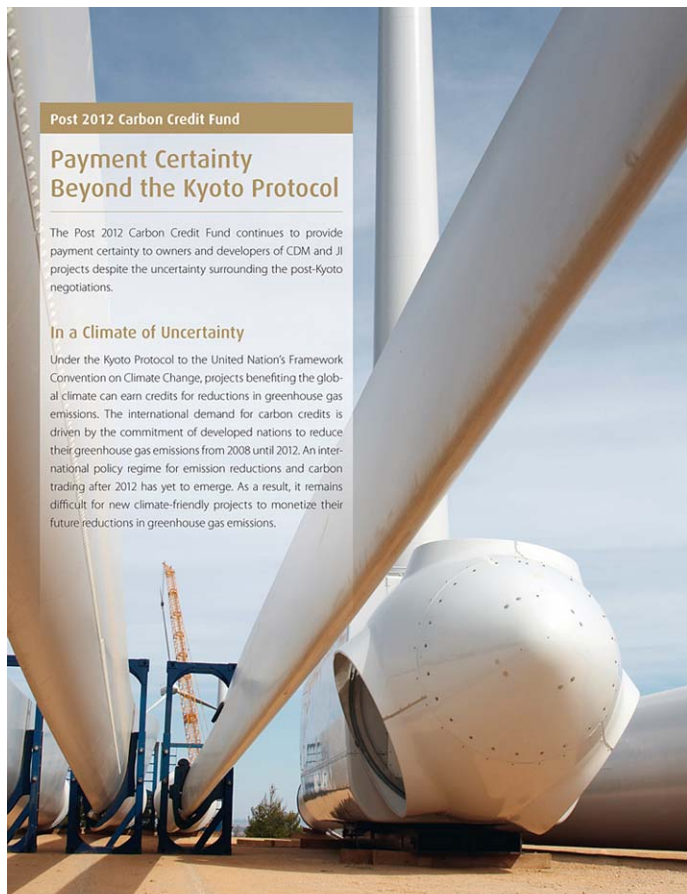
- Holding company captures growth potential while limiting early stage development risks
- Investment in the holding company only once the projects reach a concrete stage of development (licences secured, land identified/ acquired, feasibility studies completed, EPC contractor identified, debt committed)

Creating an Optimum Investment Size



- Portfolio approach creates an optimal deal size and reduces transaction costs
- Makes limited recourse and carbon (re)financing structures feasible
- Access to a wider financing market

Increasing Leverage through Carbon Finance



Size: €125 million

Investors: EIB, KfW, ODC, IICO, NIB

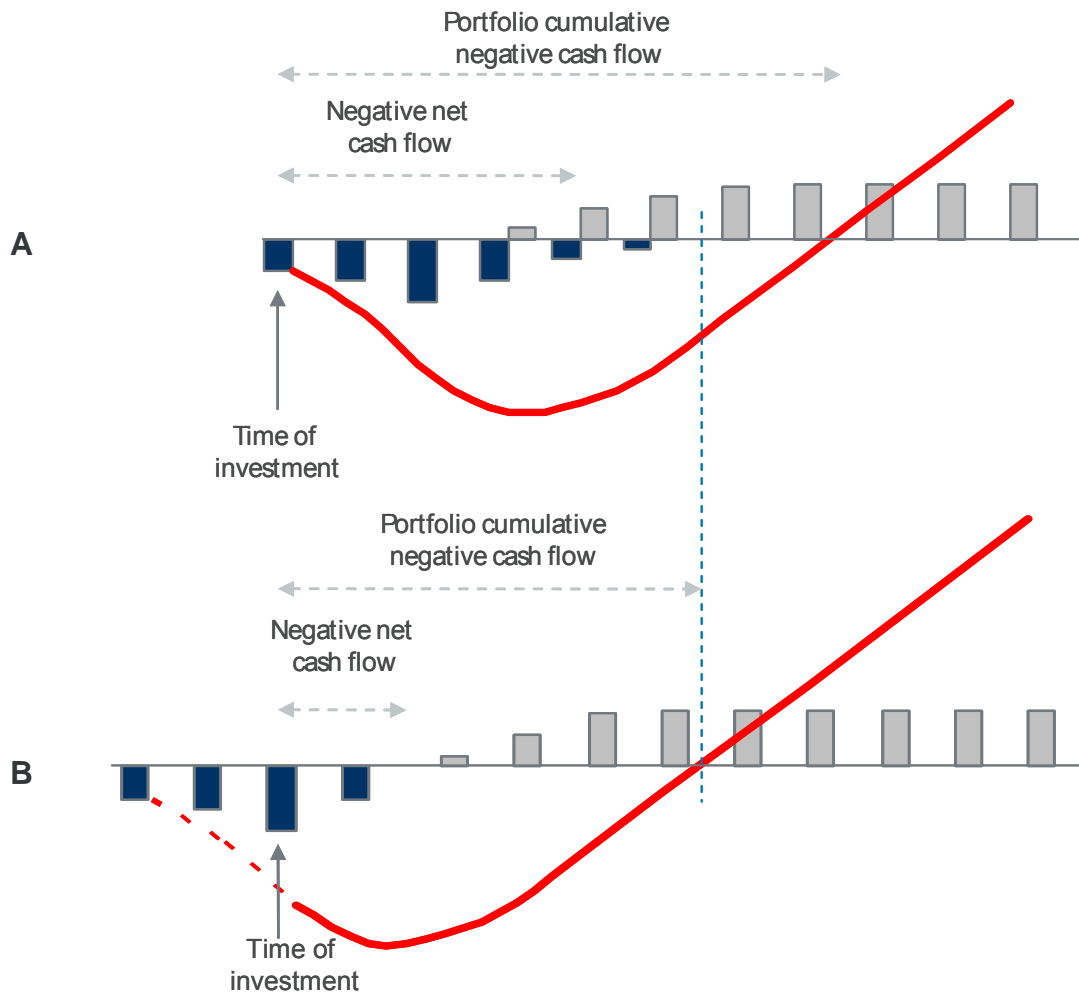
Launch date: April 2008

First Climate is Fund Advisor to the Post 2012 Carbon Credit Fund, the first fund to purchase CERs generated after 2012

- First Climate secures additional debt for projects using Emission Reduction Purchase Agreements (ERPAs) with the Fund as collateral

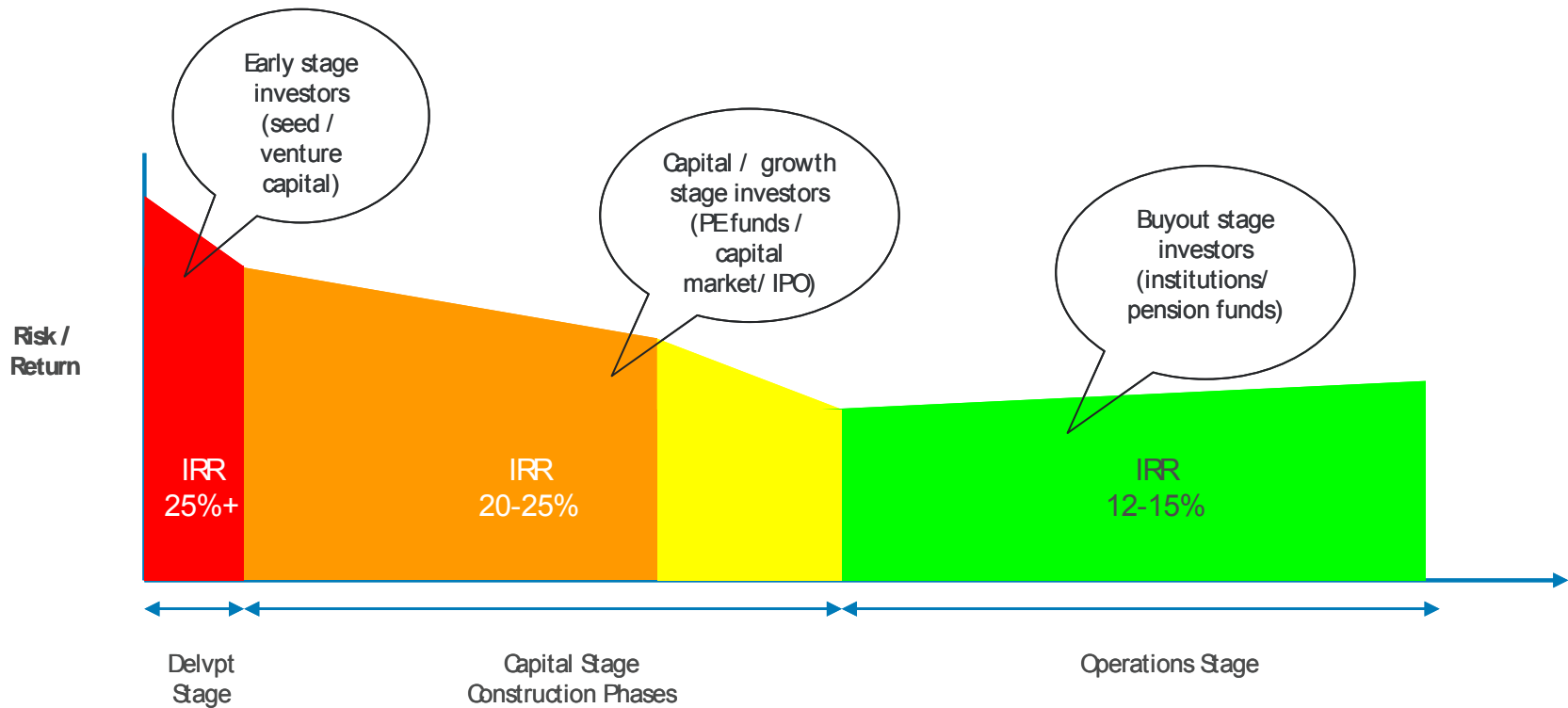


Attracting co-investors through Portfolio Approach

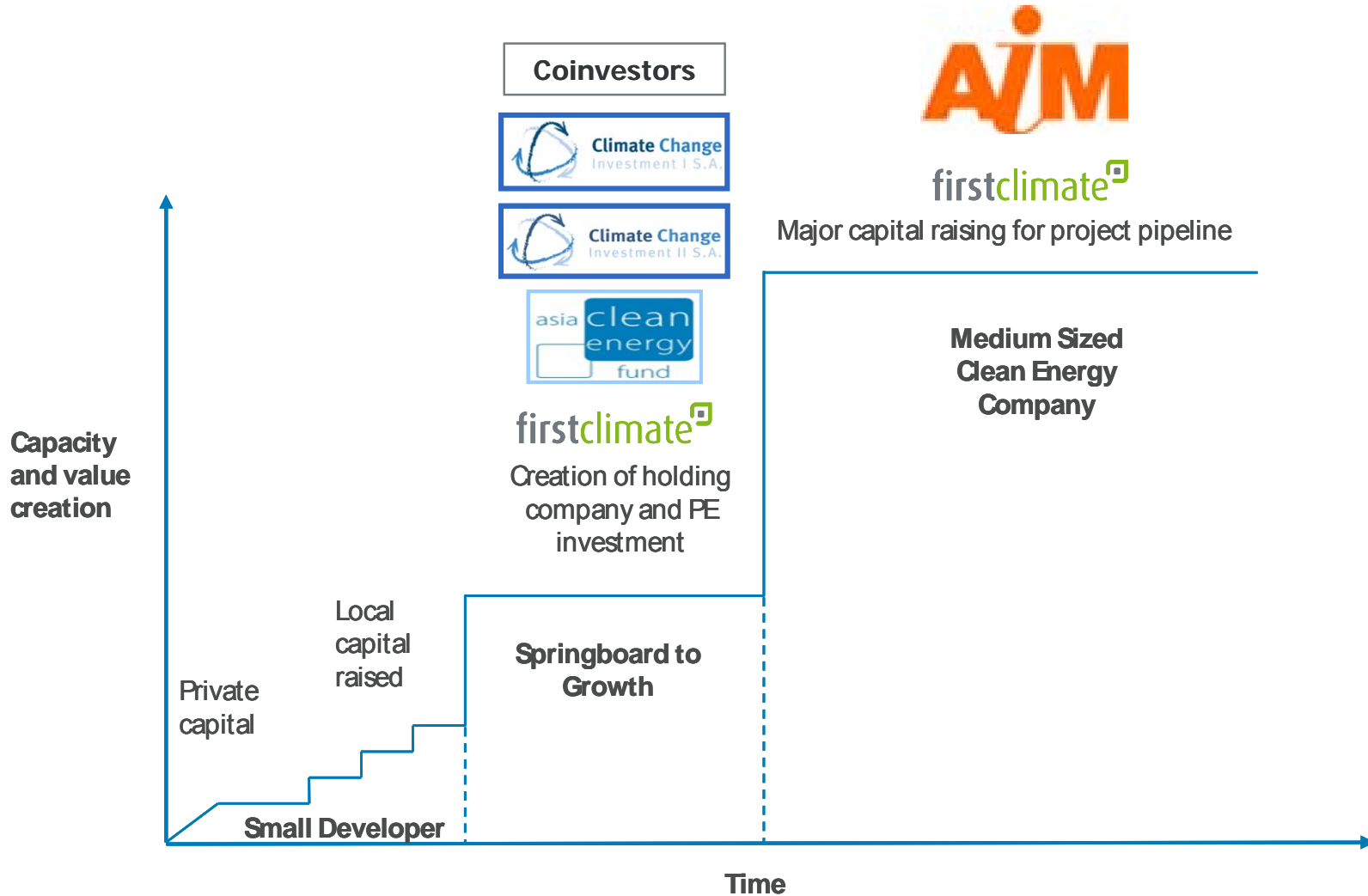


Investing in a **diversified portfolio** of operational, under construction and under development projects to achieve quicker net cash flow positive and earlier payback

Match Financing Phases with Investor Types



Phased Approach to Financing



Public Market Financing / IPO

Benefits



- Access to international capital markets (e.g. Indian company listed in the UK or Chinese company listed in the US) as renewable energy as a global mega trend
- Institutional investors now understand well the technology risks for selected renewable (e.g. wind, PV solar,..)
- Easier too attract investors for secondary raising and possibility to issue structured products (e.g. bonds)

Drawbacks



- Raising capital is distracting for the management...an IPO is a very extensive process
- Costly...5%
- Compliance obligations quite onerous for small companies
- Difficult to get the timing right

The Case for Clean Energy Companies



?

Not different
from private
route

Company specific factors

- Compelling investment case
- Financial forecasts
- Analyst sentiment
- Quality of management

Investor considerations

- Investors' experience in issuer's industry
- Investors' appetite for IPOs
- Sufficient deal momentum



Successful IPO

Capital markets environment

- IPO market conditions
- General valuation level of stock markets
- Assessment of sector and comparable companies



Indian Clean Energy Company – A Successful IPO Case

- ▶ Founded in and incorporated in 2006
- ▶ PEFunding early 2007
- ▶ IPO in London (Nov 2007) raising €45m (with only around 25 MW operational)
- ▶ Raised additional GBP100m in Nov 09- Jan 10
- ▶ Today it has a market cap of €250m with 186 MW operational and 800 MW under development



Thank You



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