

# Valuation Report

## PHOTOVOLTAIC PARK

GREEK ENERGY SECTOR



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## VALUATION APPROACH

We have estimated the fair value of the 500 KW Photovoltaic Park through the DCF (Discounted Cash Flow) methodology. The following 2 tables present our assumptions for the 25-year operation of the photovoltaic park. We have drawn the projected revenues and earnings of the photovoltaic park in the P&L account, whereas we have discounted the cash flows generated from the 25-year operation of the park to arrive at the net present value.

The major inputs in our forecasting and valuation model are summarized as follows:

- Annual revenues are estimated at € 450,000 generated from the production of 100-120 MW per annum. 2009 is the first year of the park's operation and the valuation horizon is set at 25 years;
- We have assumed fixed operating expenses of € 50,000 and an income tax rate of 25%;
- The investment outflow for the construction of the photovoltaic park is estimated at € 3.2 million including the acquisition cost of a 48,500 m<sup>2</sup> land in South Greece;
- The breakdown of the financing cost is assumed at 25% own capital, 35% bank debt and 40% investment grants.

ANALYSIS of the PROFIT & LOSS ACCOUNT

Up to year 2034

(in € ,000)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2034
<b>Operating results</b>											
<b>Turnover</b>	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>(-) Cost of Sales</b>	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
% of Turnover	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%	8.89%
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Gross operating results</b>	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000
<b>Gross Operating Margin</b>	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%	91.11%
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>(+) Other operating income</b>	51,200	51,200	51,200	51,200	51,200	51,200	51,200	51,200	51,200	51,200	0
<b>(-) Administrative Expenses</b>	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
% of Turnover	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%
% of Gross Profit	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%	2.44%
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Research and development costs</b>	0	0	0	0	0	0	0	0	0	0	0
% of Turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% of Gross Profit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
y-o-y Change. %	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!
<b>Distribution Cost</b>	0	0	0	0	0	0	0	0	0	0	0
% of Turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% of Gross Profit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
y-o-y Change. %	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!	#Δ/AIP/0!
<b>Total Expenses</b>	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
% of Turnover	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>EBITDA</b>	451,200	451,200	451,200	451,200	451,200	451,200	451,200	451,200	451,200	451,200	400,000
<b>EBITDA Margin</b>	100.27%	100.27%	100.27%	100.27%	100.27%	100.27%	100.27%	100.27%	100.27%	100.27%	88.89%
y-o-y Change. %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-11.33%
<b>Depreciation</b>	68,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	60,000
% of Turnover	15.11%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	13.33%
% of Gross Profit	16.59%	31.22%	31.22%	31.22%	31.22%	31.22%	31.22%	31.22%	31.22%	31.22%	14.63%
y-o-y Change. %		88.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-50.00%
<b>EBIT</b>	383,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	340,000
% of Turnover	85.16%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	75.56%
y-o-y Change. %		-15.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.66%
<b>FINANCIAL RESULTS</b>											
Financial Income											
Financial Expenses	61,600.0	52,800.0	44,000.0	35,200.0	26,400.0	17,600.0	8,800.0	0.0	0.0	0.0	0.0
<b>Total Financial Results</b>	-61,600	-52,800	-44,000	-35,200	-26,400	-17,600	-8,800	0	0	0	0
<b>NET RESULTS BEFORE TAXES</b>	321,600	270,400	279,200	288,000	296,800	305,600	314,400	323,200	323,200	323,200	340,000
<b>EBT Margin</b>	71.47%	60.09%	62.04%	64.00%	65.96%	67.91%	69.87%	71.82%	71.82%	71.82%	75.56%
y-o-y Change. %		-15.92%	3.25%	3.15%	3.06%	2.96%	2.88%	2.80%	0.00%	0.00%	2.66%
Tax income	80,400	67,600	69,800	72,000	74,200	76,400	78,600	80,800	80,800	80,800	85,000
Effective Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
<b>NET RESULTS (PROFIT) AFTER TAXES</b>	241,200	202,800	209,400	216,000	222,600	229,200	235,800	242,400	242,400	242,400	255,000
<b>EAT Margin</b>	53.60%	45.07%	46.53%	48.00%	49.47%	50.93%	52.40%	53.87%	53.87%	53.87%	56.67%
y-o-y Change. %		-15.92%	3.25%	3.15%	3.06%	2.96%	2.88%	2.80%	0.00%	0.00%	2.66%
Proportion of Minority rights	0	0	0	0	0	0	0	0	0	0	0
<b>CONSOLIDATED NET RESULTS (a.t.&amp;m.i.)</b>	241,200	202,800	209,400	216,000	222,600	229,200	235,800	242,400	242,400	242,400	255,000
<b>EAT Margin</b>	53.60%	45.07%	46.53%	48.00%	49.47%	50.93%	52.40%	53.87%	53.87%	53.87%	56.67%
y-o-y Change. %		-15.92%	3.25%	3.15%	3.06%	2.96%	2.88%	2.80%	0.00%	0.00%	2.66%

Source: Management's Guidance, VRS.

DISCOUNTED CASH FLOW (DCF) METHODOLOGY

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2033	Terminal Value
<b>ASSUMPTIONS</b>												
Growth Rate (Sales)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBIT Margin	85.16%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	71.82%	73.60%	73.60%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Working Capital (change as % of sales)	16.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capex (% of sales)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of Capital	6.41%	6.34%	6.75%	7.17%	7.54%	7.97%	8.45%	9.00%	9.00%	9.00%	9.00%	9.00%
Depreciation (% of sales)	15.11%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	28.44%	26.67%	26.67%
<b>CASH FLOW STATEMENT</b>												
Turnover	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
EBIT	383,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	323,200	331,200	331,200
Less: Adjusted Tax	95,800	80,800	80,800	80,800	80,800	80,800	80,800	80,800	80,800	80,800	82,800	82,800
Adjusted Operating Profit	287,400	242,400	242,400	242,400	242,400	242,400	242,400	242,400	242,400	242,400	248,400	248,400
Plus: Depreciation	68,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	128,000	120,000	120,000
<b>Operating Cash Flow</b>	<b>355,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>368,400</b>	<b>368,400</b>
Less: Change in Working Capital	73,973	0	0	0	0	0	0	0	0	0	0	0
Less: Capex	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Flow to the Firm (FCFF)</b>	<b>281,427</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>370,400</b>	<b>368,400</b>	<b>368,400</b>
Discount Factor	0.940	0.884	0.822	0.758	0.695	0.631	0.567	0.502	0.460	0.422	0.116	0.116
Present Value of Cash Flows	264,464	327,563	304,529	280,834	257,473	233,788	209,878	185,891	170,542	156,461	42,723	42,723
Accumulated Present Value	264,464	592,028	896,556	1,177,390	1,434,863	1,668,652	1,878,530	2,064,421	2,234,964	2,391,425	3,645,798	4,093,333
Residual Value												4,093,333
<b>Present Value of Residual Value</b>												474,695
												11.5%
<b>WACC CALCULATION</b>												
Risk Free Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Beta Factor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Market risk Premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Cost of Equity	56.2%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Debt / Debt+Equity	5.5%	50.7%	44.5%	37.6%	29.9%	21.1%	11.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of Debt	5.5%	5.3%	5.3%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Tax Rate	20.0%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
<b>WACC</b>	<b>6.41%</b>	<b>6.34%</b>	<b>6.75%</b>	<b>7.17%</b>	<b>7.54%</b>	<b>7.97%</b>	<b>8.45%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>
<b>Balance Sheet</b>												
Bank Debt	1,120,000	960,000	800,000	640,000	480,000	320,000	160,000	0	0	0	0	0
Equity	872,360	933,200	996,020	1,060,820	1,127,600	1,196,360	1,267,100	1,339,820	1,412,540	1,485,260	2,603,060	2,603,060
<b>Total</b>	<b>1,992,360</b>	<b>1,893,200</b>	<b>1,796,020</b>	<b>1,700,820</b>	<b>1,607,600</b>	<b>1,516,360</b>	<b>1,427,100</b>	<b>1,339,820</b>	<b>1,412,540</b>	<b>1,485,260</b>	<b>2,603,060</b>	<b>2,603,060</b>

## FAIR VALUE of the PHOTOVOLTAIC PARK

By applying our forecasts for the coming 25-years in the DCF model, we derive a **fair value of € 3.24 million**. The major results of the DCF calculations are presented below:

P.V. of Future Cash Flows	3,645,798
P.V. of Residual Value	474,695
Value of firm	4,120,493
<u>Less: Net Debt</u>	<u>884,773</u>
<b>Value of Firm</b>	<b>3,235,720</b>

Source: Management's Guidance, VRS.

## SENSITIVITY ANALYSIS

Applying a sensitivity analysis to the above DCF model, based on different levels of the beta factor we end up with the following table:

Beta Levels	Fair Value (€ million)
0.50	4.560
0.75	3.801
<b>1.00</b>	<b>3.236</b>
1.25	2.798
1.50	2.450

Source: VRS.

Please note that most renewable energy projects are considered as zero beta or systematically riskless assets, when combined with fixed purchase power contracts. In our valuation model we have assumed the beta factor equal with 1 to incorporated possible risks in the materialization of the fixed purchase power contract.



**NOTES**

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