

Edison Power Group

# Management Report 2021

# 21

Foreground: Betty (23.4 MW) under construction  
Background: Mogadouro (49.0 MW) in operation

- Record results thanks to new large-scale plant and high electricity prices
- Pipeline significantly expanded
- Major success with the issue of a new bond

Installed capacity

**83.7 MW**

unchanged on previous year

Revenue

**CHF 17.2 Mio.**

+39% YoY

Solar power production

**120'254 MWh**

+153% YoY

Net profit

**CHF 4.5 Mio.**

+37% YoY

Dividend

**CHF 1.10<sup>1)</sup>**

unchanged on previous year

1) Proposal of the Board of Directors to the General Meeting of April 22, 2022

# On a strong growth path



Horst H. Mahmoudi  
Executive Chairman of the Board of Directors

Fulvio Micheletti  
Vice Chairman of the Board of Directors

## Dear Investor

The growth strategy of the past few years is starting to bear fruit. At a time when the world has changed significantly and perhaps also fundamentally – key words include "natural gas price explosion", "electricity shortages", "Green New Deal", "net zero / ESG", "glacial retreat", "inflation", "supply chain problems", "Russia and attack on Ukraine in February 2022" – our business model has proven its resilience: Edisun Power increased its electricity production in the 2021 financial year by 153% to 120'254 MWh. Sales rose by 39% and the result was up 37% compared with the previous year. The major subscription success of the newly issued bond in November 2021 at around CHF 40 million, exceeded expectations reflecting the strong willingness of investors to invest in a renewable and sustainable future.

Thanks to the excellent results and the large product pipeline, the Board of Directors is viewing the future with optimism. It is proposing to the General Meeting of April 22, 2022 a dividend of CHF 1.10 per share.



The Betty plant under construction, the Mogadouro plant can be seen in the top left background.

### **Edisun Power harvests first fruits and prepares for sharp acceleration in growth**

A significant contribution to these record results was made by the start of production of the Mogadouro large-scale plant (49.0 MW) and the good weather conditions in Southern Europe.

By purchasing further PV projects totaling 783.6 MW, Edisun Power has prepared the future for accelerated and sustained growth. To this end the Board of Directors announced the acquisition of a large project portfolio from Smartenergy Group in December 2021 (ad-hoc announcement of December 10, 2021). The PV projects in Italy, Spain and Portugal will secure Edisun Power a clear-cut, continuous and controlled expansion of its existing portfolio under consideration of the market opportunities and the available financial and operational resources. As an initial next step, the Betty PV project under construction in Portugal (23.4 MW) is to enter service this summer despite coronavirus-related and geopolitical challenges and will also secure the Group's further growth for 2022.

Further steps are also pending with the plants in Portugal amounting to just over 130 MW for which construction is about to commence shortly. Their construction, comprising "Poceirao" (49.4 MWp), "Quinta da Seixa" (33.8 MWp) and "Sabugueiro" (49.4 MWp), is to take place sequentially. The staggered construction of the so-called solar projects among other things has the advantage of enabling Edisun Power to cope better with possible interruptions to global supply chains.

### **Capital increase to safeguard a healthy growth path**

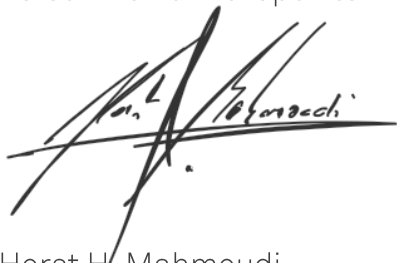
In order to finance the dynamic growth while retaining an attractive debt-to-equity ratio, the Board of Directors additionally proposes an ordinary capital increase of up to CHF 150 million. Specifically, the Board of Directors proposes the issue of a maximum of 1'200'000 new shares with a nominal value of CHF 30 per share. Full subscription rights are to be granted in favor of existing shareholders.

### **Expansion of the business model and increase in future dividend**

Edisun Power will in future play a greater role as an active purchaser and seller of solar projects and plants. This "buy and sell" business model will simplify the funding of the pipeline, facilitate a high return and a lower risk profile. The Board of Directors intends to increase the dividend significantly with this realignment.

By carrying out these steps, Edisun Power aims to continue contributing to the solution of some of our greatest social challenges: slowing down and containing global warming and enabling Europe to produce its own electricity. We are committed!

Edisun Power Europe Ltd.



Horst H. Mahmoudi  
Executive Chairman of the Board of Directors



Fulvio Micheletti  
Vice Chairman of the Board of Directors



# The time is now!

Despite the continuing tense economic situation in Europe because of the Covid-19 pandemic, the development of the European renewables market environment in 2021 further strengthened the positive outlook for the renewables sector. Fueled by a supporting policy environment, the accelerating momentum for the green energy transition continues to drive strong prospects for value creation for Edisun Power. In particular, five key trends dominated the renewables sector in 2021, all contributing to a promising outlook for the sector:

- Trend 1: Renewable energy costs continue to decline and are competitive without subsidies – at the same time, a surge in electricity prices yields high profit potential
- Trend 2: Emerging subsidy-free energy markets create additional value generation potential in the operations phase of assets
- Trend 3: The political momentum, drive for independence for energy supply and climate targets add tailwind – the recent "Fit-for-55" package pushes for an accelerated decarbonization path of the EU
- Trend 4: The increasing surge in ESG investments creates additional demand for renewables assets
- Trend 5: New business models for decarbonization continue to emerge in green hydrogen and derivatives, providing additional value pools for renewables players

## **Trend 1: Declining renewable energy costs and surge in electricity prices**

The levelized costs for renewable electricity have significantly declined over the past decade, mainly driven by decreasing component costs as well as increasing production capacities and thus economies of scale. For instance, the global levelized costs of solar electricity have decreased by more than 80% from 2010 until today. As a result of this cost decline, electricity produced from renewable sources is on a similar cost level as electricity produced from conventional sources (e.g., coal). In addition, as illustrated in Figure 1 (see page 8), wholesale electricity prices in European countries have significantly risen in 2021 and are expected to be on a comparably high level in the short-term. For instance, in Spain, the average monthly wholesale electricity price increased from ca. EUR 45 per MWh in January 2021 to ca. EUR 240 per MWh in December 2021. This significant electricity price increase was mainly driven by higher production costs for electricity from conventional power sources (specifically natural gas), an increasing electricity demand with the growth of the economy as well as the price increase in EU carbon emission allowances.

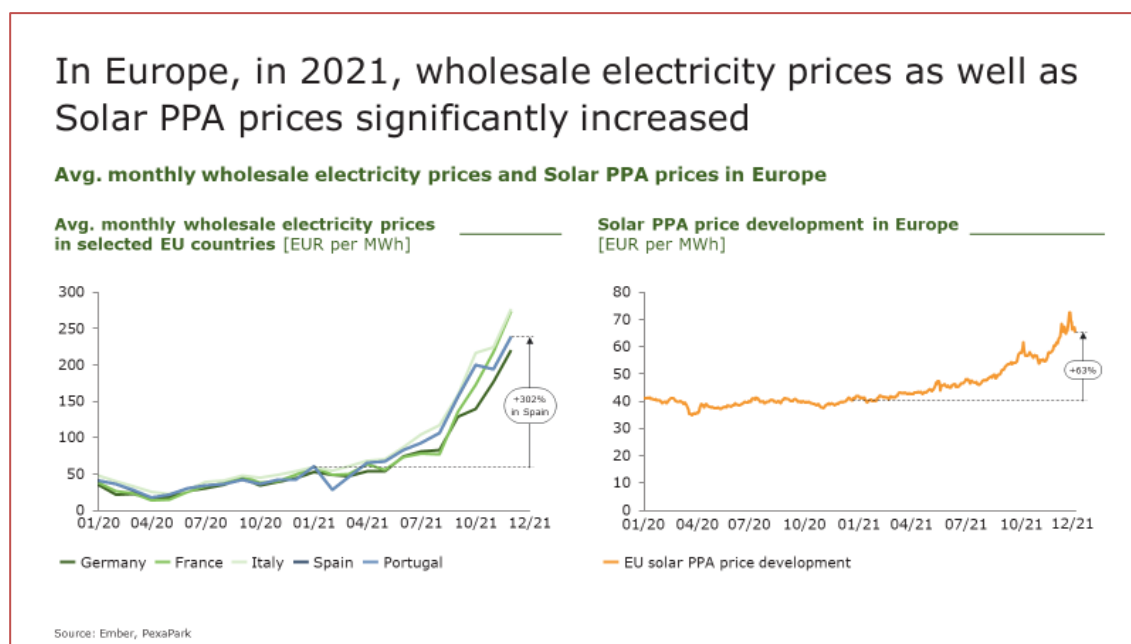


Figure 1: Average monthly wholesale electricity and Solar PPA prices in Europe

Simultaneously, as shown in Figure 1, solar power purchase agreement prices (PPA prices) in Europe have increased by more than 60% in 2021 which positively drives the business case for renewable power producers. Thus, for renewable electricity producers, the combination of low production costs and high electricity sales prices can make underlying business cases very attractive and yield high profits.

## **Trend 2: Subsidy-free renewables business models**

Thanks to the rising electricity sales prices and declining production costs, market-based, subsidy-free revenue models are increasingly becoming the norm for renewable generation asset operators. While cash flows are subject to market fluctuations, they are typically hedged through bilateral off-take agreements at fixed prices with utilities or corporations (PPA). This flexibility and independence from public support schemes (that typically come with certain restrictions) allows for additional value creation from ongoing optimization and sophisticated management of assets over their lifetime. In fact, an ongoing re-orientation of the operating and business model is required to ensure a maximum value capture. Conceivable options include hybridization (e.g., solar and wind), power-to-x setups as well as technology and business model innovations. For instance, when technically feasible, an on-site electrolyzer could be added to a large-scale solar park even after start of its operations to capture additional value from the sale of green hydrogen.



### Trend 3: Political momentum and climate targets add tailwind

With its "Green Deal", the European Union targets climate neutrality by 2050 and intends to reduce greenhouse gas emissions by at least 55% by 2030 (compared to 1990). As the toolbox to reach the target, the EU has announced the "Fit-for-55" measure package in July 2021 that proposes a variety of different policy measures, pushing for an accelerated decarbonization path. Within this context, the EU now targets a 40% share of energy from renewable sources by 2030, an increase of 8% compared to the goal committed under RED II. While the share of renewables in final energy consumption already increased by more than 50% between 2010 and 2020 in Europe to ca. 22%, the achievement of the target would still require an increase of the share of energy from renewables by ca. 80% until 2030 as illustrated in Figure 2. This requires a significant ramp-up of installed renewables electricity capacity and thus drives the demand for renewable assets.

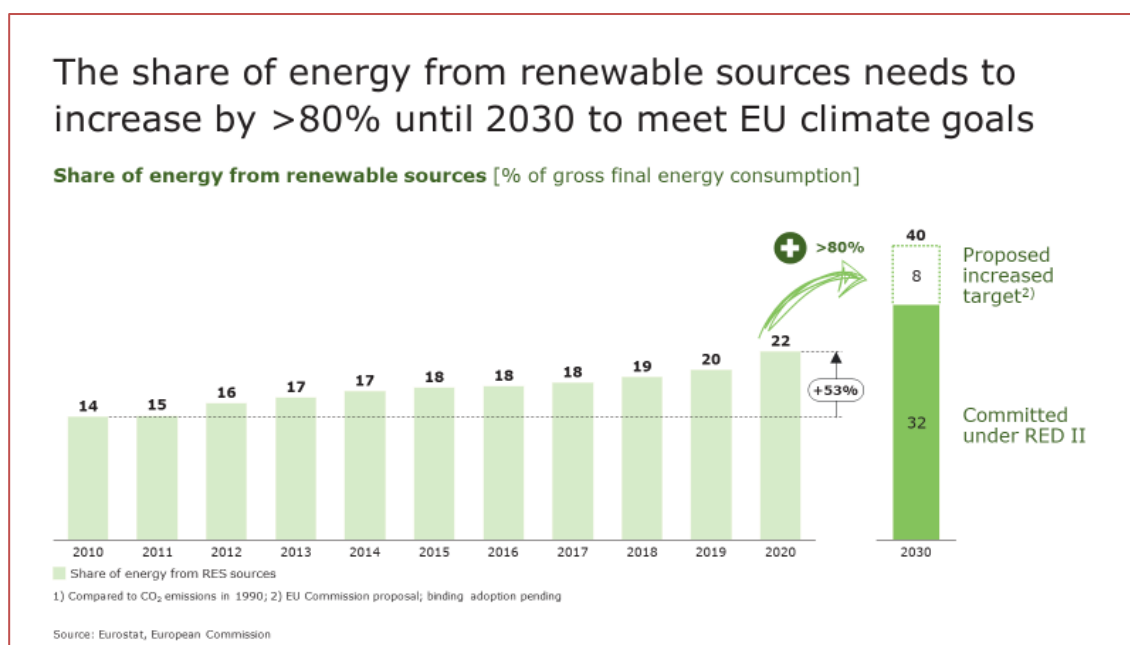


Figure 2: Share of energy from renewable sources in EU

In addition to the proposed European targets, the member countries have also included concrete renewable capacity targets in their national climate strategies. Looking only at Portugal, Spain, Italy and France, ca. 98 GW of installed PV capacity are still required to reach the defined national 2030 target. In comparison, Edison Power has currently about 940 MW in development or construction.

In Figure 3, the historical development and growth outlooks of PV markets in some of our core markets Portugal, Spain, Italy, and France are summarized. Market outlook together with the previously described combination of decreasing production costs and increasing electricity sales prices strengthen the positive outlooks for those four markets.

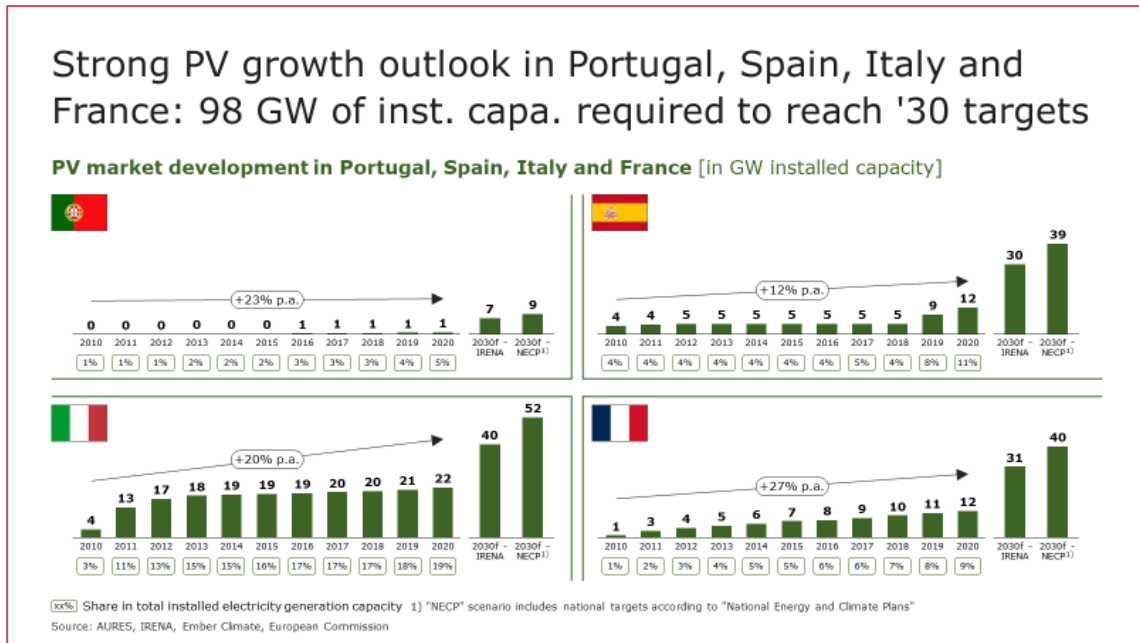


Figure 3: PV market development in Portugal, Spain, Italy, and France

#### Trend 4: Surge in ESG investments by private investors

While 10 years ago, private infrastructure investors mainly invested into conventional power and transport assets, an increasing trend of investments into renewable assets can be observed over the past years. More specifically, according to IJ Global, from 2018 onwards, private infrastructure investors allocated most of their investments to renewable assets, as illustrated in Figure 4 below.

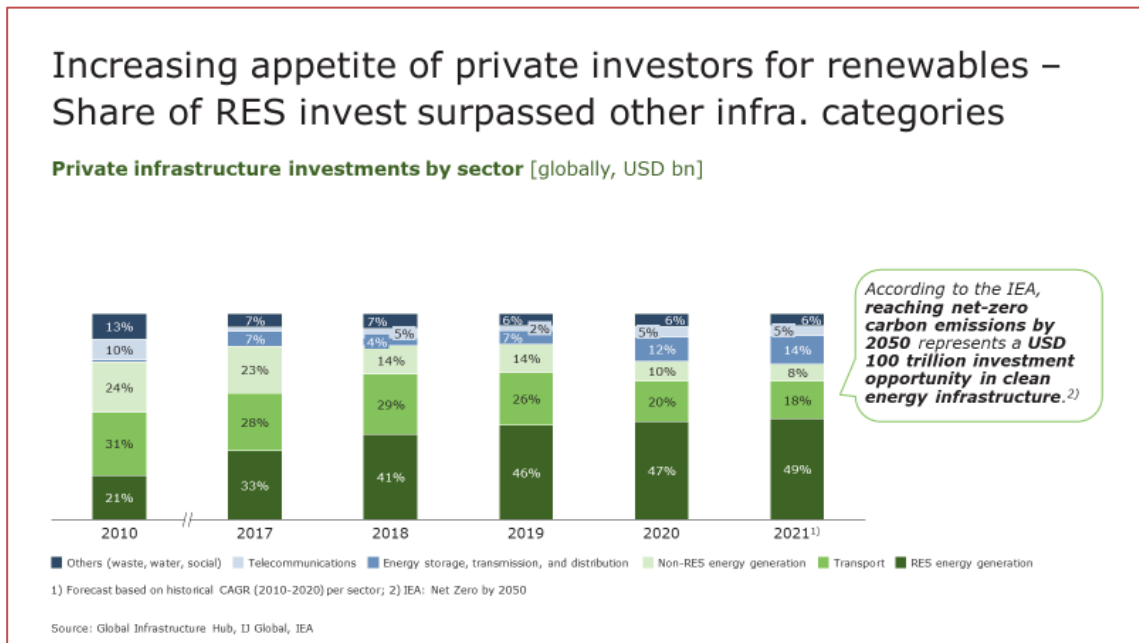


Figure 4: Private infrastructure investments by sector

This trend is mainly driven by two reasons: Firstly, private investors seek to increasingly diversify their investment portfolio and shift to renewable asset investments due to declining yields of "traditional" assets. Secondly, they are facing growing ESG expectations of the market that they need to fulfill to remain attractive. This increasing focus on renewable assets further drives the demand for high-quality renewable assets and might present an additional source of cash inflow for renewable asset operators.

### **Trend 5: New business models for decarbonization from sector coupling**

In the first stage of the energy transition in Europe, the focus was on greening the electricity generation sector, driving the transition from fossil fired power plants to renewable power generation. Specifically, a push towards an increasing share of renewable power in the energy mix as well as an increasing use of renewable power in certain end-applications (e.g., in the heating and cooling sector) have been observed.

To reach the EU's 100% decarbonization target by 2050, a move towards greening the entire energy and industry system via sector coupling is required. As a next step, greening the mobility and industry segments is in focus, given their high CO<sub>2</sub> emissions. Specifically for hard-to-electrify sectors, e.g., heavy-duty, long-distance transport in road, aviation, and marine, as well as key industries, such as refining, chemical and steel industry, other renewable technologies will be needed to ensure a sufficient level of decarbonization. Green hydrogen (or its derivatives) produced from renewable electricity, both as industrial feedstock and as energy carrier, has a key role to play in decarbonizing these sectors which cannot be electrified directly. This offers attractive opportunities for renewable electricity producers as green hydrogen production requires significant amounts of renewable electricity, driving the accelerated ramp-up of installed renewable electricity generation capacity.

On a European level, the EU has published its European hydrogen strategy. The initial focus of this strategy is on supporting the development of green hydrogen projects in Europe to first supply off-takers within the hard-to-abate industry (e.g., refineries, chemical industries, steel makers) and the heavy-duty road transport sector.

By 2024, the EU targets the installation of 6 GW electrolyzer capacity and an annual production of up to 1 million tons of green hydrogen. By 2030, the installed electrolyzer capacity should increase to 40 GW (+40 GW in partner countries from which green hydrogen can be imported), the annual production to 10 million tons of green hydrogen. To operate the 40 GW electrolyzer capacity, the EU estimates that 80-120 GW of installed renewable electricity capacity would be required.

Also on a national level, an increasing focus of regulations, targets and public support schemes on green hydrogen can be observed. While many European countries have acknowledged the importance of hydrogen in their overarching national climate strategies, the key European economies have also published national hydrogen strategies that often include dedicated targets for the installed electrolyzer capacity by 2030 as illustrated below.

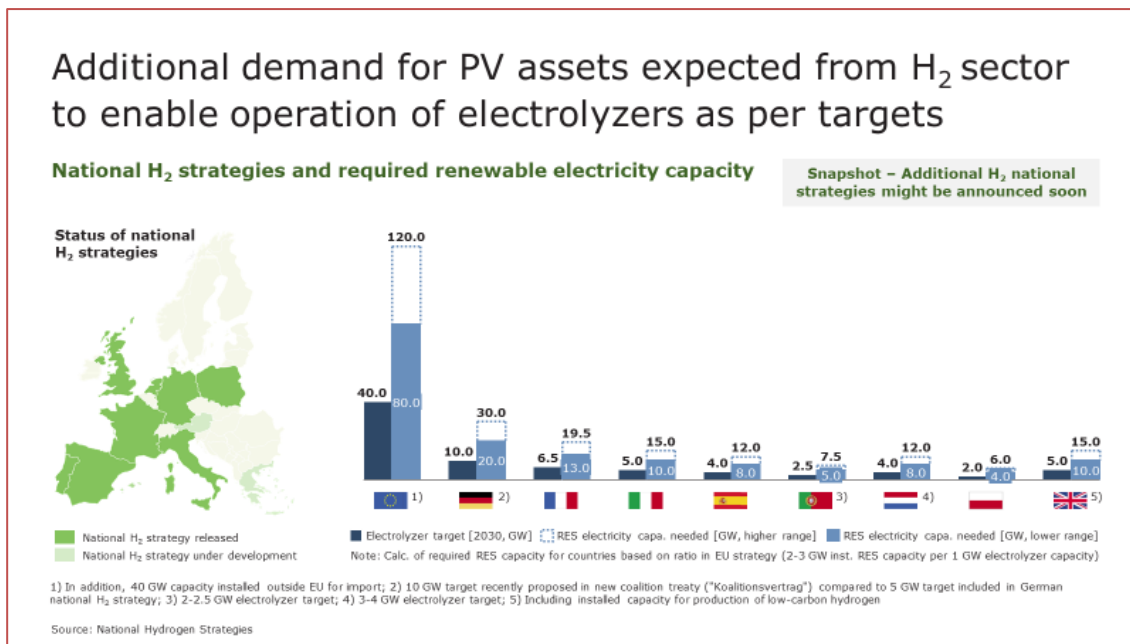


Figure 5: National H<sub>2</sub> strategies and estimated required renewable electricity capacity

To support the ramp-up of the European hydrogen economy and the achievement of the 2030 targets, specific hydrogen-related regulations as well as quotas have been proposed within the "Fit-for-55" measure package. For instance, the EU proposed a 50% share of green hydrogen in total hydrogen used by the industry in 2030 as well as a 0.7% blending quota of e-jet fuel in total jet fuel by 2030. Key quotas and regulations are illustrated in Figure 6 here following.

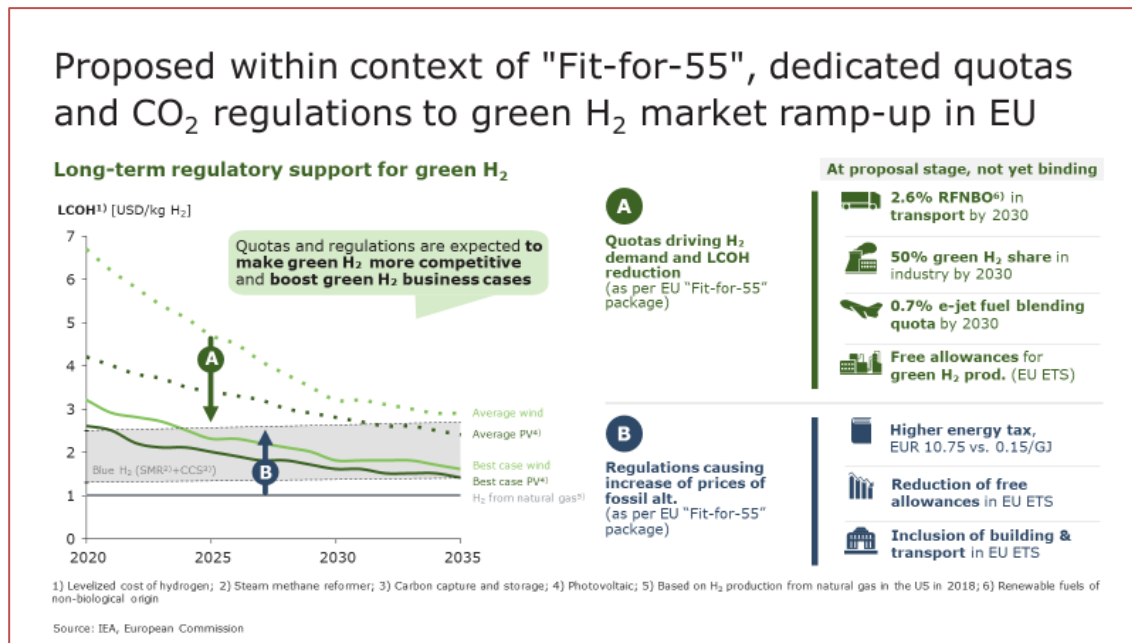


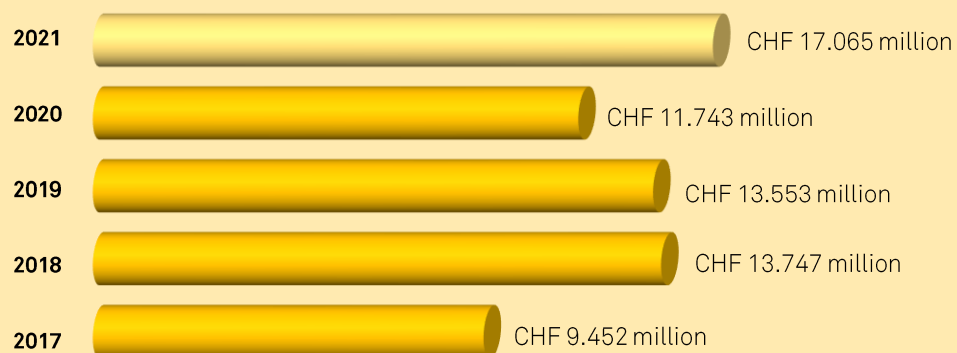
Figure 6: Long-term regulatory support for green H<sub>2</sub> proposed as per "Fit-for-55"

## Strategic consequences for Edisun Power

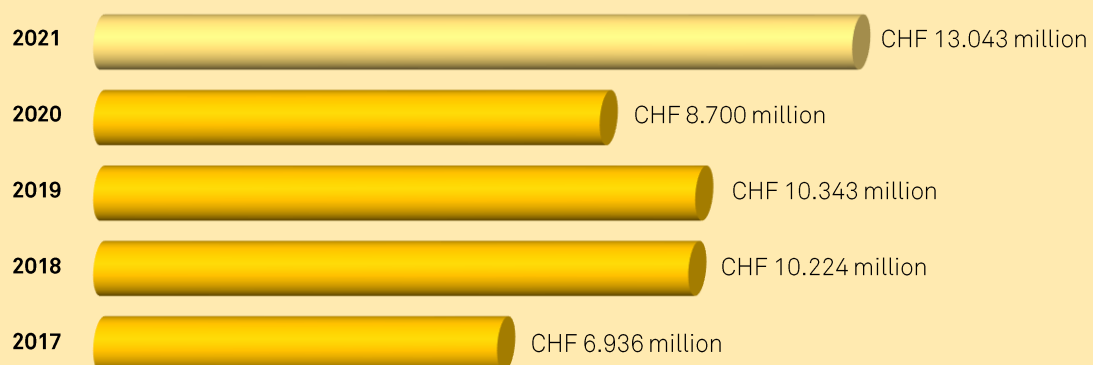
The five highlighted trends and the emergence of new business models in combination with an increasing deployment of renewable technologies, such as hydrogen technologies, significantly increases the demand for renewable electricity which, on the one hand, strengthens the business outlooks for renewable electricity producers, and, on the other hand, also provides additional growth opportunities that could make the next step along the renewables value chain.

With the acquisition of a large pipeline of projects in development from Smartenergy Group as well as the close collaboration with Smartenergy, Edisun Power is set-up to be part of and benefit from those promising trends.

### Revenue from sale of electricity



### EBITDA



### Cash flow from operating activities



# Record results, electricity production and pipeline significantly expanded

**2021 was a record year for Edisun Power in various respects: new peaks were achieved across the board financially, in production terms the connection of the large-scale Mogadouro plant in Portugal (49.0 MW) took solar power production to new levels, the second Portuguese large-scale plant, Betty (23.4 MW), is under construction and strong growth is also expected in the future with the acquisition of further PV projects totaling 783.6 MW. The Board of Directors recommends to the General Meeting payment of an unaltered dividend of CHF 1.10 per share.**

- **Revenue up 38.8% to CHF 17.16 million (+37.3% in local currency)**
- **EBITDA up 49.9% to CHF 13.04 million**
- **Net profit up 36.9% to CHF 4.51 million**
- **Electricity production up 152.8% to 120'254 MWh**
- **PV pipeline significantly expanded by 783.6 MW to 940.6 MW**
- **Stable dividend of CHF 1.10/share proposed**

## **New record sales**

The Group's total sales soared as expected by 38.8% to CHF 17.16 million (2020: CHF 12.37 million). In local currency terms the sales increase was 37.3%. These record sales were supported by the start of production in the new Portuguese market with the large-scale plant in Mogadouro (49.0 MW, grid connection on December 30, 2020) and the good weather conditions in Southern Europe. At 120'254 MWh, total electricity production was 152.8% up on 2020. This volume effect and a slightly stronger average euro exchange rate (+1.1%) more than offset the much lower electricity price mix (-43.1%) and led to a sharp rise in income from electricity sales of 45.3% to CHF 17.06 million (2020: CHF 11.74 million).

The sharp fall in the electricity price mix resulted from the connection of the Mogadouro large-scale plant that is no longer able to benefit from subsidized compensation for electricity fed into the grid (feed-in tariffs).

Edisun Power benefited particularly in the second half of the year from the sharp rise in electricity prices and good weather conditions throughout Southern Europe. Total income from the plants in Spain increased by 17% and that of the Italian plant by 45%, the latter also thanks to a repowering of the entire solar plant. The Central European PV plants failed to replicate these positive results. Largely due to poorer weather, income fell by 11% in Switzerland, 7% in Germany and 1% in France.

### **Profitability at a new level**

Thanks to the economies of scale from the connection of the new large-scale plant and the predominantly smooth plant production, earnings before interests, taxes, depreciation and amortization (EBITDA) rose by 49.9% to CHF 13.04 million (2020: CHF 8.70 million). The EBITDA margin increased from 70.3% to 76.0%. With an EBITDA margin of 88.7%, the new large-scale plant even exceeded the previous margin record of the Swiss plants of 86% without benefiting from subsidized feed-in tariffs.

Depreciation increased to CHF 6.08 million due to the new large-scale plant (2020: CHF 4.45 million). A complete value adjustment had to be carried out on an existing plant in France due to a smoldering fire and security risks. The resulting suspension of electricity production and the depreciation of the remaining book value impaired the result by CHF 0.3 million. Furthermore, there was no repetition of the one-time positive effect of a reversal of valuation adjustments of CHF 0.6 million in the previous year.

Operating profit (EBIT) therefore rose somewhat less than EBITDA by 39.9% to CHF 6.72 million, with an EBIT margin of 39.2% (2020: CHF 4.80 million).

Net financing costs increased by 16% to CHF 1.2 million (2020: CHF 1.04 million). Edisun Power continued to benefit from interest-bearing project prepayments and a one-off interest payment due to the delay to the start of construction of plants in Portugal totaling CHF 2.2 million. This was offset by an expected increase in income taxes, which rose by more than 112.4% in the year under review to CHF 1.01 million (2020: CHF 0.48 million).

Net profit altogether increased by 36.9% to CHF 4.51 million (2020: CHF 3.29 million), which based on the weighted average number of outstanding shares corresponds to earnings per share of CHF 4.35 (2020: CHF 3.18).

With this annual result the Edisun Power Group has so far coped well with the challenging COVID-19 crisis, impressively underscoring the resilient character of its business model in the promising market of renewable energies.



### **Growth of balance sheet with new plants**

The Group achieved another milestone in 2021 with the acquisition of further PV plants in development totaling 783.6 MW from the Smartenergy Group. This is intended to further expedite the strategic focus of Edisun Power on large-scale plants in order to make a significant contribution to climate protection. Edisun Power has developed a striking portfolio (comprising projects in development or operation) of over 1 GW with these latest investments. The balance sheet total accordingly doubled by 100.4% to CHF 405.40 million. The level of debt also increased due to financing the new plants so that the equity ratio fell to 19.8% (2020: 40.4%). This circumstance is addressed by the share capital increase proposed by the Board of Directors. A favorable impact is the fact that no interest costs will be incurred up to the final payment of the residual purchase price for the new project pipeline to Smartenergy Group.

### **Outlook for the current year and share capital increase**

The 2022 financial year has begun very promising from an operational perspective. The core tasks in the current financial year are the construction of the Portuguese plants, the further development of the acquired project portfolio of 783.6 MW and the management of its financing.

By the middle of the year, Edisun Power expects the Betty large-scale plant in Portugal with 23.4 MW to be connected to the grid and the start of the construction of the Quinta da Seixa large-scale plant with 33.8 MW. As a result, the income from the electricity sales will significantly increase from the second half of 2022 onwards. As a note of cautious, the outlook for the year remains challenging: the geopolitical developments could lead to further solar module shortages, delays to construction and challenges for project financing.

In order to finance its growth, the Board of Directors will propose to the General Meeting a significant ordinary share capital increase (see Report by the Board of Directors, p. 5).

### **Dividend proposal**

Thanks to the excellent results and the large project pipeline, the Board of Directors views the future with optimism and proposes payment of a stable dividend of CHF 1.10 per share.

Edisun Power Europe Ltd.




Dr. René Cotting  
CFO (mandated)

# Key figures as at 31.12.

## Edisun Power Group

	<b>2021</b>	<b>2020</b>
<b>Income statement</b>	in TCHF	in TCHF
Total revenues	17 160	12 367
Revenue from sale of electricity	17 065	11 743
Other operating income	95	623
EBITDA	13 043	8 700
in % of total revenues	76.0 %	70.3 %
Depreciation and amortization	- 6 075	- 4 454
Impairment	- 247	559
EBIT	6 721	4 805
in % of total revenues	39.2 %	38.9 %
Net profit	4 508	3 294
in % of total revenues	26.3 %	26.6 %
per share in CHF	4.35	3.18
<b>Balance sheet</b>	in TCHF	in TCHF
Land, plant and equipment	358 454	166 146
Total assets	405 401	202 310
Total equity	80 095	81 741
in % of total assets	19.8 %	40.4 %
Net debt	250 290	82 275
<b>Cash flow</b>	in TCHF	in TCHF
From operating activities	10 214	6 720
From investing activities	- 45 470	- 31 610
From financing activities	37 075	20 522
<b>Photovoltaic plants</b>		
Number of photovoltaic plants	38	38
Installed capacity	83.7 MW	83.7 MW
Solar power production	120 254 MWh	47 570 MWh

Corporate Governance: Further information on finances and corporate governance is to be found in a separate report, available for download at [www.edisunpower.com](http://www.edisunpower.com) > Investors > Reporting.



The annual report is available  
on the internet:

**[www.edisunpower.com](http://www.edisunpower.com)**

> Investors > Reporting > 2021

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**Figures**

Smartenergy Group (S. 8-13)

**Cover picture**

Smartenergy Group, Betty plant (S. 1)  
and Mogadouro plant (S. 20)

**Circulation and printing**

This annual report has not  
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