

Kleinkraftwerk Birseck AG

Switzerland / Renewable Energy

BX Berne eXchange

Bloomberg: KKBN SW

ISIN: CH0023777235

Initiation of Coverage

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**CHF10.50**

31.3%

medium

WELL-DIVERSIFIED AND GROWING GREEN POWER NICHE PLAYER

Kleinkraftwerk Birseck AG (KKB) is an owner and operator of a well-diversified portfolio of renewable power assets (hydro, wind, solar) with a particularly strong position in hydro power. With strong financial and operational support of its main shareholders (regional Swiss utilities), KKB pursues an aggressive growth strategy and plans to triple its current capacity to ca. 300 MW by 2020. KKB is an attractive combination of strong growth and low risk as feed-in tariffs form a stable long-term basis for revenue generation. We initiate coverage with a Buy rating and a CHF 10.50 price target.

Good technological and geographical diversification KKB diversifies its portfolio across three technologies (hydro, wind, and solar power) and five countries (Switzerland, France, Italy, Germany, and Norway). This diversification significantly reduces technological and weather-related risks (fluctuating wind and water supply, and irradiation). KKB plans to improve diversification even further aiming for a revenue split of 40% hydro, 40% wind, and 20% solar by 2020.

Clear growth strategy KKB plans to increase its portfolio of renewable assets from 104 MW at the end of 2014 to ca. 300 MW and produce 720 GWh by 2020. This requires annual capacity increases of ca. 40 MW on average.

Strong strategic stakeholders Three regional Swiss utilities, Elektra Birseck Münchenstein (EBM), Energie Wasser Bern, and Stadtwerk Winterthur, have a combined stake of 80% in KKB and are committed to support and largely finance KKB's ambitious growth strategy.

Track record of increasing dividend From 2009 to 2013 KKB has quadrupled its dividend from CHF 0.05 to 0.20 per share. The 2014 dividend remains stable at CHF 0.20 and offers a dividend yield of 2.5%. KKB intends to keep the dividend yield at 2-3%.

FINANCIAL HISTORY & PROJECTIONS

	2013A	2014A	2015E	2016E	2017E	2018E
Revenue (CHFm)	11.10	14.75	24.12	41.91	50.68	56.61
Y-o-y growth	n.a.	32.9%	63.6%	73.7%	20.9%	11.7%
EBIT (CHFm)	3.89	3.86	7.58	14.12	16.42	17.92
EBIT margin	35.1%	26.2%	31.4%	33.7%	32.4%	31.6%
Net income (CHFm)	0.93	0.73	1.97	5.06	5.73	6.24
EPS (diluted) (CHF)	0.16	0.06	0.10	0.20	0.19	0.21
DPS (CHF)	0.20	0.20	0.20	0.20	0.20	0.20
FCF (CHFm)	-16.51	-25.69	-91.13	-96.05	-35.00	-30.98
Net gearing	148.1%	107.9%	118.3%	79.5%	100.1%	118.9%
Liquid assets (CHFm)	6.67	16.41	12.57	52.84	33.39	13.93

RISKS

The main risks are technological risks, regulatory risks, financing risks, acquisition risks, and currency risks.

COMPANY PROFILE

Kleinkraftwerk Birseck AG is owner and operator of small hydro power, wind power, and solar power plants. The portfolio comprises 104 MW and is geographically diversified over Switzerland, France, Italy, Germany, and Norway. The company is located in Switzerland near Basel and is listed on the BX Berne eXchange.

MARKET DATA

As of 5/5/2015

Closing Price	CHF 8.00
Shares outstanding	17.08m
Market Capitalisation	CHF 136.66m
52-week Range	CHF 6.15 / 8.90
Avg. Volume (12 Months)	884

Multiples	2014A	2015E	2016E
P/E	186.7	76.8	39.9
EV/Sales	6.8	4.2	2.4
EV/EBIT	26.0	13.2	7.1
Div. Yield	2.5%	2.5%	2.5%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2014

Liquid Assets	CHF 17.59m
Current Assets	CHF 30.06m
Intangible Assets	CHF 4.16m
Total Assets	CHF 204.39m
Current Liabilities	CHF 21.84m
Shareholders' Equity	CHF 84.63m

SHAREHOLDERS

EBM Trirhena AG	44.2%
Energie Wasser Bern	23.0%
Stadtwerk Winterthur	13.4%
Gebäudeversicherung Kanton Bern	3.6%
Free Float	15.8%



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INVESTMENT CASE

WELL DIVERSIFIED PORTFOLIO OF GREEN POWER ASSETS

KKB owns and operates a 104 MW renewable power plant portfolio which consists of hydro (49 MW), wind (29 MW) and solar (26 MW) power plants. The number of plants (excluding very small plants) in the portfolio amounts to more than 80. In addition to the technological diversification the portfolio is also geographically diversified over five countries: Switzerland, France, Germany, Italy, and Norway. Both technological and geographical diversification notably stabilise revenues. Annual power generation of individual assets can fluctuate significantly (hydro: +/-25%, wind: +/-25%, solar: +/-5%) depending on water and wind supply as well as irradiation, which highlights the immense value of a well-diversified portfolio.

In the coming years, KKB will improve its technological and geographical asset diversification even further targeting a revenue split of 40/40/20 percent for hydro, wind, and solar (revenue split in percent at the end of 2014: 56/14/30). The targeted regional capacity split by 2020 is France 39%, Germany 19%, Italy 15%, Norway 15%, and Switzerland 12%. Currently, the French capacity amounts to 71% and Germany contributes 15%. The rest is distributed between Italy (4%), Norway (2%), and Switzerland (8%). We believe the planned portfolio expansion and diversification strategy will significantly reduce the current risk profile.

COMBINING STRONG GROWTH WITH SECURE EARNINGS

KKB intends to increase its portfolio from 104 MW at the end of 2014 to ca. 300 MW in 2020 and aims at an annual power production of 720 GWh (2014: 190 GWh). The company is thus going to triple its capacity within 6 years resulting in significant increases in revenues and earnings.

This rapid growth goes hand in hand with a low risk approach as feed-in tariffs for the overwhelming part of the portfolio guarantee stable and secure revenues for up to 20 years. KKB plans to continue to distribute dividends and to offer an annual dividend yield of 2-3%.

COMMITTED SHAREHOLDERS PROVIDE STRONG STRATEGIC AND FINANCIAL SUPPORT

KKB has three strategic shareholders: the utilities EBM Trirhena AG (44.2%), Energie Wasser Bern (23.0%), and Stadtwerk Winterthur (13.4%). EBM ranks among the TOP10 utilities in Switzerland with sales of almost CHF 400m in 2013, and a balance sheet totalling close to CHF 2bn, while managing more than 550 employees who serve 130,000 customers. In the past, the strategic shareholders participated in KKB's capital increases and we believe that they will continue to do so in the future as they plan to increase their renewable energy exposure. Fundraising for the enormous portfolio expansion will thus be much easier for KKB compared to other independent power producers without the backing of a large player. Furthermore, EBM provides legal, accounting, and general services for KKB which enables KKB to manage operations with a small team of just five people and focus on its core competence – the acquisition and management of green power assets.



SWOT ANALYSIS

STRENGTHS

- **Well-diversified renewable asset portfolio** KKB owns and operates a well-diversified portfolio of green power assets. The company is invested in three technologies (water, wind, and solar) over five countries (France, Switzerland, Italy, Germany, and Norway). The diversification reduces the volatility of the portfolio's revenues. This effect will increase with the planned improvements of the geographical and technological diversification.
- **Strong strategic shareholders** KKB is backed by three regional Swiss utilities which are dedicated to support KKB's growth strategy. Beyond financial support in the form of the participation in capital increases, they offer strategic and operational support. Furthermore, due to their expertise in the utility business, the strategic shareholders have an investment horizon which fits to KKB's business model.
- **Efficient and proven M&A process** The KKB team has developed a stringent and structured M&A process to acquire new assets. In the past, a very thorough technical, legal, and economic due diligence formed the basis for prudent investment decisions.

WEAKNESSES

- **Low share liquidity** The free float only amounts to 15%, and the average trading volume in Q1 2015 was 20,255 (Q4 2014: 16,439). Future capital increases, which are necessary to pursue the growth strategy, will however result in a higher number of shares and most likely in a higher trading volume.
- **Dependence on key employees** KKB consists of a very small team of five experienced investment and asset managers including the CEO and COO. The loss of any team member may have a significant impact on the success of the company.



OPPORTUNITIES

- **Consolidating European small hydro power market** The market for small hydro power is very fragmented. In many European countries there are as many owners as there are hydro power plants. European and national regulations are increasingly challenging, and following the liberalisation of the European power market the complexity of the business is growing. This results in economic difficulties for smaller operators and offers KKB opportunities to acquire plants during the market consolidation phase.
- **Participation in Europe's growing green power market** Power supply from renewable energy sources looks set to increase significantly in the coming years in Europe as it is an important building block of the European strategy to reduce the carbon footprint of Europe's economy. KKB is well-positioned to benefit from this trend as a niche player focusing on small to medium sized green power assets.
- **Increasing efficiency** Both the increase of technical efficiency and the exploitation of synergies, such as bundling plant operation over many plants, should provide a boost to the EBITDA margin. The increasing portfolio offers many opportunities for exploiting economies of scale.

THREATS

- **Currency risk** KKB is a Swiss company reporting in Swiss Franc and has exposure to the Euro and the Norwegian Krone. Depreciation of the Euro or the Norwegian Krone would result in lower revenues in Swiss Franc. This would burden earnings and impact equity.
- **Acquisition risk** KKB plans to triple its portfolio to ca. 300 MW by 2020. As demand for green power assets is high it might be difficult for KKB to fulfil its medium-term expansion target, especially as all newly acquired assets have to fulfil KKB's minimum IRR requirement. Furthermore, newly acquired assets may have lower than expected efficiencies. As KKB has a team of very experienced investment and asset managers we believe that KKB will be able to minimise this risk.
- **Financing risks** KKB finances assets in Euroland in Euro. Ultra-low central bank interest rates and quantitative easing (QE) programs of the European Central Bank (ECB) have resulted in very low long-term interest rates (10y German government bond: ~0.6%). These rates are highly attractive for debt financing of green power assets. As soon as the ECB returns to a more restrictive monetary policy, increasing interest rates will burden the profitability of newly acquired green power assets which are usually highly leveraged (KKB's assets will be ca. 65% debt-financed). However, current financing is usually not affected as interest rates are fixed over 10 years.



VALUATION

Our valuation of KKB AG is based on a discounted cash flow (DCF) model that discounts the free cash flows generated in the future back to present value. Our DCF model yields a fair shareholder value of CHF 10.50 per share.

DCF MODEL

In order to determine KKB's cost of equity, we use our proprietary multi-factor risk model, which takes company-specific risk factors, such as management strength, balance sheet, financial risk, competitive position, and company size into account. We assume an interest rate of 5.70% for the cost of equity.

For the cost of debt we assume an interest rate of 3.50%. With a terminal effective tax rate of 30%, the financing costs after tax are 2.45%.

Our valuation of KKB's WACC (Weighted Average Capital Costs) of 3.59% is based on a risk-free rate of 1.0% and a market risk premium of 5.0%. As target capital structure we assumed an equity / debt ratio of 35% / 65%.

In our DCF model we distinguish three planning periods:

- We have carried out a detailed estimate for the planning period 2015E – 2020E (six years). We forecast the profit and loss account as well as the balance sheet and the cash flow statement in detail.
- For the planning period 2021E – 2029E (nine years) parameters relevant to the valuation (profit and loss account, CAPEX, working capital, amongst others) are estimated.
- For the terminal period we assume a constant growth in sales, a constant EBIT margin and a constant tax rate.

Detailed estimates for the years 2015E – 2016E are outlined in the chapter "Financial History & Outlook". For the planning period until 2020E we assume that KKB will increase its portfolio to 300 MW.

For the period 2021E – 2029E we assume:

- a sales growth rate of 1%;
- an EBIT margin slightly increasing from 30.7% to 30.8%;
- an effective tax rate of 30%;
- a stable plant, property & equipment value.

For the terminal period we assume a sales growth rate of 1%, an EBIT margin of 30.8% and a tax rate of 30%.

We have incorporated the modelled capital increases in 2015E and 2016E in our valuation and have added the discounted number of additional shares to the current number of 17.08m shares and the discounted proceeds from the capital increases to the net debt / net cash position. We have modelled two capital increases (4.445m and 8.889m shares) at CHF 9.00 in 2015E and 2016E. Total (undiscounted) proceeds from the capital increases amount to CHF 40m + CHF 80m = CHF 120m.



Figure 1: DCF model

DCF valuation model								
All figures in CHF '000	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	24,120	41,907	50,682	56,614	61,519	65,086	65,737	66,394
NOPLAT	6,563	11,782	13,791	15,070	15,972	16,866	17,133	17,207
+ depreciation & amortisation	6,337	11,274	14,702	16,901	18,630	19,419	20,079	20,193
Net operating cash flow	12,900	23,057	28,494	31,971	34,603	36,286	37,212	37,400
- total investments (CAPEX and WC)	-99,843	-112,780	-55,828	-54,522	-26,721	-26,050	-19,990	-20,103
Capital expenditures	-97,000	-112,500	-55,400	-54,500	-26,800	-26,139	-20,079	-20,193
Working capital	-2,843	-280	-428	-22	79	89	88	90
Free cash flows (FCF)	-86,943	-89,723	-27,335	-22,550	7,881	10,236	17,221	17,297
PV of FCF's	-85,078	-84,750	-24,925	-19,851	6,698	8,396	13,637	13,223

All figures in thousands	
PV of FCFs in explicit period (2015E-2029E)	-90,571
PV of FCFs in terminal period	360,225
Enterprise value (EV)	269,654
+ Net cash / - net debt (pro forma)	37,563
+ Investments / minority interests	6,466
Shareholder value	313,683

Fair value per share in EUR	10.50
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WACC	3.6%
Cost of equity	5.7%
Pre-tax cost of debt	3.5%
Tax rate	30.0%
After-tax cost of debt	2.5%
Share of equity capital	35.0%
Share of debt capital	65.0%
Fair value per share in EUR	10.50

		Terminal growth rate						
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
WACC	2.8%	13.20	14.58	16.24	18.26	20.80	24.08	28.45
	3.0%	11.64	12.77	14.12	15.52	17.71	20.19	23.38
	3.2%	10.30	11.25	12.36	13.67	15.25	17.18	19.59
	3.4%	9.15	9.95	10.88	11.96	13.24	14.78	16.66
	3.6%	8.15	8.83	9.61	10.52	11.57	12.82	14.32
	3.8%	7.26	7.85	8.52	9.28	10.16	11.19	12.41
	4.0%	6.48	6.99	7.56	8.21	8.96	9.82	10.82
	4.2%	5.78	6.23	6.72	7.28	7.92	8.64	9.48

For layout reasons figure 1 only displays the years 2015E – 2022E.

COMPANY PROFILE

Kleinkraftwerk Birseck AG (KKB) is a Swiss company headquartered in Mühlenstein close to Basel. KKB acts as a holding for its subsidiaries in the different countries. KKB is active in five countries: Switzerland, France, Germany, Italy, and Norway (see figure 2). The subsidiaries own and operate green power assets such as small hydro power (SHP) stations, wind farms, and photovoltaic (PV) plants; overall more than 80 plants (excluding very small PV plants). The overwhelming part of the assets is completely owned by the subsidiaries. Sometimes the subsidiaries own majority or minority stakes. KKB consists of a small team of five experienced investment and asset managers. The company is listed on the stock exchange in Berne, Switzerland and reports according to Swiss GAAP. As a result of a large capital increase, market capitalisation more than doubled in 2014 to CHF 128.1m from CHF 59.2m at the end of 2013.

Figure 2: Countries KKB is active in (dark blue)



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

In recent years, KKB has built up a green power asset portfolio which reached a capacity of 104 MW (pro rata) at the end of 2014. The company raised the necessary equity via capital increases in the years 2012-14. KKB plans to increase its power plant portfolio to 300 MW with an output of ca. 720 GWh by 2020. KKB seeks to benefit from potential synergies and thus to improve its operational efficiency.

**Figure 3: History of KKB AG**

Year	Company milestones
2005	- Foundation of KKB AG by Swiss utility Elektra Birseck Münchenstein (EBM) via contribution in kind: hydro power plant "Laufen" and solar power plants
2010	- Entry into the French market through the purchase of seven small hydro power plants - Listing of KKB AG on the BX Berne eXchange in Switzerland
2011	- Commissioning of the then largest north-west Swiss solar power plant of 1.17 MW
2012	- Capital increase: ca. 3.3m shares at CHF 8.60 - Swiss utility Energie Wasser Bern acquires 38% stake in KKB's subsidiary Birseck Hydro SAS via contribution in kind
2013	- Acquisition of Cogeco Washington SAS small hydro power plant (6 MW) - Capital increase: 3.5m shares at CHF 8.60 - Commissioning of 18 solar power plants (8.3 MW) in Switzerland - Swiss utility Stadtwerke Winterthur acquires stake in KKB - Operating portfolio of small hydro, wind and solar plants (controlled capacity of 57MW)
2014	- Realisation of first wind farm (12 MW) in France - Establishment of German subsidiary and takeover of two wind farms in Germany (9.2 and 6.3 MW) - Establishment of Italian subsidiary and takeover of solar plants (4.2 MW) - Entry into Norwegian small hydro power market - Capital increase: ca. 9.2m shares at CHF 9.00 - Portfolio increased by 82% from 57 MW to 104 MW

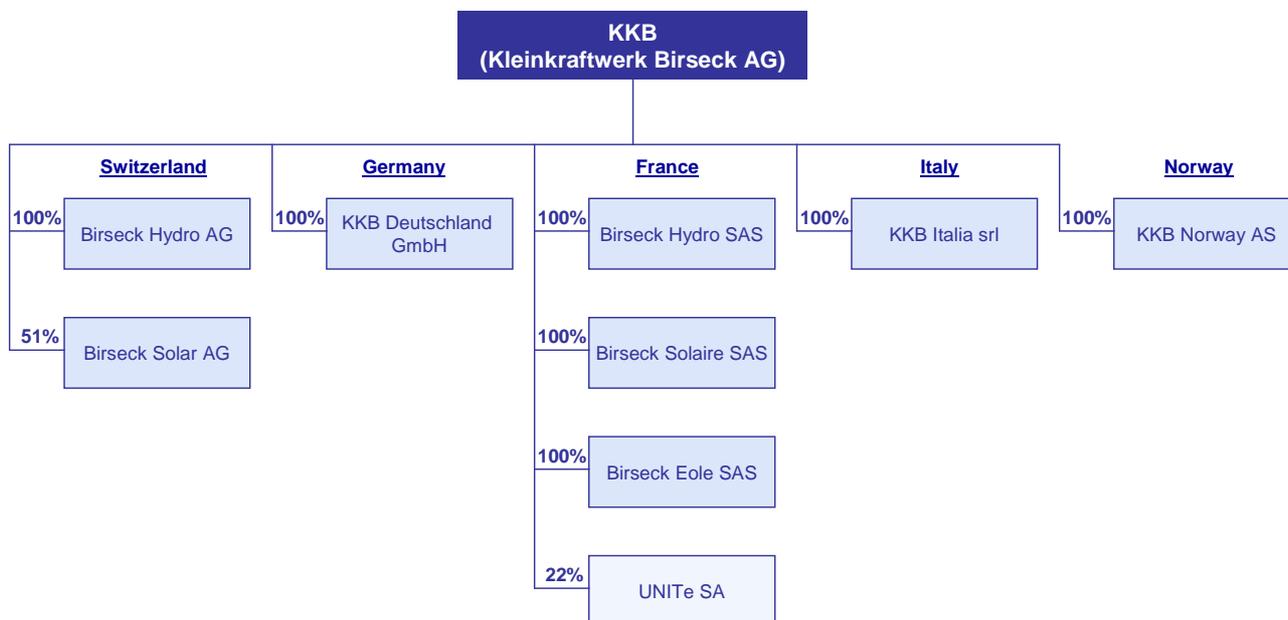
Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



COMPANY STRUCTURE

KKB AG acts as holding company for its national subsidiaries which hold the renewable power assets (see figure 4). KKB holds a minority stake in the French company UNITe SA which owns and operates a diversified portfolio of hydro, wind, and solar assets in France.

Figure 4: Company structure



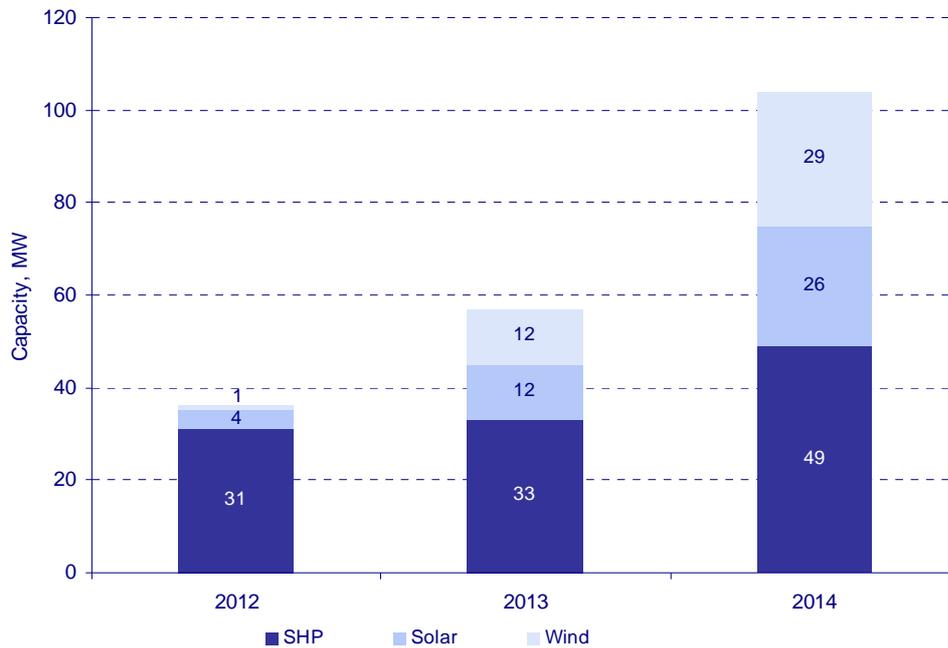
Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

CAPACITY, POWER PRODUCTION, AND REVENUE SPLIT

In 2014, KKB increased its capacity by 82% from 57 MW to 104 MW (pro rata). Main acquisitions were two German wind farms (9.2 and 6.3 MW), and a majority stake in two 12 MW parts of a 300 MW PV plant close to Bordeaux in south-west France. This plant will be the largest PV plant in Europe and will produce power at electricity costs of 105 €/MWh. Figure 5 (overleaf) shows the development of KKB's capacity split between small hydro power (SHP), wind, and solar power (PV).



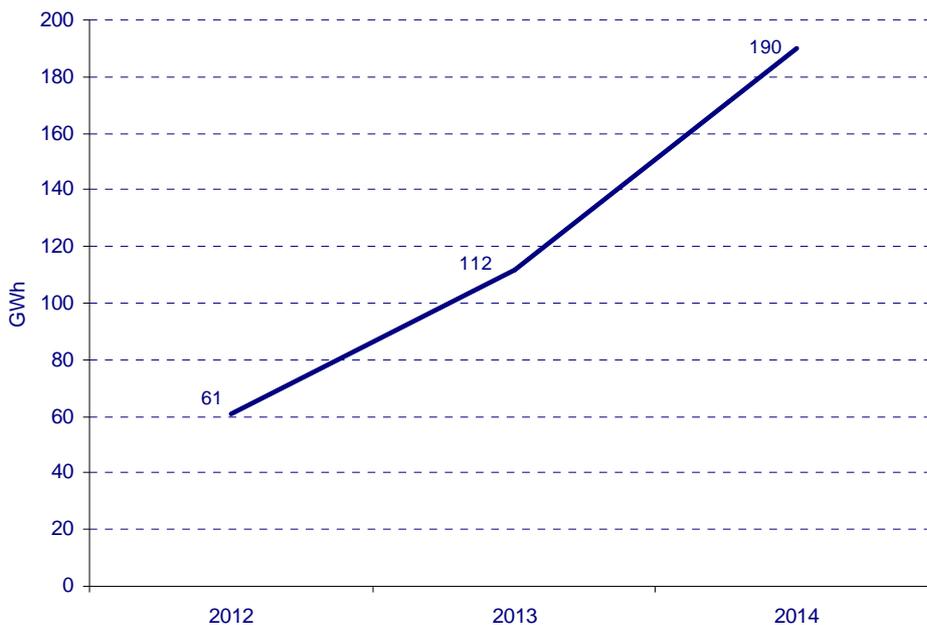
Figure 5: Capacity split between hydro, wind, and solar power, 2012 – 2014



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

In 2014, power production amounted to 190.3 GWh (pro rata). Hydro power generated 154.2 GWh which was 2.5% above budget. Solar power contributed 18.3 GWh and wind power 17.8 GWh which was slightly below KKB’s expectation due to low wind supply and start-up problems of the two German wind farms which were commissioned in 2014. Figure 6 shows the increase in power production from 2012 – 2014.

Figure 6: Power produced 2012 – 2014

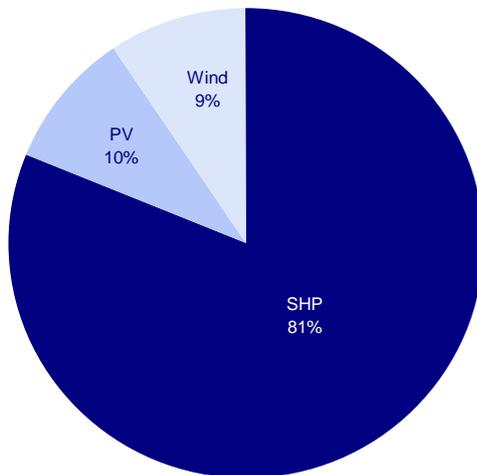


Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



Figure 7 gives an overview of the power produced by technology. In 2014, more than 80% of the electricity produced (154.2 GWh out of 190.3 GWh) came from small hydro power (SHP).

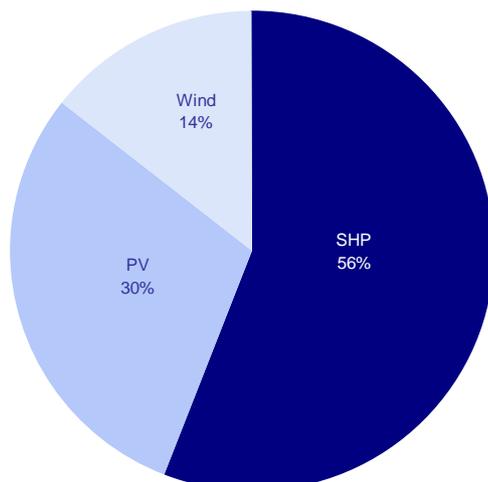
Figure 7: Power production split in 2014



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

The revenue split according to technologies (see figure 8) shows that hydro power (SHP) is still the main revenue contributor (56%), followed by solar (30%), and wind power (14%). In 2013 the share of small hydro power was 81%. The 2014 share is significantly lower in line with KKB's diversification strategy.

Figure 8: Revenue split per technology in 2014

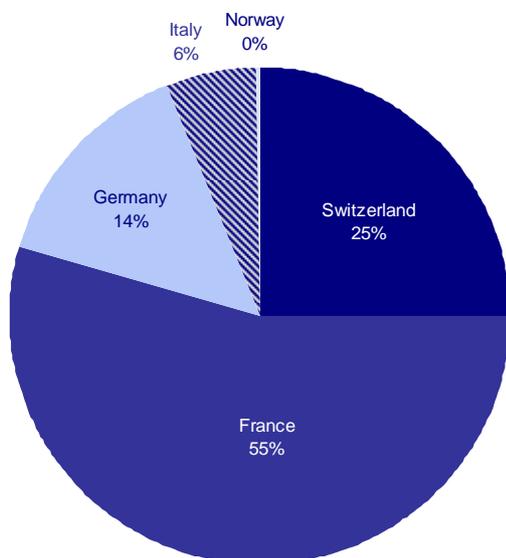


Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

In 2014, the main part of the revenues (55%) was generated in France, due mainly to the large hydro power plant portfolio which produced 144.8 GWh of power. The second most important market was Switzerland (25%). Germany contributed 14% due to the newly

acquired wind farms Selmsdorf and Pölzig. Italy's solar plant (4.2 MW) contributed 6%. The Norwegian contribution was minimal as the two hydro power plants, Strandjordselva (0.8 MW) and Snefjellakraft (2.7 MW), were purchased towards the end of 2014 (see figure 9).

Figure 9: Regional revenue split in 2014



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

STRATEGY

KKB is active in the distributed production of green power with a focus on smaller plants. According to KKB's definitions small plants are:

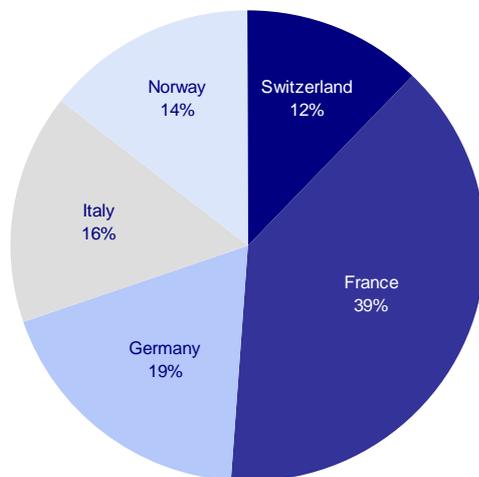
- hydro power plants with a capacity of up to 10 MW,
- photovoltaic plants of up to 10 MWp (ground-mounted) and rooftop plants of up to 2 MWp, and
- wind farms up to 15 MW.

By 2020 KKB aims at being an important European niche player in the field of distributed renewable energy production based on a 300 MW portfolio of small renewable power plants by purchasing, constructing, and optimising these assets. The company plans to benefit from economies of scale and technological diversification to ensure stable revenues and lower the asset risk.

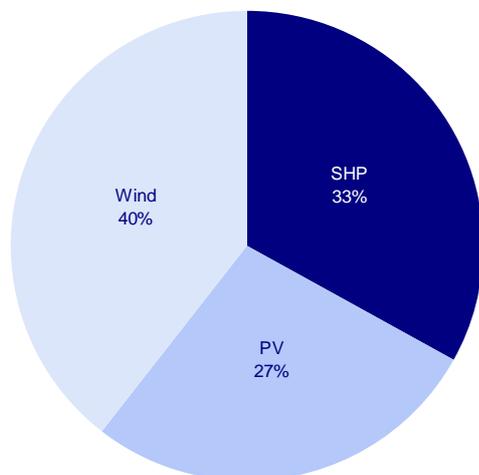
The company wants to strike a portfolio balance whereby the geographic revenue share for any country is capped at 40% and the technology revenue share for any technology at 50%. Moreover, KKB wants to achieve a critical mass floor of 50 MW for each country in which it operates, except for Switzerland.

Growth

To reach the 300 MW target KKB plans to increase its portfolio on average by ca. 40 MW per year until 2020. The highest growth is planned for wind power, followed by hydro and solar power. We expect KKB to reach a regional capacity split (in %) of 39/19/16/14/12 for France/Germany/Italy/Norway/Switzerland by 2020. Furthermore, we forecast a split of 34/33/27 for wind/hydro/solar (capacity in %). Figures 10 and 11 display the regional and technology split in 2020.

Figure 10: Expected regional capacity split in 2020

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

Figure 11: Expected capacity split per technology in 2020

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

Low risk

KKB pursues a low risk strategy guided by the following principles:

- 2/3 of the capital is to be invested in plants and farms which are already commissioned or in operation for a longer period;
- 1/3 of the capital can be invested in plants which are ready for construction;
- project development risks will only be taken in a 500 km zone around Basel, if they can rely on local expertise. Only max. 2.5% of the capital will be used for project development.



The company assumes a plant lifetime of 25 years for PV and wind, and of 40 years for hydro. New assets will only be purchased if they fulfil the minimum IRR hurdle rate KKB has defined for each country and technology.

KKB plans to invest a relatively high average equity share of 35% into new installations. The comparatively low leverage is a further building block of the low risk strategy.

TECHNOLOGIES

Hydroelectric power

Hydroelectric power plants use the movement of water to generate electric power. A hydro plant requires a dependable water flow and a reasonable height of fall of water, called the head. In a typical installation, water is fed from a reservoir through a channel or pipe into a turbine. The pressure of the flowing water on the turbine blades causes the shaft to rotate. An electrical generator which is connected to the shaft converts the motion of the shaft into electrical energy which can be fed into the grid.

Typical hydro power turbines are Francis turbines, Kaplan turbines, and Pelton turbines. Hydro turbines have a very long industrial tradition and a high efficiency of up to 95%. Power output depends on the water supply and can vary by +/-25% seasonally depending on precipitation and evaporation and the resulting water-level of rivers.

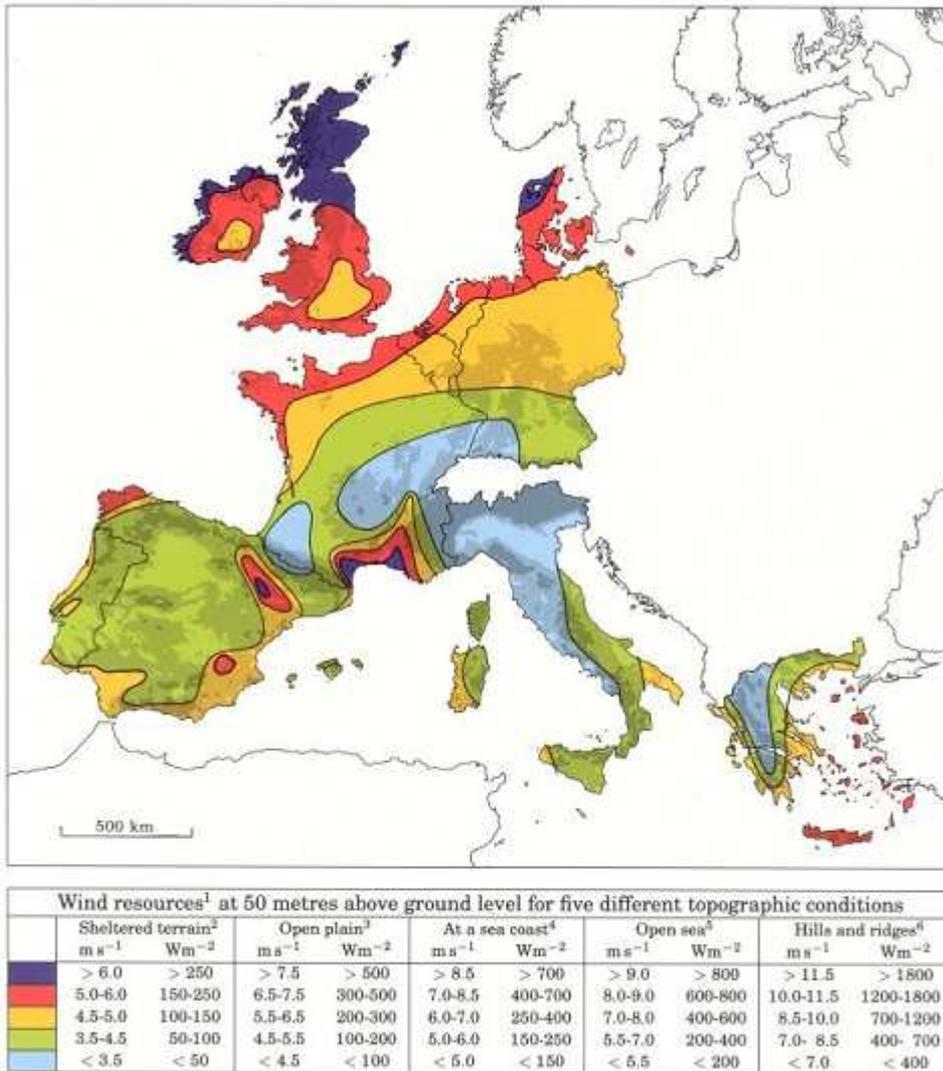
CAPEX for small hydro power varies from €1.5m to €6.5m per MW, depending on the specific site, the capacity (larger plants are relatively cheaper due to economies of scale) and the regulatory support for the technology. Some hydro power plants can offer competitive pricing, others rely on regulatory support such as feed-in tariffs (FIT) to operate on a profitable basis.

Wind power

Wind power is extracted from air flow using wind turbines to produce electrical power. Modern wind turbines usually have a similar design – a horizontal axis wind turbine having an upwind rotor with three blades, attached to a nacelle on top of a tall tubular tower. Onshore turbines have a capacity of ca. 2 – 3 MW and reach ca. 3,000 full load hours in coastal regions and ca. 2,000 full load hours in inland regions. The following map gives an overview of the European wind resources (see figure 12 overleaf).

CAPEX for wind power plants amount to ca. 1.0 – 1.8m €/MW and power production costs are between 45 and 107 €/MW depending on turbine size and technology, and on local wind resources (see study by Fraunhofer ISE: Stromgestehungskosten Erneuerbare Energien, November 2013).

Figure 12: European Wind Atlas



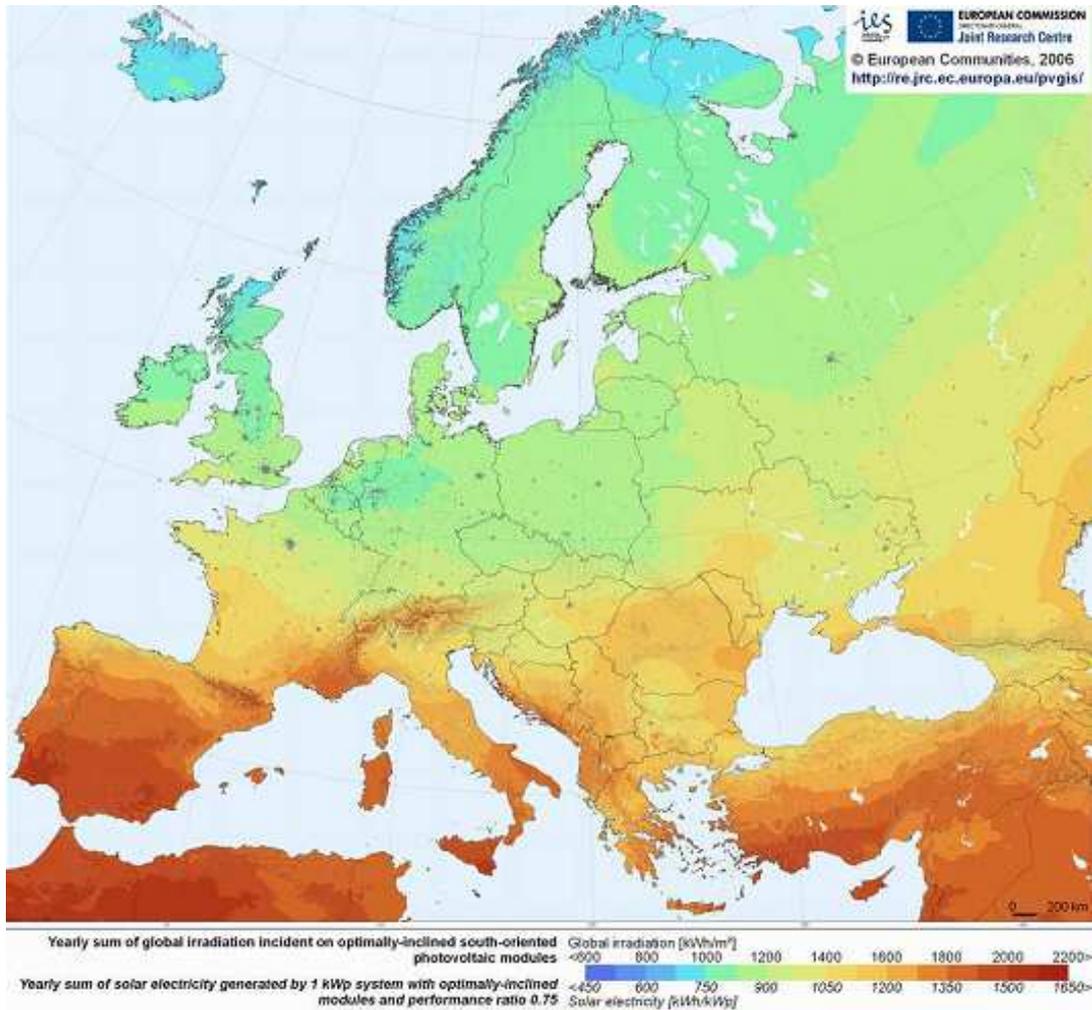
Source: First Berlin Equity Research, Risø National Laboratory, Denmark

Solar Power

A solar or photovoltaic (PV) cell is a device that converts light into electric power using the photovoltaic effect. The power produced fluctuates with irradiation intensity. In southern France, irradiation reaches 1,450 kWh/m² per year resulting in a power production of up to 1,380 MWh/MWp per year. In southern Italy, irradiation of up to 1,800 kWh/m² results in a power production of up to 1,680 MWh/MWp. Figure 13 (overleaf) gives an overview over the annual European irradiation.

CAPEX for larger rooftop PV systems (10 – 1,000 kWp) amounts to ca. €1.0m – 1.7m €/MW. For ground-mounted systems (> 1 MWp) it is ca. 1.0m – 1.4m €/MWp. Depending on size, irradiation, and plant configuration the power production cost varies from 60 to 140 €/MWh. In southern France, power production cost range from 80 to 120 €/MWh, whereas in southern Italy the range is €60 – 100 €/MWh (ISE 2013).

Figure 13: Photovoltaic power potential in Europe

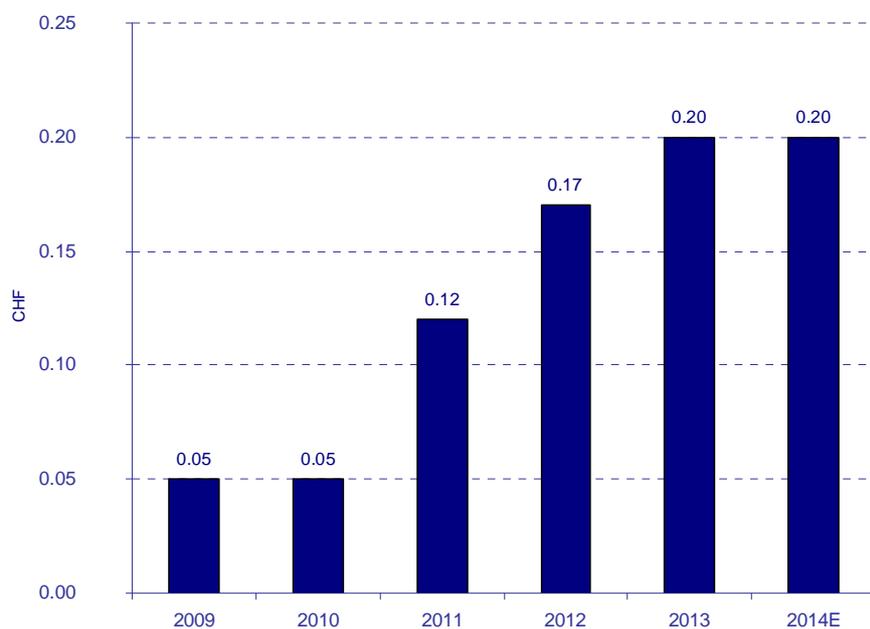


DIVIDEND POLICY

Since the listing in 2010 KKB has regularly distributed dividends. The dividend has quadrupled from CHF 0.05 per share in 2010 to CHF 0.20 in 2013 (see figure 14 overleaf). For 2014 management proposes to distribute a dividend of CHF 0.20. KKB plans to offer shareholders an annual dividend yield of 2-3% over the long term.



Figure 14: Dividend development 2009 – 2014E



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



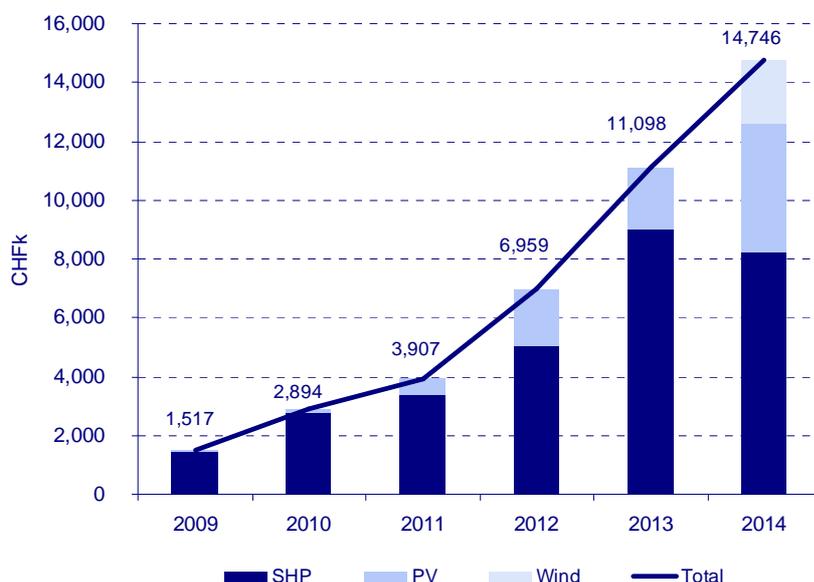
FINANCIAL HISTORY & OUTLOOK

FINANCIAL HISTORY

Income Statement

In 2014, KKB increased revenues by 33% to CHF 14.8m. Revenue growth was largely driven by assets purchased in 2013 that made an initial full-year contribution in 2014. New power plants added in 2014 also made first time contributions to the results. In 2014, the portfolio increased to 104 MW from 57 MW at the end of 2013. Figure 15 shows the revenue development since 2009:

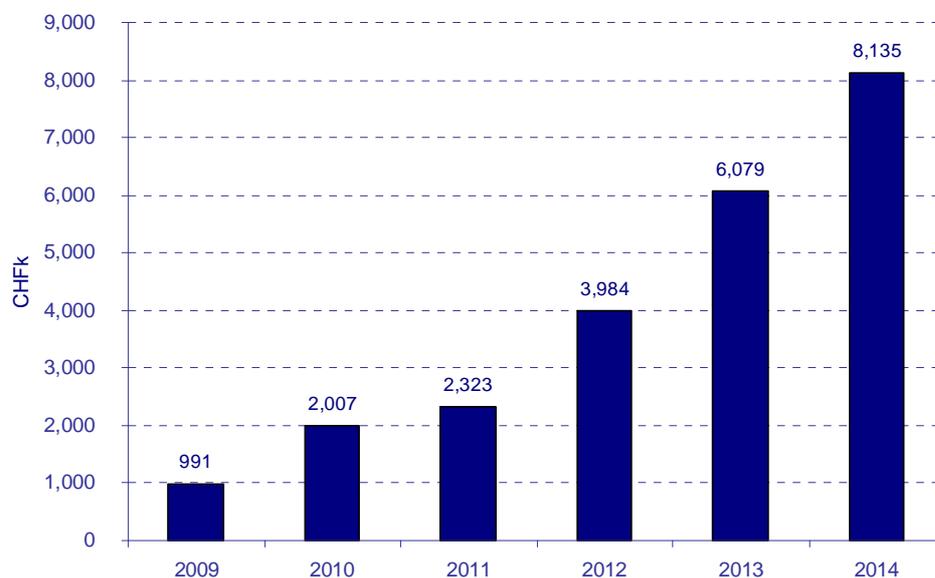
Figure 15: Revenues 2009 – 2014



Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

Due to the higher revenues and almost stable material costs (CHF 3.2m vs. CHF 3.1m in 2013) gross profit significantly increased to CHF 11.5m from CHF 8.0m (+44% y/y).

EBITDA rose to CHF 8.1m from CHF 6.1m in 2013 (+33% y/y). The relatively lower increase in EBITDA is attributable to higher personnel costs (CHF 0.7m vs. CHF 0.1m in 2013) and higher other operating expenses (CHF 3.2m vs. CHF 2.0m in 2013). In autumn 2013, KKB started to employ own staff (currently 5 people). The main reasons for the increased other operating expenses are the growth of the group and market entry costs as KKB established new national subsidiaries. Since 2009, the company has continuously increased its annual EBITDA (see figure 16 overleaf).

Figure 16: EBITDA 2009 - 2014

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

EBIT was slightly below previous year's figure (CHF 3.86m vs. CHF 3.89m) due to higher depreciation resulting from the increase in green power assets.

The financial result remained relatively stable (CHF -2.3m vs. CHF -2.1m). Higher interest expenses account for the slightly more negative result as financial debt increased to CHF 97.5m from CHF 59.5m at the end of 2013.

The net result in 2014 amounted to CHF 0.7m and was 22% below the previous year's figure of CHF 0.9m due mainly to higher taxes (CHF -0.8m vs. CHF +0.1m in 2013). Figure 17 provides a revenue and earnings overview for 2012 – 2014.

Figure 17: Income Statement (selected items) 2012 – 2014

in CHFm	2012A	2013A	2014A
Sales	6.96	11.10	14.75
<i>Growth</i>	<i>./.</i>	59.5%	32.9%
Gross profit	4.78	7.95	11.50
<i>Margin</i>	68.7%	71.6%	78.0%
EBITDA	3.98	6.08	8.14
<i>Margin</i>	57.2%	54.8%	55.2%
EBIT	2.28	3.89	3.86
<i>Margin</i>	32.8%	35.1%	26.2%
Net result	0.50	0.93	0.73
<i>Margin</i>	7.1%	8.4%	5.0%

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



Balance Sheet

The huge capital increase of CHF 82.7m in 2014 contributed to a solid equity position of CHF 75.1m and an equity ratio of 38.3%. The number of shares increased from 7.889m to 17.082m. The capital increase was divided into a contribution in kind (CHF 30.9m), liquid funds (CHF 17.6m), and a debt-equity swap (CHF 34.1m).

Despite increasing the asset basis by CHF 69.2m to CHF 134.8m (+95%) in 2014, net debt rose only by 54% to CHF 79.9m (see figure 18).

Figure 18: Balance Sheet (selected items) 2013 – 2014

in CHFm	2013A	2014A
Property, plant & equipment	65.65	134.83
Non-current assets, total	93.89	166.12
Cash and cash equivalents	7.62	17.59
Inventories	0.07	0.07
Receivables	1.51	3.29
Current assets, total	14.11	30.06
Equity	35.63	75.09
<i>Equity ratio</i>	<i>33.0%</i>	<i>38.3%</i>
Payables	6.22	6.91
Financial debt (long-term)	59.39	95.29
Financial debt (short-term)	0.07	2.16
Net debt	51.84	79.86
<i>Net gearing</i>	<i>-145.5%</i>	<i>-106.4%</i>
Balance sheet total	108.00	196.18

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

In the last three years, KKB successfully concluded three capital increases at a total volume of CHF 141.1m (see figure 19).

Figure 19: Capital increases 2012 – 2014

in CHFk	2012	2013	2014
Number of shares (k)	3,289.14	3,500.00	9,193.00
Issuing price (in CHF)	8.60	8.60	9.00
Gross proceeds	28,286.60	30,100.00	82,737.00
- Liquidity (cash)*	15,000.00	15,500.00	17,590.00
- Debt-to-equity "swap"	13,300.00	14,600.00	34,107.00
- Contribution in-kind	./.	./.	30,861.00

* 2012 figures are rounded

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

Cash Flow Statement

From 2012 – 2014 KKB generated positive operating cash flows. The 2014 operating cash flow amounted to CHF 1.1m (2013: CHF 7.6m). Compared to the previous year's figure, the main reason for the lower 2014 cash flow was lower payables (CHF -3.6m).

Due to high capital expenditure (2014: CHF 33.9m) the 2014 free cash flow was negative and amounted to CHF 32.8m. A cash inflow from financing of CHF 42.7m resulted in a net cash flow of CHF 9.7m. The cash inflow from financing activities is mainly based on the capital increase (CHF 16.4m) and additional long-term debt of CHF 32.7m (see figure 20 overleaf).

**Figure 20: Cash flow statement (selected items) 2012 – 2014**

in CHFm	2012A	2013A	2014A
Operating cash flow	2.02	7.64	1.14
CAPEX	-6.40	-28.34	-33.94
Free cash flow	-4.38	-20.70	-32.80
Cash flow financing activities	-19.12	22.42	42.68
Net cash flow	-0.15	1.80	9.74

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

FINANCIAL OUTLOOK

Income Statement

KKB plans to increase its capacity to 300 MW by 2020. Figure 21 shows the expected annual capacity increase, forecast annual power production and revenues from selling the power in coming years. We base our financial outlook on a EUR/CHF exchange rate of 1.04.

Figure 21: Capacity, power production, and revenues, 2014 – 2017E

	2014A	2015E	2016E	2017E
Installed capacity start of year (MW)	57	104	158	215
Added capacity (MW)	47	54	57	28
Installed capacity end of year (MW)	104	158	215	243
Power production (GWh)	190.3	264.0	427.3	526.7
Average selling price (CHF/MWh)	77.49	91.36	98.07	96.23
Revenues in (CHFm)	14.75	24.12	41.91	50.68

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

For 2015E, we forecast strong revenue growth of 64% to CHF 24.1m (see figure 22). This revenue jump is a result of:

- the full-year power production of the assets added during 2014. Last year, the asset base rose from 57 MW to 104 MW.
- The revenue contribution of the assets we expect KKB to add in 2015E. We forecast capacity additions (wind and solar power) of 54 MW.

Figure 22: Income statement (selected items) 2014 – 2016E

in CHFm	2014A	2015E	2016E
Sales	14.75	24.12	41.91
Growth	32.9%	63.6%	73.7%
Gross profit	11.50	20.43	35.87
Margin	78.0%	84.7%	85.6%
EBITDA	8.14	13.92	25.40
Margin	55.2%	57.7%	60.6%
EBIT	3.86	7.58	14.12
Margin	26.2%	31.4%	33.7%
Net result	0.73	1.97	5.06
Margin	5.0%	8.2%	12.1%
EPS (diluted, in €)	0.06	0.10	0.20

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



For 2016E, we expect another jump in revenues to CHF 41.9m due to the rapid expansion of the capacity base (see figure 21 on page 22). Increasing asset efficiency and economies of scale result in higher EBITDA and EBIT margins. For 2015E we expect EBITDA of CHF 13.9m (margin: 57.7%), and for 2016E CHF 25.4m (margin: 60.6%). Despite higher interest costs reflecting rising financial debt, we forecast strong net profit growth. EPS growth is significantly lower as we model two large capital increases in 2015E and 2016E to finance the equity share of the additional assets. The additional shares dilute EPS.

Balance Sheet

The rising balance sheet total (2015E: CHF 285m, 2016E: CHF 428m) reflects the increasing asset base (hydro, wind, and PV plants). We forecast a rise in property, plant & equipment (PP&E) from CHF 134.8m in 2014 to CHF 225.5m in 2015E and CHF 326.7 in 2016E (see figure 23).

Figure 23: Balance Sheet (selected items) 2014 – 2016E

in CHFm	2014A	2015E	2016E
Property, plant & equipment	134.83	225.49	326.71
Non-current assets, total	166.12	256.79	358.01
Cash and cash equivalents	16.41	12.57	52.84
Inventories	0.07	0.08	0.13
Receivables	3.29	5.29	6.89
Current assets, total	30.06	28.22	70.14
Equity	75.09	113.67	194.08
<i>Equity ratio</i>	<i>38.3%</i>	<i>39.9%</i>	<i>45.3%</i>
Payables	6.91	6.07	7.44
Financial debt (long-term)	95.29	144.09	202.19
Financial debt (short-term)	2.16	3.00	5.00
Net debt	81.04	134.52	154.35
<i>Net gearing</i>	<i>107.9%</i>	<i>118.3%</i>	<i>79.5%</i>
Balance sheet total	196.18	285.00	428.15

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

We model two large capital increases to finance the equity share of the additional assets. In 2015E, we assume the issue of 4.445m shares at CHF 9.00 and in 2016E the issue of 8.889m shares at the same price. This would result in net proceeds of CHF 40m in 2015E and CHF 80m in 2016E. Long-term financial debt looks set to increase to CHF 144.1m in 2015E and CHF 202.2m in 2016E. Net debt should rise to CHF 134.5m in 2015E and CHF 154.4m in 2016E, which implies a significant reduction of the net gearing to 79.5%.

Cash Flow Statement

The increase in revenue and earnings generating assets results in increasing operating cash flows. For 2015E, we forecast operating cash flow of CHF 5.7m and for 2016E of CHF 16.5m. High capital expenditure (2015E: CHF 97.0m, 2016E: CHF 112.5m) produces a high negative free cash flow which is to be financed by capital increases and additional debt, which results in high cash inflows from financing activities (see figure 24 overleaf).

**Figure 24: Cash Flow Statement (selected items) 2014 – 2016E**

in CHFm	2014A	2015E	2016E
Operating cash flow	1.14	5.87	16.45
CAPEX	-33.94	-97.00	-112.50
Free cash flow	-32.80	-91.13	-96.05
Cash flow financing activities	42.68	87.29	136.31
Net cash flow	9.74	-3.84	40.27

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



MARKET ENVIRONMENT

Following European directive 2009/28/EC, in October 2014 the EU Commission endorsed its targets for the year 2030:

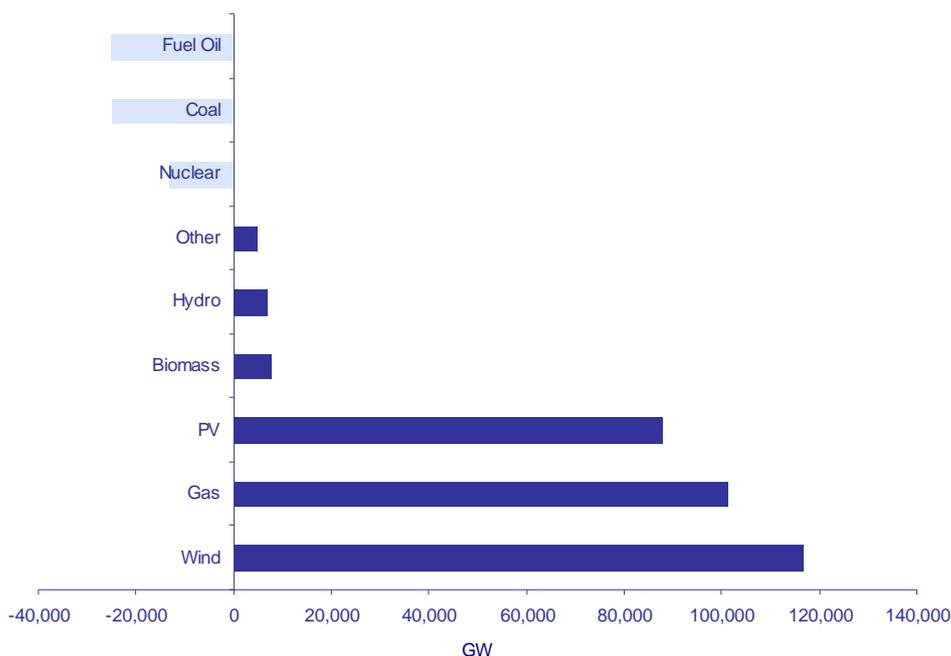
- at least a 40% domestic reduction in greenhouse gas emissions compared to 1990, and
- at least a 27% share of renewable energy consumed in the EU.

In recent years, however, governmental support for renewable energy producers has been reduced in some countries. For example, in Italy feed-in tariffs (FIT) for solar photovoltaic systems (PV) have been abolished for new plants. As the renewable power industry is clearly policy driven, market conditions substantially vary from country to country due to different energy policies and government support programmes.

Being not part of the EU, Switzerland has its own targets to support renewable energies by increasing production of electricity from renewable sources by at least 5,400 GWh by 2030.

In 2013, renewable sources contributed 852.9 TWh or ca. 25% to total power consumption in the EU. The largest contribution belongs to hydropower followed by wind and solar. More than 70% of all new power installations belonged to renewable energy with 10.8 GW of wind and 10.6 GW of solar power. Figure 25 demonstrates accumulated power installations in the EU from 2000 – 2014.

Figure 25: Net electricity generating installations in the EU 2000 – 2014

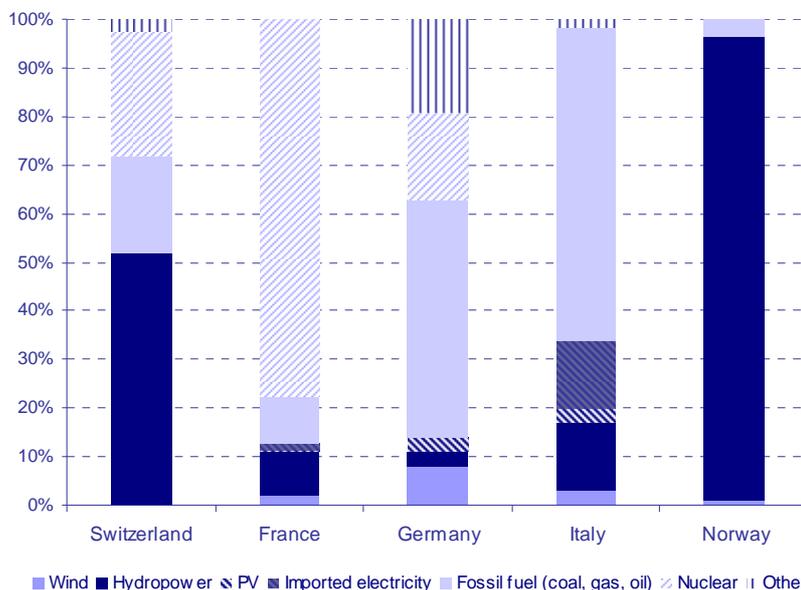


Source: First Berlin Equity Research, Platts Power Vision 2015, EWEA, EPIA, ESTELA, OEA

EU countries are constantly adjusting their electricity mixes, to go align with the directive and targets of the EU Commission. Figure 26 shows that already in 2011 electricity mixes in KKB's target countries included a large share of power from renewable power sources.



Figure 26: Electricity mix in KKB's target markets in 2011



Source: First Berlin Equity Research, World Small Hydropower development Report 2013, United Nations Industrial Development Organization, and International Centre on Small Hydro Power

We look at small hydropower, wind, and solar in accordance with KKB's asset portfolio. For each industry we will look at overall tendencies in the European market and concentrate on national markets in which KKB is active.

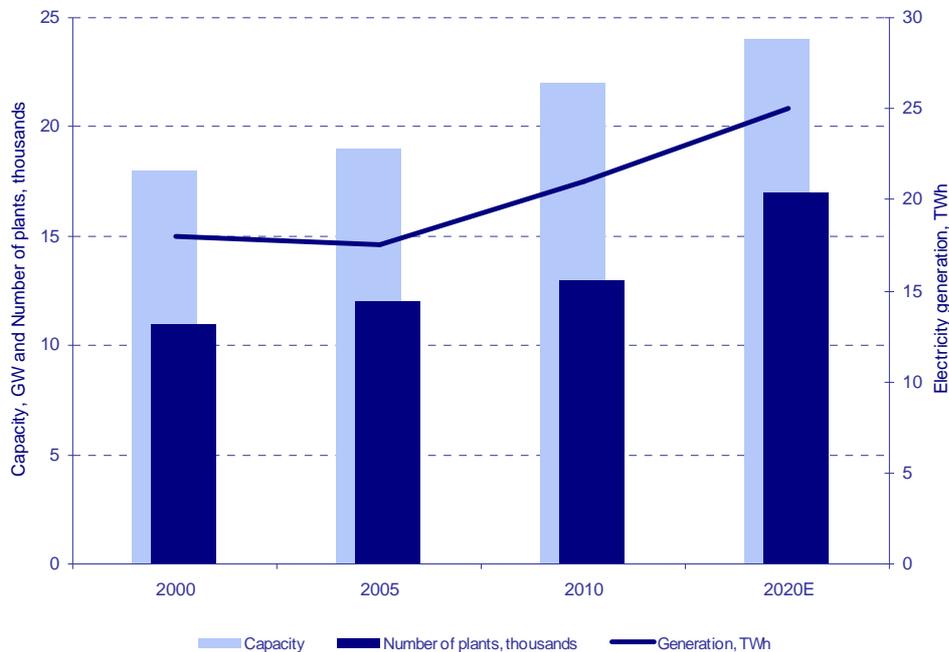
SMALL HYDROPOWER

KKB defines small hydropower (SHP) as hydro power plants with a capacity of up to 10 MW, which is in line with official definitions in many European countries. The main advantages of small hydropower are its ability to immediately respond to fluctuations in electricity demand and its low short term volatility in energy production. However, the amount of possible installations is limited due to its nature.

In 2013, total installed small hydropower in the EU exceeded 14 GW. The biggest share (21.6%) belongs to Italy, followed by France (14.4%), and Spain (13.9%). In 2013, the total output of small hydropower amounted for 49.5 TWh, which is 13.5% above the previous year's production.

Small hydropower contributes to the diversification of the EU electricity mix and is in line with the National Renewable Energy Action Plan (NREAP) in terms of capacity installations and power produced. Under favourable conditions total installed capacity is expected to increase to 16.0 – 17.3 GW with the total production of ~60 TWh by 2020. This is an increase of around 20% in both installations and energy produced compared with the year 2013.

Figure 27: Number of small hydropower plants, their capacity and electricity generation in the EU, 2000 – 2020E



Source: First Berlin Equity Research, *Small Hydropower Roadmap. Condensed Research Data for EU-27*, European Small Hydropower Organisation, 2009 – 2012

France

The share of small hydropower in the French electricity mix amounts to 9%. Total installed capacity is 2 GW and has slightly decreased in 2013. In 2008, a FiT system with fixed prices between 66 and 86 €/MWh for 20 years was established. In addition, premiums for winter and summer between 2.50 and 5.00 €/MWh are paid for new or extended hydro power plants.

Switzerland

According to the Swiss Federal Office of Energy (SFOE), hydropower accounts for around 56% of domestic electricity production. More than 600 hydropower plants with a capacity of at least 300 kW each produce an average of 36,000 GWh per year. The SFOE defines small-scale hydropower plants as hydro power plants with a capacity of up to 10 MW. The number of small hydropower plants in operation exceeds 1,000 with an installed total capacity of approximately 760 MW and an output of 3,400 GWh per year.

Small hydro power plants benefit from the financing of extra costs (“Mehrkostenfinanzierung” (MKF)). Grid operators, which are obliged to take power from independent power producers, purchase hydro power for 150 CHF/MWh on average.

Norway

Hydropower produces 95% of electricity consumed in Norway. Recent high investments in small hydropower decreased the average installation age dramatically. Norway has no FiT scheme. However, the government issues electricity certificates to support investments in the renewable energy industry. Since January 2012 Norway has had a common electricity



certificate market with Sweden. The average certificate price in 2014 was 21.80 €/MWh, which is then added to the electricity market price (<30 €/MWh). The final price thus amounts to of ca. 50 €/MWh. The main limitation for small hydropower development in Norway is natural obstacles.

WIND

In 2014, the EU wind market surged as 11.8 GW of new wind power capacity were installed (EWEA 2015), almost half of it (5.3 GW) in Germany, one of the global leaders in wind power (cumulative installed capacity: 39.2 GW). Output generated by wind power plants rose by 5.3% y/y and amounted to 284 TWh (onshore and offshore). The current share of wind energy in EU electricity mix is 10.2%. Cumulative installed capacity in the EU now amounts to 129 GW and has been constantly growing since 2001. This trend is expected to continue due to favourable regulations on national and EU levels.

The EU onshore wind power market is dominated by Germany, Spain, and the UK which have a combined share of 58% of total installed capacity. In terms of new installations a group of four countries (Germany, the UK, Sweden, and France) was leading the market with a combined share of 77.2%. Most European countries have FiT systems to support wind power production. Current FiTs amount to ca. 60 – 95 €/MWh.

Germany

More than 30% of the total installed wind power capacity in the EU belongs to Germany. In August 2014 the renewable energy law was amended. The current FiT is between 49.50 and 89 €/MWh. Moreover, a breathing cap for annual installation of 2.5 GW was introduced. From 2017 on, a tender system will replace the FiT structure. The Kreditanstalt für Wiederaufbau, a state-owned bank, supports investments in the renewable energy assets by providing low interest loans. It is important to mention that Germany plans to reach an 80% share of renewable power in the total power mix by 2050.

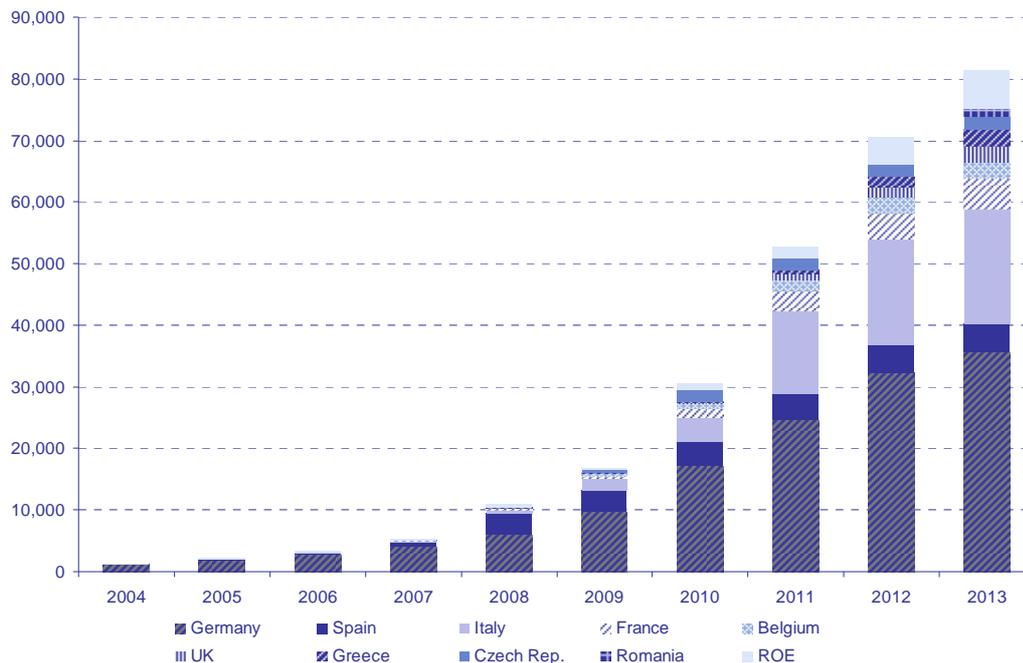
France

France is the third biggest market for the wind power in Europe with more than 1.2 GW capacity installed in 2014. Current FiT applied for onshore wind plants is 82 €/MWh during the first 10 years and 28 – 82 €/MWh for the following five years, depending on the overall duration of operation and the time of operation per year. French FiT for wind and solar are partially inflation-indexed.

SOLAR

In 2013, total solar power capacity in Europe amounted to 81.5 GWp and represented about 20% of the total renewable power capacity. In 2013, it increased by nearly 10 GWp. European PV installations produced 80 GWh of energy in 2013, which covered around 3% of the total electricity demand and 6% of the peak electricity demand. Around 60% of the total PV electricity produced in the EU comes from Germany and Italy.

Due to changes in the government support programs in recent years, a rapid growth of installed PV systems in Europe was followed by a decrease in investments in the industry in 2013. The trend can be clearly seen in figure 28, which represents the cumulative installed PV capacity in Europe.

Figure 28: Evolution of cumulative PV capacity in Europe in MW

Source: First Berlin Equity Research, EPIA

An important trend in the industry was a sharp reduction of the PV system prices, which affected the size of the initial investments and resulted in lower electricity production costs. In many European countries costs of PV power have reached retail grid parity (or socket grid parity), which means that for households power from an own PV plant is cheaper than the power purchased from the retail market. This trend resulted in the reduction of government support programs in some countries (e.g. Italy, Czech Republic, Spain, Switzerland).

According to the International Energy Agency (IEA), cumulative capacity of PV installations will reach 440 GW by 2020. Even if no new PV support policies will be introduced in Europe, IEA predicts a positive development in the long run. The main drivers will be increasing energy prices and climate stabilisation requirements.

Switzerland

The total capacity of installed PV systems in Switzerland reached 765 MW in 2013. A FiT scheme offers prices between 172 and 304 CHF/MWh depending on the size and the type of the PV installation. Owners of newly installed PV systems up to 10 kW will get a direct subsidy instead of the FiT. Owners of PV systems with a capacity between 10 and 30 kW can choose between a direct subsidy and the FiT scheme.

France

According to the French General Commission on Sustainable Development (CGDD), France's cumulative installed PV capacity reached 5,632 MWp at the end of 2014. The country added approximately 926 MW of PV capacity last year.

In March 2013, the French government increased its annual installation target to 1 GW (previously: 500 MW). In March 2014, the French Energy Regulation Commission (CRE) determined the latest FiT structure. Tariffs are adjusted annually according to a reduction coefficient. In Q1 2015 the FiT level varied from 66.20 €/MWh for ground-mounted systems



up to 12 MWp to 256.70 €/MWh for building-integrated PV systems (0-9 kWp). Rooftop plants received between 127.90 €/MWh (36-100 kWp) and 134.60 €/MWh (0-36 kWp). PV plants with a capacity of more than 100 kWp have to take part in a tender system.

Italy

Italy is the second most developed market for the solar power in Europe after Germany. A FiT is no longer available, but direct government incentives to support investments in PV systems were introduced in 2013. However, the implementation may be limited due to legislative complexity and the possibility of retrospective changes. In addition, the maximum amount of annual expenditures on new installations is set up by the government.



MANAGEMENT

CEO

Antoine Millioud (Swiss) (* 1969) has been CEO of KKB since October 2013. From 2009 to 2013, he was CEO and Head of Portfolio Management at IWB Renewable Power AG. IWB Industrielle Werke Basel is a leading Swiss utility with more than 700 employees generating about CHF 700m in revenues across electricity, gas, water, and district heating services. Mr Millioud was in charge of establishing a 250 MW / 500 GWh renewable power portfolio. In 2008 and 2009, he was CFO of NEP Solar, a renewable energy start-up active in wind project development in Australia and New Zealand. From 2004 to 2008, Mr Millioud was Investment Manager at Transfield Holdings, Australia & Switzerland. Between 2001 and 2004 he was Management Consultant at A.T. Kearney in Sydney, Australia. From 1996-99, he was Project Manager and System Engineer for Combined Cycle Power Plants at Alstom Power in Switzerland. Alstom is a top tier global power generation equipment manufacturer and power plant construction company.

Between 1994 and 1996 he was Research Associate for Energy Systems at the Swiss Federal Institute of Technology (ETH) in Lausanne, Switzerland, and the Kajima Technical Research Institute in Tokyo, Japan. Mr Millioud holds an Engineering degree from ETH Lausanne and an MBA from INSEAD Business School.

COO

Eric Wagner (French) (* 1966) has been KKB's Chief Operating Officer (COO) since January 2014. Prior to this position he acted as managing director of KKB France and network manager of EBM France. Mr Wagner has a sound combination of technical and management knowledge in the energy industry including experience in the development and optimisation of product portfolios and the establishment of strategic partnerships. Since 1990 he held managing positions in different companies and has been active as a corporate consultant. Mr Wagner holds a degree in Engineering from ENSPG (School of Engineering in Physics, Applied Physics, Electronics & Materials Science, Grenoble).

Supervisory Board

Members of KKB's Supervisory Board are

- Cédric Christmann (French): president since 2005, CFO and member of the executive board of EBM.
- André Moro (Swiss): vice-president since 2012, member of the executive board of Energie Wasser Bern.
- George Coelho (English): member since 2012, member of the Audit Committee and Remuneration Committee, Senior Investment Advisor at Quadia SA.
- Dr. Patrik Frei (Swiss): member since 2012, CEO of venture Valuation AG.
- Willy Gehrler (Swiss): member since 2012, president of the Swiss Geothermal Union (Schweizerische Vereinigung für Geothermie), president of EUREL (Convention of National Associations of Electrical Engineers of Europe), member of the management board of the Swiss Academy of Engineering Science.
- Erich Peter (Swiss): member since 2013, manager of finance and member of the executive board of Stadtwerk Winterthur.
- Werner Ulmer (Swiss): member since 2012, president of the Audit Committee and Remuneration Committee and chairman of Raiffeisenbank Allschwil-Schönenbuch.
- Dominic Baier (Swiss): secretary of the supervisory board, manager for communication and legal affairs at EBM Group.



SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	CH0023777235
WKN	A0PA3C
Bloomberg ticker	KKBN:SW
No. of issued shares	17,082,295
Transparency Standard	Berne Stock Exchange
Country	Switzerland
Sector	Energy
Subsector	Renewable Energy

Source: BX Berne eXchange, First Berlin Equity Research

Shareholder Structure	
EBM Trirhena AG	44.2%
Energie Wasser Bern	23.0%
Stadtwerk Winterthur	13.4%
Gebäudeversicherung Kanton Bern	3.6%

Source: Kleinkraftwerk Birseck AG



INCOME STATEMENT

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
Revenues	11,098	14,746	24,120	41,907	50,682
Cost of goods sold	3,149	3,243	3,690	6,035	7,400
Gross profit	7,949	11,503	20,430	35,872	43,282
Personnel costs	90	681	2,412	3,772	4,055
Depreciation and amortisation	2,189	4,272	6,337	11,274	14,702
Other operating income	199	543	241	419	507
Other operating expenses	1,979	3,229	4,342	7,124	8,616
Operating income (EBIT)	3,890	3,864	7,580	14,121	16,417
Net financial result	-1,803	-2,026	-4,191	-6,325	-7,666
Non-operating expenses	-94	129	0	0	0
Pre-tax income (EBT)	1,993	1,967	3,390	7,796	8,751
Income taxes	-56	817	1,017	2,339	2,625
Minority interests	-1,116	-418	-400	-400	-400
Net income / loss	933	732	1,973	5,057	5,725
Diluted EPS (in €)	0.16	0.06	0.10	0.20	0.19
EBITDA	6,079	8,136	13,917	25,396	31,119
Ratios					
Gross margin	71.6%	78.0%	84.7%	85.6%	85.4%
EBIT margin on revenues	35.1%	26.2%	31.4%	33.7%	32.4%
EBITDA margin on revenues	54.8%	55.2%	57.7%	60.6%	61.4%
Net margin on revenues	8.4%	5.0%	8.2%	12.1%	11.3%
Tax rate	-2.8%	41.5%	30.0%	30.0%	30.0%
Expenses as % of revenues					
Personnel costs	0.8%	4.6%	10.0%	9.0%	8.0%
Depreciation and amortisation	19.7%	29.0%	26.3%	26.9%	29.0%
Other operating expenses	17.8%	21.9%	18.0%	17.0%	17.0%
Y-Y Growth					
Revenues	n.a.	32.9%	63.6%	73.7%	20.9%
Operating income	n.a.	-0.7%	96.2%	86.3%	16.3%
Net income/ loss	n.a.	-21.5%	169.5%	156.3%	13.2%



BALANCE SHEET

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
Assets					
Current assets, total	14,112	30,056	28,219	70,137	50,774
Cash and cash equivalents	6,673	16,413	12,574	52,839	33,393
Short-term investments	949	1,177	1,177	1,177	1,177
Receivables	1,506	3,294	5,287	6,889	6,943
Inventories	73	72	81	132	162
Other current assets	4,911	9,100	9,100	9,100	9,100
Non-current assets, total	93,885	166,122	256,785	358,011	398,709
Property, plant & equipment	65,646	134,825	225,488	326,714	367,412
Goodwill & other intangibles	1,001	3,117	3,117	3,117	3,117
Other assets	27,238	28,180	28,180	28,180	28,180
Total assets	107,997	196,178	285,004	428,148	449,483
Shareholders' equity & debt					
Current liabilities, total	11,002	21,907	23,346	27,979	30,672
Short-term debt	66	2,162	3,000	5,000	7,000
Accounts payable	6,215	6,908	6,066	7,440	7,095
Current provisions	0	0	0	0	0
Other current liabilities	4,721	12,837	14,280	15,539	16,576
Long-term liabilities, total	61,363	99,186	147,986	206,086	224,686
Long-term debt	59,392	95,292	144,092	202,192	220,792
Deferred revenue	0	0	0	0	0
Other liabilities	1,971	3,894	3,894	3,894	3,894
Minority interests	11,529	6,466	6,866	7,266	7,666
Shareholders' equity	24,103	68,619	106,806	186,817	186,459
Share Capital	7,889	17,082	21,527	30,415	30,415
Capital Reserve	55,661	106,174	141,730	212,841	212,841
Other Reserves	0	0	0	0	0
Treasury Stock	0	-56	-56	-56	-56
Loss carryforward / retained earnings	-39,447	-54,581	-56,395	-56,383	-56,741
Total consolidated equity and debt	107,997	196,178	285,004	428,148	449,483
Ratios					
Current ratio	1.28	1.37	1.21	2.51	1.66
Quick ratio	1.28	1.37	1.21	2.50	1.65
Financial leverage	4.48	2.86	2.67	2.29	2.41
Book value per share	4.18	5.86	5.64	7.40	6.13
Net debt	52,785	81,041	134,518	154,353	194,399
Return on equity (ROE)	3.9%	1.1%	1.8%	2.7%	3.1%
Days of sales outstanding (DSO)	49.5	81.5	80.0	60.0	50.0
Days of inventory turnover	8.5	8.1	8.0	8.0	8.0
Days in payables (DIP)	720.4	777.5	600.0	450.0	350.0



CASH FLOW STATEMENT

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
EBIT	3,890	3,864	7,580	14,121	16,417
Depreciation and amortisation	2,189	4,272	6,337	11,274	14,702
EBITDA	6,079	8,136	13,917	25,396	31,119
Changes in working capital	3,610	-4,170	-2,843	-280	-428
Other adjustments	-2,049	-2,828	-5,208	-8,664	-10,291
Operating cash flow	7,640	1,138	5,867	16,452	20,399
CAPEX	-28,342	-33,941	-97,000	-112,500	-55,400
Free cash flow	-20,702	-32,803	-91,133	-96,048	-35,001
Debt financing, net	8,173	27,937	49,638	60,100	20,600
Equity financing, net	15,048	16,371	40,001	80,000	0
Other changes in cash	-4,909	-8,880	-2,344	-3,787	-5,046
Net cash flows	1,800	9,740	-3,839	40,265	-19,447
Cash, start of the year	4,873	6,673	16,413	12,574	52,839
Cash, end of the year	6,673	16,413	12,574	52,839	33,393
EBITDA/share (in €)	1.06	0.69	0.74	1.01	1.02
Y-Y Growth					
Operating cash flow	n.a.	-85.1%	415.5%	180.4%	24.0%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	-34.2%	5.9%	36.9%	1.6%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	20 May 2015	CHF8.00	Buy	CHF10.50

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BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

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