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6. Development Game versus Construction Game
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Soleq: 7.7MW Solar PV Plant in Ubon Rachathani, Thailand
Equis Funds Group Overview

- **Equis Funds Group** is an independent funds management group established in 2010.
- Equis invests in Asian power, energy and infrastructure (PE&I), targeting growth capital control positions in utilities aggregating PE&I assets.
- Prior to Equis the Management Team raised and invested US$2.6bn across 3 Asian power, energy and infrastructure funds.
- 26 professionals across Asia, with fluency in English, Mandarin, Hindi, Korean, Thai, and local Chinese and Indian dialects.

![Our Asian Offices](image)

- **1 BILLION OF ASIAN POWER, ENERGY & INFRASTRUCTURE FUM**
- **236 YEARS OF ASIAN POWER, ENERGY & INFRASTRUCTURE EXPERIENCE**
- **155 TRANSACTIONS IN ASIAN POWER, ENERGY & INFRASTRUCTURE**
SOLEQ is an Asian solar utility business with the objective of becoming one of the Asia’s largest independent solar power producers.

SOLEQ was established by EFG in 2012, and financially supported by Partners Group, DEG, and FMO.

25 professionals across Asia, with technical, operational, and business development expertise in the solar field.

SOLEQ has significant growth pipeline throughout the region, with opportunities identified in Thailand, Philippines, China, Malaysia, and India.

92 MW OPERATIONAL
50 MW UNDER CONSTRUCTION
200 MW UNDER DEVELOPMENT
Asia Solar Snapshot

- **Resource**: 1.0 – 8.0 kWh/m²/day
  - **Tariff**: 0.15 – 0.16 USD/kWh
  - **Market Size**: 30GW
  - **Incentives**: FIT

- **Resource**: Avg. 3.8 kWh/m²/day
  - **Tariff**: 0.35 – 0.42 USD/kWh
  - **Market Size**: 20GW
  - **Incentives**: FIT, Tax incentives

- **Resource**: Avg. 5.1 kWh/m²/day
  - **Tariff**: 0.18 USD/kWh (FIT)
  - **Market Size**: 1.0GW (Community and Rooftop)
  - **Incentives**: FIT, Tax incentives

- **Resource**: Avg. 5.0 kWh/m²/day
  - **Tariff**: 0.20 – 0.25 USD/kWh
  - **Market Size**: 0.1GW
  - **Incentives**: FIT

- **Resource**: Avg. 3.5 – 3.8 kWh/m²/day
  - **Tariff**: 0.23 – 0.25 USD/kWh
  - **Market Size**: 1GW
  - **Incentives**: REC

- **Resource**: 4.0 – 7.0 kWh/m²/day
  - **Tariff**: 0.10 – 0.14 USD/kWh
  - **Market Size**: 2GW
  - **Incentives**: FIT, Tax incentives

- **Resource**: 4.0 – 5.0 kWh/m²/day
  - **Tariff**: 0.22 USD/kWh
  - **Market Size**: 0.5GW
  - **Incentives**: FIT, Tax incentives

- **Resource**: 3.5 – 3.8 kWh/m²/day
  - **Tariff**: 0.23 – 0.25 USD/kWh
  - **Market Size**: 1GW
  - **Incentives**: REC
Why is Solar Attractive?

- **Favorable Regulatory Environment**
  - Most governments try to promote renewable energy
  - Renewable Energy specific framework

- **Financial / Tax Incentives**
  - Various subsidy programs from the government – Adder, Feed-in Tariff, REC etc.
  - Income tax holiday, import tax and VAT exemptions
  - Indexation to inflation and/or FX

- **Technology / Pricing**
  - Solar PV technology is proven and in advanced development stage.
  - Supply pricing is competitive

- **Short Construction Periods**
  - Minimal environmental/social impact
  - 4-6 month construction period
  - Easily located in remote areas

- **Ability to Drive Favorable EPC Terms**
  - Many markets support fully wrapped, fixed price EPC contracts
  - Potential to drive attractive pricing terms with contractors

- **Strong Financial Performance**
  - High operating margins
  - No exposure to fuel costs
  - Generates stable cash flow for debt service and equity distributions

- **Reliable Yield Forecast**
  - Predictable power output
  - Limited unplanned outages
  - Low operating risks
## Categorising the Types of Solar Investors

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment Horizon</th>
<th>Capital Cost</th>
<th>Objective</th>
<th>Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Investors</strong></td>
<td>Short – Medium term</td>
<td>High</td>
<td>EPC and/or supply of other services</td>
<td>Tend to build and sell to investor after commercial operation</td>
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<tr>
<td></td>
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<td></td>
<td>Business of aggregating generating capacity</td>
<td>Can be either state or private owned, driven by requirements on renewable generation</td>
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<td></td>
<td>Seeking for capital growth through investment</td>
<td>Can add value through financial structuring and investment rigor</td>
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<tr>
<td></td>
<td>Long term</td>
<td>Medium</td>
<td></td>
<td>Tend to invest in late development or operation</td>
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<tr>
<td><strong>Financial Investors</strong></td>
<td>Medium – Long term</td>
<td>Medium - High</td>
<td></td>
<td>Tend to invest in late development or operation</td>
</tr>
<tr>
<td></td>
<td>Long term</td>
<td>Low</td>
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<td>Operational assets only</td>
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<tr>
<td><strong>Suppliers / Contractors</strong></td>
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<tr>
<td><strong>Power Companies</strong></td>
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<td><strong>Infrastructure Funds</strong></td>
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<tr>
<td><strong>Yield Products</strong></td>
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</tbody>
</table>
Development Game versus Construction Game

- Application for projects
- Completion of basic designs
- Pre-construction permits
- Commitment for debt financing
- Construction commencement
- Land acquisition
- Signing of EPC Agreement
- Operation commencement
- Construction commencement
- Debt drawdown

High

Risk

Return

Low

Developer
Investor
In Search of Debt

<table>
<thead>
<tr>
<th>Country</th>
<th>Status</th>
<th>Market Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Active</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Emerging</td>
<td></td>
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<tr>
<td>Indonesia</td>
<td>Cost Prohibitive</td>
<td></td>
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<tr>
<td>Malaysia</td>
<td>Emerging</td>
<td></td>
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<tr>
<td>Myanmar</td>
<td>Non-existent</td>
<td></td>
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<tr>
<td>Laos</td>
<td>Non-existent</td>
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<tr>
<td>Cambodia</td>
<td>Non-existent</td>
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<tr>
<td>Vietnam</td>
<td>Non-existent</td>
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<tr>
<td>India</td>
<td>Cost Prohibitive</td>
<td></td>
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<tr>
<td>China</td>
<td>Active</td>
<td></td>
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<tr>
<td>Japan</td>
<td>Emerging</td>
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<tr>
<td>Korea</td>
<td>Active</td>
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</tbody>
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Success Case: Thailand

- Liquid/Competitive local lending market
- Track record of non-recourse power project financing in the IPP sector
- Small Power Producer (SPP) program allowed for large scale projects up to 100MW
- Number of aggregated portfolios in the Very Small Power Producer (VSPP) market
- The unique adder scheme combined with the BOI tax exemption, provided robust cashflow profile and coverage ratios for lenders
### Project Risks: Perception versus Reality

<table>
<thead>
<tr>
<th>Perception</th>
<th>Reality</th>
<th>Match</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offtake and Tariff</strong></td>
<td></td>
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</tr>
<tr>
<td>Secured offtake and visibility, Tariff incentives, Government subsidy</td>
<td>High</td>
<td>High</td>
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<tr>
<td></td>
<td></td>
<td><strong>Match</strong> (Most critical and oftentimes unable to be secured all up front)</td>
</tr>
<tr>
<td><strong>Land and Permitting</strong></td>
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<tr>
<td>Land titles and rights, relevant zoning and permitting requirements</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Match</strong> (Requires full understanding of key permits and regulatory)</td>
</tr>
<tr>
<td><strong>Local stakeholders</strong></td>
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<tr>
<td>Local partners, landlords, community leaders, local officials</td>
<td>Medium</td>
<td>High</td>
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<tr>
<td></td>
<td></td>
<td><strong>Mismatch – Understated</strong> (No.1 cause of material value loss yet continually misunderstood and under due diligenced)</td>
</tr>
<tr>
<td><strong>Technology and EPC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Choice of technology, basic design, EPC pricing and contracting</td>
<td>High</td>
<td>Low</td>
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<tr>
<td></td>
<td></td>
<td><strong>Mismatch – Overstated</strong> (Solar PV technology becoming more of a commodity and EPC pricing more competitive.)</td>
</tr>
</tbody>
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