Financial Statement Analysis

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SolarCity

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1. Strategic and Economic Assessment

1.1 Overview of SolarCity

- SolarCity provides **homeowners**, **businesses** and **government organizations** with renewable energy
  - **Cleaner**, **more affordable** alternatives to traditional utility bills
- As the **No. 1 provider of distributed solar** in the United States, SolarCity has completed installations in 26 states as well as in Puerto Rico and Canada
- **Vertically-integrated services** covering *module manufacturing*, *mounting hardware*, *software*, *sales*, *installation*, *financing*, *monitoring*, and *maintenance*
- **SolarCity was founded on July 4, 2006**, to symbolize the commitment to becoming independent of fossil fuels
  - Founders: Peter and Lyndon Rive
  - based on a suggestion by their cousin, Elon Musk
- **Based in San Mateo (California)**
- **SolarCity went public on December 2012** at 8$ per share
  - raised $92 million in its initial public offering
- **On August 1, 2016, SolarCity accepted Tesla Motors' offer of 2.6 billion dollars**

1.2 Share price evolution

Share price evolution since IPO

- **Fast take-off:** share price multiplied by 8 within the 14 months following the IPO
- Since the highest value on 24 Feb 2014 at 84$: **share price divided by 4 down to 20$**

Share price evolution Year-to-Date

- **SolarCity lost 61% on YtD basis**
  - However flat on a 6m basis
- **Volatile** stock price

Source: yahoo finance

1.3 What do we expect to see ?

Financial statement analysis:

- High fixed assets coupled with a long production cycle
- Probably a high proportion of long-term financing for long-term projects
- Improving revenues as the market becomes mature

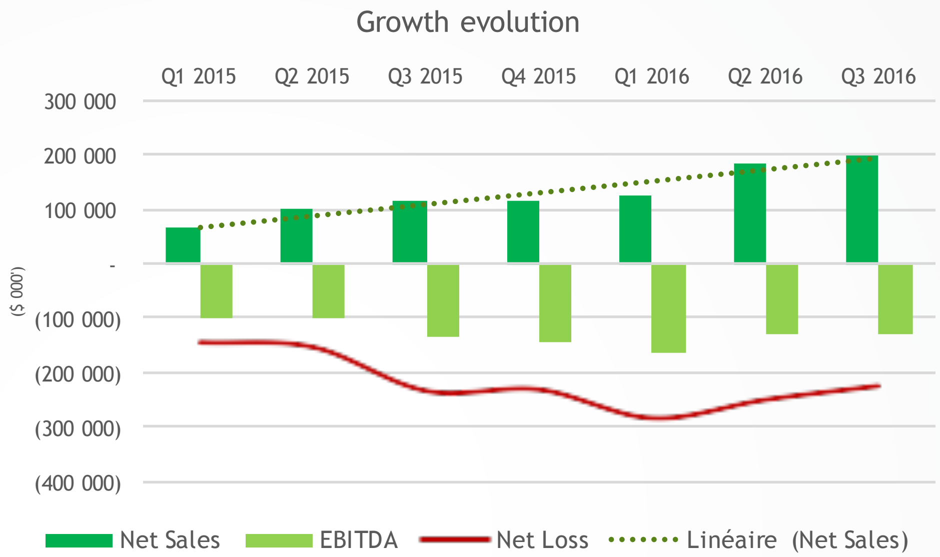
Questions we want to emphasize:

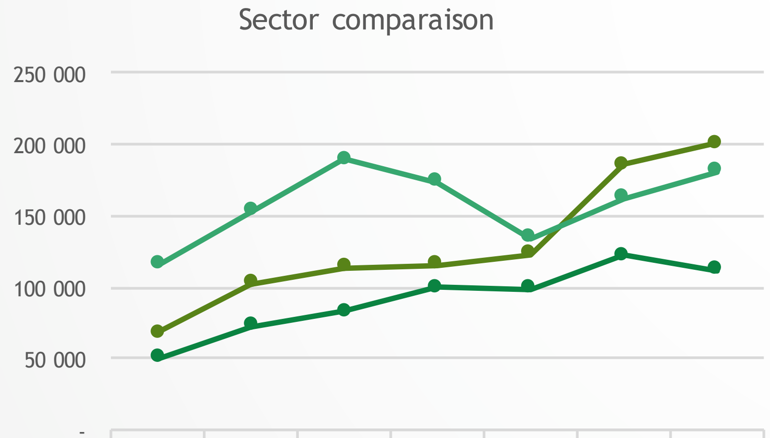
- What is the rationale behind the stock price fall and the offer of Tesla ?
- How can SCTY still raise funds with negative revenues ?
- Can we say that SCTY's project is value creating and profitable ?

2. Growth Analysis

2.1 Sales' growth

- **Net sales grow up at a 4,4% growth rate** without any slowdown since the IPO
  - Net sales' dynamic **probably due to the enthousiasm for renewable energies**
  - *Reminder: no direct EBITDA is given by SCTY, we recreated it by adding operating losses and depreciation/amortization*
- EBITDA almost stable: **why is the net loss increasing ?**



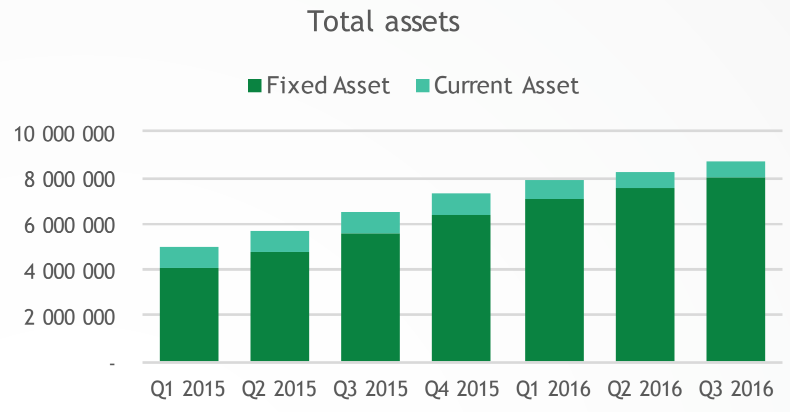


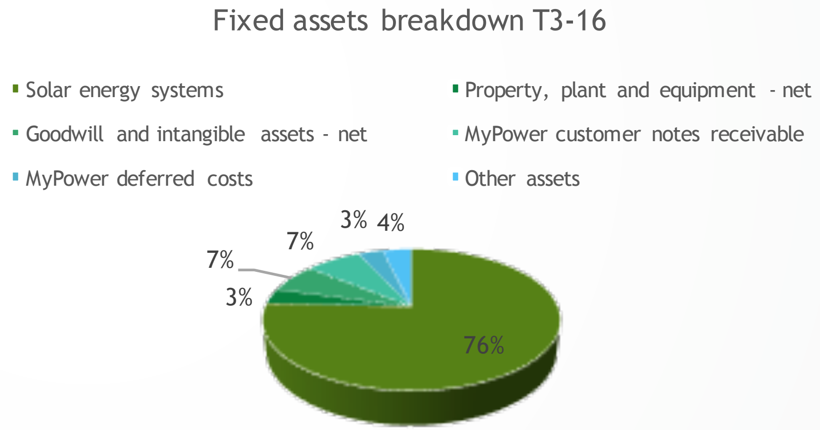
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Net sales (SCTY)	67 479	102 803	113 857	115 480	122 572	185 784	200 551
Net Sales (SunRun)	49 680	72 690	82 600	99 640	98 740	122 540	112 030
Net sales (Ameresco)	115 430	152 490	189 140	173 770	133 780	162 630	180 600

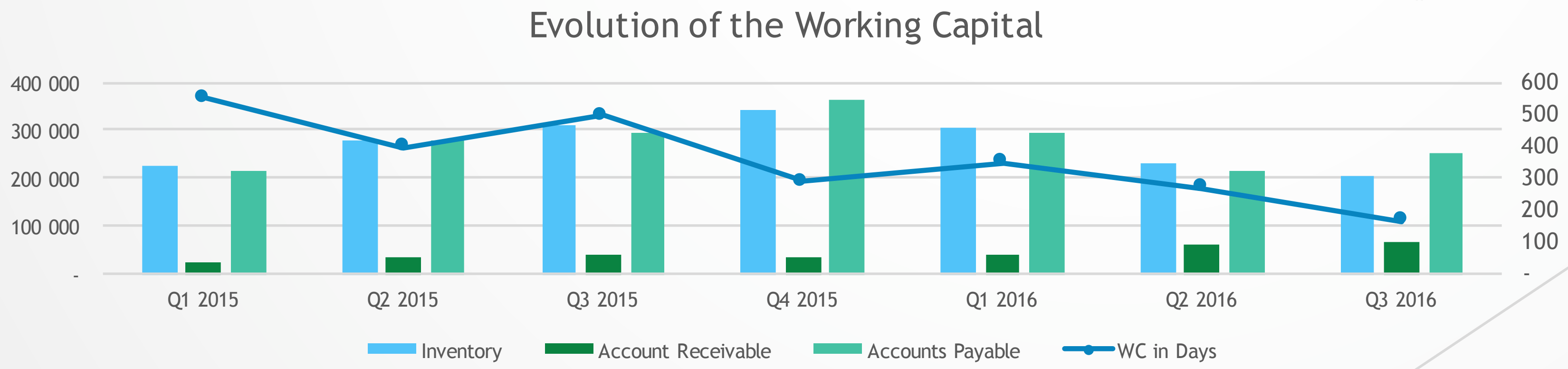
- In the sector, **SCTY's performances are in line with the sector**
  - **Even a bit better** as they seem to have won market shares especially from **Ameresco**
- **Competition is fierce on the sector**: SCTY needs to be competitive on prices and quality

2.2 Investment Policy

- Being a manufacturer of solar panel, **SCTY has obviously a large part of fixed assets (>80% of total assets)**
  - Looking at the break-down we can clearly identify that systems are costly
  - **Goodwill at 475M€:** interesting to see that it depreciated from 574M€ (T4-14) overtime while there was Tesla's offer
- **Well-managed working capital:** from almost 600 days they managed to go down to 300 days worth of sale
  - Seems to be due to a better management of **inventories**

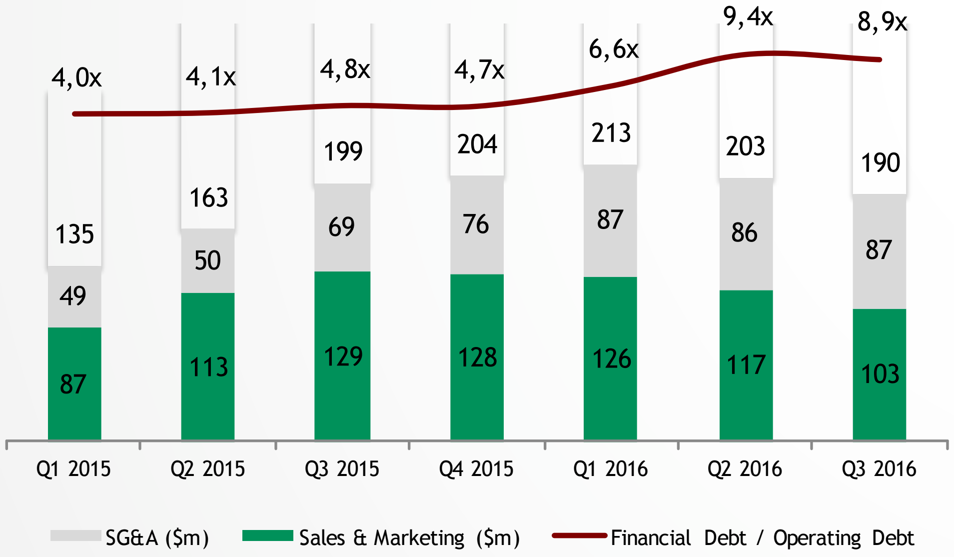






2.3 Finance Structure

- **Solar City is increasingly financed by debt** compared to equity
  - Corresponding to the **heavy industry type, on average 81% of this debt is long term**
- This highly structured debt is **becoming a *threat* for the business**

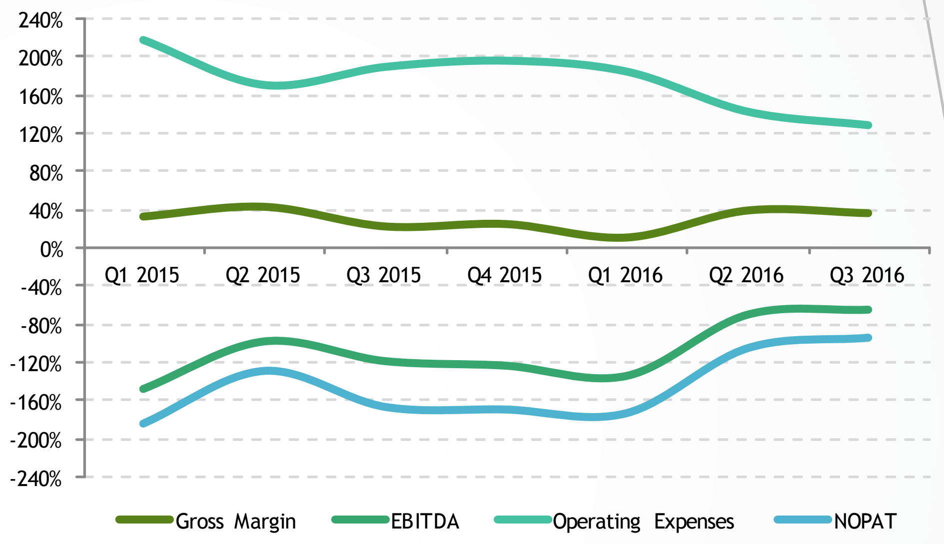


- **Purpose of debt: financing the operating cycle losses more than investing**
  - It is **not a sustainable use of financial debt** over time
- **Increasing operating expenses such as SG&A and Sales & Marketing are worsening the negative EBITDA while creating no explicit value for the company:**
  - It could be explaining the use of financial debt to keep on with this marketing investment strategy
  - This debt slows down a cash hemorrhage and does support investments which could have contributed in the debt payback
- **Until now, this over-investment in Sales & Marketing did not prove to be an efficient support of demand**

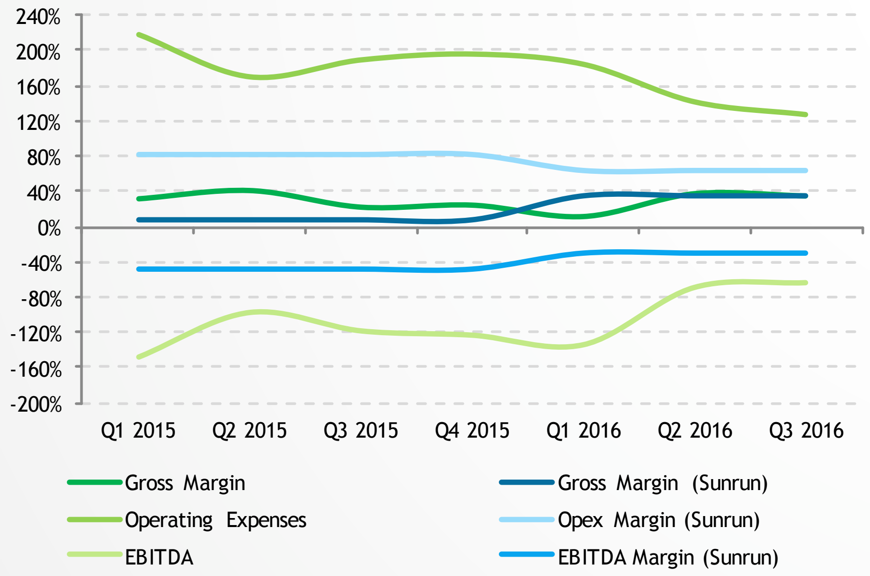
3. Profitability Analysis

3.1 Margin Analysis

- **Operating Expenses remain key factor of NOPAT, EBITDA** margin.
  - …but **Decrease in Opex Margin due to faster rise in revenue (+197%) than rise in Opex (+75%)** **since Q1 2014.**
  - **Gross margin stable (29.50% avg)** with exception of Q1 '16 due to combination of weak sales and high D&A.



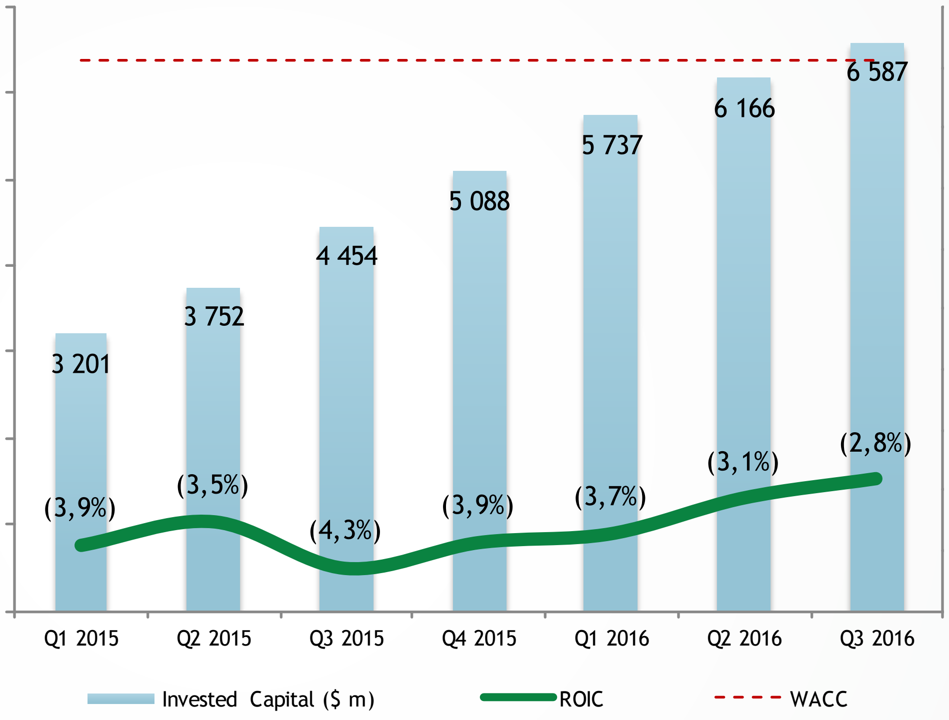
Sector Comparison



- In the sector, **SCTY's performances paints a mixed picture with comparables.**
  - Gross **margin remains close to industry benchmark** (30-40%)
  - … but **Operating expenses remain a considerable headwind to profitability.**

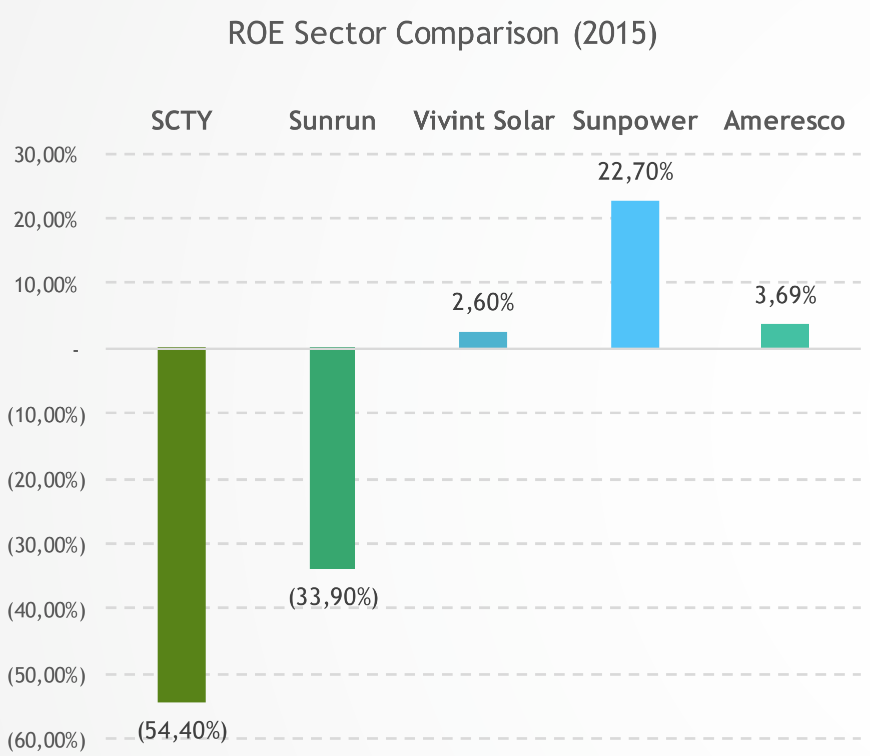
3.2 Return on Invested Capital (ROIC)

- **Invested Capital has doubled in past 18 months** following several large scale projects
- **ROIC improving**, demonstrating scalability edge.
  - NOPAT margin increasing faster than invested capital
- ROIC still far below estimated WACC of 4.1% (conservative), **meaning negative economic value added or value destruction**
  - Solar PPA **WACCs have increased considerably since SUNE bankruptcy.**



	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
NOPAT Margin	(185.5%)	(128.8%)	(167.5%)	(170.3%)	(174.2%)	(104.5%)	(93.1%)
Turnover of Capital Employed	2.1%	2.7%	2.6%	2.3%	2.1%	3.0%	3.0%
ROIC	(3.9%)	(3.5%)	(4.3%)	(3.9%)	(3.7%)	(3.1%)	(2.8%)

3.3 Return on Equity

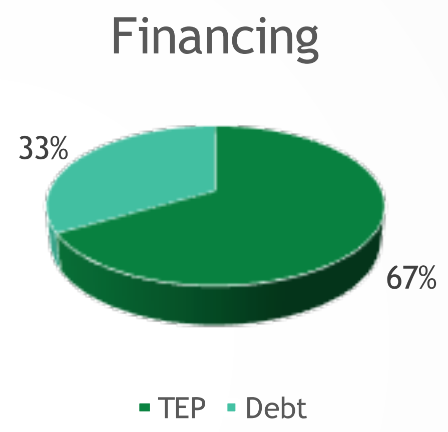


- **SCTY's ROE has been negative from 2010-2015, except in 2011.**
  - Factors include: **High capital investments, consistent loss from operations, as well as raising additional equity capital**
- **Leverage effect consistently negative,**
  - Strengths: Relative to a large equity base, **negative ROEs are shrinking**
  - Risks: **Difficulty raising additional capital on public equity markets.**
- **Solution? Securitization of porftolio of solar systems on books, effectively selling revenue rights**
  - Risk of additional losses with smaller equity base could be headwind to improving ROE

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016	Q2 2016	Q3 2016
ROIC	(3.9%)	(3.5%)	(4.3%)	(3.9%)	(12.7%)	(3.7%)	(3.1%)	(2.8%)
Net Cost of Debt	1.2%	1.1%	1.6%	1.0%		1.9%	1.3%	.9%
ROIC - Net Cost of Debt	(5.1%)	(4.7%)	(5.9%)	(4.9%)	(16.5%)	(5.6%)	(4.5%)	(3.8%)
Total Financial Leverage Effect	(9.4%)	(9.9%)	(14.2%)	(12.7%)	(42.8%)	(17.0%)	(13.6%)	(10.7%)
ROE					(54.4%)			

3.4 Tax Equity Partnerships: a Key Source of Financing (1/2)

- **2005: ITC tax credit passed under Bush administration, extended several times to 2022.**
  - Allows owners of renewable energy systems to recoup 30% of cost of systems as tax credit
  - Useful for companies with large tax burdens who apply it to liabilities with rest carried forward
- **As loss making entity, SCTY does not benefit from credit in near term**
  - **Tax equity partnerships are a form of structured finance that allow SCTY to nonetheless exploit the ITC**
- **Largest single TEP was Google $280 mio renewable fund (2011)**

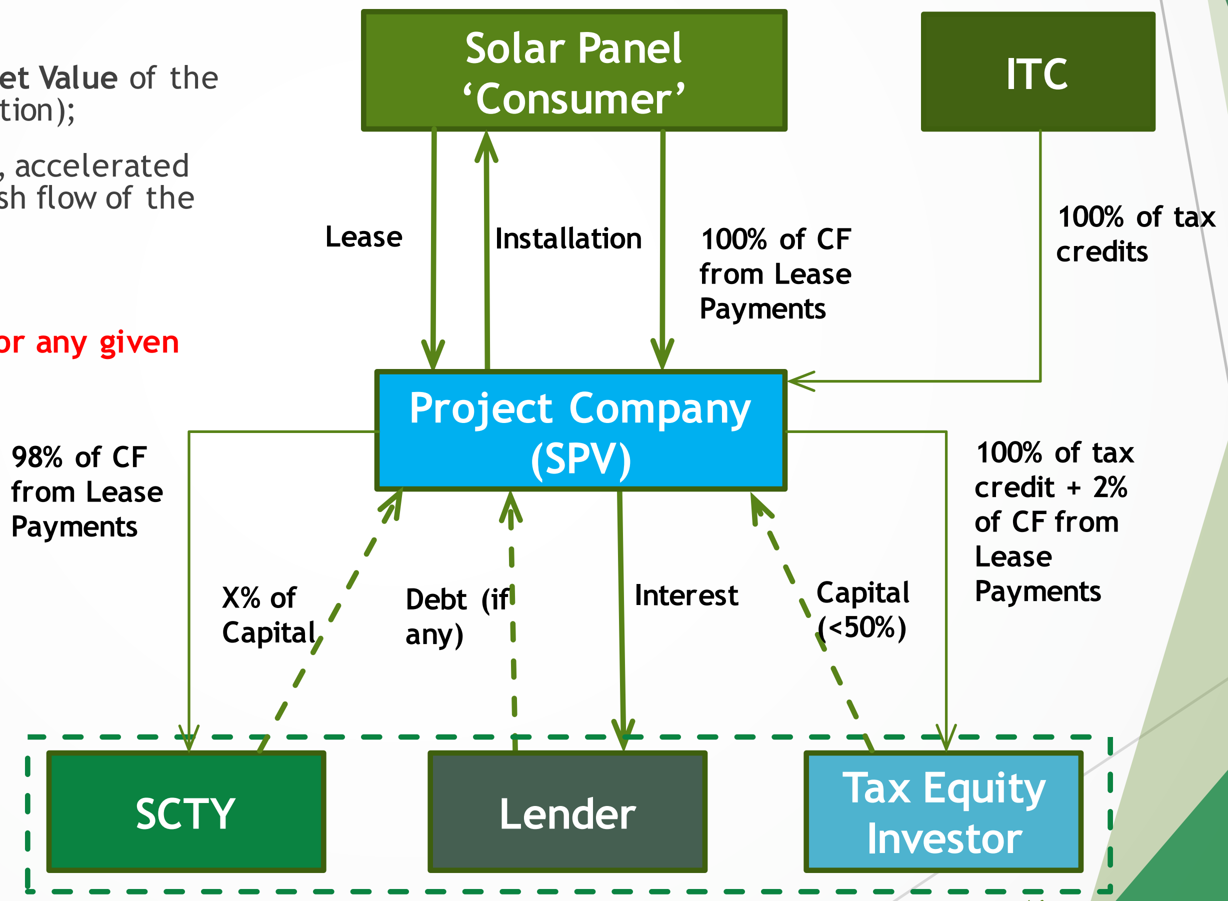


- Selected tax equity investors:

- Investor Base:
  - Pool of sophisticated (institutional) investors
  - "Expanding" as asset class matures.

3.4 Tax Equity Partnerships: a Key Source of Financing (2/2)

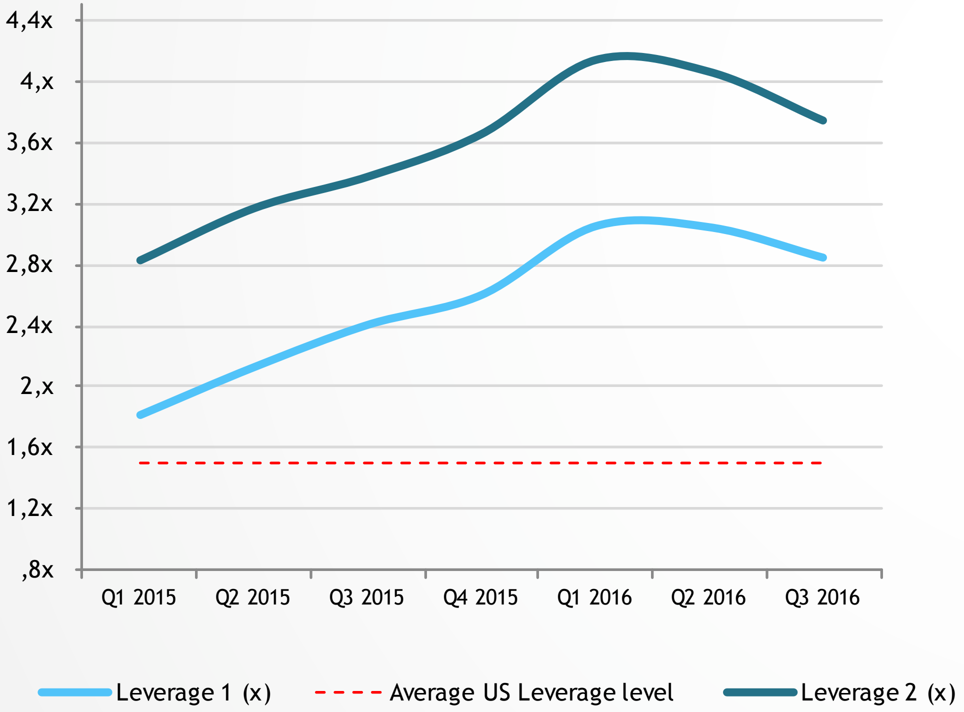
- **Structure:**
  - Value of ITC is determined as % of **Fair Market Value** of the project (more advantageous than cost valuation);
  - Tax Equity Investor partner receives the ITC, accelerated depreciation benefits, and a share of the cash flow of the underlying investment;
  - Investor earns after tax IRR 7 to 12%;
  - **SCTY reduces its need for debt financing for any given project**
- **Risks:**
  - Complex and Costly source of financing;
  - Demanded IRR by Tax equity investors increases with size of debt tranche at origination;
  - **Political: ITC extended to 2023-2022, unclear that Trump administration will renew/not repeal before then;**
  - Without TEPs, leverage and cost of debt will increase considerably.
  - **Is SCTY's model economically viable?**



4. Risk Analysis

4.1 Net debt reconciliation

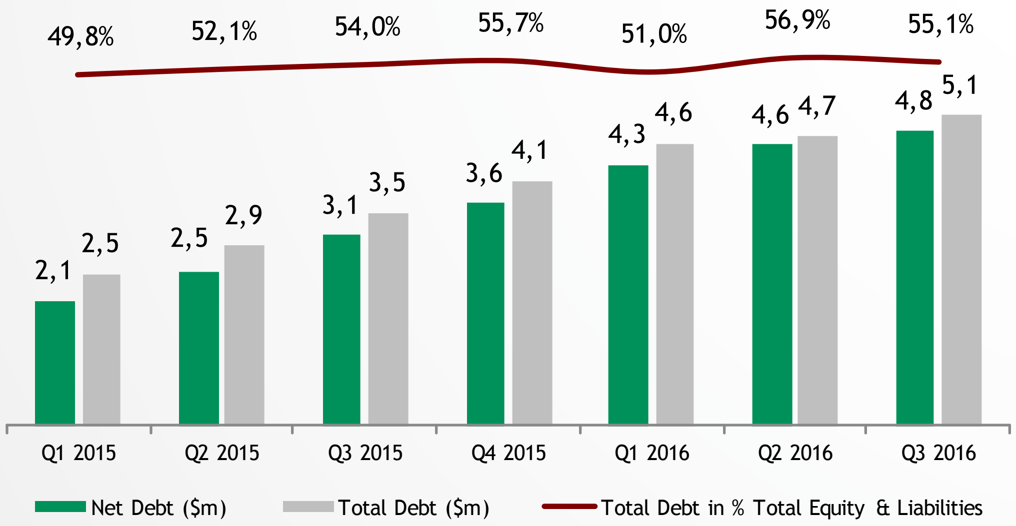
- As an accounting principle:
  - **Capital Employed = Invested Capital**
  - **Fixed Assets + WC = Equity + Net Debt**



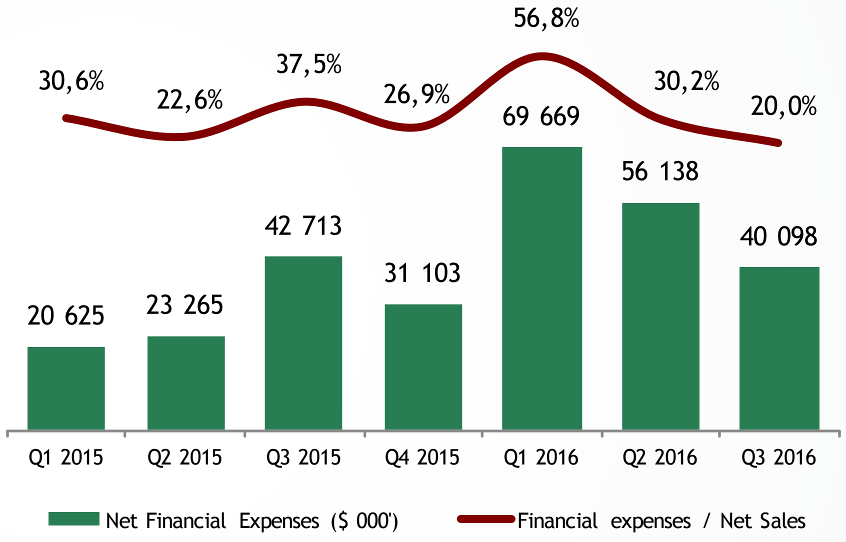
- In the Solar City case, **this equation only matches when including Deferred Revenues in Net Debt**
- **Deferred Revenues are not debt**
  - which leads to comparing Solar City's **leverage depending on its net debt perimeter**
- **When withdrawing deferred revenues from net debt, the leverage (1) is 2,8x in Q1 2016, but reaches 3,7x when taken into account (leverage 2)**
  - *For consistency purposes, the following debt analysis **does not include** deferred revenues, because we do not consider this item as pure debt, which leads to a less worrying financial situation for the company*
- **Reconciling capital employed and invested capital suggests a much higher net debt**
  - c. $6.4bn in Q3 2016 vs $4.8bn

4.2 Debt evolution (1/2)

- **Solar City's debt has been continuously increasing**
- **Major issue: no capacity of paying it back**
  - **Operating cycle is destroying value**
  - **Cash reserves are negligible** and shrinking compared to the total debt weight
  - No sign of any strategic shift to improve the situation



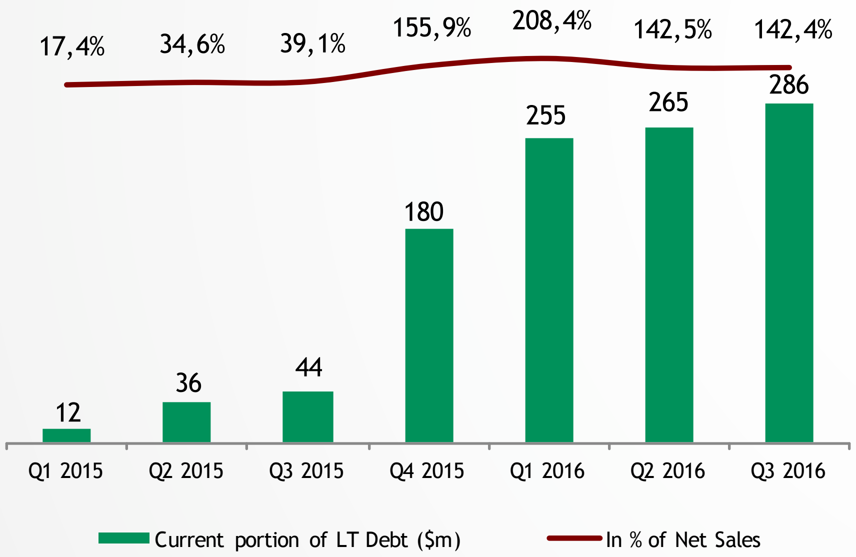
- This leads to an **increasing debt service, not financed by the core business**



Debt service is benefitting from decreasing interest rates over the period due to the macro economic conjuncture

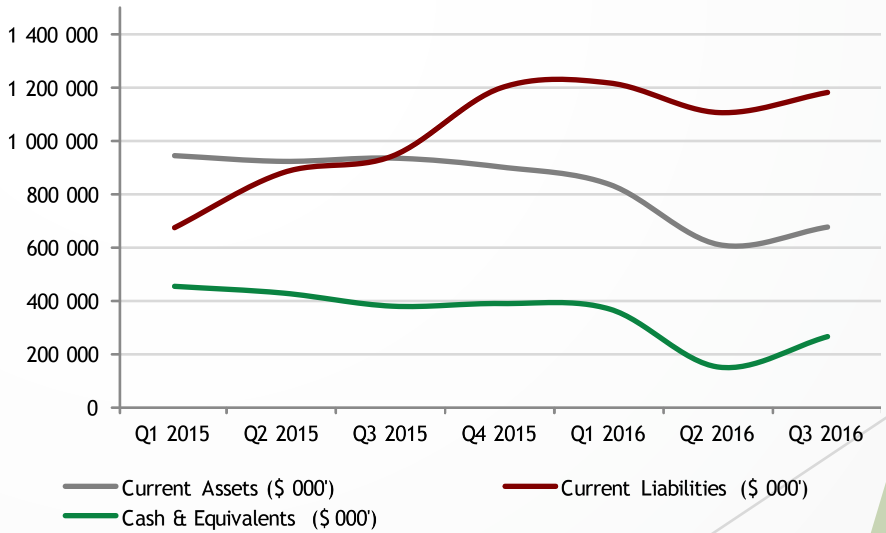
4.2 Debt evolution (2/2)

- Solar City's **net debt** keeps increasing
  - **Current portion of short-term debt is the main concern**
  - **Already way above Net Sales revenues**



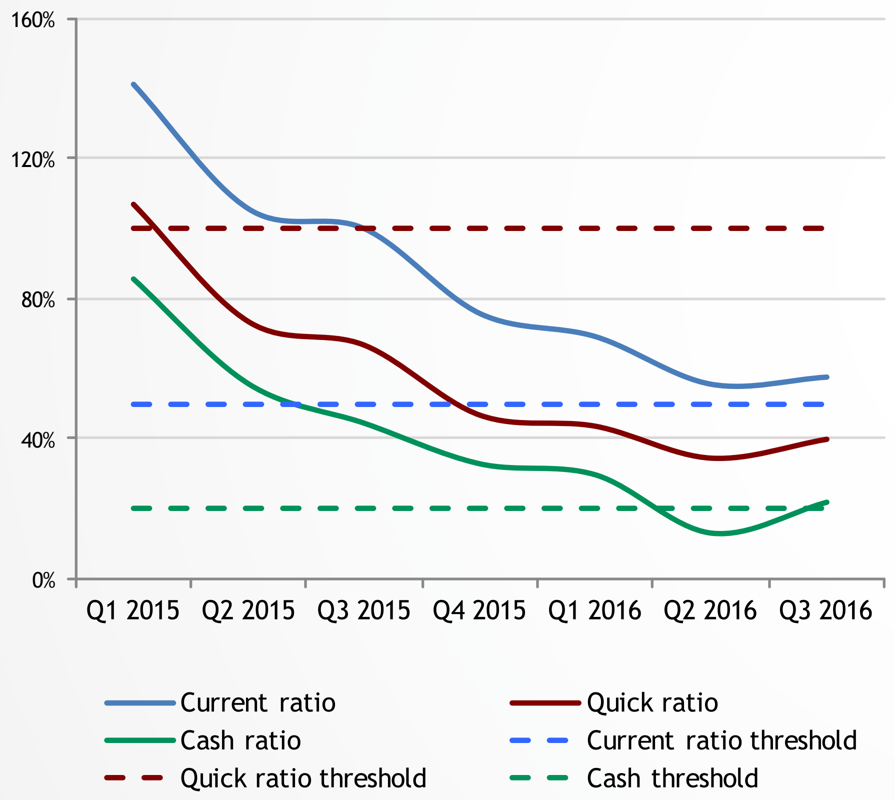
- **Solar short-term activity is threatened by debt service requirements it cannot commit to**

- It **sends a negative signal to investors** as they have legitimate **concerns about Solar City's capacity in creating value**
- *Negative EBITDA does not allow an accurate debt analysis based on ratios such as Debt/EBITDA or Interest Coverage Ratio*



4.3 The questionnable solvency… (1/2)

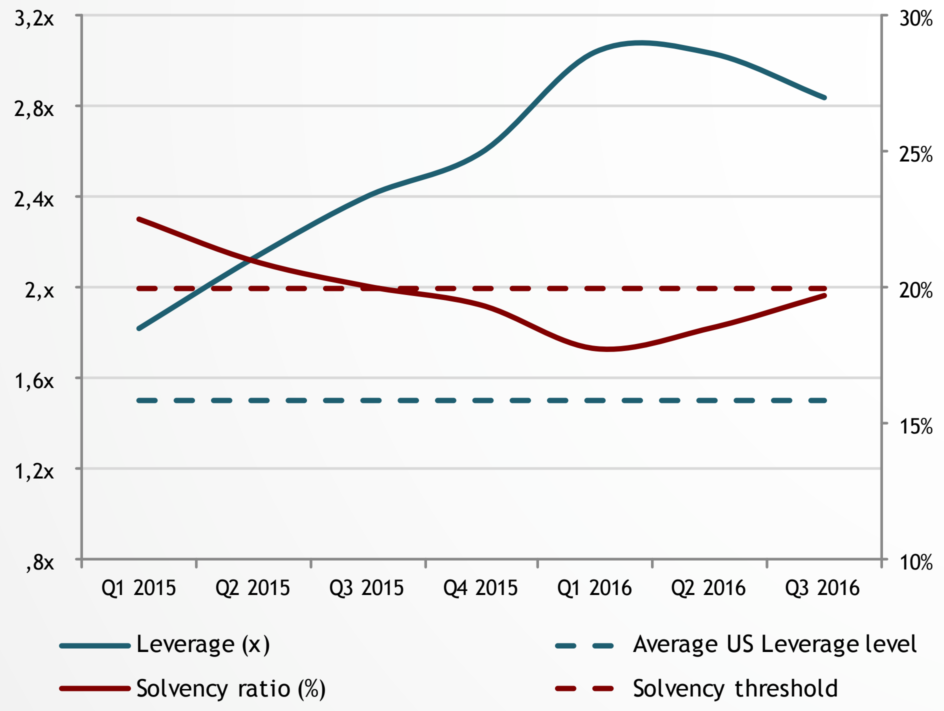
- This **unsustainable situation triggers an important decrease of Solar City's ratios**



- Compared to the acceptance thresholds of investors for each ratio:
  - **An artificially maintained decent current ratio with increasing current liabilities**
    - Because of a **higher current portion of a long term debt** not focused on profitable investments
    - Can send a **misleading signal to investors who will believe Solar City is investing in long term projects**: a positive signal
- A **quick ratio significantly below the commonly accepted threshold** due to high levels of inventories
- A **cash ratio revealing Solar City's incapacity to meet its short-term debt deadlines**

4.3 The questionnable solvency… (2/2)

- Solar City shows **clear signs of insolvency**
- The **heavy industry sector does not justify such a leverage gap between Solar City and the US average**



- On average, **companies under a 20% solvency ratio are considered unhealthy by investors**
- **From Q4 2015 until Q3 2016, Solar City is under the 20% solvency threshold**
    - While still having an increasing debt level
    - And still having shown no sign of a strategic shift focusing on debt payback
- **In Q1 2016, the ratio reaches its minimum level (17,8%)** and shifts up back towards the 20% threshold
    - **The result notably of cost cutting policies** (mainly based on reducing the staff)

4.4 Further explanations (1/3)

- This is a **heavy type of industry**, implying high costs of sales (70% of total sales for 2014 and 2015)
  - Hence a profit margin lower than in other sectors (30%)

- A strategic decision was made by the top executives **to create a demand for the products** and foster a new movement pro solar-energy, leading to overshot Sales & Marketing expenses
  - **From 94% to 110% of sales in 2014 and 2015 respectively, hence resulting in a negative EBITDA for over 3 years**

- **Executives expect their activity to become more profitable when the demand shifts as they predict it will**
  - **This explains why they continue spending that much on S&M**, and financing themselves through long term structured debt

4.4 Further explanations (2/3)

- It may also be taken into account that the top executives of this firm are Elon Musk's cousins
  - Probably allowing them to get **significant credentials** and therefore a **"premium" access to debt financing**
  - Likely **enhanced trust of equity investors** in Solar City
  - This hypothesis may also explain the **low incentives to plan a debt payback strategy**

- The recent announcement of **Solar City's takeover by Tesla Motors (Elon Musk's firm) is a good news for Solar City's investors**
  - **They will benefit from the financial stability of Tesla Motors alongside their current cash reserves and their strategic capacity of planning a debt payback**

4.4 Further explanations (3/3)

- **Tesla Motors' investors nevertheless could be less enthusiast with this acquisition:**
  - This distressed company will impact their return rates
  - **Tesla Motors will be considered as strategically responsible for the lower returns**

- Another concern about this takeover focuses on the real motivations of Elon Musk: **What is the rationale?**
  - He consistently emphasized the idea of complementary businesses to justify this operation
  - Even though Solar City will negatively impact Tesla's results for a prolonged period of time before it becomes a profitable company
  - **Are there implicit reasons involving the family links of the two companies' top managers?**

Conclusion

Our recommandations:

Corporate finance view:

- **SCTY project seems economically not viable**
  - Conveyed by figures of financial statements
- Solvency is not anymore a problem as Tesla is now backing up SCTY
  - Still: SCTY is burning up cash which could become a problem for Tesla
- Investor will slowly become nervous about SCTY's project, which could trigger tremendous financing problems

Equity research view:

- **Our position: Sell**
  - P/E ratio still at -0,28$ at 3Q16
  - No signs of improvment in the near future
- **Juridical environment risk as the TEP act will expire in 2022**
  - Business not viable


Thank You

Appendix: Overview of the financial statements

- Balance sheet: Assets

1

Assets ($ 000')	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Current Assets								
Cash and cash equivalents	504 383	446 683	421 420	372 750	382 544	361 661	145 714	259 342
Short-term investments	138 311	129 166	67 665	45 616	11 311	-	-	-
Restricted cash	20 875	10 395	8 557	20 312	39 864	51 608	99 477	61 079
Accounts receivable	22 708	25 591	34 233	38 572	33 998	40 733	63 682	65 112
Rebates receivable - net	30 021	27 279	20 383	15 044	11 545	11 428	15 786	11 999
Inventories	217 223	227 676	279 789	309 190	342 951	306 686	229 699	206 205
Deferred income tax asset	13 149	12 469	14 887	30 500	-	-	-	-
Prepaid expenses and other current assets	55 729	65 442	76 381	103 624	79 925	64 235	56 954	73 247
Total Current Assets	**1 002 399**	**944 701**	**923 315**	**935 608**	**902 138**	**836 351**	**611 312**	**676 984**
Non-Current Assets								
Solar energy systems	2 796 796	3 073 600	3 421 170	3 869 719	4 375 553	4 788 935	5 173 624	5 493 026
Property, plant and equipment - net	101 914	163 048	353 738	481 893	546 887	789 905	909 290	1 003 359
Of which Built-to-suit lease asset under construction	26 450	-	-	238 050	284 500	519 796	655 064	752 425
Goodwill and intangible assets - net	539 557	531 470	523 383	527 418	517 109	508 882	485 271	472 557
MyPower customer notes receivable	34 544	138 316	236 701	362 840	488 461	539 432	529 852	526 703
MyPower deferred costs	13 147	60 746	106 601	162 810	215 708	238 411	237 460	236 574
Other assets	97 854	129 084	139 784	172 055	241 262	257 289	277 271	271 625
Total Non-Current Assets	**3 583 812**	**4 096 264**	**4 781 377**	**5 576 735**	**6 384 980**	**7 122 854**	**7 612 768**	**8 003 844**
Total Assets	**4 586 211**	**5 040 965**	**5 704 692**	**6 512 343**	**7 287 118**	**7 959 205**	**8 224 080**	**8 680 828**

Appendix: Overview of the financial statements

- Balance sheet: Liabilities

2 Liabilities & Shareholders' Equity ($ 000')

Current Liabilities								
Accounts payable	237 809	216 807	278 583	296 196	364 973	294 182	214 145	253 077
Distributions payable to noncontrolling interests	8 552	9 065	16 944	12 336	26 769	15 710	9 396	25 106
Accrued and other current liabilities	152 408	185 119	212 688	242 434	270 184	277 291	231 866	236 951
Customer deposits	10 560	7 815	5 281	5 095	6 322	-	-	-
Current portion of:								
Deferred U.S. Treasury grant income	15 330	15 330	15 330	15 336	15 336	15 336	14 913	14 549
Deferred revenue	86 238	90 009	96 553	100 381	103 078	116 697	120 506	113 908
Long-term debt	11 781	11 712	35 606	44 471	180 048	255 421	264 688	285 507
Solar bonds	820	1 658	7 502	10 797	13 189	14 186	19 186	17 385
Solar bonds issued to related parties	330	90 330	165 340	165 340	165 120	165 110	165 110	165 100
Solar asset-backed notes	13 574	12 510	12 592	14 259	13 864	17 817	18 275	19 658
Financing obligation	29 689	30 778	30 567	31 690	34 479	39 596	42 862	44 953
Total Current Liabilities	**567 091**	**671 133**	**876 986**	**938 335**	**1 193 362**	**1 211 346**	**1 100 947**	**1 176 194**
Non-Current Liabilities								
Net of current portion:								
Deferred revenue	557 408	662 776	760 275	885 726	1 010 491	1 061 372	1 082 241	1 084 442
Long-term debt	287 621	467 738	588 263	833 154	1 006 595	1 101 865	1 173 464	1 283 540
Solar bonds	2 593	7 982	28 509	34 333	35 678	36 787	33 430	51 488
Solar bonds issued to related parties	200	200	200	200	100	100	100	100 100
Solar asset-backed notes	304 393	299 646	298 032	410 779	395 667	606 334	604 783	550 695
Financing obligation	73 379	65 248	69 107	64 211	68 940	68 579	77 268	71 772
Deferred U.S. Treasury grant income	397 486	393 637	389 803	386 121	382 283	378 449	364 247	351 738
Convertible senior notes	796 000	796 000	796 000	796 000	881 585	882 610	883 644	884 679
Convertible senior notes issued to related parties	-	-	-	-	12 975	12 975	12 977	12 978
Long-term deferred tax liability	13 194	12 518	14 938	32 298	1 373	788	67	71
Other liabilities and deferred credits	244 474	281 606	398 648	509 644	563 506	875 928	1 019 537	1 114 421
Of which Built-to-suit lease liability	*26 450*	*-*	*-*	*238 050*	*284 500*	*519 796*	*655 064*	*752 425*
Total Non-Current Liabilities	**2 676 748**	**2 987 351**	**3 343 775**	**3 952 466**	**4 359 193**	**5 025 787**	**5 251 758**	**5 505 924**
Total liabilities	**3 243 839**	**3 658 484**	**4 220 761**	**4 890 801**	**5 552 555**	**6 237 133**	**6 352 705**	**6 682 118**
Commitments and contingencies								
Redeemable noncontrolling interests in subsidiaries	186 788	246 492	285 081	313 302	320 935	304 009	344 932	284 158
Stockholders' equity:								
Common stock	10	10	10	10	10	10	10	10
Additional paid-in capital	1 003 992	1 032 090	1 061 254	1 136 121	1 195 246	1 227 550	1 287 960	1 315 874
Accumulated deficit	(258 360)	(279 885)	(302 245)	(321 318)	(316 690)	(341 678)	(397 167)	(343 952)
Total stockholders' equity	745 642	752 215	759 019	814 813	878 566	885 882	890 803	971 932
Noncontrolling interests in subsidiaries	409 942	383 774	439 831	493 427	535 062	532 181	635 640	742 620
Total equity	**1 155 584**	**1 135 989**	**1 198 850**	**1 308 240**	**1 413 628**	**1 418 063**	**1 526 443**	**1 714 552**
Total liabilities and equity	**4 586 211**	**5 040 965**	**5 704 692**	**6 512 343**	**7 287 118**	**7 959 205**	**8 224 080**	**8 680 828**

Appendix: Overview of the financial statements

- Income Statement

1

($ 000')	FY 2014	Q1 2015	Q2 2015	Q3 2015	FY 2015	Q1 2016	Q2 2016	Q3 2016
Revenue								
Operating leases / SES incentives	*173 636*	*54 771*	*78 283*	*85 059*	*293 543*	*na*	*na*	*na*
SES & components sales revenue	*81 395*	*12 708*	*24 520*	*28 798*	*106 076*	*22 023*	*25 674*	*57 522*
Revenue from periodic billings	*na*	*na*	*na*	*na*	*na*	*84 222*	*141 122*	*122 608*
Operating lease prepayments	*na*	*na*	*na*	*na*	*na*	*16 327*	*18 988*	*20 421*
Total revenue	255 031	67 479	102 803	113 857	399 619	122 572	185 784	200 551
Cost of revenue								
Operating leases / SES incentives	*92 920*	*32 260*	*37 392*	*46 015*	*165 546*	*na*	*na*	*na*
SES & components sales	*83 512*	*13 460*	*22 087*	*42 554*	*115 245*	*27 634*	*32 192*	*49 025*
Periodic billings revenue	*na*	*na*	*na*	*na*	*na*	*16 895*	*18 912*	*24 189*
D&A and Warranty	*na*	*na*	*na*	*na*	*na*	*48 035*	*63 400*	*55 745*
Pre-production expense	*na*	*na*	*na*	*na*	*na*	*16 583*	*-*	*-*
Total cost of revenue	176 432	45 720	59 479	88 569	280 791	109 147	114 504	128 959
Gross profit	**78 599**	**21 759**	**43 324**	**25 288**	**118 828**	**13 425**	**71 280**	**71 592**
Operating expenses								
Sales & marketing	*238 608*	*86 671*	*113 160*	*129 284*	*457 185*	*126 083*	*116 647*	*102 639*
General & Administration	*156 426*	*48 654*	*50 211*	*69 423*	*244 508*	*86 926*	*86 097*	*87 423*
Pre-production expense	*-*	*-*	*-*	*-*	*-*	*-*	*19 189*	*19 335*
Restructuring and other	*-*	*-*	*-*	*-*	*-*	*-*	*29 083*	*34 158*
R&D	*19 162*	*12 120*	*12 401*	*17 652*	*64 925*	*13 920*	*14 374*	*14 129*
Total operating expenses	414 196	147 445	175 772	216 359	766 618	226 929	265 390	257 684
Loss from operations	**(335 597)**	**(125 686)**	**(132 448)**	**(191 071)**	**(647 790)**	**(213 504)**	**(194 110)**	**(186 092)**
Interests and other expenses								
Interest expense - net	55 758	18 521	20 497	25 862	91 939	32 547	37 059	42 156
Interests expense - recourse debt	*na*	*na*	*na*	*na*	*na*	*9 074*	*9 842*	*10 974*
Interest expense - non-recourse debt	*na*	*na*	*na*	*na*	*na*	*14 291*	*17 811*	*20 512*
Other int. exp. and amortization	*na*	*na*	*na*	*na*	*na*	*9 182*	*9 406*	*10 670*
Other expenses, net	10 611	2 104	2 768	16 851	25 767	37 122	19 079	(2 058)
Total interest and other expenses	66 369	20 625	23 265	42 713	117 706	69 669	56 138	40 098
Loss before income taxes	(401 966)	(146 311)	(155 713)	(233 784)	(765 496)	(283 173)	(250 248)	(226 190)
Income tax (provision) benefit	26 736	(626)	(20)	(482)	(3 326)	68	(9)	848
Net loss	**(375 230)**	**(146 937)**	**(155 733)**	**(234 266)**	**(768 822)**	**(283 105)**	**(250 257)**	**(225 342)**
Attributable to noncontrolling interests	*(319 196)*	*(125 412)*	*(133 373)*	*(215 193)*	*(710 492)*	*(258 117)*	*(194 768)*	*(278 957)*
Attributable to stockholders	*(56 034)*	*(21 525)*	*(22 360)*	*(19 073)*	*(58 330)*	*(24 988)*	*(55 489)*	*53 615*

Appendix: Overview of the financial statements

Cash Flow Statement: Operating Activities

($ 000's)	FY 2014	Q1 2015	H1 2015	9M 2015	FY 2015	Q1 2016	H1 2016	Q3 2016	9M 2016
1 **Operating activities**									
Net loss	**(375 230)**	**(146 937)**	**(302 670)**	**(536 936)**	**(768 822)**	**(283 105)**	**(533 362)**	**(225 342)**	**(758 704)**
Adjustments to reconcile net loss to cash									
Disposal of PP&E	1 404	66	129	92	3 840	293	510	584	1 094
D&A	97 880	36 351	74 420	118 091	166 653	55 831	144 414	89 411	233 825
Non cash interest & other expense	13 631	3 782	7 533	12 554	16 427	9 635	(1 592)	5 960	4 368
Stock based compensations	65 562	18 361	36 132	61 010	86 369	18 587	44 045	21 641	65 686
Revaluations	-	-	-	-	-	-	-	-	-
Loss on extinguishment of LT debt	4 533	-	-	1 093	1 093	423	610	-	610
Deferred income taxes	(26 680)	4	6	(102)	(527)	(585)	(1 306)	4	(1 302)
Reduction in LPT financing obligations	(48 837)	(10 570)	(23 449)	(36 431)	(48 132)	(10 797)	(21 065)	(16 041)	(37 106)
Tax benefit from exercized stock options	-	-	-	-	(63 019)	(1 983)	5 833	1 905	7 738
Change in fair value of interest rate swaps	-	-	-	-	-	32 048	51 454	(2 865)	48 589
Changes in operating assets and liabilities									
Restricted cash	(17 699)	7 992	5 499	(19 814)	(48 650)	(25 500)	(87 420)	22 990	(64 430)
Accounts receivables	945	(2 883)	(11 525)	(15 623)	(11 049)	(6 735)	(29 684)	(1 430)	(31 114)
Rebates receivables	(9 890)	2 742	9 638	14 977	18 476	117	(4 241)	3 787	(454)
Inventories	(97 347)	(10 107)	(62 329)	(91 624)	(125 337)	36 794	114 048	23 252	137 300
Prepaid expenses and other current assets	(23 579)	(7 695)	(15 766)	(42 305)	(24 485)	19 728	25 358	(16 224)	9 134
MyPower deferred costs	-	(47 603)	(94 203)	(150 267)	(202 899)	(23 658)	(22 196)	871	(21 325)
Other assets	(32 019)	(10 292)	(18 887)	(12 769)	(70 016)	161	4 440	18 174	22 614
Accounts payable	112 480	(22 957)	39 787	56 695	125 472	(69 725)	(149 762)	38 932	(110 830)
Accrued and other liabilities	(22 676)	15 864	41 017	110 356	147 455	44 762	24 855	(1 125)	23 730
Customer deposits	1 732	(2 745)	(5 279)	(5 465)	(4 238)	-	-	-	-
Deferred revenue	137 941	5 345	8 031	10 151	11 505	10 594	46 050	(1 293)	44 757
Net cash used in operating activities	**(217 849)**	**(171 282)**	**(311 916)**	**(526 317)**	**(789 884)**	**(193 115)**	**(389 011)**	**(36 809)**	**(425 820)**

Appendix: Overview of the financial statements

Cash Flow Statement: Investing and Financing Activities

2	**Investing activities**									
	Cost of SES leased and to be leased	(1 162 963)	(294 998)	(665 079)	(1 134 929)	(1 665 641)	(440 111)	(857 164)	(372 900)	(1 230 064)
	Purchase of PP&E	(22 892)	(30 497)	(102 065)	(147 784)	(176 540)	(19 529)	(44 404)	(9 041)	(53 445)
	Investments in promissory notes receivables	(21 750)	-	-	(1 189)	(1 189)	-	-	-	-
	Purchases of ST investments	(167 397)	(44 592)	(44 592)	(44 592)	(44 592)	-	-	-	-
	Proceeds from sales and maturities of ST invt.	28 764	53 308	114 642	136 560	170 737	11 243	11 243	-	11 243
	Acquisition of business, net	1 874	-	-	(9 509)	(9 509)	-	-	-	-
	Payments for acquisition of noncontrolling interests	(450)	-	-	-		(13 089)	(13 664)	-	(13 664)
	Payment for termination of interest rate swaps	-	-	-	-	-	(4 625)	(9 284)	(3 419)	(12 703)
	Net cash used in investing activities	**(1 344 814)**	**(316 779)**	**(697 094)**	**(1 201 443)**	**(1 726 734)**	**(466 111)**	**(913 273)**	**(385 360)**	**(1 298 633)**
3	**Financing activities**									
	Investment fund financing, bank and other borrowings									
	Borrowings under LT debt	*373 453*	*178 082*	*456 108*	*783 123*	*1 093 261*	*379 652*	*657 373*	345 423	*1 002 796*
	Repayment of LT debt	*(336 557)*	*(752)*	*(134 613)*	*(211 976)*	*(215 933)*	*(212 626)*	*(412 685)*	(218 207)	*(630 892)*
	Solar asset-backed notes:									
	Proceeds from issuance	*262 880*	*-*	*-*	*119 790*	*119 790*	*221 753*	*221 472*	(437)	*221 035*
	Repayments of borrowings	*(5 932)*	*(5 817)*	*(7 355)*	*(13 859)*	*(15 863)*	*(6 824)*	*(8 569)*	(53 345)	*(61 914)*
	Other financing items	688 305	255 203	604 466	908 658	1 226 075	253 162	611 395	463 029	1 074 424
	Net cash provided by financing activity before equity	**982 149**	**426 716**	**918 606**	**1 585 736**	**2 207 330**	**635 117**	**1 068 986**	**536 463**	**1 605 449**
	Of which proceeds from noncontrolling interests	*777 963*	*176 138*	*428 934*	*754 916*	*1 097 487*	*276 518*	*643 635*	379 052	*1 022 687*
	Net cash provided by equity and convertible notes	**507 817**	**3 645**	**7 441**	**10 391**	**187 449**	**3 226**	**(3 532)**	**(666)**	**(4 198)**
	Of which common stock issuance	*-*	*na*	*na*	*na*	*-*	*na*	*na*	*na*	*na*
	Of which convertible senior notes issuance	*552 765*	*na*	*na*	*na*	*99 805*	*na*	*na*	*na*	*na*
	Net cash provided by financing activities	**1 489 966**	**430 361**	**926 047**	**1 596 127**	**2 394 779**	**638 343**	**1 065 454**	**535 797**	**1 601 251**
	Net (decrease) increase in cash & cash equivalents	(72 697)	(57 700)	(82 963)	(131 633)	(121 839)	(20 883)	(236 830)	113 628	(123 202)
	Cash & Cash Equivalents, beginning of period	577 080	504 383	504 383	504 383	504 383	382 544	382 544	382 544	382 544
	Cash & Cash Equivalents, end of period	**504 383**	**446 683**	**421 420**	**372 750**	**382 544**	**361 661**	**145 714**	**496 172**	**259 342**