

# Greencells GmbH Saarbrücken

Short-form audit report  
Annual financial statements and management report  
31 December 2020

*Translation from the German language*

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft



*Translation from the German language*

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General Engagement Terms

Note:

We have issued the auditor's report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use".

If an electronic version of this document is used for disclosure in the *Bundesanzeiger* [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the auditor's report or the attestation report thereon are intended for this purpose.



*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

Independent auditor's report

To Greencells GmbH

Opinions

We have audited the annual financial statements of Greencells GmbH, Saarbrücken, which comprise the balance sheet as at 31 December 2020 and the income statement for the fiscal year from 1 January 2020 to 31 December 2020 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Greencells GmbH for the fiscal year from 1 January 2020 to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.



## Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

## Responsibilities of the executive directors for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.



Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

#### Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.



We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.



- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saarbrücken, 28 June 2020

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Zabel  
Wirtschaftsprüfer  
[German Public Auditor]

Vogelgesang  
Wirtschaftsprüfer  
[German Public Auditor]

**Greencells GmbH, Saarbrücken**  
**Balance sheet as of 31 December 2020**

Assets	EUR	EUR	31 Dec 2019 EUR k	Equity and liabilities	EUR	EUR	31 Dec 2019 EUR k
<b>A. Fixed assets</b>				<b>A. Equity</b>			
<b>I. Intangible assets</b>				<b>I. Subscribed capital</b>		42,520.00	42
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets		1.00	5	<b>II. Capital reserves</b>		5,312,992.00	5,313
<b>II. Property, plant and equipment</b>				<b>III. Profit carryforward</b>		4,588,625.70	1,749
1. Land, land rights and buildings, including buildings on third-party land	1.00		1	<b>IV. Net income for the year</b>		79,937.38	2,840
2. Plant and machinery	24,805.00		36			10,024,075.08	9,944
3. Other equipment, furniture and fixtures	296,991.00		256	<b>B. Provisions</b>			
		321,797.00	293	1. Tax provisions	1,361,078.00		1,275
<b>III. Financial assets</b>				2. Other provisions	2,154,709.00		1,242
1. Shares in affiliates	14,003,324.41		26			3,515,787.00	2,517
2. Equity investments	78,855.18		38	<b>C. Liabilities</b>			
		14,082,179.59	64	1. Bonds	17,400,000.00		0
		14,403,977.59	362	2. Liabilities to banks	10,004,350.54		78
<b>B. Current assets</b>				3. Trade payables	9,654,086.63		6,685
<b>I. Inventories</b>				4. Liabilities to affiliates	2,270,359.65		0
1. Raw materials, consumables and supplies	165,660.00		258	5. Other liabilities	5,606,940.53		19,518
2. Work in process	21,936,695.26		8,265	thereof for taxes: EUR 1,776,092.49 (prior year: EUR 822k)			
3. Prepayments	1,451,471.58		764			44,935,737.35	26,281
4. Prepayments received on account of orders	-15,613,077.98		-1,037				
		7,940,748.86	8,250				
<b>II. Receivables and other assets</b>							
1. Trade receivables	7,525,138.06		5,615				
2. Receivables from affiliates	1,307,712.58		1,010				
3. Other assets	10,030,357.78		2,997				
		18,863,208.42	9,622				
<b>III. Securities</b>							
Shares in affiliates		1,222.85	13,962				
<b>IV. Cash on hand and bank balances</b>		17,218,158.61	6,497				
		44,023,338.74	38,331				
<b>C. Prepaid expenses</b>		48,283.10	49				
		58,475,599.43	38,742			58,475,599.43	38,742

**Greencells GmbH, Saarbrücken**  
**Income statement for fiscal year 2020**

	EUR	EUR	2019 EUR k
1. Revenue	61,795,602.52		85,485
2. Increase or decrease in inventories of finished goods and work in process	13,671,695.26		-1,628
3. Other operating income	1,766,293.96		658
thereof income from currency translation: EUR 928,498.48 (prior year: EUR 450k)			
		<u>77,233,591.74</u>	<u>84,515</u>
4. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	39,561,190.76		49,752
b) Cost of purchased services	26,205,203.97		20,788
5. Personnel expenses			
a) Wages and salaries	4,498,126.37		3,981
b) Social security, pension and other benefit costs	826,272.34		634
thereof for old-age pensions: EUR 90.00 (prior year: EUR 0k)			
6. Amortization			
of intangible assets and depreciation of property, plant and equipment	115,324.95		183
7. Other operating expenses	4,469,600.56		3,850
thereof expenses from currency translation: EUR 340,036.74 (prior year: EUR 220k)			
		<u>75,675,718.95</u>	<u>79,188</u>
8. Income from equity investments			
thereof from affiliates:	0.00		1
EUR 0.00 (prior year: EUR 1k)	0.00		1
9. Income from other securities and loans classified as fixed financial assets	0.00		1
10. Other interest and similar income	299,530.10		87
thereof from affiliates: EUR 46,749.29 (prior year: EUR 56k)			
11. Interest and similar expenses	<u>1,522,000.03</u>		<u>1,374</u>
		-1,222,469.93	<u>-1,285</u>
12. Income taxes		<u>253,361.42</u>	<u>1,198</u>
13. Earnings after taxes		82,041.44	2,844
14. Other taxes		<u>2,104.06</u>	<u>4</u>
15. Net income for the year		<u><u>79,937.38</u></u>	<u><u>2,840</u></u>

**Greencells GmbH  
Saarbrücken**

**Notes to the financial statements for fiscal year 2020**

**I. Register information**

Greencells GmbH has its registered offices in Saarbrücken. The Company is entered in the commercial register of Saarbrücken local court under HRB no. 17943.

**II. General disclosures and explanations to the financial statements**

The annual financial statements for fiscal year 2020 have been prepared in accordance with the provisions of Sec. 242 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code], observing the supplementary provisions for large corporations (Sec. 264 et seq. HGB), and the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act].

These annual financial statements have been prepared using the classification and valuation principles that applied in the prior year in compliance with the provisions of the HGB applicable to large corporations (Secs. 265 (1) Sentence 2, 266 et. seq. HGB).

The income statement has been prepared using the cost-summary method pursuant to Sec. 275 (2) HGB.

The entities of the sister group Greencells Group Holdings Ltd., Abu Dhabi, United Arab Emirates, are also viewed as related parties.

Due to the longer duration of projects and the provisions for revenue recognition pursuant to Sec. 252 (1) No. 4 HGB, there are out-of-period shifts in profit. It was therefore not possible to realize a profit share of around EUR 0.8m in the current fiscal year.

### III. Accounting policies

**Intangible assets** are stated at acquisition cost less amortization over the useful lives customary in the industry.

**Property, plant and equipment** are recognized at acquisition or production cost less depreciation over the useful lives customary in the industry. Low-value assets with an individual net value not exceeding EUR 800.00 are fully expensed in the year of acquisition. It was not necessary to record any impairment losses (Sec. 253 (3) Sentence 5 HGB).

**Financial assets** are stated at acquisition cost. It was not necessary to record any impairment losses (Sec. 253 (3) Sentence 6 HGB).

**Raw materials, consumables and supplies** are valued at actual or average acquisition cost. Deductions were charged on the lower net realizable value.

**Work in process** was valued at production cost (direct costs, an appropriate share of materials and production overheads as well as depreciation of fixed assets used in production, Sec. 255 (2) HGB). Production cost was compared with the expected net revenue from construction contracts. Taking the strict lower of cost or market principle into account, they were recognized at their lower net realizable value (principle of valuation at net realizable value).

There were no changes in valuation compared to the prior year. The lower of cost or market principle was observed. Adequate allowances provide for all identifiable inventory valuation risks resulting from slow-moving stock, reduced usability and lower replacement costs.

Apart from customary retention of title, no inventories have been pledged as security to third parties.

**Prepayments** are stated at their nominal value.

**Prepayments received on account of orders** were deducted from inventories on the face of the balance sheet in accordance with Sec. 268 (5) Sentence 2 HGB.

**Receivables and other assets** are stated at nominal value. Identifiable risks and general credit risks are accounted for using appropriate allowances.

**Securities classified as current assets** (shares in affiliates) were valued at acquisition cost. Impairment to the lower realizable value was not required.

**Cash and cash equivalents** were recognized at nominal value. Cash and cash equivalents in foreign currency were valued using the euro foreign exchange reference rate on the reporting date.

**Prepaid expenses** comprise expenses paid before the reporting date that relate to expenditure for a certain period after that date.

**Equity** is recognized at nominal value.

**Tax provisions** and **other provisions** account for all recognizable risks and uncertain liabilities. Provisions were valued at the settlement value expected to be required based on prudent business judgment.

**Liabilities** are recorded at their settlement value.

**Deferred taxes** are calculated for temporary differences between the carrying amounts in the statutory accounts and their tax carrying amounts that are likely to reverse in subsequent fiscal years. Deferred tax assets and liabilities are offset. Any resulting aggregate tax burden is recognized as a deferred tax liability in the balance sheet. In case of any resulting net tax relief, the option in accordance with § 274 (1) Sentence 2 HGB is applied and no deferred tax assets are recorded.

Transactions in **foreign currency** were recorded using the current exchange rate. Receivables and liabilities denominated in foreign currency were valued using the euro foreign exchange reference rate on the reporting date (Sec. 256a HGB).

**Gains and losses** from converting foreign currency transactions are disclosed under the income statement items "Other operating income" or "Other operating expenses".

#### IV. Notes to the balance sheet and income statement

##### Fixed assets

For the development of the individual items listed under fixed assets, please refer to the attachment to the notes.

The Company's shareholdings within the meaning of Sec. 285 No. 11 HGB break down as follows:

Affiliates	Share in capital		Equity	Net income/ net loss 2020
	EUR	%	EUR k	EUR k
Greencells CEE SRL, Bucharest, Romania	2.22	0.0003	1,027	215
Greencells Energy UK Ltd. (formerly Greencells Operations & Maintenance UK Ltd.), London, UK	1.16	100	20	13
Greencells USA Inc., Wilmington, USA	881.06	100	-1,276	-428
GC Regio GmbH (formerly: GC Solar Workers GmbH), Saarbrücken, Germany	25,000.00	100	26	3
Pekan Energy I Pte. Ltd., Singapore	13,961,007.97	100	14,297	1,751
Greencells Hungary KFT, Budapest, Hungary	8,216.00	100	94	85
Greencells Construction KFT, Budapest, Hungary	8,216.00	100	8	-1
Green Solar Energy Pte. Ltd., Singapore <sup>1)</sup>	78,855.18	15	-218 <sup>1)</sup>	-442 <sup>1)</sup>

1) Last annual financial statements available as of 31 December 2019

In the prior year, the shares in Pekan Energy I Pte. Ltd. were contained in the item "Securities" under current assets. These were reclassified to financial assets in the reporting year, as the shares are held to serve Greencells GmbH's business operations on a permanent basis.

**Receivables and other assets**

The following residual terms apply to receivables and other assets (prior-year figures in brackets):

	Total	Due in	
		up to one year	less than one year
	EUR	EUR	EUR
Trade receivables	7,525,138.06 (5,615,091.27)	7,525,138.06 (5,615,091.27)	0.00 (0.00)
Receivables from affiliates	1,307,712.58 (1,009,720.91)	0.00 (948,722.52)	1,307,712.58 (60,998.39)
Other assets	10,030,357.78 (2,996,972.27)	2,404,980.58 (1,248,078.61)	7,625,377.20 (1,748,893.66)
<i>Prior year</i>	18,863,208.42 (9,621,784.45)	9,930,118.64 (7,811,892.40)	8,933,089.78 (1,809,892.05)

Trade receivables result from receivables from affiliates of EUR 1,100k (prior year: EUR 388k), receivables from related parties of EUR 2,793k (prior year: EUR 910k) and receivables from shareholders of EUR 105k (prior year: EUR 105k).

As in the prior year, receivables from affiliates stem exclusively from pre-financing for projects.

Other assets comprise receivables from related parties of EUR 8,213k (prior year: EUR 1,817k) from pre-financing for projects.

## Securities

This item contains shares in affiliates held for sale within the meaning of Sec. 271 (2) HGB. Shares in affiliates break down as follows:

Name and registered offices of company	Share in capital		Equity	Net income/ net loss 2020
	EUR	%	EUR k	EUR k
Solar Polska New Energy PROJEKT NOWOGARD PV sp z o.o. , Szczecin, Poland	1,222.85	100	-13	-4

In the prior year, this item contained the shares in Pekan Energy I Pte. Ltd. In the reporting year, they were reclassified to financial assets.

## Equity

The **capital stock** of EUR 42,520.00 is fully paid in.

The **capital reserves** result from additional contributions by the shareholders pursuant to Sec. 272 (2) No. 4 HGB in the fiscal years 2015 and 2018.

The net loss of EUR 2,840,074.14 in the prior year was carried forward to new account in accordance with a shareholder resolution.

## Tax provisions

Tax provisions relate to corporate income tax (EUR 583k), solidarity surcharge (EUR 32k) and trade tax (EUR 582k) for the 2019 assessment period as well as corporate income tax (EUR 51k), solidarity surcharge (EUR 3k) and trade tax (EUR 111k) for the 2020 assessment period.

## Other provisions

Other provisions contain amounts for personnel expenses (EUR 317k), archiving requirements (EUR 15k), outstanding invoices (EUR 1,376k), warranty obligations (EUR 370k) as well as costs associated with preparing and auditing the financial statements and consulting fees (EUR 76k).

**Liabilities** are due as follows (prior-year figures in brackets):

	Total	Due in	
	EUR	up to one year EUR	one to five years EUR
Bonds	17,400,000.00 (0.00)	0.00 (0.00)	17,400,000.00 (0.00)
Liabilities to banks	10,004,350.54 (77,760.27)	4,350.54 (66,849.24)	10,000,000.00 (10,911.03)
Trade payables	9,654,086.63 (6,685,167.72)	9,654,086.63 (6,685,167.72)	0.00 (0.00)
Liabilities to affiliates	2,270,359.65 (0.00)	0.00 (0.00)	2,270,359.65 (0.00)
Other liabilities	5,606,940.53 (19,517,945.42)	5,406,940.53 (8,632,399.03)	200,000.00 (10,885,546.39)
<i>Prior year</i>	44,935,737.35 (26,280,873.41)	15,065,377.70 (15,384,415.99)	29,870,359.65 (10,896,457.42)

There are no liabilities with a term of more than five years.

The bond is secured by pledging shares in solar project companies that are held by the related company Greencells Group Holdings Ltd. or by a person related to that company and are secured by the collateral assignment of Greencells GmbH's receivables from related EPC agreements. Liabilities to banks are not secured. Trade payables are partly hedged by suppliers' retention of title.

Trade payables comprise liabilities to affiliates of EUR 6k (prior year: EUR 793k) and liabilities to related parties of EUR 850k (prior year: EUR 71k).

Liabilities to affiliates result from a loan that was recognized as a loan from related parties in the prior year (EUR 2,270k; prior year: EUR 5,076k).

Other liabilities result from liabilities from loans granted by related parties of EUR 3,324k (prior year: EUR 18,321k including the reclassified loan mentioned above of EUR 5,076k). This item also contains contributions by silent partners. As of the reporting date, this figure amounts to EUR 280k (prior year: EUR 360k). The silent partnership, which will end on 30 June 2024, is being repaid in 10 equal half-yearly installments of EUR 40k each starting in 30 December 2019. Both fixed and variable remuneration have been agreed as a participation fee.

In addition, other liabilities include liabilities to affiliates of EUR 116k (prior year: EUR 0k).

**Revenue**

Revenue pertains to the planning, development and construction of solar power plants.

<b>Revenue by market</b>	<b>2020</b>	<b>2019</b>
	EUR k	EUR k
Europe	41,001	83,140
Middle East	1,939	888
Asia	18,856	1,457
	<u>61,796</u>	<u>85,485</u>

**Other operating income**

This item primarily contains exchange gains of EUR 928k (prior year: EUR 450k), income from a commitment fee for a loan to a related party of EUR 500k (prior year: EUR 0k), income from the reduction of the general and specific bad debt allowance of EUR 193k (prior year: EUR 84k), income from indemnification payments of EUR 94k (prior year: EUR 63k) as well as income from sales of property, plant and equipment of EUR 49k (prior year: EUR 24k).

**Other operating expenses**

Other operating expenses comprise exchange losses of EUR 340k (prior year: EUR 220k) and extraordinary expenses relating to the issue of the green bond of EUR 1,281k (prior year: EUR 0k).

**Income taxes**

This item contains taxes of EUR 164k for 2020 and taxes of EUR 86k for the assessment periods 2016 through 2018. In the prior year, this item contained corporate income tax (EUR 584k), solidarity surcharge (EUR 32k) and trade tax (EUR 582k) for 2019.

**V. Additional mandatory disclosures****Contingent liabilities**

As in the prior year, the Company was liable for potential obligations of the Polish subsidiaries of the former subsidiary Polar GmbH, Husum, amounting to EUR 84k. Based on the current status of negotiations with the acquirer a claim is not expected.

**Other financial obligations**

Other financial obligations break down as follows:

	up to one year EUR k	one to five years EUR k
Rent	81	6
Insurance	205	0
Leases	31	19
Purchase commitments	22,512	0
<b>Total</b>	<b>22,829</b>	<b>25</b>

The **total fees charged by the auditor** for audit services in the fiscal year amount to EUR 64k.

**Average number of employees for the year**

Full-time employees	70
Part-time employees	10
<b>Total</b>	<b>80</b>

### **Group relationships**

Since fiscal year 2019, Greencells GmbH has prepared the consolidated financial statements for the smallest and largest group of companies. These are published in the *Bundesanzeiger* [German Federal Gazette].

### **Advisory board**

As a result of the amendments to the articles of incorporation and bylaws from 5 July 2018, an advisory board was set up as a corporate body (without monitoring function). The advisory board comprises four members, who did not receive any remuneration.

The members of the advisory board are:

- Majid Tala Y. Zahid, Dubai, United Arab Emirates; Group President Energy, Chairman
- Aladdin R. Sami, Jeddah; Saudi Arabia; Executive Managing Director
- Andreas Hoffmann, Saarbrücken; CEO
- Marius Kisauer, Saarbrücken; entrepreneur

### **Management**

The following person was appointed as general manager:

- Mr. Andreas Hoffmann, Saarbrücken; CEO

The general manager holds sole powers of representation and is exempt from the restrictions prescribed in Sec. 181 BGB ["Bürgerliches Gesetzbuch": German Civil Code].

With reference to the protective clause afforded by Sec. 286 (4) HGB, the Company did not disclose total management remuneration.

**Subsequent events**

The green bond, which was issued in December 2020 and of which EUR 17,400k was subscribed at the end of the year, was fully subscribed in April 2021 with EUR 25,000k. The bond price stood at 103.00% on 10 June 2021.

Other than that, there were no events of particular significance after the close of the fiscal year.

**Appropriation of profit**

The management board proposes to carry forward the net income for the year to new account.

Saarbrücken, 28 June 2021

Andreas Hoffmann  
General manager

Statement of changes in fixed assets for fiscal year 2020

	Acquisition and production cost				Accumulated amortization, depreciation and impairment				Book values	
	1 Jan 2020	Additions	Disposals	31 Dec 2020	1 Jan 2020	Additions	Disposals	31 Dec 2020	31 Dec 2020	31 Dec 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR k
<b>I. Intangible assets</b>										
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	39,815.35	0.00	26,597.35	13,218.00	35,000.35	4,808.00	26,591.35	13,217.00	1.00	5
<b>II. Property, plant and equipment</b>										
1. Land, land rights and buildings, including buildings on third-party land	71,663.45	0.00	0.00	71,663.45	71,662.45	0.00	0.00	71,662.45	1.00	1
2. Plant and machinery	393,624.72	0.00	0.00	393,624.72	356,996.72	11,823.00	0.00	368,819.72	24,805.00	36
3. Other equipment, furniture and fixtures	715,036.25	171,192.95	131,684.75	754,544.45	458,674.25	98,693.95	99,814.75	457,553.45	296,991.00	256
	1,180,324.42	171,192.95	131,684.75	1,219,832.62	887,333.42	110,516.95	99,814.75	898,035.62	321,797.00	293
<b>III. Financial assets</b>										
1. Shares in affiliates <sup>1)</sup>	25,884.44	13,977,439.97	0.00	14,003,324.41	0.00	0.00	0.00	0.00	14,003,324.41	26
2. Equity investments	38,405.74	40,449.44	0.00	78,855.18	0.00	0.00	0.00	0.00	78,855.18	38
	64,290.18	14,017,889.41	0.00	14,082,179.59	0.00	0.00	0.00	0.00	14,082,179.59	64
	1,284,429.95	14,189,082.36	158,282.10	15,315,230.21	922,333.77	115,324.95	126,406.10	911,252.62	14,403,977.59	362

<sup>1)</sup> Additions contain the reclassification of shares in affiliates from securities classified as current assets.

# Greencells GmbH, Saarbrücken

## Management report 2020

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## I. Report on economic position

### 1. Macroeconomic and sector-specific environment

Globally, fiscal year 2020 was shaped by the direct and indirect effects of the COVID-19 pandemic, which originated in the Hubei province of China at the end of 2019. The regional, national and international restrictions to contain and combat the pandemic, which were repeatedly tightened, had a significant impact on the global flow of goods and services. The International Monetary Fund (IMF) already forecast a global recession affecting all countries at the beginning of the crisis in April 2020. At that time, the IMF predicted that economic output would decline by 3% globally and by as much as 7.5% in the eurozone. (IMF, 2020)

Real economic data for 2020 as a whole, published by the IMF in 2021, confirmed this forecast made during the first lockdown. According to this, global economic growth decreased by 3.3% in 2020 (2019: increase of 2.9%). However, there were differences between certain countries and regions. Thus, the eurozone recorded a 6.6% decline in economic output and is therefore to be considered an economic region that is heavily affected by the events associated with the COVID-19 pandemic. Even within the eurozone, there were national differences. For example, economic performance in Germany decreased by 4.9% (2019: increase of 0.6%), while the economies of other European markets were hit even harder. Economic performance declined by 8.2% in France (2019: increase of 1.3%), by 8.9% in Italy (2019: increase of 0.3%) and by as much as 11.0% in Spain (2019: increase of 2.0%). (IMF Word Economic Outlook April 2021, 2021)

By contrast, the People's Republic of China was able to minimize the effects of the pandemic relatively quickly from an economic perspective, closing 2020 with slight growth of 2.3%. However, this also represents a significant decrease compared to the GDP growth of 6.1% generated in 2019. The US also lost considerable momentum and recorded a decline in economic performance of 3.5% in 2020 (2019: increase of 2.3%). In India, economic output even decreased by 8.0% (2019: increase of 4.2%). The same applied to the regions Latin America and the Caribbean with a decline of 7.0% (2019: increase of 0.1%) as well as the Middle East and Central Asia with a decrease of 2.9% (2019: increase of 1.2%). (IMF Word Economic Outlook April 2021, 2021)

Due to the global orientation of the photovoltaic industry all its core markets were negatively impacted by the COVID-19 pandemic.

### 1.1. Economic conditions in the industry

The past fiscal year posed great challenges for the photovoltaic industry, mainly due to the effects of the global COVID-19 pandemic. However, the photovoltaic industry proved to be very resilient overall and although these effects were painful, according to the International Energy Agency (IEA), they are not able to stop the growth trajectory of the renewable energy industry and, thus, of the photovoltaic industry. (IEA Covid 19 Report, 2020)

The main effects of the COVID-19 pandemic on the photovoltaic industry were seen in the free movement of persons and goods, and thus in related global supply chains.

Supply chains relevant to the photovoltaic industry are heavily dependent on Chinese producers. As the COVID-19 pandemic originated in China, the first effects there were seen at an early stage. The production plants of most tier 1 solar panel producers and companies, such as Sungrow and Huawei in the Chinese provinces Jiangsu, Zhejiang, Guangdong and Anhui, were affected by restrictions and interruptions to production right from the outset of the pandemic in February 2020 (pv-magazine, 2020). Particularly on account of the restrictions on movement of local citizens, plants could not operate at anywhere near full capacity. The resulting production constraints led to a lower availability for modules and related components in fiscal year 2020 as a whole. (NS Energy, 2020)

Further adverse effects subsequently came from the constant tightening of travel restrictions for individuals and growing complications in the freight transport sector. Examples of this include the constantly increasing prices in overseas logistics between Europe and China toward the end of 2020 as well as the ongoing national and international controls and quarantine mechanisms throughout the world, which made the principle of just-in-time production and supply near impossible. (Financial Times, 2021) The same applied to the restrictions in the area of individual mobility, which virtually brought business travel to a standstill for most of the year.

Despite these adverse effects, the global photovoltaic market proved to be surprisingly resilient and was able to continue on its growth trajectory. Although the newly installed PV capacity across the world decreased by 8% compared to the prior year, the area of utility-scale power plants, which Greencells GmbH mainly operates in, recorded a higher increase in installed capacity of 3%. While small and medium-sized companies in some markets of the commercial & industrial (C&I) segment postponed planned implementations of PV systems to the following year due to the uncertainty surrounding the global economy, additions of large plants continued in many countries on account of ending subsidies. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020)

In addition to established solar markets, such as Germany, Italy, the UK, Spain, Portugal and Greece, smaller markets that had previously been less active also recorded a trend toward a further expansion of photovoltaics, which can be seen as another indicator of the constantly growing attractiveness and competitiveness of photovoltaics. (SolarPower Europe 2020-2024, 2020)

By 2050, the levelized cost of electricity (LCOE) is expected to decrease further from around EUR 0.04/kWh at present and stabilize at a level of between EUR 0.01/kWh and EUR 0.02//kWh in the European Union, for example. (SolarPower Europe 2019-2023, 2020) This is despite the fact that guaranteed public funding schemes, such as the EEG [“Erneuerbare-Energien-Gesetz”: German Renewable Energy Act] in Germany, are likely to become less attractive from a financial perspective. As a result, direct power purchase agreements (PPAs) are expected to become much more important. (PWC, 2020) Even with the current cost structure, solar energy is already one of the most cost-effective sources of electricity. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020)

The ongoing expansion of renewable energies in combination with the COVID-19 pandemic caused the consumption of fossil fuels in OECD countries to collapse. By contrast, the consumption increased in Asia, in particular of coal, even though China recorded the highest increase in newly installed PV capacity throughout the world in 2020. (Ember Climate, 2021)

## 1.2. Industry development

According to the IEA, the global additions of PV systems came to 107 GW, which is a slight decline of 3% compared to the prior year. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020)

The photovoltaic market in the **European Union** gained momentum despite the COVID-19 pandemic and the global decrease in PV capacity additions. Newly installed capacity increased by 18.2 GW and thus by 11% (prior year: 16.7 GW). Therefore, 2020 was the second best year in the history of photovoltaic installation for the European market. Thus, installed photovoltaic capacity in the EU increased to 137.2 GW overall. (SolarPower Europe 2020-2024, 2020)

**China** once again recorded the largest increase worldwide (2020: 48.2 GW), even exceeding the European Union. (Vincent Shaw, 2021) There was another change in the lead within the European Union in 2020. (SolarPower Europe 2020-2024, 2020)

Germany regained the leading position in Europe with newly installed capacity totaling 4.8 GW, pushing Spain – the front runner of the prior year – back to third place (2.6 GW). In second place are the Netherlands, currently one of the core markets of Greencells GmbH. Here, 2.8 GW was added. (SolarPower Europe 2020-2024, 2020)

More and more EU member states are relying on cost-effective and reliable solar energy in order to achieve their climate policy targets. Even though the national TOP 5 EU markets continue to be responsible for 74% of the PV capacity additions in Europe, there is still a noticeable trend towards solar energy throughout the whole of Europe, even in smaller national markets. 22 of 27 EU member states installed more capacity in 2020 than in the prior year. (SolarPower Europe 2020-2024, 2020)

The “SolarPower Europe” umbrella association of the European solar industry once again forecasts that the market will continue to develop very positively in the coming years with constant growth in newly installed capacity. Thus, the umbrella association projects 22.4 GW of newly installed capacity for 2021 and predicts that the 35 GW mark will be surpassed by 2024. (SolarPower Europe 2019-2023, 2020)

Globally, the picture is once again less homogeneous. The US recorded an increase of 16.6 GW in 2020 (2019: 13.7 GW), while the APAC region and India, for example, experienced considerable declines to 14.7 GW (2019: 17.2 GW) and 6.1 GW (2019: 9.3 GW), respectively. (IEA Renewables 2020 Solar/PV, 2020)

### 1.3. Political framework

2020 was characterized by political efforts to bring the COVID-19 pandemic under control in the long term, both nationally and internationally. Even if the importance of climate protection was not denied, restrictions and changes were made to economic interaction that had a resounding impact on the economic conditions of the photovoltaic industry.

The industry was therefore faced with the return of import and export controls, the implementation of national travel bans and restrictions to the free movement of workers. For international PV companies, this resulted in a much greater and unexpected influence from sudden changes to political regulations at state, federal, EU and international level in fiscal year 2020.

The need for action seen in the prior years remains despite the fact that the restrictions and declines in production caused by the pandemic slowed the increase in global CO<sub>2</sub> emissions and the consumption of fossil fuels. (IEA, 2020) To meet the global climate targets set for the periods until 2030 and 2050 as well as to reduce the associated negative effects of climate change on the environment and the use of nuclear fuels, there is no alternative but to rigorously continue to expand power generation from renewable energies.

The requirements of the annual World Climate Conference and the European directive 2009/28/EC are to expand the share of renewable energies in the total energy consumption to 27% by 2030. Originally, the next World Climate Conference COP26 was meant to take place in Glasgow in November 2020, at which more firm steps toward this target should have been negotiated and adopted. The conference was postponed due to COVID-19 and has still not taken place (as of June 2021). The alternative date is set for November 2021, if permitted by the developments of the pandemic.

Positive political factors mainly include the European Green Deal with the European Union, which gained in importance as part of the corona reconstruction aid, as well as the return of the US to the Paris Climate Agreement announced following the election of Joe Biden. (BMU, 2021) The US rejoining the treaty can in particular be considered a reinforcing signal for global climate protection and the associated investment in renewable energies. (Euronews, 2020)

## 2. Business development and status

### 2.1. Effects on the development of the industry and business

As for most companies across the world, 2020 was also a particularly challenging year for Greencells GmbH.

Prestigious institutions such as the European association Solar Power Europe had originally forecast a continuation of the strong growth course of the global solar industry in 2020.

For the Company, fiscal year 2020 commenced with a high order backlog and an overall positive outlook.

Particularly the Netherlands remained a core market of Greencells GmbH in 2020, which is why projects from 2019 could be finalized there at the start of the year and new ones launched.

The start of the construction of a PV power plant in Kaposvar, Hungary, in January 2020 is also worth noting. This project represents the Company's successful entry into the PV market emerging in Hungary.

In addition, the successful start of the construction of a 15 MWp project in Baraize, France, for which Greencells GmbH received the EPC contract as subcontractor, should also be mentioned. Greencells GmbH had already been active on the French market in the past, but withdrew from the market for a while due to the temporarily unattractive market conditions. The Baraize project marks the start of a slightly modified strategy for France that comprises development partnerships with successful local players, such as Notus or Montansolar, thus already ensuring ongoing business operations in 2021 and beyond. For this reason, Greencells hired additional French(-speaking) employees in its project management and engineering areas.

Outside of Europe, the Pekan project in Malaysia, a project of an equity investment of Greencells GmbH, was completed during 2020. The local grid could not be connected due to the national restrictions as part of the fight against the pandemic. Thus, this was postponed to 2021, when the national lockdown comes to an end.

In total, 6 projects with an overall output of 199 MWp were commissioned by the end of 2020.

## 2.2. Significant events in the fiscal year

Two major issues were pivotal to fiscal year 2020 as a whole; globally, the COVID-19 pandemic in particular and, within the Company, the successful issue in December 2020 of a green bond with a volume of EUR 25m.

### COVID-19

As described above, the necessary political measures due to the COVID-19 pandemic had a direct impact on the solar industry. Accordingly, this also affected the business of Greencells GmbH. With the help of forward-looking and agile countermeasures as part of the crisis management activated directly at the beginning of the pandemic, it was possible to provide all upcoming projects and projects under construction with workforce and materials at the right time as well as to keep construction sites operational that were already in progress at the beginning of the pandemic in March 2020. However, this was associated with additional expenditure on administration and logistics due to the prolonged national and international measures. By paying close attention to costs, Greencells' management was able to keep the resulting additional costs as low as possible without putting the health of its employees or third parties at risk at any time or compromising the high quality usually displayed in plant engineering.

Our partnerships with key suppliers built up over many years as well as the proactive and early increase in material orders ensured that the construction activities could run smoothly. This included, for example, quickly securing additional modules in order to prepare for increasing transportation costs and potential production bottlenecks.

By asking our employees at the head office in Saarbrücken to voluntarily work from home early on, Greencells GmbH's business operations were ensured at all times. The latter was achieved by rigorously introducing and implementing strict hygiene and protective measures at an early stage as well as by utilizing the testing capacities available locally. However, these measures resulted in higher project costs.

The negative effects of COVID-19 on fiscal year 2020 were noticeable despite these countermeasures. The global market uncertainty resulted in planned projects being postponed by several months or to the following fiscal year 2021. This includes the Raalte and Hoogerveen 2 projects in the Netherlands. To cushion these postponements financially, Greencells GmbH received a loan for EUR 10m from the KfW bank during fiscal year 2020 as part of the corona emergency aid program.

Green bond

The second most important business transaction of 2020 was the successful issue of a certified green bond in December 2020. The bond with a term of 5 years is subject to interest of 6.5% and is fully secured by pledging corresponding project rights. At the end of 2020, around EUR 17.4m had been subscribed, mainly by institutional investors. The full placement took place in April 2021. With the help of these financial means, Greencells GmbH will be able to construct PV projects mainly developed by its co-subsidiary Greencells Group Holdings as well as to benefit from synergies and resulting efficiency gains within the Group in the future.

## 2.3. Assets and liabilities

	31 Dec 2020		31 Dec 2019		Change	
	EUR k	%	EUR k	%	EUR k	%
<b>COMPOSITION OF ASSETS</b>						
<b>Long-term assets</b>						
<b>Fixed assets</b>						
Intangible assets	0	0.0	5	0.0	-5	-100.0
Property, plant and equipment	322	0.5	293	0.8	29	9.9
Financial assets	14,082	24.1	64	0.2	14,018	21,804
	14,404	24.6	362	1.0	14,042	3,877.9
<b>Medium and short-term assets</b>						
<b>Current assets</b>						
Inventories	23,554	40.3	9,287	24.0	14,267	153.6
less prepayments received on account of orders	-15,613	-26.7	-1,037	-2.7	-14,576	1,406.0
	7,941	13.6	8,250	21.3	-309	-3.7
Trade receivables	7,525	12.9	5,615	14.5	1,910	34.0
Receivables from affiliates	1,308	2.2	1,010	2.5	298	29.5
Shares in affiliates	1	0.0	13,962	36.0	-13,961	-100.0
Other assets, prepaid expenses	10,079	17.2	3,046	7.9	7,033	230.9
Cash and cash equivalents	17,218	29.5	6,497	16.8	10,721	165.0
	44,072	75.4	38,380	99.0	5,692	14.8
<b>Total assets</b>	<b>58,476</b>	<b>100.0</b>	<b>38,742</b>	<b>100.0</b>	<b>19,734</b>	<b>50.9</b>

Total assets increased significantly by EUR 19,734k (50.9%) to EUR 58,476k in the reporting year.

On the assets side, there was a reclassification from the item "Shares in affiliates" under current assets to the identical balance sheet item under fixed assets, which does not impact total assets.

Inventories before openly offsetting prepayments received increased considerably in the fiscal year (EUR 14,266k or 153.6%). This mainly results from the valuation method pursuant to the conservative realization principle of the HGB ["Handelsgesetzbuch": German Commercial Code] for the EPC area. Therefore, revenue could not be recognized for several incomplete projects. After openly offsetting prepayments received on account of orders, inventories decreased by EUR 309k compared to the prior year.

On the other hand, there was an increase of EUR 1,910k in trade receivables. The rise in other assets of EUR 7,033k or 230.9% is primarily attributable to the increase in a receivable from project pre-financing Greencells Group Holdings Ltd., Abu Dhabi, United Arab Emirates. The Company also considerably increased its cash and cash equivalents by EUR 10,722k to EUR 17,218k, largely due to cash received from the bond and the loan taken out.

	31 Dec 2020		31 Dec 2019		Change	
	EUR k	%	EUR k	%	EUR k	%
<b>COMPOSITION OF EQUITY AND LIABILITIES</b>						
<b>Long-term capital</b>						
Subscribed capital	42	0.1	42	0.1	0	0.0
Capital reserves	5,313	9.1	5,313	13.7	0	0.0
Profit carryforward	4,589	7.8	1,749	4.5	2,840	162.4
Net income/net loss for the year	80	0.1	2,840	7.3	-2,760	-97.2
<b>Equity</b>	<b>10,024</b>	<b>17.1</b>	<b>9,944</b>	<b>25.6</b>	<b>80</b>	<b>0.8</b>
<b>Medium and short-term capital</b>						
Provisions	3,516	6.0	2,517	6.5	999	39.7
Bonds	17,400	29.8	0	0.0	17,400	100.0
Liabilities to banks	10,004	17.1	78	0.2	9,926	12,725.6
Trade payables	9,654	16.5	6,685	17.3	2,969	44.4
Liabilities to affiliates	2,271	3.9	0	0	2,271	100.0
Other liabilities	5,607	9.6	19,518	50.4	-13,911	-71.3
	<b>48,452</b>	<b>82.9</b>	<b>28,798</b>	<b>74.4</b>	<b>19,654</b>	<b>68.2</b>
<b>Total equity and liabilities</b>	<b>58,476</b>	<b>100.0</b>	<b>38,742</b>	<b>100.0</b>	<b>19,734</b>	<b>50.9</b>

Long-term equity increased by 0.8% or EUR 80k to a total of EUR 10,024k. The increase results from the net income for fiscal year 2020 of EUR 80k.

The equity ratio stands at 17.1% compared to 25.6% in the prior year.

There were no liabilities due in more than five years as of the reporting date.

On the equity and liabilities side, provisions increased by EUR 999k.

The placement of the corporate bond amounting to EUR 17,400k is contained in the item "Bonds".

Trade payables increased by EUR 2,969k to EUR 9,654k. This corresponds to a rise of 44.4%.

A significant increase in liabilities to banks of EUR 9,927k to EUR 10,004k resulted from taking out a loan.

By contrast, other liabilities decreased by EUR 13,911k to EUR 5,607k, mainly due to repaying loans.

## 2.4. Financial performance

	Fiscal year	Prior year	Change	
	EUR k	EUR k	EUR k	%
<b>Operating performance</b>	77,185	84,457	-7,272	-8.6
<b>Operating expenses</b>				
Cost of materials	65,766	70,540	-4,774	-6.8
Personnel expenses	5,325	4,615	710	15.4
Amortization, depreciation and impairment	115	183	-68	-37.2
Other operating expenses	2,855	3,123	-268	-8.58
<b>= Operating expenses</b>	74,061	78,461	-4,400	-5.61
<b>Operating result/EBIT</b>	<b>3,124</b>	<b>5,996</b>	<b>-2,872</b>	<b>-47.9</b>
Income taxes	-253	-1,198	944	-78.9
Financial result	-1,222	-1,286	64	-5.0
Non-operating result	-1,568	-672	-896	133.33
<b>Net income/net loss for the year</b>	<b>80</b>	<b>2,840</b>	<b>-2,760</b>	<b>-97.2</b>

At EUR 77,185k, Greencells GmbH generated a EUR 7,272k (-8.6%) lower **operating performance** (revenue plus changes in inventories and other operating income, adjusted for non-operating components of comprehensive income of EUR 49k) compared to the prior year (2019: EUR 84,457k). This is partially due to the aforementioned projects that could not be completed in the fiscal year, thus precluding revenue recognition pursuant to HGB.

**Operating expenses**

Cost of materials decreased by EUR 4,774k (-6.8%) to EUR 65,766k. The ratio of cost of materials to total operating performance increased slightly from 83.52% in the prior year to 85.21%.

This general growth of the Company was accompanied by an increase in personnel expenses of EUR 710k to EUR 5,325k. To ensure the further development of the Company, Greencells GmbH made significant investments in the recruitment of highly qualified staff. This was particularly the case in the legal and sales areas as well as in the area of international accounting.

In the past fiscal year, the Company generally offered more employees permanent positions and, in return, reduced the number of freelancers. This is reflected in the reduced costs for freelancers.

Overall, Greencells GmbH had an average of 80 employees in 2020, of which 70 were full-time employees (2019: 72 employees, thereof 60 full-time employees).

Other operating expenses decreased by EUR 268k. This decrease is mainly due to savings in the area of trade fair and travel expenses on account of COVID-19.

Thus, the Company generated **operating profit/EBIT** of EUR 1,843k (2019: EUR 5,996k).

Deducting **income taxes** (EUR 253k; 2019: EUR 1,198k) as well as the negative **financial result**, mainly pertaining to interest expenses for the financing of projects (EUR 1,222k), and adding the negative **non-operating result** (EUR 1,568k; 2019: EUR 672k) results in **net income for the year** of EUR 80k (2019: EUR 2,840k). The negative non-operating result of EUR 1,568k contains non-recurring costs of EUR 1,281k due to the issue of a bond as well as bad debts of EUR 304k and losses from the disposal of fixed assets of EUR 32k (all recognized in the income statement under other operating expenses). This is counterbalanced by income from the disposal of fixed assets of EUR 49k (recognized in the income statement under other operating income).

## 2.5. Financial position

The **cash flow** statement and the items derived therefrom are calculated on the basis of GAS 21.

	2020 EUR k	2019 EUR k
Net income/net loss for the year	80	2,840
Impairment of fixed assets	115	183
Net interest income	1,222	1,286
Changes in provisions	999	1,142
Changes in inventories, receivables and other assets	-2,800	15,637
Changes in shares in affiliates under current assets	0	-13,084
Changes in trade payables and other liabilities	4,821	-1,931
<b>Cash flow from operating activities</b>	<b>4,437</b>	<b>6,073</b>
Cash paid for investments in property, plant and equipment	-171	-100
Cash received from disposals of property, plant and equipment	31	13
Cash paid for investments in fixed financial assets	-57	-26
Interest received	300	88
<b>Cash flow from investing activities</b>	<b>103</b>	<b>-25</b>
Repayments to silent partners	-80	-40
Net interest income	-1,522	-1,374
Cash paid for issuing loans to affiliates and related parties	-6,132	0
Cash repayments of loans from affiliates and related parties	-12,725	0
Cash received from the issue of bonds	16,713	0
Cash received from raising financial loans	10,000	16
Cash repayments of loans	-73	0
<b>Cash flow from financing activities</b>	<b>6,181</b>	<b>-1,398</b>
<b>Change in cash and cash equivalents</b>	<b>10,721</b>	<b>4,650</b>
Cash and cash equivalents at the beginning of the period	6,497	1,847
<b>Cash and cash equivalents at the end of the period</b>	<b>17,218</b>	<b>6,497</b>

In the reporting year, the Company generated positive **cash flow from operating activities** of EUR 4,437k.

**Cash flow from investing activities** of EUR 103k resulted, among other things, from the acquisition of company cars, the investment in two subsidiaries of Greencells GmbH as well as interest received.

**Cash flow from financing activities** came to EUR 6,181k in the reporting year.

Overall, **cash and cash equivalents** increased by EUR 10,721k to EUR 17,218k as of the reporting date.

Financial management is geared towards always settling liabilities within the payment period and collecting receivables within the payment terms.

Available credit lines were drawn in the reporting year, in particular to finance projects, and were repaid before the end of the year. Overall, there were credit facilities at banks for operating resources and project financing in the amount of EUR 570k. In addition, a loan from the KfW bank for EUR 10m was utilized in the fiscal year, which will be fully repaid in 2022. The Company also successfully placed a corporate bond with a volume of EUR 25,000k, of which EUR 17,400k was subscribed by the end of the year.

Our financial position is deemed very stable. Liquidity was ensured at all times; existing liabilities were settled upon maturity.

## 2.6. Financial performance indicators

We mainly use the key performance indicators “return on sales” and “cash flow from operating activities” for our internal corporate management.

The **return on sales** is calculated by determining the ratio of EBIT to revenue.

Compared to the prior year, the return on sales decreased from 7.0% to 4.1%.

**Cash flow from operating activities** is calculated by determining the sum of net income/loss for the year, amortization, depreciation and impairment, the interest result and changes in provisions, liabilities, inventories, receivables, other assets and shares in affiliates under current assets.

In the reporting period, the Company generated positive cash flow from operating activities of EUR 4,437k (prior year: EUR 6,073k).

With regard to non-financial performance indicators, the plants put into operation in fiscal year 2020 will save more than 5.11 million metric tons of CO<sub>2</sub> over their expected term of 20 years (based on average brown coal emissions).

## II. Risk and opportunities report

### 1. Risk report

The objective of risk management is to identify risks at an early stage in order to evaluate and, where applicable, avert or mitigate them.

Greencells GmbH identifies, evaluates, monitors and manages risks associated with business activities in the context of the entire business process, in particular within its control system.

To ensure a positive business development, Greencells GmbH has to keep a close eye on the following risks:

#### 1.1. Warranty risks

There are **warranty risks** in the EPC/GC (General Contractor) area and in relation to turnkey solar systems sold to third parties.

If claims are asserted against Greencells GmbH, the Company can forward the majority of claims in this component area to manufacturers. In addition, the Company protects against further risks via various insurance policies, e.g., assembly insurance.

Contractually agreed sign-off procedures are carried out as early as the construction phase and, in particular, during the handover to customers. These are generally accompanied by external specialists, resulting in a high degree of security with regard to the quality of the work.

For this reason, management considers the likelihood of occurrence and the potential level of damage caused by warranty risks to be low.

## 1.2. Currency risks

Possible **currency risks** may arise in connection with projects that are not based in the euro currency area. Therefore, the internal finance division examines every project in advance and puts forward structuring recommendations. Generally, we aim to mitigate risks via natural hedges.

We also examine whether hedging via appropriate measures is necessary and economical for project-related currency risks.

On account of the low stocks, there are risks arising from potential losses of stored solar modules as of the reporting date.

## 1.3. Quality risks

High quality standards require carefully selected, efficient suppliers. The development of new business relations with suppliers takes place via personal contacts and the expansion of well-established business relationships.

Ongoing market monitoring as well as our broad positioning in the area of procurement and our intensive contact with international suppliers will enable us to continuously identify any temporary procurement risks at an early stage and to counter these using target-oriented measures.

The procurement process based on ISO 9001 enables quality assurance in the selection of key components.

To ensure product quality and stabilize supply chains, we work exclusively with suppliers whose dependability has been confirmed by reliable references or by many years of successful cooperation.

This always involves observing local markets, in particular with regard to their specific requirements. International partners and local organizations support our strong quality management team with specific issues.

#### 1.4. Process-oriented risks and risks arising from operating activities

A substantial risk in the project business is the timely completion of plants.

Delays in construction activities could lead to a late power supply of plants.

The Company meets these complex requirements with the help of comprehensive project management and the ongoing optimization of internal processes with regard to the rapidly changing business environment.

Risks arising from supply bottlenecks can almost completely be ruled out, as only standard products are used, due to which product shortages are considered rather unlikely, even in the event of rising demand.

#### 1.5. Financial risks

The financing of projects poses a risk to the future development of the Company, in particular if cash flows do not occur as planned.

The aim is to set up projects that are at least cash-neutral in order to mitigate this risk. The internal finance division is involved in the structuring of projects at an early stage. Detailed cash flow planning at project level which, in turn, merges into rolling cash flow planning of the Company, serves as a reliable management and monitoring tool.

In addition to credit lines with banks, Greencells GmbH has significantly increased guarantees with various national and internal partners. These can be utilized on a revolving basis.

Moreover, payment guarantees and assignments are required for business with investors and EPC customers, in particular in developing and emerging countries, to avoid payment defaults.

Defaults on receivables within the Company are mitigated by means of adequate receivables management and contingency insurance.

Our Company has a financially solvent customer base, due to which no significant defaults on receivables were recorded in the past fiscal years.

On the basis of a liquidity plan that is updated daily and comprises all earnings and expenses, we ensure that all planned payment obligations can be fulfilled by their due date.

## 1.6. Market-related risks

**Market-related risks** may arise if projects, for which planning and selling expenses have already been incurred, cannot be realized until a later date, if at all.

To secure the ability of the Company to continue as a going concern, these corporate risks are accepted, but are monitored very closely and managed on an ongoing basis.

Since the Company was founded, international markets have been continuously monitored and risks and opportunities of each market entry have been carefully examined.

Thus, management deems market-related risks to be low.

## 1.7 Tax risks

Greencells GmbH operates in many countries and is therefore subject to various legal provisions and tax field audits. Any amendments to legal provisions, court rulings and differing legal interpretations by tax authorities – in particular in relation to cross-border transactions – are monitored on an ongoing basis by the tax department and tax advisors and experts are involved when required. Based on the current situation in terms of assessment and interpretation in the individual countries, management classifies the risk as low.

## 2. Opportunities report

The foundation of Greencells GmbH's economic activities is a market that only contracted slightly in 2020 despite the COVID-19 pandemic and that, according to leading experts, will significantly more than compensate for this decline in the years to come. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020) (SolarPower Europe 2020-2024, 2020)

Greencells GmbH has identified target markets within Europe as well as in Southeast Asia and the US. However, on account of the growing attractiveness of the European market and the continued global uncertainties caused by the COVID-19 pandemic, there is an increasing focus on the European and, in particular, the German market. Opportunities afforded by non-European markets are seized as they arise.

Key criteria for identifying opportunities in the aforementioned target markets include steady economic growth, political stability, above-average governance indicators and, not least, a growing market for renewable energies. These factors are all recorded and assessed in the context of an internal **risks and opportunities analysis**. This involves considering and comparing industry-specific factors, such as the quality of the local power grid or current feed-in tariffs, as well as political and financial factors, including the level of corruption in the relevant country or credit ratings.

### Europe

The EU member states have set the goal of making Europe carbon neutral by 2050, in line with the objectives of the Paris Agreement. Their short-term interim goal is to achieve a reduction in greenhouse gas emissions of 55% by 2030 compared to 1999, as resolved in 2015 (BMU, 2021). Achieving this goal requires a transformation of business practices and power generation, which must be carried out in a cost-effective, fair and socially equitable manner.

By adopting ambitious guidelines, the European Parliament is actively promoting increased power generation from renewable energy sources to ensure that the EU-wide climate protection targets are met. National incentive schemes, such as the EEG tendering scheme in Germany, the METAR system in Hungary or SDE++ in the Netherlands, are particularly tangible and relevant elements of this. However, non-government compensation schemes, such as power purchase agreements, are also becoming increasingly important in Europe.

In Germany, additional incentives for innovative PV systems such as agrivoltaics, which involves using the same area of land for agriculture and photovoltaics, are being introduced as part of the new EEG 2021 and existing incentive schemes are being extended. In this context, the German market is once again becoming more attractive for Greencells GmbH in particular.

Overall, the European solar market is still subject to constant change and very diverse, country-specific developments. Greencells GmbH responds to these circumstances by entering new markets and establishing local presence in core markets, such as Poland and Greece.

### **Southeast Asia**

Most of the Southeast Asian economies have grown exponentially in the past three decades.

The industrialization of this region has led to a high level of urbanization and, as a result, to a strong increase in energy demand.

Southeast Asia is still heavily dependent on fossil fuel. Energy supply and demand nevertheless still remain unbalanced.

The region has a very wide range of renewable energy sources, which have to be exploited in the future to be able to address climate change in accordance with the targets of the Paris Climate Agreement.

Countries in Southeast Asia receive support from international organizations to speed up the switch to renewable energies.

Local political decision-makers of the majority of countries in this region have already set ambitious targets to be met by 2030. (McLaren, 2021)

Many countries, such as Malaysia, have initiated tendering processes and created standardized project development processes to awaken the interest of international investors.

## **US**

The election of the democratic candidate Joe Biden in the 2020 presidential election gave the US PV industry a new boost and significantly increased the attractiveness of the market. If the planned Green New Deal with a volume of USD 3t to USD 4t (orf, 2021) can be realized from a political perspective, the US market would be an attractive growth market thanks to the combination of attractive incentives, numerous suitable areas, good to excellent irradiation values and a high energy demand from both private individuals and the industry. With a subsidiary of Greencells GmbH already present on the market and thanks to good connections to local partners, Greencells GmbH is excellently positioned to benefit from this market potential and already has a portfolio of projects under development.

## **Other developments**

The further course and impact of the COVID-19 pandemic are still difficult to predict at present. The progress of the national vaccination programs varies greatly and provides no indication as to when the global travel restrictions and bans will finally be lifted and, thus, when the international turbulence in passenger and freight transport will presumably be solved. The possibility of further challenges as a result of new virus variants must also be taken into account.

Nevertheless, as an internationally sought-after partner, Greencells GmbH also sees this global crisis as an opportunity to offer excellent EPC services worldwide and to win over customer with its high resilience, even under difficult circumstances. This is supported by the Company's flexible international sales structure, which enables Greencells to successfully provide services worldwide, even when air traffic and travel are restricted.

In addition, the areas of renewable energies in general and of photovoltaics in particular have established themselves as interesting investment opportunities for low-risk investors who are seeking stable and reliable investment options, especially in economically difficult times. A solar park ready for use stands for realistic earnings that are guaranteed within a predictable period of up to 30 years and is independent of international fuel supply chains. The growing demand for investment opportunities that are impeccable in environmental, social and ethical terms (impact/ESG investing (environmental, social and governance investing)) will further increase the attractiveness of renewable energies for investors.

### III. Outlook

#### 1 Future macroeconomic conditions for the photovoltaic industry

The core business of Greencells GmbH comprises a market which is still characterized by steady future growth potential.

According to a statement made by the International Energy Agency in 2020, photovoltaics is now one of the most cost-effective forms of power generation. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020)

In addition to the decreased and continuously decreasing electricity generation costs in the PV sector, decisive factors mainly include climate protection targets set by a large international community at the Paris UN Climate Conference in 2015, which is gradually being joined by additional countries. (IEA Renewables 2020 - Analysis and forecast to 2025, 2020) (Ember Climate, 2021)

These developments also help emerging markets push ahead with the expansion of renewable energies. (Klimareporter, 2020)

Blomberg New Energy Finance (BNEF) anticipates that electricity generated by solar plants and wind farms will have a market share of around 56% in global power generation by 2050 under the current conditions. Looking ahead, this share could even attribute for 70-80% of the national power generation depending on the country in question. However, these increases will not be sufficient to reach the climate protection targets set. Thus, both the scope and speed of the expansion of renewable energies will have to be enhanced. (BNEF, 2020)

The resulting positive growth impetus and catch-up effects of the EU member states seen at present are set to continue.

For example, governments in the Benelux countries, Austria, Greece and Eastern European countries, such as Poland, Croatia and Serbia, are starting to provide impetus through auctions for an energy industry with reduced CO<sub>2</sub> emissions.

This results in additional market opportunities in the European environment of the Company.

## 2 Forecast development of revenue and earnings

For fiscal year 2021, management expects an increase in **revenue** compared to 2020 as well as EBIT of EUR 2,248k. Greencells GmbH forecasts a return on sales of around 1.8% and cash flow from operating activities of approximately EUR 3,382k. The Company still expects continuous availability of sufficient funds to always settle due liabilities on time.

## 3 Overall assessment

The uncertainties surrounding the COVID-19 pandemic will once again pose great challenges for Greencells GmbH, the entire PV industry and large parts of the global economy in fiscal year 2021. On a more positive note, the PV industry recovered from the changes caused by the pandemic relatively quickly and is already recording growth at present, especially in Europe. From a long-term perspective, this development will be accompanied by a further decline in the cost of sales of photovoltaic systems, which will significantly exceed the short-term price increases seen during the COVID-19 pandemic.

The progressive phase-out of fossil fuels, which is likely to accelerate, the strong fluctuations in the price of oil and the crisis-proof nature of the photovoltaic industry increase the attractiveness of PV projects for investors.

In preparation, Greencells GmbH has secured 14 projects with a total volume of 151 MWp since the start of fiscal year 2021 and, as EPC/GC, has been awarded the contract for their construction.

The construction of these projects is scheduled to start within 12 months of the end of fiscal year 2020.

Thus, management forecasts a further increase in revenue for the coming years following the emerging recovery in 2021 and believes that it is able to remain on a stable course for growth despite the uncertainties mentioned above.

Headcount is expected to increase by around 5% in the next fiscal year.

Overall, the Company's risk situation has not changed significantly compared to the prior year.

On the back of its broad portfolio of construction projects that have already been executed, Greencells GmbH fulfills the requirements and has the experience required to realize large global projects.

The Company can therefore engage in commercial activity with completed projects and corresponding proof of income.

Orders that have already been placed as well as continuous inquiries and negotiations with investors all show that Greencells GmbH is able to further expand its international market share beyond the borders of Europe.

At present, we cannot identify any risks that could endanger the Company's ability to continue as a going concern, even against the background of the COVID-19 pandemic, which has not yet been overcome.

Overall, management expects both the Company and the Group to develop positively in the coming years.

Saarbrücken, 28 June 2021

Andreas Hoffmann

General manager

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*Translation from the German language*

## **Engagement Terms, Liability and Conditions of Use**

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB [“Handelsgesetzbuch”: German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement agreement for the audit of these financial statements including the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften” [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany [“Institut der Wirtschaftsprüfer”: IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

# General Engagement Terms

## for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer: Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty; the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

#### 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

#### 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

#### 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

#### 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

#### 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

#### 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.