



**GREENCELLS**  
GMBH



# Half-Year Report

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1st half 2022

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# Management Report

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## Ladies and Gentlemen, Investors and Business Partners,

Greencells Group looks back on an eventful first half of 2022. With the outbreak of the war in Ukraine, a transformation process in energy production which until now has been evolutionary developed into a radical turning point within a very short period of time. Exploding energy prices and the shortage of natural gas that occurred virtually overnight are having a massive impact on the markets. As a result, the demand for photovoltaics and other renewable energy sources has permanently increased worldwide. Photovoltaics is now one of the cheapest energy sources in most regions of the world, independent of government subsidies. A return of energy policy to the time before 24 February 2022 is out of the question.

For Greencells, these developments lead to a enduring expansion of market potential - both in the market for EPC and O&M services relevant to Greencells GmbH Group, and in Project Development, carried out by the sister company Greencells Group Holdings Ltd. According to estimates by the International Energy Agency Photovoltaic Power Systems Programme (IEA PVPS), around 260 GW of new photovoltaic capacity will be installed worldwide in 2022, an increase of around 50% compared to the previous year.

In addition, the significant increase in energy prices will have a positive impact on margins and is expected to overcompensate the negative effects of increased demand and inflation on purchase prices. The growing need for integrated solutions, which in addition to energy generation feature for example storage and control facilities, also favours experienced and technologically strong providers such as Greencells Group.

In the short term, however, the market turmoil, the global economic slowdown and the sometimes actionist reactions of governments and legislators in our target markets are leading to special challenges and a more demanding risk situation:

- Investors are reviewing their calculations, even for projects that have already been largely negotiated, under the perspective of energy prices, refinancing costs, exchange rates and inflation;
- financiers are acting more cautiously, the time required for internal review and approval processes is increasing;
- legal and regulatory requirements (such as the "electricity price brake" or "windfall profit taxation") are being modified, sometimes with very short lead times, and can have a significant impact on returns, financing, and collateral requirements for planned projects.

These developments led to a number of project postponements during the reporting period. In addition, there were the cross-industry challenges of material shortages, logistics problems and the COVID 19 pandemic, the effects of which continue to be felt in various areas of business and private life. Despite this, the long-standing trusting cooperation with our most important suppliers and partners made it possible for us to be supplied at all times and thus to ensure our performance at a high level throughout. It also had a positive effect that, as in the previous year, we acted and stocked up with great foresight.

As a dynamically growing project developer and one of the largest providers of top-quality solar power plants worldwide, Greencells is already in an excellent position in the market to take advantage of existing opportunities. In an investment and build-up phase, we have in recent times accumulated a substantial, valuable, and diversified portfolio of projects of different sizes, maturity levels and regions in both groups. Through the higher prioritisation of project completions and sell-offs, we are now entering a rolling acquisition, development, construction, and disposal process for existing and new projects, which ensures a continuous realisation of earnings and liquidity while making profitable value creation transparent.

We have further sharpened the regional focus already initiated in the previous year. We are now concentrating on the European markets and selected OECD countries. Here we benefit from our geographical proximity, which enables us to optimise the deployment of our highly qualified and experienced assembly team (212 employees as of 30 June 2022) and reduces our dependence on external partners. At the same time, we operate in a comparatively homogeneous legal, customs and currency area as well as in countries in which we have already gained extensive experience in the past. Through our country managers, we are well networked and established in the respective local markets. We see particular potential in the Eastern European countries, where we were already able to tap into the Polish and Hungarian markets.

An important prerequisite for further growth and at the same time a valuable component of the Greencells business model is our assembly team organised through our subsidiary in Cluj. Through the expansion and continuous further qualification of the team via a special training concept, partnerships on the market and the greater use of our own projects, we want to grow the future performance volume, further increase efficiency, stabilise capacity utilisation and reduce negative effects from project postponements (which cannot be ruled out in future either) through a better distribution of risk that goes hand in hand with the increased size.

The integrated business model of the entire group, i.e. the interaction with the sister company Greencells Group Holdings Ltd., which is active worldwide as a solar project developer, has also proven successful. As a large proportion of the projects from the rapidly growing development pipeline of Greencells Group Holdings Ltd. result in secured EPC and O&M orders for Greencells GmbH, the internal group demand in these areas will utilise close to full company capacity in the coming years.

To cater to the larger company size achieved and its expected further development, we have realigned the Management of the Group in recent months. With Götz Gollan, we have brought an experienced finance manager on board who will further develop the structures and processes in the finance department and thus further strengthen the organisational basis for solid growth and the successful development of the Group. In view of the increased complexity and short-term market challenges, and to structurally increase the profitability of the projects and thus of the company, we have also specifically expanded our evaluation, risk management and approval processes for new projects in recent months.

On the other hand, in the current environment, the ability to react quickly, precisely, and flexibly to changing conditions is more important than ever. To this end, we will continue to maintain the proven structure with flat hierarchies and short decision-making paths and further strengthen the entrepreneurial spirit of the team.

The developments described above are also reflected in the figures of Greencells GmbH Group as of 30 June 2022:

- Per 30 June 2022, the development portfolio of Greencells Group Holdings Ltd. comprised of 55 projects (previous year: 40). The volume increased to a total of 3.4 GWp. Six projects within the company's own development portfolio with a total output of 113 MWp were in construction phase (EPC or general contractor) at the end of the first half of 2022, and 15 projects for external clients with a total output of 267 MWp were in the construction or planning phase. This development is an expression of the build-up and investment phase described above. The expected project completions and disposals ensure a timely realisation of results and liquidity and make the profitable value creation transparent.
- Due to new projects, but also due to project postponements, the volume of mobilized projects increased significantly in the course of the first half of 2022. At the same time, the construction start of new projects was delayed.
- Applying the relevant German GAAP (HGB) for the realisation of sales and earnings, at EUR 27.6 million, the sales of Greencells GmbH Group was 37.3% lower than in the first half of the previous year.
- At the same time, the inventory of finished goods and work in progress, mainly ongoing EPC projects, increased by EUR 78.5 million, almost tripling the total output from EUR 36.2 million to EUR 106.1 million. This increase in the inventory will only lead to a realisation of results when the projects in question are completed. As a result, project progress already achieved is not yet shown in the 2022 half-year figures.
- In addition, higher purchase prices and increased personnel costs also had a negative impact. This is mainly due to the Romanian subsidiary, which was not yet consolidated at the same period of the previous year.
- Furthermore, the 2022 half-year figures include negative one-off effects, in particular due to creation of provisions in connection with arbitration proceedings (EUR 1.3 million) and the amortisation of goodwill (EUR 441 thousand).
- As a result, EBITDA increased only slightly by 9% to EUR 1.5 million. Adjusted for the aforementioned special factors, EBITDA would be at EUR 2.8 million.
- EBIT amounted to EUR 0.9 million (previous year: EUR 1.3 million; -26 %) or, adjusted for one-time expenses, to EUR 2.7 million. Depreciation increased by EUR 459 thousand to EUR 545 thousand.
- The income tax burden at the level of Greencells GmbH led to a negative result for the period of EUR -940 thousand, despite a slightly improved financial result.
- In line with increased business volume and delayed project completions, the balance sheet total increased to EUR 104.5 million, corresponding to an increase of 3.7% compared to the end of the previous year.
- Main drivers here were the loans to the sister group Greencells Group Holdings Ltd. to finance the project development business of EUR 36.7 million (EUR +18.2 million compared to 31.12.2021) and the increase in unfinished goods and work in progress to EUR 106.2 million (EUR +80.3 million compared to 31.12.2021).
- Liquidity decreased to EUR 6.2 million (EUR -13.8 million compared to 31.12.2021) on the reporting date.
- On the liabilities side, equity decreased slightly to EUR 10.2 million (-4.2% compared to 31.12.2021). The balance sheet extension also contributed to the decline in the equity ratio to 9.7% (10.5% as of 31.12.2021).

- The business expansion was mainly financed by advance payments received of EUR 71.4 million (EUR +43.9 million vs. 31.12.2021), which are deducted from inventories on the assets side. On the liabilities side, liabilities from the extension of the Green Bond issued by Greencells GmbH rose to EUR 34.7 million (EUR +3.2 million compared to 31.12.2021), trade payables to EUR 29.2 million (EUR +13.2 million compared to 31.12.2021) and shareholder loans to EUR 10.0 million (EUR +9.9 million compared to 31.12.2021).

In the opinion of the Management, the key figures of Greencells GmbH Group for the first half of 2022 do not reflect the actual value creation of the company due to the accounting-related particularities and the one-off effects. Also, although the risk situation is objectively increased by the surrounding conditions described above, it is clearly overstated by the key figures.

Overall, the financial performance of Greencells Group is also not yet satisfactory. The Management has therefore already initiated further measures in the course of the 2nd half of 2022, which should lead to an increase in profitability and transparency of value creation as well as a reduction in capital commitment, including

- the prioritisation of the sale of development projects, the transition from the previous build-up phase to a rolling process (purchase/entry, development, sell-off) and the associated transparency of value creation in the development business of Greencells Group Holdings Ltd. as well as the repayment of loans of the latter to Greencells GmbH,
- the regional focus on core markets,
- the more stringent and risk-oriented project selection and evaluation,
- the reorganisation of the purchasing department and the expansion of the corresponding team,

- the structured expansion and further qualification of the assembly team to benefit from economies of scale and harmonise capacity utilisation, if necessary, together with partners, as well as
- the switch of Greencells GmbH Group's accounting to IFRS for the first time for the financial year ending 31 December 2022.

We are convinced that these measures will enable us to sustainably and profitably implement the expected further corporate growth and to significantly improve the risk situation in terms of key figures. We will thus be well prepared for the expected challenges, also regarding the demanding overall economic situation in the industrialised countries.

For the full year 2022, we expect a significant increase in sales. We maintain our forecast of an EBIT of EUR 6.6 million.

Sincerely

Andreas Hoffmann (CEO)  
Patrick Clemens (CTO)  
Götz Gollan (CFO)  
Dr. Peter Vest (CSO)

# Consolidated Income Statement

Period from  
1 January to 30 June 2022

Consolidated income statement (in EUR thousand)	H1 2022	H1 2021
Sales	27,601	44,007
Changes in inventories	78,484	-7,794
<b>Gross revenue for the period</b>	<b>106,085</b>	<b>36,213</b>
Other operating income	923	628
Cost of materials	-92,313	-29,994
Personnel expenses	-7,269	-3,044
Other operating expenses	-5,943	-2,442
<b>EBITDA</b>	<b>1,484</b>	<b>1,362</b>
Depreciation and amortization	-545	-86
<b>EBIT</b>	<b>939</b>	<b>1,276</b>
Financial result	-708	-893
<b>EBT</b>	<b>231</b>	<b>383</b>
Taxes on income and earnings	-1,163	-68
<b>Loss / Income after Taxes</b>	<b>-932</b>	<b>315</b>
Other taxes	-8	-39
<b>Consolidated net loss / net income for the half year</b>	<b>-940</b>	<b>276</b>

# Consolidated Balance Sheet

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As of 30 June 2022



Consolidated balance sheet (in EUR thousand)	30.06.2022	31.12.2021
<b>A. Non-current assets</b>	<b>37,792</b>	<b>19,412</b>
I. Intangible assets	35	482
II. Property, plant and equipment	946	371
III. Financial assets	36,811	18,560
<b>B. Current assets</b>	<b>66,708</b>	<b>81,296</b>
I. Inventories	38,926	4,122
II. Receivables and other assets	21,587	57,170
III. Cash in hand and bank balances	6,195	20,004
<b>C. Prepaid expenses</b>	<b>53</b>	<b>67</b>
<b>Total assets</b>	<b>104,554</b>	<b>100,775</b>

Consolidated balance sheet (in EUR thousand)	30.06.2022	31.12.2021
<b>A. Equity</b>	<b>10,151</b>	<b>10,600</b>
I. Subscribed capital	43	43
II. Capital reserves	5,313	5,313
III. Equity difference from currency translation	94	-396
IV. Consolidated net retained profit	5,641	4,630
V. Net loss / net income for the half year / year	-940	1,011
<b>B. Difference from acquisition accounting</b>	<b>0</b>	<b>0</b>
<b>C. Provisions</b>	<b>9,934</b>	<b>12,097</b>
<b>D. Liabilities</b>	<b>84,469</b>	<b>78,078</b>
I. Bonds	34,700	31,500
II. Liabilities to banks	5,138	23,626
III. Trade payables	29,212	16,033
IV. Liabilities to related parties	10,039	119
V. Other liabilities	5,381	6,799
<b>Total equity and liabilities</b>	<b>104,554</b>	<b>100,775</b>

