Fiscal year

2022

Investing in a green future

Fund usage report of the secured Greencells Green Bond 2020/2025

GREENCELLS GMBH

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PERSONAL MESSAGE TO OUR INVESTORS

ANDREAS HOFFMANN

CHIEF EXECUTIVE OFFICER

Andreas Hoffmann is CEO of Greencells Group. After a successful career as a digital media designer, Andreas sold his agency in 2008 to move into a more sustainable field. Since founding Greencells in 2009, he has developed the company and strategically expanded the business from a small installation company into a fully-fledged EPC and O&M service provider and, more recently, a project developer.

Today, Greencells GmbH is one of the largest providers of EPC and O&M services for large-scale solar power plants in Europe with a track record of over 2.6 GW of installed capacity and more than 150 photovoltaic plants built. The sister company Greencells Group Holdings develops large-scale solar power plants with a focus on the European market. A large number of these projects were financed with the help of funds from the Greencells Green Bond 2020/2025.

DEAR INVESTORS,

In times that continue to be turbulent, I would like to thank you together with all Greencells employees for your trust and commitment to solar energy. Through your investment in our Green Bond, you are part of the large institutional and private investor group that invested over EUR 289 billion in solar energy globally in 2022 alone.[1] Thanks to this historic influx of capital, the total capacity of global solar installations on the grid exceeded the terawatt mark in April 2022. By 2026, global installed capacity is expected to double to up to 2.3 terawatts.[2]

The economic and humanitarian disruptions of the past year have shown that still, every single kilowatt-hour of climate-neutral, green energy counts in averting the climate crisis and achieving energy independence as quickly as possible. The faster new capacities are available, the better.

Greencells has meanwhile been able to generate a total volume of 320 MW of own projects already on the grid and an active pipeline of approx. 3 GW under construction or in planning. The latter will be connected to the grid within the next 4 years. This exceeds the output of Germany's former largest nuclear power plant, Gundremmingen, however with extremely short lead times, cost-effective implementation and without the well-known collateral risks.

Funds from the Greencells Green Bond 2020/2025 have gone into the development of over 2.4 GW of solar projects by the end of 2022. The projects financed by the Green Bond will generate around 74 million MWh of electricity over their lifetime while saving around 47.3 million tons of CO_2.

A measurable, direct, and significant contribution to the energy transition, which has also been made possible by your financial commitment.

Yours sincerely,

Andreas Hoffmann
CEO Greencells GmbH

[1] BloombergNEF A Record $495 Billion Invested in Renewable Energy in 2022 | BloombergNEF (bnef.com)
[2] SolarPower Europe (2022): Global Market Outlook for Solar Power 2022-2026, p. 5

INTRODUCTION

To expand its business model towards being an integrated project developer as well as EPC and O&M service provider, Greencells GmbH decided to issue the secured Green Bond 2020/2025 with a volume of EUR 25 million in 2020. The Bond could be subscribed from 16. November to 7. December 2020 both in private placement in selected European jurisdictions and as part of a public offering in Germany, Austria and Luxembourg.

In the period to April 2021, successful full placement was completed despite the tense situation in the midst of the Corona pandemic. In addition, Greencells was awarded Best Issuer of the Year 2020 - SME Green Bonds by the trade magazine BOND MAGAZINE.

In the course of 2021, Greencells GmbH was able to acquire more projects and identify additional attractive investment opportunities thanks to the Green Bond funds and the market situation positively influenced by the European Green Deal. In order to realize these as well, it was decided in November 2021 to successively increase the Bond by up to EUR 25 million to up to EUR 50 million in private placements in line with demand. The placement of the tap volume also got off to a successful start: Around EUR 6.5 million of the additional volume were placed before the end of 2021.

Thanks to the high level of interest in sustainable investments, a further EUR 4.7 million were placed in the 2022 financial year treated in this report. As of 31. December 2022, a total of around EUR 36.5 million had been placed.

This report covers the use of funds not yet allocated in 2021 as well as funds received in the 2022 financial year with a total volume of approximately EUR 14.1 million.

ALLOCATION OF FUNDS

KEY DATA OF THE GREEN BOND 2020/2025:

ISIN	DE000A289YQ5
WKN	A289YQ
Initial volume	Up to EUR 25 million
Tap volume	Up to EUR 25 million
Total volume placed (31.12.2022)	EUR 36.5 million
Coupon	6.5 % p.a.
Value date	9. December 2020
Duration	5 years: 9 December 2020 to 8 December 2025 (inclusive)

ALLOCATION OF FUNDS

The Green Bond proceeds will be used exclusively for the financing or refinancing of suitable projects. These include projects for the exclusive or - in addition to other forms of renewable energy or also in combination with storage solutions - proportional generation of renewable energy from solar energy. In addition to the acquisition of new projects and project rights, project rights already acquired by Greencells GmbH are to be (re-)financed with the capital generated by the Green Bond.

To ensure even more transparent reporting, the criteria for project selection and the internal processes for allocating funds were defined and documented even more precisely for the reporting year 2022. The associated adjustments to the underlying Framework were accepted and confirmed in an updated Second Party Opinion by imug Beratungsgesellschaft. At the same time, the Framework was adapted to the Green Bond Principles updated in 2021.

The updated version of the Framework is available under https://greencells.com/de/ir/.

PROJECT SELECTION CRITERIA

Each project to be (re-)financed by the Green Bond meets the following **selection criteria** relevant to the respective project phase:

- **Location:** The site was reviewed concerning ecological conditions and found to be suitable. Necessary ecological compensation measures will be implemented accordingly.
- **Redesignation:** No redesignation of nature conservation areas. Redesignation of agriculturally significant land still in active use only in the context of agri-photovoltaic projects or after review by independent experts.
- **Political framework:** Stable economic and political framework.
- **Ownership:** 100% traceable ownership of the respective land (land registry files must be available).
- **Risk analysis:** Projects must have successfully undergone an internal risk analysis which does not indicate any unreasonable risks with regard to the positive sustainability impact.
- **Permits:** All permits required for the respective project status must be available and valid.
- **Certifications:** Certifications of subcontractors (e.g. ISO 14001 or ISO 9001) must be available during the construction phase

Automatically excluded from possible selection are projects for which one or all of the following **exclusion criteria** are relevant in the respective project phase:

- **Business partners:** Exclusion of projects with business partners that do not meet Greencells' requirements in the context of KYC and/or due diligence checks or for other reasons.

- **Legal risks:** Exclusion of projects whose implementation has been objected to or challenged in court by a municipality or a nature conservation association and whose judiciary clarification is still pending.
- **Fossil or nuclear power generation:** Exclusion of projects involving fossil or nuclear energy production.

Taking the above criteria into account, projects in the following countries were selected to be financed using Green Bond funds and the funds were allocated as follows in 2022:

PROJECT	INVESTMENTS ATTRIBUTABLE TO THE BOND IN EURO	TYPE OF FINANCING	USE
GREECE[3]	1.333.671,63	Initial financing	Land, Studies, Legal Due Diligence, Permits/Approvals, Development Services
ITALY	2.827.401,28	Initial financing	Land, Purchase of Project Rights, Development Services, Consultancy Costs
CANADA	4.018.366,90	Initial financing	Grid Connection, Studies
NETHERLANDS	185.265,12	Initial financing	Grid Connection, Development Services
POLAND	600.847,33	Initial financing	Grid Connection, Studies, Development Services
ROMANIA	100.000,00	Initial financing	Development Services
SPAIN	34.833,05	Initial financing	Land, Legal Services, Development Services
HUNGARY	4.640.906,74	Initial financing	Purchase of Project Rights, Consultancy Costs
TOTAL	**13.741.292,05**		

[3] As of April 2023, one project in Greece could not be continued. A large part of the funds allocated to this project was transferred back and will be invested in other Green Bond-compliant projects via the company's liquid funds. Accordingly, the sustainability contribution of this project is not considered further.

ALLOCATION OF FUNDS

In the reporting year 2022 covered in this report, a total of EUR 13,741,292.05 were allocated (reporting year 2021: EUR 22,402,160.41). This corresponds to a total amount of allocated funds of EUR 36,143,452.46 by 31. December 2022. Remaining funds of EUR 341,708.96 were not yet explicitly allocated to a project in the reporting year.

They were part of the company's cash and cash equivalents at the end of the 2022 financial year, were allocated as planned in the first quarter of 2023 and will be examined in more detail in the 2023 reporting.

	2021	2022	TOTAL AS OF 31.12.2022
CASH INFLOWS (ACTUALS)	31.801.290,35	4.683.871,07	36.485.161,42
ALLOCATED FUNDS	22.402.160,41	13.741.292,05	36.143.452,46
UNALLOCATED FUNDS	9.399.129,94	341.708,96	341.708,96

SUSTAINABILITY CONTRIBUTION

In this section, the positive sustainable effects of the projects financed with the Green Bond funds are outlined by country and their sustainability contribution is documented. The most important contribution factor is that the operation of the financed solar power plants will save significant amounts of carbon emissions over the course of their operating lives. These are outlined below. The values were calculated according to recognized methods approved by third parties. To calculate the CO_2 savings, a comparison is made with the primary source of electricity generation in the respective country, thus realistically illustrating the CO_2 savings.[4]

PROJECT COUNTRY	EXPECTED INSTALLED CAPACITY (MW)	EXPECTED ANNUAL PRODUCED ENERGY (MWH)	EXPECTED ANNUAL CO_2 SAVINGS (TCO_2)	EXPECTED CO_2 SAVINGS OVER THE ENTIRE PROJECT LIFE (TCO_2 OVER 20 YEARS)
GREECE	491,60	791.361,00	395.680,50	7.913.610,00
ITALY	517,00	898.294,00	449.147,00	8.982.940,00
CANADA	498,00	757.400,00	711.956,00	14.239.120,00
NETHERLANDS	27,85	26.276,00	13.138,00	262.760,00
POLAND	285,00	354.317,00	333.057,98	6.661.159,60
ROMANIA	145,00	216.000,00	108.000,00	2.160.000,00
SPAIN	49,00	89.522,00	44.761,00	895.220,00
HUNGARY	132,00	168.000,00	84.000,00	1.680.000,00
TOTAL	**2.145,45**	**3.301.170,00**	**2.139.740,48**	**42.794.809,60**

[4] Information and sources on methodology, see appendix

SUSTAINABILITY CONTRIBUTION

The solar power plants resulting from the funded projects will make a significant contribution to climate protection and to the urgently needed energy transition. Overall, we expect annual CO_2 savings of around 2.14 million tons to be generated from the projects financed by the Green Bond proceeds in the reporting year 2022. A large number of projects funded with Green Bond funds in 2021 also received further funds from the Green Bond in 2022. In total, all projects financed with Green Bond funds until 31. December 2022 will have a total capacity of around 2,470 MW and will thus save around 2.36 million tons of CO_2 annually.

With these projects, we also contribute to the United Nations Sustainable Development Goals (UN SDGs) 7 "Affordable and Clean Energy" and 13 "Climate Action".

CASE STUDIES

PROJECT "ST. CHARLES" IN PETITE-ROSSELLE, FRANCE

The St. Charles project, completed in 2022 and financed by Green Bond funds, is a good example of sustainable project development and implementation of ESG measures. Thanks to the project, an abandoned former mining waste tip could be revitalized. Greencells used local subcontractors for the construction of the solar plant and offered a citizen participation model for local citizens, which ultimately raised more than 40% of the equity.

More than 17,000 solar modules with a particularly low CO_2 score produce a total output of 7.85 MW, covering the needs of around 3,500 households. The plant in Petite-Rosselle saves more than 4,000 tons of CO_2 annually compared to energy production using natural gas.

Brownfield before installation of the solar park

Completed PV Park St. Charles

CASE STUDIES

AGRI-PHOTOVOLTAIC-PROJECT CONCEPT „AGRIPUGLIA" IN APULIA, ITALY

Agripuglia is a project concept developed with various stakeholders for projects in the Italian Region Puglia, putting special focus on ESG measures in the project development and construction, but also in the operation of the PV plants. The project actively contributes to several UN SDGs.

As biodiversity in the region is more and more threatened by increasing soil sealing and intensive agriculture, the project concept integrates the cultivation of plants that are particularly rich in pollen and nectar. In addition, projects according to the Agripuglia concept are designed for dual land use by agriculture and photovoltaics. The design of the plants allows, for example, the passage of machines and equipment for common agricultural ground work.

Social commitment also plays an important role in the Agripuglia concept. For example, Greencells has developed a training program together with the German Photovoltaic Institute in Berlin to train local workers for the maintenance of solar plants. In this way, technical personnel can acquire basic knowledge about the operation and maintenance of PV systems under the guidance and supervision of qualified experts. As a result, new local jobs will be created in the long term and the current high rate of emigration and youth unemployment in Puglia will be counteracted.

The financing of some of the projects developed in the context of the Agripuglia concept also includes Green Bond funds. As of 31.12.2022, Green Bond funds have gone into the planning of around 160 MW developed within the Agripuglia concept.

These case studies illustrate our company's progressive approach to large-scale solar development and the environmentally and socially responsible integration of our projects into host communities. The proactive planning and implementation of these measures are also the answer to the general ESG issues in the planning as well as the construction of photovoltaic plants, which are presented below.

ESG RISK MANAGEMENT

In terms of construction process, solar energy is one of the least intrusive forms of energy generation and does not cause any air, noise or light emissions during operation.

Through considerate and forward-looking planning, Greencells pursues the goal of minimizing potential negative impacts on the environment as best as possible during the planning, construction, and operating phases. Therefore, we commit to the following principles of action for projects under our own development:

- Exclusion of nature conservation areas from project scoping
- Carrying out environmental impact assessments
- Minimize adverse impacts on biodiversity and ecosystems as far as possible
- Actively incorporate biodiversity elements into projects and provide regeneration measures for grounds which have been damaged, for example, by previous overuse or extreme weather phenomena
- Active increase of opportunities for dual use of photovoltaics and agriculture (agrivoltaics)
- Careful planning of construction logistics to minimize any impact on the environment and neighboring residents

Although photovoltaic projects usually require little demolition and clearing work, waste from different categories such as wood, plastic, metal, paper, or other waste is still generated and must be disposed of accordingly. For this purpose, Greencells has individual waste management plans for each construction site, which help to minimize waste and take into account the "3R" hierarchy of waste management (Reduce, Re-use, Recycle). Provisions for the control of substances hazardous to health and the environment are included and controlled as a mandatory part of all contracts with external partners.

In addition to the surrounding nature, the needs and legitimate interests of the respective neighboring communities are also taken into account in the planning of our projects from the very beginning. Therefore, Greencells is committed to the following principles in its development projects, beyond the measures already mentioned:

- Lawful and considerate land acquisition
- Dialogue with communities
- Citizen participation where possible and desired
- Best possible visual integration of the solar parks into the landscape
- Creation of local jobs

ESG RISIKOMANAGEMENT

In terms of supply chain management, our company gives preference to Tier 1 suppliers who are also PV CYCLE certified or whose products are registered under the European WEEE Directive (Directive 2012/19/EU on waste electrical and electronic equipment). The high industry standards ensure a maximum lifespan of the components so that scrapping before the forecasted end of their operating life can be avoided. If a component has reached the end of its operating life and / or has to be scrapped, it is for example transferred to the sustainable PV-CYCLE waste management system, and components or recyclable materials are recycled as far as possible. In order to promote sustainability along its supply chain, Greencells gives preference to suppliers that are also audited and certified according to ISO 14001.

Interaction with internal and external partners is defined by the Greencells Code of Conduct, which external partners are also obliged to comply with. It includes, among other topics, labour standards and measures to combat bribery and corruption.

Furthermore, with our Health, Safety and Environment (HSE) Policy publicly available under Compliance - Greencells Group, we clearly and decidedly pursue the following goals: no accidents, no harm to people and as little harm to the environment as possible. To this end, we have developed a comprehensive management system that meets the requirements of ISO 45001:2018 and ISO 14001:2015 and is certified accordingly. In this context, we also oblige our subcontractors to follow our example.

All these measures enable Greencells to successfully manage and proactively counteract the potential adverse effects associated with the construction of PV plants. Our risk management is regularly reviewed and adjusted if necessary.

Our complete ESG policy is publicly available under https://greencells.com/de/ueber-uns/esg-2/.

APPENDIX

ENERGY MIX ITALIY:
47,9 % natural gas Electricity generation pie charts | Energy-Charts; assumption yield: 1701 kWh/kWp; natural gas 500 gCO_2/kWh

ENERGY MIX HUNGARY:
24,9 % natural gas Electricity generation pie charts | Energy-Charts; Yield assumption: 1272 kWh/kWp; natural gas 500 gCO_2/kWh

ENERGY MIX POLAND:
46,9 % hard coal Electricity generation pie charts | Energy-Charts; assumed yield: 1271 kWh/kWp; hard coal 940 gCO_2/kWh

ENERGY MIX GREECE:
47,9 % natural gasElectricity generation pie charts | Energy-Charts; Yield assumption: 1669 kWh/kWp Natural gas 500 gCO_2/kWh

ENERGY MIX SPAIN:
29,5 % natural gas Electricity generation pie charts | Energy-Charts; Yield assumption: 1826 kWh/kWp natural gas 500 gCO_2/kWh

ENERGY MIX CANADA:
9,5 % hard coal Background study Canada_publication - adelphi_RAP.pdf; Assumption Yield: 1518 kWh/kWp; hard coal 940 gCO_2/kWh

ENERGY MIX ROMANIA:
25,6 % natural gas Electricity generation pie charts | Energy-Charts; Yield assumption: 1489 kWh/kWp; natural gas 500 gCO_2/kWh

ENERGY MIX NETHERLANDS:
32,2 % natural gas Electricity generation pie charts | Energy-Charts; assumption yield: 983 kWh/kWp; natural gas 500 gCO_2/kW

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