

# **Greencells GmbH Saarbrücken**

**Short-form audit report  
Annual financial statements and management report  
31 December 2022**

*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 independent 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 2022 and the income statement for the fiscal year from 1 January 2022 to 31 December 2022 and notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the management report of Greencells GmbH for the fiscal year from 1 January 2022 to 31 December 2022.

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 at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 Institut der Wirtschaftsprüfer (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 the risk of not detecting a material misstatement 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, 29 June 2023

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Zabel  
Wirtschaftsprüfer  
[German Public Auditor]

Delizia  
Wirtschaftsprüferin  
[German Public Auditor]

**Greencells GmbH, Saarbrücken**  
**Balance sheet as of 31 December 2022**

<b>Assets</b>				<b>Equity and liabilities</b>			
	EUR	EUR	31 Dec 2021 EUR k		EUR	EUR	31 Dec 2021 EUR k
<b>A. Fixed assets</b>							
<b>I. Intangible assets</b>				<b>A. Equity</b>			
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	7,666.00		14	I. Subscribed capital			42,520.00
				II. Capital reserves			5,312,992.00
				III. Profit carryforward			5,659,590.47
				IV. Net income for the year			1,044,602.79
							991
<b>II. Property, plant and equipment</b>							
1.							12,059,705.26
Land, land rights and buildings, including buildings on third-party land	1.00		0				
2. Plant and machinery	339,281.00		17				
3. Other equipment, furniture and fixtures	624,565.00		323	<b>B. Provisions</b>			
				1. Tax provisions			2,850,863.30
				2. Other provisions			5,840,401.34
<b>III. Financial assets</b>							
1. Shares in affiliates	12,698,322.03		14,753				
2. Equity investments	153,655.80		154				
3. Other loans	50,690,059.10		18,384				
							8,691,264.64
							11,124
<b>B. Current assets</b>				<b>C. Liabilities</b>			
<b>I. Inventories</b>				1. Bonds			36,260,000.00
1. Raw materials, consumables and supplies	109,600.00		175	2. Liabilities to banks			3,846,359.33
2. Work in process	9,934,000.00		13,978	3. Trade payables			14,753,101.81
3. Prepayments	2,880,579.84		4,947	4. Liabilities to affiliates			5,338,869.83
4. Prepayments received on account of orders	-8,373,492.91		-16,579	5. Other liabilities			30,760,919.78
				thereof for taxes: EUR 4,546,165.19 (prior year: EUR 5,223k)			
							31,500
<b>II. Receivables and other assets</b>							12,077
1. Trade receivables	30,353,617.49		27,758				8,103
2. Receivables from affiliates	1,547,281.64		2,739				0
3. Other assets	759,481.18		645				6,201
<b>III. Securities</b>							
Shares in affiliates	1,222.85		1				
<b>IV. Cash on hand and bank balances</b>							
	9,983,114.25		12,664				
	47,195,404.34		46,328				
<b>C. Prepaid expenses</b>							
	1,266.38		47				
	111,710,220.65		80,020				
							111,710,220.65
							80,020

**Greencells GmbH, Saarbrücken**  
**Income statement for fiscal year 2022**

	EUR	EUR	2021 EUR k
1. Revenue	142,710,261.35		95,596
2. Decrease in finished goods and work in process	-4,044,000.00		-7,958
3. Other operating income thereof income from currency translation: EUR 1,224,364.47 (prior year: EUR 219k)	1,331,130.97		448
		<hr/>	<hr/>
	139,997,392.32		88,086
		<hr/>	<hr/>
4. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	91,504,898.35		50,303
b) Cost of purchased services	22,778,602.40		24,712
5. Personnel expenses			
a) Wages and salaries	6,449,733.76		5,202
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 8,588.47 (prior year: EUR 3k)	979,777.07		873
6. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	205,047.04		109
7. Other operating expenses thereof expenses from currency translation: EUR 662,513.02 (prior year: EUR 265k)	7,528,188.47		4,367
		<hr/>	<hr/>
	129,446,247.09		85,566
		<hr/>	<hr/>
8. Income from equity investments	22,580.25		0
9. Income from loans classified as fixed financial assets thereof from affiliates: EUR 0.00 (prior year: EUR 2k)	3,159,923.00		1,820
10. Other interest and similar income thereof from affiliates: EUR 573,533.36 (prior year: EUR 229k)	577,016.41		304
11. Impairment of financial assets and securities classified as current assets	6,734,273.22		0
12. Interest and similar expenses	4,217,873.14		2,933
		<hr/>	<hr/>
	-7,192,626.70		-809
13. Income taxes	2,309,375.25		682
14. Earnings after taxes	1,049,143.28		1,029
15. Other taxes	4,540.49		38
16. Net income for the year	<hr/>	<hr/>	<hr/>
	1,044,602.79		991

**Greencells GmbH  
Saarbrücken**

**Notes to the financial statements for fiscal year 2022**

**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 2022 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.

**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). The average useful life of property, plant and equipment is six to 10 years for machinery and technical equipment and one to 19 years for operating and office equipment.

**Financial assets** are measured at cost or, if permanent impairment is assumed, lower fair values. The investment in the affiliate Greencells CEE SRL was written down by EUR 750k, while the investment in the affiliate Pekan Energy I Pte. Ltd. was written down by EUR 1,305k (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).

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 held as fixed assets** are stated at the lower of cost or net realizable value. Impairment to the lower realizable value was not required.

**Cash on hand and bank balances** are stated 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. In the case of an underlying obligation with a term of more than one year, the settlement amount of the corresponding provision is discounted to the reporting date at the interest rate appropriate to the term in accordance with Sec. 253 (2) Sentence 1 HGB.

**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 Sec. 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/shareholdings	Share in capital		Equity as of 31 Dec 2022		Net income/loss for 2022
	EUR	%	EUR k	EUR k	
Greencells CEE SRL, Bucharest, Romania	1.00	100	RON -5,424		-11,029
Greencells USA Inc., Wilmington, USA	881.06	100	USD -3,605		-2,367
Greencells Regio GmbH (formerly Solar Workers GmbH), Losheim am See, Germany	25,000.00	100	EUR -220		-264
Pekan Energy I Pte. Ltd., Singapore	12,656,007.97	100	USD 13,499		-2,405
Greencells Hungary KFT, Budapest, Hungary	8,216.00	100	EUR 6		-116
Greencells Construction KFT, Budapest, Hungary	8,216.00	100	EUR -556		-843
Green Solar Energy Pte. Ltd., Singapore <sup>1)</sup>	153,655.80	15	USD 45		-292

1) 2021, most recent annual financial statements available

## **Receivables and other assets**

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

	2022	Due in		
		Total	up to one year	more than one year
		EUR	EUR	EUR
Trade receivables				
	30,353,617.49	30,353,617.49		0.00
	(27,758,175.59)	(27,758,175.59)		(0.00)
Receivables from affiliates				
	1,547,281.64	1,513,450.59		33,831.05
	(2,738,823.35)	(18,287.47)		(2,720,535.88)
Other assets				
	759,481.18	759,481.18		0.00
	(644,325.07)	(644,325.07)		(0.00)
	32,660,380.31	32,626,549.26		33,831.05
<i>(Prior year)</i>	<i>(31,141,324.01)</i>	<i>(28,420,788.13)</i>		<i>(2,720,535.88)</i>

Trade receivables include receivables from affiliates in the amount of EUR 2,183k (prior year: EUR 6,734k) and receivables from shareholders in the amount of EUR 90k (prior year: EUR 105k).

As in the prior year, receivables from affiliates stem exclusively from short-term loans.

## **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 991,027.39 in the prior year was carried forward to new account in accordance with a shareholder resolution.

## **Tax provisions**

The tax provisions relate to corporate income tax/solidarity surcharge (EUR 250k) and trade tax (EUR 339k) for the 2021 assessment period. Also included are corporate income tax/solidarity surcharge (EUR 898k) and trade tax (EUR 968k) for the 2022 assessment period as well as Hungarian income tax (EUR 396k).

## **Other provisions**

Other provisions contain amounts for personnel expenses (EUR 704k), archiving requirements (EUR 15k), other provisions for outstanding costs (EUR 4,481k), warranty obligations (EUR 472k) as well as costs associated with preparing and auditing the financial statements and consulting fees (EUR 169k).

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

	Total EUR	Due in	
		up to one year EUR	more than one year EUR
Bonds	36,260,000.00 (31,500,000.00)	0.00 (0.00)	36,260,000.00 (31,500,000.00)
Liabilities to banks	3,846,359.33 (12,076,755.70)	1,538,671.33 (12,076,755.70)	2,307,688.00 (0.00)
Trade payables	14,753,101.81 (8,102,958.43)	14,753,101.81 (8,102,958.43)	0.00 (0.00)
Liabilities to affiliates	5,338,869.83 (0.00)	5,338,869.83 (0.00)	0.00 (0.00)
Other liabilities	30,760,919.78 (6,200,691.26)	30,362,204.05 (6,080,691.26)	398,715.73 (120,000.00)
- <i>thereof for social security</i>	2,629.39 (1,046.92)	2,629.39 (1,046.92)	0.00 (0.00)
	90,959,250.75 (57,880,405.39)	51,992,847.02 (26,260,405.39)	38,966,403.73 (31,620,000.00)
(Prior year)			

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 in an amount of EUR 10.0m. Liabilities to banks are not secured. Trade payables are partly hedged by suppliers' retention of title.

**Exhibit 3**

Trade payables include liabilities to affiliates of EUR 7,678k (prior year: EUR 591k).

Liabilities to affiliates result from loans (EUR 5,338k; prior year: EUR 0k).

Other liabilities of EUR 25.0m mainly include loans from Zahid Group Holding Limited, Dubai/United Arab Emirates. As of the reporting date, these loans are classified as short-term. In fiscal year 2023, an amendment agreement was concluded according to which EUR 10.0m is to be repaid by 29 December 2023 and EUR 15.0m by 29 March 2024.

In addition, a contribution by silent partners is recognized in other liabilities. As of the reporting date, this figure amounts to EUR 120k (prior year: EUR 200k). The silent partnership will end on 30 June 2024. This 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.

## **Revenue**

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

<b>Revenue by market</b>	<b>2022</b>	<b>2021</b>
	EUR k	EUR k
Europe	132,335	91,732
Middle East	10,322	2,132
Asia	53	1,657
USA	0	75
	142,710	95,596

### **Other operating income**

In fiscal year 2022, no out-of-period income is reported. In the prior year, other operating income included income from the reduction of the specific bad debt allowance on receivables in an amount of EUR 164k as out-of-period income.

### **Other operating expenses**

Other operating expenses contain out-of-period expenses of EUR 593k (prior year: EUR 0k). These are mainly attributable to the performance guarantee for a solar park (EUR 313k) and damages for a customer order from 2017 (EUR 188k).

### **Impairment of financial assets and securities classified as current assets**

Impairment of financial assets and current securities include impairments on short-term loans to affiliates of EUR 4,679k (prior year: EUR 0k).

### **Income taxes**

In fiscal year 2022, no out-of-period expenses from taxes on income and earnings are reported. Out-of-period taxes on income amounted to EUR 43k in the prior year.

## V. Additional mandatory disclosures

### Contingent liabilities

The Company is liable for potential liabilities of affiliates (EUR 34.2m) and of companies from the group of Greencells Group Holdings Ltd., Abu Dhabi/United Arab Emirates (EUR 96.3m) in the total amount of EUR 130.5m. Based on previous experience, the probability of a claim is estimated to be low.

### Other financial obligations

Other financial obligations break down as follows:

	up to one year EUR k	one to five years EUR k
Rent	120	140
Insurance	324	0
Leases	138	104
Purchase commitments	72,654	0
Total	73,236	244

The **total fees charged by the auditor** for the fiscal year amount to EUR 233k. EUR 218k thereof relates to audit services and EUR 16k to audit-related services.

**Average number of employees for the year**

	2022	2021
Full-time employees	83	74
Part-time employees	17	17
<b>Total</b>	<b>100</b>	<b>91</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 persons were appointed as general managers:

- Mr. Andreas Hoffmann, Saarbrücken; CEO
- Mr. Götz Gollan, Kelkheim, CFO (since 1 September 2022, entered in the commercial register on 14 September 2022)

Both general managers are authorized to represent the Company alone. Andreas Hoffmann is exempted 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**

In spring 2023, the Holdings Group noted a keen interest among potential buyers in the acquisition of the development portfolio and the development platform (especially the team and systems). In May 2023, the management bodies of Greencells GmbH and the Holdings Group therefore subjected the strategy of the entire group to a detailed assessment, taking into account market conditions and in-depth discussions with shareholders as well as business and financing partners. In view of the sustainable growth potential in the European EPC market, the stabilized procurement conditions and the “political tailwind” for the rapid expansion of capacities in the field of renewables to accelerate the energy transition as well as the unique selling propositions of the GmbH Group in this market, it was decided to take advantage of the market environment to focus the overall group strategy solely on the EPC business and to sell the entire development business of the Holdings Group (portfolio and platform) in a structured process.

**Exhibit 3**

The proceeds from the sale are to be used to repay liabilities of the Holdings Group to the GmbH Group. In the event of a sale, the GmbH Group would use the funds for the early repayment of the Green Bond (alternatively, the buyer could assume liability by way of a change of debtor, assuming that the bondholders adopt the necessary resolutions), to repay loans from the Zahid Group and to strengthen the liquidity base. In this way, the profitable growth of the GmbH Group would be combined with a leaner balance sheet and a reduced risk profile.

It is planned to arrange with the buyer for the projects to be sold an obligation to obtain a bid for EPC contracts, under which the GmbH Group will be granted the right to submit an EPC bid.

In the EPC business of the GmbH Group itself, the aim is to achieve greater diversification of business types, with a shift away from the capital-intensive “full EPC” business toward “EPC light,” “general contracting” and “construction only.” This is intended to reduce project volumes, procurement risks, financing and guarantee requirements.

In addition, all shares in Greencells Regio GmbH were sold in May 2023 as their activities are not a focus of the GmbH Group’s business model.

**Appropriation of profit**

Management proposes to carry forward the net income for the year to new account.

Saarbrücken, 27 June 2023

Greencells GmbH

Andreas Hoffmann  
General Manager

Götz Gollan  
General Manager

**Greencells GmbH, Saarbrücken**  
**Statement of changes in fixed assets for fiscal year 2022**

	1 Jan 2022	Acquisition and production cost			31 Dec 2022	Accumulated amortization, depreciation and impairment			Book values		
		Additions	Disposals	1 Jan 2022		Additions	Disposals	31 Dec 2022	31 Dec 2022	31 Dec 2021	
		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		32,928.00	0.00	0.00	32,928.00	18,692.00	6,570.00	0.00	25,262.00	7,666.00	14
<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	0	
2. Plant and machinery	393,624.72	365,663.63	0.00	759,288.35	376,782.72	43,224.63	0.00	420,007.35	339,281.00	17	
3. Other equipment, furniture and fixtures	795,201.77	505,282.41	72,735.41	1,227,748.77	472,082.77	155,252.41	24,151.41	603,183.77	624,565.00	323	
	1,260,489.94	870,946.04	72,735.41	2,058,700.57	920,527.94	198,477.04	24,151.41	1,094,853.57	963,847.00	340	
<b>III. Financial assets</b>											
1. Shares in affiliates	14,753,371.30	0.00	1.16	14,753,370.14	0.00	2,055,048.11	0.00	2,055,048.11	12,698,322.03	14,753	
2. Equity investments	153,655.80	0.00	0.00	153,655.80	0.00	0.00	0.00	0.00	153,655.80	154	
3. Other loans	18,384,025.58	32,306,033.52	0.00	50,690,059.10	0.00	0.00	0.00	0.00	50,690,059.10	18,384	
	33,291,052.68	32,306,033.52	1.16	65,597,085.04	0.00	2,055,048.11	0.00	2,055,048.11	63,542,036.93	33,291	
	34,584,470.62	33,176,979.56	72,736.57	67,688,713.61	939,219.94	2,260,095.15	24,151.41	3,175,163.68	64,513,549.93	33,645	

**Management report of Greencells GmbH, Saarbrücken, for fiscal year 2022**

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## Preliminary remarks

The structure of this management report of Greencells GmbH has been adjusted compared to the prior year for improved clarity and depth of information.

## 1. Company background

### 1.1 Description of the business model

Greencells GmbH, Saarbrücken, and its affiliates (the “GmbH Group”) build turnkey solar power plants in the business-to-business (“B2B”) segment and, with around 420 employees, are one of Europe’s largest providers in this field. The completed power plants with a total installed capacity of over 2.6 GWp (as of April 2023) in more than 25 countries now generate enough green electricity to meet the average energy needs of more than one million households. Our main fields of activity are engineering, procurement and construction (EPC) and the technical operation and maintenance (O&M) of power plants worldwide.

Together with the co-subsidiary Greencells Group Holdings Ltd., Abu Dhabi, United Arab Emirates (forming the “Holdings Group” together with its affiliates, together with the GmbH Group the “Global Group” or “Greencells”), which is a global solar project developer, the Group possesses the know-how in all project phases needed to design, finance, implement and operate solar projects from a single source.

Greencells’ strategy is to further expand its strong position in the dynamic and growing European solar power market as a pure play solar power supplier with what we consider to be in-depth technical expertise and, in particular, to exploit market potential in the emerging Eastern European solar power market.

The Holdings Group conducts project development through the special purpose vehicles it holds in the various countries together with local development partners, some of whom also hold shares in the project companies. The projects are then sold to investors when a suitable milestone is reached, e.g., when they are ready for construction, have been connected to the grid or are in the initial phase of operation. The construction of the power plants in Europe and North America is usually carried out by the GmbH Group, which bills the corresponding services to the respective project companies. In the Middle East, Africa, Asia and Pacific, the EPC business is also carried out by Holdings Group companies.

As a general contractor, Greencells GmbH provides the necessary EPC and O&M services. In addition to the projects acquired by the sales department for third parties – who are often longstanding customers – these services are also provided for in-house development projects, thus securing a high degree of base capacity utilization. As an internal service provider and asset manager, the Company also provides significant support to the Holdings Group in the selection, review, acquisition, financing and subsequent divestment of the projects held as special purpose vehicles.

In addition, it finances the development business of the Holdings Group substantially through its secured 6.5% Green Bond 2020/2025 (ISIN: DE000A289YQ5) (“Green Bond”), the cash inflows from which are passed on to the corresponding development projects in the form of interest-bearing loans and which will be repaid when project companies are divested. The Green Bond, in turn, is essentially secured by pledging Holdings Group project companies.

## **1.2 Phases of the business model**

With regard to the respective power plant projects, Greencells’ business model can be divided into the phases (1) project development, (2) construction and (3) operation.

### **1.2.1 Project development**

In the first phase, the Holdings Group develops solar projects – usually in cooperation with local project developers – until they are formally ready to build and ready for financing; the nature and scope of activity differs according to (i) the early phase of project development, (ii) the mid-development phase and (iii) the late development phase.

In the **early phase** of project development, the feasibility of a project is examined in detail from a technical, economic and legal perspective. This involves assessing local insulation levels, identifying and evaluating suitable sites, examining the possibilities for securing such sites over the long term, initially assessing the economic viability of a potential project on the basis of the available possibilities for marketing the electricity, e.g., via tenders, long-term power purchase agreements or specific statutory feed-in tariffs, construction and operating costs, financing options and possibilities for connecting to the grid or selling to local power users as well as checking permit requirements. In this phase, the cost of verifying the basic feasibility of a project is low. In the early phase, the Holdings Group selectively conducts its own developments or carries out its own assessment of the feasibility of potential development partners' projects, drawing on its own experience in the construction and operation of solar projects. We believe that this experience and know-how-based analysis of the feasibility of a potential development project is a significant competitive advantage and an important filter for minimizing possible development risks. To standardize this process, Greencells has been using an internal system to steer the development process since 2022, which allocates the financial and organizational resources required in each project phase according to the progress of a project's feasibility.

If the feasibility analysis is positive, the first step in the **mid-development phase** is usually to establish a project company (special purpose vehicle). This is followed by formally securing the land by entering into lease or purchase options and making the necessary preparations to secure the grid connection. Necessary expert opinions, such as environmental impact assessments and soil analyses, e.g., for technical suitability, contamination, archaeological heritage or legacy issues are prepared. At the same time, the possibilities for landscaping and, if necessary, for combining PV with agricultural use are analyzed. Formal permit applications to the competent authorities are prepared and submitted, including the results of environmental impact assessments and other surveys. Furthermore, all formalities regarding feed-in approval and the transmission route are cleared with the local grid operators and energy utilities. As a rule, the Holdings Group enters into development cooperations in the mid-development phase, at which point the feasibility of the projects can be reliably assessed. For this purpose, comprehensive economic viability calculations are performed and external expert opinions are obtained. The Holdings Group always strives to be an effective partner to the public authorities, land owners and local residents and to incorporate nature and landscape conservation considerations into the planning and subsequent implementation.

In tandem with the abovementioned measures, an initial detailed planning and costing of the construction of the power plant is carried out by the Greencells GmbH operations team. Preliminary finance planning also commences. In this phase, the Holdings Group usually acquires the project rights from the local developers in the early phase and attaches the payment of the purchase price to the achievement of key milestones of the project, such as firm grid connection commitments, designation of the site for the construction of a solar park by the competent authorities or formal building permit. In addition, the definition of the milestones incentivizes the development partner, ensuring that they bear a purchase price risk until the plant is connected to the grid. In addition to the milestone payments, cooperating on the sale of project rights in the mid-development phase means that local developers have access to Greencell's expertise in development, grid connection, procurement, construction and financing. The Holdings Group acts as an enabler and optimizer in this phase, reducing the implementation risk. In many cases, it is only by teaming up with Greencells that development partners are able to provide guarantees, e.g., for grid connection or participation in tenders.

Finally, in the **late development phase**, the financing model is finalized. This is done on the basis of verified schedules, investment, finance and cost plans, which have already been coordinated by Greencells GmbH (technology, procurement and finance) with suppliers, service providers and financing institutions with regard to construction financing and/or project financing. After this, the preliminary technical planning is completed. During this phase, the building permits are also formally issued, at the same time the grid connection and the cable route are formally secured and the grid operator's technical specifications for the connection are finalized. In addition, the marketing of electricity is typically determined either by participating in government tenders or entering into power purchase agreements (PPAs) with manufacturing companies or utilities.

The Holdings Group selectively enters into development collaborations in late phases or can acquire project rights, in particular to secure EPC contracts and the corresponding margins.

### **1.2.2 Construction**

For projects in Europe and North America, the companies of the GmbH Group mainly provide EPC services in the construction phase, while projects in the Middle East, Africa and Asia are executed by the Holdings Group, which in turn utilizes the internal resources of the GmbH Group. The latter regions will no longer be relevant for Greencells in the future as it focuses on the European markets.

Implementation is usually as a general contractor for turnkey construction. Greencells GmbH plans the entire construction project and is responsible for erecting the plant and any accompanying work, in particular for connecting to the power grid. This includes pre-planning, design and engineering, procurement, construction and project management, selecting and coordinating subcontractors and suppliers, construction work and comprehensive support services, in particular in construction progress control, cost control, quality management, achieving the technical conditions for connection, warranty management and certification. The actual construction of the power plant is done both by in-house specialists (from the affiliate Greencells CEE Srl, Cluj, Romania), who are deployed internationally, and by local subcontractors with whom Greencells has often worked together successfully for many years.

In connection with the projects, Greencells usually provides the customer with completion guarantees (time and costs), warranties and performance guarantees to the highest standards.

Greencells GmbH also has its own procurement team and longstanding and proven relationships and framework agreements with suppliers of Tier 1 components (modules, inverters, substructure) and believes that this gives it an edge over other competitors in terms of availability, purchase prices and other terms and conditions.

The components, which often account for up to 50% of the total cost of a project, are usually sourced by Greencells GmbH. Depending on the milestone payment terms agreed with the customer, substantial bridge financing may be required in some cases. This may also be backed by letters of credit and other types of trade finance. In certain projects, however, the components can be procured directly by the customer (EPC light).

The financing of the solar projects during the construction phase and the necessary guarantees, sureties and other collateral products are provided by an extensive network of financing partners.

After the solar park has been commissioned and connected to the grid, power production and export initially begins in a testing phase with a start-up curve agreed with the grid operator. The ability to control power generation from park for the provision of grid services, grid compatibility and compatibility with any energy storage systems to be installed at a later date is also tested.

### **1.2.3 Operation**

During the operation phase, a distinction can be made between early operation and long-term operation. Solar projects are designed to last at least 30 years and, due to the technical quality of the modules, can run for up to 50 years – with low and predictable transmission line losses due to degradation. The replacement of inverters is often scheduled during this time, for which reserves are factored into the calculation from the outset.

During the operation phase, Greencells GmbH offers O&M services, usually limited to the first two years of operation, and/or carries out the asset management for the project company, thereby helping to ensure that the operation, profitability and service life of the solar parks are optimized for the benefit of the end investors. Depending on the project, this may include the marketing of power, providing billable grid services, arranging connections to energy storage systems or integration in virtual power plants.

### **1.2.4 Divestment of projects**

As a rule, the Holdings Group's projects are divested by the special purpose vehicles at the end of the development phase, i.e., when they are ready to build (RTB). However, in order to recover funds early, projects may be sold before that, or purchase agreements may also be concluded that provide for early advance payments by the buyer until RTB status is achieved.

In some cases, the purchase agreements for projects are also structured in such a way that the shares are not transferred to the buyer until solar park has been built turnkey completion. When shares are transferred at an earlier stage, the operator company holds the project right, i.e., the right to build and operate the solar park on a specific site, which is thus transferred to the investor when the shares in the operator company are sold (sale of the project right). In such a sale of the project right, the investor becomes the owner of the shares in the operator company before construction starts and bears the risks associated with construction and the start-up of operation, but secures them by means of warranties, guarantees, claims for damages or rights of withdrawal against the seller of the shares or the general contractor. The power plant can also be constructed by third-party EPC providers.

Where projects are divested before reaching RTB status, the Holdings Group usually enters into development service agreements (DSAs) undertaking to perform the development work needed to achieve RTB status. Conversely, some projects are not sold until after they have been built and are in the early operating phase. A sale after an initial operating period regularly commands a higher purchase price because planning parameters can be backed by real-world figures, e.g., insolation, performance ratio, energy production. The performance ratio, a key quality indicator for assessing the performance of solar parks, is often higher than originally planned for the plants built by Greencells.

Within this range, the ideal time of sale is determined for each project held by the Holdings Group. A project can be divested individually, or by combining several projects in a portfolio. Parallel to the sale in project phases up to RTB status, a contract is usually concluded between the project company and the GmbH Group for the construction and, if necessary, the provision of O&M services for the sold project. Therefore, in addition to the actual purchase agreement for the shares of the project company, the sale documentation often contains further agreements relating to development work (DAS), construction (EPC) and operation (O&M, asset management).

### **1.3 Affiliates and operating companies**

Greencells GmbH, founded in 2009 and based in Saarbrücken with branches in Romania and Hungary, and which employed an average of 94 full-time employees (FTEs) in fiscal year 2022, is the parent company of the GmbH Group. It is typically the contractor for the EPC and O&M business and provides asset management services for the Holdings Group. The Company's management, with the previous sole general manager Andreas Hoffmann (CEO), was enlarged with effect from 1 September 2022 when Götz Gollan joined as new CFO.

At the end of 2022, the GmbH Group had the following affiliates which are of material importance for the operations of Greencells GmbH (wholly owned, except where otherwise stated):

- Greencells CEE S.r.l., Cluj-Napoca, Romania
- Greencells Construction Kft., Budapest, Hungary
- Greencells Hungary Kft., Budapest, Hungary
- Greencells Regio GmbH, Losheim am See, Germany
- Greencells USA Inc., Atlanta, USA
- Pekan Energy I Pte Ltd, Singapore, with its subsidiary Halpro Engineering Sdn Bhd, Kuala Lumpur, Malaysia (0.08%)

Greencells CEE S.r.l., which employs the experienced installers required for the construction part of the EPC business, is central to value creation in the GmbH Group. With over 230 employees (FTEs, annual average 2022), the Company is also the largest employer in the GmbH Group.

Greencells Construction Kft., Greencells Hungary Kft. and Greencells USA Inc. carry out EPC projects in Hungary and the US.

Greencells Regio GmbH implements photovoltaic projects for smaller ground-mounted systems and rooftop systems on the German solar market. The Company was sold in its entirety in May 2023 as its activities are not central to the GmbH Group's business model.

Companies were established in Asia in the past to develop and build the Pekan solar park in Malaysia. These include Pekan Energy I Pte. Ltd. and Halpro Engineering Sdn Bhd. This project was wrapped up on 16 December 2021 following the completion of construction work and subsequent partial sale of the project company Halpro Engineering Sdn Bhd. Pekan Energy I Pte. Ltd. continues to hold shares in the Pekan solar park as a holding company.

## **1.4 Objectives and strategy**

The entrepreneurial goal of Greencells is to establish itself as one of Europe's leading full-service providers for the development, design, engineering, construction and operation of solar power plants, to generate sustainable positive earnings and net cash flows and at the same time to make a substantial contribution to climate-friendly and sustainable energy generation.

This objective is to be achieved in particular through the following strategic measures:

### **1.4.1 Specialization in solar energy in response to climate change**

All around the world, large-scale government programs such as the European Green Deal are aimed at promoting renewable energy production and averting climate change.

Institutional investors are increasingly training their sights on climate-conscious investments. Large companies are trying to stabilize their energy costs amid rising energy prices and volatility. Market structures are changing dynamically – for example, European solar power purchase agreements (PPAs) are replacing previous feed-in tariffs. Global carbon emissions are rising again after the pandemic.

At the same time, renewable energy sources are now economically competitive. The segment includes various methods of sustainable energy generation. Solar power has drastically improved its cost structure in recent years and is now the cheapest source of energy.<sup>1</sup> At the same time, advancing digitalization enables an increasingly better integration of energy generation, storage, transport and consumption. The production of green hydrogen also requires the use of renewable forms of energy.

Against this background, Greencells has made a strategic decision to continue to operate exclusively in its established solar power segment. The Company is thus positioning itself as a pure-play provider of turnkey solar power plants, leveraging its competitive advantages from many years of project experience.

This strategy does not exclude the creation of added value together with producers of other forms of energy, for example by co-using sites with wind turbines and thus sharing existing feed-in points.

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<sup>1</sup> Bloomberg Finance, 2022, internet

#### **1.4.2 Regional focus on Europe**

After several years of internationalization, during which Greencells was active in almost all relevant regions of the world, its focus now and in the future is on the European markets. According to estimates by Solar Power Europe, the segment of utility-scale photovoltaic power plants, which is relevant for Greencells, is expected to more than double from around 17 GWp to 43 GWp over the next four years.<sup>2</sup> In our opinion, this alone holds immense business potential for Greencells.

Furthermore, in Europe, the Company operates in a comparatively homogeneous legal, customs and currency area, in countries where it has already gathered extensive experience. Greencells also benefits from its physical proximity, which enables the optimized deployment of its highly qualified and experienced installation teams and reduces dependence on external partners. Through its country managers, the Company is well connected and established in the various local markets. Particular potential is seen in the Eastern European countries, where it has already successfully entered the first markets, namely Poland, Hungary and Romania.

Greencells management also sees lower technology risks and strategic advantages associated with developed European markets for renewable forms of energy with experienced players along the entire value chain, also with regard to project finance (efficient financial and capital markets, euro area). The expansion of renewables is also receiving strong political support in the European Union through the European Green Deal, combined with financial incentives.

The European markets are becoming even more attractive as commercial investors (e.g., energy producers, oil companies, industrial companies) are keen to acquire photovoltaic projects for energy generation. Institutional investors are also stepping up their activities in this asset class in order to meet their investors' appetite for sustainable (ESG – Environment, Social, Governance) investment opportunities or to reallocate funds from the (contracting) real estate market.

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<sup>2</sup> SolarPower Europe, 2022b, p. 29

The Company will gradually phase out its activities in other regions of the world and sell or liquidate the local entities. Nevertheless, in certain cases, it will still be able to take advantage of opportunities in non-European OECD countries with an attractive risk-return profile. However, it sets high standards for compliance, project yield and the legal and political environment.

#### **1.4.3 Focus on specific project types and sizes**

The Company focuses on power plants in the range of 20 to 250 MW. Greencells spans the entire value chain. It holds particular competitive advantages for projects with high quality and technology standards. The increasing complexity created by the need for grid integration, demand management, storage, hybrid solutions, agrivoltaics, floating photovoltaics or carport solutions makes Greencells a preferred partner for local developers and investors, as the Company has many years of project experience, extensive technological expertise (also through its own R&D), in-house engineering capabilities and technology alliances.

In addition, when initiating and negotiating EPC projects Greencells strives to minimize the working capital required for procurement. This can be done, for example, by arranging appropriate milestone payment plans or “EPC light” structures (where customer sources key components directly from the supplier).

#### **1.4.4 Expansion of in-house installation team**

According to management, the EPC installation team will be instrumental in achieving further growth. The expansion and continuous further qualification of the team based on a special training concept ensures its availability and a high quality of training. Investments in the team and infrastructure as well as the use of the pipeline of the Holdings Group’s projects will increase the volume of services in the future, boost efficiency, stabilize capacity utilization and reduce negative effects from project postponements (which will remain unavoidable in the future) through a better distribution of risk associated with the increased size.

#### **1.4.5 Co-development strategy and in-house development**

Through the Holdings Group's own project development activities, Greencells GmbH has access to an extensive internally generated EPC pipeline with a firm contractual basis outside the competition.

After a lengthy investment phase, since mid-2022 the Holdings Group has been channeling its efforts into the sale of projects and winning co-investors. The aim is to transfer the funds tied up in investments to a cycle of revolving generation of profits from project development and liquidity surpluses.

#### **1.4.6 Creation of more financial headroom**

In the transition from the investment phase to a revolving business model in the Holdings Group's development business, significant funds will be freed up, some of which will be used to repay financing granted by Greencells GmbH. In turn, the latter will use the funds to repay loans from the Zahid Group and to create a substantial and sustainable liquidity base. This is expected to significantly improve debt-related balance sheet ratios. At the same time, it will allow the GmbH Group to meet any temporary working capital requirements from EPC projects from its own funds. According to the management, this will structurally improve creditworthiness and reduce the currently high dependence on financing partners.

### **1.5 Financial management system**

In recent years, key elements of the financial management system were revenue, earnings before interest (including impairment of financial assets and securities classified as current assets, as well as income from equity investments and other securities and loans classified as fixed financial assets) and taxes (EBIT), return on revenue and cash flow from operating activities. In addition, key covenants from loan and insurance agreements are equity and equity ratio, and earnings before interest, depreciation and amortization (EBITDA).

Due to the sharp increase in the Holdings Group's investment volume, which is financed by Greencells GmbH funds, as well as the associated increase in the Company's debt and leverage ratio, the key indicators were adjusted as follows in order to ensure that they can be managed commensurate to risk:

- Revenue (in the separate financial statements of Greencells GmbH (HGB) plus changes in finished goods and work in process)
- EBIT and EBIT margin
- Free cash flow (including cash flow from the financing of the Holdings Group)
- Equity
- Net debt and net debt leverage ratio (net debt/EBITDA)
- Free liquidity (bank balances and available credit facilities)

Management aims to achieve sustainable profitable revenue growth, combined with the use of economies of scale, which will translate into a disproportionately high increase in EBIT and EBIT margin.

In our view, free cash flow should be positive over the long term and, with the exception of passing on and reinvesting placement proceeds from the Green Bond, should no longer include financing payments to the Holdings Group. In the future, the Holdings Group will instead be financed through project sales and by winning co-investors at the level of the Holdings Group itself. Where projects financed with bond funds are sold, the reinvestment of funds is subject to the requirements of the Green Bond Framework. As the Green Bond is due to mature in December 2025, it is planned to hold back a gradually rising volume of cash inflows in 2024 and 2025 for repayment purposes.

According to management's plans, this should increase free liquidity, significantly reduce net debt and provide enough working capital at any time during the year to finance Greencells GmbH's growing EPC business. In combination with improved EBITDA, the net debt leverage ratio is also to be significantly and permanently improved and the Company's rating with banks and insurance companies is to be strengthened.

Revenue and EBIT (with the exception of administrative and overhead costs) are managed at project level. For this purpose, appropriate criteria are applied in the project selection process and project-specific performance analyses and target/actual comparisons are carried out on an ongoing basis for existing projects. Administrative and overhead costs are planned at cost center level and analyzed monthly for deviations.

Cash flow from operating activities is also planned and monitored on a project-by-project basis. All other cash flow inputs are evaluated on a monthly basis, or on a weekly basis if available on a short-term basis. Cash flows with the sister group, banks and shareholders are managed jointly by management and the treasury team.

## **2. Economic report**

### **2.1 Macroeconomic conditions**

According to the Kiel Institute for the World Economy (IfW)<sup>3</sup>, global economic growth slowed significantly in 2022 from 6.2% in 2021 to 3.2%. High energy prices and widespread uncertainty, significantly exacerbated by Russia's war against Ukraine and global geopolitical developments, were major influencing factors. Monetary policy also had a dampening effect as the year progressed, tightening very quickly due to high inflationary pressures. Overall, production remained on an upward trajectory into the fall, boosted by the easing supply shortages and the ongoing normalization of activity in the economic sectors most affected by the coronavirus pandemic. At the same time, however, this development was overshadowed by a slowdown in economic momentum towards the end of the year, which mainly in the major advanced economies. Moderate global economic growth of 2.5% is forecast for fiscal year 2023.

At the end of 2022, the economic area of the European Union was on the brink of recession, but narrowly avoided it overall. Economic activity in the first half of 2022 was still fueled by catch-up effects in the wake of the coronavirus pandemic. These developed enough momentum to absorb the negative effects of the surging energy prices caused by the Ukraine war. As a result, the European Economic Area achieved GDP growth of 3.6% for the year (2021: 5.4%).

Economic activity in the emerging markets lost steam. The Chinese economy was weighed down throughout 2022 by the impact of the continued zero-Covid policy and the lengthy and strict lockdowns. Although these restrictions were lifted at the beginning of December 2022, overall China's GDP declined from 8.4% in 2021 to 3.0%. Most of the other Asian emerging markets also recorded fairly strong production growth. In Latin America, the economy remained on an upward trajectory, but the double-digit growth rates achieved in many places in the prior year were no longer achieved.

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<sup>3</sup> Gern et al., 2023

## **2.2 Industry environment**

### **Focus on solar energy**

The provision of secure, clean and affordable energy is increasingly shifting into the economic, political and social focus, for example through the European Commission's plan to rapidly reduce the EU's dependence on Russian fossil fuels (REPowerEU) presented on 18 May 2022. The energy and humanitarian crisis unleashed by the war in Ukraine has global consequences. At the same time, there are signs of a general lack of progress toward achieving climate targets – CO<sub>2</sub> emissions have increased every year since the Paris COP in 2015 (bar 2020).<sup>4</sup> The effects of climate change, such as more frequent extreme weather events, are becoming increasingly apparent. This is forcing political and economic decision-makers to act more quickly and decisively.

At the same time, however, this major challenge for the global community is proving to be a catalyst for renewables. Fatih Birol, Executive Director of the International Energy Agency (IEA), sees a potential historic turning point towards a cleaner and more secure energy system thanks to the unprecedented response from governments around the world, including the Inflation Reduction Act in the United States, the Fit for 55 package and REPowerEU in the European Union, Japan's Green Transformation (GX) program, Korea's goal to increase the share of nuclear and renewables in its energy mix, and the ambitious clean energy targets in China and India.<sup>5</sup>

Programs for the promotion and rapid expansion of decentralized, renewable energy generation are being launched and expanded worldwide. For example, in its REPowerEU plan, which supplements the existing European Green Deal, the European Union is drafting an action plan to reduce dependence on Russian oil and gas imports as quickly as possible. Besides facilitating fast action to source alternative energy capacities, it is dedicated to promoting the expansion of renewables and increasing their share of the electricity mix to 45% in 2030. The aim is also to accelerate the granting of official permits for new renewable energy projects and initiate a renaissance of European component production.<sup>6</sup> At the same time, the Inflation Reduction Act in the US provides clear incentives for the expansion of wind and solar power, grid expansion and the promotion of green hydrogen, electromobility, biomass and carbon storage.<sup>7</sup>

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<sup>4</sup> BP p.l.c., 2023, p. 7

<sup>5</sup> International Energy Agency, 2022, p. 3

<sup>6</sup> European Commission, 2022, internet

<sup>7</sup> BP p.l.c., 2023, p. 37

## **Over EUR 289b<sup>8</sup> invested in solar energy in 2022**

Institutional and retail investors are increasingly seeking sustainable investment opportunities that align with both their own convictions and the changing legislative framework (such as the EU's Sustainable Finance Disclosure Regulation (SFDR)).

In this context, BloombergNEF estimates that renewables already reached unprecedented global investment levels in 2022. More than EUR 465b flowed into renewable forms of energy, with more than EUR 289b being invested in solar power alone.<sup>9</sup> As a real asset, it is gaining traction because PV farms are easy and quick to set up, contribute directly to reducing CO<sub>2</sub> emissions and generate a steady stream of income for investors. Riding on this wave of capital inflows, a record expansion of an estimated 260 GW of solar capacity was added worldwide in the course of 2022.<sup>10</sup>

## **Long-term elevated demand for renewable electricity**

Demand for electricity from renewable sources is also driven specifically by large-scale industrial consumers and energy producers through power purchase agreements (PPAs). Part of this demand comes from these customers' sustainability strategies (for example, from data centers or energy-intensive manufacturing industries that want to improve the carbon footprint of their operations). However, since the outbreak of the war in Ukraine and the resulting volatility in energy prices, PPAs were also increasingly used to hedge against further electricity price increases in the course of 2022.<sup>11</sup>

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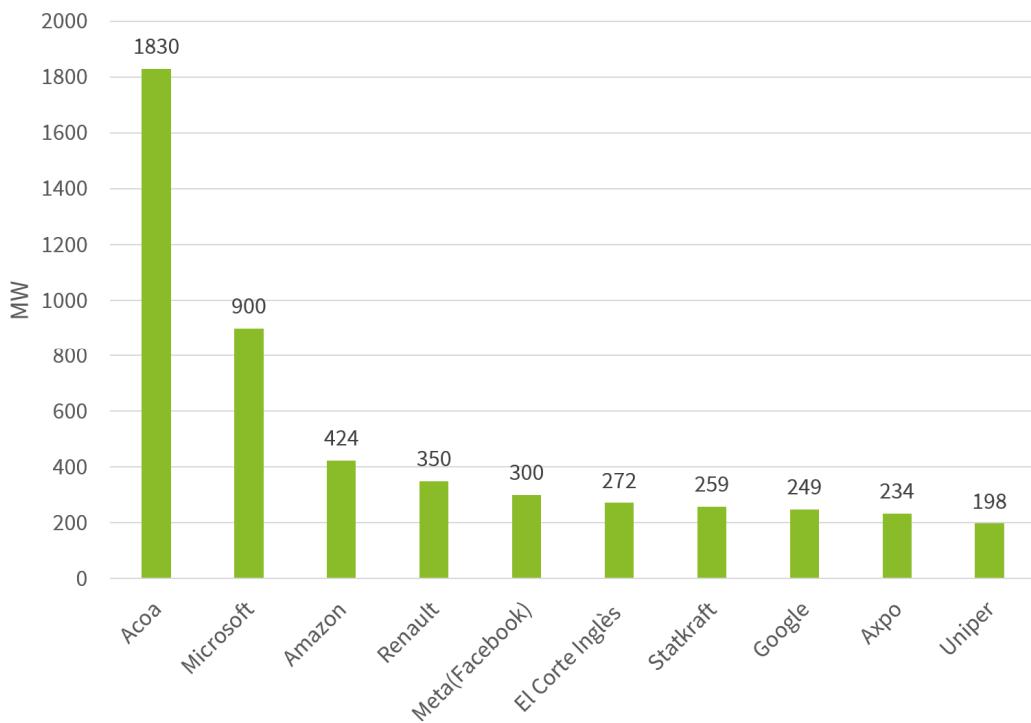
<sup>8</sup> Amounts in this section have been translated using the exchange rate as of 15 March 2023 of US\$ 1 = EUR 0.94

<sup>9</sup> Bloomberg Finance L.P., 2023, internet

<sup>10</sup> Bloomberg Finance L.P., 2023, internet

<sup>11</sup> Pexapark, 2023, p. 13

Top buyers (mixed), by disclosed contracted volumes in MW



Source: Pexapark, 2023, p. 19

**Solar breaks through the terawatt barrier**

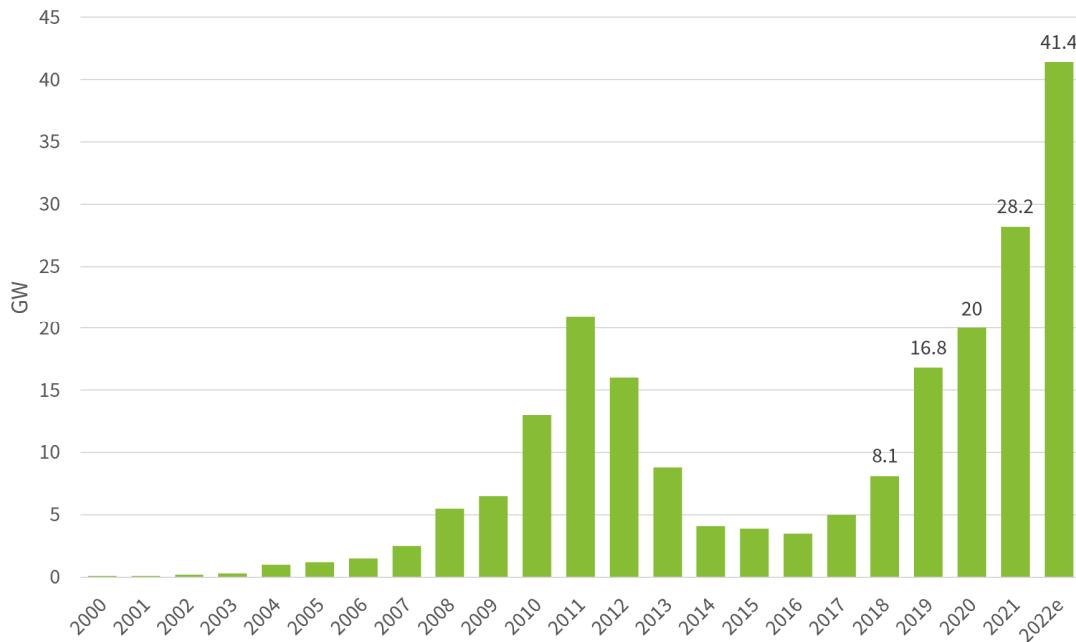
Being fast and easy to deploy, solar energy plays an important role in meeting the rising demand for electricity. Thus, the total capacity of solar plants connected to the grid globally hit the terawatt mark in April 2022.<sup>12</sup>

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<sup>12</sup> SolarPower Europe, 2022a, p. 5

### **Record addition of solar capacity in Europe**

With a record 41.4 GW of solar capacity added and a doubling of additional capacity in 2022 compared to previous forecasts<sup>13</sup>, management considers Europe to be the powerhouse of the solar industry.



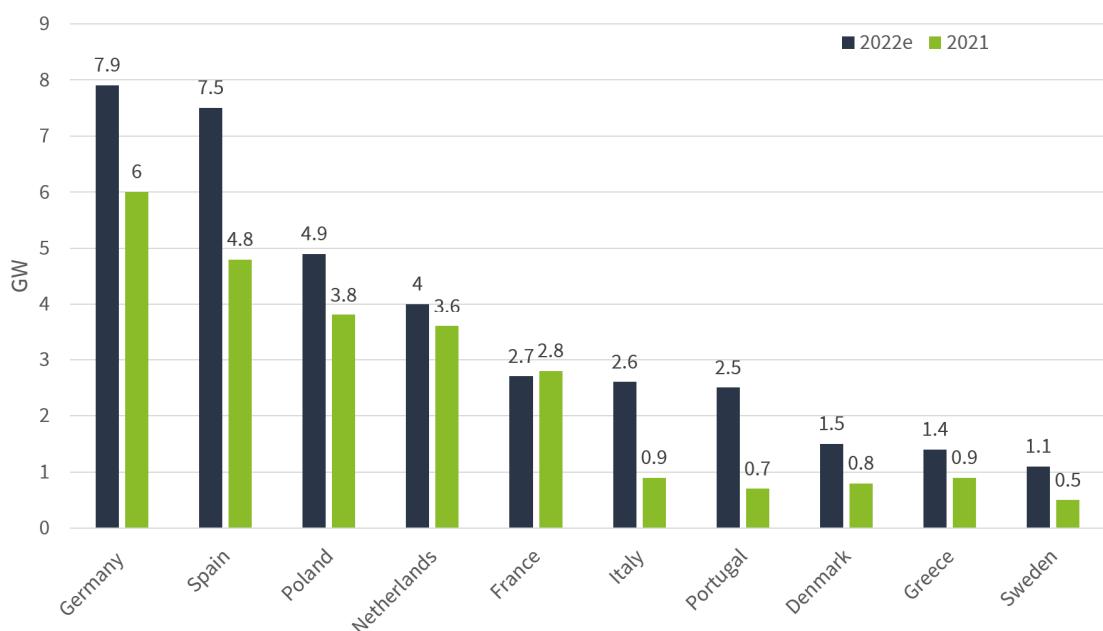
Source: SolarPower Europe, 2022b, p. 13

The top 10 solar markets included Germany, Spain, Poland, the Netherlands, France, Italy and Greece, seven markets in which the Greencells GmbH Group operates directly as an EPC service provider or through the development activities of its sister company Greencells Group Holdings.<sup>14</sup>

<sup>13</sup> SolarPower Europe, 2022b, p. 5

<sup>14</sup> SolarPower Europe, 2022b, p. 15

### EU27 TOP 10 PV markets 2021 to 2022



Source: SolarPower Europe, 2022b, p. 15

## Challenges

In response to soaring energy costs, the European Commission announced a revenue cap on energy prices at EUR 180/MWh in September 2022, which can be implemented individually by member states. This has resulted in a medley of differing regulations with varying caps in different member states.<sup>15</sup> Even if the measures are temporary, they represent a regulatory uncertainty in the short term that must be mitigated by investors and energy producers.

Another challenge is the availability of skilled workers. Like other sectors of the economy, the solar industry is also affected by the general shortage of skilled labor.<sup>16</sup> The Greencells GmbH Group is in an advantageous position in this respect thanks to its in-house installation teams and the additional capacities built up in the course of fiscal year 2022 to counteract this effect.

<sup>15</sup> Pexapark, 2023, p. 36f

<sup>16</sup> SolarPower Europe, 2022b, p. 24

The supply chain shortages that have been prevalent in recent years eased over the past year, even though the Chinese government's partly uncoordinated zero-Covid policy continued to cause disruptions. According to management, the relaxing of restrictions combined with lower logistics costs, provides a more stable planning basis for the industry.

## **2.3 Financial performance and revenue**

Greencells GmbH recorded significant growth in fiscal year 2022 and was also able to significantly improve its operating result and EBIT margin.

Revenue increased by 49.3% year on year to EUR 142.7m, with the EPC business being the main source of revenue, as in the prior year. The main revenue drivers were three projects in Hungary and one in Germany. Revenue from asset management services with the Holdings Group also rose to EUR 8.9m (prior year: EUR 1.7m). O&M revenue, on the other hand, remained relatively insignificant.

Changes in finished goods and work in process from construction contracts halved to EUR 4.0m (prior year: EUR 8.0m). As a result, total operating performance rose 58.2% from EUR 87.6m to EUR 138.7m.

Other operating income almost tripled from EUR 448k to EUR 1.3m, mainly due to income from currency translation (EUR 1.2m, prior year: EUR 219k).

The cost of materials increased at a lower rate, up 52.3% from EUR 75.0m to EUR 114.3m. Of this amount, EUR 68.7m (prior year: EUR 29.5m) was attributable to modules.

Personnel expenses increased by 22.3% to EUR 7.4m. The increase includes one-time effects in connection with the changes in management at the C-level in fiscal year 2022.

Depreciation and amortization rose from EUR 109k to EUR 205k, but were insignificant overall.

Other operating expenses increased sharply from EUR 4.4m to EUR 7.5m. In addition to general increases reflecting the Company's growth, EUR 1.0m (prior year: EUR 285k) is attributable to temporarily higher legal and consulting fees, EUR 663k (prior year: EUR 265k) to expenses from currency translation and EUR 1.9m to non-recurring effects, of which an amount of EUR 1.4m (prior year: zero) is attributable to damages and out-of-period expenses, and EUR 536k (prior year: zero) to bad debts and specific bad debt allowances.

The Company's earnings before interest, income from equity investments and loans classified as fixed financial assets, impairment of financial assets and securities classified as current assets, and before taxes (EBIT) thus more than quadrupled to EUR 10.6m (prior year: EUR 2.5m). The EBIT margin (as a percentage of total operating performance) increased from 2.9% to 7.6%.

As a result of the increased loans to the Holdings Group on the one hand and the increased refinancing volume from the Green Bond and loans from Zahid Group Holding Limited, Dubai, United Arab Emirates ("Zahid Group"), on the other, both interest income, including income from other securities and loans classified as fixed financial assets (EUR 3.7m; prior year: EUR 2.1m) and interest expenses (EUR 4.2m; prior year: EUR 2.9m) rose substantially. In addition, there is a non-recurring effect (which is not relevant for tax purposes) of EUR 6.7m (prior year: zero) of impairment of financial assets (shares in affiliates) of EUR 2.1m (prior year: zero) and short-term loan receivables from Greencells USA Inc. (EUR 4.7m; prior year: zero).

The significantly improved taxable income led to an increase in income tax expense of EUR 2.3m (prior year: EUR 682k).

Due to the aforementioned non-recurring effects, net income remained at the prior year's level (EUR 1,045k, prior year: EUR 991k) despite the significantly improved EBIT. Adjusted for these effects, it would have increased almost eightfold to EUR 7.8m.

## **2.4 Order intake**

Greencells GmbH was able to win a large number of new contracts in 2022 and has further projects at advanced stages of negotiation. The budget and forecast for 2023 is based on a total of 22 EPC projects (prior year: 14) with a total capacity of 484 MWp (prior year: 226 MWp) in various construction phases, of which two projects (prior year: two) are attributable to the Holdings Group. For 18 projects, project contracts (EPC agreement or early works agreements) had already been signed at the time the budget was prepared.

## **2.5 Research and development**

From management's point of view, a high level of technical expertise and the resulting early adoption of innovations have always been a competitive advantage for Greencells throughout the Company's history. Greencells GmbH maintains its own research and development department, which employed five people (prior year: five) as of 31 December 2022. The department primarily conducts project-related and market-driven development work, but does not engage in basic research. Expenses came to EUR 260k (prior year: EUR 286k) in 2022.

In 2022, the department focused on work to increase productivity and integrate digitalization in PV-related applications. For example, a design for the vertical mounting of bifacial solar modules and various concepts for the improvement of tracker substructures were developed.

The Company is a project partner in a project funded by the German Federal Ministry of Education and Research (ViSaar) to promote virtual working, supporting companies from Saarland and Saarland as a business location. As part of the research project, Greencells, in cooperation with other companies, presents current and future application examples in the solar sector, such as construction site monitoring via drone or digital communication tools used during construction.

Increasing efficiency and continuously reducing the costs of using photovoltaics remain key factors in enhancing the competitiveness of solar power. In our experience, customers value the technical expertise brought to the table by Greencells, as cost savings and yield maximization can be achieved through the planning and use of state-of-the-art technologies.

## **2.6 Assets and liabilities**

In the reporting year, the main changes in Greencells GmbH's balance sheet were prompted by the raising of additional Green Bond funds, their transfer to the Holdings Group and by effects of EPC business projects and their financing.

On the assets side, fixed assets grew significantly by EUR 30.9m, from EUR 33.6m to EUR 64.5m in the reporting year. As a result, total assets increased by a comparable amount, up from EUR 80.0m to EUR 111.7m. The main item here is the loans to the Holdings Group, which grew from EUR 18.4m to EUR 50.7m. On the other hand, impairments reduced the shares in affiliates slightly from EUR 14.8m to EUR 12.7m. Property, plant and equipment rose from EUR 340k to EUR 964k, but were insignificant overall.

Current assets remained virtually unchanged compared to the reporting date (EUR 47.2m, prior year: EUR 46.3m). Increases in inventories (EUR 4.6m; prior year: EUR 2.5m) and receivables and other assets (EUR 32.7m, prior year: EUR 31.1m) were offset by a decline in cash and cash equivalents from EUR 12.7m to EUR 10.0m. Trade receivables as a significant item of receivables and other assets of EUR 22.2m relate to companies in the Holdings Group.

As a result of the net income for the year, equity on the equity and liabilities side of the balance sheet increased by 9.5% to EUR 12.1m (prior year: EUR 11.0m). Nevertheless, the stronger increase in total equity and liabilities led to a decline in the equity ratio from 13.8% to 10.8%.

Provisions decreased from EUR 11.1m to EUR 8.7m, with tax provisions increasing by EUR 2.3m, whereas other provisions decreased by EUR 4.7m, mainly in connection with projects.

Additional Green Bond funds of EUR 4.8m were used to finance the increased loans to the Holdings Group, which raised the associated liabilities to EUR 36.3m. Repayments of the KfW loan reduced liabilities to banks from EUR 12.1m to EUR 3.8m. Liabilities to affiliates (EUR 5.3m; prior year: zero) relate almost exclusively to a loan from Pekan Energy I Pte Ltd., Singapore. The increase in other liabilities by EUR 24.6m to EUR 30.8m is mainly attributable to the loans raised with the Zahid Group in the amount of EUR 25.0m (prior year: zero).

Overall, the working capital tied up<sup>17</sup> decreased from EUR 22.2m to EUR 20.2m.

Net debt<sup>18</sup> stood at EUR 60.9m, almost double the amount in the prior year (EUR 30.9m). The net debt leverage ratio<sup>19</sup>, on the other hand, improved just as significantly from 11.8 to 5.7.

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<sup>17</sup> Working capital: Inventories plus trade receivables minus trade payables

<sup>18</sup> Net debt: Liabilities from bonds, to banks, to affiliates, from loans from the Zahid Group and from hire purchase minus cash on hand, Bundesbank balances, bank balances and checks

<sup>19</sup> Net debt leverage ratio: Net debt/EBITDA

## **2.7 Financial position, cash flows and investments**

The financial position of Greencells GmbH was characterized by improvements in operating cash flow in the reporting year. This was mainly due to the EBITDA of EUR 10.8m and the increase in trade payables by EUR 6.7m, which were offset by higher inventories (minus EUR 2.0m), changes in provisions (minus EUR 2.4m) and trade receivables (minus EUR 2.6m). In addition, receivables from affiliates (before bad debt allowances) increased by EUR 3.5m.

Cash flow from investing activities was significantly impacted by payments of EUR 26.9m for investments in fixed financial assets, mainly loans to the Holdings Group. Investments in property, plant and equipment, on the other hand, were insignificant.

In the reporting year, financing was mainly provided by loans from the Zahid Group (EUR 25m) and the placement of additional Green Bond bonds in the amount of EUR 4.8m. Liabilities to banks, on the other hand, declined by EUR 8.2m, mainly due to the partial repayment of a KfW loan.

On balance, cash and cash equivalents decreased by EUR 2.7m from EUR 12.7m to EUR 10.0m as of the reporting date, and free liquidity (cash and cash equivalents and available credit facilities with banks) decreased from EUR 13.2m to EUR 10.6m.

## **2.8 Overall statement regarding the Company's economic development**

In the reporting year, Greencells GmbH recorded significant growth in a dynamic yet challenging market environment and was able to improve operating profitability at the same time. The annual targets of a significant increase in revenue (actual: up 49.3%), EBIT of EUR 6,826k (actual: EUR 10.6m) and an increase in cash flow from operating activities were achieved, but the return on revenue target of 2.9% (actual: 0.7%) was missed due to non-recurring effects.

In a hostile development market (Ukraine war, interest rate increases, volatile electricity prices, government intervention), the Holdings Group was only able to generate very limited – and far below-budget – cash inflows from project sales and winning co-investors. This increased the amount of financing required by Greencells GmbH. At the same time, the bearish market for SME bonds made it more difficult to raise additional proceeds from the Green Bond. These effects were largely offset by the provision of EUR 25m in loans by the Zahid Group.

As a result, net debt and receivables from companies in the Holdings Group increased. It is an important goal for management to repay the receivables from the Holdings Group and the debts of the GmbH Group by generating inflows from development activities (Holdings Group) and repaying intercompany loans, thus significantly improving the balance sheet ratios.

## **2.9 Impact of resources not presented in the financial statements and the significance of non-financial factors**

### **2.9.1 Our environmental footprint**

As one of the leading providers of solar parks in Europe, Greencells operates entirely in a green industry and management believes that it is actively contributing to the energy transition. By the end of 2022, Greencells had installed 2.6 GW of utility-scale solar power plants worldwide, including 300 MW developed by Greencells Group Holdings. Of this, 238 MW were added in the course of fiscal year 2022 (72 MW in in-house development). Over an estimated minimum service life of 20 years, the plants built by Greencells will save almost 30 million tonnes of CO<sub>2</sub> compared to power generated by natural gas, according to its own calculations.

By issuing the secured Greencells Green Bond, Greencells has also been able to consistently expand its development business since the end of 2020. Overall, all projects financed with Green Bond funds by 31 December 2022 have a total capacity of around 2,715 MW and are thus expected to save around 2.58 million tonnes of CO<sub>2</sub> annually. This equals an additional saving of more than 51 million tonnes of CO<sub>2</sub> over the assumed minimum service life. Further information on the Greencells Green Bond, the use of the funds raised and the positive environmental balance can be found at [greencells.com/ir-2](http://greencells.com/ir-2) in the full allocation report for 2022.

According to its own assessment, Greencells is thus making a significant contribution to achieving the United Nations Sustainable Development Goals 7 “Affordable and Clean Energy” and 13 “Climate Action” (UN SDGs).



In preparation for its future more in-depth ESG reporting in line with the Corporate Sustainability Reporting Directive (CSRD), Greencells has made a rough internal estimate of its own scope 1, 2 and 3 CO<sub>2</sub> emissions for 2022. This preliminary estimate indicates own emissions totaling 134 thousand tonnes of CO<sub>2</sub>. Over the same time, the Greencells-built solar parks currently connected the grid will save 1.5 million tonnes of CO<sub>2</sub>e per year compared to power generated with natural gas, i.e., almost 11 times the emissions estimated to be generated by the Company. Compared to lignite-fired power generation, which is still prevalent in some countries, the balance is even better, at around 3.8 million tonnes of CO<sub>2</sub>e per year, i.e., almost 28 times more than the Company generated for 2022 as a whole according to this estimate.

### **2.9.2 Our wider responsibility**

Greencells management would also like to consciously address sustainability issues in the broader context of the Company's activities and has assigned responsibilities for ESG topics and reporting to the Compliance and Investor Relations functions. To supplement existing processes and procedures, for example, standardized ESG reporting in accordance with the German Sustainability Code is currently being established.

Irrespective of this, however, Greencells committed itself early on to acting in an environmentally and socially responsible manner. With regard to its EPC and O&M activities, Greencells GmbH is ISO 14001 certified. This internationally recognized standard specifies criteria for an effective environmental management system and is used in over 170 countries worldwide. In addition, clear protocols for occupational health and safety, waste management and environmental protection are followed at Greencells construction sites.

Greencells has had a code of conduct for several years now, which defines standards of conduct within the Company and with external partners. Greencells also requires external partners to comply with the standards set out in the code of conduct. The code of conduct covers topics such as upholding labor standards, no child labor, equal treatment and non-discrimination, and anti-corruption. These and other core corporate policies are publicly available on the Company's website at [greencells.com/compliance](http://greencells.com/compliance).

### Supply chain

The construction of a solar power plant requires a relatively small number of main components such as solar modules, inverters and the substructure. A large proportion of the solar modules and inverters installed worldwide are produced in China. In the past, concerns have repeatedly been raised about working conditions at Chinese manufacturers. Greencells works with established suppliers in the solar industry and gives preference to ESG-oriented suppliers. Under the supplier frameworks that Greencells has concluded with its main suppliers, they undertake to comply with the Greencells code of conduct. The substructures installed by Greencells, are mainly built from European steel with a lower carbon footprint and a good ESG track record.

### Circular economy

Solar modules have a long lifespan – the minimum life is 20 years, but this is a conservative estimate and Greencells management believes that they can realistically be used for 25 to 30 years. However, since solar modules are produced using critical metals and rare earths, their ability to be recycled is paramount. The solar modules installed by Greencells conform to European Directive 2012/19/EU on waste electrical and electronic equipment (WEEE Directive). Many are also certified for the PV Cycle system in a number of countries.

According to the latest estimates, the energy payback time for solar panels, i.e., the time required for them to produce the amount of energy equivalent to that used from non-renewable primary energy sources to produce them, is just over a year, depending on the technology used.<sup>20</sup>

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<sup>20</sup> International Energy Agency, 2021, p. 4

## HR

As an engineering company, the GmbH Group has an employee-specific age structure, which, including the Greencells CEE several hundred-strong installation team, is male-dominated and has a comparatively low average age.

At Greencells GmbH, which mainly carries out administrative activities, the proportion of female employees as of 31 December 2022 stands at 32%, of which 20% are managers. Management is all-male. Excluding management, the gross hourly wage of female employees is 11% lower than that of male colleagues. But looking at managers alone, it is, in fact, 5% higher.

Greencells invests in the education and training of its employees. Greencells CEE's engineering teams are trained at the Company's in-house training center in Cluj, Romania. Training for administrative staff is provided in the form of leadership courses and the allocation of a training budget for each team. In 2022, Greencells GmbH spent EUR 50k on further training.

Greencells respects the right to form a works council. At present, there is none. Should a works council being formed at Greencells GmbH, Greencells will facilitate its activities.

## Development activities of the sister company

The development activities of the Holdings Group entail more complex responsibilities as they take place in the pre-construction project phases.

In this context, the sister company undertakes, among other things, not to plan projects in protected areas, to minimize or compensate for adverse impacts on biodiversity and ecosystems as much as possible, to actively introduce elements of biodiversity into its projects and to undertake regeneration activities in areas that have been damaged by previous overuse or extreme weather. In addition, possibilities for the dual use of photovoltaics and agriculture (agrivoltaics) are being actively explored. Construction logistics are planned so as to minimize the impact on the environment and communities. In addition, Greencells strives to visually embed its PV farms in the surrounding landscape as much as possible. This can be done, for example, by planting hedges or other natural forms of visual cover.

The development activities also bring the dimension of the exchange with municipalities and residents to obtain permits and boost acceptance of solar parks in the planning phase, to the activities of the wider enterprise. This exchange is carried out by the sister company with its project managers who are supported by the in-house Communications department.

In addition, Greencells offers concepts of citizen participation in the development projects it operates to the extent permitted locally and nationally – as was the case with the Saarland citizens' solar park Hartungshof and with a solar park already connected to the grid in St. Charles, France.

The creation of local jobs is also promoted as far as the project specifics allow.

### **3. Report on anticipated development and significant opportunities and risks**

#### **3.1 Risk management and risk strategy**

##### **3.1.1 Principles of risk management**

Greencells GmbH's management must take appropriate action, in particular to implement a monitoring system to identify at an early stage developments posing a risk to the Group's ability to continue as a going concern. It ensures appropriate risk management and risk control in the Company, assures compliance with legal provisions and internal policies, and works to ensure that they are adhered to by the group companies.

In the course of its business activities, Greencells is inevitably exposed to risks associated with entrepreneurial activity and the targeted exploitation of opportunities. For the Group, risk management therefore means not only unilaterally reducing risks, but also taking a conscious approach to dealing with opportunities.

The process steps of risk management are (1) identifying and (2) assessing risks, (3) taking action to manage risks, (4) monitoring their effectiveness and (5) documentation and reporting. To date, the Greencells Group has taken a decentralized approach in which risks are monitored by various departments of the Finance function and central risk management activities (especially insurance) are implemented by the financial operations team, in each case according to management's specifications. This structure is currently being centralized, for which a separate risk management unit is being created in the Controlling function.

### **3.1.2 Risk strategy**

Management's top priority when determining the strategy, managing the Company and during day-to-day operations is to take only appropriate, manageable and controllable risks. Risks that could jeopardize the continued existence of Greencells, i.e., risks which could threaten its ability to continue as a going concern, must be excluded as far as possible.

An important objective of risk management is to protect the Group and to sustainably and consciously enhance both the risk coverage potential (capital and liquidity) and the value of the Company. Attention is paid both to external risks that impact Greencells as well as to risks that arise internally.

### **3.1.3 Assessment of risks**

Risks are rated on a relevance scale according to which individual risks are assessed according to the probability of occurrence, potential impact and the effectiveness of safeguards.

<b>Level</b>	<b>Description</b>
<b>1</b>	<b>Minor risks</b> that could have a barely noticeable impact on EBIT and/or cash flow
<b>2</b>	<b>Medium risks</b> that could have a noticeable impact on EBIT and/or cash flow
<b>3</b>	<b>Significant risks</b> that could have a significant impact on EBIT and/or cash flow and/or have a long-term impact
<b>4</b>	<b>Serious risks</b> that could have a very major impact on EBIT and/or cash flow and/or have a significant long-term impact
<b>5</b>	<b>Critical risks</b> that could pose a threat to the continued existence of the Group

## **3.2 Risks and summary of the risk situation**

### **3.2.1 Risks in the context of project business**

#### **3.2.1.1 New business and competition risks**

The Company operates in the project business. Thus, its future business development depends on the ability to acquire and successfully implement new projects on profitable terms. Greencells competes in the international arena, where competition may intensify further in the future. If it is unable to acquire new projects with sufficiently attractive project conditions to the planned extent, there is a risk of a fall in growth or revenue which cannot be fully absorbed by cutting costs.

Greencells is an integrated provider that covers the entire value chain, including development. Greencells GmbH has a long and successful business history. As one of Europe's leading providers it has a critical mass and is established in the market with customers and suppliers. If the market grows as predicted, the number of available projects will rise further going forward. This assessment is corroborated by the current project pipeline, the Holdings Group's own development pipeline and a large number of third-party project inquiries.

This risk is therefore rated as minor (level 1) in the current market environment.

#### **3.2.1.2 Large-scale project risks**

The size of the EPC projects implemented by Greencells GmbH varies considerably, with some projects having a total volume in the upper double-digit to lower three-digit million euro range. The performance of these major projects can therefore have a significant impact on the overall result (revenue, EBIT, cash flow) and the achievement of the Company's targets in individual fiscal years. At the same time, these projects can tie up a significant amount of funds and resources (especially liquidity and hedging instruments).

Based on its many years of experience in the EPC business and having a number of successfully implemented large-scale projects to its name, Greencells considers the risk to be easily manageable. At the same time, the aim is not to achieve further growth in the Company by increasing the volume of individual projects, but by raising the number of projects and broadening geographical spread. This will reduce the reliance on specific large-scale projects. In the reporting year, there was also a much greater focus on resource commitment when evaluating potential new projects. Agreements with customers were structured accordingly. This reduces the risks associated with each large-scale project.

Given the current project structure, this risk is rated at level 3 (significant), but going forward will reduce to level 2 (medium).

### 3.2.1.3 Calculation and planning risks

Each project is planned and offered on the basis of project-specific parameters. These are subject to assumptions and estimates that may prove to be inaccurate. At the same time, changes or unplanned circumstances may arise between the time of the offer, the conclusion of the contract and the start of construction or in the further course of the project, which may have an impact on the project schedule, revenue, costs and cash flow. As a knock-on effect, delays in the completion of projects or delayed grid connections, insofar as Greencells is responsible, can result in contractual penalties.

Greencells GmbH prepares detailed cash flow plans for the planning and management of the projects, which map all incoming and outgoing payments over the entire duration of the project on a monthly and sometimes weekly basis. The plans are continuously updated so that deviations become transparent in a timely manner and possible responses can be prepared and implemented.

In the reporting year, a number of projects were delayed and construction times were extended, which, together with higher purchase prices, had a negative impact on financial performance and were due in particular to geopolitical, macroeconomic and company-specific factors. Shifts in the schedules of individual projects resulted in costs incurred for idle times of the installation team of the Romanian group company in certain phases, and additional costs for overtime, weekend work and temporary workers in other phases.

As the market continues to return to normal, we believe that this risk will be exogenously reduced in the future. Thanks to its many years of experience in the development (Holdings Group) and construction (GmbH Group) of solar power plants in various market phases, Greencells also has, in management's opinion, extensive and regionally specific experience, which it incorporates into the planning. At the same time, management has arranged escalation clauses in some new contracts, which are designed to shift the purchase price risk (and the associated opportunities) to the customer. According to management, the Company's planned further growth and the increase in the number of projects should also reduce the relative influence of individual projects on the Company's performance if they are postponed, because it will be easier to balance the allocation of resources between projects.

Nevertheless, the risk is currently still rated at level 3 (significant).

#### 3.2.1.4 Legal risks

The basis of each EPC project is a dedicated comprehensive project contract, usually in English, which is negotiated individually with the customer. The complexity of the projects, the large number of matters to be regulated and the resulting commercial parameters require immense legal and economic expertise during contract negotiations to rule out any unwanted risks.

Greencells has its own internationally experienced legal team and also consults specialized external legal advisors where necessary. In addition, the starting point for contract negotiations is usually Greencells GmbH's standardized contract templates. In the reporting year, a contract approval process was also initiated, which allows a contract only to be signed after it has been reviewed, comments have been considered and approved by all relevant departments and management.

The risk is rated at level 2 (medium).

### **3.2.2 Risks of specific value creation**

#### 3.2.2.1 Insurance and trade finance risks

A central element of EPC projects is the integration of project-specific insurance and financing solutions. These include, for example, guarantees to secure the implementation of the project, prepayments from the customer, the grid connection or warranty obligations. Furthermore, foreign trade financing instruments (e.g., letters of credit) are often used for the procurement of components. The ability to deliver appropriate solutions is an important factor in winning EPC projects.

Greencells has been working with a large number of banks and insurance companies, often for many years. Depending on the type and term structure, the existing facilities were extensively or almost completely utilized in 2022. Depending on the general business policy requirements of the respective banks and on Greencells' credit rating and other factors, management sees a risk that facilities need to fund further growth might not be sufficiently increased or even terminated or not extended; this could, depending on the extent of the restrictions, place significant constraints of business operations and volume.

Starting in the fourth quarter of the reporting year, management significantly increased the transparency and scope of reporting for the financing partners and, among other things, held a Finance Day for the first time in February 2023. At the same time, various measures were introduced to improve profitability, liquidity and thus also creditworthiness. Nevertheless, the facility granted by one banking partner expired in the reporting year. Stricter reporting and auditing requirements have been agreed with other financing partners as a prerequisite for utilizing the facilities, while other financing partners have been acquired or have expanded their facilities (in some cases after the end of the reporting year).

In rare cases, first-demand guarantees may be sufficient in connection with EPC projects. There is a risk that the beneficiary could unjustly exercise such unconditional guarantees. In these cases, the guarantor would be obliged to pay and would then have recourse to Greencells for the corresponding amount. This could result in unplanned cash outflows that could only be recouped by taking legal action against the unjustly enriched beneficiary.

As the business model is highly dependent on the availability of the facilities and the high degree of utilization, management currently rates this risk as critical (level 5).

### 3.2.2.2 Risks arising from cross-border activities and tax risks

Greencells operates internationally across borders. Often, different group companies from different countries work together on EPC projects in the target country, in particular Greencells GmbH and Greencells CEE Srl. Some group companies also maintain branches in other European countries. Project-specific local companies may also be founded.

With this structure, specific local circumstances have to be taken into account in the respective countries, for example in contract and labor law, accounting, tax or social security. Additional degrees of complexity arise in the case of cross-border deliveries of goods and services, for example with regard to VAT. Furthermore, when group companies exchange goods and services, transfer pricing rules must be complied with, documented and the relevant tax calculations must be carried out correctly.

Greencells has its own experts in the Tax & Companies House function and the legal team who are involved in all projects and corporate transactions before a contract is signed. In addition, the regional focus going forward will be on Europe, i.e., on countries in which Greencells already has extensive experience. In the reporting year, the diverse pool of country-specific local advisors was reduced and replaced by an international tax consulting firm that advises Greencells from a single source and can thus provide cross-border and integrated advice with knowledge of the entire business model.

Management therefore currently rates this risk as significant (level 3).

### 3.2.2.3 Subcontractor risks

As a general contractor, Greencells GmbH is reliant on subcontractors for a range of services for the execution of EPC projects. As a rule, the Company relies on longstanding partners with specialist know-how and regional market knowledge. In addition, the respective trades and their execution are monitored and coordinated on site by experienced project managers. Nevertheless, dependencies are inevitable given the fact that each individual trade can significantly influence the schedule and profitability of a project. In addition, Greencells GmbH is liable to the customer for any defects and errors.

We currently rate this risk as medium (level 2).

## **3.2.3 General business risks**

### 3.2.3.1 Procurement risks

An essential component of value creation in the classic EPC business is procurement, i.e., the sourcing of project-specific components for the construction of a solar power plant. This includes, in particular, the solar modules and inverters, which the Company usually sources from suppliers in China.

We see a risk that suppliers will not be able to provide the required components, e.g., due to a lack of production capacity, intermediate products or, due to demand, will not be able to provide them on time or only at inflated prices. In addition, there are only a limited number of suppliers on the world market for the components installed by Greencells, creating unavoidable dependencies on individual suppliers.

In recent years, there have also been considerable disruptions in international transport logistics, which could only partly be compensated for at additional financial cost. At the same time, when signing contracts, global material availability had to be checked even more carefully than before.

Furthermore, in our view, there is an elevated political country risk with regard to the supply of core components from China.

Greencells has longstanding, resilient relationships with key suppliers, enabling a largely stable supply even during the coronavirus and Ukraine crises. In addition, the procurement team was restructured and reinforced in 2022. Nevertheless, there are still market-wide shortages and longer delivery times, e.g., for inverters. The Company therefore orders more components in advance and, if necessary, at an early phase and secures additional quantities of components on a case-by-case basis. However, due to project-specific procurement and high volumes, warehousing is only possible to a limited extent and for a short period of time.

In addition, there is currently a legal dispute with a supplier regarding the transfer of risk and costs for deliveries abroad during the coronavirus lockdown. Greencells and its legal advisors are confident that they will prevail in the proceedings. Nevertheless, provision was made in the annual financial statements for the litigation costs.

We rate the procurement risk at level 3 (significant) overall.

### 3.2.3.2 Personnel-related risks

An increasing challenge for businesses is the availability of skilled staff and managers. Like other sectors of the economy, the solar industry is also affected by the general shortage of skilled labor. Further market growth and the associated increase in personnel requirements on the one hand and demographic change on the other hand will permanently increase this risk for the foreseeable future. Even today, Greencells does not always succeed in filling vacancies in time.

In our opinion, the Company has adapted to the related challenges by offering employee-friendly, flexible working conditions (working hours, places of work), a range of fringe benefits and a modern working environment. The expansion of the Company's own installation team in Romania is intended to bolster the construction segment of the EPC business and thus enable further growth. In this context, cooperations or the establishment of a joint venture with other market participants are also being considered so that a significantly enlarged team can be securely and sustainably used to capacity. Regardless of this, growing staff shortages and disproportionately high personnel expenses are anticipated throughout the market.

In addition, in certain functions there are increased dependencies on key persons. In the event of an unexpected absence or exit of one or more of these persons, this would likely have a temporary yet significant impact on the Company.

In light of this, personnel risk is rated as significant (level 3).

### 3.2.3.3 Risks of non-payment

Greencells GmbH bears the risk that customers fail to make agreed payments or make such payments late. However, due to the milestone structure of the projects, this risk does not exist for the entire project volume, but is limited to the individual milestone payments. According to management, the risk increases structurally towards the end of the project, since the last milestone payments are usually only due after completion of a project and the consequences of non-payment or late payment are lower for the customer.

Management counters this risk by requesting advance financing of the individual milestones from the customer – wherever possible – and by maintaining a positive cumulative cash flow for the entire duration of the project. In some cases, security is also provided by means of payment guarantees and assignments.

In the past, the risk in EPC transactions only occurred in the form of late or reduced final payments. On the other hand, there were no significant bad debts. We therefore rate this risk as medium (level 2). With regard to the possible default from a project sale in Malaysia, reference is made to section 3.2.5.2.

### 3.2.3.4 Quality and warranty risks

In the EPC business, Greencells GmbH is exposed to warranty risks as a general contractor. Management already considers these by carefully selecting suppliers. As a rule, the Company maintains longstanding business relationships with trustworthy personal contacts. This always involves observing the local markets with their specific requirements. The procurement process based on ISO 9001 enhances quality assurance in the selection of key components.

If customers assert warranty claims, the Company can pass on the majority of claims relating to components to the manufacturers. In addition, the Company safeguards itself against further risks by taking out various insurance policies, e.g., installation insurance. Contractually agreed sign-off procedures are carried out during the construction phase and, in particular, during the handover to customers. These are generally accompanied by external specialists. According to management, this creates a high degree of reliability with regard to the quality of the work.

We rate this risk as medium (level 2).

### 3.2.3.5 IT and cyber security risks

Greencells, like any larger company, depends on an intact and stable IT infrastructure, secure data storage and connections as well as high-performance processes. This is subject to risks with regard to failures, impaired performance or malfunctions or external influences. In this context, the threat of cyber attacks, computer viruses, malware and fraud attempts (e.g., through phishing emails) rose significantly worldwide in the reporting year.

Greencells has a large in-house IT team that continuously improves and expands the Company's safeguards. Information security consists of building blocks for safeguards, technical, logical and physical security. The IT security strategy is defined by an information security officer (ISB), who reports directly to management. People from different departments are responsible for implementing the IT security strategy, monitoring compliance, implementing the requirements, etc. These persons are appointed by the ISB.

In addition, there are ongoing efforts to raise employee awareness in the form of training and alerts. In the reporting year, a cyber security analysis and a cyber security assessment were also carried out with experienced consulting firms in order to survey the status quo and draw up a roadmap for further improvement measures, a large number of which were already implemented or initiated in 2022. The aim here is to obtain ISO 27001 certification.

Due to the general threat situation, we rate the risk as level 3 (significant risk).

### **3.2.4 Financial risks**

#### **3.2.4.1 Risks arising from the financing of the Holdings Group**

Greencells GmbH assumes a financing function within the overall group for the development projects and the operating costs of the Holdings Group. The funds required for this were and are mainly raised through the issuance of debt securities under the Green Bond. The debtor is Greencells GmbH, which passes on the cash inflows as loans to companies of the Holdings Group, taking into account the usage requirements specified for the bond. In addition, the GmbH Group provided additional financing services for the sister group, including for operating costs, in the form of loans from the Zahid Group and own funds. As of 31 December 2022, the GmbH Group's receivables from companies in the Holdings Group totaled EUR 78.3m (prior year: EUR 40.9m). Of this amount, EUR 27.5m (prior year: EUR 22.5m) is attributable to trade.

In order to service the debt from the bond (bullet maturity on 9 December 2025), Greencells GmbH is dependent on cash inflows from the Holdings Group. These, in turn, depend on the successful sale of development projects. The value of such projects depends on a large number of external factors that are beyond Greencells' control (electricity prices, government market interventions, grid availability, inflation, interest rates, etc.).

In the second half of 2022, after a lengthy investment phase, the Holdings Group began to concentrate on selling projects and attracting co-investors. Nevertheless, only a few sales were closed in 2022 in a difficult market environment. However, the current valuation of the development portfolio shows considerable valuation reserves. According to management's estimates, they can be expected to generate significant cash inflows in the future, as early as 2023.

In addition, Greencells GmbH has provided financial guarantees to companies of the Holdings Group. The maximum risk from potential claims as of 31 December 2022 is EUR 96m (31 December 2021: EUR 45m; 1 January 2021: EUR 23m). The weighted remaining term of the financial guarantees existing as of 31 December 2022 is 1.5 years. Management considers the risk of a claim to be low.

In view of the amount of the receivables and their share of total assets, the overall risk is rated at level 4 (serious risk).

### 3.2.4.2 Foreign currency and exchange rate risks

The business activities of the GmbH Group are subject to exchange rate risks. On the customer side, projects outside the euro area (when contracts are concluded in foreign currency) may lead to payments being received in foreign currencies. On the procurement side, foreign currency payments, especially in US dollars, are customary for certain countries and products. Also, “local costs” in the respective project countries are often paid in local currency. In addition, surpluses of incoming or outgoing payments are incurred by group companies abroad, which may also result in currency effects in the balance sheet.

Greencells strives to reduce currency risks as much as possible through natural hedges, i.e., by matching incoming and outgoing payments for a certain project in a single currency. Any significant expected foreign currency surpluses are also hedged by the Treasury team on the basis of payment plans by entering into forward exchange contracts. Nevertheless, deviations from the original payment plan may result in unhedged foreign currency positions.

In view of this, management rates this risk as medium (level 2).

### 3.2.4.3 Interest rate risks

The main external sources of financing for Greencells GmbH are the Green Bond and loans from the Zahid Group. As the interest rate is fixed over the entire term until the end of 2025, the interest rate risk for the amount of the Green Bond already placed is limited to any refinancing at maturity. For the bonds still to be placed (up to a nominal amount of EUR 13,740,000 as of the reporting date), there is an interest rate risk in that the market value and thus the achievable placement price will be reduced if interest rates rise, resulting in a lower cash inflow for the same nominal amount placed.

The interest rates on the Zahid Group’s loans, on the other hand, are fixed. Furthermore, funds to the sister group are transferred on a cost-plus basis, i.e., at the refinancing costs plus a margin, which eliminates any interest rate risk for the GmbH Group.

We currently rate interest rate risk as medium (level 2).

### 3.2.4.4 Liquidity risks

As a rule, the EPC projects of the GmbH Group have a project volume in the single to double-digit million range, in particular due to procurement of the components to be installed, essentially the solar modules. The payment obligations to the suppliers are matched by milestone payments by the customers. Ideally, these are arranged in such a way that – also taking into account payment periods and trade finance solutions such as letters of credit – the cumulative incoming payments at any time in the project exceed the cumulative outgoing payments, so that the project is consistently cash flow positive. However, depending on the success of the negotiations and the overall assessment of the economic parameters of a project, the project planning may also require often significant bridge financing to be provided by Greencells in certain phases. Liquidity can also be unexpectedly tied up if, for example, the customer delays payment, which may also be caused by exogenous factors, such as delays in obtaining official approvals.

Greencells GmbH is currently implementing individual projects that have an increased need for interim financing. At the same time, the liquidity situation offers little headroom as a result of the delay in the sale of Holdings Group projects and the associated delayed repayments of loans granted. This circumstance was factored into the loans and credit facilities from the Zahid Group granted in order to maintain solvency. In order to create additional reserves later in the year, Greencells GmbH has arranged external finance in the form of a project-related facility.

In the course of 2023, management aims to significantly improve the liquidity situation by repaying loans granted from project sales by the Holdings Group and billing larger EPC projects, thereby building up a permanent liquidity buffer that is adequate for the size of the Company and can accommodate further growth by the end of 2023. With the exception of the transfer of Green Bond funds, the GmbH Group does not provide any further financing for development projects undertaken by the Holdings Group. In the EPC business, Greencells currently only takes on new projects in a structured approval process that are planned to be consistently cash flow-positive or are scheduled to only tie up a low volume of working capital at times.

Ongoing projects are monitored and controlled with detailed cash flow planning at project level, which in turn feeds into a rolling cash flow plan for the GmbH Group on a weekly and monthly basis, which is updated daily. In this way, liquidity can be managed precisely.

Until the liquidity buffer has been built up, management rates the liquidity risk as serious (level 4) in light of the existing financing needs and the uncertainties inherent in the business.

### **3.2.5 Other risks**

#### **3.2.5.1 Risks due to quality issues with racks in the US**

In December 2022, a near-completed EPC project in upstate New York was damaged in the winter storm Elliott. Various tables (racks with mounted modules) collapsed under the snow load and strong winds. The subsequent analysis, carried out by both experienced in-house and independent experts, revealed that the rack supplier had made engineering errors that required structural improvements. Based on the facts and the discussions and consultations that have already taken place with the supplier and the customer, management assumes that it will not incur any substantial financial losses not covered by the provisions recognized for litigation costs. Nevertheless, unexpected negative effects on earnings and cash flow cannot be completely ruled out.

We currently rate this risk as medium (level 2).

#### **3.2.5.2 Risk relating to a receivable from the sale of a project in Malaysia**

Arising from the sale of a solar park built in Malaysia in 2021, the GmbH Group has a claim against the buyer in an amount of MYR 10.9m (around EUR 2.2m). This claim is disputed by the buyer, who has asserted a counterclaim of around EUR 12m. At the same time, an agent involved in the purchase is claiming outstanding sales commission of around USD 1m. The entire process is currently subject to arbitration. Greencells management and its legal advisors are confident that they will prevail in the proceedings. Nevertheless, provision was made in the consolidated financial statements for litigation costs and a possible loss of part of the receivable.

In light of this, management currently rates the overall risk from this case as medium (level 2).

### **3.2.6 Summary of the risk situation**

Despite a positive industry environment on the demand side, the overall geopolitical situation and volatile parameters (including electricity prices, interest rates and exchange rates) are responsible for what management considers to be a challenging risk environment. This has already had a negative impact on Greencells in 2022 due to delayed project sales by the Holdings Group, which restricted cash inflows to Greencells GmbH, and worsened the risk situation. On the liquidity side, this was compensated by loans from the Zahid Group. Nevertheless, from management's point of view, the successful implementation of the measures introduced to sustainably improve liquidity and securing and expanding the banking and insurance facilities for EPC project-related guarantees and trade finance will be crucial for achieving the forecast and normalizing the risk situation in the further course of the fiscal year.

## **3.3 Opportunities**

Greencells operates in a growth market that plays a key role in limiting global warming. Around the world, sustainability-driven government programs, such as the European Green Deal, are aimed at achieving the transition to renewables. Renewable energy sources are economically competitive today. Solar power is now the cheapest source of energy.<sup>21</sup> Digitalization, Industry 4.0 and the growing need for green hydrogen will increase demand in the long term.

This harbors considerable growth opportunities for Greencells in both subgroups. A boost in public funding for solar power projects would generate additional growth and profitability opportunities for Greencells.

Another trend is the better integration of energy generation, storage, transport and consumption, facilitated by advancing digitalization. The increasing complexity created by the need for grid integration, demand management, storage, hybrid solutions, agrivoltaics, floating photovoltaics or carport solutions makes Greencells a preferred partner for local developers and investors, as the Company has a wealth of experience, extensive technological expertise and a long track record in the construction of PV farms. In our opinion, this will result in additional opportunities for growth and wider margins.

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<sup>21</sup> Bloomberg Finance, 2022, internet

The emerging Eastern and Southeastern European renewable energy markets (Romania, Serbia, Montenegro, Bosnia, Albania) offer an opportunity for greenfield development with local partners. Greencells has already successfully implemented projects in Eastern Europe and has local operations in Hungary and Romania. These are planned to translate into attractive additional potential on the market side.

Rising component and logistics prices have put pressure on the photovoltaic industry since the COVID-19 pandemic. Thanks to its broad supplier base, Greencells is able to negotiate the cost of components with suppliers and believes that it has a competitive advantage over its rivals. Purchase prices and logistics costs have gradually returned to normal in recent months. If they decrease further, this would open up potential for additional margins in procurement.

Politicians are promoting a drive to bring back module production to Europe in order to reduce dependencies on Chinese manufacturers. European suppliers with state-of-the-art production facilities and competitive prices would have a positive impact on Greencells in terms of availability and prices of modules as well as logistics and procurement costs.

Reaping the rewards of the measures taken to increase financial stability, the creditworthiness of Greencells GmbH can improve significantly. In our assessment of the overall situation, this would provide additional scope for growth and attract better financing conditions.

## **3.4 Outlook**

### **3.4.1 Future macroeconomic conditions for the photovoltaic industry**

Clean electricity and electrification are central to the concerted global efforts to transition to a net zero economy. According to calculations by the IEA, even in the conservative scenario demand for electricity will be 75% higher by mid-century.<sup>22</sup> The main drivers here are electric mobility, space heating and cooling, industrial production and the increased use of low-emissions hydrogen.<sup>23</sup> In the future, this increase in demand will need to be covered as far as possible by renewable energy sources.

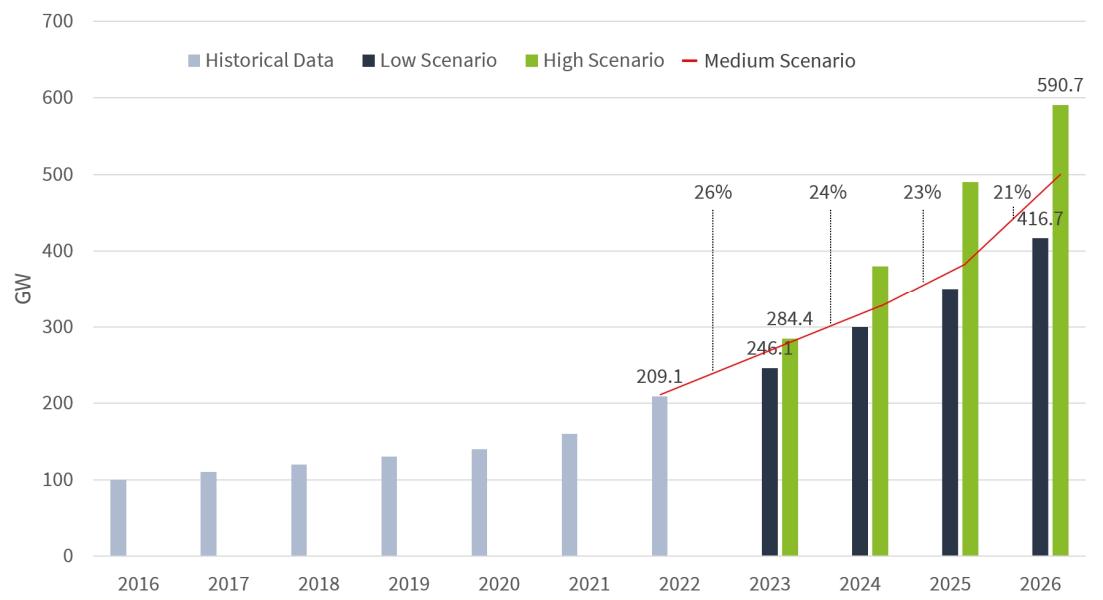
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<sup>22</sup> International Energy Agency, 2022, p. 44

<sup>23</sup> International Energy Agency, 2022, p. 136

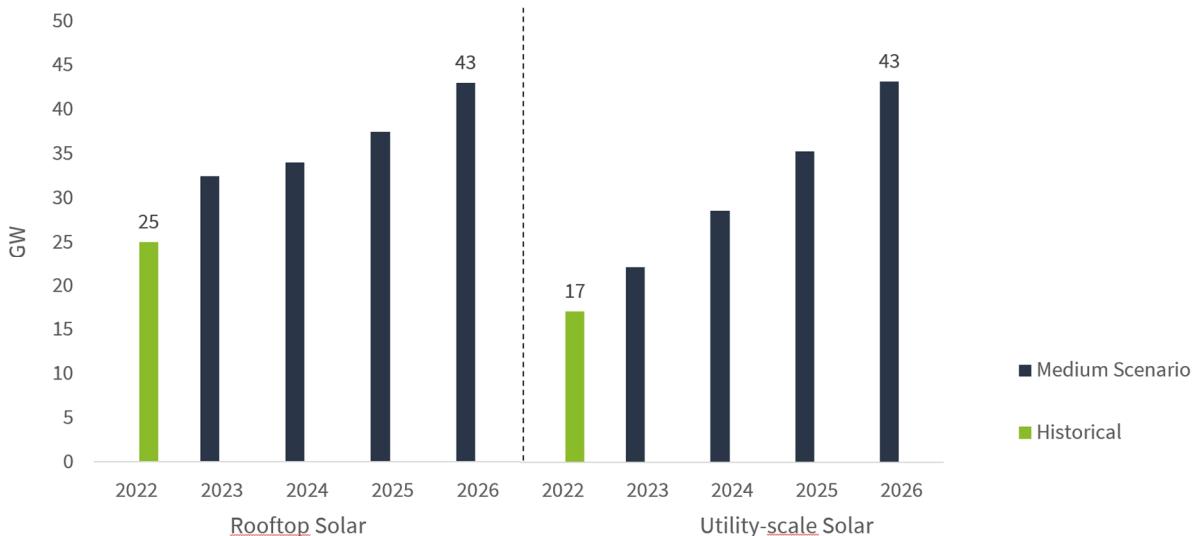
**Exhibit 4**

Consequently, in the medium term, the global installed capacity of solar power is expected to double to up to 2.3 terawatts by 2026. For Europe, the industry association SolarPower Europe expects installed capacity in Europe to triple to over 590 GW in 2026 in its maximum scenario.



Source: SolarPower Europe, 2022b, p. 24

In particular, the segment of utility-scale solar power plants, which is relevant for Greencells GmbH, will be highly dynamic going forward. By 2026, utility-scale ground-mounted systems installed in Europe are expected to have topped the annual growth rates of rooftop systems that have been on the market for much longer.



Source: SolarPower Europe, 2022b, p. 29

Challenges such as the capping of electricity prices, a shortage of skilled workers or the competitive effects of the US Inflation Reduction Act will have to be overcome by the European solar industry in the future.

Initial forecasts for volumes of solar PPAs in 2023 point to uninterrupted growth despite tightened regulatory frameworks, but political decision-makers must nevertheless act prudently and protect the momentum of the urgently needed expansion of renewable forms of energy.<sup>24</sup>

The issue of the shortage of skilled workers is also on the political agenda. However, supporting programs are more likely to be effective in the medium term. Management will therefore continue to actively pursue its approach of expanding and training its in-house design team.

The protectionist aspects of the Inflation Reduction Act raised questions around the original clear preferential treatment of American manufacturers. However, a top-level meeting between US President Biden and European Commission President Ursula von der Leyen in March 2023 cleared the air. In a joint statement, they announced that there would be more cooperation in the field of renewables. This includes, but is not limited to, partnerships to diversify the supply chains of critical minerals and storage solutions. In addition, the Clean Energy Incentives Dialogue will coordinate incentive programs so that they reinforce each other.

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<sup>24</sup> Andreas Franke, 2023, internet

Overall, the factors shaping the environment for Greencells' business activities are expected to remain very favorable. Solar power has a central role to play in tackling the major current and future challenges in the energy sector – and this is being acknowledged by both the political and economic spheres. According to the consulting firm PWC, investments made according to ESG criteria could grow to a volume of up to almost EUR 31 tn euros in 2026 and would thus account for over a fifth of globally managed assets.

With the existing political and economic willingness to act to drive forward the expansion of solar power and the unprecedented inflow of capital, we believe that the way is paved for a quantum leap in the industry.

### **3.4.2 Overall statement regarding the future development of Greencells GmbH**

The Greencells Group is operating in a fast-growing but challenging market environment. In recent years, the Company has repeatedly been confronted with special challenges, including changes in the regulatory environment (e.g., discontinuation/reduction of government subsidies), the coronavirus crisis with significant disruptions on the procurement markets and the war in Ukraine. Management has always succeeded in reacting swiftly and successfully by taking appropriate action and realigning the Company with the changed conditions. At the same time, the sister group, the Holdings Group, successfully built up an extensive portfolio of development projects in a short period of time.

The success is reflected in dynamic growth to a revenue volume of over EUR 140m in fiscal year 2022, coupled with a significant increase in operating profitability. Management sees this as confirmation that the Company is on the right track. At the same time, growth on this scale places great demands on the organization and the stakeholders. In the EPC business, financial headroom will need to keep pace with growth, especially in the dimensions of liquidity, trade finance and project-related insurance solutions. According to the Company's own assessment, this was only partially successful in the reporting year. By initiating measures to improve liquidity and creditworthiness as well as a large number of structural and process-related changes, management has laid the foundations for successful further development on the forecast scale.

In this respect, we expect fiscal year 2023 to be another transitional year. The results of the action taken and the risk reduction and an improvement in the corresponding key figures will only become apparent at the end of the year. This makes it all the more important to sustainably improve the exchange of information and transparency with our stakeholders, especially our banking and insurance partners.

According to management, the market environment, which suffered in years of the coronavirus pandemic and the Ukraine war, has now stabilized significantly and offers a robust framework for significant growth in the core EPC business in Europe. Management therefore plans to grow revenue to over EUR 200m. Projects with a volume of some EUR 187m are already under construction or have been contracted. In total, revenue is spread over 20 different projects, with two projects in Hungary accounting for around 55% of the total revenue. Furthermore, there are a large number of additional project opportunities that can be evaluated in a structured process and accepted as and when capacity is available.

As a result of the revenue growth and the lack of non-recurring charges, we expect a significant increase in earnings before interest and taxes (EBIT) in the range of EUR 10m to EUR 12m and a return on revenue after taxes of 2% to 3%.

The planned project divestments in the Holdings Group will allow a substantial amount of liabilities to the GmbH Group to be repaid. This is anticipated to lead to a significant improvement in the net liquidity of the GmbH Group and the balance sheet ratios.

In the following year 2024, the measures described above are also expected to result in a further significant increase in revenue compared to the prior year and an improvement in margins and thus disproportionately high earnings growth (EBIT) with a significant improvement in the liquidity situation and solid balance sheet ratios.

## **4. Subsequent events**

In spring 2023, the Holdings Group noted a keen interest among potential buyers in the acquisition of the development portfolio and the development platform (especially the team and systems). In May 2023, the management bodies of Greencells GmbH and the Holdings Group therefore subjected the strategy of the entire group to a deep-dive assessment, taking into account market conditions and in-depth discussions with shareholders as well as business and financing partners. In view of the sustainable growth potential in the European EPC market, the stabilized procurement conditions and the “political tailwind” for the rapid expansion of capacities in the field of renewables to accelerate the energy transition as well as the unique selling propositions of the GmbH Group in this market, it was decided to take advantage of the market environment to focus the overall group strategy solely on the EPC business and to sell the entire development business of the Holding Group (portfolio and platform) in a structured process.

The proceeds from the sale will be used to repay the Holdings Group’s liabilities to the GmbH Group. In the event of a sale, the GmbH Group would use the funds for the early repayment of the Green Bond (alternatively, the buyer could assume liability by way of a change of debtor, assuming that the bondholders adopt the necessary resolutions), to repay loans from the Zahid Group and to strengthen the liquidity base. In this way, the profitable growth of the GmbH Group would be combined with a leaner balance sheet and a reduced risk profile.

It is planned to arrange with the buyer for the projects to be sold an obligation to obtain a bid for EPC contracts, under which the GmbH Group will be granted the right to submit an EPC bid.

In the EPC business of the GmbH Group itself, the aim is to achieve greater diversification of business types, with a shift away from the capital-intensive “full EPC” business toward “EPC light,” “general contracting” and “construction only.” This is intended to reduce project volumes, procurement risks, financing and guarantee requirements.

*Translation from the German language*

**Exhibit 4**

In addition, all shares in Greencells Regio GmbH were sold in May 2023 as their activities are no longer central to the GmbH Group's business model.

Saarbrücken, 27 June 2023

Greencells GmbH

Andreas Hoffmann  
General Manager

Götz Gollan  
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 auditor's report 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 auditor's report 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 this financial reporting and 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 auditor's report 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 auditor's report 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 obliged 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*) [Translators 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 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.