

Interim report

East Renewable AB

559155-6252

Fourth quarter 2021

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GENERAL INFORMATION

East Renewable AB (“the Company” or “ER”) is an unlisted limited company incorporated in Sweden. The company’s head office is located at Birger Jarlsgatan 2, 114 34, in Stockholm, Sweden.

The Company is a wholly owned subsidiary of the Norwegian wind power company Emergy AS (the “Parent”) (www.emergy.com) and the main

activity for the Company is to hold the Emergy Group’s investment in the 245.7 MW Syvash wind farm project (Syvashenergoprom LLC) near Lake Syvash in the Kherson region in the south of Ukraine.

Emergy AS changed name to ERH AS in February 2022. ERH owns wind farms in Ukraine and China.

KEY EVENTS

Technical issues with the joints and terminations of the internal 35 kV network for the Syvash wind farm have limited the available capacity during the quarter. Syvashenergoprom LLC has developed together with its subcontractors a repair plan and that, under normal circumstances, would allow for ramp up of the production to un-curtailed production during the first half of 2022.

The project lenders have agreed to extend the availability period of the debt until 31 March 2022 with a condition that Standby Equity will be drawn before debt. The remaining senior debt which the Company can draw down under the existing debt facility is EUR 15 million. Standby Equity is EUR 10 million.

In the morning of 24th February, the Russian army attacked Ukraine. The substation and certain turbines were hit by Russian fire and initial reports suggest that there is damage to the main and auxiliary transformers and that at least one WTG has burned out. The extent of the damage cannot be confirmed as the project company does not have access to the site. The situation is very volatile and there is no guarantee when the project company can regain control of the site and continue operations.

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

East Renewable AB reports a net loss of EUR 13.618 million for the period Q4 2021. The main expenses for the Company are related to financing of the Syvash wind farm. Interest cost and amortised cost for the reporting period and year to date is EUR 13.528 million and EUR 15.147 million respectively. The standby equity loan to East Renewable Ukraine AB, EUR 10 million, has been written down due to cost overruns in the Syvash project.

BALANCE SHEET

The Company has total assets of EUR 44.146 million as of 31.12.2021, which is an increase from EUR 53.865 million at year-end 2020.

Total liabilities have increased by EUR 15.608 million. EUR 13.775 is due to interest cost accrued. Other current liabilities and payables to group companies have increased by 1.597 million in total.

At the end of the reporting period the Company reports a negative book equity of EUR 47.897 million. Management has performed a valuation of the assets and concluded that the market value of the assets is higher than the book value in the balance sheet, and that the value adjusted equity is positive at period end. Please refer to note 12 Subsequent Event for comment on valuation at reporting date. In February 2022 the company received equity contribution of EUR 15 million from the Parent, which was used to pay accrued interest and fees on the company’s listed bonds.

OUTLOOK

OPERATIONS

Following evacuation of the wind farm, some employees and their families chose to flee the country, some chose to stay. The sponsors and the project company is following the situation closely and are prepared to help alleviate the very difficult situation.

On 25 February Nordex issued a contractual letter invoking the force majeure clause under their contracts. The project is invoking similar force majeure clause under their contracts with their subcontractors.

The project company is insured against damage to equipment and consequential loss of revenue and late startup under a war and terrorism

insurance. Notification was sent to the insurers on 25 February. The maximum insurance cover is EUR 200 million

FINANCING

The Company has issued listed bonds with an aggregate nominal value of EUR 75 million. The bonds mature on 1 January 2025. The extension of maturity was agreed with the bondholders on 21 December 2021. As a condition precedent to the effectiveness of the amended agreement with the bondholders the Company has agreed to settle accrued interest and fees up to 21 November 2021 of EUR 15 million. On 31 January 2022 the Company and the Parent secured liquidity for payment, and the bondholders received EUR 15 million on 3 February 2022. Interest on the

bonds from 21 November 2021 and until maturity can be paid in kind through issuance of additional bonds.

The payment of 15 million was received from the Parent as unconditional share contribution.

The Board of East Renewable AB
Stockholm, 1 March 2022

Ulf Juvel
Chairman of the board

Thorstein Jenssen
CEO and Board member

Sverre Stavseth
Board member

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in EUR 1000)</i>	Note	Q4 2021	Q4 2020	FY 2021	FY 2020
Other operating expenses		(76)	(179)	(140)	(228)
Total operating expenses		(76)	(179)	(140)	(228)
Operating result		(76)	(179)	(140)	(228)
Financial expenses	10	(13 528)	(3 120)	(25 147)	(12 129)
Net foreign exchange gain/(loss)	10	(14)	(44)	(40)	32
Net financial items		(13 542)	(3 164)	(25 187)	(12 097)
Profit/(loss) before tax		(13 618)	(3 343)	(25 327)	(12 325)
Income tax expense	5	-	-	-	-
Profit/(loss) for the period		(13 618)	(3 343)	(25 327)	(12 325)
<i>Other comprehensive income (that may be reclassified subsequently to profit or loss):</i>					
Exchange differences on translation of foreign operations		-	-	-	-
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year, net of tax		(13 618)	(3 343)	(25 327)	(12 325)

STATEMENT OF FINANCIAL POSITION

<i>(Amounts in EUR 1000)</i>	Note	As of 31 December 2021	As of 31 December 2020
ASSETS			
Investments in joint ventures	8	43 235	43 235
Other non-current receivables	8	-	-
Total non-current asset		43 235	43 235
Trade and other receivables		-	14
Other receivables group		78	84
Other receivables joint ventures	8	831	10 532
Cash and cash equivalents		2	-
Current asset		911	10 630
Total assets		44 146	53 865
EQUITY AND LIABILITIES			
Share capital	6	55	55
Share premium		4 389	4 389
Other paid in equity		3 505	3 505
Total paid in equity		7 949	7 949
Accumulated losses		(55 846)	(30 519)
Total equity		(47 897)	(22 570)
Short-term interest-bearing debt	9	89 638	75 637
Trade payables		24	4
Other current liabilities group		1 254	755
Other current liabilities		1 127	39
Total current liabilities		92 043	76 435
Total liabilities		92 043	76 435
Total liabilities and equity		44 146	53 865

STATEMENT OF CASH FLOWS

<i>(Amounts in EUR 1000)</i>	Note	FY 2021	FY 2020
Operating activities			
Profit/(loss) before tax		(25 327)	(12 325)
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
Impairment changes		10 000	-
Unrealized gain / loss on exchange		37	(40)
Interest expenses/income	10	13 775	10 700
Other changes	9	601	1 429
Working capital adjustments:			
Change in interest-free assets, trade receivables, other receivable and prepayments		(316)	(110)
Change in interest-free liabilities, trade and other payables, and refund liabilities		1 232	383
Interest paid		-	(10 600)
Net cash flow from operating activities		2	(10 563)
Investing activities			
Instalment long-term receivable, interest bearing		-	2 020
Net cash flows used in investing activities		-	2 020
Financing activities			
Proceeds from equity contribution		-	3 505
Net cash flows from/(used in) financing activities		-	3 505
Net cash-flow		2	(5 038)
Net foreign exchange difference		-	-
Cash and cash equivalents at beginning of period		-	5 038
Cash and cash equivalents at end of period		2	-

STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in EUR 1000)</i>	Share capital	Share premium	Other paid in equity	Accumulated losses	Translation differences	Total equity
Equity at 1 January 2020	55	4 389	-	(18 194)	-	(13 750)
Profit/(loss) for the period	-	-	-	(12 325)	-	(12 325)
Total comprehensive income	-	-	-	(12 325)	-	(12 325)
Equity contribution	-	-	3 505	-	-	3 505
Equity at 31 December 2020	55	4 389	3 505	(30 519)	-	(22 570)
Equity at 1 January 2021	55	4 389	3 505	(30 519)	-	(22 570)
Profit/(loss) for the period	-	-	-	(25 327)	-	(25 327)
Total comprehensive income	-	-	-	(25 327)	-	(25 327)
Equity at 31 December 2021	55	4 389	3 505	(55 846)	-	(47 897)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31.12.2021

NOTE 1 INTRODUCTION

East Renewable AB (ER) is a company domiciled in Sweden.

NOTE 2 STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by EU. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31.12.2020.

Certain new accounting standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adapted any of the forthcoming new or amended standard in preparing these interim financial statements.

New and amended IFRS standards that are effective for the current year will not have material impact on the financial statement of the Group.

NOTE 3 SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles applied by the Company in these interim financial statements are the same as those applied by the Company in the financial statements as at and for the year ended 31.12.2020.

NOTE 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The most significant judgements made by management in preparing these interim financial statements and applying the Company's accounting policies, and the key sources of estimate uncertainty, are the same as those applied to the financial statements as at and for the year ended 31.12.2020.

Going concern

The Company has issued a green bond with a nominal value of EUR 75 million. In a bondholder meeting held on 21 December 2021, the maturity date of the bonds was extended to 1 January 2025. As a condition precedent to effectiveness of this agreement with the bondholders the Company has agreed to settle accrued interest and fees up to 21 November 2021 of EUR 15 million. The Company secured liquidity for this payment 31 January 2022. The amount was raised by Emergy AS as unconditional shareholder contribution. The bondholders received the payment 3 February 2022. Interest on the bonds from 21 November 2021 until maturity can be paid in kind through issuance of additional bonds. The management expect that the majority of the bondholders will accept payment in kind up until maturity date. The Company is dependent upon financing from its Parent to make payment of any interests and payment for operational costs.

The Parent has managed to secure extension of financial debt obligations until 1 January 2025, and in February the Parent transferred their assets in Serbia, Greece and Romania to East Renewable Zophia Finance AB. The cash payment for these assets has secured the contribution of EUR 15 million to the bondholders and shall also secure support to the Company for the next three years.

The company reports a negative equity by the end of the reporting period. A "kontrollbalansräkning" under Swedish law was prepared for the year ending 31.12.2019. The Company has prepared an updated valuation of the Syvash assets and has concluded that there is no need for a new "kontrollbalansräkning" as the value of its ownership in Syvash is not impaired. The board would like to emphasise that the ongoing technical issues with electrical cable joints and terminations has curtailed production and will ultimately lead to delays in disbursements from the project company. If this situation is not resolved and/or causes additional delays in full operation of the wind farm there is a risk that the value of the asset will be impaired and that the Board will have to produce a new "kontrollbalansräkning".

In the morning of 24 February 2022 rocket shells hit the 330 kV on-site substation and two turbines. The wind farm was deenergised, all staff evacuated, and Russian troops later entered the site. Due to the ongoing hostilities and unsafe situation in Ukraine it has not yet been possible to appraise the extent of the damages or to form an opinion on how the ongoing conflict in Ukraine will affect the operation of wind farm going forward. The insurance providers have been notified and applicable claims procedures have been initiated. It is uncertain if and when the project company will be able to retake control of the wind farm and operations resume. The unfortunate geopolitical developments affecting Ukraine may also jeopardize the Company's possibility to continue operate as a going concern. The Board is monitoring the situation and developments very closely.

NOTE 5 TAX

The Company has no payable income taxes. For the period ended 31.12.2021 income tax expenses have not been calculated.

NOTE 6 SHARE CAPITAL AND EQUITY

As of 31.12.2021 ER had issued 5 640 ordinary shares at par value of EUR 9.73 per share. All shares issued are fully paid. ER is wholly owned by Emergy AS, a Norwegian company.

NOTE 7 TRANSACTIONS WITH RELATED PARTIES

There were no significant transactions with related parties in the period ended 31.12.2021.

NOTE 8 INVESTMENTS IN JOINT VENTURES

<i>(Amounts in EUR 1000)</i>	Ownership	As of 31 December 2021	As of 31 December 2020
East Renewable Ukraine AB	46,50%	43 235	43 235
Total Investments in Joint Ventures		43 235	43 235

East Renewable Ukraine AB with organisation number 559173-8835 ("ERU") is the indirect holding company for Syvashenergoprom LLC, the project company for the Syvash wind farm. The project is jointly owned with New Wind 1 SAS, a company incorporated in France and owned by the French renewable energy company Total Eren SA and the Saudi Al Gihaz Group.

East Renewable AB holds ordinary shares in ERU and New Wind 1 SAS has class B shares with certain preferential rights to dividend from ERU. The class B shares holds 53.5% of the voting rights in ERU and will receive the highest of 17% of the invested amount or 53.5% of the annual available dividend from ERU. The class B shares are convertible to ordinary shares in October 2022. East Renewable AB holds 100% of the ordinary shares in ERU that gives a voting right for 46.5%.

The Company has granted a loan of EUR 10 million that is funding an on-demand standby equity facility to East Renewable Ukraine AB for the Syvash wind farm. The stand-by equity can under certain conditions be used to fund cost overrun for the Syvash project or be used to pre-pay the loan in case of ratio shortfalls.

All project lenders have agreed to extend the availability period of the debt until 31 March 2022 with a condition that Standby equity will have to come in before outstanding debt. The remaining debt under the existing debt facility is EUR 15 million and Standby Equity is EUR 10 million.

Based on this assessment of the risk to the standby equity the Company has written off the value of the loan to East Renewable Ukraine AB.

NOTE 9 INTEREST-BEARING DEBT AND LIABILITIES

<i>(Amounts in EUR 1000)</i>	Non-current interest-bearing liabilities	Current interest- bearing liabilities
As of 31 December 2020		
Bond loans	-	75 000
Accrued interest	-	1 197
Borrowing cost bond loans, capitalized	-	(2 741)
Amortization of borrowing cost bond loans	-	2 181
Total carrying value of interest-bearing liabilities	-	75 637

<i>(Amounts in EUR 1000)</i>	Non-current interest-bearing liabilities	Current interest- bearing liabilities
As of 31 December 2021		
Bond loans	-	75 000
Accrued interest	-	14 972
Borrowing cost bond loans	-	(3 866)
Amortization of borrowing cost bond loans	-	3 532
Total carrying value of interest-bearing liabilities	-	89 638

Reconciliation of interest-bearing debt and liabilities

<i>(Amounts in EUR 1000)</i>	FY 2021	FY 2020
Total interest-bearing debt at the start of the year	75 637	73 011
Accrued interest (no cash effect)	13 775	1 197
Capitalised loan cost (no cash effect)	(1 125)	-
Amortisation of loan cost (no cash effect)	601	1 429
Amortisation of loan cost (cash effect)	750	-
Total interest-bearing debt at period end	89 638	75 637

On 21st May 2019 the Company issued green bond of EUR 75 million. The bond was issued at 99% of par and hence the net proceeds amounted to EUR 74.25 million.

The amended terms of the bonds are as follows:

- Fixed interest rate of 13.5 percent per annum with semi-annually interest payments in kind through issuance of additional Bonds,
- Maturity date on 1 January 2025,
- Redemption price at 100% of par value,
- The bondholders have security over the shares in East Renewable AB and East Renewable Zophia AB,
- The Parent has issued a guarantee to the bondholders.

The Company had an obligation to list the green bond on a regulated stock exchange prior to 21st May 2020. The bond was listed on Oslo Stock Exchange on 5 August 2020. In the period from 21 May 2020 and until the

first listing date, the interest on the bond loan was increased to 16.5% per annum.

On 18 May 2021 the payment date for interest due on 21 May 2021 and the maturity date was extended to 21.11.2021. Further, the redemption price was increased to 105%.

On 22 November 2021 the bondholders voted in favour of extending the maturity date of the bonds to 21 November 2022. As a condition precedent to effectiveness of the agreement with bondholders the Company has agreed to settle accrued interest and fees up to 21 November 2021 of EUR 15 million. On 21 December 2021 it was agreed to extend the bonds until 1 January 2025. The payment of EUR 15 million was settled 3 February 2022.

The change in maturity is treated as a modification of the loan agreement according to IFRS 9.

NOTE 10 FINANCIAL INCOME AND FINANCIAL EXPENSES

<i>(Amounts in EUR 1000)</i>	Q4 2021	Q4 2020	FY 2021	FY 2020
Interest income	-	-	-	-
Total financial income	-	-	-	-
Interest on debts and borrowings	(3 476)	(2 763)	(13 775)	(10 700)
Write-down on long-term financial assets	(10 000)	-	(10 000)	-
Other financial expenses	(52)	(357)	(1 372)	(1 429)
Total financial expenses	(13 528)	(3 120)	(25 147)	(12 129)
Foreign exchange gains	(14)	(41)	(37)	40
Foreign exchange losses	-	(3)	(3)	(8)
Net foreign exchange gain/(loss)	(14)	(44)	(40)	32
Net financial items	(13 542)	(3 164)	(25 187)	(12 097)

NOTE 11 SUBSEQUENT EVENTS

SITUATION IN UKRAINE

On 24 February 2022 rocket shells hit the 330 kV on-site substation and two turbines. The wind farm was deenergised, all staff evacuated, and Russian troops later entered the site. Due to the ongoing hostilities and unsafe situation in Ukraine it has not yet been possible to appraise the extent of the damages or to form an opinion on how the ongoing conflict in Ukraine will affect the operation of wind farm going forward. The insurance providers have been notified and applicable claims procedures have been initiated. It is uncertain if and when the project company will be able to retake control of the wind farm and operations resume. The unfortunate geopolitical developments affecting Ukraine may also jeopardize the Company's possibility to continue operate as a going concern. The Board is monitoring the situation and developments very closely.

DEFINITION OF PROJECT MILESTONES

Financial close (FC):	The date on which all conditions precedent for drawdown of debt funding has been achieved and equity funding has been subscribed for, including execution of all project agreements.
Start of Production (SOP):	The first date the wind power plant generates revenues through sale of power under the off-take agreement. Production volumes and/or the price of the power may be lower than when commercial operation date (COD) is reached. This milestone is regulated by the off-take agreement with power off-taker. This milestone may be reached prior to COD if the construction of power plant is completed earlier than anticipated in the off-take agreement.
Mechanical Completion:	A certificate is issued stating the wind turbine has been erected following the relevant technical specifications and it is ready to start trial operations.
Commercial Operation Date (COD):	A scheduled date when certain formal key milestones have been reached, typically including grid compliance approval of metering systems and technical approval of plant by independent engineers. Production volumes have reached normalised levels sold at the agreed off-taker agreement price. This milestone is regulated by the off-taker agreement with the power off-taker.
Take Over Date (TOD)	The date on which the EPC contractor hands over the power plant to the power plant company. COD must have been reached, in addition to delivery of training and all technical documentation before TOD takes place.



EMERGY

SUSTAINABLE STORIES

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