

East Renewable Zophia Super Holdco AB

Report for the second quarter of 2020



Picture from where the Zophia wind farm area will be located



Company profile

East Renewable Zophia Super Holdco AB (the “Company”) is a Swedish limited company, based in Stockholm. All shares in the Company are indirectly controlled by the Norwegian wind power company NBT AS (www.nbtas.no), the ultimate parent of the NBT AS group of companies (the “NBT Group”). The main activity for the Company is to hold the NBT Group’s investment in the Ukrainian Zophia wind farm project which is located approximately 25 km southwest of Melitopol in the Zaporizhya region, north of the Azov Sea.

The Zophia project has a total capacity of up to approximately 800 MW. The site, mostly flat terrain, stretches over 39 kilometres from north to south. The NBT Group plans to develop the wind farm in three phases; Zophia I of 42.5 MW, Zophia II of 300 MW and Zophia III of 450 MW. The total investment for the Zophia wind farm will exceed EUR 1 billion, which is equal to approximately 1% of the gross domestic product of Ukraine. Fully developed this will be Europe’s largest onshore wind farm.

Status and main events in the second quarter of 2020

Feed-in-tariff regulations in Ukraine

In late 2019 the Zophia Wind farm project obtained pre-PPAs (Power Purchase Agreement) for all three phases of the project. This implies that all major required environmental studies, building permits, grid connection agreements and power purchase agreements are in place in order to develop the entire Zophia project.

The Zophia Wind Farm envisages to sell its electricity under a feed-in tariff regulated by law. Early 2020, the Ministry of Energy and Environmental Protection initiated the process of amending the feed-in tariff for renewable energy sources. On 21 June 2020, Ukrainian Parliament adopted Draft law No. 3658, which is aimed at implementing the key provisions mentioned in the MoU reached between Ukrainian authorities and several renewable power producers (NBT included). The law was later signed by President Zelenskyy and is thus in force. The implementation of Law No. 3658 is a significant positive milestone for the Ukrainian renewables market, as it provides clarity on the future direction of the market.

Project development and financing

In October 2019 an EPC contract was signed with the EPC subsidiary of State Grid Corporation of China. The contract covers all turbine supply, civil works, electrical works, substations, required grid connections to the interconnection points, new overhead line and grid capacity upgrades for the projects. At the same time as the EPC contract was signed, a MoU was signed with ICBC, China Exim Bank and China Construction Bank for financing of up to EUR 500 million. Additional project financing is expected to be secured through a syndicate of banks. JP Morgan has been mandated as lead arranger.

Completion of the project financing is subject to satisfactory documentation of project equity. NBT is in discussions with co-investors in order to raise equity for the project. We expect the discussions with co-investors to rapidly resume and, subject to easing of the current travel restrictions around the world caused by the covid-19 pandemic, to reach a financial close during the fourth quarter of 2020.

The project achieved all permits and PPAs qualifying for feed-in tariff in December 2019. The approval from the grid operator, UkrEnergo, for electrical design work and capacity extension is approved. The remaining processes prior to financial close, are as follows:

- Upgrade EIA approvals with turbine specifications (wind farm) and additional land plots (OHL)
- Secure land for overhead lines
- Secure land for extension of WTG plots
- Grid operator review of electrical design
- Construction readiness workflows kicked off in June to lay the basis for successful start of project

The lockdown due to COVID-19 and restructuring of the Ministry of Ecology, have delayed the EIA reports. Upgrades of EIAs are set for completion in September and October. The ESIA report was finalized in July.

Financing

The Company has an outstanding bond loan of EUR 14.2 million that matures on 31st August 2020. The bond's maturity is in the process of being prolonged until November 30, 2020, whereupon the intention is to refinance the bond in conjunction with the planned refinancing of the ultimate parent company.

Financial highlights

Income statement

East Renewable Zophia Super Holdco AB reports a net loss of EUR 3.47 million for the first half of 2020. The main reason for the loss is financing costs related to the financing of the Zophia wind farm projects. The Company's financing costs amounted to EUR 2.65 million. The Company's is not expected to report any profit before dividends can be up streamed from the Zophia wind farm project.

Balance sheet and cash position:

The Company has total assets of EUR 18.3 million as of 30th June 2020. During 2019 the Company issued a bond loan of EUR 14.2 million with net proceeds of EUR 12.7 million. The proceeds from the bond loan have mainly been applied to pay the sellers of the Ukrainian project companies and to fund development work for the Zophia wind farms. Due to the legal structure the actual proceeds are down streamed to the underlying subsidiaries or paid on behalf of the subsidiaries. A total of EUR 11.3 million has been granted to the subsidiaries as loans, of which a total of EUR 6.6 million has been paid to the Ukrainian sellers of the project companies. The Zophia group has further payment commitments to the sellers. Timing and amount of these commitments are dependent upon several conditions. The remaining amount of the loans are mostly appropriated to development work for the projects.

The bond loan that was issued during the year carries no nominal interest but matures on 31st August 2020 at a price of 120% of the bonds face value. The loan costs are amortized over the loan period. Carrying value of the bond loan amounted to EUR 13.892 million on the 30th of June 2020.

To satisfy certain requirements under Swedish company law relating to the ratio, for accounting purposes, of the shareholders' equity to the registered share capital, the board of directors on 31 October 2019 delivered a control balance sheet (Sw. kontrollbalansräkning), which showed a shareholders' equity below the level laid down by law. At a shareholder's meeting held on 12th December 2019 it was, however, concluded that the Zophia project is expected to create significant additional value in the near future and that the indicated shortage of equity capital therefore is expected to be restored within the eight-month statutory period. In May 2020 NBT granted a standby equity capital guarantee. This guarantee is booked with a value of EUR 4,6 million as per end of June 2020.

Stockholm, 26th August 2020

Board of Directors

Statements of profit and loss

<i>(Amounts in EUR 1000)</i>	Q2 2020	Q1 2020	Year 2020	Year 2019
Other revenues	7	-	7	-
Total operating revenues	7	-	7	-
Other operating expenses	(626)	(91)	(717)	(136)
Management fee from ultimate parent company	-	-	-	(507)
Total operating expenses	(626)	(91)	(717)	(643)
	-			
Operating result	(619)	(91)	(710)	(643)
Financial income	145	-	145	27
Financial expenses	(1 312)	(1 312)	(2 625)	(866)
Net foreign exchange gain/(loss)	-	43	43	17
Net financial items	(1 239)	(1 197)	(2 436)	(822)
Profit/(loss) before tax	(1 858)	(1 288)	(3 147)	(1 465)
Income tax expense	-	-	-	-
Profit/(loss) for the period	(1 858)	(1 288)	(3 147)	(1 465)
Total comprehensive income for the period, net of tax	(1 858)	(1 288)	(3 147)	(1 465)

Statements of financial position as of 30th of June

<i>(Amounts in EUR 1000)</i>	Q1 2020	YTD 2020	Year 2019
ASSETS			
Investments in subsidiaries	20	20	20
Loans to subsidiaries	11 266	11 323	10 993
Total non-current assets	11 286	11 343	11 013
Trade and other receivables	-	2 207	-
Prepaid expenses and short-term receivables on subsidiaries	2 335	4 755	2 036
Cash and cash equivalents	13	1	529
Current assets continuing operations	2 348	6 963	2 565
Assets related to discontinued operations	-	-	-
Total assets	13 634	18 307	13 578
EQUITY AND LIABILITIES			
Share capital	5	5	5
Share premium	-	4 612	-
Total paid in equity	5	4 617	5
Accumulated losses	(1 465)	(1 465)	(1 465)
Result for the period	(1 288)	(3 147)	-
Total equity	(2 748)	5	(1 460)
Total non-current liabilities	-	-	-
Short-term interest-bearing debt	13 430	13 892	12 968
Trade payables	815	1 464	67
Accrued interest	1 411	2 261	561
Other current liabilities	727	685	1 442
Current liabilities continuing operations	16 383	18 301	15 038
Liabilities related to discontinued operations	-	-	-
Total liabilities	16 383	18 301	15 038
Total liabilities and equity	13 634	18 307	13 578

Statements of cash flows

<i>(Amounts in EUR 1000)</i>	Second quarter 2020	First quarter 2020	YTD 2020	Year 2019
Result before tax	(1 858)	(1 288)	(3 147)	(1 465)
New equity	4 612	-	4 612	-
Change in working capital	(4 005)	(310)	(4 316)	-
Net foreign exchange effect	1	42	43	-
Financial costs with no cash effect	1 312	1 312	2 625	866
Change in short term receivables and liabilities	-	-	-	(527)
Other adjustments	(73)	(72)	(145)	-
Net cash flow from operating activities	(12)	(316)	(328)	(1 126)
Investments in subsidiaries and joint ventures	-	-	-	(20)
Long term loans/prepayments to joint venture company	-	(200)	(200)	(10 993)
Net cash flow from investing activities	-	(200)	(200)	(11 013)
Proceeds from share issue	-	-	-	5
Net proceeds from interest bearing debt	-	-	-	12 663
Net cash flow from financing activities	-	-	-	12 668
Net change in cash and cash equivalents	(12)	(516)	(528)	529
Cash and cash equivalents at the start of the period	13	529	529	529
Cash and cash equivalents at the end of the period	1	13	1	529

Statement of changes in equity

<i>(Amounts in EUR 1000)</i>	Share capital	Share premium	Accumulated losses	Total equity
Equity at 1 January 2020	5	-	-	5
Guaranty from NBT	-	4 612	-	4 612
Accumulated losses	-	-	(1 465)	(1 465)
Net result for the period	-	-	(3 147)	(3 147)
Equity at 30 June 2020	5	4 612	(4 612)	5

Notes to the interim financial statements

NOTE 1 – GENERAL INFORMATION

East Renewable Super Holdco AB, 559220-5867 is an unlisted Swedish limited company that was formally established on 1st October 2019 with registered office at Birger Jarlsgatan 2, 5tr (36), 114 34 Stockholm. The Company has prepared its interim financial statement in accordance with the Swedish Accounting Board's (BFNAR 2016:10) Annual reporting in smaller companies.

The Company is a holding company with the purpose of holding the NBT Group's (www.nbtas.no) ownership in the Zophia wind farm projects in Ukraine.

The interim financial statements have not been audited.

Consolidated financial statements have not been prepared as the sub-group is considered a small group according to Swedish Annual Accounts Act 7 akp §3 and is exempt from the obligation to prepare consolidated financial statements.

The main accounting principles can be summarised as follows:

Loans and prepayments of cost on behalf of subsidiaries:

Loans to subsidiaries are classified as long-term loans.

Some of advisors working on the development of the Zophia project are formally contracted with the Company or by the parent or ultimate parent company. The parent company or the ultimate parent company are recharging all costs related to the Zophia projects to the Company. The Company will again recharge all costs related to the Zophia projects either to the Ukrainian project companies or to the Swedish holding companies. Costs that are incurred and re-charged or planned to be re-charged to the subsidiaries are classified and presented as other short-term receivables on subsidiaries.

Interest-bearing debt:

Borrowings are recognised initially at fair value, net of transaction costs and subsequently carried at amortised cost using the effective interest method. Loan costs are consequently amortised over the loan period and presented as a reduction of the nominal loan amount at the reporting date. Interest-bearing debt maturing within the next 12 months are presented as short-term liabilities.

NOTE 2 – GOING CONCERN

The Company has an outstanding bond loan of EUR 14.2 million that matures on 31st August 2020. The bond loan maturity date is in the process of being extended until November 30, 2020, whereupon the intention is to refinance the loan in conjunction with the refinancing of the ultimate parent company.

NOTE 3 – SHARES IN SUBSIDIARIES AND JOINT VENTURES

Subsidiaries	East Renewable Zophia Investments I AB	East Renewable Zophia Investments II AB	East Renewable Zophia Investments III AB	NBT Ukraine LLC	Total
Share issues/investments during 2019	5	5	5	5	5
Total shares in subsidiaries as of 31 December 2019 and 31 March 2020	5	5	5	5	20