

East Renewable AB

Report for first half of 2019



Lake Syvash is a shallow lake formation separating mainland Ukraine from Crimea.



Company profile

East Renewable AB (the “Company”) is a Swedish public limited company, based in Stockholm. The Company is a wholly owned subsidiary of the Norwegian wind power company NBT AS (www.nbtas.no) and the main activity for the Company is to hold the NBT Group’s investment in the 249.6 MW Syvash wind farm project near Lake Syvash in the Kherson region south in Ukraine. The Syvash wind farm is formally owned by Syvashenergoprom LLC (the “Project company”).

The Syvash wind farm is a joint venture between the French renewable energy company Total Eren and the Saudi Arabian Al Gihaz Group that controls 53.5 percent of the wind farm and NBT that controls 46.5 percent of the wind farm.

The joint venture is formally set up with East Renewable Ukraine AB as the joint venture holding company that controls all shares in Syvashenergoprom LLC indirectly through East Renewable Energy AB.

Main events in first half of 2019 and status

Equity investment in the Syvash wind farm and dilution of ownership

As a part of the investment agreement between NBT and Total Eren, NBT’s ownership in the Syvash wind farm was diluted as a part of providing the equity financing for the Syvash project.

The financing of the Syvash wind farm was done in two tranches both with project financing and equity financing. Through share issues in East Renewable Ukraine AB (“ERU”) in January and April 2019 the Company invested in total EUR 35.1 million in class A shares in ERU. Simultaneously New Wind 1 (a company owned by Total Eren and Al Gihaz) invested in total EUR 79.1 million in class B shares. Following the shares issues, the B shares have 53.5% of the voting rights in the company and will receive a maximum of 17% of the amount invested and 53.5% of the available dividend annually. The B shares are convertible to ordinary shares in October 2022. East Renewable AB owns 100% of the ordinary shares (A shares).

Following the share issues in ERU the investment in this company has been reclassified from investment in subsidiaries to investment in joint ventures.

Project financing of the Syvash wind farm

Syvashenergoprom LLC has secured a loan facility agreement of up to EUR 299 million with the European Bank for Reconstruction and Development (“EBRD”) as lead lender. The facility has been secured in two tranches with EUR 155 million at the first tranche in January 2019 when the project reached financial close for the first phase. The second tranche for segment two of EUR 108 million was secured in April when the project reached financial close for the second phase. Additional tranches may be entered given fulfilment of certain covenants for the project. This was the first internationally financed wind farm project in Ukraine.

Construction of the Syvash project

Following the completed financing of the wind farm the EPC contractor commenced mobilisation for the construction. The Syvash Wind Farm is the largest wind farm in Ukraine and one of the largest onshore wind farms in Europe. Technical completion of the first phase is expected to be done in December 2019 and technical completion on the second phase is expected during the summer 2020.

When the completed wind farm is put into production in the summer of 2020, it is expected to produce about 900 GWh annually and with yearly revenues of about EUR 85 million.

Financing

EUR 60 million bond issue:

As a part of the financing of the investment in East Renewable Ukraine AB the Company issued a EUR 60 million short term bond loan in January 2019. In addition to finance the EUR 35.1 investment in the joint venture holding company, the additional proceeds were used to:

- ✓ repay the EUR 10 million development bond that was issued in 2018 inclusive of interest with a total of EUR 10.9 million,
- ✓ prepay interest, fees to bondholders and pay fees and costs to the financial advisors for the company with a total of EUR 8.0 million,
- ✓ the remaining part was spent on repayment of loan / new loan given to its parent company and for general corporate purposes.

EUR 75 million green bond issue:

The EUR 60 million bond issue in January was intended to be a short-term bond loan and was refinanced with a EUR 75 million green bond issue in May 2019. The due date for the new green bond is 21st May 2021 and interest rate is 13.5 percent per annum with half yearly payments. The bond issue was done at 99% of par value. The company's shares in East Renewable Ukraine AB is pledged as security for the green bond. Additional security was provided with pledge in bank accounts and certain receivables. Additionally, NBT AS has issued a guarantee and pledged the shares in the issuer as security for the loan. The net proceeds from the green bond issue has been applied to repay the EUR 60 million bond issue and to pre-fund interest for the green bond for one year.

Share issues

The Company has made two share issues during the period, one in relation to the transformation from a private company to a public limited company in April and share issue in May in order to strengthen the equity of the company. In total the share issues provided a total of about EUR 4.4 million in new equity to the Company.

Investments and disposal of Azov subsidiaries in Ukraine (the Zophia project companies)

As a part of the NBT Group's growth strategy for Ukraine, the Company acquired 82 percent of the shares in the two Ukrainian companies Azovinvestprom LLC and Azovpromenergo LLC in January 2019 for a total consideration of EUR 1.37 million. The two companies are wind power project development companies in the Zaporizhia region in the south east of Ukraine with a potential to develop wind farms for up to about 793 MW. If fully developed this will be the largest on-shore wind farm project in Europe. Following a review of NBT's legal structure in May it was decided to develop this project in a separate legal structure from East Renewable AB and consequently the project companies have been disposed to NBT in August 2019. The sales proceeds correspond to the investment amount that the company paid in January 2019.

Financial highlights

Income statement

In the first half of 2019 East Renewable AB reported a net loss of EUR 10.5 million. The main reason for the loss is financing costs related to the investments in the Syvash wind farm project. The company's financing costs amounted to EUR 10.2 million in the period. As the Company's main assets is the investment in East Renewable Ukraine AB the company it is not expected to report any profit before dividends can be up streamed from the Syvash wind farm.

Balance sheet and cash position:

The Company has total assets of EUR 70.9 million as of 30 June 2019, an increase from NOK 10.1 million at year-end 2018. The increase in total assets is mainly due to the investments in the Syvash wind farm project during the period. Total cash investments to the Syvash wind farm totaled EUR 35.1 million, in addition the Company had a loan to East Renewable Energy AB that in January was given as a shareholder contribution. For accounting purposes this loan is viewed as an investment in East Renewable Ukraine AB as the joint venture holding company.

The Company has also granted East Renewable Ukraine AB a loan of EUR 10 million that again is injected in the Swedish holding company (East Renewable Energy AB) as a "stand by equity" commitment for the Syvash project. The "stand-by-equity" can under certain conditions be used to fund cost overrun for the Syvash project. The stand by equity will be repaid following COD for the Syvash project less any funds applied for cost overruns for the project, if any.

As of end June the Company had total available bank deposits of EUR 10.3 million of which EUR 10.1 million was restricted and could only be applied to pay interest on the green bond with the first interest payment due in November.

The company reports a negative equity by the end of the reporting period. The board would like to emphasis the value of the Syvash project in the opinion of the board exceeds the book value of the investment of EUR 43 million. Applying the same valuation on the Company's investment in the Syvash project as Total Eren bought into the project gives an excess value of approximately EUR 25 million. This valuation fully restores the equity in the Company.

Oslo, 13th September 2019

Board of Directors and CEO

Statement of profit and loss

<i>(Amounts in EUR 1000)</i>	<i>First quarter 2019</i>	<i>Second quarter 2019</i>	<i>First half 2019</i>	<i>Full year 2018</i>
Other revenues	-	78	78	-
Total operating revenues	-	78	78	-
Other operating expenses	(156)	(206)	(362)	(118)
Total operating expenses	(156)	(206)	(362)	(118)
Operating result	(156)	(127)	(284)	(118)
Financial expenses	(5 005)	(5 231)	(10 237)	(818)
Group contribution	-	-	-	94
Net financial items	(5 005)	(5 231)	(10 237)	(724)
Profit/(loss) before taxes	(5 161)	(5 359)	(10 520)	(842)
Profit/(loss) for the period	(5 161)	(5 359)	(10 520)	(842)
Tax for the period	-	-	-	-
Net profit/(loss) for the period	(5 161)	(5 359)	(10 520)	(842)

Statement of financial position as of

<i>(Amounts in EUR 1000)</i>	31 March 2019	30 June 2019	31 December 2018
ASSETS			
Investments in subsidiaries	42 471	1 375	10
Investments in joint ventures	-	43 235	-
Other non-current receivables and prepayments	5 371	15 850	10 086
Total non-current assets	47 842	60 460	10 096
Trade and other receivables	3 000	181	-
Cash and cash equivalents	84	10 263	1
Current assets	3 084	10 444	1
Total assets	50 926	70 903	10 097
EQUITY AND LIABILITIES			
Share capital	5	55	5
Share premium	-	4 391	-
Total paid in equity	5	4 446	5
Accumulated losses	(9 927)	(11 382)	(862)
Total equity	(9 922)	(6 936)	(857)
Long term interest bearing debt	60 000	71 438	10 000
Total non-current liabilities	60 000	71 438	10 000
Trade payables	6	-	21
Other financial liabilities	842	1 097	842
Other current liabilities	0	5 305	91
Current liabilities	848	6 402	954
Total liabilities	60 848	77 840	10 954
Total liabilities and equity	50 926	70 903	10 097

Statement of cash flows

<i>(Amounts in EUR 1000)</i>	First quarter 2019	Second quarter 2019	First half 2019	Full year 2018
Result before tax	(5 161)	(5 359)	(10 520)	(842)
Net foreign exchange effect	-	-	-	(20)
Change of accounts receivable / - payable	(23)	(150)	(173)	842
Group contribution	-	-	-	(94)
Interest costs with no cash effect	-	(3 562)	(3 562)	-
Change of receivable/payable with ultimate parent	4 311	(4 805)	(494)	(31)
Change of receivable/ payable with related parties	(2 679)	2 848	169	151
Other adjustments	(3 903)	3 903	-	-
Net cash flow from operating activities	(7 456)	(7 124)	(14 580)	6
Investments in subsidiaries and joint ventures	(42 461)	(2 139)	(44 600)	(10)
Net cash flow from investing activities	(42 461)	(2 139)	(44 600)	(10)
Proceeds from share issue	-	4 441	4 441	5
Net proceeds from interest bearing debt	50 000	15 000	65 000	-
Net cash flow from financing activities	50 000	19 441	69 441	5
Net change in cash and cash equivalents	83	10 178	10 262	1
Cash and cash equivalents at the start of the period	1	84	1	-
Cash and cash equivalents at the end of the period	84	10 263	10 263	1
Cash and cash equivalents, restricted funds	-	10 119	10 119	-
Cash and cash equivalents, unrestricted funds	84	143	143	1
Total	84	10 263	10 263	1

Interest costs are presented and classified as a part of the operational activities in the cash flow statement.

Statement of changes in equity

<i>(Amounts in EUR 1000)</i>	Share capital	Share premium	Accumulated losses	Total equity
Equity at 1 January 2018	-	-	-	-
Est. 12 April 2018	5	-	-	5
Net result for the period	-	-	(842)	(842)
Translation differences from conversion from SEK to EUR	-	-	(20)	(20)
Equity at 31 December 2018	5	-	(862)	(857)
Equity at 1 January 2019	5	-	(862)	(857)
Share issue 27 March 2019	45	-	-	45
Share issue 6 May 2019	5	4 391	-	4 396
Net result for the period	-	-	(10 520)	(10 520)
Equity at 30 June 2019	55	4 391	(11 382)	(6 936)

Notes to the interim financial statements

NOTE 1 – GENERAL INFORMATION

East Renewable AB is an unlisted Swedish limited company. The Company has prepared its financial statement in accordance with the Swedish Accounting Act and generally accepted accounting principles in Sweden.

The interim financial statements have not been audited.

The interim financial statements have been prepared in accordance with the Swedish Accounting Boards (BFNAR 2016:10) Annual reporting in smaller companies.

The accounting policies applied by the company in these interim financial statements are consistent with those applied in the audited financial statements for the year ended 31 December 2018. The 2018 audited financial statement was prepared and presented in SEK. Following a decision from the shareholders to change the accounting currency for the company to EUR, the interim financial statements for 2019 are prepared and presented in EUR. Comparable figures for 2018 has consequently been converted from SEK to EUR in the interim financial statement. The conversion has been performed as of 1 January 2019.

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.

NOTE 2 – SHARES IN SUBSIDIARIES AND JOINT VENTURES

	East Renewable Zophia AB	East Renewable Ukraine AB	Azovinvestprom LLC/ Azovpromenergo LLC	Total shares in subsidiaries
31 December 2018	5 000	5 050	-	10 050
Acquisition of Azovinvestprom LLC and Azovpromenergo LLC	-	-	1 370 000	1 370 000
Shareholder contribution 29 January 2019	-	8 091 120	-	8 091 120
Share issue 29 January 2019	-	33 000 000	-	33 000 000
Transfer to joint venture	-	(41 096 170)	-	(41 096 170)
Total shares in subsidiaries 30 June 2019	5 000	-	1 370 000	1 375 000
Transfer to joint venture	-	41 096 170	-	41 096 170
Share issue 4 April 2019	-	2 138 535	-	2 138 535
Total shares in joint ventures 30 June 2019	-	43 234 705	-	43 234 705
Total shares in subsidiaries and joint ventures 30 June 2019	5 000	43 234 705	1 370 000	44 609 705

The shares in Azovinvestprom LLC, Azovpromenergo LLC and East Renewable Zophia AB were disposed in August 2019 at a price that equals the booked value of the shares.