



MPC Energy Solutions

Q3 2022 Results

Thursday, 3rd November 2022

MPG ENERGY SOLUTIONS Q3 2022 RESULTS

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INTRODUCTION

Heike Hülle

WELCOME

Good morning to all and welcome to the Q3 2022 webcast of MPC Energy Solutions. My name is Heike, and I have the pleasure of guiding you through the presentation and the Q&A session later on. This morning at 7.00, MPC Energy Solutions published its financial statements for the nine months ended 30th September 2022.

We would therefore like to take the opportunity to walk you through some of the highlights of the financial statements and also share some insights into project updates of the last few weeks with you. After our presentation, we will, as usual, hold a Q&A session, in which we'd be happy to answer any questions you might have. You can send in your questions via the text function in the webcast at any time during the presentation, and we will answer them at the end. This webcast is being recorded and will be published later together with a transcript.

Before we get started, let me remind everyone that certain statements made on this call, including financial estimates and comments about our plans, expectations, beliefs, or business prospects, and other statements that are not historical in nature may constitute forward-looking statements under the securities laws. We make these statements on the basis of our views and assumptions regarding future events and business performance at the time we make them. And we do not undertake any obligation to update these statements in the future.

Forward-looking statements are subject to a number of risks and uncertainties. And actual results may differ materially from the results expressed or implied in light of a variety of factors, including factors contained in our financial statements, filings and other releases.

Okay. Let me now move on and introduce you to the management team of MPC Energy Solutions. I have with me, Martin Vogt, the CEO, and Stefan Meichsner, the CFO of the company. Please go ahead, Martin and Stefan.

OUR BUSINESS AND STRATEGY

Martin Vogt (CEO, MPC Energy Solutions)

INTRODUCTION

Thank you, Heike. Good morning also to everyone from my side. Very excited to present today our Q3 results and go into some of the most recent developments in our projects, and also as it's the last time that we have the opportunity to speak to this audience. This year, we also wanted to recap on MPC Energy Solutions as an organisation. So Heike, if you may move forward to the slide next. Thank you.

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So, as you all know, we started last year only with a very small group of management and colleagues and have grown the company to about 20 full-time employees during the last 18 months and since the IPO. So the management and our colleagues from the Supervisory Board as well as from the team in Amsterdam, Panama and Colombia, we took the time to develop a joint vision, mission and purpose statement.

We believe this is very critical for an organisation that is culturally and geographically diversified like MPC Energy Solutions, and really serves in the future as a focal point that helps to align everyone with the organisation, ensuring everyone is working towards a single purpose and as an effective guide for decision making.

MAKING CLEAN ENERGY HAPPEN!

So you see here on this slide, the results of our vision and mission. I think it's self-explanatory. Very important for us are, of course, the sustainability aspects in our business, first of all, to preserve the resources for future generations in the way how we conduct our business to work with respect to the local communities that we are affecting heavily with our activities.

And in the next step, what we will present to the public shortly is the sustainable value strategy that we have developed based on our vision, mission and purpose statement. And we have adapted accordingly our environmental social management system, so that all these management tools are fully aligned with these statements.

COMPREHENSIVE VALUE CHAIN

Full-cycle Independent Power Production (IPP)

Now, focusing on the business model itself and to recap for everyone: the comprehensive value chain that MPC Energy Solution is part of and applying. I would like to highlight here again, from our perspective, one of the main key differentiators in our value chain also compared to our peers is the true and sole focus on the needs of our clients.

We are truly technology-agnostic and try to implement a technical and commercial solution that meets the requirements of our clients when it comes to renewable energy penetration, affordability, reliability, as well as source of energy.

I do believe it is a key differentiator to some of our peers. And of course, we remain a long-term partner throughout the project cycle from the development over the financing into the operations until these assets are reaching end of lifetime.

MARKET CHARACTERISTICS

Delivering affordable and clean energy

Going into our market characteristics and why we have chosen to be active in Latin America and the Caribbean Islands, and why we keep our focus on these core markets for the moment. It's really that we find very attractive local conditions to invest. First of all, we have the very strong ambition of the governments that have all set binding goals and NDCs.

Next week, we will see COP 27 starting in Egypt. And we believe also from that perspective, there will be a new push in the region for a faster energy transition, especially for the small island development states as well as for the remaining developing markets that we are active in.

So from that side and the policymakers and the regulators, we see continued support when we approach with our projects, the private and public sector.

Furthermore, we still see that there is a limited renewable energy base, meaning strong growth prospects for companies like us in the markets. The rationale below remains the same. We have a high abundance of solar and

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wind resources. We have a very strong dependency on fossil fuels, still on diesel and HFO. In some countries, there was a shift towards natural gas massively in the last three to five years.

However, as we experience at the moment a global energy crisis, the reference prices on Henry Hub have materially increased. And that has led to a moment also for the government to recognise that only a true diversification away from fossil fuels can be the key to independence, considering the price movements for natural gas lately.

On the other hand, we continue to see high local generation costs, given the outdated technology that is being active since 30, 40 years. Replacing this with state-of-the-art technology, renewable energy remains truly the cheapest source of generation.

And another benefit that we see that is not listed here is that all of these markets, given their size, have relatively high entry barriers that for us, as an established player, creates some level of protection; but also that the contracts that we are signing are in US dollars, meaning we have limited exposure to FX movements, except for Colombia, where we do sign PPAs in local Colombian Pesos.

REGIONAL FOOTPRINT

Providing clean and affordable energy for Latin America and the Caribbean

Moving over to our regional footprint. I think we can say by now that MPC Energy Solutions has the broadest asset base across the region. Diversification remains a key risk mitigator in our strategy. So, there's a reason why we are targeting the entire region despite in itself each of these markets being fragmented and a niche market. We do not want to assume any cluster risks when it comes to our off-take and counterparties, as well as to seek protection from regulation and policy changes.

Therefore, we believe that our current strategy provides very attractive risk adjusted returns for our shareholders. And at the moment, we can clearly say that we're the only player with such a broad footprint across the region compared to many of the other European IPPs that are also active.

SOLAR GROWTH OPPORTUNITIES

Expanding our development backlog in the region with focus on solar projects

Looking at the growth path on the next slide, we wanted to show where we see the growth opportunities. We have highlighted here today, in particular, the solar growth, because for the region, solar energy will be the key technology. 70-80% of the energy transition will be fuelled by solar technology.

Of course, wind also plays a role combined with other technologies such as biomass and geothermal. But by far the vast majority is being created through solar, which you can also see already in our existing portfolio.

So our goals for the next three years is to create a proprietary project development backlog of around 800 megawatts of ready-to-build assets. Projects that are fully permitted reaching financial close and are ready for construction that is doubling our current capacity of about 400 megawatt that we do have already in the region, focusing on four key areas. We have two, what we would consider the most developed markets, which are also OECD members, that is Mexico and Colombia, that are currently seeing major growth in renewables, but also the Central American region as well as the Caribbean.

In Central America, we will particularly look at Panama, Guatemala and El Salvador. And in the Caribbean, at the larger islands, like the Dominican Republic, Jamaica, as well as the Eastern Caribbean islands, that all have very ambitious plans to decarbonise their energy metrics.

We have shifted clearly our focus more towards own project development in the region. It's a very good moment to do so compared to our focus this year that was primarily on the construction of the first series of assets that we have brought to the IPO and capitalised.

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PROJECT OVERVIEW

Diversified across the region

When we look at the current projects, and this is just to give a transparent overview of the projects that are under ownership and in the development backlog. In the moment where we see here a significant growth also in the proprietary project backlog, we will also see more and selected partial and full farm-downs of these projects. So we lift the value that we have created through the early stage of own project development.

That's clearly for us an attractive opportunity to capture early on the value in this project and to recycle some of the invested capital and convert such equity premium or promotes into construction equity.

100 MW UNDER CONSTRUCTION ACROSS 4 COUNTRIES

Capital expenditure secured and fully funded

With that, we come from the future plans to the present situation, and that relates primarily to the construction of our ongoing projects in the region. You see here our portfolio of assets in El Salvador, Colombia, Puerto Rico, and St Kitts that are with 100 megawatts currently under construction.

Capital expenditure is fully secured and fully funded with debt and equity in these projects that are now nearing completion.

CONSTRUCTION PROGRESS

All four plants on track to achieve COD in early 2023

If we go to the next slide, we wanted to give you also a bit of a visual impression where some of the projects are. I think our statements are very clear that the projects are on track to achieve now COD in early 2023. Overall, Santa Rosa and Villa Sol have made significant progress with 88% of module installation. We are very close to complete the construction with some transmission line and substation upgrades as the remaining activities that should be completed by the end of the year.

You then see Los Girasoles, the project in Colombia that we brought also into the IPO from the legacy MPC Capital portfolio. We are here at 72%. We have single axis tracker installations in Colombia. Also there, now after the weeks of the extended rains in Colombia, we do see very good progress in the piling and module installation locally from our subcontractor EPC contractor.

The project that we have in a joint venture with Akuo, the French IPP, Planeta Rica, follows with an overall progress of 65% at the moment. It has a total capacity of around 26 megawatts peak. So this will, in the time be completed after Santa Rosa and Los Girasoles.

And last but not least, we have the CHP plant in Puerto Rico, where we have now confirmed that the remaining seven-day test will start on 7th November. And after the successful completion, we will be able to deliver the power to our off-taker, Neolpharma.

And with that, I'm happy to hand over to my colleague, Stefan, who will guide you through the remaining slides for today. Thank you.

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FINANCIAL REVIEW

Stefan Meichsner (CFO, MPC Energy Solutions)

FIVE OPERATIONAL ASSETS BY EARLY 2023

Proportionate 66 MW installed capacity on track to be operational next year

Thank you, Martin. To put the progress on construction that Martin just elaborated on into numbers, you can see how it will change the face of our company, as our capacity grows from one operational asset in Mexico today to a proportionate value of 66 megawatts of installed capacity. That means we factor in the state of the projects owned by co-investors.

And 66 megawatt of installed capacity might not sound like much, but we're talking about 144 gigawatt hours of annual energy output on a full year for these assets, which is quite significant. And we should also not forget in what kind of environment and market these milestones were achieved, there was a lot of talk about COVID, about supply chain disruptions, about material price increases, about higher interest rates, inflation. They certainly left their mark. And we felt very real-world challenges that we had to navigate through. And yet, we were able to take these projects from the development phase through construction to successful operation.

And we did so while maintaining our return targets for the investment. So I would say that, from our view, our team here in the region, and also here at home, have done an absolutely excellent job. And we consider once these projects are online, this will be the proof of concept that we believe we needed to deliver to make sure that everybody understands what our strategy is, what it entails, and then we are successfully executing on it.

LONG-TERM, DE-RISKED AND PREDICTABLE CASH FLOWS

Current portfolio (six projects, 100% view), long-term visibility on performance, mainly in USD

We would also like to share some data points that we previously have not presented. And this is a look at our current portfolio. So we're speaking about the six projects that might be shown on the slide before. And what we see here are, in my view, very substantial numbers.

We see an average PPA lifetime over 15 years. These are PPAs that are majority US dollar-denominated during the IPO and in the months after we always elaborated that we will seek exposure to what we could call softer currencies like the Colombian pesos, but that we will see an overwhelming majority of US dollar exposure, and our portfolio as of today is structured in exactly that way.

And looking at the average lifetime, looking at the different revenues, we can expect from the portfolio, we also see that we've contracted revenues under these PPA, on a 100% view, are over \$310 million. So what we see here is a high predictability on cash flows that yield double-digit returns, and this really also – in a strong currency mix – and this really also underscores what Martin mentioned, the MPC Energy Solutions seems to be a long-term partner in the region. And what we've done today really underlines that.

FREE CASH

Speaking about double-digit returns, we have deployed a significant portion of the funds we raised in the IPO. But we are also still in the comfortable position to have ample cash reserves to invest in new projects, to fund our development activities.

Now, part of the reason why we haven't invested all of the funds since the IPO yet is not a lack of opportunity, but that we remain very committed and strict with our investment criteria. We are very much focused on creating

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shareholder value. And we understand that creating shareholder value comes from investing in the right projects that deliver the hurdle rate that we've set for the individual off-taker that reaches in technology.

And we don't want to compromise on that. It's neither the time, nor the market environment to do that. Opportunities do exist. And we're actually in the process of targeting an additional FID shortly for another project in the Caribbean. So at the moment, we don't see why we should compromise. We're executing on our strategy. And we continue to deploy capital in the projects that we believe will add shareholder value and are the right ones that are aligned with our strategy.

Q1 TO Q3 FINANCIAL PERFORMANCE OF PROJECTS

USD 2.5 million revenue YTD, 22.3 GWh energy generated

If we look at the financial performance of our projects in the first nine months, there's one operational asset, as you know, at the moment, it's the Los Santos asset in Mexico, which we acquired in February of this year. And this project really continues to perform in line with our expectations. The client generated 22.3 gigawatt hours and delivered that energy to the off-takers in February. This corresponds to a \$2.2 million revenue generated from the project at a stable 74% EBITDA margin.

And in addition, as we mentioned in our previous market updates, we are conducting energy trading activities related to a PPA in Colombia. And in Q3, which is the first period that we had to conduct these activities, we managed to secure a very small profit from trading, but we did not see a negative impact, which is mainly caused by fairly low stock prices in the past period in Colombia, something that we expect to turn in the fourth quarter.

But overall, our projection on the overall energy trading outcome remains very positive that we will not incur a major loss from this and we might, if everything goes well, come out with a positive effect.

2022 OUTLOOK AND CAPITAL RECYCLING

Outlook confirmed

Following the progress that we've made, we're happy to confirm the outlook that we previously shared of \$3.5 million revenues from our project corresponding to \$2.2 million EBITDA on a project level. We also expect our Group EBITDA on a consolidated basis to end up in the previously shared range, as we expect certain effects to help it come down from the numbers that we shared this morning.

We are not very aggressive when it comes to, let's say, capitalising capitalisable expenses. For example, during the year we assessed this very, very carefully. So what you might see in the interim is always a bit of a bigger P&L impact than what we will ultimately display for the end of the year, at least that is our expectation today.

And before handing the call back to Heike for the Q&A session, I would really like to highlight one thing. We are very actively seeking ways at the moment to recycle part of the capital that we invested, meaning that we intend to return capital sooner to us other than just waiting for the operational performance of the fund. This can happen, for example, by financing currently unlevered projects and then returning the cash to the shareholders of the projects up and are co-investors, and also partial farm-downs of our development backlog and operational assets are always possible.

If we manage this, and I think there's a good chance that we will, we would continue to bolster our free cash position even further, which would then, of course, help us to invest these additional funds into additional projects in the region that meet our investment criteria.

And with that, I will hand the call back over to Heike. Thank you very much. And hopefully we are ready for any questions that might have come in. Thanks.

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Q&A

Heike Hülle: Great. Thanks a lot, Martin and Stefan for the presentation. We will now continue with our Q&A session. We'll pause for a couple of seconds to give you some time to send your questions to the text function if you haven't done so yet.

Okay, then we can get started. And we have received a question from Ralf Luckau. And the question is, what is your view on raising fresh money for the next great project, perhaps a convertible or perhaps from MPC Capital? Or are we foreseeing any problems in the physical market to raise fresh money?

Martin Vogt: Yeah, of course, this is a question that is frequently raised, I think, by the markets. Most importantly, what Stefan just elaborated, the projects that we have currently under construction and that are nearing construction are fully funded with the capital available. And Stefan also indicated, there will be a major capital fund flow back to the company through the envisaged refinancing of the unlevered assets that we have.

So, at the moment, we feel well prepared for our next opportunities. We see, of course, that the market and the capital markets environment is currently fairly challenging. We see all the major markets being down. And so that is not necessarily the most attractive environment for a company like ours to raise new capital.

So the management and the Supervisory Board will consider such activities once we are there and cross that bridge.

Heike Hülle: The next question that came in is from Christopher Caspersen. And his question is, in August, you mentioned that there were issues with the Neol CHP project. So could you please explain the following briefly. Considering there's only some additional equipment required to get the plant up and running, how come the lead time for receiving the equipment is more than five months? Is there a shortage of the equipment in question which makes it impossible to obtain it sooner?

Martin Vogt: Yeah. Unfortunately, it is, indeed – it's a pity how disrupted the global supply chains are. The equipment value that we were talking about was around \$50,000 only, which is, of course very hurtful for us. However, we are relying on the global suppliers, and indeed, it takes 22 weeks to supply these equipments.

What we've mentioned today, however, is that we have come to a resolution with LUMA, LUMA is the good operator in Puerto Rico, that will allow us to start with a testing already next Monday and working on a temporary solution. So the equipment will indeed only arrive I assume in around January, February. However, considering the power outages in Puerto Rico and the supply of energy to residential and industrial off-takers, LUMA is taking a very practical approach.

They understand the needs of their clients as well. So, therefore, we came to a practical solution, where we have a temporary equipment installed that meets the regulatory requirements from LUMA in the next few months. However, we will install the long-term equipments as soon as it arrives.

So I think on that perspective, again, a practical view and our active approach allowed us to come to a solution in this environment.

Heike Hülle: Okay, Christopher sent on a follow-up question for this. With regard to the Neol CHP project, do you deem it likely that MPC Energy Solutions will receive full financial compensation for the project delay, or is there uncertainty whether or not you're covered by the contractual agreements with the project partner?

Martin Vogt: Yes, so there are two things to consider. First of all, there is the clause and the power purchase agreement that basically keep the full term of the PPA active. So there is no – not eating, so to say, into our PPA lifetime. So we have the full PPA starting with the start of production.

And as in any EPC contract, there are of course clauses with regards to the liquidated damages that are applicable in case of project delayed and those are covering our losses. And MPC Energy Solutions and the project partner will obviously make use of these claims.

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In this respect, I also wanted to re-highlight what might not be clear to everyone. We have also positive impacts from recent developments in this project. The Inflation Reduction Act made the tax credits, the tax equity credits for the CHP plans tradable. So previously, at MPC Energy Solutions, and its project partner has no taxable base in the US. These tax credits were of no value and couldn't be consumed by us.

Now, where there are tradable, we believe that at a face value of around 80%, these can be monetised, which, Stefan correct me if I'm wrong, but is around a value of around US\$400,000 to the company that has only been, yeah, recently making being made available sort of thing.

Stefan Meichsner: And I would like to add that in our previous outlook, we said that we expect this plant to become operational early next year. What we see now with Martin mentioning that the final testing is supposed to start next week and completed within a week, this presents additional upside on, let's say, starting revenue since production delivering now energy sooner, which also I would consider good news that the previously stated very careful timelines are now being met.

Heike Hülle: Okay. Then let's move on to the next question. And that came in from Claude Rolland. And his question is, will you hedge the Colombian peso FX exposure? And he then also asks, and are you hedging US dollar versus NOK, Norwegian kroner?

Stefan Meichsner: The second question first. We don't hedge US dollar versus NOK because we don't have any exposure to the Norwegian kroner in our day-to-day operations. US dollars are our functional currency and we trade exclusively in the US dollar, except for the Colombian pesos.

And in terms of securing forward rates for money flowing back to us from Colombia, yes, we intend to hedge that, provided hedging is not only possible in good terms. It depends on when money will flow back to us from the projects from the various shareholder loans that we have or dividends that we paid, we will certainly very actively look into securing FX rates rather than waiting for an appreciation of the Colombian pesos which at the moment we honestly do it.

Martin Vogt: I would like to add that giving our development activities in Colombia, it is an important consideration that we are reemploying Colombian pesos in the Colombian market for our local expenditures, not just of team and co but also all our project development activities are being conducted in local COP contracts. So this is an additional, let's say, indirect hedge of our activities and how we are managing our foreign currency exposures.

Heike Hülle: The next question that came in is from Christopher Caspersen again, and his question is: One of the potential focus areas for MPC Energy Solutions is wind power, which we are yet to see an investment in. But will you primarily be focusing on onshore wind or offshore wind?

Martin Vogt: I think that's a very easy answer for us. At the moment, it will be onshore wind. The region is in very, very, very early stages of accepting their offshore wind potential. There is clearly some, but even the largest offshore players globally are not yet really active in the region for – except for maybe some very initial assessments in Colombia.

Offshore technology will certainly make its way also into the region in the next decade. But at the moment, if you look at our financial capacity and our balance sheet at the maturity of the technology in the region, it is nothing that we seek investments in for the foreseeable future.

Heike Hülle: Okay. I think we've covered the incoming questions. So if there are no further questions, this will conclude the Q&A session and the webcast. Let me just remind you, of course, as usual, if there are any further questions that we haven't covered today, or any further questions you think of after the webcast, please feel free... Oh, there's actually another question that just came in. So let's just take maybe a minute to consider that question came in from Roman Piper. And the question is, do you consider to repurchase some of your own shares at the current price to increase EPS?

Stefan Meichsner: No, not at the moment. While we may have the flexibility to do so, our focus is very much on investing money into projects that we are missing the criteria and to build and grow our company. We think it would be sending the wrong signal. And we also believe that the intrinsic value of the company is, of course, much

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higher than the current share price. And that the good news that we share today, and the proof of concept that we will continue to deliver should be enough to bring the course – the stock price back to where it belongs, which is certainly significantly above the market.

Heike Hülle: Okay, great. And I think we can now conclude the Q&A session. As I just started to say, if there are any further questions that we haven't covered, or anything else you would like to clarify, please feel free to send us your questions via email. Our contact details are on screen now. And me take the opportunity to thank you for joining us and have a great rest of the day. Thank you.

[End of transcript]