



MPC ENERGY SOLUTIONS N.V.

→ 2021

FINANCIAL REPORT Q2

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MPC ENERGY SOLUTIONS N.V.

MPCES in Brief

MPC Energy Solutions N.V. (“MPC Energy Solutions”, “MPCES” or the “Company”, together with its subsidiaries the “Group”) was founded on 4 June 2020 as a Dutch public limited liability company incorporated under the laws of the Netherlands and governed by Dutch law. The Company is registered with the Dutch company register under the organisation number 78205123 and its registered office is at Koningin Wilhelminaplein 1, 1062 HG Amsterdam, the Netherlands. The shares of the Company have been listed on the Euronext Growth segment of the Oslo Stock Exchange under the ticker “MPCES” since 22 January 2021. As of 30 June 2021, the Company’s share capital is USD 2,728,700 comprised of 22,250,000 shares with a nominal value of EUR 0.10 per share. The Group’s consolidated financial statements include the financial reports of the Company and its subsidiaries.

The principal activity of the Group is to act as an integrated independent power producer (IPP) focused on renewable energy and energy efficiency projects. MPC Energy Solutions develops, operates and owns clean energy assets including utility-scale solar PV and wind farms, energy storage, co-generation as well as other infrastructure that help reduce energy consumption and carbon emissions, supporting the transition towards a net zero-emission future.

The Company operates its projects globally with an initial focus on Latin America including the Caribbean as its launch region and with an opportunistic approach to replicate the business model in other regions, e.g. Asia-Pacific.



Solar PV



Wind power



Hybrid



Energy Efficiency

Letter from the Management Board

Dear Shareholders,

During the second quarter of 2021 and the months since, our team continued to develop our projects towards greater maturity and expand our project pipeline in Latin America and the Caribbean, the current focus region for our activities.

Among the most significant milestones we achieved since the IPO in January is the preparation of construction start for four solar PV plants in Colombia (Planeta Rica, Los Girasoles) and El Salvador (Santa Rosa & Villa Sol), respectively. The plants will have a combined electricity generation of around 111 GWh per year and will start commercial operation in 2022. The sale of the generated electricity has been contracted and will be supplied under long-term power purchase agreements to private sector off-takers. We also expect construction of our 3.4 MW Combined Heat and Power (CHP) plant in Puerto Rico to be completed later this year. The expected commissioning in August was moved to October following a delay in the delivery of equipment critical for the gas infrastructure, caused by disruptions in global supply chains. In addition to these projects, we identified several acquisition opportunities that could already place our company in a cash-generating position by the end of the year.

Naturally, developing and constructing projects during the ongoing Covid pandemic is a significant challenge for the (renewable) energy sector and equally impacts our activities. Travel restrictions are only lifted cautiously, even more so in the heavily impacted countries in Latin America and the Caribbean where our projects are located. Disrupted global supply chains, increasing commodity and transportation costs are other factors that are expected to continue having an effect for the next 12 to 18 months.

The renewable energy sector in Latin America and the Caribbean demonstrates great resilience and the region remains strongly committed to the energy transition. Our experienced management and local teams in Panama and Colombia are critical to mitigate and successfully manoeuvre through these challenges. As outlined above, many of our projects achieved important milestones this year, including the signing of power purchase agreements, financial close and start of construction, evidencing our project management and execution capabilities and benefitting from our own local presence in the region. In addition, we further managed to expand our very strong pipeline of projects that allows us to reallocate resources, if needed, and ensures that we remain flexible in our execution.

We are well on track to achieving our 2021 goals. We work towards becoming a leading independent power producer and have seen good progress since our Company launched operations earlier this year.

Sincerely,



Martin Vogt

Chief Executive Officer



Stefan H.A. Meichsner

Chief Financial Officer

Management Board's Report

SECOND QUARTER HIGHLIGHTS AND POST BALANCE SHEET EVENTS

Power purchase agreement in Colombia

Our Company signed a power purchase agreement (PPA) for its solar PV project Parque Solar Los Girasoles in Colombia with Grupo Renovatio, one of the country's leading energy trading firms and electricity suppliers. Under the agreement, the PV plant will sell around 23 GWh of electricity a year to Grupo Renovatio for 12 years. The PPA is COP-denominated. Once operational in 2022, MPCES expects the project to generate around USD 1.3 million in annual revenues during the tenor of the agreement.

Signing for 3.4 MW CHP plant in Puerto Rico

MPCES signed a share purchase agreement (SPA) for a 95% shareholding in a 3.4 MW Combined Heat and Power (CHP) plant in Puerto Rico. The project will supply around 26 GWh of heat and power in connection with a 12-year USD-denominated PPA to a pharmaceutical off-taker. The project was developed and constructed by MPCES's strategic asset development partner Enernet Global and is expected to begin operations later this year with a slight deviation from the original construction schedule. The delay is caused by the disrupted supply chain and delayed delivery of critical equipment from India, but will have no impact on the economics or profitability of the project. The plant will generate between USD 1.5 million and USD 2.0 million in annual revenues for our Company.



“WE ARE COMMITTED TO INVESTING WITH CONSIDERATION OF OUR ESG PRINCIPLES, THUS DELIVERING LASTING POSITIVE IMPACT ON THE ENVIRONMENT AND THE COMMUNITIES IN WHICH WE INVEST.”



Construction start of 26.55 MW PV plant in Colombia

In August 2021, MPCES and its joint venture partner Akuo Energy began construction of the solar PV plant Parque Solar Planeta Rica. The plant is expected to go into operation in 2022 and to produce more than 45 GWh a year. The project has secured a 15-year COP-denominated PPA with a reputable local private off-taker with limited default risk (AAA(col) credit rating by Fitch Ratings). The debt financing was provided by Bancolombia, Colombia's largest commercial bank. The Company and its partners have agreed not to disclose financial information or projections for the project at this point of time.

SECOND QUARTER AND HALF-YEAR 2021 RESULTS

Income Statement

In the second quarter of 2021, the Group's projects were still in the development stage and no revenue was generated from the sale of electricity yet. The Company expanded its team and operations in the months between April and June, resulting in personnel expenses, project development, due diligence and other operating expenses of USD 1.4 million (USD 0.3 million for the first quarter 2021) and consequently leading to an operating loss (EBITDA) of USD 1.4 million in the second quarter, in line with our expectations for these early stages of our business. For the first half of the year, total operating losses (EBITDA) are USD 1.7 million.

Financial Position

As of 30 June 2021, the Group's total assets amounted to USD 85.0 million (USD 86.3 million as of 31 March 2021). Non-current assets increased slightly to USD 3.6 million based on further capitalized development costs and right-of-use assets. Current assets of USD 81.3 million consisted mainly of cash and cash equivalents in the amount of USD 81.0 million (USD 82.7 million as of 31 March 2021).

The Group's total equity amounted to USD 84.3 million as of 30 June 2021 (USD 85.8 million as of 31 March 2021). Current liabilities amounted to USD 0.7 million and mainly relate to expenses incurred for due diligence and advisory services.

Following the equity raise in January 2021, the Group is well capitalized in order to execute its projects. There is no long-term debt.

Cash Flow

MPCES started the year with a cash balance of USD 0.4 million. By the end of the second quarter 2021, the total cash balance increased to USD 81.0 million due to the capital raise in January and spending since. Cash flow from operations was negative during the first six months of the year (USD 2.4 million). Cash from investing activities was also negative (USD 2.8 million), mainly driven by the additional investment in Enernet Global. The total net change in the Company's cash position between 1 January 2021 and 30 June 2021 was USD 80.6 million.



OUTLOOK

MPC Energy Solutions has a significant portfolio and backlog of projects across Latin America and the Caribbean. Several projects are either already under construction or will commence construction shortly. By mid-2022, the total installed capacity of the Company's operational assets is expected to grow to 63 MW, and additional capacity might be added until then through acquisitions of assets that are already in the operating phase.

Overall, an increasing energy demand and stricter emission reduction targets should support future growth of the renewable energy sector in the coming years. Latin America and the Caribbean are attractive markets with strong growth potential. MPC Energy Solutions is well-positioned to participate in these opportunities.

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The Company is exposed to a variety of risks. It is considered practically impossible to systematically and sustainably generate risk-free profit. Risks are part and parcel of every company's business activities, and dealing with these risks is among the most important entrepreneurial duties. The Management Board aims to ensure that the Company has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of the Company's objectives and activities. For a summary of the Company's risk categories, please refer to the corresponding section of the Company's Annual Report 2020. The risks position of the Company has not changed substantially after 31 December 2020.

Forward-looking statements presented in this interim report are based on various assumptions. The assumptions are subject to uncertainties and contingencies that are difficult or impossible to predict. MPC Energy Solutions cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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1. Consolidated Interim Statement of Financial Position

(before appropriation of results)

Assets, Equity and Liabilities	30 June 2021 (unaudited) USD	31 December 2020 (audited) USD
A. Assets	84,953,664	1,307,503
I. Non-current Assets	3,608,852	842,919
1. Property plant and equipment	601,136	316,634
2. Right-of-use assets	7,716	26,285
3. Financial fixed assets*	3,000,000	500,000
II. Current assets	81,344,812	464,584
1. Trade and other receivables	298,643	53,102
2. Cash and cash equivalents	81,046,169	411,482
B. Equity and Liabilities	84,953,664	1,307,503
I. Equity	84,289,140	(546,655)
1. Shareholder's equity	84,289,140	(547,405)
2. Non-controlling interest	-	750
II. Current Liabilities	664,524	1,854,158
1. Trade and other payables	588,702	146,527
2. Payables to group companies	-	1,056,224
3. Payables to other related parties	305	539,740
4. Taxes and other social securities	38,552	3,773
5. Accruals and deferred income	36,965	107,894

*Investment in Enernet Global Inc

2. Consolidated Interim Income Statement

	HY 2021 (unaudited) USD	04.06.2020 - 31.12.2020 (audited) USD
Employee expenses	(186,494)	(48,079)
Depreciation	(550)	(501)
Other operating expenses	(1,537,906)	(821,793)
Operating result (EBIT)	(1,724,950)	(870,373)
Finance income	11,321	14,158
Finance costs	(38,183)	(20,600)
Profit / loss before income tax (EBT)	(1,751,812)	(876,815)
Income tax expenses	-	-
Profit / loss for the period	(1,751,812)	(876,815)
Attributable to:		
Equity holders of the Company	(1,751,812)	(876,801)
Non-controlling interest	-	(14)
Basic earnings per share – in USD	(0.08)	(0.67)
Diluted earnings per share – in USD	(0.08)	(0.67)

3.

Consolidated Interim Statement of Comprehensive Income

	HY 2021 (unaudited) USD	04.06.2020 - 31.12.2020 (audited) USD
Profit/loss for the period	(1,751,812)	(876,815)
Items that may be subsequently transferred to profit or loss	-	-
Foreign currency effects, net of taxes	(91,837)	35,126
Items that will not be subsequently transferred to profit or loss	-	-
Other comprehensive profit/loss, net of taxes	-	-
Total comprehensive profit/loss	(1,843,649)	(841,689)
Attributable to:		
Equity holders of the Company	(1,843,649)	(841,675)
Non-controlling interest	-	(14)

4.

Consolidated Interim Statement of Changes in Equity

	Share capital USD	Other capital reserves USD	Legal reserves USD	Retained losses USD	Total equity attributable to the equity holders of the Company USD	Non-controlling interest USD	Total equity USD
Equity as at 1 January 2021	274,500	19,770	35,126	(876,801)	(547,405)	750	(546,655)
Capital increase	2,454,200	84,229,331	-	-	86,683,531	(750)	86,682,781
Exchange rate results	-	-	(91,837)	-	(91,837)	-	(91,837)
Capital decrease asset acquisition	-	(3,337)	-	-	(3,337)	-	(3,337)
Result of the period	-	-	-	(1,751,812)	(1,751,812)	-	(1,751,812)
Equity as at 30 June 2021	2,728,700	84,245,764	(56,711)	(2,628,613)	84,289,140	-	84,289,140

	Share capital USD	Other capital reserves USD	Legal reserves USD	Retained losses USD	Total equity attributable to the equity holders of the Company USD	Non-controlling interest USD	Total equity USD
Equity as at 4 June 2020	54,900	-	-	-	54,900	-	54,900
Capital increase	219,600	-	-	-	219,600	754	220,354
Exchange rate results	-	(9,450)	35,126	-	25,676	-	25,676
Capital increase asset acquisition	-	29,220	-	-	29,220	10	29,230
Result of the period	-	-	-	(876,801)	(876,801)	(14)	(876,815)
Equity as at 31 December 2020	274,500	19,770	35,126	(876,801)	(547,405)	750	(546,655)

5.

Consolidated Interim Statement of Cash Flows

	HY 2021 (unaudited) USD	04/06/2020 - 31/12/2020 (audited) USD
Operating activities		
Profit/Loss before income tax	(1,751,812)	(876,815)
Depreciation	550	501
Adjustments in working capital:		
- Net change in current assets	(245,541)	(53,102)
- Net change in current liabilities	(380,230)	1,049,446
Finance income	(11,439)	(14,158)
Finance costs	36,694	20,600
Interest received	-	-
Interest paid	(12,057)	(4,266)
Income tax paid	-	-
Net cash flow from / (used in) operating activities	(2,363,835)	122,206
Investing activities		
Investments in property, plant and equipment	(285,052)	(317,135)
Exchange rate results	-	-
(Dis) investments in rights of use assets	18,569	(26,285)
Investment in financial fixed assets	(2,500,000)	(500,000)
Net cash flow from / (used in) investing activities	(2,766,483)	(843,420)
Financing activities		
Proceeds from share issuance	2,454,200	265,050
Capital increase asset acquisition	84,133,407	64,346
Loan from related party	(822,602)	803,300
Net cash flow from / (used in) financing activities	85,765,005	1,132,696
Net change in cash and cash equivalents	80,634,687	411,482
Cash and cash equivalents at beginning of period	411,482	-
Cash and cash equivalents at the end of period	81,046,169	411,482

6.

Notes to the Consolidated Interim Financial Statements

GENERAL

Company profile

As an integrated independent power producer, the principal activities of the Company and its subsidiaries are to develop, construct and operate sustainable energy projects, including solar and wind assets, and hybrid and energy efficiency solutions.

The registered and actual address of MPC Energy Solutions N.V. is correct Koningin Wilhelminaplein 1 in Amsterdam and is registered at the chamber of commerce under number 78205123. The Company was incorporated on 4 June 2020.

Going concern

The unaudited interim financial statements are based on the going concern assumption.

Segment information

As of the date of the financial statements, the Group is organized in one operating segment, i.e. development of solar PV projects. As of 30 June 2021, the Group is active in the Caribbean and Latin America as its launch region and going forward it is expected that the Group will expand its business globally. The Group is in the ramp-up phase of its business with no operational assets as of 30 June 2021. Therefore, at this stage, the Group has not generated revenues and has no major customers yet.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the period ended 30 June 2021 are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union (“EU”). The statements have not been subject to audit. The statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2020.

The consolidated financial statements have been prepared on a historical cost basis, except otherwise stated.

The consolidated financial statements are presented in US Dollars (USD). All financial information presented in USD has been rounded to the nearest USD, except where otherwise indicated.

Only standards and interpretations that are applicable to the Group have been included and the Group reviews the impact of these changes in its financial statements. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

The accounting policies adopted in the preparation of the condensed consolidated interim financial reporting are consistent with those applied in the preparation of the Group's consolidated financial statements for the period ended 31 December 2020. There are no new standards effective as at 1 January 2021 with a significant impact on the Group.

COMMITMENTS

The Group has the following off-balance sheet commitments as at 30 June 2021:

The share purchase agreement with the sellers of Bonilla Zelaya Ingenieros Constructores C.V. de S.A. contains provisions regarding performance-based purchase price payments depending on certain milestone events in the development and operational phase of the solar PV project. Depending on the commercial success of the project, such performance-based purchase price payments may accumulate to a maximum total amount of USD 7.5 million over a period of 20 years (i.e. the operational phase of the asset after successful development and construction).

On 10 March 2021, the Company entered into a land lease agreement for the purpose of developing a 72.5 MWp solar PV project in Jamaica. Under the agreement, the Company leases approx. 220 acres of land for a term of at least 25 years. Given that the project is in the development phase, the lease agreement contains termination options so that the fixed commitment amounts to approx. USD 20,000.

