

Annual Report 2022

tion-renewables.com

TION

Table of Contents

1. Preface of the Management Board
2. Report of the Supervisory Board
3. The Tion Renewables AG Share
4. Management Report and Group Management Report
5. Consolidated Financial Statements
6. Independent Auditor's Report

01.

Preface of the Management Board

Dear Shareholders,
Dear Ladies and Gentlemen,

2022 marks another exciting financial year of rapid progress for us.

It was characterized by the strategic expansion and portfolio optimization of the Tion Group: In July 2022, we acquired a stake in clearvise AG, thus becoming the largest shareholder in an independent power producer based in Germany, also listed on the stock exchange. With this step, we not only further strengthened our exposure to renewables in Europe, but also provided ourselves with additional strategic optionality.

We then acquired our first battery energy storage system in November 2022. We are excited about having entered the battery storage market as we believe this technology is eminent to the success of the energy transition and, moreover, an interesting investment case.

In addition to these strategic expansion measures, we implemented two significant optimization measures in the past financial year. First: The closing of our green debut loan in February of that year. Second: The signing of one of the largest power purchase agreements ever signed in Poland, with a term of 15 years.

These developments come along with a strong portfolio with a capacity of approximately 167 megawatts, which we built up in less than three years:

In 2022, our consolidated Group revenue doubled to €34.1 million (2021: €16.8 million). With an adjusted operating EBITDA of €28.2 million (margin: 83.0%) and an adjusted operating EBIT of €15.2 million (margin: 45.0%), our operating margins have increased over time, while our portfolio has grown significantly compared to previous years. The growing operating margins along with cash flow from operating activities of €21.6 million (2021: €11.6 million), demonstrate that acquisitions in 2021 translated into strong cash generation already in 2022. Our green debut loan facilitated the optimization of our capital and corporate structure, whilst our adjusted equity ratio improved to 44.3% in 2022 (2021: 37.3%).

Maintaining the interlinkage between strong operating margins and swift growth is a challenge in the infrastructure sector. Mastering this challenge, was likely one of the many reasons why EQT decided in March 2023 to collaborate with us through its EQT Active Core Infrastructure fund.



"Tion Renewables is thrilled to welcome EQT on board, and we are excited that they will back our growth journey over the coming years. Together with EQT, we look forward to continuously expanding our platform by sustainably deploying solar, wind and battery storage projects in the years to come"

"Joining forces with an investor like EQT—one that offers strong experience in the renewables space and has global reach—will help accelerate our journey to becoming a key player in renewable energy not only in Europe, but world-wide"



We are grateful for having been able to deliver on our mission to accelerate the transition toward a clean energy future. This successful journey wouldn't have been possible without a great and dedicated team and the support and trust of our shareholders. Thank you for your support!

Gruenwald, July 17, 2023

Dr. Martin Siddiqui

Christoph Strasser

02.

Report of the Supervisory Board

Dear Shareholders,
Ladies and Gentlemen,

The year 2022 was in many respects an exciting and transformative year for Tion Renewables AG. Russia's war of aggression on Ukraine raised global awareness for the importance of energy independence, further underscoring the importance of renewable energy. Geopolitical uncertainty, rising interest rates, higher inflation and volatile energy prices were and are a challenging mix. The company has taken significant development steps in this environment: In addition to the disposal of the Czech portfolio as part of the first portfolio rotation, it was able to optimize the existing portfolio by concluding one of the largest private power purchase agreements on the Polish market. It also succeeded in restructuring and improving its capital structure through an innovative portfolio financing in the format of a green loan. In addition, the company acquired its first battery energy storage system as part of its strategic development. Furthermore, the Company was able to acquire a stake in clearwise AG on economically advantageous terms. In addition to the resulting strategic options, this investment contributes to a further diversification of the portfolio within Europe. Operationally, the Company was able to double revenue in financial year 2022.

Advising and monitoring the Management Board

The Supervisory Board of the Company once again monitored the work of the Management Board and provided advice in the past financial year 2022. The Supervisory Board exercised its rights and duties in accordance with applicable law, the rules of procedure, and the Articles of Association of the Company. The Supervisory Board was directly involved at an early stage in all major decisions of the Company.

The Management Board fulfilled its continuous information duties and was in regular contact with the Supervisory Board outside the joint meetings. Accordingly, the Management Board regularly provided detailed oral and written reports to the Supervisory Board. The Supervisory Board made its decisions based on comprehensive reports and draft resolutions submitted by the Management Board, which the Supervisory Board was able to discuss in detail. In addition, the Management Board informed the Supervisory Board about the main business transactions of the Company and the Group and the Company's financing situation for each quarter. At the end of the year, the Management Board additionally reported on the main issues of strategy, general and financial risks, management and control systems of the Company, as well as on fundamental issues of corporate planning, in particular financial planning for the year 2023. The Company's Compliance Officer prepared an annual compliance report for the Supervisory Board.

Meetings of the Supervisory Board

The Supervisory Board held five ordinary and two extraordinary meetings in the reporting year, some of which were held as virtual meetings. In addition, conference calls were held, and resolutions were passed by circular resolution.

Prior to the first ordinary meeting, the Supervisory Board approved the conclusion of a portfolio financing in the form of a green loan with a volume of €35.0 million with UBS Asset Management in a circular resolution that was preceded by extensive telephone consultations.

In the first ordinary meeting of the financial year on March 22, 2022, in the form of a video conference, the Supervisory Board discussed the strategic orientation of the Company and further future investment opportunities for the financial year 2022 together with the Management Board. In addition, the Management Board described to the Supervisory Board in detail the economic situation of the Company itself and at portfolio level. Furthermore, the Supervisory Board dealt with a further professionalization of the Supervisory Board's working methods, in particular a more precise regulation of the role of the Compensation and Corporate Governance Committee.

The second scheduled Supervisory Board meeting was held on May 25, 2022 by video conference. At the meeting, the Supervisory Board addressed the Company's strategy in detail together with the Management Board. First, the Supervisory Board and the Management Board discussed various options for cooperation with clearvise AG, possible transaction structures, the impact of such a transaction on the Company's business strategy, as well as the expected timetable. Subsequently, the Management Board reported on strategic considerations to establish the company as an investment company for various technologies of the energy transition.

The third scheduled Supervisory Board meeting (balance sheet meeting) on June 24, 2022, was held as a hybrid meeting partly in person and partly by video conference. The Supervisory Board first dealt in detail with the financial figures for the financial year 2021. Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Baker Tilly) reported in detail on the results of the audit. The Supervisory Board discussed and approved the audited annual and consolidated financial statements. The auditors confirmed that they had issued an unqualified opinion on the annual and consolidated financial statements. The Supervisory Board also discussed in detail with the Management Board and the auditors the Management Board's accounting documents, in particular the Group management report, the Sustainability Report and the dependent Company report. The Management Board and Supervisory Board also discussed in detail the current status of plans for a possible cooperation with clearvise AG, including a possible acquisition of clearvise AG shares from the Company's main shareholder, Pelion Green Future Alpha GmbH, and the associated strategic development of the Company. Furthermore, the Management Board and Supervisory Board discussed the other ongoing projects: the possible conclusion of a power purchase agreement in Poland in place of the statutory feed-in tariff, the possible disposal of the Czech portfolio, and the acquisition of the first plants in the United Kingdom. The Management Board also explained the budget planning for the rest of the financial year 2022 to the Supervisory Board.

At the beginning of July, the Supervisory Board approved the disposal of the Czech portfolio by circular resolution.

At the meeting on July 11, 2022, the Supervisory Board agreed to hold the Annual General Meeting on August 29, 2022 as a virtual General Meeting without the physical presence of shareholders by means of video and audio transmission. The Supervisory Board discussed possible successors to David Neuhoﬀ on the Supervisory Board and, on the basis of a competence analysis and discussions already held, agreed to propose Victor Moftakhar for election at the Annual General Meeting. The Management Board reported in detail to the Supervisory Board on the plans for the planned acquisition of a significant shareholding in clearvise AG. The Supervisory Board also discussed in detail the compliance report for the financial year 2021 and further standardization of the Company's reporting to the Supervisory Board.

Following the meeting, the Supervisory Board approved the election proposal of Victor Moftakhar to the Annual General Meeting and elected Dr. Bettina Mittermeier as the new Chairwoman of the Supervisory Board and Dr. Michael Menz as Deputy Chairman.

On July 13, the Supervisory Board adopted a resolution by circulation to utilize the Authorized Capital for a capital increase against Contributions in Kind for the acquisition of a significant interest in clearvise AG against the issue of new shares in the Company. The subject of the resolution was also the signing of a Memorandum of Understanding with clearvise AG and the associated strategic development of the Company. Subsequently, the Supervisory Board also approved the implementation of the planned capital increase through Contributions in Kind.

At the ordinary meeting on October 12 and 13, 2022, the Compensation and Corporate Governance Committee reported to the Supervisory Board on the previous committee meeting. The Management Board reported to the Supervisory Board in detail on the course of business, in particular on revenues, and on the situation of the Company. The Management Board also explained current regulatory projects, in particular the planned price cap for electricity prices at EU level and their possible impact on the Company. In this context, the Supervisory Board and the Management Board also discussed the Company's liquidity planning and ability to pay dividends. As part of a detailed discussion on the business plan, the Management Board reported to the Supervisory Board on the financing strategy and the current considerations for raising equity and debt capital, in particular on planned investment opportunities and growth financing. The Management Board also reported on its current considerations regarding the implementation of the strategic expansion and the timetable for the first acquisition of a battery project. As part of an exchange on capital market strategy, the Management Board first reported to the Supervisory Board on current investor feedback, particularly with regard to the new strategy. The Management Board also provided an overview of the status quo of the negotiations with clearvise AG. Finally, the Management Board and Supervisory Board discussed the Company's human resources strategy.

At an extraordinary meeting on November 7, 2022, the Supervisory Board dealt in detail with the Management Board's proposal to acquire a battery storage project in the United Kingdom in a conference call. The focus was also on ensuring compliance with the arms-length principle with the future contractual partner for battery optimization. Following the meeting, the Supervisory Board approved the planned acquisition of the battery storage project by circular resolution.

One focus of the last scheduled Supervisory Board meeting on December 21, 2022, in the form of a video conference, was the review, explanation, and discussion of the budget for the financial year 2023. In this context, the Supervisory Board and the Management Board discussed in detail the

Management Board's plans for 2023, in particular financial and liquidity planning as well as future investments and personnel. In this context, the Supervisory Board also addressed options for future financing through various financing instruments, in particular the reinvestment of proceeds from the sale of the Czech portfolio. Furthermore, the Management Board described to the Supervisory Board the course of business, in particular the Company's revenues and situation, including an overview of the overall economic environment. At this meeting, the Management Board reported on initial talks with EQT and the strategic considerations regarding a possible cooperation with a financial investor, as well as on further plans for the cooperation with clearwise AG.

Committees

Meetings of the Audit Committee and the Compensation and Corporate Governance Committee took place in the financial year 2022.

The Audit Committee held two meetings in 2022. In the presence of the auditor, the Audit Committee discussed the drafts of the Company's annual and consolidated financial statements, the Group management report, and the audit reports at its meeting in June 2022. No objections were raised in the course of these audits. The Management Board reported on the respective findings and discussed them in detail with the Audit Committee together with the results of the auditor's review. Furthermore, the committee dealt with the issuing of the audit engagement letters to the auditor and the determination of the focal points of the audit for the financial year 2022 and conducted an assessment of the quality of the audit. In September 2022, the Audit Committee discussed the half-year report together with the Management Board and Baker Tilly. No objections were raised in the course of these audits either.

The members of the Compensation and Corporate Governance Committee held three meetings in the financial year 2022. The focus was on routine assessment of the Management Board contracts as well as a further improvement of the corporate governance, the ongoing improvement of the rules of procedures and the drafting of a detailed meeting schedule.

The Supervisory Board was regularly and comprehensively informed about the work of the committees.

Attendance

The following tables provide an overview of the attendance of the individual members at the meetings of the Supervisory Board and the committees:

Attendance at meetings in the financial year 2022 by Supervisory Board members

David Neuhoff (Chairman of the Supervisory Board until July 21, 2022)	3/4
Dr. Bettina Mittermeier (Deputy Chairwoman of the Supervisory Board until July 21, 2022, Chairwoman of the Supervisory Board from July 21, 2022)	7/7
Dr. Michael Menz (Deputy Chairman of the Supervisory Board from July 21, 2022)	7/7
Verena Mohaupt	6/7
Dr. Eva Kreibohm	6/7
Florian Seubert	7/7
Victor Moftakhar	3/3

Attendance at meetings by Audit Committee members in financial year 2022

Florian Seubert	2/2
Verena Mohaupt	2/2
Dr. Michael Menz	2/2

Attendance at meetings by Compensation and Corporate Governance Committee members in financial year 2022

David Neuhoff	1/1
Dr. Bettina Mittermeier	3/3
Dr. Michael Menz	3/3
Victor Moftakhar	2/2

Audit of the annual and consolidated financial statements 2022

The Annual General Meeting of August 29, 2022, appointed Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Baker Tilly) as auditors of the annual and consolidated financial statements. The corresponding engagement was entered into by the Supervisory Board. Baker Tilly audited the annual and consolidated financial statements, including the Group management report, and issued an unqualified audit opinion. All members of the Supervisory Board received the annual financial statement documents and the audit reports from Baker Tilly in due time. The financial statements and audit reports of Baker Tilly (dated July 17, 2023) were discussed at the meeting on July 20, 2023. The auditors presented the main results of their audits and were available to answer questions from the Supervisory Board. The auditors also reported that there were no circumstances that could give rise to concerns about bias. No significant weaknesses were identified in the internal control and risk management systems relating to the financial reporting process.

Based on its examination of the annual financial statements, the consolidated financial statements, and the Group management report, as well as the proposal for the appropriation of profits, the Supervisory Board raised no objections and acknowledged and approved the results of the Baker Tilly audit. The annual and consolidated financial statements prepared by the Management Board were approved. The annual financial statements are therefore approved.

The Management Board of the Company has proposed that the result be carried forward to a new account. The Supervisory Board agrees to this.

Baker Tilly has also audited the report on relations with affiliated companies according to Section 312 of the German Stock Corporation Act (AktG) in the financial year 2021, prepared by the Management Board according to Section 313 AktG and issued the following audit opinion on the result of the audit: "On completion of our audit following professional standards, we confirm that 1. the factual information in the report is correct, 2. the consideration paid by the Company for the legal transactions listed in the report was not inappropriately high or any disadvantages were compensated for, 3. there are no circumstances in respect of the measures listed in the report that would indicate a materially different assessment to that made by the Management Board." The Supervisory Board also examined the report of the Management Board on relations with affiliated companies according to Section 314 AktG and approved the audit findings of the auditors, who also explained their report on this subject dated July 17, 2023, at the Supervisory Board meeting on July 20, 2023. Following the final result of the Supervisory Board's review, there were no objections to the Management Board's final statement contained in the report.

Strong development thanks to a dedicated team of Management Board and employees

The further development of Tion Renewables AG is due to the tireless efforts of the Management Board and the passionate team of employees. Their dedication and professionalism ensured that the Company was able to further develop its business model in 2022 and successfully optimize and expand its portfolio. The Supervisory Board would like to express its sincere gratitude for this commitment and the good cooperation in 2022.

Dr. Bettina Mittermeier

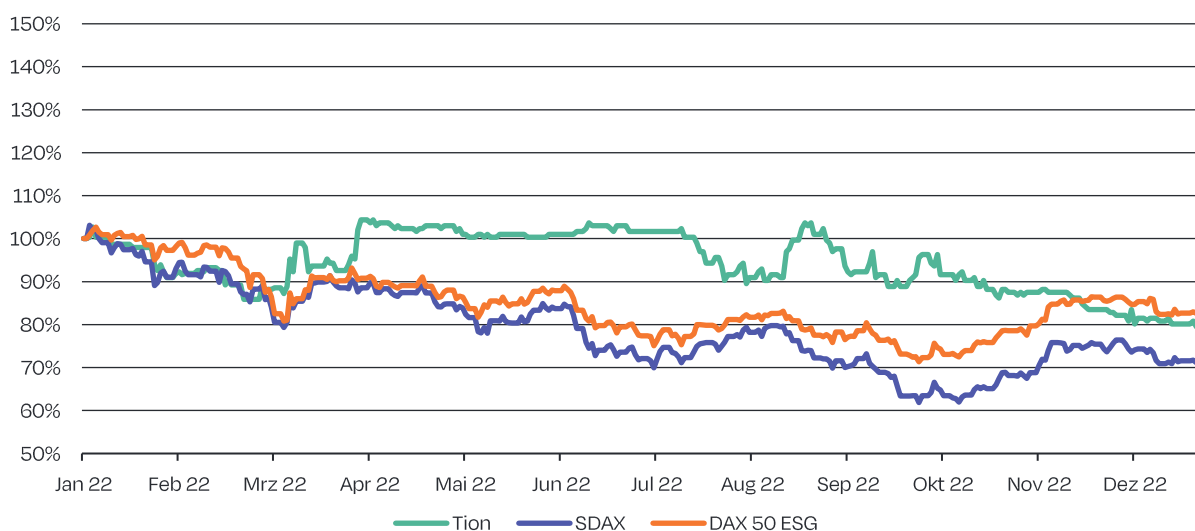
Chairwoman of the Supervisory Board

03.

The Tion Renewables AG Share

Ticker symbol (As of Oct. 2022)	TION
German Securities Identification Number (GSIN)	A2YN37
International Securities Identification Number (ISIN)	DE000A2YN371
Number of shares outstanding (As of Dec. 31, 2022)	4,745,957
Share capital (€)	4,745,957.00
Share class	Bearer Shares
Stock exchange segment	Open Market
Stock exchanges	Berlin, Duesseldorf, Frankfurt, Munich, Stuttgart, Tradegate, XETRA
Designated Sponsor	Baader Bank AG
Financial year	January 1 to December 31

In 2022, capital markets were mainly impacted by Russia's attack on Ukraine, rising inflation, interest rate hikes by central banks and dysfunctional value chains leading to a slowdown in the global economic recovery following the COVID-19 pandemic. Compared to selected indices (SDAX, DAX 50 ESG), the Tion Renewables AG share delivered a robust performance in 2022:^{1,2,3}



¹ Börse Frankfurt: "Tion Renewables AG". <https://www.boerse-frankfurt.de/equity/tion-renewables-ag>. All information corresponding to XETRA prices.

² Börse Frankfurt: "SDAX". <https://www.boerse-frankfurt.de/indices/sdax>. All information corresponding to XETRA prices.

³ Börse Frankfurt: "DAX 50 ESG". <https://www.boerse-frankfurt.de/indices/dax-50-esg-kurs>. All information corresponding to XETRA prices.

On March 24, 2023, Boè TopCo GmbH & Co. KG, a holding company owned by the EQT Active Core Infrastructure fund, announced that it has entered into a share purchase agreement with Pelion Green Future Alpha GmbH, a clean energy focused investment holding company that until now is the majority shareholder of Tion Renewables AG. The acquisition of Pelion Green Future Alpha GmbH's 71.7% in Tion Renewables AG is for the benefit of the acquirer Hopper BidCo GmbH, a subsidiary of Boè TopCo GmbH & Co. KG, which entered into sale and purchase agreements relating to an additional 10.4% in Tion Renewables AG.⁴

Shareholder structure⁵



⁴ EQT (March 2023): "EQT Active Core Infrastructure to acquire Tion Renewables, a renewable energy producer based in Germany". <https://eqtgroup.com/news/2023/eqt-active-core-infrastructure-to-acquire-tion-renewables-a-renewable-energy-producer-based-in-germany/>.

⁵ As of: July 2023.

04.

Management Report and Group Management Report

The combined Management Report comprises the Management Report of Tion Renewables AG, Gruenwald, and the Group Management Report of Tion Group.

Tion Renewables AG prepares its individual Financial Statements in accordance with the accounting principles of the German Commercial Code ("HGB") and its Consolidated Financial Statements in accordance with the accounting principles of the International Financial Reporting Standards ("IFRS"). The Management Report and the Group Management report have been combined, and the net assets, financial position and results of operations are presented separately in each case.

In addition to the financial reporting, the Company will publish its third voluntary non-financial Sustainability Report in the second half of this year. The report (available under www.tion-renewables.com/esg) will be built in accordance with the Global Reporting Initiative ("GRI") 2021 and will showcase how the Group has integrated sustainability as a central piece of its growth strategy from the very beginning.

4.1 Company Profile

4.1.1 Group Structure

Tion Renewables AG ("Company") is the parent company of the Tion Group ("Group"). As of December 31, 2022, it directly or indirectly held 100% of the shares in 35 companies ("subsidiaries"), which are fully consolidated in the Group's Financial Statements.

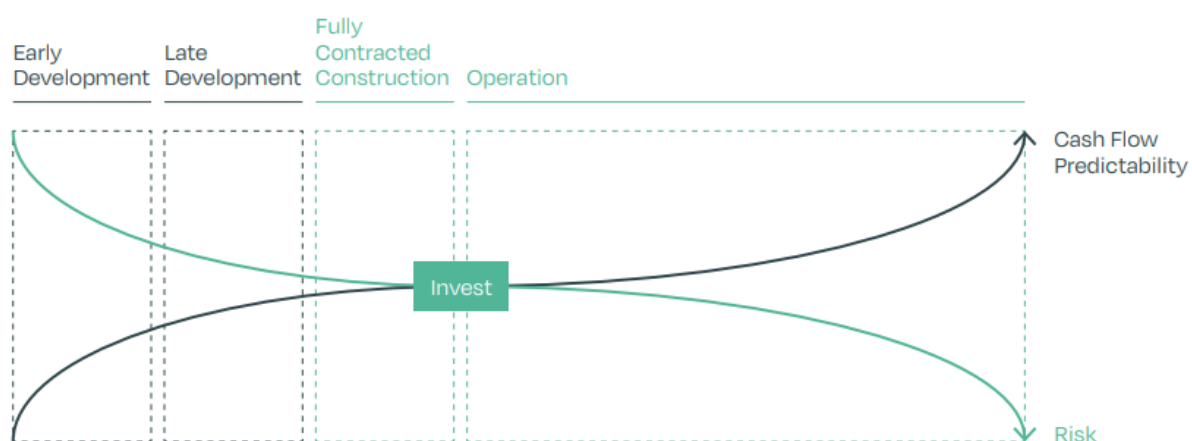
Tion Renewables AG is also the largest shareholder of clearvise AG with a stake of 18.4% as of December 31, 2022. However, clearvise AG is not consolidated in the Group's Financial Statements.

4.1.2 Business Model

Tion Renewables AG including its subsidiaries ("Tion", "Group"), is a dynamically growing renewable energy producer. Tion invests into both infrastructure and businesses within the energy transition space to make use of the full spectrum of opportunities offered by the increasing global efforts to decarbonize our energy system. Driven by the commitment to accelerating the transition toward a clean energy future, Tion operates a portfolio of wind and solar power plants across Europe with a capacity of approximately 167 megawatts (MW), holds a stake in the German-listed independent power producer ("IPP") clearvise AG, and has priority access to a pipeline of more than five gigawatts (GW) of wind and solar power plants as well as battery energy storage systems (BESSs).

Origins of the business model

The efficiency gains from separating development risks from other activities within the life cycle of wind and solar plants, in particular their operation, is anchored in the Group's business model. The investment focus was originally on the acquisition of wind and solar plants that are in the construction phase or already in operation and benefit from contractually secured revenue. This clear profile makes it possible to generate stable and predictable cash flows while avoiding development risks.



As a cornerstone of its acquisition strategy, the Group has contractually secured priority access to projects of over five gigawatts of capacity being developed by its partners, acting as a platform to the capital market for small and mid-sized developers.

Evolution into a Company for investments in the energy transition commenced

In the past financial year, Tion began to expand its business model to evolve from a dynamically growing renewable energy producer to a company investing into both infrastructure and businesses within the energy transition space, making use of the full spectrum of opportunities offered by the increasing global efforts to decarbonize our energy system.

New strategic initiatives had been designed to enable the Group to logically complement its existing core business of renewable energies with investments in green and scalable technologies other than wind and solar.

With the acquisition of a battery energy storage system in November 2022, the Group invested in a green and scalable technology beyond renewables for the first time, thereby underpinning its strategic expansion and developing a well-diversified European utility-scale portfolio providing a wealth of strategic opportunities.

Through acquiring a stake of initially 21.9% in clearvise AG (stake as of the reporting date: 18.4%⁶), Tion has become the IPP's anchor shareholder, further expanding its exposure to green energy generation and creating strategic optionality.

Going forward, Tion will increasingly assess the possibility to invest into late-stage development projects or to enter into co-development agreements.

⁶ Tion did not sell any shares in clearvise AG. However, clearvise AG conducted a rights offering of 11,898,240 shares on November 21, 2022, which Tion did not participate in, thus decreasing the percentage held by Tion.

4.1.3 Portfolio

In the financial year 2022, the Group's wind and solar plants (44 plants before and 40 plants after disposal of portfolio in the Czech Republic) generated approx. 302.3 gigawatt hours (GWh) of green energy (2021: 123.8 GWh), resulting in revenue of approx. €34.1 million (2021: €16.8 million) before and approx. €34.0 million after skimming.⁷

The discontinued operation in the Czech Republic generated approx. €3.8 million in revenue in the past financial year prior to its disposal, which, however, is not recognized under Group revenue.⁸

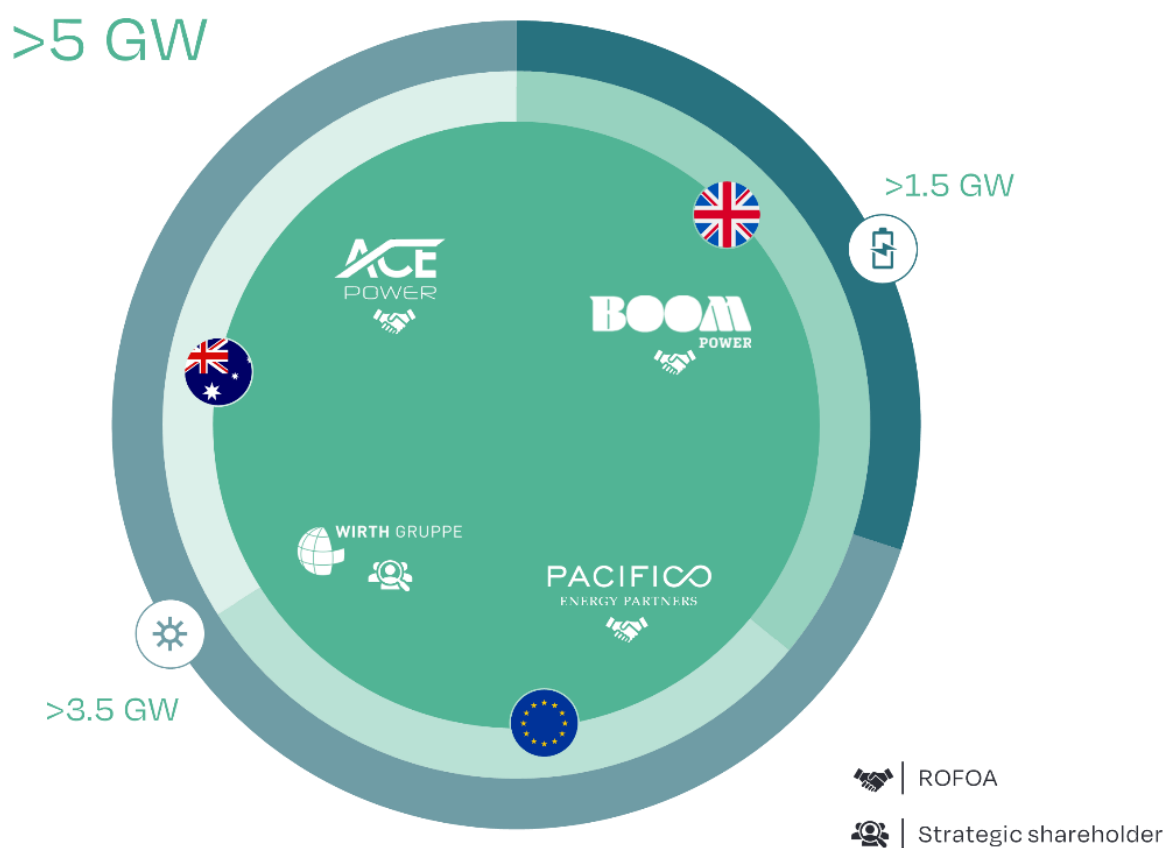
The total capacity of the wind, solar and BESS portfolio was approx. 167 MW at the end of the financial year 2022, with a capacity remaining roughly the same as in the previous year. In terms of power capacity, the Group's portfolio is diversified by technology (56% wind, 39% solar, 5% BESS) and country (44% Germany, 30% Poland, 18% Netherlands, 5% UK, and 2% Italy).

⁷ The amount skimmed off due to the mechanisms established throughout Europe to cap electricity prices are reflected in other expenses.

⁸ Revenues from this discontinued division are disclosed as a separate line item; they are not recognized in the audited revenue.

4.1.4 Pipeline

For the Group, contractually secured priority access to projects developed by the Group's partners is of strategic importance in order to benefit from high visibility on growth opportunities, to selectively acquire projects and to not be dependent on a specific partner.



4.1.5 Partnerships

Pacifico Energy Partners

Tion concluded its first partnership ("PEP ROFOA") with Pacifico Energy Partners GmbH ("Pacifico Partners") and Pacifico Green Development GmbH in the form of a Right of First Offer Agreement. Pacifico Partners is a renewable energy company for wind and solar energy as well as battery and hydrogen technologies that develops greenfield projects, repowers existing plants, and provides asset management services. Pacifico Partners currently owns a pipeline of projects under development of approx. two GW, of which more than 800 MW are located in Italy.

The partnership has been key to growing the Group's portfolio to its current size and extends beyond the initial Right of First Offer Agreement to, for instance, include operational management of wind and solar plants.

Boom Power

In March 2021, the Group concluded a Right of First Offer Agreement ("Boom ROFOA") with Boom Power Ltd and Boom Developments Ltd ("Boom Power"), a developer of solar plants and BESSs based in the United Kingdom ("UK").

The partnership grants the Group priority access to Boom Power's pipeline of solar and BESS projects in the UK, which are being developed by an experienced team of industry experts who have collectively developed and built more than one gigawatt of solar energy internationally.

Under the Boom ROFOA, the Group has the right, but not the obligation, to make the first offer to acquire a renewable energy or energy storage project developed by Boom Power.

ACE Power

In October 2021, the Group entered into a Right of First Offer Agreement ("ACE ROFOA") with ACE Power Development Pty Ltd and ACE Power Operations Pty Ltd ("ACE Power"), a renewable energy project developer based in Australia.

Within this partnership, the Group obtains priority access to ACE Power's project pipeline, consisting primarily of solar plants and BESSs located in Australia.

The ACE ROFOA gives the Group the right, but not the obligation, to make the first offer to acquire projects developed by ACE Power once a project is deemed ready for construction.

WIRTH Group

Through a Contribution in Kind ("CiK"), the two managing partners of WIRTH Group, Markus and Andreas Wirth, became strategic shareholders and long-term partners of the Group in July 2021. Together with their team, the Wirth brothers have internationally developed and built solar plants with an installed capacity of more than two GW as well as large BESSs. With them, the Group gained two pioneers of the German solar industry as strategic shareholders.

There is no Right of First Offer Agreement between Tion and WIRTH Group, but a declaration of intent for a long-term partnership was signed. The development activities of the WIRTH Group as well as the existing portfolio of the Wirth brothers shall give Tion the opportunity to further expand its portfolio by acquiring ready-to-build solar plants in Germany and abroad.

4.2 Economic Report

4.2.1 Industry-specific and Macroeconomic Environment

2022 events once again heightened the energy transition's indispensability

The past year was one of extreme, underscoring the indisputable necessity of the energy transition and energy security on the long run. On one hand, 2022 was again shaped by record high temperatures and rising greenhouse emissions. On the other hand, it was dominated by Russia's attack on Ukraine and the tense global geopolitical situation, subsequent disruptions of Russian energy supplies, rising natural gas prices and a record high inflation in Europe—just to name a few.⁹

In these circumstances, global investments in renewable energy reached a new record: BloombergNEF ("BNEF") reports that investment in solar energy increased by 36% year-over-year to \$308 billion, while investment in wind remained relatively stable at \$175 billion, in total amounting to approx. \$0.5 trillion. The United States was the second largest market after China, with nearly \$50 billion investments. With \$39 billion, the European Union ("EU") countries invested 10% less in 2022 than in the previous year.¹⁰

However, if the 1.5°C target is to be achieved, it will require, according to International Renewable Energy Agency ("IRENA"), considerably more than the \$0.5 trillion invested in 2022—or to be more precise: approx. \$150 trillion until 2030.¹¹

Global and Euro Area economic growth slowed down significantly in the reporting period

The International Monetary Fund ("IMF") estimates that global growth will slow by 0.6 percentage points year-on-year to 2.8% in 2023¹² (2021: +6.0%¹³; 2022: +3.4%), before picking up again by 0.2 percentage points in 2024. Growth in the Euro Area, which includes Tion's markets in Germany, the Netherlands and Italy, is estimated to be 0.8% in 2023¹⁴, a decline on previous years (2021: +5.2%¹⁵; 2022: +3.5%); by contrast, Euro Area growth is expected to pick up again by 0.6 percentage points in 2024 (2024e: +1.4%). Following growth of 1.8% in 2022¹⁶ (2021: +2.6%¹⁷), the German economy is expected to contract by 0.1% in 2023, followed by renewed growth of 1.1% in 2024. Growth in the Italian economy in 2023 (+0.7%) and 2024 (+0.8%)¹⁸ is expected to settle

⁹ Copernicus (January 2023): "Copernicus: 2022 was a year of climate extremes, with record high temperatures and rising concentrations of greenhouse gases". <https://climate.copernicus.eu/copernicus-2022-was-year-climate-extremes-record-high-temperatures-and-rising-concentrations>.

¹⁰ BloombergNEF (February 2023): "A Record \$495 Billion Invested in Renewable Energy in 2022". <https://about.bnef.com/blog/a-record-495-billion-invested-in-renewable-energy-in-2022/>.

¹¹ IRENA and CPI (February 2023): "Global Landscape of Renewable Energy Finance 2023". https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Feb/IRENA_CPI_Global_RE_finance_2023.pdf?rev=6213e7fa55ec4991a22514572e7996c5.

¹² International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

¹³ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

¹⁴ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

¹⁵ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

¹⁶ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

¹⁷ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

¹⁸ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

at a comparatively low level compared with previous years (2021: +6.7%¹⁹; 2022: +3.7%²⁰). For Tion's markets in Poland (2021: +5.9%²¹; 2022: +4.9%; 2023e: +3.5%; 2024e: +2.4%²²), the Netherlands (2021: +4.9%²³; 2022: +4.5%; 2023e: +1.0%; 2024e: +1.2%²⁴) and the United Kingdom (2021: +7.4%²⁵; 2022: +4.0%; 2023e: -0.3%; 2024e: +1.0%), the IMF also expects economic growth to flatten out visibly.²⁶

European monetary and economic policy

Fiscal policy is an important factor in Europe's economic recovery.

Almost all European governments have implemented various forms of national stimulus programs. Furthermore, the European Commission ("EC") has approved a €750 billion temporary stimulus package called NextGenerationEU to help finance investments in sustainable infrastructure and digital transformation over the period of 2021 to 2027.²⁷

Since it sees ensuring price stability as its primary task, the European Central Bank ("ECB") considers a medium-term inflation target of 2% to be optimal following the completion of its strategy review.²⁸ To achieve this goal, the ECB increased its key interest rates several times in the past financial year²⁹ and in the current financial year 2023—most recently in June of this year.³⁰

Global inflation is expected to drop by approximately two percentage points

After an average inflation rate of 8.4% in 2022, due to the energy crisis, geopolitical uncertainty, and the resulting slowdown of the global economy, as well as tighter financial conditions in the world, ECB forecasts this inflation to decrease to 6.3% in the current financial year and 3.4% in 2024.³¹ According to IMF, global inflation was forecast to decline to 6.5% this year and 4.1% in 2024, after 8.8% in 2022.³²

¹⁹ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

²⁰ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

²¹ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

²² International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

²³ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

²⁴ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

²⁵ International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: Countering the Cost-of-Living Crisis". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

²⁶ International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A Rocky Recovery". <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

²⁷ European Central Bank: "Recovery Plan for Europe". https://ec.europa.eu/info/strategy/recovery-plan-europe_en.

²⁸ European Central Bank: "Two percent inflation target". <https://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html>.

²⁹ European Central Bank: "Press releases on Monetary policy". <https://www.ecb.europa.eu/press/pr/activities/mopo/html/index.en.html>.

³⁰ European Central Bank (June 2023): "Geldpolitische Beschlüsse". <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230615~d34cddb4c6.de.html#:~:text=EZB%2DLeitzinsen,Der%20EZB%2DRat&text=De-mentsprechend%20werden%20der%20Zinssatz%20f%C3%BCr,3%2C50%20%25%20erh%C3%B6ht>.

³¹ European Central Bank (January 2023): "Economic, financial and monetary developments". <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202208.en.html>.

³² International Monetary Fund (October 2022): "WORLD ECONOMIC OUTLOOK: COUNTERING THE COST-OF-LIVING CRISIS". <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

4.2.2 Political Conditions

Global and EU-wide agreements on the climate crisis and energy transition

In 2022, international policy and EU-wide agreements were primarily aimed at accelerating the energy transition.

Among other things, in May 2022, the EC presented REPowerEU, a plan to achieve two major objectives: reducing the dependence on Russian fossil fuel by 2030 and fostering the energy transition.³³ The plan supports the European Green Deal introduced in 2020, which outlines the long-term goal of making Europe climate neutral by 2050 and related Fit for 55 proposals reflecting the goal of reducing net greenhouse gas emissions by at least 55% by 2030.³⁴

In March 2023, the EC announced the provisional agreement between the European Parliament and the European Council to strengthen the EU Renewable Energy Directive and the respective Fit for 55 legislation in order to attain the objectives of the European Green Deal and REPowerEU. Specifically, the provisional agreement increases the 2030 target of renewable energy share of total electricity consumption from the current 32% to at least 42.5%.³⁵ Also in March 2023, the European Parliament and the European Council agreed to reform and reinforce the EU Energy Efficiency Directive by establishing an EU energy efficiency target of 11.7% for 2030.³⁶ The 27th UN Climate Change Conference (COP27) stressed the urgency of taking action to limit global warming to 1.5°C by the end of the century, as previously stated in the Paris Agreement. However, national governments are not keeping up with this goal: with current governments' commitments, global temperatures are projected to rise by 2.5°C by the end of the century. Given these estimates, COP 27 called on governments to review their 2030 national climate targets by the end of 2023.³⁷

Climate Action Network (CAN) Europe also emphasized that despite the EU's intention to increase its interim target on the path to climate neutrality by 2050 by 2% from 55% to 57%, this would not be enough to achieve the goals of the Paris Agreement, for which an emissions reduction target of at least 10% by 2030 is needed.³⁸

Further energy policy developments

Many European countries have committed to phasing out coal-fired power plants by 2040 the latest to achieve the objectives of the Paris Agreement.³⁹ The current German government announced that a complete phase-out should ideally be achieved by 2030 instead of 2038 as previously planned.⁴⁰

³³ European Commission (May 2022): "REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition*". https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3131.

³⁴ European Council: "Fit for 55". <https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/>.

³⁵ European Commission (March 2023): "European Green Deal: EU agrees stronger legislation to accelerate the rollout of renewable energy". https://ec.europa.eu/commission/presscorner/detail/en/IP_23_2061.

³⁶ European Commission (March 2023): "European Green Deal: EU agrees stronger rules to boost energy efficiency". https://ec.europa.eu/commission/presscorner/detail/en/IP_23_1581.

³⁷ UN Climate Change: "Maintaining a clear intention to keep 1.5°C within reach. Key takeaways from COP27". <https://unfccc.int/maintaining-a-clear-intention-to-keep-15degc-within-reach>.

³⁸ Climate Action Network Europe (November 2022): "EU's announcement at COP27 to increase emissions reduction is still far off track to limit temperature rise to 1.5°C". <https://caneurope.org/eus-announcement-to-increase-emissions-reduction-is-still-far-off-track-to-limit-temperature-rise-to-1-5c/>.

³⁹ Climate Analytics: "Coal phase-out". <https://climateanalytics.org/briefings/coal-phase-out/>.

⁴⁰ Clean Energy Wire (October 2022): "German coal region brings phase-out forward to 2030 but refires lignite short-term". <https://www.cleanenergywire.org/news/german-coal-region-brings-coal-phase-out-forward-2030-refires-lignite-short-term#:~:text=Germany%20has%20agreed%20to%20phase,shut%20down%20already%20in%202020>.

There are also developments in nuclear power: while other countries, such as Japan and France, are developing new nuclear reactors,⁴¹ the last three German nuclear power plants were shut down in April this year.⁴²

Renewable energy is also receiving strong support from the private sector. For example, at the time of publication of this report, over 400⁴³ major international companies from various industries have joined the RE100 initiative, with the goal of sourcing 100% of their electricity from renewable sources by 2040 at the latest.⁴⁴ Some large technology companies have joined the 24/7 Carbon-free Energy Compact movement and are aiming to use carbon-free energy 24/7 from 2030, meaning that every kilowatt-hour ("kWh") of electricity consumed would have to come from carbon-free sources.⁴⁵

Measures taken by the EU and EU member states in response to high energy market prices

Germany announced that it will spend up to €200 billion over the next few years to support consumers and businesses dealing with high energy prices, making it the largest public intervention in the EU.⁴⁶ For the period from December 1, 2022, to June 30, 2023, Germany's government adopted a price cap for renewable energy producers, which is defined as the sum of the reference price and 10% of the so-called windfall profit.⁴⁷

In the Netherlands, a temporary 90% windfall tax with a general exemption amount of €130/MWh for electricity producers was suggested. The tax should retroactively cover the period from December 1, 2022, to June 30, 2023. The EC will assess the draft no later than 30 April 2023, after which the tax may be prolonged or altered.⁴⁸ Since December 2022, Polish technology-specific price caps apply to market revenues of all power generating assets with capacities over one MW, excluding energy storage projects. For wind energy, the cap is Zł345/MWh. For projects in the subsidy auction scheme ("CfD scheme"), the relevant price cap is set at the auction price. As Tion's wind plants in Poland exited the Polish CfD scheme, they are subject to this price cap. So far, the Group's wind plants have only been marginally affected by the price caps.⁴⁹

In December 2022, the German government adopted the price brake draft laws for gas, heat and electricity. The gas price cap applies to citizens and small and medium-sized businesses from March 2023, retroactively covering January and February. It implies that an allocated amount of 80% of their natural gas consumption will be capped at 12 cents/kWh, which is less than the market price. The maximum cost for heating is 9.5 cents/kWh. The electricity pricing cap imposes a cap of 40 cents/kWh on residential and small-business electricity rates. For medium and large businesses, the maximum price per kWh is 13 cents. This limit applies to an amount equal to 70% of the quantity previously utilized.⁵⁰

⁴¹ IEA (November 2022): "World Energy Outlook 2022". <https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf>.

⁴² Federal Office for the Safety of Nuclear Waste Management: "The nuclear phase-out in Germany". https://www.base.bund.de/EN/ns/nuclear-phase-out/nuclear-phase-out_node.html.

⁴³ RE100: "RE100 Members". <https://www.there100.org/re100-members>.

⁴⁴ RE100: "Increasing Ambition". <https://www.there100.org/increasing-ambition>.

⁴⁵ United Nations: "24/7 Carbon-free Energy Compact". <https://www.un.org/en/energy-compacts/page/compact-247-carbon-free-energy>.

⁴⁶ The Federal Government (October 2022): "Neuausrichtung des WSF beschlossen: Finanzierung des 200-Milliarden-Euro-Abwehrschirms gesichert". <https://www.bundesregierung.de/breg-de/themen/entlastung-fuer-deutschland/wsf-kreditermaechtigung-2132830>.

⁴⁷ Reuters Events (December 2022): "Germany's windfall tax curtails short-term wind growth". <https://www.reuters-sevents.com/renewables/wind/germanys-windfall-tax-curtails-short-term-wind-growth>.

⁴⁸ KPMG LLP (February 2023): "Draft bill on temporary windfall profits tax on electricity producers". <https://kpmg.com/us/en/home/insights/2023/02/tnf-netherlands-draft-bill-temporary-windfall-profits-tax-electricity-producers.html#:~:text=Netherlands%3A%20Draft%20bill%20on%20temporary%20windfall%20profits%20tax%20on%20electricity%20producers&text=The%20Ministry%20of%20Economic%20Affairs,prof-its%20of%20inframarginal%20electricity%20producers>.

⁴⁹ Dentons (November 2022): "New energy price caps in 2023". <https://www.dentons.com/en/insights/alerts/2022/november/11/new-limits-on-energy-prices>.

⁵⁰ The Federal Government (December 2022): "Energy price brakes are entering into effect". <https://www.bundesregierung.de/breg-en/news/energy-price-brakes-2156430>.

Poland introduced, among other measures, tax breaks, reductions in value-added tax (VAT) and energy fees, as well as subsidies for the purchase of environmentally friendly heat pumps. Italy's measures to support consumers involve minimal interference in the price-setting of the energy market and include reductions in VAT, subsidized tariffs and direct payments to vulnerable consumers, tax credits for businesses and other measures.

In October 2022, the EC proposed a series of measures to combat high energy prices and ensure supply security, including joint gas purchasing, demand reduction, gas market correction, price-limiting mechanisms, and others. In November 2022, it introduced a one-year emergency temporary regulation to foster the deployment of renewable energy sources. The market correction mechanism to be implemented for one year was proposed in the same month. It will be automatically activated on February 15, 2023, if the month-ahead Title Transfer Facility ("TTF") price exceeds €180/MWh for three working days and is €35 higher than a reference price for liquefied natural gas on global markets for the same three working days. In December 2022, a political agreement was reached on all of these additional emergency measures.⁵¹

4.2.3 Technological Conditions and Market Developments

Renewables energies

Onshore wind and solar generation has grown steadily over the past decade as a result of technological advances and economies of scale, while becoming more economically competitive with conventional energy technologies.

Thus, for example, the global average levelized cost of electricity ("LCOE") for solar power has decreased from \$383/MWh in 2009 to \$45/MWh in the second half of 2022, representing an 89% decrease. However, when compared to 2021, costs have remained almost constant at \$40 in 2021 H1, \$45 in 2021 H2 and \$42 in 2022. In contrast, the LCOEs of fossil fuels ranged from \$75/MWh for coal to \$93/MWh for combined cycle gas turbines ("CCGT") in 2022.⁵² The LCOE of large battery energy storage systems⁵³—as only one example for energy storage technologies—has also dropped vastly, from \$851/MWh in 2012 to \$169/MWh in 2022 H2. However, costs increased 20% from \$141 in 2021 (both H1 and H2) to \$169 in 2022 H2 (all LCOE figures are in real 2021 prices).⁵⁴

Furthermore, renewable energy output has significantly expanded in recent years. In 2000, wind and sun had generated only 31 TWh and 1 TWh of energy globally, respectively.⁵⁵ By 2020, wind energy production had risen to nearly 1,600 TWh and solar energy production had increased to 833 TWh.⁵⁶

The surge in energy prices caused by record-high natural gas prices will further boost the competitiveness of renewables against fossil fuel-based resources. Specifically, in the period from December 2021 to October 2022, average contract prices for new long-term wind and solar projects in selected countries, such as Italy and the UK, were 77% lower than wholesale market prices.⁵⁷

⁵¹ European Parliament (October 2022): "Emergency intervention to address high energy prices in the EU".

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733687/EPRS_BRI\(2022\)733687_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733687/EPRS_BRI(2022)733687_EN.pdf).

⁵² BloombergNEF (Download date May 2023): "2H 2022 LCOE Update". <https://www.bnef.com/flagships/lcoe>.

⁵³ Here, battery energy storage systems with a runtime of four hours are considered as large.

⁵⁴ BloombergNEF (Download date May 2023): "2H 2022 LCOE Update". <https://www.bnef.com/flagships/lcoe>.

⁵⁵ OECD/IEA (2017): "World Energy Outlook 2017". https://iea.blob.core.windows.net/assets/4a50d774-5e8c-457e-bcc9-513357f9b2fb/World_Energy_Outlook_2017.pdf.

⁵⁶ IEA (October 2021): "World Energy Outlook 2021". <https://www.iea.org/reports/world-energy-outlook-2021>.

⁵⁷ IEA (January 2023): "Renewables 2022. Analysis and forecast to 2027". <https://iea.blob.core.windows.net/assets/ada7af90-e280-46c4-a577-df2e4fb44254/Renewables2022.pdf>.

Energy storage

Due to the volatility and unpredictability of their output, there are concerns that the power grid will not be able to accommodate increasing shares of intermittent renewable energies. However, energy storage technologies (including: battery storage) serve as a solution for many of the challenges caused by the increase in renewables. With the urgency of the energy transition, these technologies become crucial.

Europe's total installed battery storage capacity is expected to exceed ten GW in 2022 and grow almost six-fold—to approx. 57 GW by 2030.⁵⁸ The positive outlook for energy storage development can also be seen in investment activities: investments in BESSs are anticipated to more than double by 2022, reaching over \$20 billion.⁵⁹ Nonetheless, projected growth in grid-scale storage capacity is insufficient to achieve the Net Zero goals and will necessitate additional efforts.

From the technological point of view, the growing share of wind and solar power in power grids poses a significant challenge to grid infrastructure. One solution is to build high-capacity transmission grids that can transport electricity over long distances from areas with excess generation to areas with deficits.

Flexibility solutions, such as energy storage, are an alternative to grid expansion. Grid-scale batteries are expected to account for most of global growth in storage.⁶⁰ Such battery storage is already being used on a large scale to stabilize grids and partially compensate for fluctuations caused by wind and solar power.

BESSs are better suited than other technologies and play an increasingly important role in grid stabilization due to significant cost reductions.⁶¹

In terms of market development, the UK, where the largest battery energy storage system on the European continent was launched in 2022,⁶² is most mature.

4.2.4 Business Performance

The past financial year of the Group is best characterized by the successful combination of strategic growth initiatives and portfolio optimization.

Two strategic growth initiatives were successfully carried out. First, Tion Renewables AG became the largest shareholder of clearwise AG, providing Tion with additional exposure to the renewable energy sector and multiple strategic optionality for the future. Second, Tion realized its inaugural battery energy storage system, a technology with great future potential.

Three optimization measures accompanied these strategic actions: Firstly, the Group's first green loan, secondly, the signing of a 15-year virtual power purchase agreement ("PPA") in Poland and thirdly, the disposal of the Czech solar portfolio whose proceeds paved the way for the entry of the battery storage systems market.

Revenue increased significantly for the third consecutive year, in line with the Group's revenue guidance. Relevant margins remained stable or improved slightly, and the debt capacity realized with the green debut loan is reflected in an optimized net debt.

⁵⁸ Statista (February 2023): "Cumulative installed battery storage capacity in Europe in 2022 and 2030". <https://www.statista.com/statistics/1334680/europe-battery-storage-capacity/#:~:text=In%202022%2C%20the%20cumulative%20installed,approximately%2057%20gigawatts%20by%202030>.

⁵⁹ IEA: "World Energy Investment 2022. Overview and key findings". <https://www.iea.org/reports/world-energy-investment-2022/overview-and-key-findings>.

⁶⁰ IEA (September 2022): "Grid-Scale Storage". <https://www.iea.org/reports/grid-scale-storage>.

⁶¹ Tion Renewables AG (November 2022): "Battery storage—Stability for the energy transition". <https://tion-renewables.com/news/battery-storage-stability-for-the-energy-transition/>.

⁶² World Economic Forum (November 2022): "Europe's largest battery storage system goes live in UK". <https://www.weforum.org/agenda/2022/11/europe-battery-storage-system-live-uk-energy/>.

4.2.4.1 Significant Events

First green loan to optimize capital structure and finance future growth

On February 26, 2022, Tion Renewables AG signed a €35.0 million debut secured green loan private placement with UBS Asset Management through a subsidiary. The fixed interest rate of the green loan equals 4.85% and there is no exposure to interest rates. The tenor of the financing is five years from signing with a bullet repayment. Around €26.0 million was used to refinance existing liabilities and optimize the Group's capital structure. Thereof, approx. €9.3 million was used to redeem an existing subordinated loan which bore interest at approx. one percentage point higher than the secured private placement. The refinancing of the existing subordinated loan also enabled a simplification of the Group structure, resulting in significant cost savings. A further approx. €16.5 million was used to refinance the Group's revolving credit facility. This improves the Group's refinancing profile by replacing a short-term revolving credit facility with longer-term financing. In addition, the fixed interest rate contributes positively to the already limited interest rate risk of the Group. The net loan volume remaining after the aforementioned refinancing shall be used to finance the further expansion of the Group's existing portfolio and to finance future acquisitions.

Start of electricity generation of the 14.1 MW solar park in Hernen, Netherlands

In October 2021, Tion Renewables AG signed a purchase agreement to acquire a solar plant near Hernen in the Netherlands with an estimated installed capacity of 14.1 MW. The plant, which was developed by strategic partner Pacifico Partners, was completed on schedule in the first quarter of 2022 and has accordingly started generating electricity at the beginning of February. The project is supported by a 15-year public support mechanism (SDE+) and has land rights secured for at least 30 years.

Portfolio rotation initiated to facilitate market entry into the UK and the battery storage market

In June 2022, the German Bundestag amended the Energy Industry Act ("EnWG") to include a new definition of energy storage, which facilitates the implementation of more consistent regulation and is expected to result in fewer double charges, which previously occurred due to the classification of energy storage as both a consumer and producer of electricity.

Tion previously stated that this amendment will help accelerate battery storage development activity in Germany, providing the Group with additional investment opportunities in a technologically and geographically attractive market.

In July 2022, the Group signed agreements to sell its Czech portfolio of four solar plants with a total installed capacity of 7.5 MW. The proceeds from the disposal of the Group's Czech portfolio were intended to enable the acquisition of first projects in the UK and potentially the entry into the battery storage market. In addition, Tion's first portfolio rotation allows for further portfolio growth by using the Group's equity even more efficiently.

Evolution into a company for investments in the energy transition

In July 2022, Tion announced new strategic initiatives to expand its business model and evolve from a dynamically growing renewable energy producer to a company investing into both infrastructure and businesses within the energy transition space. These initiatives include collaborating with clearvise AG, a Germany-listed IPP, and investments in scalable green technologies.

These new business priorities broadened the Group's focus beyond wind and solar projects, as well as beyond deploying solely its own balance sheet, in order to capitalize on opportunities associated with the global efforts to decarbonize our energy system, as well as Tion's sizeable pipeline.

Through acquiring a stake of initially 21.9% in clearwise AG (stake as of the reporting date: 18.4%), Tion Renewables AG has become the IPP's anchor shareholder, further expanding its exposure to green energy generation and creating strategic optionality to join forces.

Saint-Gobain and Tion enter into a long-term power purchase agreement

In September 2022, Tion and Saint-Gobain, a global leader in lightweight and sustainable construction, signed a long-term virtual PPA with a term of 15 years.

According to this, 100% of the green electricity generated by Tion's Polish wind plants will be sold on the market and virtually settled with Saint-Gobain at a fixed price. The expected annual electricity production from the 20 wind turbines with an installed capacity of approx. 52 MW amounts to approx. 190 GWh, making it one of the largest PPAs of this kind ever signed in Poland. The produced electricity is equivalent to the annual energy consumption of approx. 100,000 average Polish households. Starting in 2025, this 15-year contract will cover nearly 45% of Saint-Gobain's electricity needs in Poland. Furthermore, it will reduce the CO₂ emissions of Saint-Gobain Poland by 135,000 tons/year, contributing to Saint-Gobain's goal of becoming carbon neutral by 2050. This long-term virtual PPA will provide Tion with predictable revenue, allowing for greater financial flexibility so that more of Tion's capital can be channeled into the energy transition.

Completion of rebranding: Pacifico Renewables officially becomes Tion Renewables

In October 2022, the Company announced the completion of the rebranding and name change from Pacifico Renewables Yield AG to Tion Renewables AG. The new brand represents the energy transition as the focal point of the Group's activities and complements the strategic expansion of the Group's business model. The name change was approved by 99.99% of shareholders present at Tion's Annual General Meeting on August 29, 2022.

Tion acquires first battery energy storage project and goes beyond renewables

In November 2022, Tion acquired its first battery storage project in Bacup, in the northwest of England, as part of a strategic expansion of its business model. The BESS developed by Boom Power Ltd/Boom Developments Ltd consists of five battery containers containing lithium-ion battery cells (8.0 MW/9.3 MWh) and will be directly connected to the power grid. The project is under construction at the end of the reporting period with the battery containers already delivered and was initially expected to become operational in the first half year of 2023.

4.2.4.2 Key Performance Indicators

The comparative figures of the key performance indicators from the previous year 2021 include the Czech solar portfolio, which was sold in July 2022 and consequently deconsolidated for the reporting period and retrospectively in accordance with IFRS 5. Contrary to the presentation in the notes, this presentation is intended to offer better comparability, as the intention of the disposal was a portfolio rotation and was therefore not implemented with a detrimental effect on growth and profitability.

Revenue

In 2022, Group revenue grew to approx. €34.1 million (2021: €21.9 million).

For the first time, also approx. €0.1 million of Group revenue was skimmed off due to the mechanisms established in 2022 throughout Europe to cap electricity prices,⁶⁷ ultimately reducing the Group revenue generated economically in the financial year 2022 to approx. €34.0 million.

⁶⁷ Please find more information on the price caps newly established across Europe in the Economic Report above (4.2.2 Political Conditions: Measures taken by the EU and EU member states in response to high energy market prices).

In Italy, the cap on electricity prices was directly offset against revenues. The Group's revenue is thus within the Management Board's guidance of €30.0 million to €40.0 million in revenue for 2022.

Electricity production

The Group's portfolio generated approx. 302.3 GWh (2021: 123.8 GWh) of green electricity in 2022. This result is therefore also in line with the guidance range of 300 GWh to 350 GWh.

Adjusted operating EBITDA and EBIT

At Group level, earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted for non-recurring items amounted to €22.6 million (2021: €14.4 million). Earnings before interest and taxes (EBIT) at Group level adjusted for non-recurring items amounted to €7.9 million (2021: €6.8 million).

In addition, Tion's portfolio achieved an operating EBITDA margin adjusted for holding costs of 83.0% (2021: 79.0%) and an adjusted operating EBIT margin of 45.0% (2021: 37.8%), reflecting the portfolio's operational strength. Earnings before interest, taxes, depreciation and amortization (EBITDA) at portfolio level adjusted for non-recurring items amounted to €28.2 million (2021: €17.3 million). Earnings before interest and taxes (EBIT) at portfolio level adjusted for non-recurring items amounted to €15.2 million (2021: €8.3 million).

Net debt

The Group views the evolution of debt, and specifically adjusted net debt, as a crucial financial indicator. The ratio noted above represents the difference between total financial liabilities and cash and cash equivalents and other current financial assets.

Adjusted net debt for 2022 was €136.1 million (2021: €145.8 million). The decrease in adjusted net debt is attributable to the continued repayment of financial liabilities.

The Group's adjusted equity ratio corresponds to the ratio of balance sheet equity to balance sheet equity plus adjusted net debt and amounts to 44.3% at the end of the financial year 2022 (2021: 37.3%).

4.3 Financial Position and Operational Results of Tion Group

Financial position

Assets

As of December 31, 2022, the Group's total assets were €314.4 million (Dec. 31, 2021: €292.7 million). Property, plant and equipment accounted for the highest proportion of total assets, valued at €219.5 million at the end of the year (Dec. 31, 2021: €251.1 million).

The value of property, plant and equipment decreased by approx. €31.6 million in 2022 compared to the previous year (Dec. 31, 2021: +€154.1 million). This is due to the disposal of the Solar Czech Republic business and the continued depreciation of assets.

Derivative financial instruments in hedging relationships increased by €2.9 million due to the changed interest rate environment; the valuation of interest rate hedging derivatives increases when interest rates increase.

The Group's cash and cash equivalents amounted to €32.8 million at the end of the reporting period (Dec. 31, 2021: €13.3 million).

Equity

Equity, which comprises subscribed capital, the capital reserve, other reserves, and the Group's retained earnings, increased by €21.5 million in the reporting period, mainly due to a capital increase through a CiK.

In July 2022, a capital increase through a CiK was successfully implemented in connection with the acquisition of a 21.9% stake in clearvise AG. As part of this transaction, the Management Board and the Supervisory Board resolved to issue 1,024,915 new shares in the Company to its anchor shareholder, Pelion Green Future Alpha GmbH, against a CiK of 13,897,848 shares in clearvise AG, Wiesbaden (at that time approx. 21.9% in clearvise AG). The Company thus increased its share capital by €1,024,915 from €3,721,042 to €4,745,957 in return for a CiK of shares in clearvise AG, excluding the subscription rights of existing shareholders.

The equity of the Tion Group therefore amounts to €108.4 million at the end of the reporting period (Dec. 31, 2021: €86.9 million).

Liabilities

The majority of the Group's financial liabilities to banks consist of project financing, the green loan issued in February 2022, as well as lease liabilities and provisions. Financial liabilities totaled €172.2 million at the end of the reporting period (Dec. 31, 2021: €166.9 million).

The Group is largely financed by so-called non-recourse project financing, the repayment of which is fully covered by the cash flows from the assets. It is assumed that the project financing will be repaid before the completion of the respective funding mechanism of an asset. Due to the fact that a significant portion of the volume is tied to fixed interest rates or hedged against interest rate fluctuations, the interest rate risk of project financing is limited. There is no refinancing risk in the event of scheduled repayment. All project financing is concluded in the respective local currency.

The Group successfully implemented a so-called holding financing for the first time on February 26, 2022. At the level of an intermediate holding company of the Group, a private placement of a €35.0 million secured green loan was executed with UBS Asset Management. The green loan has a fixed interest rate of 4.85%. As of December 31, 2022, the loan is drawn in an amount of €31.0 million. Of this amount, approx. €9.3 million was utilized in 2022 to refinance an existing subordinated bond. Another approx. €16.5 million was utilized to refinance the Group's revolving credit facility in 2022 enhancing the Group's refinancing profile by exchanging a

short-term facility with long-term financing. The refinancing of the subordinated bond also made it possible to streamline the corporate structure.

Net debt

Adjusted net debt for 2022 was €136.1 million (2021: €139.5 million). The decline in adjusted net debt is attributable to the continued repayment of financial liabilities.

Statement of cash flows

The change in bank balances totaled €19.5 million in the reporting period (Dec. 31, 2021: €3.5 million) and consists of the following:

- The net cash inflow from operating activities of the operating portfolio amounts to €21.6 million (Dec. 31, 2021: €11.6 million) and mainly results from the operation of wind and solar plants by the Group. The increase of €10.0 million is mainly attributable to the expansion of the Group's portfolio by five wind and solar plants with a total capacity of almost 100 MW in the financial year 2021, which became operational in the reporting period and consequently generated operating cash flow in 2022. Compared with the previous year, the non-cash recognition of the virtual PPA in Poland represents a significant change.
- The positive cash flow from investing activities of €6.3 million (Dec. 31, 2021: €-30.0 million) is attributable to investments for the completion of the Dutch companies Dutch Durables Energy 3 B.V. and Oslo Energy Netherlands B.V. as well as the acquisition of Boom Bacup Storage Ltd, offset by the sale of the Czech solar portfolio.
- The cash flow from financing activities of €-8.1 million (Dec. 31, 2021: €15.7 million) includes the refinancing of a revolving credit line and a subordinated bond through the green loan from UBS Asset Management as well as the ongoing repayment of project financing.

The Group was solvent at all times.

Operational results

Neither the COVID-19 pandemic nor the Russian invasion of Ukraine had a significant impact on the Group's operations. All maintenance and servicing work was completed and production was not interrupted.

Revenue

Based on the electricity generation and revenue recognition of the wind and solar plants in Germany, Poland, the Netherlands and Italy, the Group generated revenue of approx. €34.1 million in 2022 (2021: €21.9 million).

For the first time, approx. €0.1 million of the Group's revenue was also skimmed off due to the mechanisms established throughout Europe to cap electricity prices in 2022, which ultimately reduced the economically targeted Group revenue to approx. €34.0 million in the financial year 2022.

In Italy, the capping of electricity prices was directly offset against revenue.

Until its disposal in July 2022, the Group generated revenue of €3.8 million (2021 H1: €2.6 million) from its solar plants in the Czech Republic. This revenue is disclosed as a separate line item and not included in the audited revenues.

Revenue, adjusted EBIT(DA) and net debt of the operating segments

The Group's revenues from its operating segments were distributed as follows in financial year 2022:

- Wind Germany: €10.4 million
- Wind Poland: €8.8 million
- Solar Germany: €8.3 million
- Solar Netherlands: €4.8 million
- Solar Italy: €1.8 million

Earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted for non-recurring effects were distributed as follows among the operating segments in financial year 2022:

- Wind Germany: €8.8 million
- Wind Poland: €5.9 million
- Solar Germany: €7.5 million
- Solar Netherlands: €4.3 million
- Solar Italy: €1.7 million

Earnings before interest and taxes (EBIT) adjusted for non-recurring effects were distributed as follows among the operating segments in financial year 2022:

- Wind Germany: €6.3 million
- Wind Poland: €0.4 million
- Solar Germany: €4.3 million
- Solar Netherlands: €3.0 million
- Solar Italy: €1.2 million

For the operating segments, the adjusted net debt was as follows in financial year 2022:

- Wind Germany: €23.2 million
- Wind Poland: €47.6 million
- Solar Germany: €25.1 million
- Solar Netherlands: €16.0 million
- Solar Italy: €1.2 million

4.4 Financial Position and Operational Results of Tion Renewables AG

Financial position

Assets

As of December 31, 2022, the balance sheet total of Tion Renewables AG amounts to €148.9 million (Dec. 31, 2021: €114.9 million). Financial assets account for the largest portion of the balance sheet total, with an amount of €99.6 million (Dec. 31, 2021: €108.4 million).

At the end of the reporting period, financial assets decreased by approx. €8.8 million compared to December 31, 2021. This is mainly due to a restructuring of certain subsidiaries to enable the green debut loan and to optimize the Group structure.

In July 2022, Tion Renewables AG acquired a strategic stake of initially 21.9% (now: 18.4%) in clearvise AG, which increased investments and securities held as non-current assets to €34.2 million (Dec. 31, 2021: €0 million).

Cash and cash equivalents amounted to €4.7 million at the end of the reporting period (Dec. 31, 2021: €0.8 million).

Equity

Equity, which is composed of subscribed capital and the capital reserve, among other things, increased by €33.6 million in the reporting period. This is mainly due to a capital increase against CiK, which was successfully carried out in connection with the acquisition of an initial 21.9% of the shares in clearvise AG.

As part of this transaction, the Management Board and the Supervisory Board resolved to issue 1,024,915 new shares of the Company to its anchor shareholder, Pelion Green Future Alpha GmbH, in exchange for a CiK of 13,897,848 shares in clearvise AG, Wiesbaden (at that time approx. 21.9% of clearvise AG). The Company thus increased its share capital by €1,024,915 from €3,721,042 to €4,745,957 against CiK of the shares in clearvise AG excluding the subscription rights of the existing shareholders.

The equity of Tion Renewables AG therefore amounts to €127.7 million at the end of the reporting period (Dec. 31, 2021: €91.7 million).

Liabilities

The financial liabilities of Tion Renewables AG mainly consist of a bank loan (€4.6 million), for which financial assets were provided to the lending bank as collateral as of the balance sheet date, and an intercompany loan (€12.9 million), which was established to refinance the proceeds from the first green loan.

The revolving credit facility of Triodos Bank N.V. Germany, which was drawn with an outstanding amount of €16.2 million as of December 31, 2021, was fully refinanced during 2022.

Statement of cash flows

On December 31, 2022, cash and cash equivalents amount to €4.7 million (Dec. 31, 2021: €0.8 million) and are composed as follows:

- The cash flow from operating activities of the operating portfolio amounts to €-2.8 million (Dec. 31, 2021: €1.5 million) and mainly results from the ongoing costs of the company, as the revenues result from the intragroup invoicing of services, which Tion Renewables AG as the parent Company purchases centrally and provides to its direct and indirect subsidiaries, and because the profit and loss transfer from Tion Fin GmbH will only have an effect on cash in the subsequent financial year.
- The slightly negative cash flow from investing activities amounts to €-0.5 million (Dec. 31, 2021: €30.3 million) and is largely the result of purchase price payments for investments, which are, however, offset by distributions from existing investments.
- The positive cash flow from financing activities of €7.2 million (Dec. 31, 2021: €25.6 million) mainly results from the intragroup transfer of an external loan taken out at the level of a subsidiary to Tion Renewables AG as parent company, where it was used to refinance existing external liabilities.

Tion Renewables AG was solvent at all times.

Operational results

Revenue

The increase in revenue of €1.7 million (2021: €1.2 million) is again mainly due to the intragroup invoicing of services that Tion Renewables AG, as the parent company, purchases centrally and provides to its direct and indirect subsidiaries. Most of these services ensure the economical operation of the wind and solar plants of the subsidiaries.

Other operating expenses

Other operating expenses amounted to €6.1 million in the reporting period (2021: €4.1 million) and included:

- Costs for asset management services utilized for subsidiaries under a framework agreement with Pacifico Partners (2022: €2.0 million; 2021: €1.1 million).
- Costs (mainly: personnel costs) resulting from a service level agreement with an intragroup service company that provides various services to both Tion Renewables AG and its subsidiaries (2022: €1.6 million; 2021: €1.1 million).
- Legal and consulting fees (2022: €0.4 million; 2021: €0.4 million).
- Transaction costs for raising equity and ongoing listing-related costs (2022: €0.4 million; 2021: €0.4 million), whereby the ongoing listing-related costs increased significantly compared to the previous year due to the extension of press work and research coverage with the overall item being explained almost exclusively by the ongoing listing-related costs, as there were no transaction costs for raising equity during the reporting period.
- The costs for the preparation and audit of the annual financial statements include expenses for the audit of the consolidated financial statements for the entire financial year 2022 (2022: €0.2 million; 2021: €0.2 million).

Net income

In the reporting period, net income amounted to €2.3 million (2021: €-0.5 million).

Income from equity investments of €4.8 million (2021: €3.4 million) includes income from direct subsidiaries.

Income of €2.9 million results from a profit and loss transfer agreement with Tion Fin GmbH (formerly: Pacifico Renewables Fin GmbH).

4.5 Risks and Opportunities

4.5.1 Risk Report

Risks resulting from Russia's military invasion of Ukraine

On February 24, 2022, Ukraine was invaded by the Russian Federation. This has been recognized as an act of aggression under the international legal framework. As of today, the conflict is still ongoing, and the outcome is not clear. The EU and several other countries have adopted packages of sanctions in response to the military attack, including economic and individual restrictive measures. Due to Russia's major role in global energy markets and the EU's dependence on Russian gas, the uncertainties associated with the conflict resulted in a significant increase in both prices and volatility of commodities, including electricity.

Tion does neither currently, nor going forward intend to operate any power generation plant either in Ukraine or Russia. Therefore, there are no substantial risks linked to military activities in the Group's business model. The Group also does not engage in any activity with Russian business partners, resulting in no counterparty risk associated with possible effects of adopted sanctions.

Risks resulting from climate change

Tion's renewable energy assets are exposed to climate change risks.

In particular, the Group's assets are exposed to chronic and acute temperature fluctuations (especially heat stress, which could lead to potential damage), changing wind patterns (ranging from heavy storms to long periods of calm) and changing precipitation patterns (which not only affect incoming radiation, but could potentially have a greater impact on the Group's assets through floodings or landslides). Changing wind and precipitation patterns may not only put the Group's renewable energy assets at risk, but may also render Tion's electricity production studies and forecasts, which are based on both its own empirical data as well as external expert opinions and historical figures, inaccurate in the long-term. This may result in lower-than-expected electricity generation and, therefore, lower-than-expected financial returns.

To mitigate these risks, Tion conducts internal ESG and climate change due diligence assessments during the acquisition process that include climate change risk assessments. Furthermore, the Group has integrated ESG and climate change risks into its overall risk management approach and mitigates relevant risks accordingly. Moreover, the risk of changing weather patterns leading to inaccurate electricity production is mitigated by the Group's increasing technological and geographical diversification.

Regulatory risks

Currently, a significant share of Tion's power plants benefit from government subsidies, which secure stable and predictable revenues mainly independent from the spot market price for electricity. In addition, most plants are dependent on governmental approved operating licenses and permits. However, there is no guarantee that Tion will continue to benefit from financial incentives for the energy produced by its current or future wind and solar plants, that such incentives will not be reduced or even cancelled in the future, or that the period of eligibility will not be shortened.

The year 2022 has illustrated that the risk of governmental interventions in the area of so-called windfall profits remains high and likely.

Most jurisdictions have put in place a so-called price cap for either part of, or the whole of the year 2023, limiting additional revenues caused by high electricity prices across Europe. This per se does not pose risk for Tion, as it only serves to limit unexpected additional revenues, but due to the complexity and the hasty implementation of these price caps in some countries, compliance with the relevant regulations may be associated with risks, as errors in reporting, etc., may occur.

Technological aspects, as seen through Tion's entry into the battery storage market through the acquisition of a BESS in the UK, and—even more important—geographical diversification across multiple jurisdictions, aim at mitigating regulatory risks. Also, a more diversified electricity marketing profile, i.e., an increasing use of PPAs, will also increasingly reduce the Group's exposure to regulatory risks.

Risks resulting from fluctuating revenues

Production levels of Tion's wind and solar projects depend highly on suitable wind and solar radiation conditions. This, in combination with the exposure to changing electricity prices can, potentially, create a high volatility in revenue streams and hence influence profitability. This volatility is not only relevant for the projects themselves but could potentially cause liquidity shortages at holding level (e.g., if cash distributions from asset companies to Tion Renewables AG do not take place as planned). Even delays in cash upstreaming could potentially be harmful, if paired with extraordinary costs (like tax payments).

In order to mitigate these risks, forecasts are being prepared for all wind and solar projects before being acquired, using their own empirical values as well as external expert opinions or historical figures. Expert opinions are based on long-term standardized historical weather data and professional considerations of local factors. However, such estimates or studies cannot be expected to precisely reflect the actual energy production in any given year in the future. For this reason, Tion's strategy is also to further mitigate these risks by a balanced technological and geographical diversification of its portfolio. Furthermore, changing electricity prices are mostly addressed by long-term government-guaranteed subsidy schemes with fixed electricity prices.

In addition, Tion's entry into the battery storage market through the acquisition of a BESS in the UK inherently mitigates the risk of fluctuating revenues, as the business case for BESS improves with higher volatility in electricity markets through increasing revenues from arbitrage trading.

For new wind and solar plants and plants exceeding the guaranteed revenues period, Tion is aiming to secure the majority of revenues through long-term PPAs. Potentially negative electricity prices and the connected risks play a less important role in the current market environment and can be neglected. Only the Polish assets are currently already part of PPAs: one intermediate PPA (until 2024) and one long-term follow up PPA. As the intermediate PPA is structured as a baseload PPA and guarantees the counterparty a certain production output, there is also some downside risk for the Group connected to it. Accordingly, compensation payments are due if the agreed minimum production is not achieved. Periods of both low production and high electricity prices are therefore the biggest risk. However, in the long-term, potential compensation payments and potential excess production should balance each other out, assuming a limited power price volatility.

Operational risks

The operation of Tion's current and future plants involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or system instability. Such failures and performance issues can result from several factors, including errors in operation, lack of maintenance, defects of building materials and general wear over time, which may be beyond the control of Tion.

In order to ensure the smooth operation of its plants, Tion has entered into service agreements with third parties as service providers for operation and maintenance services and commercial and technical asset management services. The aim of Tion, to have a lean organizational set-up and to outsource activities which add limited value to the core business, also comes with certain risks and dependencies. The smooth operation of the plants could be jeopardized if one of the service providers does not properly fulfill its obligations. For example, when replacement of a contractual partner becomes necessary (e.g., due to underperformance, expiration of a contract, insolvency or mismanagement), it might not be feasible in a short period of time or result in an increase in running costs.

At the moment, Tion is not aware of any indications that any service provider faces solvency risks or is unable to meet its contractual obligations. In addition, the, in most cases, variable compensation of the service providers has been designed to minimize the risks associated with their services and to ensure that meeting performance expectations is in their best interest. Furthermore, in the event of a technical breakdown, Tion's

plants are sufficiently insured against damage and loss of earnings. However, risks from the failure of national power grids, natural and nuclear disasters and wars cannot be insured.

Interest rate, inflation and currency risks

The Management Board's financing strategy concerning acquisitions of wind and solar plants involves a high proportion of debt, borrowed at fixed interest rates for a certain time period (generally at least ten years) or variable interest rates.

As of December 31, 2022, Tion's adjusted equity ratio equals 44.3%. The interest rate risk is limited, as only a marginal part of the volume of borrowed capital is subject to variable interest rates and there is only a limited refinancing risk. The interest rate risk is asymmetrical and results mainly from rising interest rates. Nevertheless, falling interest rates are also associated with risks for Tion. Interest rate swaps in which Tion is the beneficiary of a variable interest rate, but for which no floor is fixed at 0%, increase the interest burden for Tion if the reference interest rate is below 0%.

For most of Tion's plants, the operational costs or at least the main parts of it are exposed to inflation, whereas revenues are mostly fixed or capped. This asymmetry creates a risk for potential cost overruns in the long term. For this reason, conservative inflation assumptions are an essential part of the risk mitigation approach. Furthermore, Tion aims to also link revenues to inflation, if possible, to further reduce the exposure.

Tion generates most of its revenues in Euro. Exchange rate risks currently only exist with respect to the plants in Poland and the UK. In addition, Tion still holds some exposure in the Czech Republic, since two Czech sub-holdings are not fully dismantled yet. Exchange rate fluctuations between the Polish Zloty, British Pound Sterling, the Czech Crown and the Euro can lead to exchange rate losses. The Management Board aims to debt-finance foreign plants in local currency, which eliminates the most substantial currency risk for Tion when operating outside of the Euro Area. Furthermore, in light of the increasing exposure to different currencies, the Management Board is continuously evaluating new currency risk management and hedging strategies.

Funding and refinancing risks

To implement its growth strategy, Tion needs to obtain high amounts of external financing, in particular from equity investors but also debt financing.

It is not certain if the required funds for Tion's intended portfolio growth will be available at the relevant point in time. Even if they are available in principle, it cannot be excluded that such financing will be offered to Tion at unattractive conditions (e.g., at high interest rates). If Tion fails to obtain additional financing at acceptable conditions, it may not be able to implement its portfolio growth strategy which would have a highly adverse effect on Tion's long-term prospects. In addition, most of the Group's plants have their own financing, structured as project financing, at the asset level. This common financing structure for renewable energy plants carries certain risks and could potentially adversely influence liquidity at holding level (in case certain restrictions and covenants are not met).

On February 26, 2022, Tion signed a €35.0 million debut secured green loan private placement with UBS Asset Management through a subsidiary. The fixed interest rate of the green loan equals 4.85% and the tenor of the financing is five years from signing with a bullet repayment. Around €26.0 million was used to refinance existing debt, thereby optimizing the Group's capital structure. The remainder of the net proceeds will be used to finance the further build-out of the Group's existing portfolio and new acquisitions. The debt financing, however, also came with refinancing risks since the bullet loan needs to be repaid or refinanced in 2027.

In order to mitigate funding and refinancing risks, the Management Board regularly reviews funding as well as refinancing options and tries to operate with a sufficient liquidity buffer, also including the project financing structures of the assets. Furthermore, regarding the UBS financing, the refinancing risk is mainly addressed by a comprehensive asset due diligence and asset valuation. Several expert opinions assessed the risks, and it was also extensively assessed within the course of the UBS financing.

4.5.2 Opportunity Report

Opportunities arising from fluctuating revenues

Revenue generation through electricity production from wind and solar plants is subject to meteorological fluctuations and the respective electricity prices. The Management Board follows a conservative approach to forecast weather conditions as well as electricity prices. Currently, a significant share of Tion's plants benefits from revenues backed by government subsidies. However, for some jurisdictions, government subsidies are constructed as floor prices. This implies that high spot market prices, as currently seen across Europe, provide upside potential, if not capped by price caps.

Furthermore, Tion's entry into the battery storage market through the acquisition of a BESS in the UK provides further opportunities from fluctuating revenues, as the business case for BESS improves with higher volatility in electricity markets through increasing revenues from arbitrage trading.

Opportunities resulting from the regulatory environment

The pressure on the international community to take measures to curb global warming has steadily increased, in particular with the conclusion of the Paris Climate Agreement in 2015. Reducing CO₂ emissions from electricity generation plays a key role in this movement. In order to substitute the reduction of high-carbon generation sources such as coal-fired power plants against the backdrop of constant electricity demand, numerous government support regimes are in place to promote the energy transition.

Supranational measures such as the European Green Deal, with its ambitious goal of climate neutrality by 2050, provide opportunities for the further promotion of renewable energy expansion. In the wake of the COVID-19 pandemic, the EC released a stimulus package at the end of May 2020 as a pan-European reconstruction plan for the period of economic recovery after the pandemic. Effective from 2021 to 2027, it contains the European long-term budget of nearly €1.2 trillion plus €806.9 billion as part of NextGenerationEU reconstruction instrument⁶⁹, which is intended to inter alia "make" Europe climate-neutral until 2050.⁷⁰

Past year's events regarding the Russian invasion of Ukraine have also further underlined the geostrategic relevance of renewable energies. Labelled as "freedom energies" (by the German Minister of Finance Christian Lindner at the Bundestag in late February 2022) they provide electricity from an independent source, which will become more and more relevant for decision makers in the future. Hence, further regulatory support could be anticipated.

Opportunities arising from technologies

The levelized costs of electricity for renewable energies are supposed to remain cost-competitive with conventional energies in the future. Technological development is conducive to the long-term attractiveness of the sector and the further expansion of the Group's portfolio. Advancing efficiency improvements in energy storage systems for wind and solar plants for short-, medium-, and long-term energy storage may enable more effective and cost-efficient control of energy feed-in in the future. This could allow production volatilities to be better managed, which in turn can have a positive impact on revenues.⁷¹ Furthermore, increasing the exposure to the battery storage market could bring additional attractive business opportunities and the ability to further diversify the Group's profile.

⁶⁹ European Union (April 2021): "The EU's 2021-2027 long-term budget and NextGenerationEU: Facts and Figures". <https://op.europa.eu/en/publication-detail/-/publication/d3e77637-a963-11eb-9585-01aa75ed71a1/language-en>.

⁷⁰ European Union: "NextGenerationEU". https://next-generation-eu.europa.eu/index_en.

⁷¹ IRENA (2017): "ELECTRICITY STORAGE AND RENEWABLES: COSTS AND MARKETS TO 2030". https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017_Summary.pdf?la=en&hash=2FDC44939920F8D2BA29CB762C607BC9E882D4E9.

Opportunities from extended operations

With the expiry of the support scheme, there exists the possibility to continue operating Tion's existing plants in the so-called "golden end" if Tion either owns land or has an extension option on the leases. An increased operating time, which enables the profitable operation of the plants in the "golden end", can therefore have a positive effect on future revenues. For most of its existing plants, Tion may extend the useful life beyond the expiry of applicable public support schemes as it either owns the land or holds options to extend the lease contracts.

Generally, the following possibilities exist to capture this option value when project companies have typically repaid their senior debt and the plants have been fully depreciated on an individual entity basis: (i) operate the fully depreciated and debt free plant beyond the expiration of subsidies with lower maintenance costs and sell electricity on the market or through a PPA; (ii) cooperate with a service provider or the Group's partners to propose a repowering of the plant and build a new and potentially larger plant based on state-of-the-art technologies and the knowledge of the local circumstances gained through prior experience. In particular, land ownership represents an inherent option value, which can be realized via repowering since suitable sites for development projects are scarce in some European countries.

Opportunities resulting from focus on small- and medium-sized assets

For its further portfolio growth, the Management Board intends to continue to target small- and medium-sized renewable assets, which it defines as assets requiring equity investments between €5.0 million and €50.0 million.

In the Management Board's opinion, this focus on small- and medium-sized assets offers significant benefits compared to large-sized renewable assets in terms of availability of locations, length of the development process, portfolio diversification, competition from other investors and corresponding returns.

Furthermore, investments in small- and medium-sized projects will lead to natural diversification and thus reduce the risk exposure of Tion's entire portfolio, as the risk is spread over more projects instead of just being in a few large projects. At the same time, these projects are sufficiently large to enter into attractive long-term PPAs with a variety of customers and to conclude attractive project financing arrangements.

Opportunities from building on partnerships

To further grow and diversify its portfolio without bearing development risks and to allow for efficient outsourcing of asset management and other services, Tion has entered into partnerships with developers. Each partnership increases Tion's visibility on growth, reduces dependence on individual partners and allows Tion to be highly selective when it comes to acquiring plants from its partners. Entering further partnerships in the future could hence bring additional opportunities for Tion.

Opportunities resulting from a lean and scalable set-up

Efficient outsourcing of non-strategic elements of the value chain such as asset management activities allows Tion to operate a large scalable portfolio with a lean organizational structure whose resources are focused on financial and strategic aspects, and on applying a top-down portfolio approach from investment to end-of-lifetime optionality centered on shareholder accretion. In addition, the variable remuneration for asset management services further adds to the stability of Tion's returns and softens the impact of revenue variation. The lean corporate structure should also enable cost-efficient management of the Group in the future. With the further expansion of the existing portfolio and targeted expansion of the number of full-time employees, further economies of scale could be realized in the future.

Opportunities from a conservative investment approach

The Management Board aims to profit from efficiency gains by separating distinct development risks from other activities in the lifecycle of renewable energy power plants. It focuses on power plants that are already operational or in a contractually secured construction phase and benefit from a contracted revenue base. This clear profile allows Tion to deliver stable and predictable cash flows while avoiding development risks.

Furthermore, with wind and solar energy, Tion builds on established and competitive technologies associated with comparatively limited risks in a growing market. The entry into the battery storage market through the acquisition of a BESS in the UK aligns with the conservative investment approach by providing further technological diversification. Additionally, battery storage will remain a proportionally small part of Tion's portfolio and, therefore, insignificantly impact the overall conservative approach.

Opportunities from continuously optimizing capital structure

The Management Board continuously challenges and seeks to optimize Tion's capital structure.

The management strictly ties capital increases to acquisitions or a specific use of funds in order to provide Tion's shareholders attractive returns. Beyond capital increases, Tion's management sees large potential in using debt instruments at the level of Tion or intermediate holding companies in addition to, or as a substitute for, project financing. Tion believes that debt issuances at holding level will create accretion for shareholders. Tion continues to consider the green debt market to be particularly interesting. The post-subsidy remuneration regime for renewable energy plants, associated with less project finance capacity at plant level, creates an increased need of holding level debt, which Tion considers an opportunity based on its diversified portfolio and given its expertise.

Opportunities arising from a rigorous focus on financial discipline

In its operating activities and investment decisions, the Management Board applies strict financial discipline. Tion regularly optimizes its capital structure to increase capital efficiency, keep its interest rate and currency exposure as low as possible and aims to limit unused liquidity to a minimum by translating capital measures into investments as soon as possible in order to optimize returns on capital.

Opportunities based on an increasingly diversified portfolio

The Management Board is continuously looking at and determining new investment opportunities.

The increasing diversification of the portfolio results in an altered risk profile. The geographic diversification results in decreased sensitivity to revenue fluctuations. In addition, the Management Board aims at technological diversification by operating wind and solar plants as well as BESSs. Targeting different renewable energy technologies reduces the risk of exposure to seasonality and weather conditions. Power production curves from wind and solar plants complement each other with respect to daily or yearly production, which helps provide stable and predictable cash flows, while battery storage further complements both technologies by benefitting from increased volatility in electricity markets. Both wind and solar also provide interesting upside potentials for follow-on investments, such as technological upgrading, lifetime extension and repowering.

Opportunities from additional funding sources

With private markets having grown enormously over the past decade and the natural fit of renewable energy assets with long-term oriented investors such as pension funds or insurers, which do only to a limited degree invest in stock, the Management Board has decided to explore funding alternatives. Due to the economies of scale and scope being applicable here, additional funding channels to manage a larger and more diversified portfolio provides significant opportunities to the Group.

4.6 Outlook

Macroeconomic environment

"A Rocky Recovery"—This is how the IMF titles its World Economic Outlook in April 2023, illustrating the fragility of the global world economy which bears the potential to turn into a full-scale financial crisis, should market strains not be actively managed and oversight not be strengthened. Global (core) inflation remains high and geopolitical tensions remain on the rise. After a significant drop in energy prices, the IMF warns of the possibility of renewed increases in energy prices up to renewed energy insecurity in 2023.⁷²

At the same time, the renewable energy sector is evolving continuously, especially in Europe. In the future, for example, approx. 85% of all European greenhouse gas emissions are to be capped with the help of CO₂ certificates. Part of the certificate revenue is already flowing into a fund (period: 2021–2023) that supports climate-friendly innovations. To ensure that the pricing of these certificates does not undermine the targeted emission reductions, a climate protection fund worth €65 billion (period: 2026–2032) will also be set up to cushion the impact on low-income households and more vulnerable microenterprises. At the time of publication of this report, Germany's energy transition efforts in the current financial year already included the development of its own onshore wind and solar strategies—among other.⁷³

The global significance and recognition of the energy transition can be seen, for example, in two strategic and transatlantic alliances between the EU and the USA: the European Union (EU) - United States Energy Council and the Joint Energy Security Task Force, the latter of which only came into being in the wake of Russia's war of aggression on Ukraine.⁷⁴

General statement on the development of the Group

The continued economic operation of the renewable energy portfolio in the reporting period was largely independent of macroeconomic developments.

Despite the discontinuation of operations in the Czech Republic and the revenue skimming—resulting from the mechanisms established throughout Europe to cap electricity prices—, Tion succeeded in generating revenues of €34.0 million that were in the range of the Management Board's most recent guidance (€30.0 million to €40.0 million). On the occasion of the disposal of the Czech solar plants, the Management Board had lowered its revenue guidance for the financial year 2022 from between €33.0 and €43.0 million to between €30.0 and €40.0 million, as released on July 8, 2022. Therefore, the compounded annual growth rate of the Group's revenues since its stock market debut (2019–2022) amounted to approx. 89%, with power production having more than doubled (2022: 302.3 GWh, 2021: 123.8 GWh).

The Group's revenue guidance is based on electricity production running largely according to plan since the beginning of the year as well as electricity price and production assumptions. The Management Board expects revenues to range between €26.0 million and €30.0 million in the financial year 2023 and expects to produce between 285 GWh and 325 GWh of green energy.

These predictions rely on the following assumptions: (i) no significant retroactive changes to legislation, (ii) no significant deviations from weather forecasts and historical production levels and (iii) no acquisitions or disposals of operating assets.

Based on these assumptions relevant margins and net debt are targeted to remain stable. However, cost inflation and rising interest rates pose risks to these targets.

⁷² International Monetary Fund (April 2023): "WORLD ECONOMIC OUTLOOK. A ROCKY RECOVERY".
<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>.

⁷³ Federal Ministry for Economic Affairs and Climate Action (April 2023): "Europäisches Parlament bestätigt Einigung zur Reform des EU-Emissionshandel". <https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2023/04/230418-eu-ropaisches-parlament-bestatigt-einigung-zur-reform-des-eu-emissionshandel.html>.

⁷⁴ European Commission (April 2023): "Joint Statement by the EU and the US following the 10th EU-US Energy Council".
https://ec.europa.eu/commission/presscorner/detail/en/statement_23_2121.

4.7 Dependency Report

Closing statement on the report of the Management Board on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act ("AktG"):

Pursuant to Section 312 (1) AktG, the Management Board of Tion Renewables AG has prepared a report of the Management Board on relations with affiliated companies, which contains the following closing statement:

"We declare that in the legal transactions listed in this report on relations with affiliated companies, Tion Renewables AG received adequate consideration for each legal transaction according to the circumstances known to the Management Board at the time when the legal transactions were carried out. According to the circumstances known to the Management Board at the time the measures were taken, the Group has not suffered any disadvantage within the meaning of Section 31 (1) sentence 2 AktG as a result of the measures taken by the Group."

05.

Consolidated Financial Statements

5.1 Consolidated Statement of Comprehensive Income for Financial Year 2022

€	Notes	2022	2021 revised
Continuing operations			
Revenue	A.1	34,051,533	16,819,931
Other income	A.2	729,582	275,144
Cost of materials	A.3	-5,994,219	-3,622,581
Personnel expenses	A.4	-1,845,434	-1,603,687
<i>thereof from share-based payment</i>		-183,085	-417,631
Other expenses	A.5	-7,103,369	-2,600,953
Operating profit before depreciation and amortization (EBITDA)		19,838,093	9,267,854
Depreciation and amortization	A.6	-14,680,907	-8,966,674
Operating profit (EBIT)		5,157,186	301,179
Financial income	A.7	414,717	2,118,622
Financial expenses	A.7	-17,947,584	-1,679,931
Earnings before taxes (EBT)		-12,375,681	739,870
Income taxes	A.8	2,334,176	-661,999
Income from continuing operations		-10,041,505	77,871
Income from discontinued operations	5.5.9	-246,111	1,018,707
Currency translation difference	A.9	-4,281,829	-3,802,197
Fair value measurement of derivative financial instruments in hedging relationships	A.9	2,668,450	629,653
Fair value measurement of equity instruments recognized directly in equity	A.9	-210,608	-
Other comprehensive income	A.9	-1,823,987	-3,172,544
Total comprehensive income		-12,111,603	-2,075,966
Earnings per share	Notes	2022	2021 revised
Earnings per share, basic	C.9	-2.37	0.02
Earnings per share, diluted	C.9	-2.37	0.02

5.2 Consolidated Statement of Financial Position as of December 31, 2022

Assets (€)	Notes	2022	2021 revised
Non-current assets			
Intangible assets	B.1	74,131	227,143
Property, plant and equipment	B.2	219,467,340	251,083,582
Derivative financial instruments	B.3	12,011,067	9,132,229
Other financial assets	B.4	38,194,107	7,145,076
Deferred tax assets	B.5	4,411,166	2,882,277
Total non-current assets		274,157,811	270,470,307
Current assets			
Trade receivables	B.6	3,161,441	5,220,060
Other current financial assets	B.4	584,018	-
Non-financial assets	B.7	2,239,675	1,703,626
Income tax receivables	B.7	1,487,339	372,812
Other current receivables	B.7	10,741	1,630,796
Cash and cash equivalents	B.8	32,805,647	13,323,870
Total current assets		40,288,861	22,251,164
Total assets		314,446,672	292,721,471
Equity and liabilities (€)			
Equity			
Subscribed capital	B.9	4,745,957	3,721,042
Capital reserve	B.9	121,768,017	89,160,140
Other reserves	B.9	-5,528,296	-3,704,309
Retained earnings	B.9	-12,570,120	-2,282,505
Total equity		108,415,558	86,894,368
Liabilities			
Other non-current financial liabilities	B.10	137,621,004	124,636,297
Derivative financial instruments	B.11	11,207,437	299,471
Non-current lease liabilities	B.12	16,410,289	16,847,294
Other non-current liabilities	B.16	1,529,646	705,532
Other non-current provisions	B.14	8,164,217	8,981,791
Deferred tax liabilities	B.5	722,116	2,743,045
Total non-current liabilities		175,654,709	154,213,430
Income tax liabilities	B.13	1,706,853	1,618,004
Other current financial liabilities	B.10	22,205,986	42,228,883
Current lease liabilities	B.12	1,067,780	1,072,274
Trade accounts payable	B.15	2,258,657	4,613,703
Other current liabilities	B.16	2,175,756	1,080,350
Other current accrued liabilities	B.14	961,373	1,000,459
Total current liabilities		30,376,405	51,613,673
Total equity and liabilities		314,446,672	292,721,471

5.3 Consolidated Statement of Cash Flows for Financial Year 2022

€	Notes	2022	2021 revised
Consolidated net income		-10,041,505	77,872
Depreciation and amortization of non-current assets	A.6	14,680,907	8,966,674
Increase/Decrease in provisions	B.14	-493,927	372,442
Other non-cash expenses/income		-187,385	-
Changes in other assets not attributable to investing or financing activities		5,495,783	-329,989
Change in other liabilities not attributable to investing or financing activities		-3,631,345	-1,453,042
Change from the disposal of items		-	-
Financial expenses/income	A.7	17,532,867	438,691
Income tax expense/income	A.8	-2,334,176	661,999
Income tax payments		-1,058,447	-284,701
Cash flows from operating activities—Discontinued operations		1,619,592	3,159,884
Cash flows from operating activities		21,582,363	11,609,829
Cash outflows for investments in intangible assets	B.1	-74,829	-
Cash outflows for investments in property, plant and equipment	B.2	-2,316,320	-968,381
Cash outflows for investments in financial assets	B.4	-591,759	-500,842
Proceeds from disposals from the scope of consolidation		14,071,164	500
Payments for additions to the scope of consolidation		-4,765,325	-28,549,145
Interest received		-	-
Cash flows from investing activities—Discontinued operations		-	-
Cash flows from investing activities		6,322,932	-30,017,868
Proceeds from capital increases	B.9	-	9,695,794
Payments for listing-related costs		-	-256,989
Proceeds from borrowings	B.10	36,220,208	35,243,995
Repayment of loans		-36,347,052	-20,695,098
Repayment of lease liabilities	B.12	-1,208,936	-785,220
Interest paid		-5,399,413	-3,316,770
Change in balance with restraint on disposal	B.4	487,283	-309,597
Cash flows from financing activities—Discontinued operations		-1,817,709	-3,865,095
Cash flows from financing activities		-8,065,620	15,711,019
Cash-effective changes in cash and cash equivalents (=Total of current cash flow and cash flow from financing and investing activities)		19,389,760	-2,697,020
Changes in cash and cash equivalents due to exchange rate changes		115,474	-84,089
Consolidation-related changes in cash and cash equivalents		-473,372	6,244,902
Cash and cash equivalents at the beginning of the period	B.8	13,323,870	9,860,077
Cash and cash equivalents at the end of the period	B.8	32,805,647	13,323,870

5.4 Consolidated Statement of Changes in Equity for Financial Year 2022

€	Subscribed capital	Capital reserve	Currency translation reserve	Hedge reserve	Other valuation reserves	Retained earnings	Total
Balance: Jan. 1, 2021	3,309,766	77,594,401	-508,449	-23,316	-	-3,379,083	76,993,319
Consolidated net income	-	-	-	-	-	643,796	643,796
Other comprehensive income	-	-	-3,802,197	1,082,435	-	-	-2,719,762
Total comprehensive income	-	-	-3,802,197	1,082,435	-	643,796	-2,075,966
Changes from capital measures	411,276	11,822,728	-	-	-	-	12,234,004
Issuing costs	-	-256,989	-	-	-	-	-256,989
Balance: Dec. 31, 2021	3,721,042	89,160,140	-4,310,646	1,059,119	-	-2,735,287	86,894,368

€	Subscribed capital	Capital reserve	Currency translation reserve	Hedge reserve	Other valuation reserves	Retained earnings	Total
Balance: Jan. 1, 2022	3,721,042	89,160,140	-4,310,646	1,059,119	-	-2,735,287	86,894,368
Adjustments due to errors correction	-	-	-	-452,782	-	452,782	-
Balance: Jan. 1, 2022, revised	3,721,042	89,160,140	-4,310,646	606,337	-	-2,282,505	86,894,368
Consolidated net income	-	-	-	-	-	-10,287,616	-10,287,616
Other comprehensive income	-	-	-4,281,829	2,668,450	-210,608	-	-1,823,986
Total comprehensive income	-	-	-4,281,829	2,668,450	-210,608	-10,287,616	-12,111,602
Changes from capital measures	1,024,915	32,607,877	-	-	-	-	33,632,792
Issuing costs	-	-	-	-	-	-	-
Balance: Dec. 31, 2021	4,745,957	121,768,017	-8,592,475	3,274,787	-210,608	-12,570,120	108,415,558

5.5 Notes to the Consolidated Financial Statements

5.5.1 General Information

Tion Renewables AG (renamed from former Pacifico Renewables Yield AG upon registration in the Commercial Register on October 4, 2022; "Tion", the "Company") is registered in the Commercial Register of the Local Court of Munich under HRB 251232. The registered office is Bavariafilmplatz 7, building 49, 82031 Gruenwald.

Tion Renewables AG, together with its direct and indirect subsidiaries, forms a "Group".

According to the current Articles of Association dated August 29, 2022, the business activities of the Group comprise the acquisition, holding, management and disposal of investments and assets of all kinds in the field of renewable energies and energy storage facilities, including battery storage facilities, in Germany and abroad, including the operation of facilities for the production of energy from renewable energies and of energy storage facilities by Tion Renewables AG or its subsidiaries. Further information can be found in the segment reporting under C.1.

Tion Renewables AG, Gruenwald, prepares the consolidated financial statements for the smallest group of consolidated companies and Arvantis Group Holding GmbH, Gruenwald (place of publication: Gruenwald), for the largest group of consolidated companies. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. They are published in the electronic Federal Gazette.

The figures in the notes correspond to the respective denomination in Euros (€), thousands of Euros (€ k) or millions of Euros (€ million). Figures and percentages in this report may be subject to rounding differences.

The Group was expanded in the financial year mainly by the acquisition of Boom Bacup Storage Ltd and the equity investment in clearvise AG.

The consolidated financial statements have been prepared on a going concern basis. The consolidated statements of comprehensive income have been prepared using the nature of expense method.

In determining the amount of dismantling costs, we are guided by the inflation targets of the respective central banks due to their average long-remaining terms. Accordingly, we use an inflation rate of 2.0% for the Euro Area (Dec. 31, 2021: 2.0%) and an inflation rate of 2.5% for Poland.

5.5.2 New and Amended Standards and Interpretations

In the current financial year, the Group has applied the following new or amended standards and interpretations for the first time:

New and amended standards and interpretations (Applied)

Accounting/Reporting standard		Mandatory for financial years beginning on/after	Status of EU endorsement (As of Dec. 31, 2022)	Group status
IFRS 3	Amendment—References to the Conceptual Framework	Jan. 1, 2022	Endorsed	No impact
IAS 16	Amendment—Proceeds before intended use	Jan. 1, 2022	Endorsed	No impact
IAS 37	Amendment—Cost of Fulfilling a Contract	Jan. 1, 2022	Endorsed	No impact
Diverse	Annual improvements to IFRS	Jan. 1, 2022	Endorsed	No impact

The IASB or IFRIC published or amended the following new standards or interpretations whose mandatory application date is still in the future, or which have not yet been endorsed for application by the EC:

New and amended standards and interpretations for future financial years

Accounting/Reporting standard		Mandatory for financial years beginning on/after	Status of EU endorsement (As of Dec. 31, 2022)	Group status
IAS 1	Amendment—Disclosures on accounting policies	Jan. 1, 2023	Endorsed	No significant effects expected
IAS 8	Amendment—Definition of accounting estimates	Jan. 1, 2023	Endorsed	No significant effects expected
IFRS 17	First-time application—Insurance contracts	Jan. 1, 2023	Endorsed	No significant effects expected
IFRS 17	Amendment—First-time adoption of IFRS 9 and IFRS 17	Jan. 1, 2023	Endorsed	No significant effects expected
IAS 12	Amendment—Deferred taxes relating to assets and liabilities arising from a single transaction	Jan. 1, 2023	Endorsed	Applied
IAS 1	Amendment—Classification of liabilities as current or non-current	Jan. 1, 2024	Not yet endorsed	No significant effects expected
IFRS 16	Amendment—Lease liability on sale-lease-back	Jan. 1, 2024	Not yet endorsed	No significant effects expected

The change in status to IAS 12 is relevant for the Group in the context of the acquisitions of wind and solar plants and was applied early:

Amendment to IAS 12 Deferred Taxes in Connection with Assets and Liabilities Arising from a Single Transaction

The Group has applied these amendments at the time of transition to IFRS. They result in the introduction of a reversal of the prohibition on the recognition of deferred taxes in the context of a transaction that is not a business combination, provided that at the time of the transaction neither the accounting nor the tax result is affected ("initial recognition exemption").

The amendments are relevant for the Group, as the acquisitions of wind and solar assets as part of the purchase of shares in special purpose entities ("share deal") regularly involve the acquisition of assets and liabilities in a transaction that does not meet the definition of a business combination. The adoption of this standard had the following effects on the consolidated financial statements:

- Deferred taxes are recognized on both right-of-use assets and lease liabilities. In addition, deferred taxes are recognized on the dismantling obligations recognized both in property, plant and equipment and in provisions for dismantling obligations.

The Group does not expect the other newly published adjustments relating to new and amended standards/interpretations that are not yet mandatory and for which early application has not taken place in the Group to have a material impact on the Group.

5.5.3 Accounting and Valuation Methods

Business combinations

The IASB has clarified IFRS 3 with regard to the definition of a business for application in financial years beginning on or after January 1, 2020. The amendments to IFRS 3 and in the application guidelines require that the acquired assets and related activities must have an input and a substantive process that together contribute to the ability to generate outputs (output: production of goods or services) in order to qualify as a business as defined by IFRS 3. To classify the acquisition, the Group uses the concentration test to determine whether the significant portion of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar assets.

If the significant portion of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar assets, there is no business as defined by IFRS 3.

The acquisition therefore does not represent a business combination, but rather an acquisition of assets. These are measured at the consideration transferred, with differences to the net assets acquired being allocated to the assets on a percentage basis. Recognition of goodwill is excluded, as is the creation of "bad will".

The acquisition of wind and solar plants generally constitutes an acquisition of assets, irrespective of their date of completion or commissioning.

Estimation uncertainties and judgements

Main sources of estimation uncertainty

In applying the Group's accounting and valuation policies, management is required to make judgments that have a material effect on the amounts reported and to make estimates and assumptions concerning the carrying amounts of assets and liabilities that cannot be readily determined from other sources. The estimates and underlying assumptions are based on studies by external consultants in combination with past experience and other factors deemed relevant. Actual values may differ from the estimates.

The assumptions underlying the estimates are reviewed regularly. If the change relates to one period only, changes in estimates are only taken into account in that period. If the changes concern the current and subsequent reporting periods, they will be reflected accordingly in this and subsequent periods.

Assessment of the recoverability of non-current assets

For non-current assets subject to scheduled depreciation or amortization, the Group assesses external and internal sources of information on the basis of which possible indications of impairment or a reversal of impairment losses can be identified. In order to assess whether there are indications of impairment or a reversal of impairment and—if such indications exist—to determine the recoverable amount required in this case as part of an impairment test, the Management Board must make assumptions and estimates about the expected future cash flows from the use of the non-current assets and determine the cost of capital.

Recognition of deferred tax assets

The recognition of deferred tax assets on loss carryforwards is subject to the assessment of whether taxable income will be available in the future. The deferred tax asset is not recognized to the extent that future utilization appears unlikely. In order to assess the probability of the future utilization of deferred tax assets, various factors have to be taken into account, such as the earnings situation in the past and operational planning.

Lease term

As part of the measurement of right-of-use assets and lease liabilities in accordance with IFRS 16, an estimate of the lease term is required, and the probability of utilization of extension options must also be estimated. The majority of the leases relate to leases for land on which wind and solar plants are located. The estimate of the lease term, including the utilization of extension options, is linked to the expected useful life of the wind and solar plants located on the land.

Economic useful lives of property, plant and equipment and intangible assets

When measuring property, plant and equipment, and intangible assets, the expected useful life of the assets must be estimated, taking into account in particular industry knowledge, contractual provisions and technical studies by external consultants. In the financial year 2022, the useful lives of wind and solar plants in property, plant and equipment were reassessed.

Estimation of provisions for the dismantling of wind and solar plants

According to IAS 37, the best estimate of the present obligation for the provision for the dismantling of the wind and solar plants must be recognized. This requires an estimate of both the settlement amounts and the interest rate for determining the present value. The settlement amounts are determined by renowned external experts. The present values are determined by discounting the settlement amounts with the respective country-specific, term-adequate and risk-free interest rate.

Valuation of the virtual PPAs

As part of the valuation of the virtual PPAs, the Group makes assumptions and estimates about the average electricity prices to be expected in the future, taking into account the expected production volumes for the wind plants affected by the virtual PPAs.

Foreign currency

The consolidated financial statements are presented in Euro. The Euro is the functional reporting currency of the Group. In preparing the financial statements of the subsidiaries, transactions denominated in currencies other than the functional currency of the Group's parent Company are translated using the exchange rates prevailing at the dates of the transactions in accordance with IAS 21.

At each balance sheet date, monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the exchange rate at the date when the fair value was determined. Non-financial items measured at cost are translated using the exchange rate at the date of initial recognition. Translation differences arising on monetary items are recognized in profit or loss in the period in which they occur. Exceptions to this rule are translation differences arising from transactions entered into to hedge certain foreign currency risks (see guidelines on hedge accounting, 5.5.3.).

The companies included in the consolidated financial statements, which prepare their financial statements in local currency, conduct their business independently in the respective local currency.

Accordingly, the balance sheet items in the consolidated financial statements are translated at closing rates. Differences arising from currency translation are recognized in other comprehensive income.

The currency translation is based on the following exchange rates:

€1.0	Closing rates		Average rates	
	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Polish Zloty (Zł)	4.681	4.597	4.686	4.565
Czech Crown (Kč)	24.116	24.858	24.560	25.640
British Pound Sterling (£)	0.887	-	0.853	-

Intangible assets

Intangible assets have a finite useful life and are measured at cost less straight-line amortization. Amortization is charged in accordance with the economic useful life. The Group currently holds only acquired intangible assets.

The main useful lives are as follows:

Useful life in years—Straight line	
Licenses	30
Other	3

Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation in accordance with IAS 16. Gains or losses from the disposal of fixed assets are included in other income or other expenses. The depreciation period and the depreciation method are reviewed at the end of each financial year. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The expected useful life results from the expected technical life of the wind and solar plants or from the lease agreements for the corresponding land required for the operation of the plants. Tion reports the rights-of-use from the lease and rental agreements together with the item property, plant and equipment.

The main useful lives are:

Useful life in years—Straight line	
Wind turbines	20 to 30
Solar systems	25 to 30
Other operating and office equipment	3 to 7

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of any impairment loss. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. If a reasonable and consistent basis for allocation can be identified, the corporate assets are allocated to the individual cash-generating units. Otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis for allocation can be identified.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. If the estimated recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized immediately in profit or loss.

If the impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the most recent estimate of its recoverable amount. The increase in the carrying amount is limited

to the amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss recognized for the asset in prior years.

Borrowing costs

Borrowing costs incurred directly in connection with the construction of qualifying assets from the start of construction until the date on which the asset is placed in service are capitalized and subsequently depreciated with the corresponding asset. In the case of loans specifically borrowed for the construction of a qualifying asset, the financing cost rate is determined on the basis of the specific financing costs.

Leases

As the Group does not act as a lessor, the explanations are limited to accounting as a lessee. Upon identification of a lease, the right-of-use asset is capitalized at cost at the inception date of the lease. The acquisition costs include:

- the amount carried as a lease liability at initial measurement,
- all directly incurred initial costs
- any lease payments already made before or on the commencement date.

Subsequent measurements are made at cost less straight-line depreciation and impairments, adjusted for revaluations and modifications of the lease liability. The depreciation period is defined as the shorter of the expected useful life and the lease term. The lease liability corresponds to the present value of the outstanding lease payments over the entire term and is carried as a liability on the commencement date. As the implicit interest rate is generally very difficult to determine, the Group uses the incremental borrowing rate. The incremental borrowing rate is the rate that a lessee would pay to borrow funds for a similar term with similar security as would be required in a similar economic environment for an asset of similar value to the right-of-use asset. To estimate the Group companies' incremental borrowing rate, effective interest rates are derived from observable risk-equivalent market yields and these are subsequently adjusted to reflect the maturity.

Lease liabilities include all fixed payments (including de facto fixed payments). Variable lease payments are recognized in profit or loss. In the case of the Group, these are usually lease payments that are linked, for example, to revenue from the respective wind and solar plants.

The term of the leases includes the non-cancelable term and any renewal options, the exercise of which is sufficiently probable, as well as periods during which there is a termination option, the exercise of which is sufficiently improbable. The lease liability is accreted over the term and reduced by payments made. The Group exercises the option under IFRS 16 not to recognize short-term leases and leases of low-value underlying assets in the balance sheet for periods of up to twelve months. All related payments are recognized in profit or loss evenly over the lease term. As the Group's business model is predominantly based on long-term contracts, these exceptions are rare in the Group and are considered immaterial.

Useful life in years—Straight line

Office buildings rights-of-use	5
Land rights-of-use	5 to 30

Financial assets

The Group classifies its financial assets into the following measurement categories:

1. Financial assets measured at amortized cost (AC)
2. Financial assets at fair value through profit or loss (FVPL)
3. Financial assets at fair value through other comprehensive income (FVOCI)

The classification depends on the entity's business model for managing financial assets and the contractual cash flows.

Trade receivables, financial assets, other receivables, and cash and cash equivalents are measured at amortized cost and are subject to the effective interest method. Derivative financial instruments in a hedging relationship with a positive fair value are recognized at fair value through other comprehensive income.

The Group has elected to measure investments in equity instruments that are not held for trading at fair value through other comprehensive income (FVOCI). These are essentially strategic financial investments and the Group believes that presenting fair value gains and losses on such instruments in profit or loss is not indicative of the entity's performance.

Equity instruments under FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss on disposal of the equity investments is not reclassified to profit or loss but transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a repayment of part of the cost of the investment.

Impairment model based on expected credit losses

Under IFRS 9, an impairment model has been developed that is based on expected credit losses and can be applied to all financial assets that are recognized either at amortized cost or at fair value through other comprehensive income. This includes not only credit losses that have already occurred, but also expectations about the future. In general, a three-step approach is used to allocate allowances when recognizing expected credit losses:

- Level 1: Expected credit losses within the next year. This includes all contracts without a significant increase in credit risk since initial recognition, new contracts and those whose payments are not yet or not significantly overdue. The portion of the credit loss over the life of the instrument that is attributable to a default within the next year is recognized.
- Level 2: Expected credit losses over the entire term—no impairment of credit rating. If a financial asset is subject to a significant increase in credit risk but its credit quality is not impaired, it is allocated to this level. Here, the expected credit losses over the entire term of the financial asset are recognized as an impairment.
- Level 3: Expected credit losses over the entire term—credit-impaired.

The Group applies the simplified impairment model of IFRS 9 to trade receivables and thus recognizes the expected losses over the entire term. Financial assets, other receivables and cash and cash equivalents are recognized using the general approach.

Financial liabilities

Financial liabilities are measured either at amortized cost (AC) or, if one of the exceptions to IFRS 9 is met, through profit or loss (FVPL). The Group's financial liabilities comprise of trade payables and liabilities to banks. They are recognized at amortized cost. Lease liabilities are not assigned to any IFRS 9 category. Financial liabilities are recognized when a Group company becomes a party to the contractual provisions of the financial instrument.

Determination of fair values

The determination of fair values for financial assets and liabilities is required for some of the Group's accounting policies and disclosures. For this purpose, the Group uses observable market data (market or stock market value) as far as possible. If no active market exists, the fair value is determined using alternative observable inputs where possible. If no observable input factors are available, the fair value is determined using alternative methods. The fair value is divided into three levels for determination, depending on the availability of observable inputs and their significance. The subdivision is made in accordance with the following guidelines:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are either directly observable for the asset or liability or can be indirectly derived from other prices.
- Level 3 inputs are unobservable inputs for the asset or liability. If reclassifications are required between the different levels for assets and liabilities measured at fair value on a recurring basis, for example because an asset is no longer traded in an active market or is being traded for the first time, a corresponding reclassification is made.

Derivative financial instruments and hedge accounting

The Group enters into certain derivative financial instruments to hedge its exposure to electricity price risks, including virtual PPAs.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at each reporting date. The resulting gain or loss is recognized immediately in the profit or loss unless the derivative is designated as a hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognized as a financial asset, while a derivative with a negative fair value is recognized as a financial liability.

The Group designates certain derivatives as hedging instruments in respect to future cash flows ("Underlying Transactions") for financial risks arising from financing activities. This only affects interest rate and currency risks. In accordance with the Group's risk management principles, the main part of the forecasted highly probable cash flows is generally hedged on the basis of an economic assessment of the individual case. The initial and subsequent measurement of derivative financial instruments in hedging relationships is at fair value. If the fair value is positive, the derivatives are recognized as assets; if the fair value is negative, they are recognized as liabilities.

To qualify for hedge accounting, the hedging relationship between the hedged item and the hedging instrument must be clearly documented and its effectiveness demonstrated. Only interest rate swaps and interest rate and currency swaps are used as hedging instruments. The hedging relationship is accounted for and documented as a cash flow hedge from the date on which the requirements of IFRS 9 (Hedge Accounting) are met. The swaps are generally congruent with the underlying transaction in terms of reference interest rate, interest rate adjustment dates, payment dates, maturities and notional amount. During the financial year, there was an economic relationship between the hedged item and the hedging instrument, as all material terms of the contract matched. The hedging relationships are regularly reviewed for effectiveness during the reporting period. In the event of a change in the fair value of the financial instruments in hedging relationships, the differences are temporarily recognized in other comprehensive income (Fair value measurement of derivative financial instruments in hedging relationships) and transferred to profit or loss (Financial result) when the hedged item is realized. The ineffective portion of the financial instruments is recognized immediately in the financial result.

Collateral

The financial liabilities of the wind and solar plants are mainly non-recourse project financing. This means that collateral for the respective loan is only provided by the project company or special purpose entity, but not by parent or sister companies (with the exception of the pledging of shares in the project company). Tangible assets or rights as well as future receivables can be assigned to the project financing banks, as is customary for this type of financing. The carrying amount of the fixed assets or the amount of the reserves formed corresponds to the current:

- Mortgages or land charges (Property, plant and equipment)
- Pledging of debt service and project reserve accounts (Financial assets)
- Assignment of entitlement to remuneration from electricity feed-in from the respective grid company, assignment of payment and remuneration claims against third parties from any direct marketing contracts (Trade receivables)
- Pledging/Assignment as security of movable assets (Property, plant and equipment)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and time deposits with a high degree of liquidity, a total term of up to three months and only insignificant fluctuations in value.

Provisions

Current provisions are recognized at their expected settlement amount without discounting. All obligations identifiable at the balance sheet date that are based on past transactions or events prior to the balance sheet date are taken into account. In addition, their amount or maturity must be uncertain. The settlement amount with the highest probability of occurrence is assumed.

Non-current provisions are discounted at an appropriate interest rate (risk-free). Provisions are only formed if the probability of occurrence is greater than 50.0% and there are legal or constructive obligations to third parties. In addition, it must be probable that an outflow of resources will be required to settle the obligation and the amount of the provision can be reliably estimated.

Revenue

The core principle of IFRS 15 is to determine the amount of revenue an entity can reasonably expect to receive for the transfer of goods or services to customers. Revenue is recognized when the customer obtains control of the goods or services. IFRS 15 also contains requirements for the recognition of surpluses or obligations that exist at the contract level. To determine the timing (or period) and amount of revenue, IFRS 15 introduces a five-step model that the Group applies in measuring its transactions. The goods (electricity) transferred by the Group represent a separate performance obligation or a combination of performance obligations. Revenue from the supply of electricity is recognized over time using the output-based measurement method on a monthly basis by volume.

The Group's baseload PPA in Poland, which regulates the Group's electricity marketing in Poland until the end of 2024, is accompanied by certain obligations. The power purchase agreement, which is structured as a baseload PPA, guarantees the counterparty a certain production output or volume of electricity. This also results in a certain risk for the Group due to the obligation to supply a certain amount of electricity. If the agreed minimum production is not achieved, a compensation payment is due as part of the monthly settlement. Due to fluctuations in production during the year, the sum of the minimum production and the fixed electricity price can either be increased or reduced by compensation payments.

Periods of low production and high electricity prices therefore represent the greatest risk. Since the minimum production on an annual basis is only about 70% of the expected production output, it can be assumed that the compensation payments will normally be positive, in favor of the project company, assuming limited electricity price volatility.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants that are paid as compensation for expenses or losses already incurred or as immediate financial support without future related expenses are recognized in the Consolidated income statement in the period in which the corresponding claim arises.

Virtual share-based payment

IFRS 2 requires that for cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are recognized at the fair value of the liability. Unlike equity-settled share-based payment transactions, the fair value of the liability must be remeasured at each reporting date and at the settlement date until settlement. Any resulting changes must be recognized in profit or loss. The benefits received and, at the same time, the liability to settle these benefits must be recognized when the employees render their service.

This liability shall be recognized initially and at each reporting date until it is settled at the fair value of the share appreciation rights. For this purpose, a model shall be applied that takes into account the following:

- The contractual terms under which the stock appreciation rights were granted, and
- the years of service of the employees to date.

The effects of all conditions are determined at each reporting date and ultimately result in the cumulative amount of benefits received equaling the amount of cash paid.

Financial income

If it is probable that the economic benefits will flow to the Group and the amount of income can be determined reliably, financial income is recognized. They are accrued using the respective effective interest rate based on the outstanding nominal amount. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial asset to the net carrying amount of the carrying amount of the asset at initial recognition.

Income taxes

Income tax expenses are the sum of current tax expenses and deferred taxes. Current and deferred taxes are recognized in consolidated profit or loss unless they relate to items recognized in other comprehensive income or directly in equity. In this case, current and deferred taxes are also recognized in other comprehensive income or directly in equity.

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and tax laws applicable at the balance sheet date.

Deferred taxes

Deferred taxes are calculated on the basis of the temporary recognition and measurement differences between the IFRS carrying amount of an asset or liability and its tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred taxes are not recognized if the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss ("initial recognition exemption"). Since the 2020 financial year, this relates in particular to the acquisition of new wind and solar plants that do not meet the definition of a business and are treated as an acquisition of assets. Due to the reversal of the initial recognition exemption, the Group recognizes both deferred tax assets (if or when recoverable) and deferred tax liabilities to the extent that deductible and taxable temporary differences arise in the same amount. This relates to the recognition of asset retirement obligations and leases. Deferred tax assets are recognized when it is probable that taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets arising from unused tax loss carryforwards are recognized to the extent that it is probable that they can be offset against future taxable profits within a planning period of five years. Deferred tax liabilities and assets are generally measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. For German companies, the tax rates used are those which take into account the relevant German trade tax rate. The determination of taxable profit and further information are provided under A.8.

Earnings per share

Basic earnings per share are calculated by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

To calculate diluted earnings per share, the net income attributable to holders of no-par value shares is divided by the weighted average number of shares outstanding for the period plus the number of exercisable options. Options are considered if the weighted average market price of the ordinary shares during the period equals or exceeds the exercise price of the option.

Currently, there are no exercisable dilutive options.

Segment reporting

Segment reporting is carried out in accordance with the management approach defined in the accounting standard IFRS 8 "Segment Reporting". Segmentation and reporting are based on the internal organizational and reporting structure as well as on internal control parameters. The segments are therefore defined and identified in accordance with the internal organizational and reporting structure. The following reportable operating segments exist in the Group:

(1) Wind Germany, (2) Wind Poland, (3) Solar Germany, (4) Solar Netherlands, (5) Solar Italy and, until July 2022, (6) Solar Czech Republic. The non-reportable segment (7) Corporate is not a separate operating segment within the meaning of IFRS 8.6 and is reported separately. It comprises the parent Company, the Group's internal service company and other non-operating intermediate companies. The (8) BESS United Kingdom ("BESS UK") segment, which will be operational in the middle of financial year 2023 was newly acquired in 2022.

In particular, revenue and operating profit before interest, depreciation, amortization and taxes (EBITDA) are monitored separately by the Management Board in order to determine the profitability of the segments and to make better decisions on the allocation of resources. In addition, the following operating earnings figures for the segments are monitored by the Management Board: revenue, adjusted operating EBITDA and EBITDA margin as well as adjusted operating profit (EBIT) and EBIT margin.

5.5.4 Correction of Errors

In 2022, the Group discovered that the interest expense was recognized twice in finance expenses in 2021 when recognizing the fair value measurement of derivative financial instruments in hedging relationships in the form of interest rate swaps.

As part of the acquisition of the companies in Germany in 2019, the trade taxes were taken over by the seller and paid in 2021. At the level of the acquiring company, these payments were settled by increasing the capital of the acquired companies. At Group level, tax income was incorrectly recognized.

The errors have been corrected by adjusting the affected items in the financial statements for the previous year accordingly.

The following table summarizes the impact on the consolidated financial statements.

Effect on the consolidated statements of comprehensive income:

	2021
Financial expenses	-969,663
Income taxes	516,881
Net effect on net income	452,782
Fair value valuation of derivative financial instruments in hedging relationships	-452,782
Net effect on total comprehensive income	-

Basic and diluted earnings per share of the Group decreased from €0.17 each to €0.02 due to the adjustments. There is no significant impact on the Group's equity.

5.5.5 Scope of Consolidation

Alongside Tion Renewables AG, all directly or indirectly controlled subsidiaries are included in the consolidated financial statements. The Group obtains control when it can exercise control over the investee, is exposed to variable returns from its involvement with the investee and can affect the amount of returns from its power over the investee. The Group reassesses whether or not it has control over an investee when facts and circumstances indicate that one or more of the above three criteria for control have changed.

The Group directly or indirectly holds 100.0% of the shares in all Group companies.

The following subsidiaries have been fully consolidated in the consolidated financial statements as of December 31, 2022:

Segment	Company/Subsidiary	Location	Share (%)
Wind Germany	PAC Opal GmbH & Co. KG	Gruenwald, Germany	100.0
Wind Germany	PAC Saphir GmbH & Co. KG	Gruenwald, Germany	100.0
Wind Germany	PAC Topas GmbH & Co. KG	Gruenwald, Germany	100.0
Wind Germany	Windkraft 1. RES GmbH & Co. KG	Gruenwald, Germany	100.0
Wind Poland	GB 12W 212 sp. z o.o.	Warsaw, Poland	100.0
Wind Poland	GB Dębowa Łąka 402 sp. z o.o.	Warsaw, Poland	100.0
Wind Poland	GB Świecie 404 sp. z o.o.	Warsaw, Poland	100.0
Solar Germany	PAC Rubin GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Süpplingen GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Auerbach GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Eisfeld GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Hohburg GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Köthen BF 5 GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Rosefeld GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Neubukow GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	PV Staßfurt GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Germany	Solarpark Voßberg GmbH & Co. KG	Gruenwald, Germany	100.0
Solar Netherlands	Dutch Durables Energy B.V.	Bosch en Duin, Netherlands	100.0
Solar Netherlands	Dutch Durables Energy 3 B.V.	Bosch en Duin, Netherlands	100.0
Solar Netherlands	Oslo Energy Netherlands B.V.	Utrecht, Netherlands	100.0
Solar Italy	C.C.D. Solar S.r.l.	Bolzano, Italy	100.0
Solar Italy	Energia Fotovoltaica 12 S.r.l.	Bolzano, Italy	100.0
Solar Italy	Energia Fotovoltaica 22 S.r.l.	Bolzano, Italy	100.0
Solar Italy	Mediterraneo Greenpower S.r.l.	Bolzano, Italy	100.0
Corporate	Tion Services GmbH	Munich, Germany	100.0
Corporate	Tion Battery Holding GmbH	Munich, Germany	100.0
Corporate	Tion Fin GmbH	Gruenwald, Germany	100.0
Corporate	Tion Management GmbH	Gruenwald, Germany	100.0
Corporate	PAC Block Germany 1 GmbH	Gruenwald, Germany	100.0
Corporate	Renewables International Portfolio GmbH	Gruenwald, Germany	100.0
Corporate	Pacifico Italia S.r.l.	Bolzano, Italy	100.0
Corporate	Pacifico Smeraldo S.r.l.	Bolzano, Italy	100.0
Corporate	Pacifico Energy Czech S.r.o.	Prague, Czech Republic	100.0
Corporate	Pacifico Energy Hol S.r.o.	Prague, Czech Republic	100.0
BESS UK	Boom Bacup Storage Ltd	Arundel, United Kingdom	100.0

5.5.6 Principles of Consolidation

The consolidated financial statements comprise the financial statements of the parent Company and the companies it controls. For all companies included in the consolidated financial statements, the reporting date of the separate financial statements is the same as the reporting date of the parent Company and thus of the consolidated financial statements.

A subsidiary is included in the consolidated financial statements from the date on which the Group obtains control of the subsidiary until the date that control by the Group ends. The results of subsidiaries acquired or disposed of during the year are recognized in profit or loss and in other comprehensive income from the actual date of acquisition or until the actual date of disposal, respectively.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent Company and to the non-controlling interests.

Where necessary, the financial statements of subsidiaries are adjusted to bring their accounting policies into line with those of the Group.

All intercompany assets, liabilities, income, expenses and cash flows relating to transactions between Group companies are eliminated within the scope of consolidation.

If the Group loses control of a subsidiary, the deconsolidation gain or loss is recognized in profit or loss. This is determined as the difference between

- (i) the total of the fair value of the consideration received and the fair value of the investment retained, and
- (ii) the carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

All amounts recognized in other comprehensive income in connection with this subsidiary are accounted for as they would be if the assets were sold, i.e. reclassified to the consolidated income statement or transferred directly to retained earnings.

5.5.7 Acquisition of Subsidiaries that Do not Meet the Definition of a Business

The Group was able to expand the existing portfolio in financial year 2022 through the acquisition of a battery energy storage system ("BESS") in the UK. The transaction does not meet the definition of an acquisition under IFRS 3 and has therefore been accounted for as an acquisition of assets in the consolidated financial statements irrespective of the date of commissioning of the BESS.

Boom Bacup Storage Ltd was consolidated for the first time on November 24, 2022. The company holds a BESS with a total capacity of approx. 8.0 MW/9.3 MWh near Manchester in the UK. The purchase price amounts to €5.9 million and includes the assignment of a shareholder loan in the amount of €5.4 million granted by the seller Boom Bacup Storage Ltd. According to the purchase agreement, €0.1 million of the purchase price is subject to a condition precedent and has been recognized in full as it is expected to be utilized. €3.0 million of the purchase price has already been paid, whereby 49.0% of the purchase price was financed by a vendor loan from the seller, Boom Developments Ltd, to the acquiring company, Tion Battery Holding GmbH. This vendor loan bears interest at a rate of 5.0%. If the net revenues of BESS exceed £1.0 million within the first twelve months of operation, an annual interest rate of 7.5% will be charged retroactively.

Purchase price allocation (€)

Property, plant and equipment	4,654,721
Right-of-use asset—IFRS 16	563,879
Other current assets	1,216,660
Lease liability—IFRS 16	-489,932
Deferred tax liabilities	-264

Identified net assets acquired

5,945,065

5.5.8 Assets Held for Sale and Discontinued Operations

Assets held for sale and discontinued operations include individual non-current assets or groups of assets and liabilities directly associated with them ("disposal group") if their carrying amount is to be recovered principally through sale rather than through use in operations.

Non-current assets that are classified as held for sale either individually or together in a disposal group are presented as separate line items in the consolidated statements of financial position. In accordance with IFRS

5, they are measured at the lower of carrying amount and fair value less costs to sell; they are no longer depreciated or amortized. In the event of a subsequent increase in fair value less costs to sell, the impairment loss is reversed accordingly. The reversal is limited to the impairment losses previously recognized for the respective assets.

A discontinued operation is a component of an entity that represents a major line of business of the Group and is held for sale or has been sold. The assets and liabilities of a discontinued operation are classified as held for sale in the consolidated statements of financial position until the disposal is completed and are measured at the lower of carrying amount and fair value less costs to sell. The result of this measurement, the gains and losses on the disposal and the result from continuing operations of the discontinued operation are presented separately in profit or loss as "Income from discontinued operation". Prior-year figures are adjusted in profit or loss. Discontinued operations are reported separately in the consolidated statements of cash flows. Here, too, prior-year figures are adjusted accordingly.

5.5.9 Non-current Assets Held for Sale and Discontinued Operations

On May 27, 2022, the Memorandum of Understanding on the sale of the Czech companies FVE Osečná, FVE Úsilné, FVE Hodonice and FVE Troskotovice was signed. As the Solar Czech Republic operating segment is a component of the Group classified as held for sale and represents a geographical area of operations, the requirements for a discontinued operation according to IFRS 5.32 (a) are met. The operating segment Solar Czech Republic was therefore reclassified as a discontinued operation. The carrying amount and fair value less costs to sell were therefore compared. The sale was completed on July 22, 2022, when control of the subsidiaries in the Czech Republic was transferred to the acquirer.

The result from discontinued operations, which is included in profit after tax, is presented separately in profit or loss and is as follows:

€	2022	2021
Revenue	3,845,300	5,075,056
Other income	24,766	94,035
Cost of materials	-275,743	-418,940
Other expenses	-737,682	-560,397
Depreciation and amortization	-2,388,388	-1,542,112
Earnings from discontinued operations, before taxes (EBIT)	468,253	2,647,642
Financial income	179,204	81,776
Financial expenses	-379,879	-1,265,478
Income taxes	-513,690	-445,234
Earnings from discontinued operations, after taxes	-246,111	1,018,707
Earnings per share from discontinued operations	-0.06	0.27

The most important assets and liabilities as of the reporting date (July 22, 2022) are as follows:

€

Intangible assets	124,517
Property, plant and equipment	19,635,607
Derivative financial instruments in hedging relationships	221,460
Financial assets	2,022,251
Deferred tax assets	3,449
Trade receivables	1,307,661
Other current receivables	836,223
Cash and cash equivalents	473,266
Total assets held for sale	24,624,435
Non-current financial liabilities	8,846,019
Non-current provisions	422,557
Income tax liabilities	-
Current financial liabilities	75,263
Deferred tax liabilities	546,817
Other current liabilities	208,042
Total liabilities related to assets held for sale	10,098,698

5.5.10 Notes to the Consolidated Statements of Comprehensive Income

A.1 Revenue

The Group's revenue of €34.1 million (2021: €16.8 million) is distributed among the individual segments as follows:

Revenues (€)	2022	2021
Wind Germany	10,382,501	5,876,029
Wind Poland	8,820,371	3,150,268
Solar Germany	8,281,446	5,511,107
Solar Netherlands	4,783,903	467,252
Solar Italy	1,783,312	1,815,275
Total	34,051,533	16,819,931

€	2022	2021
Services rendered over time	34,051,533	16,819,931

The Group's revenues exclusively comprise revenues from the feed-in of electricity.

The revenues include government grants in the amount of €1.3 million (2021: €1.7 million) from government subsidies for renewable energy producers.

The remaining revenues are attributable to remuneration from direct marketers and therefore do not represent government grants in accordance with IAS 20.

For the first time, approx. €0.1 million of the revenues were skimmed off due to the mechanisms established throughout Europe to cap electricity prices in 2022.⁶³

This ultimately reduced the revenues generated economically in the financial year 2022 by 0.3% from €34.1 million (2021: €16.8 million) to approx. €34.0 million.

In Italy, the application of the cap on electricity prices was offset directly against revenue.

A.2 Other income

Other income (€)	2022	2021
Income from currency translation	289,745	7,680
Income relating to other periods	147,459	10,306
Change in inventories of finished goods	116,138	-116,138
Income from the reversal of provisions	95,535	125,106
Income from compensation due to settlements	65,751	43,431
Miscellaneous other income	14,955	204,759
Total	729,582	275,144

⁶³ Please find more information on the price caps newly established across Europe in the Economic Report above (4.2.2 Political Conditions: Measures taken by the EU and EU member states in response to high energy market prices).

Income from currency translation relates to income already realized from currency translation at the Group's subsidiaries outside Germany. Of the income, €0.07 million (2021: €0.04 million) relates to curtailments, i.e. compensation payments for the shutdown of wind and solar plants by the grid operator (due to bottlenecks in the grid or other technical reasons) or by the direct marketer (e.g. due to temporarily too low remuneration on the electricity exchange).

Income from the reversal of provisions mainly relates to income from the reversal of legal costs.

A.3 Cost of materials

Cost of materials (€)	2022	2021
Asset management	4,574,547	2,755,995
Technical management	701,398	181,023
Variable lease of land	206,618	310,653
Electricity consumption	210,982	75,391
Insurance	96,291	149,983
Other	204,384	149,535
Total	5,994,219	3,622,581

The cost of materials increased compared with the previous year due to the additions to the scope of consolidation from the previous year, which now became operational in the reporting period.

A.4 Personnel expenses

Personnel expenses (€)	2022	2021
Salaries	1,607,364	1,433,958
Social security contributions	238,069	169,729
Total	1,845,434	1,603,687

A breakdown of the Management Board remuneration is provided in the other mandatory disclosures C.7.

In the financial year 2022, €0.2 million (2021: €0.4 million) was recognized as personnel expenses in order to reflect the liabilities to the Management Board and the employees arising from the agreements on virtual share-based payment, see under B.16.

On the balance sheet date, the Group employed twelve permanent full-time employees in Germany, in addition to the two members of the Management Board of the parent Company, in the Group's internal service company Tion Services GmbH. In the financial year, the average total number of permanent full-time employees was eleven (2021: nine employees).

A.5 Other expenses

Other expenses (€)	2022	2021
Legal and consulting fees	2,438,237	265,461
Other taxes	824,729	61,132
Depreciation of receivables	682,035	17,192
Financial statement and audit costs	430,358	489,514
Listing-related costs	329,834	100,352
Accounting	284,541	94,183
Disposals of financial assets at residual book value	232,897	49,115
Foreign currency losses	174,295	19,726
Supervisory Board compensation	168,889	150,987
Expenses for licenses, concessions	157,723	94,824
Costs of monetary transactions	151,157	197,316
Costs from excess profit levy	106,397	0
Other	1,122,278	1,061,151
Total	7,103,369	2,600,953

Legal and consulting fees increased significantly in the financial year, due in particular to the high transaction costs for the green loan in the first quarter of 2022. Other taxes increased significantly year-on-year due to the real estate tax in Poland. Listing-related costs increased year-on-year due to the expansion of press work and research coverage. The increase in the write-off of receivables was mainly due to the write-off of a deposit made when the state compensation mechanism in Poland was allocated and now forfeited due to the withdrawal from the state compensation mechanism in favor of the power purchase agreement with Saint-Gobain.

A.6 Depreciation and amortization

Depreciation and amortization (€)	2022	2021
Amortization of intangible assets	89,393	20,437
Depreciation of property, plant and equipment	14,591,514	8,946,238
<i>thereof on wind and solar plants</i>	13,388,947	8,139,378
Total	14,680,907	8,966,674

Property, plant and equipment were depreciated as scheduled in the reporting period.

A.7 Financial result

Financial result (€)	2022	2021 revised
Financial income	414,717	2,118,622
Interest and similar expenses	-6,725,327	-1,679,931
Fair value changes of virtual PPAs	-11,222,257	0
Financial expenses	-17,947,584	-1,679,931
Total	-17,532,867	438,691

The item Interest and similar expenses also includes the compounding effects of lease liabilities carried as liabilities within the meaning of IFRS 16 in the amount of €-0.4 million (2021: €-0.2 million). For further details, see B.12.

Borrowing costs of €0.0 million (2021: €0.3 million) were capitalized in the financial year. Other borrowing costs are recognized as current expenses. The fair value changes of virtual PPAs compared to the previous year result from the closing of a 15-year power purchase agreement with Saint-Gobain. For further details, see C.2.

A.8 Income taxes

Income taxes (€)	2022	2021 revised
Actual tax charge	-1,071,331	-1,344,374
Deferred tax income related to temporary differences	3,405,507	682,375
Total	2,334,176	-661,999

The reconciliation of expected to actual income tax expenses is shown in the table below:

€	2022	2021 revised
Earnings before taxes	-12,375,681	739,870
Expected income taxes at 24.2% (2021: 24.2%)	2,998,628	-179,271
Effective tax rate	18.9%	89.5%
Differences due to different local tax rates and tax rate changes	-551,618	85,340
Expenses differing for tax purposes	-702,882	-412,766
Effects from initial recognition exemption	-175,088	245,742
Unrecognized loss carryforwards	679,803	-710,793
Capitalization of costs for capital measures	0	62,268
Taxes relating to other periods	32,151	382,876
Other	53,183	-135,395

A.9 Other comprehensive income

Other comprehensive income mainly comprises currency differences from Group companies denominated in foreign currencies of €-4.3 million (2021: €-3.8 million) as well as changes in the fair value of derivative financial instruments in hedging relationships of €3.3 million (2021: €1.2 million) and the related recognition of deferred taxes on financial instruments of €-0.6 million (2021: €-0.6 million). In addition, changes in the fair value of equity instruments amounting to €-0.3 million (2021: €0.0) and the related deferred taxes amounting to €0.07 million (2021: €0.00 million) are recognized in other comprehensive income.

The significant increase in the currency translation difference is due to the expansion of the scope of consolidation to include the Polish portfolio and the associated recognition of currency differences on intercompany loans in the currency translation difference of €1.2 million (2021: €2.9 million). The loans are net investments in foreign operations as defined by IAS 21.

The fair value measurement of derivative financial instruments in the amount of €3.3 million (2021: €1.7 million) relates to the measurement of interest rate swaps as well as interest rate and currency swaps in other comprehensive income due to their allocation to the measurement category FVOCI.

The changes in value of equity instruments relate to the clearwise shares acquired on July 15, 2022.

Items to be reclassified to profit or loss in the future (€)	2022	2021
Currency translation difference	-4,281,829	-3,802,197
Fair value measurement of derivative financial instruments in hedging relationships	2,668,450	629,653
<i>thereof deferred taxes</i>	-641,619	-571,406
Fair value measurement of equity instruments recognized directly in equity	-210,608	-
<i>thereof deferred taxes</i>	67,348	-
Other comprehensive income	-1,823,987	-3,172,544

5.5.11 Notes to the Consolidated Statement of Financial Position

B.1 Intangible assets

€	Licenses	Other	Total
Acquisitions costs			
Balance (Jan. 1, 2021)	221,814	76,155	297,969
Additions	2,268	-	2,268
Change in scope of consolidation	-	-	-
Currency translation	11,682	-	11,682
Balance (Dec. 31, 2021)	235,764	76,155	311,919
Amortization			
Balance (Jan. 1, 2021)	-17,809	-33,085	-50,894
Additions	-18,432	-14,353	-32,785
Currency translation	-1,097	-	-1,097
Balance (Dec. 31, 2021)	-37,338	-47,438	-84,776
Acquisitions costs			
Balance (Jan. 1, 2022)	235,764	76,155	311,919
Additions	74,350	480	74,830
Disposals	-13,101	-	-13,101
Change in scope of consolidation	-225,279	-	-225,279
Currency translation	2,395	-	2,395
Balance (Dec. 31, 2022)	74,129	76,634	150,763
Amortization			
Balance (Jan. 1, 2022)	-37,338	-47,438	-84,776
Additions	-60,197	-29,195	-89,393
Change in scope of consolidation	97,830	-	97,830
Currency translation	-295	-	-295
Balance (Dec. 31, 2022)	-	-76,632	-76,632
Carrying amount (Dec. 31, 2021)	198,426	28,717	227,143
Carrying amount (Dec. 31, 2022)	74,129	2	74,131

The column Other in the amount of €0.0 million (Dec. 31, 2021: €0.03 million) includes acquired consolidation software at Group level.

The Group currently only has acquired intangible assets.

B.2 Property, plant and equipment

€	Assets under construction	Wind and solar plants	Land and buildings	Other	Total
Acquisitions costs					
Balance (Jan. 1, 2021)	-	107,158,605	8,196,804	27,921	115,383,330
Additions	-	924,044	300,472	44,907	1,269,423
Change in scope of consolidation	2,128,131	147,000,548	13,211,050	17	162,339,746
Currency translation	-	894,095	85,278	-	979,373
Balance (Dec. 31, 2021)	2,128,131	255,977,291	21,793,604	72,846	279,971,872
Amortization					
Balance (Jan. 1, 2021)	-	-17,226,240	-1,141,916	-9,485	18,377,641
Additions	-	-9,618,267	-841,089	-16,645	-10,476,001
Currency translation	-	-32,992	-1,657	-	-34,649
Balance (Dec. 31, 2021)	-	-26,834,245	-2,027,916	-26,129	-28,888,290
Acquisitions costs					
Balance (Jan. 1, 2022)	2,128,131	255,977,291	21,793,604	72,846	279,971,872
Additions	-	2,273,075	43,245	-	2,316,320
Change in scope of consolidation	4,617,887	-25,078,196	-12,351	-1,435	-20,474,095
Transfer	-2,128,131	2,128,131	-	-	0
Currency translation	-93,756	-1,426,527	-98,671	-	-1,618,954
IFRIC 1 value change	-	-720,547	-	-	-720,547
Balance (Dec. 31, 2022)	4,524,131	233,153,227	21,725,828	71,410	259,474,596
Amortization					
Balance (Jan. 1, 2022)	-	-26,834,245	-2,027,916	-26,129	-28,888,290
Additions	-	-16,301,699	-1,215,174	-7,246	-17,524,119
Change in scope of consolidation	-	6,348,746	-	1,435	6,350,181
Currency translation	-	54,885	85	-	54,970
Balance (Dec. 31, 2022)	-	-36,732,313	-3,243,004	-31,939	-40,007,256
Carrying amount (Dec. 31, 2021)	2,128,131	229,099,792	19,808,942	46,717	251,083,582
Carrying amount (Dec. 31, 2021)	4,524,131	196,420,914	18,482,824	39,471	219,467,340

The column Land and buildings contains partly leased land and buildings (see B.12). Property, plant and equipment includes wind and solar plants as well as other property, plant and equipment in the amount of €197.2 million (Dec. 31, 2021: €224.4 million) as collateral for existing financing.

The changes in the scope of consolidation relate to the additions to the scope of consolidation explained under 5.5.5.

B.3 Derivative financial instruments

The derivative financial instruments in hedging relationships amounting to €12.0 million (Dec. 31, 2021: €9.1 million) represent interest rate swaps as well as interest rate and currency swaps with a positive fair value, for which there is a positive valuation due to the current market development. The significant increase of derivative financial instruments in hedging relationships is mainly due to the addition of the Polish portfolio (2022: €2.7 million).

B.4 Other financial assets

€	Equity investments	Securities	Other loans	Balances with restrictions on disposal	Other	Total
Balance (Jan. 1, 2021)	-	11,064	37,200,000	4,996,607	-	42,207,671
Additions/Disposals	-	500,842	-	229,750	-	730,592
Change in scope of consolidation	-	650,000	-37,200,000	642,361	-	-35,907,639
Change in fair value	-	-	-	-	-	-
Currency translation	-	-	-	114,452	-	114,452
Balance (Dec. 31, 2021)	-	1,161,906	-	5,983,170	-	7,145,076

€	Equity investments	Securities	Other loans	Balances with restrictions on disposal	Other	Total
Balance (Jan. 1, 2022)	-	1,161,906	-	5,983,170	-	7,145,076
Additions/Disposals	34,212,089	-121,801	-	-806,155	584,018	33,868,151
Change in scope of consolidation	-	-	-	-1,982,959	-	-1,982,959
Change in fair value	-277,957	-	-	-	-	-277,957
Currency translation	-	-	-	25,814	-	25,814
Balance (Dec. 31, 2022)	33,934,132	1,040,105	-	3,219,870	584,018	38,778,125

Other financial assets mainly include the investment in clearvise AG, cash with restriction on disposal, which serves as collateral for the lending banks of the wind and solar plants, as well as a stepped interest bond acquired via Solarpark Voßberg GmbH & Co KG. The latter serves as a substitute for a debt service and project reserve account and thus as collateral for the Group company loan. The loan granted to PAC Poland 2 GmbH in 2020 in the amount of €37.2 million has been fully consolidated since the acquisition of PAC Poland 2 GmbH in November 2021. The grant of the loan enabled the acquisition of the wind portfolio in Poland after its commissioning in the most financially attractive way possible.

As of December 31, 2022, the Company held 18.4% of the share capital of clearvise AG, which was acquired in 2022. The fair value of the investment was €33.9 million (Dec. 31, 2021: €0.0 million). The investment is not held for trading purposes. Instead, it is a long-term strategic investment. Accordingly, the Company has decided to classify this investment in equity instruments as FVOCI. For further details, see B.9 and C.5.

No dividends were paid on this investment in 2022.

Apart from cash with restriction on disposal, €13.0 million (Dec. 31, 2021: €0 million) of the financial assets were provided as collateral to the lending banks as of the balance sheet date.

Information on the impairment of financial assets and the default and foreign currency risk to which the Group is exposed is presented under C.2 hedge accounting.

B.5 Deferred taxes

Deferred taxes in the Group are generally recognized for the foreign companies at the individual tax rate of the respective company. The Group tax rate is 24.2% and corresponds to the tax rate of the Group's parent Company Tion Renewables AG, consisting of the corporate income tax rate of 15.0%, the solidarity surcharge of 5.5% on the corporate income tax rate and a trade tax rate of 8.4%.

As of December 31, 2022, the Group has provisional loss carryforwards of approx. €12.0 million for corporate income tax (Dec. 31, 2021: €12.6 million) and €16.3 million for trade tax (Dec. 31, 2021: €16.2 million). Of these, amounts of €4.6 million for corporate income tax (Dec. 31, 2021: €4.8 million) and €4.9 million for trade tax (Dec. 31, 2021: €12.7 million) are not expected to be utilized within a reasonable period of time. Therefore, no deferred tax assets have been recognized for these. With the exception of the change in deferred taxes on derivative financial instruments in hedging relationships, which are recognized in other comprehensive income, changes in deferred taxes are recognized in the income statement.

Deferred taxes arose on the following balance sheet items:

Deferred taxes (€)	Dec. 31, 2022		Dec. 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment: Differences between original, commercial and tax balance sheet	3,065,040	2,584,423	1,458,757	1,501,095
Property, plant and equipment: Right-of-use assets	-	3,998,485	-	4,485,919
Derivative financial instruments	2,791,667	3,276,625	72,562	2,211,588
Lease liabilities	4,234,936	-	4,602,195	-
Provisions for asset retirement obligations	1,647,016	-	856,780	-
Tax loss carryforwards	1,809,924	-	1,347,539	-
Gross amount	13,548,584	9,859,534	8,337,833	8,198,601
Offset	9,137,418	9,137,418	5,455,556	5,455,556
Net amount	4,411,166	722,116	2,882,277	2,743,045

The tax loss carryforwards have increased compared to 2021. Therefore, deferred tax assets on tax loss carryforwards also increased by €0.5 million (Dec. 31, 2021: €0.4 million). The main reason for the increase in deferred tax assets was the change in the value of the newly concluded virtual PPAs in Poland. There are no taxable differences in connection with Group companies.

B.6 Trade receivables

€	Dec. 31, 2022	Dec. 31, 2021
Trade receivables	3,161,441	5,220,060

Trade receivables are amounts owed by electricity customers or direct marketers for electricity generated. They are generally due within 30 to 60 days, depending on the country, and are therefore classified as current. Trade receivables are initially recognized at the amount of the unconditional consideration. The Group has no significant financing components. The Group holds trade receivables to collect the contractual cash flows and subsequently measures them at amortized cost using the effective interest method. Of the trade receivables, €2.8 million (Dec. 31, 2021: €4.8 million) were pledged as collateral at the balance sheet date. This relates to the assignment of the remuneration claim from the electricity feed-in of the respective grid company and the assignment of payment and remuneration claims against third parties from any direct marketing agreements.

Information on the impairment of trade receivables and the default and foreign currency risk to which the Group is exposed can be found under note C.2.

B.7 Other current assets

€	Dec. 31, 2022	Dec. 31, 2021
Non-financial assets	2,239,675	1,703,626
Income tax receivables	1,487,339	372,812
Other current receivables	10,741	1,630,796
Total	3,737,755	3,707,234

Other current assets mainly comprise VAT receivables. Other current receivables mainly comprise prepaid expenses in the amount of €0.8 million (Dec. 31, 2021: €0.9 million) as well as other assets and receivables.

B.8 Cash and cash equivalents

Cash and cash equivalents of €32.8 million (Dec. 31, 2021: €13.3 million) exclusively comprise cash and bank balances. Of this amount, €12.9 million (Dec. 31, 2021: €10.5 million) were provided as collateral to the lending banks.

B.9 Equity

Subscribed capital

The Group's subscribed capital amounts to €4.7 million at the end of the reporting period (Dec. 31, 2021: €3.7 million).

As of December 31, 2022, the subscribed capital is divided into 4,745,957 (Dec. 31, 2021: 3,721,042) no-par value bearer shares with a notional interest in the subscribed capital of €1.0 per share.

The Extraordinary General Meeting of December 22, 2021, adopted a resolution to cancel the Authorized Capital 2021 and to create a new Authorized Capital 2021/II with authorization to exclude subscription rights and to amend the Articles of Association accordingly. Authorized Capital 2021/II authorizes the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before December 21, 2026, by up to €1,860,521.0 by issuing new no-par value bearer shares in exchange for cash contributions and/or CiK.

In July 2022, Tion Renewables AG entered into a contribution agreement with Pelion Green Future Alpha GmbH. Under this agreement, Pelion Green Future Alpha GmbH contributed 13,897,848 shares of clearvise AG (corresponding to a share of 21.9% in clearvise AG at that time) to the parent Company by way of CiK ("contributed shares"), and Pelion Green Future Alpha GmbH in return received new shares of the parent Company from the capital increase against CiK. By the contribution agreement dated July 15, 2022, Pelion Green Future Alpha GmbH transferred its ownership of the contributed shares with all rights and obligations to the parent Company. The transfer became effective on July 22, 2022. As consideration, the Company granted Pelion Green Future Alpha GmbH 1,024,915 new no-par value shares with a pro rata amount of the Company's share capital of €1.0 per share. These shares were issued by the Company in the course of a capital increase against CiK by partially utilizing the Authorized Capital 2021/II, which increased the share capital of the parent Company from €3,721,042.0 by €1,024,915.0 to €4,745,957.0.

The Annual General Meeting on August 29, 2022, adopted a resolution to cancel the Authorized Capital 2021/II and to create a new Authorized Capital 2022 with authorization to exclude subscription rights and to amend the Articles of Association accordingly. The Authorized Capital 2022 authorizes the Management Board, with

the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before August 28, 2027, by up to €2,372,978.0 by issuing new no-par value bearer shares against cash and/or non-cash contributions. As of the balance sheet date, no new shares have been issued from the Authorized Capital 2022.

The Extraordinary General Meeting of December 22, 2021, adopted a resolution on the cancellation of the existing authorization and the granting of a new authorization to issue convertible bonds, bonds with warrants, profit participation rights and/or participating bonds with the authorization to exclude subscription rights, on the cancellation of the existing Conditional Capital 2021 and the creation of a new Conditional Capital 2021/II and on the corresponding amendment to the Articles of Association. Based on the authorization resolution, the share capital of the Company is conditionally increased by up to €1.9 million by issuing up to 1,860,521 new no-par value bearer shares. No new shares were issued under Conditional Capital 2021/II.

The Annual General Meeting on August 29, 2022, adopted a resolution on the cancellation of the existing authorization and the granting of a new authorization to issue convertible bonds, bonds with warrants, profit participation rights and/or participating bonds with the authorization to exclude subscription rights, on the cancellation of the existing Conditional Capital 2021/II and the creation of a new Conditional Capital 2022 as well as on the corresponding amendment to the Articles of Association. Based on the authorization resolution, the share capital of the Company is conditionally increased by up to €2.4 million by issuing up to 2,372,978 new no-par value bearer shares. As of the balance sheet date, no new shares had been issued from the Conditional Capital 2022. There are no further obligations from subscription rights, convertible bonds or comparable securities as of December 31, 2022.

Capital reserve

The capital reserve amounts to €121.8 million as of December 31, 2022 (Dec. 31, 2021: €89.2 million). The capital reserve increased in the financial year due to the contribution agreement concluded with Pelion Green Future Alpha GmbH in July 2022, according to which Pelion Green Future Alpha GmbH contributed 13,897,848 shares of clearvise AG to the parent Company. In return, the Company granted Pelion Green Future Alpha GmbH 1,024,915 new no-par value shares with a pro rata amount of the Company's share capital of €1.0 per share. These shares were issued by the Company in a capital increase against CiK by partially utilizing the Authorized Capital 2021/II, which increased the capital reserve of the parent Company by €32.6 million from €91.6 million to €124.2 million.

Due to the direct recognition of transaction costs in connection with capital increases in the capital reserve in accordance with IAS 32, the capital reserve of the separate financial statements of Tion Renewables AG differs from the capital reserve of the Group (effect: Dec. 31, 2022: €-2.2 million; Dec. 31, 2021: approx. €-2.2 million).

Other reserves

€	2022	2021 revised
Currency translation reserve	-8,592,475	-4,310,646
Hedge reserve	3,274,787	606,337
Valuation reserve for equity instruments	-210,608	-
Total	-5,528,296	-3,704,309

Translation differences arising from the translation of the functional currency of foreign operations into the Group's reporting currency (Euro) are recognized directly in other comprehensive income in the consolidated financial statements and accumulated in the currency translation reserve. Translation differences previously recognized in the currency translation reserve (relating to the translation of the net assets of the foreign operation) are transferred to profit or loss on a partial or complete disposal of the foreign operation.

The currency translation reserve in the amount of €-8.6 million (Dec. 31, 2021: €-4.3 million) mainly relates to the translation of Polish Zloty into Euro of the respective subsidiaries at the balance sheet date.

The increase in the currency translation reserve is due to the Polish and Czech portfolio and the related recognition of currency differences on intercompany loans in the currency translation reserve of €1.2 million (Dec. 31, 2021: €2.9 million). The loans represent net investments in foreign operations in accordance with IAS 21. In addition to the currency reserve, other reserves include the hedge reserve in the amount of €3.3 million (Dec. 31, 2021: €1.1 million). The hedge reserve comprises gains or losses from the effective portion of cash flow hedges resulting from changes in the fair value of the hedging transactions. The cumulative gain or loss on changes in the fair value of hedging instruments recognized in the hedge reserve is reclassified to profit or loss only when the hedged item affects profit or loss. With regard to the explanation of other comprehensive income, please also refer to A.9.

Retained earnings

€	2022	2021 revised
Balance (Jan. 1)	-2,282,505	-3,379,083
Consolidated net income	-10,287,616	1,096,578
Balance (Dec. 31)	-12,570,120	-2,282,505

Retained earnings include the loss carried forward from previous years and the consolidated net income for the past financial year.

Capital management

The Group's capital management aims to increase the enterprise value of the Group through targeted growth financing and continuous optimization of the capital structure and comprises three components: (i) growth financing of the Group at the level of the parent Company by raising equity, debt and hybrid capital, (ii) project financing at the level of the operating special-purpose entities, and (iii) further borrowing at the level of the non-operating intermediate companies or at the level of the parent Company to finance growth and optimize the capital structure. Both the targeted growth financing and the continuous optimization of the capital structure take into account macroeconomic and sector-specific conditions and ensure that the Group operates on a solid equity ratio at all times.

	Dec. 31, 2022	Dec. 31, 2021
Equity (€)	108,415,558	86,894,368
Equity ratio (%)	34.5	29.7

Along with the targeted growth financing and continuous optimization of the capital structure, the Group's capital management also includes monitoring and compliance with the covenants arising from the credit agreements. In the reporting period, all covenants resulting from the credit agreements were complied with.

B.10 Other financial liabilities

Other financial liabilities (€)	Dec. 31, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
Liabilities to banks and other loans	137,621,004	21,242,073	124,636,297	40,440,611
Liabilities from purchase price payments	-	963,913	-	1,788,272
Total	137,621,004	22,205,986	124,636,297	42,228,883

In the previous year, other financial liabilities included a subordinated bond of an external lender in the amount of €0 million (Dec. 31, 2021: €9.4 million) and the revolving credit facility of the parent Company, which was drawn in the amount of €0 million (Dec. 31, 2021: €16.2 million) as of the balance sheet date.

By taking out a loan at the level of a subsidiary of the parent Company, both the subordinated bond from an external lender and the revolving credit facility of the parent Company were refinanced in March 2022.

The liabilities from purchase price payments in the amount of €1.0 million (Dec. 31, 2021: €1.8 million) include purchase price payments subject to a condition precedent from the acquisition of the Polish portfolio as well as from the acquisition of Oslo Energy Netherlands B.V. and Dutch Durables Energy 3 B.V., which are linked to the completion of the plants.

B.11 Derivative financial instruments (Liabilities)

The derivative financial instruments in hedging relationships amounting to €0.0 million (Dec. 31, 2021: €0.3 million) are interest rate swaps and interest rate and currency swaps with negative fair values for which a negative cash flow is expected due to the current market development.

The derivative financial instruments not in a hedging relationship in the amount of €11.2 million (Dec. 31, 2021: €0.0 million) result from the negative fair value of the virtual PPAs.

The Group has entered into virtual PPAs with a term of 15 years, starting January 1, 2025. As the contracts are designed as contracts for differences, they meet the definition of a derivative financial instrument and are measured at fair value through profit or loss in accordance with IFRS 9. Fair value adjustments are recognized in the financial result.

B.12 Leases

The leased assets serve as collateral for the lessor. Apart from this, the contracts do not contain any additional collateral. Fully revenue-dependent payments are not included in the lease liability, but are recognized in profit or loss in the period in which they are incurred. The capitalized right-of-use assets are included in property, plant and equipment under Land and buildings in the consolidated statements of financial position.

The following table provides an overview of the capitalized rights-of-use per asset class:

€	Land	Buildings	Total
Acquisitions costs			
Balance (Jan. 1, 2021)	5,606,536	380,748	5,987,284
Additions	-	300,472	300,472
Change in scope of consolidation	12,368,640	-	12,368,640
Currency translation	48,012	-	48,012
Balance (Dec. 31, 2021)	18,023,188	681,220	18,704,408
Amortization			
Balance (Jan. 1, 2021)	-737,021	-6,346	-743,367
Additions	-683,175	-119,855	-803,030
Change in scope of consolidation	-	-	-
Currency translation	-1,558	-	-1,558
Balance (Dec. 31, 2021)	-1,421,754	-126,201	-1,547,955
Acquisitions costs			
Balance (Jan. 1, 2022)	18,023,188	681,220	18,704,408
Additions	-	174,885	174,885
Disposals	-172,664	-	-172,664
Change in scope of consolidation	560,271	-	560,271
Currency translation	-92,279	-	-92,279
Balance (Dec. 31, 2022)	18,318,516	856,106	19,174,621
Amortization			
Balance (Jan. 1, 2022)	-1,421,754	-126,201	-1,547,955
Additions	-996,624	-210,810	-1,207,434
Change in scope of consolidation	-	-	-
Currency translation	11,343	-	11,343
Balance (Dec. 31, 2022)	-2,407,035	-337,011	-2,744,046
Carrying amount (Dec. 31, 2021)	16,601,434	555,019	17,156,453
Carrying amount (Dec. 31, 2022)	15,911,481	519,095	16,430,575

As of December 31, 2022, the lease liabilities are as follows:

Lease liabilities (€)	Dec. 31, 2022	Dec. 31, 2021
Non-current	16,410,289	16,847,294
Current	1,067,780	1,072,274
Total	17,478,069	17,919,568

Expenses for leases (including variable lease payments and payments for low-value leases) total €1.2 million in the financial year 2022 (Dec. 31, 2021: €0.9 million). Expenses for variable lease payments and for low-value leases are recognized in cost of materials.

In the financial year 2022, the following amounts relating to leases were recognized in profit or loss:

€	2022	2021
Depreciation of right-of-use assets	-1,207,434	-803,030
<i>thereof for land</i>	-996,624	-683,175
<i>thereof for buildings</i>	-210,810	-119,855
Interest expense from the unwinding of discount on lease liabilities	-389,068	-232,577
Variable lease payments	-206,618	-111,672
Total	-1,803,119	-1,147,279

B.13 Income tax liabilities

Income tax liabilities in the amount of €1.7 million (Dec. 31, 2021: €1.6 million) comprise all income taxes incurred in the financial year and in previous years that are expected to be payable to the tax authorities. The calculation of the tax provisions was carried out by tax advisors in the various countries in which the Group operates.

B.14 Other provisions

Other provisions (€)	Dec. 31, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
Provisions for asset retirement obligations	8,164,217	-	8,981,791	-
Other provisions	-	961,373	-	1,000,459
Total	8,164,217	961,373	8,981,791	1,000,459

The provisions for asset retirement obligations include the estimated costs for the demolition and clearing of the wind and solar plants as well as for the restoration of the site on which they are located. There are minor uncertainties in the measurement of the asset retirement obligations, which relate solely to the amount of the provision. These result from the fact that the dates on which the dismantling of the wind and solar plants is due are fixed by the remaining useful life of the plants. In determining the actual amount of the dismantling costs, an average inflation rate of 2.0% (Dec. 31, 2021: 2.0%) was assumed for plants in the Euro Area and 2.5% for plants in Poland. The discount of the provision is unwound annually.

Other provisions include the provision for the preparation and audit of the financial statements of all Group companies in the amount of €0.3 million (Dec. 31, 2021: €0.4 million) and provisions for estimated trade payables.

The development of provisions is as follows:

Statement of changes in provisions (€)	Balance (Jan. 1, 2022)	Utilization	Additions	Reversals	Change in value/ IFRIC 1	Changes in scope of consolidation, currency adjustments	Interest portion	Balance (Dec. 31, 2022)
Provisions for asset retirement obligations	8,981,791	-	-	-	-292,655	-337,534	-187,385	8,164,217
Other provisions	1,000,459	-2,126,737	2,232,371	-87,272	-	-57,448	-	961,373
Total	9,982,250	-2,126,737	2,232,371	-87,272	-292,655	-394,982	-187,385	9,125,590

Statement of changes in provisions (€)	Balance (Jan. 1, 2021)	Utilization	Additions	Reversals	Change in value/ IFRIC 1	Changes in scope of consolidation, currency adjustments	Interest portion	Balance (Dec. 31, 2021)
Provisions for asset retirement obligations	3,617,670	-	-	-	-	5,416,312	-52,191	8,981,791
Other provisions	694,135	-200,241	631,671	-125,106	-	-	-	1,000,459
Total	4,311,805	-200,241	631,671	-125,106	-	5,416,312	-52,191	9,982,250

B.15 Trade accounts payable

Trade payables in the amount of €2.3 million (Dec. 31, 2021: €4.6 million) are largely attributable to invoices from service providers. The decrease is mainly due to the expansion of the existing portfolio of wind and solar plants in the previous year.

B.16 Other liabilities

Other liabilities (€)	Dec. 31, 2022		Dec. 31, 2021	
	Non-current	Current	Non-current	Current
Other tax liabilities	-	566,247	-	52,273
Personnel-related liabilities	1,529,646	-	705,532	672,655
Other	-	1,594,379	-	355,422
Total	1,529,646	2,175,756	705,532	1,080,350

Personnel-related liabilities mainly include liabilities from virtual share-based payment for the Management Board and employees. Other tax liabilities relate to liabilities from value-added tax.

Share-based payment

Share-based compensation agreements are currently in place for the Management Board and employees. The program is granted to the Management Board and employees as compensation with a long-term incentive effect and is accounted for as cash-settled share-based payment.

Tion Renewables AG	Dec. 31, 2022	Dec. 31, 2021
Number of virtual shares	125,421	135,472
Number of shares transferred	64,693	44,606
<i>thereof cliff</i>	943	2,746
<i>thereof lock-up</i>	34,461	23,676

The put option price corresponds to the average daily closing price of the last 30 trading days prior to exercising the option and is settled in cash.

The put option can only be exercised after the expiration of the cliff period and depends on the point in time in the vesting period. No virtual shares can be exercised in the first two years. Between two and five years after granting, 50.0% of all virtual shares are exercisable. After the vesting period of five years, the put option can be exercised for all virtual shares.

The claims are settled in cash.

There are neither performance conditions nor floors nor caps for the virtual shares. Due to the simple design of both programs outlined below, the value of the Tion Renewables AG share (ISIN: DE000A2YN371) is determined in each case using the current XETRA price of the share at the balance sheet date instead of an option price model.

In the financial year 2022, 2,901 virtual shares were exercised (2021: no virtual shares exercised). The weighted average share price at the time of exercise was €27.06 (2021: no virtual shares exercised). In the financial years 2023 to 2025, a total amount of €78,497 will be paid out for this purpose.

As of December 31, 2022, the Group reports other liabilities from virtual shares of €1.5 million (Dec. 31, 2021: €1.3 million). The total expenses recognized in the current financial year are reported at A.4 Personnel expenses.

Share-based payment—Management Board

The grant date for the virtual shares was October 23, 2019, for the Management Board, and the number of virtual shares granted was based on the market price upon entry into the Open Market on November 19, 2019. The vesting period is 60 months, starting on October 1, 2019. The unvested virtual shares expire without compensation as soon as the beneficiary is no longer a member of the Management Board due to a dismissal or resignation. The number of virtual shares forfeited depends on the point in time within the vesting period. Up to the 15th month (cliff period), 100.0% of the virtual shares are forfeited. From the 15th month, 75.0% of the virtual shares are forfeited and thereafter the proportion of forfeited virtual shares decreases proportionally until the end of the vesting period. The exercisability of the put option for the Management Board depends on the point in time within the vesting period. No virtual shares can be exercised in the first two years. Between two and five years after granting, 50.0% of all virtual shares are exercisable. After five years, the put option can be exercised for all virtual shares. The put option price corresponds to the average daily closing price of the last 30 trading days prior to exercising the option. The claims are settled in cash.

Share-based payment—Employees

For employees, the grant of virtual shares generally takes place on the date of commencement of employment. The number of virtual shares is calculated by dividing the individually agreed total value of the virtual shares by the average daily closing price of the ordinary shares over the last three months prior to the date of commencement of employment. The vesting period is either 24, 36 or 60 months from the grant date, depending on the individual agreement. The virtual shares are forfeited without compensation upon termination of employment under certain conditions ("bad leaver"). The number of virtual shares forfeited depends on the point in time within the vesting period. Up to an individual cliff date (either non-existent or twelve or 15 months), 100.0% of the virtual shares are forfeited. Thereafter, the proportion of forfeited shares decreases proportionately until the end of the vesting period, depending on the individual agreement.

5.5.12 Other Mandatory Information

C.1 Segment reporting

The focus of the Group's business activities is on the operation of the existing wind and solar plants and the further expansion of the portfolio. The definition of the segments follows the internal management of the Group both by country and by technology. The Group therefore comprises the reportable operating segments Wind Germany, Wind Poland, Solar Germany, Solar Netherlands, Solar Italy and BESS United Kingdom as well as the non-reportable segment Corporate. The Corporate segment includes the Group companies in which no wind or solar plants are operated, such as the parent Company, the Group's internal service company and intermediate holding companies. Further information on the companies consolidated for the first time can be found in 5.5.5.

The following segments of the Group are therefore reportable in accordance with IFRS 8:

Wind Germany and Wind Poland

The segments include all wind plants in Germany and Poland. The Poland segment was added in the reporting period.

The main business activity of these segments is the production of electricity from renewable energies. The revenues generated in these segments mainly consists of the feed-in revenue from the respective local suppliers or market premiums from direct marketing on the electricity exchange.

The following tables show the revenues and earnings of the Group's individual reportable segments.

Adjusted EBITDA represents EBITDA adjusted for non-recurring expenses and adjusted EBIT represents EBIT adjusted for depreciation and amortization at the individual financial statements level, which corresponds to Group depreciation and amortization. The sum of the operating segments results in adjusted operating EBITDA and EBIT.

	Period	Wind Germany	Wind Poland
Revenue (€)	2022	10,382,501	8,820,371
Revenue (€)	2021	5,876,029	3,150,268
Operating profit before depreciation and amortization (EBITDA, €)	2022	8,610,200	5,786,578
Operating profit before depreciation and amortization (EBITDA, €)	2021	4,475,101	2,660,014
EBITDA margin (%)	2022	82.9	65.6
EBITDA margin (%)	2021	76.2	84.4
Depreciation and amortization (€)	2022	-4,628,732	-3,345,067
Depreciation and amortization (€)	2021	-4,502,584	-343,658
Operating profit (EBIT, €)	2022	3,981,467	2,441,511
Operating profit (EBIT, €)	2021	-27,483	2,316,357
EBIT margin (%)	2022	38.3	27.7
EBIT margin (%)	2021	-0.5	73.5

Solar Germany, Solar Netherlands and Solar Italy

The segments include the German, Dutch and Italian solar plants.

The main business activity of these segments is the production of electricity from renewable sources. The revenues generated in these segments mainly consist of the feed-in revenues of the respective local suppliers and the market premiums generated by direct marketing on the electricity exchange.

	Period	Solar Germany	Solar Netherlands	Solar Italy
Revenue (€)	2022	8,281,446	4,783,903	1,783,312
Revenue (€)	2021	5,511,107	467,252	1,815,275
Operating profit before depreciation and amortization (EBITDA, €)	2022	7,315,924	4,235,930	1,600,361
Operating profit before depreciation and amortization (EBITDA, €)	2021	4,890,328	227,496	1,388,731
EBITDA margin (%)	2022	88.3	88.5	89.7
EBITDA margin (%)	2021	88.7	48.7	76.5
Depreciation and amortization (€)	2022	-4,257,278	-1,484,708	-699,402
Depreciation and amortization (€)	2021	-3,093,320	-199,420	-656,249
Operating profit (EBIT, €)	2022	3,058,645	2,751,221	900,959
Operating profit (EBIT, €)	2021	1,797,008	28,076	732,482
EBIT margin (%)	2022	36.9	57.5	50.5
EBIT margin (%)	2021	32.6	6.0	40.4

BESS UK

In November 2022, Tion acquired an 8 MW battery storage project in the UK, opening the new BESS UK segment. The project is still under construction and was not completed in 2022. Hence, no revenues but only costs occurred in this segment in 2022.

Battery storage will remain a relatively small part of Tion's portfolio.

	Period	BESS UK
Revenue (€)	2022	-
Revenue (€)	2021	-
Operating profit before depreciation and amortization (EBITDA, €)	2022	-939
Operating profit before depreciation and amortization (EBITDA, €)	2021	-
EBITDA margin (%)	2022	-
EBITDA margin (%)	2021	-
Depreciation and amortization (€)	2022	-5,826
Depreciation and amortization (€)	2021	-
Operating profit (EBIT, €)	2022	-6,765
Operating profit (EBIT, €)	2021	-
EBIT margin (%)	2022	-
EBIT margin (%)	2021	-

	Period	Total reportable operating segments	Corporate	Total
Revenue (€)	2022	34,051,533	-	34,051,533
Revenue (€)	2021	16,819,931	-	16,819,931
Operating profit before depreciation and amortization (EBITDA, €)	2022	27,545,354	-7,707,261	19,838,093
Operating profit before depreciation and amortization (EBITDA, €)	2021	13,641,671	-4,373,817	9,267,854
EBITDA margin (%)	2022	80.9	-	58.3
EBITDA margin (%)	2021	81.1	-	55.1
Depreciation and amortization (€)	2022	-14,421,014	-259,893	-14,680,907
Depreciation and amortization (€)	2021	-8,795,232	-171,442	-8,966,674
Operating profit (EBIT, €)	2022	13,124,340	-7,967,154	5,157,186
Operating profit (EBIT, €)	2021	4,846,439	-4,545,260	301,179
EBIT margin (%)	2022	38.5	-	15.1
EBIT margin (%)	2021	28.8	-	1.8

The non-operating result must be added to reconcile adjusted operating EBITDA and EBIT to earnings before taxes (EBT). This includes income and expenses that are unusual from a business perspective or not attributable to operating activities. In addition to the above-mentioned adjustments (non-recurring expenses at operating segment level and adjustments for depreciation and amortization within the Group), non-operating earnings also include non-recurring expenses in the Corporate segment as well as personnel expenses in the Corporate segment. The calculation of the financial result is shown under A.7.

Calculation of non-operating result

€	2022	2021
Non-recurring expenses in the Corporate segment	-1,839,244	-88,030
Non-recurring expenses at operating segment level	-703,587	-190,323
Accrued share-based payments	-183,085	-417,631
Personnel expenses in the Corporate segment	-1,662,349	-1,186,056
Other operating income and expenses not attributable to the Group's operating activities, net of consolidation adjustments	-4,017,563	-1,668,982
Adjustments for depreciation and amortization in the Group	-1,600,319	-820,849
Non-operating result	-10,006,146	-4,371,871

Reconciliation of earnings figures

€	2022	2021 revised
Adjusted operating EBITDA	28,243,920	12,818,876
Operating depreciation and amortization	-13,080,588	-8,145,825
Adjusted operating EBIT	15,163,332	4,673,050
Non-operating result	-10,006,146	-4,371,871
Financial result	-17,532,867	438,691
Earnings before taxes (EBT)	-12,375,681	739,870

The revenues presented in the segment reporting are recognized on an accrual basis. The revenue of the Group is distributed among the individual regions as follows. The breakdown of revenue is based on the location of the Company's registered office:

Revenue by country

€	2022	Share (%)	2021	Share (%)
Germany	18,663,948	54.9	11,387,136	67.7
Poland	8,820,371	25.9	3,150,268	18.7
Netherlands	4,783,903	14.0	467,252	2.8
Italy	1,783,312	5.2	1,815,275	10.8
United Kingdom	-	-	-	-
Total	34,051,533	100.0	16,819,931	100.0

The total revenue from the Wind Poland segment of €8.8 million (2021: €3.2 million) is attributable to one customer of the Group. Of the revenues of the segments Wind Germany and Solar Germany, €4.5 million and €3.9 million, respectively, are attributable to one customer of the Group (2021: no customer of the Group with 10.0% or more of Group revenue in each case).

No other single customer accounted for 10.0% or more of the Group's revenues in financial year 2022 or 2021. With one exception (Windkraft 1. Res GmbH & Co. KG), all German wind plants have voluntary direct marketing arrangements and, in the event of insolvency of the contractual partner, can immediately switch from direct marketing to EEG compensation on the 1st of the following month, with the compensation being taken over immediately by the grid operator. Likewise, a change of the direct marketer during the year is permitted by law. In the event of insolvency, guarantees have been issued by the direct marketer, providing sufficient time for a change of direct marketer. A change to the auction mechanism is also possible at any time for the wind plants in Poland. Accordingly, there is no de facto dependency on the direct marketers, despite the considerable share of sales in both the Wind Germany segment and the Wind Poland segment. Segment assets (non-current assets excluding derivative financial instruments in hedging relationships, financial assets and deferred taxes) are allocated to the individual segments as follows:

Non-current segment assets (€)	Wind Germany	Wind Poland	Solar Germany	Solar Netherlands	Solar Italy	BESS UK	Corporate	Total
2022	46,684,003	84,415,432	41,895,716	31,914,159	8,901,584	5,067,317	589,130	219,467,340
2021	51,108,380	90,494,846	46,056,903	31,309,457	9,585,661	-	628,266	229,183,513

Net debt (€)	Wind Germany	Wind Poland	Solar Germany	Solar Netherlands	Solar Italy	BESS UK	Corporate	Total
Financial liabilities (2022)	27,815,514	48,889,267	28,711,461	20,867,109	1,327,891	38,377	44,518,274	172,167,893
Financial liabilities (2021)	26,735,586	49,747,062	30,434,756	18,154,670	1,206,052	-	31,759,187	158,037,313
Financial liabilities adjusted (2022)	23,192,278	47,552,190	25,102,249	15,960,708	1,227,117	836,027	23,943,859	136,142,374
Financial liabilities adjusted (2021)	23,351,618	44,121,678	28,545,597	15,422,032	922,786	-	27,600,744	139,964,455

Equity ratio adjusted (%)

2022	44.3
2021	37.3

Adjusted financial liabilities (net debt) represent financial liabilities adjusted for all cash and cash equivalents including debt service and project reserve accounts (cash with restriction on disposal). The adjusted equity ratio calculates the equity ratio based on net debt.

C.2 Additional disclosures on financial assets and liabilities

Classes and categories of financial instruments and their fair values

The following table includes information about:

- Classes of financial instruments, based on their nature and characteristics,
- the carrying amounts of the financial instruments,
- the fair values of financial instruments (other than financial instruments whose carrying amount equals fair value), and
- the classification into hierarchy levels for fair value measurement.

The classification of fair value measurements into the hierarchy levels listed below is based on the availability of observable input parameters and the significance of these parameters for the determination of fair value:

- Level 1 valuations are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 valuations are derived from inputs other than quoted prices included within Level 1 that are either directly observable for the asset or liability or can be derived indirectly from other prices, and
- Level 3 valuations result from valuation models that use inputs that are not observable in the market.

The Group applies the relief of IFRS 7.29 (a), according to which the fair value is not disclosed if the carrying amount of the financial instrument approximates the fair value. This is the case for all current assets and liabilities. No level disclosures are made for these items.

Dec. 31, 2022/€	Measurement Category according to IFRS 9	Carrying amount (Dec. 31, 2022)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Fair value (Dec. 31, 2022)
Financial assets						
Equity investments	FVOCI	33,934,132	-	33,934,132	-	33,934,132
Other financial assets	AC	4,259,975	4,259,975	-	-	4,259,975
Other current financial assets	AC	584,018	584,018	-	-	584,018
Trade receivables	AC	3,161,441	3,161,441	-	-	-
Other current receivables	AC	10,741	10,741	-	-	-
Cash and cash equivalents	AC	32,805,647	32,805,647	-	-	-
Derivative financial instruments in hedging relationships (Swaps)	FVOCI	12,011,067	-	12,011,067	-	12,011,067
Financial liabilities						
Other financial liabilities	AC	159,826,990	159,826,990	-	-	128,840,845
Trade receivables	AC	2,258,657	2,258,657	-	-	-
Derivative financial instruments in hedging relationships (Swaps)	FVOCI	7,300	-	7,300	-	7,300
Derivative financial instruments not in hedging relationships (PPA)	FVPL	11,200,137	-	-	11,200,137	11,200,137

Dec. 31, 2021/€	Measure- ment Category according to IFRS 9	Carrying amount (Dec. 31, 2021)	Amortized cost	Fair value through other comprehen- sive income	Fair value through prof-it or loss	Fair value (Dec. 31, 2021)
Financial assets						
Equity investments	FVOCI	-	-	-	-	-
Other financial assets	AC	7,145,076	7,145,076	-	-	7,145,076
Trade receivables	AC	5,220,060	5,220,060	-	-	-
Other current receivables	AC	1,630,796	1,630,796	-	-	-
Cash and cash equivalents	AC	13,323,870	13,323,870	-	-	-
Derivative financial instruments in hedging relationships (Swaps)	FVOCI	9,132,229	-	9,132,229	-	9,132,229
Financial liabilities						
Other financial liabilities	AC	166,865,180	166,865,180	-	-	172,757,749
Cash and cash equivalents	AC	4,613,703	4,613,703	-	-	-
Derivative financial instruments in hedging relationships (Swaps)	FVOCI	299,471	-	-	-	299,471
Derivative financial instruments not in hedging relationships (PPA)	FVPL	-	-	-	-	-

The following table shows the profit or loss from financial instruments recognized in the consolidated statements of income:

Net result 2022 (€)	Financial assets AC	Financial liabilities AC
Interest income and interest expense	55,420	-6,121,313
Net result 2021 (€)	Financial assets AC	Financial liabilities AC
Interest income and interest expense	2,228,952	-3,878,591

The net result of financial assets measured at amortized cost in accordance with IFRS 9 mainly includes interest income from other loans.

The net result of financial liabilities measured at amortized cost in accordance with IFRS 9 mainly includes interest expense on financial liabilities.

The following table shows the fair value hierarchy of financial assets and liabilities measured at fair value. The fair value hierarchy for measurement at amortized cost is also disclosed if the fair value differs significantly from the carrying amount.

Fair value hierarchy			
Assets	Valuation levels		
€	1	2	3
Equity investments Dec. 31, 2022	33,934,132	-	-
Equity investments Dec. 31, 2021	-	-	-
Derivative financial instruments in hedging relationships (Swaps) Dec. 31, 2022	-	12,011,067	-
Derivative financial instruments in hedging relationships (Swaps) Dec. 31, 2021	-	9,132,229	-

Fair value hierarchy

Liabilities	Valuation levels		
€	1	2	3
Derivative financial instruments in hedging relationships (Swaps) Dec. 31, 2022	-	7,300	-
Derivative financial instruments in hedging relationships (Swaps) Dec. 31, 2021	-	299,471	-
Derivative financial instruments not in hedging relationships (PPA) Dec. 31, 2022	-	-	-
Derivative financial instruments not in hedging relationships (PPA) Dec. 31, 2021	-	-	-
Financial liabilities (Non-current) Dec. 31, 2022	-	128,840,845	-
Financial liabilities (Non-current) Dec. 31, 2021	-	172,757,749	-

Equity investments are investments in listed companies via shares in the listed companies that are measured on the basis of quoted prices in an active market and therefore correspond to Level 1 of the fair value hierarchy of IFRS 13.

Derivative financial instruments in hedging relationships and financial liabilities are measured on the basis of market data ("mark-to-model").

Both the derivative financial instruments in hedging relationships and the financial liabilities therefore correspond to Level 2 of the fair value hierarchy of IFRS 13.

The derivative financial instruments that are not in a hedging relationship are electricity price hedges from virtual PPAs. The fair value of the electricity price hedge is measured based on the difference of the secured fixed electricity price in relation to the future market prices. Future market prices are estimated using energy price curves (as used for other internal purposes). No difference between the short-term and long-term outlook was considered, as other indicators such as futures have been assessed as less representative of the current market environment. The financial instruments correspond to Level 3 of the valuation hierarchy.

There was no change between the levels in either the current or past financial year.

The following table shows the valuation techniques used to measure the fair values of Level 2 and Level 3 financial instruments:

Financial instruments measured at fair value		
Type	Valuation technique	Significant, unobservable inputs
Derivative financial instruments in hedging relationships	Fair values are determined using expected future cash flows discounted using generally observable market data of the relevant yield curves.	N/a
Financial liabilities	Financial liabilities are measured by discounting the expected cash flows at the individually determined interest rate. This is composed of the underlying risk premium and the risk-free market interest rate at the reporting date.	N/a
Derivative financial instruments not in hedging relationships (PPA)	Discounted cash flows: the difference between the forward electricity prices and the fixed price of the agreement are discounted to fair value using the expected production volumes.	Future electricity price curves, expected electricity generation volumes, discount factors

Quantitative information about the significant unobservable inputs used in measuring Level 3 fair values is as follows:

Contract term after commencement date	15 years
Expiration date of virtual PPAs	2039
Expected energy output	175.9 GWh/year
Expected average baseload energy price 2025–2039	€555.5/MWh
Expected average capture price 2025–2039	€468.0/MWh
Years for unobservable inputs	15 years

For the fair value of Derivative financial instruments not in hedging relationships (Level 3), reasonably possible changes at the reporting date to the significant unobservable inputs, holding other input constant, would have the following effects:

2022	10.0%	-10.0%
Future energy prices/Capture price	-13,260,227	13,506,850
Future energy output	-1,110,141	1,110,141
Discount rates (+100 bp/-100 bp)	-473,486	874,568
2021	10.0%	-10.0%
Future energy prices/Capture price	-	-
Future energy output	-	-
Discount rates (+100 bp/-100 bp)	-	-

The following table shows a reconciliation of the fair value measurement of derivative financial instruments that are not in a hedging relationship (Level 3):

€	2022	2021
Balance (Jan. 1)	-	-
Additions ⁶⁴	-	-
Disposal	-	-
Positive fair value change	-	-
Negative fair value change	-11,200,137	-
Settlement during the year	-	-
Balance (Dec. 31)	-11,200,137	-

Explanatory notes on risk management

The Group's risk management aims to identify and mitigate significant risks at an early stage. As of December 31, 2022, no risk concentrations have been identified for the Group.

Credit risk

Credit risk arises from the risk that counterparties fail to meet their contractual payment obligations. The Group monitors the creditworthiness of counterparties, particularly when contracts are concluded and on an ongoing basis.

Default risks arise in the Group predominantly from trade receivables. The Group is not exposed to any significant default risk from this, as the Group's counterparties are companies with very good credit ratings or government entities with equally very good credit ratings. Furthermore, there are default risks on the bonds held under financial investments. The counterparty is a state bank with a very good credit rating which is not subject to any significant default risk.

In this sense, the historical default rate for trade receivables as of December 31, 2022, is 0.0% (Dec. 31, 2021: 0.0%). The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the balance sheet.

Liquidity risk

Liquidity risk arises from the potential inability to meet payment obligations when due or only at excessive cost. The objective of the Group's liquidity risk management is to ensure that the Group is able to meet its payment obligations at all times and to manage its liquidity and funding targets.

In principle, a distinction must be made between liquidity risks at the level of the parent Company and at the level of the project company or subholding. As part of the Group's lean company strategy, all operational, project-specific activities (including liquidity management at project company level) are outsourced as far as possible. By involving experienced service providers, the risk is limited as far as possible. Liquidity management at parent Company level is part of risk management and is consistently pursued by the Management Board. This includes detailed budget and cost planning, the maintenance of sufficient reserves and a daily comparison with actual liquidity.

In this way, the Group ensures that all payment obligations can be met at all times.

The following table shows a maturity analysis of the Group's primary and derivative financial liabilities in hedging relationship as of December 31, 2022, in the form of undiscounted cash flows:

⁶⁴ At contract commencement (addition), the fair value of the financial instrument is zero, as the actual contract settlement begins on January 1, 2025.

Maturity analysis	Carrying amount (Dec. 31, 2022)	2023	2024 to 2026	>2026
Financial liabilities (Non-current)	137,621,004		30,314,071	143,075,770
Financial liabilities (Current)	22,205,986	18,255,809		
Trade accounts payable	2,258,65	2,258,657		
Derivative financial instruments in hedging relationships (Swaps)	7,300	49,978	56,150	
Derivative financial instruments not in hedging relationships (PPA)	11,200,137	-	12,223,198	-72,442,673
Lease liabilities (Non-current)	16,410,289		3,568,842	17,228,544
Lease liabilities (Current)	1,067,780	1,267,443		

Maturity analysis	Carrying amount (Dec. 31, 2021)	2022	2023 to 2025	>2025
Financial liabilities (Non-current)	124,636,297	-	49,955,128	108,774,890
Financial liabilities (Current)	42,228,883	35,106,802	-	-
Trade accounts payable	4,613,703	4,613,703	-	-
Derivative financial instruments in hedging relationships (Swaps)	299,471	662,971	1,692,836	3,251,495
Derivative financial instruments not in hedging relationships (PPA)	-	-	-	-
Lease liabilities (Non-current)	16,847,294	-	3,280,627	13,566,666
Lease liabilities (Current)	1,072,274	1,072,274	-	-

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates, electricity prices and interest rates. During the reporting period, there were no changes in the Group's market risks or in the way these risks are managed and measured.

Electricity price risk

The Group receives long-term government subsidies for electricity generated from renewable sources, which ensure a certain price regardless of the (normally lower) market price. As a result, the electricity price risk is currently almost completely mitigated by the Group. The regulated standard prices can only be suspended under certain regulatory conditions. This is the case, for example, if spot market prices for electricity are negative for a certain period of time.

A balanced and increasing technological and geographical diversification of the Group's portfolio also mitigates the risks arising from electricity prices.

Exchange rate risk

The Group generates the majority of its revenues in Euros. The Group is and was exposed to foreign exchange risk on its investments in Poland and the Czech Republic. The Group's foreign exchange risk policy involves borrowing in local currency to finance the Group's foreign operations. As a result, these risks are not hedged by the Group's financial instruments.

The following table provides a sensitivity analysis of the impact of foreign exchange risk on earnings. The analysis considers the impact on earnings if the Euro, the Group's functional currency, were to increase or decrease by 5.0%. The analysis assumes that all other factors remain constant.

2022	5.0%	-5.0%
Polish Zloty (Zł)	-487,470	487,470
Czech Crown (Kč)	5,954	-5,954
British Pound Sterling (£)	-7,757	7,758
Total	-489,274	489,274

2021	5.0%	-5.0%
Polish Zloty (Zł)	-30,216	1,590
Czech Crown (Kč)	-49,287	2,594
British Pound Sterling (£)	-	-
Total	-79,503	4,184

Interest rate risk

Interest rate risks arise from long-term loan obligations to finance the individual projects and project companies. In order to hedge the variability of cash flows with regard to interest rate risks, the Group aims to hedge the interest rates of all financing for as long as possible. This is also reflected in the current portfolio with interest rate maturities of up to 18 years. Long-term interest rate hedging also plays an important role in new acquisitions.

In accordance with the Group's risk management principles, the majority of the forecast, highly probable cash flows are generally hedged by interest rate swaps on the basis of an economic analysis of the individual case. A possible ineffectiveness arises if the hedge is less than 100.0%. In the financial year, the degree of effectiveness was 100.7% (2021: 98.7%). Further information on the designation of hedging relationships can be found in section 5.5.4. The nominal amounts of the hedging instruments are listed in the section on hedge accounting.

IFRS 7 requires a sensitivity analysis of the Group's market risks. The sensitivity analysis considers the change in fair value that would occur if the applied interest rate curve at the balance sheet date were to increase or decrease by a specified number of basis points. The analysis is based on the assumption that all other variables remain constant. If the market interest rate level as of December 31, 2022, had been 50 basis points higher, earnings would have been €1,114 (2021: €0.02 million) higher and the hedge reserve would have been €0.3 million higher (2021: €0.5 million lower).

If the market interest rate level as of December 31, 2022, had been 50 basis points lower, the result would have been €165 (2021: €0.02 million) lower and the hedge reserve €0.4 million lower (2021: €0.6 million higher).

Explanatory notes on hedge accounting

As of December 31, 2022, the Group has various derivative financial instruments that constitute effective hedging relationships in accordance with IFRS 9. These are interest rate swaps with an average remaining term of 11.33 years to hedge fluctuations in cash flows in connection with interest rate risks. They are therefore classified as cash flow hedges within the meaning of IFRS 9.

The terms and conditions of the interest rate swaps generally correspond to those of the underlying transaction in terms of reference interest rate, interest rate adjustment dates, payment dates, maturities and notional amount. The hedge ratio is calculated using the critical term match method and monitored on a quarterly basis. It is adjusted when necessary, depending on relevant macroeconomic factors (e.g. a change in the ECB key interest rate).

If either the hedging instrument does not cover the entire risk (if the "critical terms" do not match) or there is no hedging instrument at all, the cash flow is considered unhedged.

The notional volumes and remaining terms of the interest rate swaps that meet the requirements for hedge accounting are as follows as of the balance sheet date:

Nominal volume					
Dec. 31, 2022/€	Residual term up to 1 year	Residual term 1 to 5 years	Residual term over 5 years	Total	Average interest rate (%)
Hedging of interest rate and currency risk					
Derivative financial instruments in hedging relationships (Swaps)	-	-	25,076,910	25,076,910	1.4
Hedging of interest rate risk					
Derivative financial instruments in hedging relationships (Swaps)	-	1,043,000	25,347,367	26,390,367	1.9

Nominal volume					
Dec. 31, 2021/€	Residual term up to 1 year	Residual term 1 to 5 years	Residual term over 5 years	Total	Average interest rate (%)
Hedging of interest rate and currency risk					
Derivative financial instruments in hedging relationships (Swaps)	-	-	27,409,776	27,409,776	1.6
Hedging of interest rate risk					
Derivative financial instruments in hedging relationships (Swaps)	-	6,243,430	26,050,508	32,293,938	1.4

The following table shows the effects of hedging relationships on profit or loss and other comprehensive income:

2022/€	Gain/loss from hedging recognized in other comprehensive income	Ineffectiveness reclassified from other comprehensive income to profit or loss	Items in the income statement
Assets			
Derivative financial instruments in hedging relationships (Swaps)	2,586,447	-27,826	Financial expenses/ Financial income
Liabilities			
Derivative financial instruments in hedging relationships (Swaps)	82,003	-	Financial expenses/ Financial income

2021/€	Gain/loss from hedging recognized in other comprehensive income	Ineffectiveness reclassified from other comprehensive income to profit or loss	Items in the income statement
Assets			
Derivative financial instruments in hedging relationships (Swaps)	973,354	34,961	Financial expenses/ Financial income
Liabilities			
Derivative financial instruments in hedging relationships (Swaps)	227,706	-	Financial expenses/ Financial income

The following table contains information on hedging instruments in the context of cash flow hedges:

€	Carrying amount (Dec. 31, 2022)	Fair value change to determine effectiveness (Dec. 31, 2022)	Nominal value (Dec. 31, 2022)
Hedging of interest rate and currency risk			
Interest rate and currency swaps			
Derivative financial instruments (Assets)	6,322,178	2,814,596	25,347,367
Derivative financial instruments (Liabilities)	7,300	107,742	1,043,000
Hedging of interest rate risk			
Interest rate swaps			
Derivative financial instruments (Assets)	5,688,889	583,673	25,076,910
Derivative financial instruments (Liabilities)	-	-	-

€	Carrying amount (Dec. 31, 2021)	Fair value change to determine effectiveness (Dec. 31, 2021)	Nominal value (Dec. 31, 2021)
Hedging of interest rate and currency risk			
Interest rate and currency swaps			
Derivative financial instruments (Assets)	5,197,925	533,490	27,409,776
Derivative financial instruments (Liabilities)	-	-	-
Hedging of interest rate and currency risk			
Interest rate swaps			
Derivative financial instruments (Assets)	3,934,304	1,611,719	26,511,314
Derivative financial instruments (Liabilities)	299,471	215,422	5,782,624

C.3 Notes to the consolidated statements of cash flows

The consolidated statements of cash flows are presented in a separate statement. The consolidated statements of cash flows show the changes in cash and cash equivalents in the Group. The consolidated statements of cash flows have been prepared in accordance with IAS 7 and divides the changes in cash and cash equivalents into cash flows from operating, investing and financing activities. Cash flows from operating activities are presented using the indirect method. Cash and cash equivalents exclusively comprise cash on hand and bank balances.

Reconciliation of the movement in liabilities to cash flows from financing activities

The measurement of the balance sheet development of liabilities from financing activities is carried out with regard to the composition of cash and non-cash changes, whereby the classification as cash flow from financing activities is the relevant criterion as a cash criterion.

The following table shows the reconciliation of the opening balances to the closing balances of the balance sheet items:

€	Period	Non-current financial liabilities	Current financial liabilities	Lease liabilities	Derivative financial instruments (Positive fair value)	Derivative financial instruments (Negative fair value)	Total
Balance as of Jan. 1, 2022		124,636,297	42,228,883	17,919,568	9,132,229	299,471	194,216,448
Balance as of Jan. 1, 2021		46,923,163	16,465,423	5,485,216	518	610,885	69,485,205
Borrowing/Repayment of loans	2022	36,984,461	-38,756,616	-	-	-	-1,772,155
Borrowing/Repayment of loans	2021	4,767,090	8,890,615	-	-	-	13,657,705
Repayment of lease liabilities	2022	-	-	-1,208,936	-	-	-1,208,936
Repayment of lease liabilities	2021	-	-	-785,220	-	-	-785,220
Changes in consolidation scope	2022	-6,565,575	2,140,451	482,321	-217,157	-	-4,159,960
Changes in consolidation scope	2021	81,167,169	7,836,659	12,657,303	7,254,907	-	108,916,038
Changes in exchange rate	2022	-698,992	-141,920	-88,874	250,685	5,706	-673,396
Changes in exchange rate	2021	630,419	184,642	48,989	3,505	2,106	869,661
Changes in fair value	2022	-	-	-	2,845,310	10,902,260	13,747,570
Changes in fair value	2021	-	-	-	1,873,299	-313,520	1,559,779
Additions to lease liabilities	2022	-	-	373,991	-	-	373,991
Additions to lease liabilities	2021	-	-	513,280	-	-	513,280
Reclassification	2022	-16,735,187	16,735,187	-	-	-	-
Reclassification	2021	-8,851,544	8,851,544	-	-	-	-
Balance as of Dec. 31, 2022		137,621,004	22,205,986	17,478,069	12,011,067	11,207,437	200,523,563
Balance as of Dec. 31, 2021		124,636,297	42,228,883	17,919,568	9,132,229	299,471	194,216,448

C.4 Contingent liabilities and other obligations

As of the balance sheet date, the Group had the following off-balance-sheet obligations:

€ k	Period	Other obligations of up to 1 year	Other obligations from 1 to 5 years	Other obligations of more than 5 years	Total
Maintenance and operational management contracts	2022	2,382	2,382	17,149	26,071
Maintenance and operational management contracts	2021	1,179	1,179	1,114	5,112
Asset Stewardship Services	2022	1,029	1,029	8,752	12,860
Asset Stewardship Services	2021	1,027	1,027	1,628	5,937
Commercial Asset Management Agreement	2022	288	288	10,079	12,296
Commercial Asset Management Agreement	2021	522	522	1,455	3,996

In addition, there were contingent liabilities of €3.1 million as of December 31, 2022 (Dec. 31, 2021: €4.9 million) with a remaining term of more than five years (2021: remaining term of more than five years). They include, among other things, financial obligations subject to conditions precedent from purchase agreements. The financial obligations for the financial year are conditional on the successful extension of certain land rights in order to cover the entire technical life of the plants located on them. The total amount contractually outstanding is classified as a contingent liability.

C.5 Relationships with related persons and companies

In the course of its normal business activities, the Group maintains relationships with subsidiaries and other related parties (majority shareholders, members of the Supervisory Board and the Management Board).

As of the balance sheet date, Pelion Green Future Alpha GmbH, Gruenwald, Pelion Green Future Neo GmbH, Munich, Arvantis Group Holding GmbH, Gruenwald and Mr. Alexander Samwer, Munich, exercise a controlling influence over the Group.

Transactions with companies which exercise significant influence over the parent company:

In July 2022, the parent company entered into a contribution agreement with Pelion Green Future Alpha GmbH. Under this agreement, Pelion Green Future Alpha GmbH contributed 13,897,848 shares in clearvise AG (corresponding to a 21.9% stake in clearvise AG at that time) to the parent company as CiK ("contributed shares"), and Pelion Green Future Alpha GmbH received new shares in the parent company from the capital increase against CiK in return.

The CiK was part of a strategic development of the Group's business model in order to evolve from a company that has grown in the field of renewable energies to a modern company for investments in the energy transition. With the contribution agreement dated July 15, 2022, Pelion Green Future Alpha GmbH transferred its ownership of the contributed shares with all rights and obligations to the parent company. The transfer became effective on July 22, 2022. As consideration, the Company granted Pelion Green Future Alpha GmbH 1,024,915 new no-par value shares with a pro-rata amount of the Company's share capital of €1.0 per share. These shares were issued by the Company in a capital increase against CiK by partially utilizing the Authorized Capital 2021/II, which increased the share capital of the parent company from €3,721,042.0 by €1,024,915.0 to €4,745,957.0. Pelion Green Future Alpha GmbH subscribed for the new shares to which it was entitled in accordance with the previous resolutions of the Management Board and Supervisory Board by way of a subscription agreement dated July 15 and fulfilled its contribution obligation. An external fairness opinion from Deloitte GmbH Wirtschaftsprüfungsgesellschaft was obtained for the exchange ratio of the shares in clearvise AG to the new shares in the Company.

Transactions with companies whose shareholders exercise significant influence over the parent company:

At the balance sheet date, related parties included the following companies: Pacifico Energy Partners GmbH, Munich, Germany; Pacifico Development GmbH, Munich, Germany; Pacifico Green Development GmbH, Munich, Germany; Boom Developments Ltd, Arundel, United Kingdom; ACE Power Development Pty Ltd, Lavender Bay, Australia; and ACE Power Operations Pty Ltd (two companies controlled by Pelion Green Future Alpha GmbH, together "ACE Power"), Lavender Bay, Australia.

A Right of First Offer Agreement is in place with Pacifico Partners (a company controlled by Pelion Green Future Alpha GmbH), which requires Pacifico Partners to tender all of the wind and solar assets it develops to Tion Renewables AG at a specified time. This original Right of First Offer Agreement was amended during the financial year 2021 and extended to 2029. At the end of the reporting period, the Right of First Offer Agreement concluded with Pacifico Partners was still in force. During the financial year, no transactions were executed under the Right of First Offer Agreement.

In addition, Pacifico Partners and the Group have a Commercial Asset Management Agreement ("CAMA") and a Master Services Agreement ("MSA") (collectively, the "Operating Agreements"). The Operating Agreements

were also extended through 2029 in the financial year 2021. At that time, the scope of the Operating Agreements was further developed to provide a modular legal framework. This modular framework provides the Group with additional flexibility.

In financial year 2022, Pacifico Partners incurred the following expenses under the Operating Agreements:

€	2022	2021
Master Services Agreement	1,778,289	995,582
Commercial Asset Management Agreement	498,638	330,719
Other services	-	4,923

The Group has entered into a further Right of First Offer Agreement with ACE Power Development Pty Ltd and ACE Power Operations Pty Ltd, which became effective on October 19, 2021, and is still in effect at the end of the financial year. Under the Right of First Offer Agreement, the Group has the right, but not the obligation, to submit the initial bid for the acquisition of the projects developed by ACE Power as soon as a project becomes ready for construction. No compensation or fees are associated with the Right of First Offer Agreement. During the financial year, the Group did not enter into any purchase agreements based on the Right of First Offer Agreement with ACE Power.

The Right of First Offer Agreement with Boom Developments Ltd (a company controlled by Pelion Green Future Alpha GmbH) and Boom Power Ltd (together "Boom Power"), which the Group entered into on March 16, 2021, is still in effect at the end of the financial year. This Right of First Offer Agreement contractually governs the Group's priority access to projects developed by Boom Power and obligates Boom Power to offer for sale to the Group all projects developed by Boom Power. However, in no event is the Group obligated to make a purchase. No compensation or fees are associated with the Right of First Offer Agreement.

On November 24, 2022, the Group, through its wholly owned subsidiary Tion Battery Holding GmbH, Munich ("Tion Battery"), entered into a purchase agreement with Boom Developments Ltd for the acquisition of the Group's first battery energy storage system ("BESS"). The transaction was a share deal whereby Boom Development Ltd sold 100.0% of the shares in the project company Boom Bacup Storage Ltd in Arundel, United Kingdom ("Bacup") to Tion Battery. The transaction consists mainly of the acquisition of the shares in Bacup and an intercompany vendor loan and has a total volume of £5,000,000.0, of which £369,469.8 relates to the acquisition of the shares and an amount of £4,630,530.2 relates to the acquisition of an intercompany loan. The intercompany loan was originally granted to Bacup by Boom Developments Ltd and transferred by Boom to Tion Battery upon completion of the acquisition and bears interest at 8.0% per annum. 49.0% of the purchase price was financed by a vendor loan from Boom Developments Ltd to Tion Battery. This vendor loan bears interest at 5.0%. If the net revenue generated by the BESS exceeds £1,000,000.0 within the first twelve months of operation, an interest rate of 7.5% per annum is applied retrospectively. An external valuation memorandum was obtained from Ikarus Capital Ltd for the purchase price for the acquisition of the shares in Bacup and the existing intercompany loan by Tion Battery.

Transactions with key management personnel

Members of the Management Board as key management personnel receive short-term benefits and other long-term benefits (see below, C.7).

The members of the Supervisory Board as key management personnel receive short-term benefits (see below, C.8).

C.6 Auditor's fee

The total auditor's fee charged in the financial year 2022 in the amount of €0.2 million (2021: €0.2 million) includes the audit services of Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft.

C.7 Management Board

As of December 31, 2022, the Management Board consisted of the following individuals:

- Dr. Martin Siddiqui, Member of the Management Board:
Formerly with J.P. Morgan in Corporate & Investment Banking. Studied economics (Diploma) at the University of Mannheim, doctorate (Dr. rer. pol.) at Zeppelin University.
- Christoph Strasser, Member of the Management Board:
Formerly J.P. Morgan in Corporate & Investment Banking. Bachelor's degree in Business Administration from the University of Mannheim and Master of Management double degree from the University of Mannheim and ESSEC Business School.

The remuneration of the members of the Management Board totaled €0.3 million in the financial year 2022 (2021: €0.3 million). This remuneration consists of an annual fixed remuneration, which is paid in twelve monthly instalments.

The following table provides an overview of the inflows and allocations granted by Tion Renewables AG to the members of the Management Board:

	Fixed remuneration	Total remuneration
Dr. Martin Siddiqui (2022)	170,300.0	387,971.5
Dr. Martin Siddiqui (2021)	132,500.0	409,706.0
Christoph Strasser (2022)	170,300.0	387,971.5
Christoph Strasser (2021)	132,500.0	409,706.0
Total (2022)	340,600.0	775,943.0
Total (2021)	265,000.0	819,412.0

In addition to the annual fixed remuneration, liabilities of €0.4 million (2021: €0.5 million) were recognized in the reporting year for the virtual share-based remuneration with long-term incentive effect:

- Dr. Martin Siddiqui:
€0.2 million (2021: €0.3 million)
- Christoph Strasser:
€0.2 million (2021: €0.3 million)

The grant date for the virtual shares was October 23, 2019, for the Management Board, and the number of virtual shares granted was based on the market price upon entry into the Open Market on November 19, 2019. The vesting period is 60 months from October 1, 2019, and the virtual shares expire without compensation as soon as the beneficiary is no longer a member of the Management Board due to dismissal or resignation. The number of virtual shares that are forfeited depends on the progress of the vesting period. Up to the 15th month, 100.0% of the virtual shares are forfeited. After the 15th month, 75.0% of the virtual shares are forfeited and thereafter the proportion of forfeited virtual shares decreases proportionally until the end of the vesting period. The exercisability of the put option for the Management Board depends on the point in time within the vesting period. No virtual shares can be exercised in the first two years. Between two and five years after granting, 50.0% of all virtual shares are exercisable. After five years, the put option can be exercised for all virtual shares. The put option price corresponds to the average daily closing price of the last 30 trading days prior to the exercise of the option. The claims are settled in cash.

C.8 Supervisory Board

As of December 31, 2022, the Supervisory Board consisted of the following individuals:

- Dr. Bettina Mittermeier, Chairwoman of the Supervisory Board:
Senior Legal Counsel at Allianz SE, specializing in corporate law and governance.
- Dr. Michael Menz, Deputy Chairman of the Supervisory Board:
Chief Administrative Officer on the Management Board of GROPYUS AG.
- Dr. Eva Kreibohm, Member of the Supervisory Board:
Lawyer with Beiten Burkhardt Rechtsanwälts-gesellschaft mbH, specializing in advising the state, administration and public companies, as well as notary public with official residence in Berlin.
- Verena Mohaupt, Member of the Supervisory Board:
Partner at Findos Investor GmbH, a medium-sized private equity fund and member of the Supervisory Board of home24 SE.
- Florian Seubert, Member of the Supervisory Board:
Partner and co-founder of Maxburg Capital Partners GmbH.
- Victor Moftakhar, Member of the Supervisory Board:
Senior Advisor at Boston Consulting Group and Supervisory Board member at Deka Vermögensmanagement GmbH.

The following table contains an overview of the Supervisory Board compensation and other compensation granted by Tion Renewables AG to the members of the Supervisory Board:

€	Supervisory Board compensation	Other grants	Total compensation
Dr. Bettina Mittermeier (2022)	28,630.1	-	28,630.1
Dr. Bettina Mittermeier (2021)	27,500.0	-	27,500.0
Dr. Michael Menz (2022)	31,123.3	-	31,123.3
Dr. Michael Menz (2021)	30,000.0	-	30,000.0
Dr. Eva Kreibohm (2022)	20,000.0	-	20,000.0
Dr. Eva Kreibohm (2021)	20,000.0	-	20,000.0
Verena Mohaupt (2022)	25,000.0	-	25,000.0
Verena Mohaupt (2021)	25,000.0	-	25,000.0
Florian Seubert (2022)	25,000.0	-	25,000.0
Florian Seubert (2021)	25,000.0	-	25,000.0
Victor Moftakhar (2022) ⁶⁵	8,561.6	-	8,561.6
David Neuhoﬀ (2022) ⁶⁶	19,274.0	-	19,274.0
David Neuhoﬀ (2021)	30,000.0	-	30,000.0
Total (2022)	157,589.0	-	157,589.0
Total (2021)	157,500.0	-	157,500.0

C.9 Earnings per share

The weighted average number of ordinary shares used to calculate diluted earnings per share is derived from the weighted average number of ordinary shares used to calculate basic earnings per share below.

There were no dilutive effects in the financial year.

⁶⁵ From August 29, 2022.

⁶⁶ Up to and including August 29, 2022.

	Dec. 31, 2022	Dec. 31, 2021 revised
Weighted average number of ordinary shares used in the calculation of basic earnings per share (Units)	4,233,500	3,721,042
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (Units)	4,233,500	3,721,042
Earnings per share from continuing operations, basic (€)	-2.37	0.02
Earnings per share from continuing operations, diluted (€)	-2.37	0.02
Earnings per share from discontinued operations, basic (€)	-0.06	0.27
Earnings per share from discontinued operations, diluted (€)	-0.06	0.27

C.10 Events after the balance sheet date

On March 24, 2023, Tion Renewables AG published an ad hoc release, informing that Boè TopCo GmbH & Co. KG, a holding company owned by the EQT Active Core Infrastructure fund ("EQT") will acquire a majority stake in Tion Renewables AG from current anchor shareholder Pelion Green Future Alpha GmbH ("Pelion").

Aim of the collaboration is to support the Group in fully unlocking its growth potential and becoming a leading platform for investments in energy transition projects, with a strong foundation of cash-generating operating assets. EQT will provide the Company with increased financial flexibility, deep experience in the renewable energy space and access to its network of over 600 industrial advisors, while driving commercial and operational excellence.

Pelion will reinvest and enter into certain other commercial undertakings in connection with the transaction, thereby indirectly remaining a minority shareholder in Tion Renewables which demonstrates a strong signal of continuity.

As a consequence of the transaction, the measures described in the announcement of the non-binding Memorandum of Understanding concluded between the Company and clearwise AG will not be implemented as originally intended. Furthermore, EQT intends to pursue a delisting of the Company from all stock exchanges at which the shares are traded as soon as possible following completion of the transaction.

C.11 Notification obligations pursuant to Section 20 AktG

Written notification pursuant to Section 20 (6) AktG dated August 20, 2021:

Pelion Green Future Alpha GmbH, Grünwald, has notified us that it continues to directly hold more than one fourth of the shares in our Company pursuant to Section 20 (1) and (3) of the German Stock Corporation Act (AktG) and that it directly holds a majority stake in our Company pursuant to Section 20 (4) of the German Stock Corporation Act (AktG).

In addition, we were informed with regard to the following legal and natural persons that:

Pelion Green Future Neo GmbH, Munich, indirectly holds more than the fourth part of the shares (Section 20 (1) and (3) AktG) and indirectly holds a majority stake in the Company (Section 20 (4) AktG)—through attribution pursuant to Section 16 (4) AktG—, whereby these attributions are mediated by shares held directly by Pelion Green Future Alpha GmbH.

Arvantis Group Holding GmbH (formerly Pelion Green Future GmbH), Schoenefeld, continues to indirectly hold more than the fourth part of the shares (Section 20 (1) and (3) AktG) and indirectly a majority of the shares (Section 20 (4) AktG) in the Company—by attribution pursuant to 138 Section 16 (4) AktG—, whereby these attributions are mediated by shares held directly by Pelion Green Future Alpha GmbH.

Felicitas Holding GmbH, Munich, continues to indirectly hold more than the fourth part of the shares (Section 20 (1) and (3) AktG) and indirectly holds a majority of the shares in our Company (Section 20 (4) AktG)—by

attribution pursuant to Section 16 (4) AktG—, whereby these attributions are mediated by shares held directly by Pelion Green Future Alpha GmbH.

Mr. Alexander Samwer, c/o Arvantis Group, Karlstraße 14, 80333 Munich, continues to indirectly hold more than the fourth part of the shares (Section 20 (1) AktG) and an indirect majority of the shares in our Company (Section 20 (4) AktG)—by attribution pursuant to section 16 (4) AktG—, whereby these attributions are mediated by shares directly held by Pelion Green Future Alpha GmbH.

C.12 Date of authorization for publication

These consolidated financial statements were approved for publication by resolution of the Management Board of Tion Renewables AG on July 19, 2023.

Closing statement on the report of the Management Board on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act ("AktG"):

Pursuant to Section 312 (1) AktG, the Management Board of Tion Renewables AG has prepared a report of the Management Board on relations with affiliated companies, which contains the following closing statement:

"We declare that Tion Renewables AG received adequate consideration for the legal transactions listed in this report on relations with affiliated companies according to the circumstances known to the Management Board at the time when the legal transactions were carried out. The Group did not suffer a disadvantage by the measures taken by the Group within the meaning of section 312 (1) sentence 2 AktG according to the circumstances known to the Management Board at the time when the measures were carried out."

06.

Independent Auditor's Report

To Tion Renewables AG (formerly: Pacifico Renewables Yield AG), Gruenwald, Germany

Audit Opinions

We have audited the consolidated financial statements of Tion Renewables AG (formerly: Pacifico Renewables Yield AG) and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from January 1, 2022, to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management and Group management report of Tion Renewables AG (formerly: Pacifico Renewables Yield AG) for the fiscal year from January 1, 2022, to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the concluding declaration on the report of the Management Board on relationships with affiliated companies pursuant to section 312 of the German Stock Corporation Act (AktG).

In our opinion, based on the findings of our audit, the consolidated financial statements

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) and give a true and fair view of the assets and financial position of the Group as of December 31, 2022, and of its results of operations for the fiscal year from January 1, 2022, to December 31, 2022, in accordance with these requirements; and
- the accompanying combined management and Group management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management and Group management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management and Group management report does not extend to the content of the concluding declaration on the report by the Management Board on relations with affiliated companies pursuant to § 312 AktG.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the combined management and Group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management and Group management report, in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Our responsibility under those provisions, principles and standards is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Combined Management and Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the

audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management and Group management report.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e., fraud or error in accounting).

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, management is responsible for the preparation of the combined management and Group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of the combined management and Group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management and Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management and Group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management and Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the combined management and Group management report.

During the audit, we exercise dutiful judgment and maintain a critical mindset. In addition, we

- identify and assess the risks of material misstatement of the consolidated financial statements and the combined management and Group management report, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and actions relevant to the audit of the combined management and Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the combined management and Group management report or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.
- assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the financial position and results of operations of the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and on the combined management and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- assess the consistency of the Group management report with the consolidated financial statements, its compliance with the law, and the view it conveys of the Group's position.
- perform audit procedures on the forward-looking disclosures made by management in the combined management and Group management report. Based on sufficient appropriate audit evidence, we in particular reproduce the significant assumptions underlying the forward-looking statements made by management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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- discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 - provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, actions taken or safeguards implemented to address any threats to independence.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDITOR IN CHARGE

The auditor responsible for the audit is Yuliya Merget.

Munich, July 17, 2023

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Duesseldorf)

Abel
Certified Public Accountant

Merget
Certified Public Accountant