

Core Carbon Group ApS under liquidation

Central Business Registration No 28 12 86 49

Annual report 2022

The Annual General Meeting adopted the annual report on 22 August 2023

Chairman of the General Meeting

Core Carbon Group ApS under liquidation

Bakkevænget 9 • DK-4060 Kirke Såby • Denmark

Incorporated in Denmark under limited liability CVR no. 28128649



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Company details

Company

Core Carbon Group ApS under liquidation
Bakkevænget 9
4060 Kirke Såby
Denmark

Central Business Registration No: 28 12 86 49
Registered in: Lejre

Liquidator

Jens Morten Prehn Sørensen, liquidator

Company auditors

The Company has opted not to have the financial statements audited

Statement by Liquidator on the financial statements

The Liquidator has today reviewed and approved the annual report of Core Carbon Group ApS, under liquidation for the period 1 January 2022 to 31 December 2022.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements.

In my opinion, the financial statements give a true and fair view of the Company's financial position 31 December 2022 and of the financial performance and its cash flows for the period 1 January 2022 to 31 December 2022.

In my opinion, management's commentary includes a fair review of the matters dealt with in the Management commentary.

The provisions for not having the financial statements audited are complied with, and in accordance with the Articles of Association, the Liquidator has decided not to have the financial statements audited.

We recommend the annual report to be approved at the annual general meeting.

Kirke Såby, 22 August 2023

Liquidator

Jens Morten Prehn Sørensen

The independent auditor's compilation report

To the Liquidator of Core Carbon Group ApS under liquidation

We have compiled the annual report of Core Carbon Group ApS under liquidation covering the period 1 January 2022 – 31 December 2022 based on the Company's bookkeeping records and other information the Liquidator has provided.

The annual report comprises the income statement, balance sheet, cash flow statement, statement of changes in equity, notes and a summary of significant accounting policies.

We performed this compilation engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist the Liquidator in the preparation and presentation of in accordance with the Danish Financial Statements Act. We have complied with relevant provisions of the Danish Public Accountants Act and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code, including principles of integrity, objectivity, professional competence, and due care.

These financial statements and the accuracy and completeness of the information used to compile the financial statements are Liquidator's responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the disclosures Liquidator provided to us to compile the financial statements. Accordingly, we do not express an audit opinion or a review conclusion about whether the financial statements have been prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 22 August 2023

BDO

Statsautoriseret Revisionsaktieselskab
Central Business Registration No 20 22 26 70

Kim Takata Mücke
State-Authorised Public Accountant
Mne10944

Management commentary

Primary activity

Core Carbon Group ApS (CCG) was an investor in and a developer of greenhouse gas emission reduction projects in Russia and Ukraine. Since its establishment in 2004, CCG engaged in a number of emission reduction projects under the Joint Implementation (JI) project mechanism of the Kyoto Protocol with the ability to generate a substantial volume of emission reduction. Following the lack of Russian government approvals and Russia opting not to participate in the second commitment period of the Kyoto Protocol, CCG in 2013 terminated all active project agreements and commenced legal proceedings to pursue its rights under the terms of the agreements. In October 2014, the international arbitration at the Stockholm Chamber of Commerce awarded CCG in excess of \$150m.

Developments in the financial year

In 2022, Management and the owners of the Company took the decision to liquidate the Company as it has not been possible to receive any proceeds from the amount awarded to the Company by the Stockholm Chamber of Commerce.

Hence, on 21 April 2022, the Company entered into liquidation, which is planned to be completed in 2023. The completion of the liquidation is awaiting that the Danish tax authorities approve the Company's completion tax return.

As part of the liquidation process, the financial lenders of the Company have accepted to forgive debt to the extent necessary to ensure that the liquidation can be completed as a solvent liquidation. The debt relief is made subject to receipt of confirmation from the Danish tax authorities that the Company can be liquidated with no tax liability, and hence the debt forgiveness is not reflected in these financial statements, but will expectedly be recognized in the final liquidation financial statements, and it is, as such, liquidator's expectation that the liquidation can be completed as a solvent liquidation.

Events after the balance sheet date

No significant events have occurred after the balance date.

Income statement for 2022

	<u>Note</u>	<u>2022</u> <u>USD'000</u>	<u>2021</u> <u>USD'000</u>
Other external expenses	6	<u>0</u>	<u>0</u>
Operating income		0	0
Tax for the year	8	<u>0</u>	<u>0</u>
Net income for the year		<u>0</u>	<u>0</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Net comprehensive income		<u>0</u>	<u>0</u>
Proposed distribution of income			
Transfer to next year		<u>0</u>	
		<u>0</u>	

Balance sheet

	<u>Note</u>	<u>31.12.2022</u> <u>USD'000</u>	<u>31.12.2021</u> <u>USD'000</u>
Assets			
<i>Current assets</i>			
Earn-out receivable	3, 5	0	0
Intra-group receivable	9	0	237,357
Cash and cash equivalents		<u>38</u>	<u>64</u>
Total current assets		<u>38</u>	<u>237,421</u>
 Total assets		 <u><u>38</u></u>	 <u><u>237,421</u></u>
	<u>Note</u>	<u>31.12.2022</u> <u>USD'000</u>	<u>31.12.2021</u> <u>USD'000</u>
Equity and liabilities			
<i>Capital and reserves</i>			
Issued capital	10	83	83
Accumulated deficit		<u>(85,008)</u>	<u>(85,008)</u>
Total equity		<u>(84,925)</u>	<u>(84,925)</u>
 <i>Current liabilities</i>			
Borrowings	5,11	84,963	321,859
Intra-group debt		<u>0</u>	<u>487</u>
Total current liabilities		<u>84,963</u>	<u>322,346</u>
 Total liabilities		 <u><u>84,963</u></u>	 <u><u>322,346</u></u>
 Total equity and liabilities		 <u><u>38</u></u>	 <u><u>237,421</u></u>

Statement of changes in equity

	Issued capital USD'000	Accumulated deficit USD'000	Total USD'000
Balance at 01.01.2022	83	(85,008)	(84,925)
Net comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31.12.2022	<u>83</u>	<u>(85,008)</u>	<u>(84,925)</u>

Cash flow statement

	<u>Note</u>	<u>2022</u> <u>USD'000</u>	<u>2021</u> <u>USD'000</u>
<i>Cash flows from operating activities</i>			
Operating income/(loss)		0	0
Working capital changes	16	<u>(26)</u>	<u>(23)</u>
Net cash used in operating activities		<u>(26)</u>	<u>(23)</u>
<i>Cash flows from investing activities</i>			
Net cash used in investing activities		<u>0</u>	<u>0</u>
<i>Cash flows from financing activities</i>			
Net cash generated by/used in financing activities	15	<u>0</u>	<u>0</u>
Net decrease in cash and cash equivalents		(26)	(23)
Cash and cash equivalents at the beginning of the financial year		<u>64</u>	<u>87</u>
Cash and cash equivalents at the end of the financial year	14	<u>38</u>	<u>64</u>

Notes

1. Liquidation of the Company

The Company went into liquidation in accordance with the rules on liquidation of solvent capital companies by resolution taken at an extraordinary general meeting on 21.04.2022.

The Company has not had any activities in 2022.

2. Adoption of new and revised International Financial Reporting Standards

Adoption of new and amended International Financial Reporting Standards

The financial statements are presented in accordance with new and amended Standards and Interpretations effective from 2022.

The Standards and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) effective for the current period have not given rise to any changes in the accounting policies.

Issued Standards and Interpretations, but not effective at the date of approval of the financial statements

At the time of approval of the financial statements, Standards and Interpretations have been issued, which are not effective or adopted by the EU and, therefore, not incorporated in the financial statements. It is the assessment of Liquidator that the application of the other newly issued Standards and Interpretations would not have had any material impact on the financial statements in future had the Company continued its operations.

3. Accounting policies

Statement of compliance

The financial statements are presented in accordance with the International Financial Reporting Standards, which are adopted for use in the EU, and in accordance with additional Danish disclosure requirements related to financial reports for class B enterprises. See the Danish Executive Order on Adoption of IFRSs issued in relation to the Danish Financial Statements Act.

The financial statements are presented in USD which is regarded as the Company's functional currency since most of the Company's transactions are made in USD or USD-related currencies.

Basis of preparation

The financial statements have been prepared on a realization basis as the Company is under liquidation.

In the past, financial statements were presented under the historical cost price convention. Comparative figures have not been adjusted.

The accounting policies applied to the financial statements are set out below:

Going concern

To ensure that the liquidation can be carried-out under the rules for solvent liquidations, a significant part of the Company's borrowings will be forgiven by the financial lenders, subject to receipt of confirmation from the Danish tax authorities that the Company can be liquidated with no tax liability.

The debt forgiveness is not reflected in these financial statements, but will expectedly be recognized in the final liquidation financial statements, and it is, as such, liquidator's expectation that the liquidation can be completed as a solvent liquidation.

Accounting for Total Return Swap Transaction

With effect as of 1 January 2010, the Company entered into a Total Return Swap Transaction with Russian Carbon Fund Holdings II Limited ("RCF II"), whereby all pre-tax revenue streams net of costs since then have been transferred and assigned to RCF II. Consequently, all pre-tax income and expense items are recorded directly in an intra-group account with RCF II and are as such not reflected in the income statement.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the balance sheet date, are recognized in the income statement as finance income or finance costs.

Notes

3. Accounting policies (continued)

Income statement

Income taxes

Tax for the period, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to profit/loss for the year and recognized directly in other comprehensive income by the portion attributable to entries directly in other comprehensive income.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Financial liabilities and equity instruments

Debts and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including borrowings and other non-current financial liabilities, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expenses recognized on an effective yield basis.

As stated in the going-concern paragraph above, a significant part of financial liabilities will be forgiven to ensure that the Company can be liquidated applying the rules for solvent liquidation, subject to receipt of confirmation from the Danish tax authorities that the Company can be liquidated with no tax liability.

Notes

3. Accounting policies (continued)

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Company's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investment activities comprise payments in connection with acquisition and divestment of enterprises, activities and other non-current assets.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends.

Cash and cash equivalents comprise cash and short-term deposits with an insignificant price risk.

Notes

4. Total Return Swap Agreement

With effect as of 1 January 2010, the Company has sold, transferred and assigned all future pre-tax revenue streams net of costs to Russian Carbon Fund Holdings II Limited, Cayman Islands (“RCF II”). Costs which are transferred are costs associated with Joint Implementation Projects as well as operating expenses and financing costs incurred from 1 January 2010 and onwards, but excluding any income taxes relating to historical or future earnings.

In the period 1 January 2010 through 31 December 2021, the Company incurred projects costs, operating expenses and financing costs totaling USD 237m, which were presented as an intra-group receivable as of 31 December 2021.

In connection with the liquidation of the Company, the receivable has been transferred and used as an one-off instalment against the Company’s borrowings.

The reimbursement of USD 273.0m (including contractual interest) from Russian cooperation partners for the investments undertaken by the Company as further stipulated in investment agreements entered into with the Russian cooperation partners have not been honoured, and following the decision to enter into liquidation, the Company has given up pursuing the claims for reimbursement, and the claims for reimbursement are hence considered lost. This also means that the earn-out mechanism relating to the receipt of reimbursement is not relevant and has not been considered when transferring the receivable under the Total Return Swap Agreement to the financial lenders.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, which are described in note 3, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are changed if the change only affects that period, or in the period of the change and future periods if the change affects both current and future periods.

After transferring the receivable under the Total Return Swap Agreement to the Company’s financial lenders and giving-up pursuing the claims for reimbursement from Russian Cooperation Partners, Management has concluded that the preparation of the financial statements has not been subject the application of critical judgments and estimations, other than the uncertainty from not yet having received confirmation from the Danish tax authorities that the liquidation can be completed with no tax liability for the Company.

Notes

	2022 USD'000	2021 USD'000
6. Other external expenses		
Other external expenses	27	16
Other external expenses reimbursed under the Total Return Swap Agreement with RCF II	<u>(27)</u>	<u>(16)</u>
	<u>0</u>	<u>0</u>

	2022 USD'000	2021 USD'000
7. Financial expenses		
Financial expenses, borrowings from related parties	27,732	30,309
Reimbursed under the Total Return Swap Agreement with RCF II	<u>(27,732)</u>	<u>(30,309)</u>
	<u>0</u>	<u>0</u>

The weighted average interest rate is 10% per annum (2021: 10% per annum).

	2022 USD'000	2021 USD'000
8. Tax		
Current tax	0	0
Change in deferred tax	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Deferred tax asset		
Fixed assets	94	94
Earn-out receivable	69,699	69,699
Borrowing costs	191	191
Tax losses	<u>6,173</u>	<u>6,173</u>
	<u>76,157</u>	<u>76,157</u>
22%	16,755	16,755
Allowance	<u>(16,755)</u>	<u>(16,755)</u>
	<u>0</u>	<u>0</u>

The deferred tax asset has not been recognized since, it has not been possible for the Company to benefit from the tax losses carried forward.

Notes

9. Intra-group receivable

	<u>2022</u> <u>USD'000</u>	<u>2021</u> <u>USD'000</u>
Short-term intra-group receivable	<u>0</u>	<u>237,357</u>

No interest is charged on intra-group receivables.

The intra-group receivable has been transferred to the Company's financial lenders as part of the liquidation process and used as a one-off instalment of the Company's borrowings (See note 11).

10. Issued capital

Issued capital consists of 500 shares at DKK 1,000 or multiples hereof paid in cash. The shares have not been divided into classes.

11. Borrowings

As part of the liquidation proceedings, financial lenders have accepted to forgive borrowings to the extent necessary to ensure that the liquidation can be completed as a solvent liquidation. The debt forgiveness has been given subject to the Danish tax authorities confirms that the liquidation can be completed without any tax liability for the Company, and hence recognition of the debt forgiveness awaits that such confirmation is received.

Notes

12. Financial instruments

Capital risk management

Credit risk management has been focused on ensuring that the liquidation can be completed as a solvent liquidation, which has been possible upon the Company's financial lenders have accepted to borrowings to the extent necessary to ensure that the Company does not have negative equity upon completion of the liquidation, subject to receipt of confirmation from the Danish tax authorities that the Company can be liquidated with no tax liability.

Categories of financial instruments

	2022	2021
	USD'000	USD'000
<i>Current – financial assets</i>		
Intra-group receivable	0	237,357
Cash and cash equivalents	<u>38</u>	<u>64</u>
	<u>38</u>	<u>237,421</u>
<i>Current - financial liabilities</i>		
Borrowings	84,963	321,859
Intra-group debt	<u>0</u>	<u>487</u>
	<u>84,963</u>	<u>322,346</u>

Fair value measurements recognized in the balance sheet

Subsequent to initial recognition, financial instruments are measured at fair value, grouped into levels 1 to 3, based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial assets or liabilities in level 1 and level 2.

Notes

12. Financial instruments (continued)

Foreign currency risk management

The Company undertakes most of its transactions in USD or EUR. The Company has received a refund of all its net payments as a result of the Total Return Swap Agreement described in Note 4. Therefore, the Company has no material exposure to USD, and no hedging activities have been initiated. Neither at 31 December 2022 nor at 31 December 2021 have any hedging instruments been used.

Interest rate risk management

The Company's borrowings were all made on fixed interest rate terms, and subject to transfer under the Company's Total Return Swap Agreement so that the Company effectively has not been subject to interest rate risk.

Liquidity risk management

Liquidity risk management has been focused on ensuring that the liquidation can be completed as a solvent liquidation, and the Company's financial lenders have accepted to forgive borrowings to the extent necessary to ensure that the Company does not have negative equity upon completion of the liquidation, subject to receipt of confirmation from the Danish tax authorities that the Company can be liquidated with no tax liability.

Credit risk

Credit risk related in reality only to the Company's intra-group receivable from RCF II. As mentioned in note 9 and 11, the receivable has been transferred to the Company's financial lenders as part of the liquidation process whereby no credit risk exists at the balance sheet date.

13. Related parties

Related parties with a controlling interest in Core Carbon Group ApS:

- Russian Carbon Fund Holdings II Limited, Cayman Islands, owns 100% of the share capital of Core Carbon Group ApS.

Russian Carbon Fund Holdings II Limited does not prepare consolidated financial statements which are publicly available.

As described in Note 4, the Company entered into a Total Return Swap Agreement from 1 January 2010 with RCF II. The Total Return Swap Agreement has the impact that the Company has sold, transferred and assigned all future pre-tax revenue streams net of costs to RCF II. Costs which are transferred are costs associated with Joint Implementation Projects as well as operating expenses and financing costs incurred from 1 January 2010 and onwards, but excluding any income taxes relating to historical or future earnings.

Notes

13. Related parties (continued)

The Company and RCF II agreed on a fixed purchase price of USD 30m. If and when RCF II has received a cumulative USD 30m of net revenue streams, RCF II should begin to make earn-out payments to the Company on a dollar-for-dollar basis for net revenue streams received by RCF II. Once the earn-out payments up to the cumulative cap of USD 85m had been made or satisfied in full, the Company was entitled to receive 10% of all “net revenue stream payments” additionally received by RCF II. Due to the fact that Russian Cooperation Partners did not honor the Company’s claims for reimbursement as described in Note 4, no earn-out payments have been made in 2010-2022, and following the decision to liquidate the Company, the Company has giving-up further pursuing the claims for reimbursement, and hence the earn-out mechanism has no value for the Company.

	<u>2022</u> <u>USD'000</u>	<u>2021</u> <u>USD'000</u>
14. Working capital changes		
Change in intra-group receivable	0	(30,332)
Change in borrowings	0	30,309
Intra-group debt	<u>(28)</u>	<u>0</u>
	<u>(28)</u>	<u>(23)</u>

	<u>2022</u> <u>USD'000</u>
15. Reconciliation of liabilities arising from financing activities	
Borrowings beginning balance	321,859
<i>Non-cash changes:</i>	
Added interest, incurred but not paid	27,732
Transfer of intra-group receivable	<u>(264,628)</u>
Borrowings ending balance	<u>84,963</u>