

ESGTI AG

Hünenberg

Report of the statutory auditor
to the General Meeting

on the financial statements 2021



Report of the statutory auditor

to the General Meeting of ESGTI AG

Hünenberg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ESGTI AG, which comprise the balance sheet as at 31 December 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 44 to 49) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 0.68 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matters the following areas of focus have been identified:

Valuation of private equity investments

Ownership of private equity investments

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 0.68 million
Benchmark applied	Shareholders' equity
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because, in our view, it is the most relevant benchmark for investors, and is a generally accepted benchmark for investment companies.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of private equity investments

Key audit matter	How our audit addressed the key audit matter
<p>The investment portfolio comprises direct private equity investments. All of the Company's investments are unlisted.</p> <p>Investments are valued at cost, less necessary value adjustments (impairment). We focused on this area because of the significant value of the investments in the financial statements, and because the impairment assessment requires estimation and significant judgement to be applied by the investment advisor and Board of Directors.</p> <p>Investments amount to CHF 38.2 million or 29% of total assets. Refer to note 2.2 (Investments) for further disclosure.</p>	<p>We verified the design and implementation of the controls relating to the valuation of investments in order to determine whether the Company has appropriate controls in place.</p> <p>We reviewed the valuations for the private equity investments, which form the basis for the impairment assessment, prepared by the investment advisor and Board of Directors, and assessed the suitability of the valuation methods applied.</p> <p>Where a discounted cash flow valuation approach was applied, we performed the following procedures in order to obtain sufficient audit evidence over the valuation of these investments:</p> <ul style="list-style-type: none">• Obtained the management information, including budgets, forecasts and cash flows, for the investment being valued, and used this to corroborate the cash flows being used in the model.

-
- Assessed the appropriateness of the cash flows used based on our understanding of the financial performance of the investment.
 - Reviewed and recalculated the derivation of the weighted average cost of capital ("WACC"), independently sourcing inputs to the calculation where appropriate.
 - Assessed the technical correctness and accurate calculation of the valuation.
 - Performed a sensitivity analysis based on material, critical valuation assumptions.

Where a revenue-multiple approach was applied, we performed the following procedures in order to obtain sufficient audit evidence over the valuation of these investments:

- Reviewed key valuation assumptions applied, including the maintainable earnings and the valuation multiple.
- Assessed the peer group companies referenced in the determination of an appropriate valuation multiple.
- Reviewed net debt (including cash) calculations in deriving the equity value of the investment.
- Reviewed revenue calculations performed by the investment advisor and Board of Directors.
- Assessed the technical correctness and accurate calculation of the valuation.

Where a recent transaction price or values derived from other valuation methodologies were applied, we verified the accuracy of the inputs used, challenged managements assumptions, and assessed the appropriateness of the valuation approach.

As a result of our audit procedures, as discussed with the Audit Committee and the Board of Directors, we obtained sufficient appropriate audit evidence to conclude that the inputs, estimates and methodologies used for the valuation of the private equity investments are within a reasonable range, and that the impairment assessment was appropriately and consistently applied by the investment advisor and Board of Directors.

Ownership of private equity investments

Key audit matter

Private equity investments are not safeguarded by an independent custodian. There is a risk that the Company may not have sufficient legal entitlement to these investments.

How our audit addressed the key audit matter

We verified the ownership of the investments by independently obtaining confirmations of investment holdings from the underlying company, fund manager, registrar or transfer agent, as appropriate.

We therefore obtained sufficient audit evidence to conclude that the Company has legal entitlement to the private equity investments.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

Additionally, we point out that the annual general meeting of shareholders did not convene within six months of the end of the financial year, which is contrary to the requirements of article 699 para. 2 CO.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger

Audit expert
Auditor in charge

Jack Armstrong

Audit expert

Zurich, 30 June 2022

Balance sheet

As of 31 December 2021 (all amounts in CHF unless otherwise stated)

ASSETS	Note	31.12.2021	31.12.2020
Current Assets			
Cash		8,205	49,823
Other receivables		18,096	13,850
Prepaid expenses and accrued income		662	198,876
Non-current Assets			
Loan receivables	2.1	95,067,970	103,760,448
Investments	2.2	38,231,342	53,668,407
TOTAL ASSETS		133,326,274	157,691,405
LIABILITIES and SHAREHOLDERS' EQUITY			
Liabilities			
<i>Short-term liabilities</i>			
Accounts payable	2.3	2,790,875	658,934
Short-term interest-bearing borrowings	2.4	3,757,125	900,473
Other liabilities	2.5	2,290,194	825,052
Accrued expenses and short-term provisions	2.6	4,767,677	2,628,127
<i>Long-term liabilities</i>			
Long-term interest-bearing borrowings	2.7	51,272,000	83,272,000
Shareholders' Equity			
Share capital		40,537,176	33,875,757
Legal reserves from capital contributions		50,289,300	39,870,159
Legal reserves from retained earnings		100,100	100,100
Voluntary and other reserves		0	0
Loss(-) carried forward		-4,439,198	-90,125
Loss(-) for the period		-18,038,975	-4,349,073
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		133,326,274	157,691,405

Income Statement

For the period ended 31 December 2021 (all amounts in CHF unless otherwise stated)

	Note	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
Gain /(-)loss from sale of financial assets / investments		0	3,382
Impairment on Investments	2.2	-15,437,065	0
Total income		-15,437,065	3,382
Operating Expenses			
Directors' fees		-235,360	-196,800
Expenses for investment advisory and other professional services		-2,627,315	-1,732,779
Other operating and administrative expenses		-338,668	-147,106
FX gain / loss		-34,828	-1,279,137
EBIT		-18,673,237	-3,352,440
Financial result			
Financial expenses		-4,767,713	-4,087,346
Financial income		5,569,607	5,722,623
Extraordinary, non-recurring and prior period positions			
Extraordinary expenses related to equity and debt issuance	2.8	-101,191	-2,581,271
Prior period income		42,440	23,370
Prior period expenses		-60,281	-31,057
EBT		-17,990,375	-4,306,120
Tax expenses		-48,600	-42,953
NET PROFIT / (-)LOSS FOR THE PERIOD		-18,038,975	-4,349,073

Notes to the financial statements

1. General information and general accounting principles

ESGTI (the "Company") is a company limited by shares, domiciled in Rothusstrasse 21, 6331 Hünenberg, Switzerland, registered with the Zug Register of Commerce under the company number CHE-114.775.734. The Company exists pursuant to art 620 et seq. of the Swiss Code of Obligations ("Swiss CO"). The shares of the Company are publicly traded on BX Swiss since 1 October 2021; up until 30 September 2021 the shares were publicly traded on Börse Berlin.

These financial statements have been prepared in accordance with the accounting rules and principles of Swiss CO. The general valuation principles are defined by law. The valuation principles below have been applied in these financial statements:

All current and non-current assets are valued at cost less necessary value adjustments.

All current and non-current liabilities are valued at nominal value.

Assets and liabilities denominated in foreign currencies were translated to CHF using the following rates:

Exchange rates	31.12.2021	31.12.2020
EUR CHF	1.0367	1.0809
USD CHF	0.9122	0.8848
GBP CHF	1.2338	1.2088

2. Details to the financial statements

2.1. Loan receivables

Loan receivables	31.12.2021	31.12.2020
Current account with Investments	32,712,735	13,770,231
Other loan receivables	60,387,215	86,943,893
Current account with shareholder	1,968,020	3,046,325
Total	95,067,970	103,760,448

The current accounts within financial assets are not expected to be settled within the next 12 months and presented within non-current assets.

2.2. Investments

Investments	31.12.2021	31.12.2020
ESG Engineering & Consulting AG, Zurich, Switzerland		
cost	200,000	200,000
value adjustment	0	0
total	200,000	200,000
Capital and voting rights	40%	40%
ESG EKO AGRO Group srl, Bologna, Italy		
cost	67,270	67,270
value adjustment	0	0
total	67,270	67,270
Capital and voting rights	67%	67%
ESG LifeSciences AG, Hünenberg, Switzerland		
cost	29,300,094	29,300,094
value adjustment	-15,337,065	0
total	13,963,029	29,300,094
Capital and voting rights	100%	100%
AltEnergis plc, London, United Kingdom		
cost	23,701,043	23,701,043
value adjustment	0	0
total	23,701,043	23,701,043
Capital and voting rights	100%	100%
Sky Energy AG, Hünenberg, Switzerland		
cost	400,000	400,000
value adjustment	-100,000	0
total	300,000	400,000
Capital and voting rights	100%	100%
Total	38,231,342	53,668,407

2.3. Accounts payable

Accounts payable	31.12.2021	31.12.2020
Due to affiliated party	-1,329,244	-134,061
Due to third parties	-1,461,631	-524,874
Total	-2,790,875	-658,934

2.4. Short-term interest-bearing liabilities

Short-term interest-bearing liabilities	31.12.2021	31.12.2020
Due to third parties	-3,628,606	-779,211
Due to shareholder	-128,518	-121,262
Total	-3,757,125	-900,473

2.5. Other liabilities

Other liabilities	31.12.2021	31.12.2020
Due to third parties	0	-425,261
Due to shareholder	-2,290,194	-399,791
Total	-2,290,194	-825,052

2.6. Accrued expenses and short-term provisions

Accrued expenses and short-term provisions	31.12.2021	31.12.2020
Related to Board of Directors	-389,760	-196,800
Related to Investment	-1,105,937	-1,366,839
Related to third parties	-3,271,980	-1,064,487
Total	-4,767,677	-2,628,127

2.7. Long-term interest-bearing liabilities

Long-term interest-bearing liabilities	31.12.2021	31.12.2020
Borrowings from bonds issued	-51,272,000	-83,272,000
Total	-51,272,000	-83,272,000

ESGTI issued bonds through Aldburg SA as fiduciary. The product type is a fixed rate fiduciary certificate, denominated in CHF with a tenor of 5 years and maturity on 30 April 2025. A total of 41,636 Bonds with an issue price of CHF 2,000 and an annual interest of 5.75% were issued. Interest payment is semi-annual on each 30th of April and October until maturity date. The Bonds are traded under ISIN XS2158598354 at the Frankfurt Stock Exchange.

The bonds were initially issued without any conversion right. In July 2020 the Company offered a conversion right throughout the duration of the bond.

In financial year 2021, the Company repurchased 16,000 bonds issued.

2.8. Extraordinary, non-recurring and prior period positions

The Company identified expenses related to capital increases – mainly stamp duty according to Swiss Federal Stamp Tax Law – and expenses related to the issuance of bonds – mainly fees paid to the investment company involved – as extraordinary expense. The breakdown of these expenses is as follows:

Extraordinary expenses related to equity and debt issuance	31.12.2021	31.12.2020
Related to the increase of equity	-101,191	-711,259
Related to the issuance of bonds	0	-1,870,012
Total	-101,191	-2,581,271

3. Further disclosure and information

3.1. Major shareholders

The following major shareholders are known to the Company:

Major shareholders	31.12.2021	31.12.2020
More than 20%	Fund Advisers (Cayman) SPC obo Aspect Capital SP, George Town, Cayman Islands	Dragon Finance AG, Hünenberg, Switzerland
Between 10% and 20%	---	World Markets AG Hünenberg, Switzerland
Between 5% and 10%	WP Multi Strategy Fund, George Town, Cayman Islands	WP Multi Strategy Fund, George Town, Cayman Islands
Below 5% (free float)	57.6%	40.5%

3.2. Number of employees

In the reporting and the comparative period the number of employees was zero.

3.3. Simplifications due to preparation of accounts under IFRS

The Company prepares consolidated financial statements in accordance with IFRS. Additional information in the notes to the financial statements, a cash flow statement and a management report are waived.

3.4. Fiduciary assets

As of 31 December 2021, the Company holds 134,813 own shares (2020: 663,183 own shares) on behalf of shareholders who have not provided delivery instructions yet. Fiduciary assets are not recognised on the balance sheet.

3.5. Legal reserves from capital contributions

The Company states Legal reserves from capital contributions of CHF 50,289,300 as per 31 December 2021. The full amount are capital contributions according to Art 5 (1 bis) VStG, as understood by management (prior year: CHF 39,870,159, full amount are capital contributions according to Art 5 (1 bis) VStG).

Until 31 December 2021, the federal tax authorities of Switzerland confirmed capital contributions according to Art 5 (1 bis) VStG of CHF 39,870,159. The tax authorities did neither confirm nor deny the difference between the stated amount and the confirmed amount as per 31 December 2021 as the filing of these reserves are pending.

3.6. Subsequent events

3.6.1. Russian war in Ukraine

As per 24 February 2022, Russia invaded Ukraine. As per issuance date of these Financial Statements, this war is still ongoing, several measurements against Russia, its Government and selected Individuals (together "Russian Government") are in place. If and how this will affect the future of ESGTI can not be determined yet. Throughout the financial year 2021, ESGTI did not have any connection to the Russian Government, furthermore its Management is not aware of any party that has interest in ESGTI that could be affected by any of such measurements in the future, either through direct or indirect ties to the Russian Government.

As consequence of the Russian war in Ukraine, ESGTI expects a globally higher demand in food as Ukraine plays a major role in the global supply food chain and is one of the biggest external food supplier of the EU. In addition, Russia provides a significant amount of fossil fuels to the European Union with the European Union already agreed on limiting the import of fossil fuels. This will result in an increase of prices for Energy in Europe. How the war will affect Europe by this dependency from the Russian energy sector and the impact on ESGTI, especially related to future funding can not be determined yet.

3.6.2. Financing agreements after 31 December 2021

In April 2022 ESGTI agreed on a 22.5mCHF loan facility with conversion rights with its major shareholder. The loan is interest free if converted, the loan drawn under this facility is due on 31 December 2022.

3.6.3. Bond buy back offer

On 29 June 2022 ESGTI announced an early repurchase of bonds (ISIN XS2158598354) from current bond holders, including accrued interest, as per 29 July 2022.

Since the balance sheet date of 31. December 2021 there have been no material events that could impair the integrity of the information presented in these financial statements.