SARL AUDIT EUREX

Technosite Altéa
196, rue Georges Charpak
74100 Juvigny

S.A.S. au capital de 5 746 901 €
417 626 280 RCS Annecy

Société de Commissariat aux Comptes inscrite
à la Compagnie Régionale de Chambéry

DELOITTE & ASSOCIES

6, place de la Pyramide
92908 Paris-La Défense Cedex

S.A.S. au capital de 2 188 160 €
572 028 041 RCS Nanterre

Société de Commissariat aux Comptes inscrite à la
Compagnie Régionale de Versailles et du Centre

Statutory Auditors' report on the Company financial statements

Year ended 31 December 2022

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders' Meeting of McPhy Energy,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying Company financial statements of McPhy Energy for the year ended 31 December 2022.

In our opinion, the Company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2022 and of the results of its operations for the year then ended, in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Company Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from 1 January 2022 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the Company financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statemen.

Accounting for long-term contracts: recognition of revenue on a percentage of completion basis and measurement of provisions for losses at completion for onerous contracts
(Notes 2.3.15 and 3.5 to the Company financial statements)

Risk identified

As indicated in Notes 2.3.15 "Recognition of revenue" and 3.5 "Provisions for liabilities and charges" to the Company financial statements, revenue from long-term contracts is recognised using the percentage of completion method. This consists in recording the income from a business project or contract as the percentage of the contract that has been fulfilled, based on costs already incurred on the contract, in relation to the total amount of costs to be incurred on the project.

The remaining amount of costs to be incurred on long-term contracts is determined using budgetary estimates regularly updated by project managers.

Estimating costs at completion requires the exercise of judgment and has impacts on revenue recognition, the recognition of the margin relating to each long-term project in progress at the accounts closing date and the measurement of provisions for losses at completion for onerous contracts. These estimates are based on the reliability of the budgetary processes adopted by management and the estimated progress, margin at completion and provisions for losses at completion. This led us to consider the recognition of revenue on a percentage of completion basis and the measurement of provisions for losses at completion for onerous contracts to be a key audit matter.

Our response

To address the risk of accounting for contracts using the percentage of completion method, we:

- assessed the design of the relevant controls for the recognition of long-term contracts using the percentage of completion method and performed a walkthrough test;
- selected contracts to be tested based on criteria then by sampling, reconciled accounting information with budget monitoring, corroborated the degree of completion used for recognition, in particular by examining technical documentation, contracts, cost analyses and budgetary reviews;
- tested the substance of the costs actually incurred during the period for projects selected by statistical sampling using the cost breakdown;
- verified the calculation of provisions for losses at completion based on the estimated budget at completion, the calculated progress and the margin recognised at the year-end.

We also assessed the appropriateness of the disclosures in Notes 2.3.15 “Recognition of revenue” and 3.8 “Provisions for liabilities and charges” to the financial statements.

Measurement of equity interests and related receivables
(Notes 2.3.6 and 3.14 to the Company financial statements)

Risk identified

Equity interests and related receivables stated on the balance sheet as at 31 December 2022 for a net amount of €13 million represent one of the largest balance sheet items. They are stated at their cost of acquisition and, where necessary, impaired based on their value in use.

As indicated in Note 2.3.6 “Equity interests” to the Company financial statements, the value in use is estimated by management using a multi-criteria approach including the discounted cash flow method. These criteria are weighted by the impacts of holding these interests in terms of strategy or synergy with respect to other investments held. These future cash flows are derived from the business plan drawn up and validated by Management, plus a terminal value based on discounted normative cash flows.

Estimating the value in use of interests requires Management to exercise judgment, both in terms of future cash flow forecasts and rates used to discount these flows, along with the perpetual growth rate for the terminal value.

In this context, and due to uncertainties inherent to certain items, in particular the probability of realisation of the forecasts, we considered the correct valuation of equity interests, related receivables and provisions for risks to be a key audit matter.

Our response

To address the risk relating to the valuation of equity interests and related receivables, we performed a critical review of the conditions for the implementation of impairment testing by the Company, notably by:

- assessing the consistency of cash flow projections with the business plan presented to the Board of Directors and with our knowledge of the Group and its activity sector;
- examining the reliability of the process used to draw up forecasts with regard to differences between past realisations and the corresponding budgets;
- verifying, with assistance from our valuation experts, the reasonableness of the rate used to discount future cash flows and the terminal cash flow with regard to the economic climate and observed practices of main players on the market where the Group operates.

In addition to the assessment of value in use for equity interests, our work also consisted in:

- assessing the recoverable nature of the related receivables given the analyses performed on equity interests;
- verifying the recognition of impairment provisions for equity interests and/or related receivables based on a comparison of carrying amounts with values in use determined using discounted cash flow projections.

We also assessed the appropriateness of the disclosures in Note 2.3.6 “Equity interests” to the Company financial statements.

Measurement of capitalised development costs

(Notes 2.3.3 and 3.1 to the Company financial statements)

Risk identified

The Company has elected to capitalise eligible development costs in its annual financial statements as the capitalisation criteria are now met. As at 31 December 2022, net capitalised costs amounted to €6.4 million.
Project eligibility is reviewed every six months in agreement with Executive Management, the Technical Department and the Group Finance Department.

As part of our audit, we focused on these development costs as their capitalisation is based on judgement and estimates particularly for the following two criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The probability that the expected future economic benefits are attributable to the asset.

Considering the significant judgement underlying the capitalisation of development costs, we considered the valuation of net development costs to be a key audit matter.

Our response

Our work mainly consisted in:

- obtaining an understanding of the processes set up to measure development costs;
- verifying the existence and accuracy of the amounts recognised for development costs. We also reconciled the capitalised amounts with internal data covering the tracking of time and we also tested, on a sampling basis, capitalised external expenses;
- interviewing the finance department and the technical department and using the latter's documentation to assess the reasonableness of the main data and assumptions underlying this capitalisation, particularly the future profitability outlook and the project's technical feasibility;
- corroborating the various information obtained from these interviews with the projected sales data for the firm orders obtained by the group in connection with the capitalised projects;
- identifying any indications of impairment for these projects that would require impairment testing.

We also assessed the appropriateness of the disclosures in Note 3.1 “Non-current assets” to the Company financial statements.

Specific Verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and financial statements provided to shareholder

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest to the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on Corporate Governance provides the information required by Articles L.225-37-4, L. 22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information provided in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to compensation and benefits received by the corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by the Company from controlled companies included in the consolidation scope. Based on these procedures, we attest to the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

Other Legal and Regulatory Verifications or Information

Format of presentation of the Company financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the Company financial statements to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the Company financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the Company financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of McPhy Energy by the Shareholders' Meetings of 27 February 2014 for SARL Audit Eurex and 19 December 2013 for Deloitte & Associés.

As at 31 December 2022, SARL Audit Eurex was in its 9th year of total uninterrupted engagement and Deloitte & Associés in its 10th year, both being in their 9th year since the company securities were admitted for trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Company Financial Statements

Management is responsible for the preparation and fair presentation of the Company financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Company financial statements, management is responsible for assessing the Company'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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The Company financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Company Financial Statements

Objective and audit approach

Our role is to issue a report on the Company financial statements. Our objective is to obtain reasonable assurance about whether the Company financial statements, as a whole, are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional 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.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the Company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit 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 the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the Company financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of its audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the Company financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the Company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the Company financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537-2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards applied.

Juvigny and Paris-La-Défense, April 21, 2023

The Statutory Auditors

SARL AUDIT EUREX	DELOITTE & ASSOCIÉS
Guillaume BELIN	Hélène DE BIE