Euglena Group

Supplementary explanation on Final Investment Decision to Construct a Biorefinery in Malaysia

Euglena Co., Ltd.
Prime Market of the Tokyo Stock Exchange
(Code: 2931)

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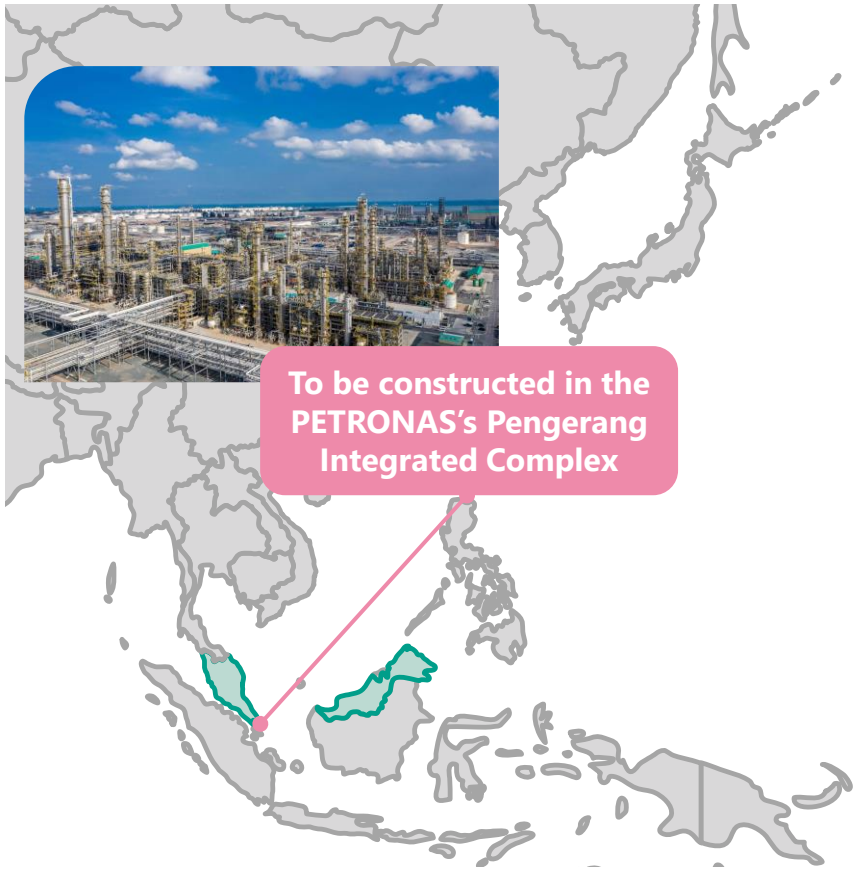
Biorefinery Project in Malaysia - Final Investment Decision (FID) on the project

Final Investment Decision taken on a biorefinery project in Malaysia with PETRONAS and Eni

For the project size worth approximately US$1.3 billion, the three partners are establishing a JV Company during 4Q 2024 and aim to start operation by 2H 2028.



euglena PETRONAS enilive

Project overview	
Location	Pengerang Integrated Complex (PIC) in Johor, Malaysia
Production	Flexible configuration to maximize the production of Sustainable Aviation Fuel (SAF) and Hydrogenated Vegetable Oil (HVO)
Feedstock	Used vegetable oils, animal fats, waste from the processing of vegetable oils, and other biomass including microalgae oils to be explored in the mid-term
Processing capability	About 650,000 tonnes per year of feedstock
Production capability	Up to 12,500 barrels per day (about 725,000KL per year) of biofuels (SAF, HVO and bio-naphtha)
Planned schedule	Execution of Shareholders' Agreement: Within August 2024 Establishment of JVCo: During 4Q 2024 Start of operation: By 2H 2028
Project size	Approximately US$1.3 billion

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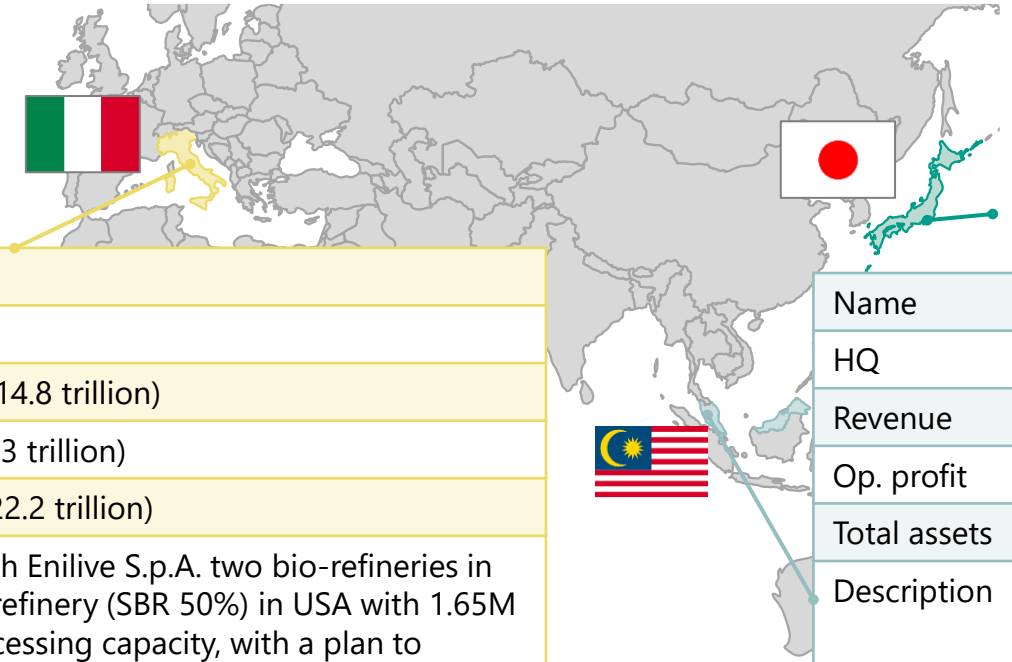
Biorefinery Project in Malaysia - Overview of our partners

Partnership with two leading integrated energy companies in Europe and Asia

Both partners have been building strong capabilities of feedstock sourcing and product marketing







Name	Eni S.p.A
HQ	Rome, Italy
Revenue	EUR93.7 billion (JPY14.8 trillion)
Op. profit	EUR8.3 billion (JPY1.3 trillion)
Total assets	EUR143 billion (JPY22.2 trillion)
Description	• Operating through Enilive S.p.A. two bio-refineries in Italy and one biorefinery (SBR 50%) in USA with 1.65M t/y SAF/HVO processing capacity, with a plan to increase to 5M+ t/yr by 2030 • Strong feedstock sourcing capacity, with a plan to add 1M t/y by 2030 through developing Agri-hubs
Operations	61 countries
Workforce	More than 32,000 employees

Name	Petroliam Nasional Berhad (PETRONAS)
HQ	Kuala Lumpur, Malaysia
Revenue	MYR306 billion (JPY9.5 trillion)
Op. profit	MYR98 billion (JPY3.0 trillion)
Total assets	MYR773 billion (JPY24.0 trillion)
Description	• Signed a SAF offtake agreement for 230K t/y with Malaysian Aviation Group • Developing SAF production capacity via ATJ and co-processing, in addition to this HEFA project • Studying the use of used cooking oil and palm wastes for feedstock sourcing
Operations	Over 100 countries
Workforce	More than 46,000 employees

Note: Financial results as of FY2023, converted at the exchange rate as of end-2023 (EUR/JPY=156, MYR/JPY=31)

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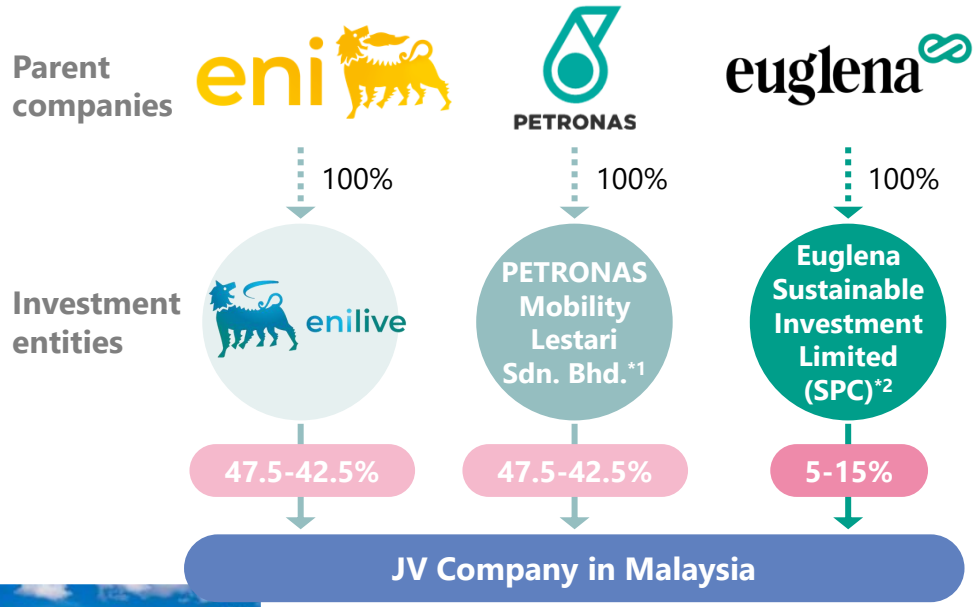
Biorefinery Project in Malaysia - Outline of the JV Company

Our initial share of 5%, with an option to increase up to 15% over 9 months grace period

The partners are scheduled to provide phased investments and guarantees on a pro-rata basis for the project size of approximately US$1.3 bln, as well as offer to supply feedstock and offtake products

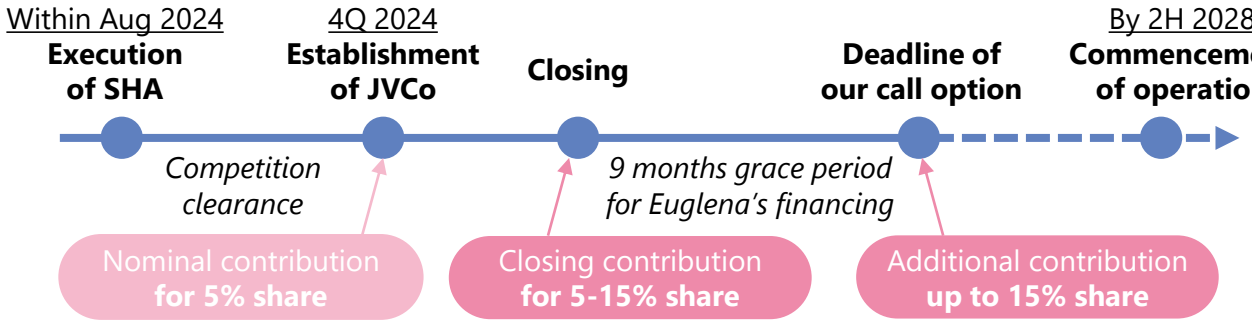




- Board members:
  2&2 directors by PETRONAS and Eni respectively
  1 director by Euglena
- Key management (CEO/CFO, etc.):
  Nominated by PETRONAS and Eni
- Employees:
  Local employment
  & secondment from all the partners

Governance of JV Company under Shareholders' Agreement to be executed	
Project size	Approximately US$1.3 billion
Investment type	Phased equity injections (and loan provisions) by the shareholders on a pro-rata basis; third-party financings (bank loans, etc.) by JVCo to be considered
Investment ratio	Our ownership of 5% initially with an option to increase up to 15% over 9 months post-Closing; the remainder to be held by PETRONAS and Eni equally
Financing commitment	In addition to the phased investments, the partners provide guarantees on a pro-rata basis to cover the unpaid portion of the Project size
Feedstock supply & product offtake	The partners will offer to supply feedstock and to offtake products on a pro-rata basis

Expected schedule and our phased investments



*1: 100% held by PETRONAS Marketing International Sdn. Bhd., a wholly-owned subsidiary of Petroliam Nasional Berhad (PETRONAS)
*2: A special purpose company established in Cayman Islands in April 2024

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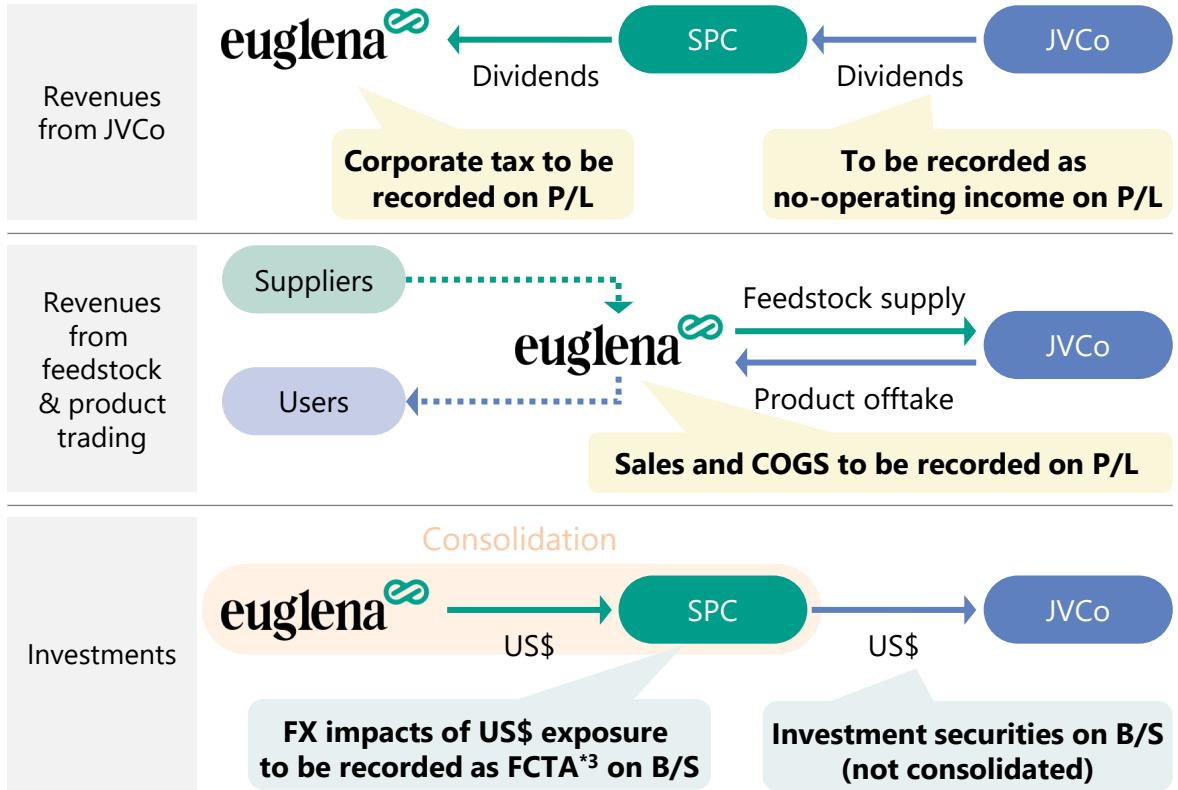
Biorefinery Project in Malaysia - Illustrative financial impacts on Euglena Co

Profit contribution expected from JVCo dividends and feedstock/product trading

For the illustrative purpose only, we expect the project has a potential to generate >JPY6 bln/yr profit before tax and trading profits for us in the case of 15% stake (subject to changes based on actual business performance)

Illustrative business flow and accounting treatments*1



Simulation of P/L impacts*2

Profit before tax (excl. financing costs):

>JPY6 bln/yr + trading profits

Assumptions:

- Our share of 15% (equivalent to approx. 100,000KL/yr production)
- Biofuel price of JPY300/L
- >20% net profit margin of JVCo
- Full dividend payout of JVCo
- No third-party financing

The P/L impacts are subject to the followings, therefore **for the illustrative purpose only:**

- Our final share
- Future biofuel/feedstock prices and mixes
- Operation performance of the biorefinery
- Dividend timing/payout ratio
- Third-party financing
- FX/interest rates, tax, etc.

*1: The accounting treatments above are for the illustrative purpose based on the current best estimates and subject to changes as results of future account processing, auditing, etc.
*2: The simulations are for the illustrative purpose based on the stated assumptions; the figures are subject to changes as results of future business performance, market trends, etc.
*3: Foreign Currency Translation Adjustment: FX hedging may be considered going forward

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Biorefinery Project in Malaysia - Envisaged financing commitment and funding plan

We are required to commit approximately US$65-195 mln for 5-15% stake in JVCo

Financing commitment for at least 5% stake will be funded by the past fund raisings, etc. ;
Additional equity/debt(-liked) financing for up to 15% stake will be considered over 9 months after the closing

Financing commitment required for our participation

- Financing commitment consists of the followings and must be provided at the time of participation to the project by each partner on a pro-rata basis
  - **Phased cash contribution** via equity injection (and loan provision)
  - **Guarantee provision** to cover the unpaid portion of the project size (totaling approximately US$1.3 billion)
- We are required to commit **approximately US$65-195 mln for 5-15% stake**
  - Our guarantee to be provided via bank guarantee which will require a security of deposits i.e. pre-funding
- Financing commitment amount may decrease in the case of third-party financing (e.g. bank loans) by JVCo
  - Our credit enhancement for lenders may be still required
- Additional financing commitment may be required in the future if there arise further financing needs of the JVCo for the future business development

Envisaged funding plan

Closing contribution for 5-15% stake

- Financing commitment for at least 5% stake to be funded by:
  - **JPY7.8 bln** proceeds from new share and CB issuance in Feb 2023
  - **JPY1.0 bln** proceeds from SB issuance in May 2024
  - Cash on hand and bank borrowings

Option to increase our stake up to 15%

- We can **raise additional funds over 9 months grace period** after the Closing; if successful, we can **increase our stake up to 15%** by acquiring JVCo shares from PETRONAS and Eni
  - The above is subject to additional guarantee provision on a pro-rata basis
- Several options to be considered for additional fundings :
  - **Equity(-like) financing:** new share and CB issuance, etc
  - **Debt(-like) financing:** bank borrowings, SPC loans and/or preferred shares, etc. backed by the expected cash flow from the project

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