# INVESTMENT MEMORANDUM

## Battery Energy Storage System (BESS)

2 MWh | 40ft Container | Romania

European Company (Estonia / Slovakia)

| €300 000 | 20% | 3 / 10 years | 3 / 10 |
|---|---|---|---|
| Entry | Gross yield | Investment horizon | Risk profile |

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# 1. Executive Summary

The project involves the acquisition of a Battery Energy Storage System (BESS) with a capacity of 2 MWh housed in a standard 40-foot shipping container. The equipment is deployed in Romania and leased to an energy arbitrage operator. Gross yield is 20% per annum on the equipment cost.

The investor is the **asset owner**: the equipment sits on the balance sheet of their European company. This is not a loan, not an investment contract, not a fund share. Entry occurs only against a signed lease agreement with the tenant.

| Parameter | Value |
|---|---|
| Investment amount | €300 000 |
| VAT on purchase | 0% (EU structure) |
| Battery capacity | 2 MWh (40ft container) |
| Gross yield | 20% p.a. (€60 000/year) |
| OPEX | €5 500/year (under 10% of revenue) |
| **Scenario A** | **Exit at Year 3: equipment sale, capital return + income** |
| **Scenario B** | **10-year lease: continuous passive income** |
| Cell warranty | 10–15 years (manufacturer) |
| Risk profile | 3 out of 10 |

# 2. Investment Structure

## 2.1 Equipment

The investment covers a 2 MWh battery system housed in a standard 40-foot shipping container. The container format ensures mobility, security, and standardised deployment. The equipment operates in energy arbitrage mode: purchasing electricity at off-peak rates (night) and selling during peak demand hours (day).

## 2.2 Corporate Structure

The investor establishes a company in Estonia (OÜ) or Slovakia (s.r.o.). The European company acquires the equipment. As an intra-EU transaction, no VAT is charged on the purchase. The company registers as a VAT payer in Romania and opens a local bank account. The tenant pays VAT directly to the Romanian tax authority, while lease payments are remitted to the European company.

## 2.3 Ownership and Control

**The equipment sits on the investor's company balance sheet.** The investor is the full legal owner of an industrial asset. This is not a loan, not an investment contract, not a fund share. It is a physical container with batteries that can be visited and inspected.

## 2.4 Capital Requirements

Total investment: **€300 000**. No additional VAT payments thanks to the EU structure. The entire amount equals the equipment cost — a 1:1 capital deployment ratio.

# 3. Revenue Model

Gross annual income: **€60 000** (20% of equipment cost). Source: leasing the battery to an arbitrage operator in Romania. The operator purchases electricity at night at minimum tariffs and sells during peak demand at prices 3–5x higher.

| Item | Amount/year | % of revenue |
|---|---|---|
| Insurance (0.5% of cost) | €1 500 | 2.5% |
| Company administration | €3 500 | 5.8% |
| Maintenance (remote) | €500 | 0.8% |
| **TOTAL OPEX** | **€5 500** | **9.2%** |

Operating expenses are minimal — under 10% of revenue. Maintenance is primarily remote via software.

## 3.1 Degradation

First 3 years — stable operation at full capacity. Thereafter — approximately 2% capacity loss per year. Industrial BESS degrades significantly slower than mobile batteries.

# 4. Two Scenarios for the Investor

The lease agreement includes a **buyback option** — the right (but not the obligation) of the tenant to purchase the equipment after 3 years. This creates two scenarios for the investor. Both are profitable.

## Scenario A: Exit at Year 3

The tenant exercises the option and buys the equipment. The investor receives lease income for 3 years plus the sale proceeds. The freed capital can be reinvested into a new, more modern container — starting the next investment cycle.

| Metric | Estonia (OÜ) | Slovakia (s.r.o.) |
|---|---|---|
| Gross revenue (3 years) | €180 000 | €180 000 |
| OPEX (3 years) | €16 500 | €16 500 |
| Net lease income (3 years) | €130 800 | €147 183 |
| Capital return (equipment sale) | €300 000 | €300 000 |
| **Total to investor** | **€430 800** | **€447 183** |
| Net profit | €130 800 | €147 183 |
| Cash yield (Year 1) | 14.5% | 16.4% |

**Advantage:** short horizon, rapid capital return, ability to reinvest in new equipment with the latest technology.

## Scenario B: 10-Year Lease

If the tenant does not exercise the option — or the parties agree to continue — the equipment remains leased. The investor receives continuous passive income throughout the battery's useful life.

| Metric | Estonia (OÜ) | Slovakia (s.r.o.) |
|---|---|---|
| Total net income (10 years) | €409 120 | €446 114 |
| Net profit (above investment) | €109 120 | €146 114 |
| **ROI** | **136.4%** | **148.7%** |
| Cash yield (Year 1) | 14.5% | 16.4% |
| Average annual income | €40 912 | €44 611 |

**Advantage:** maximum total return. Slovakia outperforms Estonia thanks to the depreciation shield (€42 857/year for the first 7 years).

*Equipment can also be sold on the open market at 60–70% residual value (€180 000—€210 000).*

## 5. Tax Regime Comparison

| Parameter | Estonia (OÜ) | Slovakia (s.r.o.) |
|---|---|---|
| Corporate income tax | 0% on retained earnings<br>20% on distributions | 15% on taxable income |
| Tax base | Distributions only | Revenue – Expenses – Depreciation |
| Dividend withholding tax | 0% (Austria DTA) | 7% |
| Depreciation | Not applicable | €42 857/year, 7 years |
| Best suited for | Reinvesting profits | Maximising annual cash flow |

**Estonia:** 0% tax on retained earnings. Ideal for reinvesting into additional containers. Tax arises only upon dividend distribution (20%).

**Slovakia:** 15% CIT with depreciation deduction of €42 857/year. Effective rate in early years is well below the nominal rate. Higher annual net cash flow.

## 6. Risk Analysis

| Risk | Level | Commentary |
|---|---|---|
| Technological | Medium | New technologies in 10 years. The 3-year buyback option mitigates this. |
| Market | Medium | Dependence on electricity price volatility. |
| Counterparty | Medium | Single tenant. Financial due diligence required. |
| Regulatory | Low–Medium | Potential changes in energy or tax legislation. |
| Currency | Low | Energy contracts in EUR. Minimal FX risk. |
| Structural | Low | EU structure is well-designed and compliant. |

**Overall risk profile: 3 out of 10. Physical asset on investor's balance sheet. Signed lease agreement. Manufacturer warranty up to 15 years. Structural demand from EU energy transition.**

# 7. Macroeconomic Context

From a macroeconomic perspective, a BESS investment is an inflation hedge and a structural bet on the energy transition.

## Market Scale

The EU invested nearly $390 billion in clean energy in 2025. Planned investment volume is €5.6 trillion through 2050 (€220 billion annually). Battery storage capacity must grow from 6 GW to 46 GW by 2030 — nearly an 8x increase.

## Rising Costs

Metals, components, and electricity are becoming more expensive. Purchasing equipment today locks in the current asset cost. Revenue is tied to energy prices — the more expensive electricity is tomorrow, the more the battery earns.

## Regulatory Tailwind

Fast-tracked permits, tax incentives, and EU Green Deal financing are accelerating storage deployment. Early-cycle investors capture the highest yields. As the market matures, returns compress — the window of opportunity is limited.

# 8. Investor Requirements

| Requirement | Description |
|---|---|
| European company | An existing EU company (ideally). New registration is also possible. |
| Funds in the EU | Funds available in a European bank account or ability to deploy promptly. |
| Minimum investment | €300 000 |
| Interest in real assets | Willingness to invest in physical assets rather than financial instruments. |

## 9. Recommended Due Diligence

**1.** Verification of the sustainability of 20% annual arbitrage yield (operator's historical data).

**2.** Financial stability and track record of the counterparty operator.

**3.** Lease agreement terms: fixed rate, performance guarantees, penalties.

**4.** Mechanism and conditions for exercising the buyback option.

**5.** Confirmation of EU structure compliance for VAT neutrality.

**6.** Applicability of Double Taxation Agreements (DTA).

**7.** Equipment insurance terms (theft, vandalism, force majeure).

**8.** Terms for early termination of the lease agreement.

# 10. Conclusion

**Investment attractiveness.** The project offers a compelling risk-return profile. A 20% gross yield, zero VAT on purchase, and a tax-efficient EU structure deliver meaningful returns under both scenarios. A 3-year exit allows capital recycling into new equipment. A 10-year lease maximises total income.

**Jurisdiction choice.** For maximum annual cash flow, Slovakia is optimal (cash yield 16.4% in Year 1). For reinvesting profits into additional containers, Estonia is preferable (0% tax on retained earnings).

**Safety.** Equipment on the investor's balance sheet. Entry only against a signed lease contract. No contract — no investment. Manufacturer warranty up to 15 years. Structural demand from the EU energy transition ensures long-term equipment relevance.

**Overall assessment: the project is recommended for consideration.** Structural advantages significantly reduce risks. The key variable to monitor is the sustainability of the arbitrage margin on the Romanian energy market.

APPENDIX

# Key Investor Questions & Answers

Below are answers to the most frequently raised questions and objections from prospective investors. Answers have been prepared in collaboration with the operational partner — Innovatec (Romania).

## COUNTERPARTY RISK

### 1. What happens if the tenant goes bankrupt or stops paying?

Standard leasing practice applies: a security deposit equal to 3 months' rent is collected upfront. Upon payment default, the tenant receives formal notice. If payment is not made within the contractually agreed period, the container is repossessed, the deposit is retained, and all penalties and repossession costs are charged to the tenant. The equipment remains on the investor's balance sheet and is ready for re-leasing.

### 2. What if the tenant does not renew after 3 years?

The tenant amortises the container over 5–6 years. After 3 years of operation, it is economically advantageous for them to exercise the buyback option rather than walk away from partially amortised, already configured equipment. If they nonetheless decline, the operator (Innovatec) takes responsibility for finding a new tenant or buyer. Given the low residual value at that point, finding a new user should not present a significant challenge.

### 3. Who is the tenant? Can we meet them and verify their reliability?

There are two types of tenants: (a) **Industrial clients** who use the battery for their own needs — storing energy at low tariffs and consuming at peak prices, increasing capacity without upgrading their grid connection, and using it as blackout protection; (b) **BESS developers** who connect to the grid, obtain a broker licence, and trade electricity on the exchange via arbitrage. A personal meeting is possible; a video call is the most practical option. Financial verification is conducted through Risco (risco.ro) — Romania's largest company and individual screening service, used by all banks and leasing companies in the country.

### 4. What is the operator's track record? How many containers are already in operation?

Currently 5 small-format containers (256 kWh each) are leased under this model. Production of larger-format containers (including 2 MWh) will commence with the launch of the BESS production line in Q3 2026. Innovatec is backed by two shareholders: Gabriel Gantner (30+ years of entrepreneurial experience, Dalinga Holding) and Serghei Causnean (extensive experience in the energy sector, responsible for operations).

## MARKET RISK

### 5. Won't renewable energy equalise tariffs and kill the arbitrage?

This is a common misconception. The logic works in exactly the opposite direction: renewable energy sources are **inherently volatile** — the sun does not shine at night, wind is unpredictable. The more renewables on the grid, the **greater** the need for storage systems to balance supply and demand. The growth of electric vehicles and heat pumps further increases both consumption and grid imbalance. The only theoretical risk is the mass deployment of small modular nuclear reactors (SMRs) that produce cheap, predictable energy. However, in the EU with its thousands of permitting procedures, this would take decades. And even then, BESS would remain essential for grid stabilisation.

### 6. Is there a secondary market for used BESS? Who would buy it if I want to exit early?

There is no official secondary market for used BESS at present. However, in the event of an early exit, Innovatec acts as intermediary: the company can offer the used container to new clients at a reduced price. Given the growing demand for BESS and the limited supply of turnkey solutions, finding a buyer for a working container is realistic.

## TECHNICAL CERTIFICATION

### 7. Are all required certificates and TÜV approvals in place for EU operation?

The certification process is not complex, as all key components — cells, BMS (Battery Management System), EMS (Energy Management System), etc. — are already certified and shipped with the relevant documentation from their manufacturers. Certification of the final product (the container) is a standard procedure when built from certified components.

## GEOGRAPHY

### 8. Why Romania specifically? Would this work in Germany, Spain, or Italy?

Romania offers several specific advantages: (a) relatively high industrial electricity prices (250–270 €/MWh); (b) very high exchange price spreads driven by renewable energy growth; (c) the PZU system (day-ahead tariff setting), which enables effective planning for storage operators. BESS is essential

infrastructure for any market with a high share of renewables. Similar models are potentially applicable in other EU countries as renewable penetration and consumption (EVs, heat pumps) increase.

## PHYSICAL AND LEGAL SECURITY

### 9. Who guards the container? What if it's stolen or damaged?

The equipment is insured with Tier-1 international insurance companies — Allianz, Generali, and similar — against theft, vandalism, and force majeure. The scope of coverage (full replacement value or partial) is determined by the specific policy and agreed individually.

### 10. The equipment is in Romania but the company is in Estonia/Slovakia. Which jurisdiction applies? Can we physically reclaim the asset?

The lease is executed in Romania, so Romanian jurisdiction applies. While an alternative jurisdiction can be specified in the contract, enforcement of a foreign court ruling would still require a Romanian court — making it more practical to choose Romanian jurisdiction from the outset. Key protection mechanism: if the investor's company (or Innovatec as its representative) leases the plot of land where the container is placed, or the container is positioned on neutral ground, physical repossession of the asset is straightforward at any time.

### 11. How reliable are insurance payouts in Romania?

Insurance is provided through international companies (Allianz, Generali, etc.) with global reputations and standardised claims settlement procedures. These are not local Romanian insurers — payouts are governed by international standards and the corporate policies of the parent companies.

## FIRE SAFETY

### 12. Lithium batteries can catch fire. What if the container burns? Who is liable?

Each container is equipped with an **integrated fire suppression system**. The container is insured against fire and resulting consequential damage (including third-party liability and environmental damage) under a policy with an international insurance company — as detailed above.