

LETTER FROM THE MANAGEMENT



Dear shareholders, dear bondholders, dear readers,

We are living and working in an unprecedented environment as we confront the evolving global spread of the Covid-19 pandemic. At Photon Energy, we have implemented continuity plans as well as health and safety procedures to ensure all our staff and contractors are safe and compliant with government directives. On the basis of currently adopted measures, we are fortunately able to continue all our major service activities without significant disruptions for the foreseeable future. In addition to this, we believe that our strong core of diversified and recurring revenues represents a solid foundation to weather the difficult times ahead.

In particular, our electricity generation segment of 69 PV power plants with a total installed capacity of 57.1 MWp is producing electricity as usual. For all five Hungarian PV power plants under construction with a total installed capacity of 3.5 MWp, all components, including photovoltaic modules, have been secured and we expect these projects to be grid-connected without significant delays. Our Operations & Maintenance business is capable of providing its services from home-offices and – if necessary – on-site as much as possible. Our other business lines such as EPC services, PV component trading and project development are more vulnerable to these exceptional circumstances but have not

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**Co-founder and CEO Georg Hotar (C) with
co-founder, CTO and MD for Australia Michael
Gartner (R) and CFO Clemens Wohlmuth (L)**

come to a standstill. In all our main markets we can rely on highly skilled local teams remaining focused on minimizing the impact on our ongoing business as well as our various growth initiatives. The extent of the negative impact will depend on the nature and length of measures taken by the respective governments in the countries where we operate.

Looking back at 2019, we are proud of our teams and the results they delivered. Outstanding electricity production by our proprietary power plant portfolio contributed strongly to our 48.9% revenue growth to a record EUR 30.15 million, while our gross profit improved by 11.6% to EUR 15.44 million. Even though EBITDA slightly contracted (-2.5%) due to higher expansion-driven overheads to EUR 7.94 million, the success of our efforts can be seen at the bottom line with a total comprehensive income for the year 2019 amounting to EUR 8.06 million compared to EUR 2.53 million a year earlier, boosting consolidated equity to EUR 37.84 million compared to EUR 29.78 million in 2018.



Throughout last year, we have been rigorously focusing on putting our strategy into action, starting with a further roll-out of our proprietary portfolio in Hungary. We completed the construction of 20.1 MWp of PV power plants across six locations in Hungary and secured the long-term project financing of these plants with one of the leading local banks. After the commissioning of eight additional PV power plants totaling 5.4 MWp in Q1 2020, Photon Energy's proprietary portfolio now adds up to 57.1 MWp, out of which 31.5 MWp is in the country. With a further 17.7 MWp of PV power plants at the advanced stage of construction (3.5 MWp) and under development (14.2 MWp), we remain on track to deliver our year-end 2021 goal of 75 MWp of Hungarian PV power plants in our proprietary portfolio. The Hungarian market also provides us with ample opportunities to grow our O&M business and for Photon Energy to become the leading O&M provider in the CEE region.

In Australia, we successfully exited from two out of five utility-scale PV projects jointly developed with Canadian Solar (with a planned installed capacity of 1.1 GWp in total for the five projects) in New South Wales, validating our strategy to develop and sell large-scale projects Down Under. During the reporting period, we also sold our 51% stake in a third co-developed utility-scale project which was still in a relatively early stage of development. The delivery of EPC services for the installation of 4.6 MWp of rooftop solar systems for the retail chain ALDI Stores across 32 locations in Australia and the signing of an EPC contract for the installation of a hybrid 1.2 MWp solar and 3.2 MWh battery storage off-grid solution for Lord Howe Island underscores our capabilities and market position in our core market Australia.

Towards the end of the year we also successfully set foot in the upcoming Polish solar market by winning a public tender to design and build a 950 kWp PV power plant next to a sewage treatment plant in the location of Jamno, Northern Poland, in consortium with a local Polish partner.

Our Photon Water business is equally contributing exciting new opportunities. Besides further developing our ultra-sound-based solutions to fight blue-green algae formation and several pilot projects to treat drinking water contaminated by arsenic and boron in Peru, we are deploying a technology to clean cancer-causing PFAS contaminated soil and ground water. These so called "forever chemicals" have become a serious problem all over the globe.

Last but not least, in 2019 Photon Energy successfully increased its 5-year EUR bond with a 7.75% coupon to EUR 37.5 million. This is a testament to the transparency of the company, our proactive communication with investors and our flawless track record in servicing our quarterly bond coupons since 2013. We believe in the importance of access to capital through public markets and therefore we remain strongly committed to open and pro-active investor relations.

While we are unable to predict what will happen in the macro-economy at this point in time, there are key facets of our business that we believe are important for stakeholders to bear in mind. First, our business is integrated, covering the entire life cycle / value chain of solar power plants, providing us with better control over margins and allowing us to reap economies of scale in our prudent and long-term oriented international expansion. Second, the culture of innovation is embedded within our teams, not only from our services offer perspective, but also in the way we monitor our business expansion into water technologies and projects.

We also know that in times like these, our strong track record is an essential asset. Over the past 12 years operating in the PV market – a long time in this industry – we have shown that we can navigate its many pitfalls and volatility. Our responsibility as Photon Energy's management team is to keep steady amid the turbulence, while not losing sight of the many long-term opportunities ahead of us.

Thank you for your continued confidence and support.

Amsterdam, 15 April 2020

Board of Directors

Michael Gartner

Georg Hotar