

# LETTER FROM THE MANAGEMENT



Dear shareholders, dear bondholders, dear readers,

In 2018 we have managed to continue implementing our growth strategy by expanding our proprietary portfolio by 6.0 MWp in Hungary and another 5.5 MWp in March 2019, by progressing with our project development activities in Australia and by expanding our O&M and related service businesses. Outstanding electricity production by our proprietary power plant portfolio contributed strongly to our 17.6% revenue growth to a record EUR 20.26 million, while our EBITDA improved by 3.7% to EUR 8.15 million and our EBIT grew by 11.0% to EUR 2.54 million. The most significant improvement occurred at the bottom line with pre-tax profit jumping by 431.4% to EUR 1.84 million and our company turning a previous net loss of EUR 0.81 million into a EUR 0.51 million net profit in 2018! Total comprehensive income advanced by 40.5% to EUR 2.53 million, pushing our consolidated group equity to EUR 29.78 million.

The past year has been full of important highlights starting with the signing of an agreement for the joint development of five utility-scale PV projects with a planned installed capacity exceeding 1.1 GWp in New South Wales with Canadian Solar, one of the world's leading integrated solar companies. Together with Canadian Solar we secured development approval for Suntop (200 MWp) followed in early 2019 by Gunnedah (150 MWp) for which grid connection agreements are on the table. We completed the construction of 11.5 MWp of PV power plants across three locations in Hungary and secured the long-term project financing of these plants with one of the leading local banks. Our pipeline of additional projects puts us well on the way of achieving our goal of expanding our proprietary portfolio by 50 MWp in Hungary.



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

**Together with Canadian Solar we secured development approval for Suntop (200 MWp) followed in early 2019 by Gunnedah (150 MWp).**

The continuing support for solar energy in Hungary through the METAR support system including indicated upcoming auctions provides a promising outlook for this very attractive market for several years to come. 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. The signing of an EPC contract for the installation of 4.6 MWp of rooftop solar systems for the retail chain ALDI across 31 locations in Australia underscores Photon Energy's market leading quality in the fast growing commercial user market.

Our Photon Water business is equally providing us with exciting new opportunities as we have brought ultra-sound-based solutions to fight blue-green algae formation in several locations in the Czech Republic. We believe that the success of this technology is a good foundation to bring our services approach to this widespread and growing problem to more lakes in the Czech Republic and other markets. A pilot project to treat drinking water contaminated by arsenic and boron has taken us to Peru, where we opened a new office at year-end 2018 and which will serve as a springboard to other Latin American markets for both our solar and water business lines.

Last but not least, in 2018 Photon Energy successfully repaid its first EUR bond and completed the placement of its EUR 30 million 5-year bond with a 7.75% coupon on the German capital market. The following stellar performance of the bond has pushed the yield-to-maturity of the bond to around 6%. This is testament to the transparency of the company, our proactive communication with investors and our flawless track record in serving our quarterly bond coupons since 2013. During 2018 Photon Energy's share price on the NewConnect market of the Warsaw Stock Exchange advanced by 31.4% to close at PLN 1.84. We believe in the importance of access to capital through public markets and therefore we remain strongly committed to open and pro-active investors relations.

We are looking ahead to 2019 as another year full of opportunities across all our business lines and are looking forward to some of our Australian utility-scale projects reaching the ready-to-build stage, to a further increase in our proprietary portfolio of power plants mainly in Hungary as well as strong growth in our O&M business and related services. We are also convinced that our Photon Water business will become an ever stronger contributor to our Group's business volume.

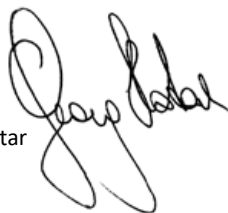
Amsterdam, 15 April 2019

Board of Directors



Michael Gartner

Director



Georg Hotar

Director

**We completed the construction of 11.5 MWp of PV power plants in Hungary and secured the long-term project financing of these plants with one of the leading local banks.**

**Signing of an EPC contract for the installation of 4.6 MWp of rooftop solar systems for the retail chain ALDI across 31 locations in Australia.**

**We have brought ultra-sound-based solutions to fight blue-green algae formation in several locations in the Czech Republic.**

**In 2018 Photon Energy successfully repaid its first EUR bond and completed the placement of its EUR 30 million 5-year bond with a 7.75% coupon on the German capital market.**

