Treuhand
Wirtschaftsprüfungsgesellschaft

# Copy of the Audit Opinion

for the Audit
of the Annual Financial Statements
per December 31, 2018,
and the Management Report 2018

**Greencells GmbH**
Bahnhofstrasse 28
66111 Saarbrücken

**RF Treuhand GmbH**
**Accounting Firm**
Kanalstrasse 81, 67655 Kaiserslautern

# Contents

# Impartial Auditor's Opinion

To

Greencells GmbH
Bahnhofstrasse 28
66111 Saarbrücken

**Audit Opinion**

We have audited the annual financial statements of Greencells GmbH comprising the balance sheet per December 31, 2018, the profit and loss statement for the fiscal year from January 1, 2018, to December 31, 2018, and the notes, including the presentation of the accounting and valuation methods.

In addition, we have audited the management report of Greencells GmbH for the fiscal year from January 1, 2018, to December 31, 2018.

In our opinion, based on the findings obtained during the audit:

- The annual financial statements are in all material respects in conformity with the German commercial law provisions applicable to stock corporations and, with due regard to generally accepted German principles of accounting, give a true and fair view of the Company's assets, liabilities, and financial position per December 31, 2018, and of its profit and loss for the fiscal year from January 1, 2018, to December 31, 2018;

- The attached management report gives overall a true and fair view of the Company's position. This management report is consistent with the annual financial statements in all material respects, is in conformity with German legal provisions, and accurately describes the opportunities and risks of future development.

In accordance with Section 322 (3) first sentence HGB [Commercial Code], we declare that our audit did not give cause for any objections to the correctness of the annual financial statements and the management report.

### Basis of the Audit Opinion

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB , taking into consideration the German standards of auditing issued by the *Institut der Wirtschaftsprüfer* (IDW). Our responsibility with respect to these provisions and principles is described in greater detail in the section “Responsibility of the auditor for the audit of the annual financial statements and management report” of our auditor’s opinion. In compliance with the German commercial law and professional provisions, we are independent of the Company and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we obtained is adequate and suitable to serve as the basis for our audit opinions on the annual financial statements and the management report.

### Responsibility of the legal representatives for the annual financial statements

The legal representatives are responsible for the preparation of annual financial statements that are in all material respects in compliance with the German commercial law provisions applicable to stock corporations and for ensuring that the annual financial statements, with due regard to generally accepted German principles of accounting, give a true and fair view of the Company’s assets, liabilities, financial position, and profit and loss. Moreover, the legal representatives are responsible for the internal control systems that they have determined to be necessary in compliance with the generally accepted German principles of accounting to ensure the preparation of annual financial statements that are free from material false presentations, whether intentional or unintentional.

During the preparation of the annual financial statements, the legal representatives are responsible for an assessment of the Company’s capability to continue its business activities. Furthermore, they have the responsibility to describe material circumstances affecting the continuation of the Company’s business activities insofar as any such circumstances are pertinent. Moreover, they are responsible for ensuring that the accounting is based on the accounting principle of a going concern insofar as material or legal circumstances do not prohibit this.

In addition, the legal representatives are responsible for the preparation of the management report that gives overall a true and fair view of the Company's position and that is consistent in all material respects with the annual financial statements, is in conformity with German legal provisions, and accurately describes the opportunities and risks of future development. The legal representatives are also responsible for measures and actions (systems) that they regard to be necessary to enable the preparation of a management report in compliance with applicable German legal provisions and to provide adequate, suitable evidence for the statements in the management report.

The Advisory Board is responsible for monitoring the accounting process.

**Responsibility of the auditor for the audit of the annual financial statements and management report**

Our objective is to obtain adequate assurance that the annual financial statements as a whole are free from any material false presentations, whether international or intentional, and that the management report overall gives an accurate view of the Company's position, is consistent in all material respects with the annual financial statements and with the findings obtained during the audit, is in compliance with German legal provisions, and accurately describes the opportunities and risks of future development, and subsequently to issue an auditor's opinion that contains our audit opinions concerning the annual financial statements and the management report.

Adequate assurance is a high level of assurance, but not a guarantee, that an audit conducted in compliance with Section 317 HGB, with due regard for the generally accepted German principles for audits established by the *Institut der Wirtschaftsprüfer* (IDW), will always uncover a material false presentation. False presentations can result from violations or errors and are viewed as material if it can reasonably be expected that, singly or collectively, they will impact the business decisions made by interested parties on the basis of these annual financial statements and management report.

During the audit, we exercise our conscientious judgement and maintain a critical attitude. In addition:

- We identify and assess the risks of material false presentations, whether intentional or unintentional, in the annual financial statements, plan and conduct our audit activities in response to these risks, and obtain audit evidence that is adequate and suitable to serve as the basis for our audit opinion. The risk that material false presentations will not be uncovered is greater in the event of violations than of errors because violations can encompass fraudulent cooperation, falsifications, intentional incompleteness, misleading presentations, or the evasion of internal control systems;

- We gain an understanding of the internal control system relevant for the audit of the annual financial statements so that we can plan audit actions that are reasonable under the given circumstances, but not, however, with the intention of submitting an audit opinion on the effectiveness of this control system used by the company;

- We assess the appropriateness of the accounting methods applied by the legal representatives and the justifiability of the estimated values presented by the legal representatives and the information related to these values;

- We draw conclusions as to the appropriateness of the accounting principle of a going concern applied by the legal representatives and, on the basis of the audit evidence we have obtained, as to whether there is any material uncertainty relating to events or circumstances that could give rise to significant doubts regarding the Company’s capability to continue as a going concern. If we come to the conclusion that there is significant uncertainty, we are obligated to call attention to the related information in the annual financial statements in the auditor’s opinion or, if this information is unreasonable, to modify our auditor’s opinion regarding the annual financial statements. We draw our conclusions on the basis of the audit evidence we have obtained as of the date of our auditor’s opinion. Future events or circumstances, however, may give rise to a situation in which the Company will be unable to continue its business activities;

- We assess the consistency of the management report with the annual financial statements, its compliance with legal statutes, and the view it gives of the position of the Company;

- We conduct audit activities regarding the future-oriented information presented by the legal representatives in the management report. Based on adequate, suitable audit evidence, we consider the reasoning on which the major assumptions made by the legal representatives are based, especially with respect to future-oriented information, and assess the objective correctness of the future-oriented information based on these assumptions. We do not prepare an independent audit opinion regarding the future-oriented information or on the assumptions on which this information is based. There is a significant, unavoidable risk that future events will deviate significantly from the future-oriented information.

We talk to the persons in charge of the monitoring to determine *inter alia* the planned scope and time schedule of the audit and significant audit findings, including possible shortcomings in the internal control system, that we determine during our audit.

Kaiserslautern, March 28, 2019

**RF Treuhand GmbH**

**Accounting Firm**

Baumeister
Certified Public Accountant

Reiter
Sworn Accountant

# Balance Sheet per December 31, 2018

**A S S E T S**

| | | | 12/31/2018 | | 12/31/2017 | |
|---|---|---|---|---|---|---|
| | | | € | € | € | € |
| **A.** | **Fixed assets** | | | | | |
| | **I.** | **Intangible assets** | | | | |
| | | Purchased concessions, purchased intellectual property rights and similar rights and assets and licenses in such rights and assets | | 17.839,00 | | 27.329,00 |
| | **II.** | **Tangible assets** | | | | |
| | | 1. Land, similar rights, and buil | 24.711,00 | | 54.365,00 | |
| | | on unowned land | 54.832,00 | | | |
| | | 2. Technical equipment and machinery | | | 79.963,00 | |
| | | 3. Other equipment, factory and | 295.849,00 | 375.392,00 | 251.418,00 | 385.746,00 |
| | **III.** | **Financial assets** | | | | |
| | | 1. Shares in affiliated compani | 2,22 | | 750.059,62 | |
| | | 2. Participating interests | 38.405,74 | 38.407,96 | 0,00 | 750.059,62 |
| | | | | 431.638,96 | | 1.163.134,62 |
| **B.** | **Current assets** | | | | | |
| | **I.** | **Inventories** | | | | |
| | | 1. Raw materials and supplies | 209.600,00 | | 1.121.923,43 | |
| | | 2. Construction in progress | 8.958.000,00 | | 1.507.000,00 | |
| | | 3. Services not yet billed | 934.500,00 | | 2.066.800,00 | |
| | | 4. Prepayments | 1.150.350,18 | | 603.686,91 | |
| | | | 11.252.450,18 | | 5.299.410,34 | |
| | | 5. Customer advances | -2.552.301,00 | 8.700.149,18 | 0,00 | 5.299.410,34 |
| | **II.** | **Receivables and other assets** | | | | |
| | | 1. Trade accounts receivable | 20.505.384,94 | | 9.829.786,51 | |
| | | 2. Receivables due from affiliat | 992.647,41 | | 378.904,37 | |
| | | 3. Other assets | 3.311.366,30 | | 2.667.749,55 | |
| | | - of which due to shareholders €0.00 (previous year €338,020.76) - | | 24.809.398,65 | | 12.876.440,43 |
| | **III.** | **Securities** | | | | |
| | | Shares in affiliated companies | | 877.744,87 | | 116.151,27 |
| | **IV.** | **Cash on hand and cash in banks** | | 1.846.777,52 | | 990.689,79 |
| | | | | 36.234.070,22 | | 19.282.691,83 |
| **C.** | **Prepaid expenses** | | | 49.466,54 | | 44.833,30 |
| | | | | **36.715.175,72** | | **20.490.659,75** |

**SHAREHOLDERS' EQUITY AND LIABILITIES**

| | | | 12/31/2018 | | 12/31/2017 |
|---|---|---|---|---|---|
| | | | € | € | € |
| **A.** | **Equity** | | | | |
| | **I.** | **Subscribed capital** | 42.520,00 | | 25.512,00 |
| | | own shares | -8.504,00 | | -8.504,00 |
| | | | | 34.016,00 | 17.008,00 |
| | **II.** | **Capital reserves** | | 5.312.992,00 | 1.080.000,00 |
| | **III.** | **Retained earnings, brought forward** | 3.576.520,03 | | 4.924.979,34 |
| | | Own shares | -94.496,00 | 3.482.024,03 | -94.496,00 |
| | | | | 8.829.032,03 | 4.830.483,34 |
| | **IV.** | **Net loss/profit for the year** | | -1.724.968,47 | 451.540,69 |
| | | | | 7.104.063,56 | 6.379.032,03 |
| **B.** | **Contributions by silent shareholders** | | | 400.000,00 | 400.000,00 |
| | | | | 400.000,00 | 400.000,00 |
| **C.** | **Provisions** | | | | |
| | | 1. Tax provisions | | 77.949,00 | 212.949,00 |
| | | 2. Other provisions | | 1.296.869,00 | 2.543.574,00 |
| | | | | 1.374.818,00 | 2.756.523,00 |
| **D.** | **Liabilities** | | | | |
| | | 1. Bank loans and overdrafts | | 61.758,58 | 38.037,45 |
| | | - of which with a remaining term of up to one year €35,002.60 (previous year €21,728.00) - | | | |
| | | 2. Customer advances | | 0,00 | 142.742,48 |
| | | - of which with a remaining term of up to one year €0.00 (previous year €142,742.48) - | | | |
| | | 3. Trade accounts payable | | 17.262.301,35 | 8.683.540,06 |
| | | - of which with a remaining term of up to one year €17,262,301.35 (previous year €8,683,54 | | | |
| | | 4. Other liabilities | | 10.512.234,23 | 2.090.784,73 |
| | | - of which with a remaining term of up to one year €10,512,234.23 (previous year €2,090,78 | | | |
| | | - of which from taxes €231,956.82 (previous year €54,754.51) - | | | |
| | | | | 27.836.294,16 | 10.955.104,72 |
| | | | | **36.715.175,72** | **20.490.659,75** |

Saarbrücken, this day of March 4, 2019

Andreas Hoffmann

# Profit and Loss Statement from January 1 to December 31, 2018

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | € | € | € | € |
| 1. Sales | | 54.032.004,08 | | 67.203.090,47 |
| 2. Increase or decrease in finished goods | | | | |
| and work in progress | | 6.318.700,00 | | -1.482.866,68 |
| 3. Other own work capitalized | | 0,00 | | 71.663,45 |
| 4. Other operating income | | 838.343,02 | | 538.168,71 |
| 5. Cost of materials | | | | |
| a) Cost of raw material and supplies | | | | |
| and of purchased goods | -45.093.691,24 | | -40.079.403,07 | |
| b) Cost of purchased services | -10.143.643,20 | -55.237.334,44 | -17.659.382,24 | -57.738.785,31 |
| 6. Personnel expenses | | | | |
| a) Wages and salaries | -2.788.057,12 | | -2.348.274,47 | |
| b) Social security, pension and | -397.635,01 | | -367.555,13 | |
| other benefit costs | | -3.185.692,13 | | -2.715.829,60 |
| - of which for pensions €304.80 | | | | |
| (previous year €101.60) - | | | | |
| 7. Amortization and depreciation | | | | |
| on intangible and | | | | |
| tangible fixed assets | | -223.094,28 | | -177.780,36 |
| 8. Other operating expenses | | -4.315.283,45 | | -4.160.927,25 |
| 9. Income from investments | | 0,00 | | 1.467,85 |
| - of which from affiliated companies €0.00 | | | | |
| (previous year €1,467.85) | | | | |
| 10. Other interest and similar income | | 94.322,30 | | 241.727,91 |
| - of which from affiliated companies €33,374.29 | | | | |
| (previous year €4,720.35 | | | | |
| 11. Interest and similar expenses | | -355.216,79 | | -679.887,61 |
| - of which from affiliated companies €0.00 | | | | |
| (previous year €0.00) | | | | |
| 12. Taxes on income | | 314.060,96 | | -504.226,49 |
| 13. Earnings after taxes | | -1.719.190,73 | | 595.815,09 |
| 14. Other taxes | | -5.777,74 | | -144.274,40 |
| 15. Net loss/profit for the year | | -1.724.968,47 | | 451.540,69 |

# Notes 2018

## I. General Information and Explanatory Comments on the Annual Financial Statements

Greencells GmbH is domiciled in Saarbrücken. It is registered under the number HRB 17943 in the Commercial Register of the Saarbrücken Local Court.

The annual financial statements 2018 were prepared as required by the regulations of the German Commercial Code in Sections 242 et seqq. (HGB) in compliance with the supplementary provisions for large stock corporations (Sections 264 et seqq. HGB) and of the GmbHG [Act Regarding Limited Liability Companies].

These annual financial statements were prepared while retaining the classification principles applied in the financial statements of the previous year and in accordance with the provisions of the Commercial Code governing large stock corporations (Section 265 (1) second sentence, Section 266 et seqq. HGB).

The profit and loss statement was prepared using the type of expenditures format in accordance with Section 275 (2) HGB.

## II. Accounting and Valuation Methods

Business transactions in foreign currencies were translated and booked at the exchange rate of the day. Receivables and liabilities in foreign currencies were measured at the euro reference price on the balance sheet date (Section 256a HGB).

**Intangible assets** are measured at cost of acquisition, reduced by scheduled amortization in accordance with the useful life usual in the industry.

**Tangible assets** are measured at cost of acquisition and manufacture, reduced by scheduled depreciation in accordance with the useful life usual in the industry. Low-value assets are written off in full in the year of their acquisition. Unscheduled write-offs (Section 253, (3), fifth sentence HGB) were not required.

**Financial assets** were measured at cost of acquisition. Write-downs (Section 253 (3) sixth sentence HGB) to a lower fair value were not required.

The inventories, **raw materials, and supplies** are measured at the actual or average costs of acquisition. Write-downs to the fair value were taken.

The "**Construction contracts in progress**" was measured at cost of manufacture (direct costs, reasonable overhead costs for material and production, and consumption of value of fixed assets insofar as a consequence of production, Section 255 (2) HGB). The costs of manufacture were compared with the presumed net income from the construction contracts. Observing strictly the principle of lower of cost or fair value, the lower value in each case was recognized (principle of loss-free measurement).

The "**Services not yet billed**" are measured at the contractually agreed net income less partial services that have been billed.

There were no changes in measurement over the previous year. The lower of cost or fair value principle is observed.

"**Customer advances**" were — in deviation from the previous year — visibly deducted from "Inventories" in accordance with Section 268 (5) second sentence HGB. In the previous year, they contained advances for a contract that had not yet been started and were recognized under "Liabilities".

**Receivables and other assets** are measured at nominal values. Discernible risks and general credit risks are given due consideration in the form of valuation allowances.

**Cash** was recognized at nominal value. Cash in foreign currencies was measured at the euro reference exchange rate on the balance sheet date.

**Provisions** include all discernible risks and contingent liabilities as determined by prudent commercial judgment. They were measured in the amount of their presumable repayment values.

**Liabilities** were recognized at their repayment values.

**Deferred taxes** are created for time differences between the value measurements under commercial law and under tax law insofar as they will presumably be eliminated in later fiscal years. Any overall tax burden that results is recognized as deferred tax liabilities in the balance sheet. In the event of overall tax relief, the capitalization option of Section 2784 (1) second sentence HGB is not exercised.

**Profits and losses** from the translation of foreign currency transactions are recognized in the profit and loss statement under the items “Other operating income” or “Other operating expenses”.

## III. Explanatory Notes on the Balance Sheet and Profit and Loss Statement

### Fixed assets

Reference is made to the exhibit to the notes for the development of the specific items in the fixed assets according to the expanded gross method

The **shareholdings** of the Company in the sense of Section 285 no. 11 HGB break down as shown below:

| Name and registered office of the company | Capital share | | Equity | Result 2018 |
|---|---|---|---|---|
| | € | % | €k | €k |
| Greencells CEE SRL, Bucharest | 2.22 | 0.0003 | 429 | 189 |
| Green Solar Energy Pte. Ltd, Singapore | 38,405.74 | 15.0 | -25 | -20 |

The “holding” in Green Solar Energy Pte. Ltd, Singapore, is disclosed at €12.51 in the previous year under “Shares in affiliated companies”.

### Receivables and other assets

The following remaining terms apply to receivables and other assets (figures of the previous year in parentheses):

| | | Remaining terms | |
|---|---|---|---|
| | Total | up to 1 year | More than 1 year |
| | € | € | € |
| Trade accounts receivable | 20,505,384.94 | 20,505,384.94 | 0.00 |
| | (9,829,786.51) | (8,726,411.17) | (1,103,375.34) |
| Receivables due from affiliated companies | 992,647.41 | 992,647.41 | 0.00 |
| | (378,904.37) | (378,904.37) | (0.00) |
| Other assets | 3,311,366.30 | 3,311,366.30 | 0.00 |
| | (2,667,749.55) | (2,667,249.55) | (500.00) |
| | 24,809,398.65 | 24,809,398.65 | 0.00 |
| | (12,876,440.43) | (11,772,565.09) | (1,103,875.34) |

The trade accounts receivable include receivables due from affiliated companies in the amount of €0k (previous year €40k), receivables due from related companies and persons in the amount of €13,512, (previous year €952k), and receivables due from shareholders in the amount of €105k (previous year €659k).

The item “Other assets” includes receivables due from related companies in the amount of €1,802k (previous year €783k) from loans.

**Securities**

This item covers the Company’s shareholdings in the sense of Section 271 (1) HGB and breaks down as shown below:

| Name and registered office of the company | Capital share | | Equity 12/31/2018 | Result 2018 |
|---|---|---|---|---|
| | €k | % | €k | €k |
| Polar Beteiligungs GmbH, Saarbrücken | 25 | 100.0 | -5 | -22 |
| Greencells CEE SRL, Bucharest | 745 | 99.9 | 429 | 189 |
| Capital Filter, S.L., Barcelona | 3 | 100.0 | -6 | -6 |
| Pekan Energy I Pte. Ltd, Singapore | 0 | 100.0 | -23 | -23 |

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*) Provisional

**Equity**

In accordance with the resolution adopted by the shareholders' meeting on July 5, 2018 (Roll of Deeds No. 339/2018 of Boris Bodenburg, civil-law notary public in Frankfurt am Main), the Company's **subscribed capital** was increased by €17,008.00 from €25,512.00 to €42,520.00 by cash contribution. The capital has been paid in full.

In accordance with the resolution adopted by the shareholders' meeting on February 4, 2015, a payment to the **free capital reserves** in the amount of €1,080,000.00 was decided and has been paid in full.

Pursuant to the "Investment Agreement" of June 1, 2018 (Roll of Deeds No. 267/2018 of Boris Bodenburg, civil-law notary public in Frankfurt am Main), €4,232,992.00 was paid to the Company's free reserves (in accordance with Section 272 (2) no. 4 HGB).

The profit of the previous year in the amount of €451,540.69 was allocated to the retained earnings carried forward in accordance with the shareholders' resolution.

Pursuant to a resolution adopted by the extraordinary shareholders' meeting on June 15, 2018, a partial amount of €1,800,000.00 gross was disbursed to the shareholders from the retained earnings carried forward.

### Contribution by silent shareholders

The contribution of a silent shareholder amounts to €400k and has been paid in full. The silent shareholding ends on June 30, 2024, and is to be repaid in 10 equal semi-annual installments of €40k each, beginning on December 30, 2019.

Both a fixed and a variable remuneration have been agreed as yield on the participation. The remaining term per the balance sheet date of more than 5 years amounts to €40k.

### Tax provisions

The tax provisions are related to trade tax for fiscal year 2016, for which the tax has not yet been assessed.

### Other provisions

Other provisions include amounts for personnel expenses (€230k), retention obligations (€15k), unpaid cost invoices (€635k), warranty obligations (€300k), and period-end closing, consultation, and audit costs (€117k). The period-end closing and audit costs break down into costs for the separate financial statements of Greencells GmbH (€36k, previous year €25k), tax accountant services (€48k, of which €40k for fiscal year 2018; previous year €25k), and the voluntary preparation of the consolidated financial statements (€33k, previous year €50k).

**Liabilities** are due as shown below:

| | Remaining terms | | |
|---|---|---|---|
| | Total | Up to 1 year | More than 5 years |
| | € | € | € |
| Bank loans and overdrafts | 61,758.58 | 35,002.60 | 0.00 |
| | (38,037.45) | (21,728.00) | (0.00) |
| Customer advances | 0.00 | 0.00 | (0.00) |
| | (142,742.48) | (142,742.48) | (0.00) |
| Trade accounts payable | 17,262,301.35 | 17,262,301.35 | 0.00 |
| | (8,683,540.06) | (8,683,540.06) | (0.00) |
| Other liabilities | 10,512,234.23 | 10,512,234.23 | 0.00 |
| | (2,090,784.73) | (2,090,784.73) | (0.00) |
| | 27,836,294.16 | 27,809,538.18 | 0.00 |
| | (10,955,104.72) | (10,938,795.27) | (0.00) |

Bank loans and overdrafts are in part secured by assignment by way of security of the fixed assets.

Trade accounts payable include liabilities due to affiliated companies in the amount of €235k (previous year €2k) and liabilities due to related companies in the amount of €356k (previous year €350k).

Other liabilities include liabilities due to related companies and persons in the amount of €10,678k (previous year €679k).

The trade accounts payable were secured in part by retention of title clauses on the part of the suppliers.

## Sales

Sales are related to the planning, development, and construction of solar power plants.

Sales by market

| | €k |
|---|---|
| Europe | 13,301 |
| Middle East | 27,323 |
| Asia | 13,408 |
| | 54,032 |

## Other operating income

This item includes €555k (previous year €257k) income from exchange rates, €177k (previous year €0k) from the write-down of the valuation allowance on receivables, €25k (previous year €0k) income from the reversal of provisions, and €28k (previous year €0k) income from write-ups on, and sales of, fixed assets.

## Other operating expenses

Other operating expenses include losses from exchange rates of €992k (previous year €421k), losses from futures transactions of €0k (previous year €292k) and expenses related to other periods in the amount of €38k (previous year €279k).

## Other interest and similar income

This item includes interest pursuant to Section 233a AO [Tax Code] in the amount of €26k (previous year €1k).

### Interest and similar expenses

This item includes interest pursuant to Section 233a AO in the amount of €73k (previous year €13k).

### Taxes on income

This item includes corporate income tax reimbursements or reimbursement claims for previous years in the amount of €309k (previous year €20k) and trade tax reimbursements for previous years in the amount of €128k (in the previous year expense for past years €81k).

They result primarily from the tax audit for the years 2013 to 2015.

### Other taxes

The item includes VAT back payments for previous years in the amount of €3k (previous year €143k).

## IV. Supplementary Obligatory Information

### Contingent liabilities

The Company is liable for a contractual obligation of Polar Beteiligungs GmbH in the amount of €102k (previous year €509k).

To our knowledge, the underlying obligations can be satisfied by the pertinent company. In our assessment, an assertion of this claim is not to be expected.

## Other financial obligations

Other financial obligations break down as shown below:

| | Up to 1 year |
|---|---|
| | €k |
| Rents | 69 |
| Insurance | 160 |
| Leasing | 13 |
| Total | 242 |

There are no financial obligations with a term of more than 1 year.

The **total fees for the auditor** invoiced for the fiscal year amount to €36k.

## Average number of employees

| | |
|---|---|
| Full-time employee | 43 |
| Part-time employees | 17 |
| Total | 60 |

## Management

The following persons have been appointed as managing directors:

Mr. Andreas Hoffmann, Saarbrücken, CEO

Mr. Marius Kisauer, Saarbrücken, CFO (until August 14, 2018)

The managing directors are exempted from the restrictions of Section 181 BGB [German Civil Code].

Disclosure of the total compensation paid to the managing directors is waived pursuant to Section 286 (4) HGB.

## Advisory Board

An advisory board as a governing body of the Company was established by amendment of the shareholders' agreement of July 5, 2018. The Advisory Board has four members.

An advisory board as a governing body of the Company was established by amendment of the shareholders' agreement of July 5, 2018. The Advisory Board has four members.

The following gentlemen are its members:

Majid Tala Y Zahid, Dubai, United Arab Emirates, Group President Energy, Chairman

Aladdin R. Sami, Jeddah; Executive Managing Director

Andreas Hoffmann, Saarbrücken, CEO

Marius Kisauer, Saarbrücken, businessman

No remuneration was paid in fiscal year 2018.

## Events of special significance occurring after the conclusion of the fiscal year

No events of special significance occurred after the balance sheet date.

## Appropriation of profits

Executive management proposes to carry forward the profits to a new account.

Saarbrücken, March 4, 2019

Andreas Hoffmann

Managing Director

# Management Report 2018

## I. Basis of the Company

Greencells GmbH (hereinafter: Greencells), registered office in Saarbrücken/Germany, is one of the world's leading companies for the construction of open-area solar power plants.

The Company began operations as an installation service provider for the building of solar parks on a power plant scale — a rapidly growing segment within renewable energies.

Within a very short time, the Company had reduced the interfaces within the construction and in the meantime offers turnkey construction of solar power plants.

At the center of activities in fiscal year 2018 was the construction of new solar parks in Poland, the Maldives, Abu Dhabi, the Philippines, Vietnam, and Albania.

In addition, it was possible to develop four new markets in Europe and the rest of the world during the reporting year, namely, in Spain, the Netherlands, Malaysia, and Bangladesh.

The facilities are being constructed by audited subcontractors, for instance, by the Romanian subsidiary Greencells CEE SRL.

As of this time, Greencells has constructed more than 118 open-area and industry-roof turnkey solar power plants with a total photovoltaic output of more than 1.48 gigawatts (peak) and developed into an internationally active corporate group.

# II. Economic Report

## 1. General economic, industry-specific conditions

### 1.1. General economic conditions

According to figures issued by the International Monetary Fund (IMF), the world economy in 2108 grew at a rate of 3.7%, similar to that of the previous year (2017: 3.8%).

The economic upturn observed in all regions varied in its intensity.

While the dynamics in Europe and China slowed in the second half of 2018, economic performance in the USA in 2018 grew by 2.9%, significantly more strongly than in 2017 (2.3%).

Growth of world trade overall was substantially below the level of the previous year.

Growth in industrialized countries during the reporting year came to 2.3% and was therefore a little below the level of the previous year (2017: 2.4%).

The decisive element here related first and foremost to weaker development in the eurozone.

Growth in Germany of 1.5% was one percentage point lower than in the previous year.

This is attributed above all to the new exhaust gas and fuel consumption standards for the automotive industry which had as a consequence a weakening of demand in Germany and abroad.

At the time of this report, the economic forecasts for Germany vary strongly; depending on the source, they range between 1.2% (Bundesbank) and 1.7% (Institute for Economic Research Halle; DIW and others).

In France, the ongoing protests of the so-called “Yellow Vests” put a burden on the economy in the final months of the year. Economic growth weakened to 1.5% and will presumably not reach 1.6% again until 2020. In the USA, on the other hand, economic growth rose further to 2.9% (2017: 2.2%), but will presumably weaken in 2019 and 2020 to 2.5% and 1.8%, respectively.

The rise in economic output of 4.6% in so-called developing and emerging countries in 2018 remained virtually unchanged in comparison with the previous year (4.7%).

Chinese growth declined to 6.6% (2017: 6.9%), a level that had not been so low in almost three decades. India’s economy, in contrast, improved by 0.6% to achieve growth of 7.3% (2017: 6.7%).

### 1.2. Industry-specific conditions

In recent years, the competitiveness of photovoltaics in comparison with conventional energy sources has steadily improved.

In many countries such as Germany, Italy, Great Britain, Spain, Portugal, and Greece, photovoltaics is already competitive today.

According to a report from ETIP PV, this is above all a consequence of the development of prices for photovoltaic modules and components. Module prices have fallen by about 90% since 2009.

Solar power from solar projects in the Middle East is even now being generated at costs of less than $0.03 per kWh.

This development demonstrates that, in the long term, solar power will become competitive even without government subsidization.

The major objective in the future will be to develop solutions based on renewable energies that can guarantee low-cost and reliable power supplies.

### 1.3. Industry development

According to figures from “SolarPower Europe”, the umbrella association of the European solar industry, worldwide additional construction of photovoltaic (PV) facilities rose by 4% to 102,000 megawatts (MW) (2017: 98,000 MW).

The association expects additional construction to 127,000 MW for fiscal year 2019.

(Comparable forecasts for 2019, see also corporate advisory company Apricum GmbH, Berlin; Apricum PV Market Model Q2/2018)

The largest number of photovoltaic facilities was installed in Asia, followed by North America and Europe.

## European photovoltaic market grows strongly in 2018

Growth of the European solar market developed positively once again in 2018. Because of its dynamic expansion, the PV sector in greater Europe has developed into an established factor in power supply within only a few years.

The most important solar market in greater Europe in 2018 was Germany. This is clearly shown by an estimate of the solar association SolarPower Europe for the European solar market.

According to available data, PV facilities with a total output of more than 120 GW had been installed as of the end of 2018.

## Continued market growth expected in Europe (EU 28)

In the opinion of the solar association, one major reason for this growth is to be found in the climate protection targets agreed during the UN Climate Change Conference in Paris in 2015.

More and more EU member states are turning to low-cost solar energy to fulfill their commitments.

In this setting, it is to be assumed that demand on the European solar market will continue to be strong in the coming years.

With the annulment of the solar tariffs for solar measures and the Clean Energy Package, the EU has created the conditions for significant growth of the solar market.

## Germany again the largest market in Europe (EU 28) in 2018

In 2018, solar power systems with a total output of about 8.0 gigawatts (GW) were installed in the European Union (EU 28).

This is equivalent to an increase of 36% in comparison with the 5.9 GW output that was connected to the power grid in the EU 28 in 2017. If the European countries outside of the EU 28 are included in the calculation, growth in 2018 came to about 20% to a total of 11.0 GW (previous year 2017: 9.2 GW).

The cumulative installed output of the photovoltaic systems is growing significantly in Germany. At this time, about seven percent of the total gross power generation in Germany comes from photovoltaic systems.

**Solar market in greater Europe**

The largest solar market in European countries in 2018 was **Germany**, where about 2.96 GW in new grid-connected capacities were installed.

This represents growth of 68% in comparison with the previous year 2017 (2017: 1.76 GW).

**Turkey** followed in second place with 1.65 GW installed output.  The third-largest solar power market in 2018 is **the Netherlands**, where there was an addition of 1.4 GW (2017: 0.77 GW).

**Solar market outside of Europe**

In the estimation of SolarPower Europe, China will remain far and away the largest photovoltaics market in the world for years to come.

The association predicts that demand in China in 2020 will come to 49 gigawatts and increase to 64 gigawatts by 2023. China will no longer be so dominant, however, because new construction of photovoltaics will rise in many countries around the world.

China is followed by the USA and Japan.

It can be assumed that global new construction in 2020 will amount to about 144 gigawatts and then increase from one year to the next until it reaches 180 gigawatts in 2023.

## 1.4. General political conditions

The growing scarcity of fossil fuels and their negative impact on the environment along with the reduction in the use of nuclear fuels leave no alternative to the expansion of energy generation using renewable energy sources.

The targets set by the annual World Climate Conference and the European directive 2009/28/EC require the expansion of the share of renewable energies in total energy consumption to 27% by the year 2030.

The international agreements are negotiated and supplemented at regular intervals.

The international convention concluded in Paris in 2015 is the first agreement in which the industrialized and the emerging countries jointly committed to reduce greenhouse gas emissions.

The aim is to prevent the average global temperature from rising by more than two degrees Celsius in comparison with the value before industrialization.

The signing countries of the UN Framework Convention on Climate Change (UNFCCC) met in Katowice in Poland on December 3–4, 2018.

The almost 200 countries adopted a body of rules that can be used for the practical realization of the targets of the Paris Climate Change Convention.

The political discussion is being conducted with increasing intensity and is proving to be one of the most important subjects worldwide in more and more countries and is already displaying an impact on the voting behavior in many countries.

This leads to the conclusion that the industries in the renewable energies sector will continue to be a growth market.

## 2. Course of business and position

### 2.1. Effects of industry development on the course of business

The year 2018 was a challenging one for Greencells.

Recognized market research institutes such as GMT Research or HIS had projected strong growth in the photovoltaics industry for 2018.

The fiscal year began with full order books and a positive outlook.

Back in the second half of 2017, Greencells had started construction of 4 solar power plants in the Near East.  All projects were brought to a successful close in 2018.

We regard a contract in the newly developed business unit “Installation Systems” as the greatest success.

In this project, Greencells was able to win the design and supply contract for the world’s largest solar power plant in Abu Dhabi.

The Sweihan Project, with a volume of more than one thousand megawatts, uses the frame system designed by Greencells. In addition, Greencells, one of five construction companies, was in charge of the building of the largest partial section of a total of 250 megawatts.

In the second half of 2018, work began on the construction of another 5 solar power plants on international markets such as the Netherlands and Hungary; the facilities will go online in 2019.

The business unit O&M (Technical Operations Management) posted additional growth over the entire year. It was possible to increase the volume managed in Great Britain by *18.5* MWp.

As of the end of the year, Greencells managed a facility portfolio of close to 230 MWp.

At the time of the writing of this report, Greencells had launched construction work on solar parks it had developed itself in Malaysia and started project developments in Italy, Spain, the Netherlands (EU) and in Malaysia and Bangladesh (overseas).

### 2.2 Important events in the fiscal year

At the end of May 2018, however, it came as a complete surprise when the Chinese government reduced its PV expansion goals and solar subsidization, effective immediately.

This led to a drastic collapse of the Chinese solar market with the consequence that the Chinese providers increased their efforts on international markets, which created high price pressure in all segments.

In expectation of a continuing decline in prices, project developers and investors postponed the realization of photovoltaic projects to the following year in the second half of 2018.

Both EPC customers in Hungary and institutional investors with whom Greencells was negotiating the takeover of facilities that would be completed in the future, such as a 6-megawatt facility in Poland, a 46-megawatt facility in Malaysia, or a 30-megawatt facility in the Netherlands, sought to take advantage of the current situation and to postpone the start of construction with the aim of profiting as much as possible from the continuing fall of prices.

This forced Greencells to postpone to 2019/20 the more profitable EPC and project development business.

All in all, not one single project was canceled, but management nevertheless saw itself forced to accept several less profitable contracts to maintain the Company's liquidity and utilization of capacities in the short term in response to the overcapacities and the price fall for components.

### 2.3. Restructuring

Another important step in the direction of internationalization and expansion of the Company was the decision made by shareholders to seek more intensive cooperation with a strategic investor.

This has proved to be a promising and expedient step in our planning.

Initial talks were successfully held in cooperation with the corporate consulting company Apricum GmbH, Berlin, a specialist in the industry, at the end of 2017; in the middle of 2018, an agreement was reached with the Saudi-Arabian group Zahid, which operates worldwide, concerning Zahid's joining the Company.

The related strengthening of equity will decisively reinforce Greencells' path of growth and strengthen the creditworthiness of Greencells Group as well. Adequate bridge financing for construction projects and guaranteed lines of credit are fundamental success factors for international expansion. Moreover, the new partnership will facilitate the development of new sales markets, especially because Zahid already has two companies in the corporate group (Altaaqa and Omas) that have been operating successfully in the area of power solutions in the global electricity sector for many years and maintain strategic partnerships with companies such as Caterpillar, Total, or General Electric in many countries.

Productive changes for the structuring of business units and for the management and control of the company will also develop from the new shareholder structure.

Based on the example of large stock corporations, two bodies that will meet regularly and assume responsibility for the management and control of the company have been established: executive management and the Advisory Board, which will meet at least four times a year and monitor and advise executive management.

### 3.1. Assets and liabilities

| | 12/31/2018 | | 12/31/2017 | | Change | |
|---|---|---|---|---|---|---|
| | €k | % | €k | % | €k | % |
| **ASSETS STRUCTURE** | | | | | | |
| **Non-current assets, long-term** | | | | | | |
| **Fixed assets** | | | | | | |
| Intangible assets | 18 | 0.1 | 27 | 0.1 | -9 | -34.7 |
| Tangible assets | 375 | 1.0 | 386 | 1.9 | -11 | -2.8 |
| Financial assets | 38 | 0.1 | 750 | 3.7 | -712 | -94.9 |
| | 431 | 1.2 | 1,163 | 5.7 | -732 | -62.9 |

| | 12/31/2018 | | 12/31/2017 | | Change | |
|---|---|---|---|---|---|---|
| | €k | % | €k | % | €k | % |
| **Non-current assets, short- and middle-term** | | | | | | |
| **Current assets** | | | | | | |
| Inventories | 11,252 | 30.7 | 5,299 | 25.9 | 5,953 | 112.3 |
| less | | | | | | |
| customer advances | -2,552 | -7.0 | 0 | 0.0 | -2,552 | 100.0 |
| | 8,700 | 23.7 | 5,299 | 25.9 | 3,400 | 64.2 |
| Trade accounts receivable | 20,505 | 55.9 | 9,830 | 48.0 | 10,676 | 108.6 |
| Receivables due from affiliated companies | 993 | 2.6 | 379 | 1.9 | 614 | 162.0 |
| Receivables due from shareholders | 0 | 0.0 | 368 | 1.8 | -368 | -100.0 |
| Shares in affiliated companies | 878 | 2.4 | 116 | 0.6 | 762 | 655.7 |
| Other assets, prepaid expenses | 3,361 | 9.2 | 2,345 | 11.4 | 1,016 | 43.3 |
| Cash | 1,847 | 5.0 | 991 | 4.8 | 856 | 86.4 |
| | 36,284 | 98.8 | 19,328 | 94.3 | 16,956 | 87.7 |
| **Total assets** | **36,715** | **100.0** | **20,491** | **100.0** | **16,224** | **79.2** |

Total assets rose during the reporting ear by €16,224k (79.2%) to €36,715k.

On the assets side, the increase is primarily attributable to the trade accounts receivable (€+10,676k = 108.6%).

This results especially from the billing of a project shortly before the end of the year. Another important point relates to the rise in inventories (net) by €3,400k to €8,700k, which was primarily a consequence of the start of projects.

| | 12/31/2018 | | 12/31/2017 | | Change | |
|---|---|---|---|---|---|---|
| | €k | % | €k | % | €k | % |
| **CAPITAL STRUCTURE** | | | | | | |
| **Long-term capital** | | | | | | |
| Subscribed capital | | | | | | |
| less own shares | 34 | 0.1 | 17 | 0.1 | 17 | 100.0 |
| Capital reserves | 5,313 | 14.5 | 1,080 | 5.3 | 4,233 | 391.9 |
| Unappropriated earnings, carried forward (less own shares) | 3,482 | 9.5 | 4,830 | 23.6 | -1,348 | -27.9 |
| Net loss/profit for the year | -1,725 | -4.7 | 452 | 2.2 | -2,177 | -481.68 |
| **Equity** | 7,104 | 19.4 | 6,379 | 31.2 | 725 | 11.4 |
| **Silent holdings** | 400 | 1.0 | 400 | 1.9 | 0 | 0.0 |
| **= Economic equity** | 7,504 | 20.4 | 6,779 | 33.1 | 725 | 10.7 |

| | 12/31/2018 | | 12/31/2017 | | Change | |
|---|---|---|---|---|---|---|
| | €k | % | €k | % | €k | % |
| **Middle- and short-term loan capital** | | | | | | |
| Provisions | 1,375 | 3.6 | 2,757 | 13.4 | -1,382 | -50.1 |
| Bank loans and overdrafts | 62 | 0.2 | 38 | 0.2 | 24 | 62.2 |
| Trade accounts payable | 17,262 | 47.0 | 8,684 | 42.4 | 8,579 | 98.8 |
| Other liabilities | 10,512 | 28.8 | 2,234 | 10.9 | 8,278 | 370.6 |
| | 29,211 | 79.6 | 13,712 | 66.9 | 15,499 | 113.0 |
| | | | | | | |
| **Total capital** | **36,715** | **100.0** | **20,491** | **100.0** | **16,224** | **79.2** |

On the liabilities side, the trade accounts payable rose by €8,579k to €17,262k.

This is essentially explained by the billing of a large project that was settled at the end of the year.

A significant increase in other liabilities by €8,278k to €10,512k results from the loan facility of the new shareholder who has provided us with loan capital in addition to equity.

The long-term economic equity was strengthened by €725k (10.7%) and increased to a total of €7,504k.

The equity ratio amounts to 19.4%.

Long-term assets are fully covered by our equity.

### 3.2. Profit and loss

| | Fiscal year | Previous year | Change | |
|---|---|---|---|---|
| | **€k** | **€k** | **€k** | **%** |
| **Operating performance** | 61,123 | 66,210 | -5,087 | - 7.7 |
| Costs of materials | 55,237 | 57,739 | -2,502 | - 4.3 |
| Personnel expenses | 3,186 | 2,716 | 470 | 17.3 |
| Amortization and depreciation | 223 | 178 | 45 | 25.4 |
| Other operating expenses | 4,276 | 3,883 | 393 | 10.1 |
| **= Expenses for operating performance** | 62,922 | 64,516 | -1,593 | - 2.5 |
| **Operating profit/EBIT** | -1,799 | 1,694 | -3,494 | - 206.2 |
| Taxes on income | -123 | -443 | 321 | 72.3 |
| Financial results | -214 | -424 | 210 | - 49.5 |
| Non-operating results | 411 | -375 | 786 | + 209.4 |
| **Result for the year** | **-1,725** | **452** | **-2,177** | **- 481.5** |

Greencells realized **operating performance** of €61,123k, a decline of €5,087k (-7.7%) in comparison with the previous year (2017: €66,210k). 1)

The dominant factor behind this decline was the postponement of contracts caused by the changes on the Chinese market.

### Expenses for operating performance

Costs of materials declined by €2,502k (-4.3%) to €55,237k, largely because of the lower demand for the services of subcontractors.

It is contrasted by the increase in personnel expenses of €470k to €3,186k. This increase results essentially from the following factors.

The stabilization and further development of the aforementioned growth markets required and requires an increase in the workforce by the hiring of qualified personnel, especially in the areas legal, sales, project development, and international accounting

The Company also continued to invest in quality assurance. Greencells was able to recruit new, experienced employees in this area as well.

In 2018, Greencells employed on average 60 workers, of which 43 were full-time employees (2017: 38 employees, of which 30 were full-time).

Parallel to the process of internationalization, the other operating expenses increased by €393k (10.1%) to €4,276k in fiscal year 2018. They include high one-off costs for the M&A process and consulting costs for the performance of projects outside of Europe

The investments in sales are the consequence of more extensive expansion on international markets.

The bottom line is a negative **operating result/EBIT** of €1,799k (2017: positive €1,694k).

After deduction of the **taxes on income**(€-123k; 2017: €-443k) and the negative **financial result** — essentially interest expenses for project financing — (€-214k) and the addition of the positive **non-operating result** (€+411k; 2017: €-375k), the **result for the year** comes to €-1,725k (2017: €+452k).

### 3.3. Financial position

The financial management strives to settle liabilities within the payment periods at all times and to collect receivables within the credit lines.

Our financial position can be described as very stable.

The available credit lines were utilized merely to a minor extent during the reporting year.

The **cash flow** statement and the figures derived from it were calculated in accordance with DRS 21 (revised) [German Accounting Standards].

During the reporting year, there was a negative **cash flow from current business activities** in the amount of €-1,187k, essentially a consequence of the negative result for the year.

If the outflow of funds **from investment activities** of €-217k is taken into account, there are financial requirements totaling €1,404k, which are clearly overcompensated by the inflow to equity from the new shareholder.

The positive **cash flow from financing activities** amounted to €2,260k on the balance sheet date.

This led to an increase in the **financial resources** on the balance sheet date of €856k to €1,847k.

### 3.4. Financial and non-financial performance indicators

We use primarily the indicators “Revenue per euro personnel expenses”, “Return on sales”, and “Cash flow from current business activities” for the internal corporate management.

The **Revenue per euro personnel expenses** amounts to €16.96 and declined by 7.8% in comparison with the previous year.

We calculate the **Return on sales** as the EBIT in ratio to sales.

It declined from 2.8% to -3.3% in comparison with the previous year.

We calculate the **Cash flow from current business activities** from the total of result for the year, depreciation and amortization, interest results, and changes in provisions, inventories, receivables, other assets, and liabilities.

During the reporting year, there was a negative cash flow from current business activities in the amount of €-1,187k (previous year: €-2,064k).

## III. Risks and Opportunities Report

### 1. Risk Report

The objective of risk management is the early recognition of risks so that they can be assessed and, as necessary, prevented or minimized.

Greencells identifies, assesses, monitors, and manages the risks associated with business activities as an element of the overall corporate processes, especially within the framework of control measures.

In the future, Greencells will be integrated into the risk management system of Zahid Energy Group, where it has been the solar subsidiary since the second half of 2018, and reviews at regular intervals any risks in terms of likelihood of occurrence, extent of harm, and necessary countermeasures to reduce the likelihood of the risk occurring.

Greencells must observe the following risks in detail to ensure successful company development.

#### 1.1. Warranty risks

There are **warranty risks** in the area EPC/GC as well as with regard to turnkey solar facilities sold to third parties.

Insofar as claims relating to components (80% of the CAPEX in each case) are asserted against Greencells, the Company can by and large pass these claims on to the manufacturers.

For this reason, management regards the likelihood of occurrence as well as the extent of harm for warranty risks to be low.

Other risks could result if and when Greencells holds facilities temporarily, either indirectly or indirectly, as the owner before they are sold to customers.

In such cases, lower yields of the PV facilities because of technical defects or insufficient solar radiation would have to be taken into account because they could reduce the planned sales price of the facilities.

For instance, this could affect the results from the solar facility operated by the wholly-owned subsidiary “Polar  GmbH” with a total output of about 6 megawatts.

Since Greencells ensures ongoing monitoring and the regular servicing of the facilities, risks from lower yields independent of weather conditions are prevented for the most part.

### 1.2. Currency risks

As part of the currency hedging strategy, Greencells uses the services of the finance department of the Zahid Group Holdings to monitor possible **currency risks** related to projects in the “Non-euro currency regions.”

In addition, currency risks relating to specific projects are reviewed to determine whether it is necessary and profitable to hedge the risks through appropriate measures.

Risks from imminent losses of value in stored solar modules did not exist on the closing date because stocks are kept at a low level.

### 1.3. Quality risks

High quality requirements demand carefully selected, strong-performance suppliers. The development of new business relationships to suppliers is based on personal business relationships that have arisen over time.

Permanent market observation and broad positioning in the field of procurement and the intensive international contacts to suppliers will continue to make it possible for us to recognize at an early stage procurement risks of timely delivery and to counter them by expedient actions.

The procurement process, which is supported by ISO 9001, provides quality assurance during the selection of the key components.

As a means of ensuring product quality and stabilizing the supply chain, we cooperate exclusively with suppliers whose reliability has been confirmed by trustworthy references or by successful cooperation over the space of several years.

In addition, substitute products for the key major components are always available so that any time delays because of qualitatively poor products can be prevented.

### 1.4. Process-oriented risks, risks of operating activities

A major risk of project business is the on-schedule completion of the facilities.

Delays during construction may lead to delayed connection to the grid of the facility and consequently to lower feed-in compensation. This could result in the assertion of damage compensation claims by customers.

The Company handles these complex requirements through its comprehensive project controlling measures and the ongoing optimization of internal processes in the setting of a rapidly changing corporate environment.

In addition, delays in official approval procedures may mean a delayed accreditation and therefore acceptance and final payments of the projects that are later than originally planned.

This can cause delays in inflows of funds that would reduce the earnings because of higher financing costs.

Risks from supply bottlenecks can be virtually fully precluded because exclusively standard products are used; this means that there will be no shortage of products even if demand rises.

### 1.5. Financial risks

One risk for future development relates to the financing of project parks in particular if receivables cannot be paid on time and the financing of new projects is already necessary.

To minimize this risk, Greencells increasingly integrates investors who are simultaneously the buyers of the solar parks into the financing.

Additional risks may arise from financial crises or political uncertainties if these circumstances cause banks to hesitate to participate in project financing.

Bad debt losses are minimized in the Company through adequate receivables management and the conclusion of commercial credit insurance policies.

Our Company has a solvent clientele, and we have not suffered any noteworthy losses due to bad debts in previous fiscal years.

In the future, strict payment guarantees or assignments will be required, above all for business with investors and EPC customers and especially in developing and emerging countries, so that default of payments is prevented.

Assurance that any and all planned payment obligations can be fulfilled on their due dates is obtained on the basis of a liquidity plan that takes into account all revenues and expenditures and is updated daily

### 1.6. Market risks

**Market risks** can arise if projects for which planning and sales expenses have been incurred cannot be realized until a later point in time or not at all.

To secure the Company's continued operation, such risks are accepted, but they are constantly monitored and managed very closely.

Since the founding of the Company, international markets have been under constant observation, and the opportunities and risks of every market entry are carefully weighed.

In consequence, the Company's management assesses the market risk as low.

## 2. Opportunities report

The basis for Greencells' economic activities is on a market that looks ahead to steady growth in the future because demand arises from the existential need for secure and environmentally compatible energy sources.

Our strategic preparation on new markets and the decline in system costs in particular work together to secure a sustained order position.

Greencells has identified target markets in countries within the European region as well as in Sub-Saharan Africa, South America, and Southeast Asia.

Core criteria for the identification of the opportunities on our target markets are steady economic growth, political stability, above-average governance indicators, and last, but not least, a growing market for renewable energies.

**Europe**

The European Parliament promotes the utilization of energy from renewable sources with ambitious requirements aimed at the achievement of the EU's climate protection targets.

The goal is a reduction in greenhouse gas emissions of 40% by the year 2030.

For this reason, many EU member states have decided to stop the generation of electricity using coal and nuclear energy, a circumstance that significantly heightens the potential and the opportunities for the expansion of renewable energies in Europe.

**Sub-Saharan Africa**

The lack of a comprehensive and reliable power supply is one of the most pressing challenges to economic development for many countries in Sub-Saharan Africa.

The continent has a wealth of various energy sources, and  the potential for renewable energies — for solar power above all — is greater than in any other region of the world.

This potential has been identified by many international organizations.

The greatest challenge to its exploitation is the lack of technological expertise.

This obstacle, however, is being overcome at this time with the support of the World Bank and many other development aid institutions through various promotion programs and standardization of framework conditions.

This is turning Sub-Saharan Africa into an extremely important market for the development, construction, and operation of solar power plants.

**Southeast Asia**

Southeast Asian countries have experienced exponential growth over the past three decades.

The industrialization of the region has led to rapid urbanization and in consequence to a sharp rise in the demand for energy.

Southeast Asia remains highly dependent on fossil energy sources. Energy supply and demand continue to be unbalanced, however.

The region has enormous opportunities to use renewable energy sources that must be developed in the future if climate change is to be countered in accordance with the requirements of the Paris Climate Change Convention.

The countries in Southeast Asia also receive support from international organizations to accelerate the transition to renewable energies.

The local political decision-makers in most of the countries of the region have already established ambitious targets to be achieved by 2030.

Many countries such as Malaysia have also launched tender processes and drafted standardized project development processes with the aim of awakening the interest of international investors.

**South America**

South America has the most important prerequisites for generating all of its energy from renewable sources by the year 2030.

There are regions here with high wind potential and high levels of solar radiation.

In addition, South America’s development in the area of hydroelectric power generation is excellent.

The numerous renewable resources, the relatively stable political situation, and the strong economic growth in many South American countries make the region especially attractive for international project developers and investors.

**Other developments**

Thanks to the early creation of an international sales structure and the successful completion of many projects in Europe, the Middle East, Africa, Southeast Asia, and South America, Greencells has established a solid position for the construction of solar parks and is in demand internationally as a partner for such projects.

In the countries in which Greencells Group has conducted project developments, the sector for renewable energies is characterized by unregulated pricing or subsidization and remuneration practices. Spain, Italy, and the Netherlands can be mentioned as examples.

Because of guaranteed realistic earnings for a defined time period of up to 30 years, the market sector for renewable energies is also highly interesting for capital investors.

These investments are perceived as an alternative to mutual or real estate funds.

In Europe, local credit institutes also support the development of renewable energies through the provision of tailored project financing instruments and adequate terms and conditions for loans.

The fight against climate change is in addition strongly supported by European and international development banks that have created financing instruments for renewable energy projects in emerging and developing countries.

In addition, many national subsidization instruments have been developed to encourage the increase of the share of renewable energies in the global energy mix and to make the realization of projects possible

In the meantime, there are multiple inquiries from investors about the possible creation of joint solar funds with Greencells as well as about the construction of solar parks for market such as these.

Greencells has already entered the planning phase for this step with two partners.

## IV. Forecast Report

### 1.1. Future overall economic conditions for the photovoltaics industry

Greencells' core business is on a market for which the future continues to be characterized by steady growth.

According to the economic and corporate consultancy Deloitte, solar and wind power has in the meantime become one of the least expensive energy sources worldwide, and its potential has not yet been exhausted because of ongoing further developments in technology and falling generation costs.

Driving forces include, besides the decline in generation costs, to a high degree the climate protection targets that were adopted by a large number of the nations attending the UN World Climate Conference 2015 in Paris; they are gradually being joined by more countries.

This development also makes it easier for emerging countries to push ahead more strongly with the use of renewable energies in their countries.

The forecasts for these countries as calculated by the IMF show growth of 4.5%.

Blomberg New Energy Finance (BNEF) assumes that solar and wind power plants will have gained a market share of about 50% by the year 2050. Simultaneously, the generation costs shown in the BNEF forecasts will have declined by 70% as of the same point in time (BNEF, New Energy Outlook 2018).

The positive stimulus on growth and the catch-up effects of EU member states have become apparent even now and will also continue.

Governments of the Benelux countries, Austria, Greece, and even western Balkan countries such as Croatia and Serbia — which have never before made the slightest effort in this direction — are beginning to use auctions to encourage an energy economy with reduced $CO_2$ emissions.

This will create additional market opportunities in the Company's European arena.

### 1.2. Planned revenue and profit development

Management expects an increase in **operating performance** by 50% to €93 million and **gross profit** of €13 million (14%) for fiscal year 2019.

All in all, the Company is planning for a positive result for the year for the current and the following fiscal year.

## 2. Overall conclusion

Because of the declining costs for the construction of photovoltaics facilities, the demand on the world market will again accelerate strongly because the economic incentives for investors have risen substantially in comparison with the previous year.

At the time of the preparation of these annual financial statements, Greencells Group had developed projects itself or secured construction as EPC/GC with a volume of 455 MW.

The construction of these projects will begin within the next 12 months after the end of the fiscal year.

In consequence, we are assuming a further rise in sales for the coming years and see ourselves in a position to take the Company securely back into the black.

The workforce will presumably grow by about 10% to 15% during the coming fiscal year.

All in all, the Company's risk has not essentially changed in comparison with the previous year.

The inclusion of Zahid Group in the Company has led to a stabilization of the Company and gives it the capability to handle large order volumes.

Owing to the construction projects it has carried out, Greencells has the prerequisites and the experience required to realize major projects around the world.

The Company can draw on completed projects and the verified earnings from these projects to conduct acquisition activities.

Both the contracts that have been awarded and the ongoing queries and talks with investors demonstrate that Greencells can expand its international market share beyond the borders of Europe as well.

There are currently no discernible risks that might threaten the Company's continued operation.

In the opinion of management, positive overall development is to be expected in the coming years.

Saarbrücken, March 4, 2019

Andreas Hoffmann

— Managing Director —

# General Terms and Conditions of Engagement for Auditors and Accounting Firms

Last revised: January 1, 2017

## 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms *(Wirtschaftsprüfungsgesellschaften)* - hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

## 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service - not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung).* The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen),* the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

## 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

## 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

## 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and Information of the German Public Auditor outside of the engagement are always non-binding.

## 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

## 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform)* without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected - also versus third parties - by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement - also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

## 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

## 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz],* for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due

to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An Individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. **Supplementary provisions for audit engagements**

(1 ) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. **Supplementary provisions for assistance in tax matters**

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party - especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines - in particular tax assessments - on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in

(a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergü- tungsverordnung)* is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the Issue as to whether all potential sales tax allowances have been Identified. No guarantee is given for the complete compilation of documents to claim the Input tax credit.

12. **Electronic communication**

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. **Remuneration**

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. **Dispute Settlement**

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlich- tungsstelle)* within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. **Applicable law**

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.