

Letter from the Management



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

Dear Stakeholders,

2020 was a year unlike many others. Although we will never be able to predict the future, we can strive for the adaptability that will prepare us for whatever it might bring. We believe that our achievements last year stand as a testament to our ability to thrive despite unpredictable, unprecedented circumstances.

In 2020, the pandemic had basically no impact on our electricity generation, as well as on our EPC (Engineering, Procurement and Construction) and O&M (Operations & Maintenance) business segments. A record of 70.0 GWh of green energy was produced, PV power plants with a combined capacity of 23.0 MWp were built for our proprietary portfolio in Hungary and were successfully refinanced for the long-term on a non-recourse project-level basis. This will free up substantial liquidity that will allow us to continue our plans for ongoing growth as we further expand our portfolio. In the town of Leeton, Australia, our first two utility-scale power plants with a combined capacity of 14.6 MWp were brought to the commissioning stage. These are the two largest projects to be added to our portfolio and our first merchant projects providing competitive energy into the Australian energy market. Together they are expected to generate approximately 27.8 GWh of clean energy per year. During the year, we also completed the construction of a hybrid solar and battery storage system on Lord Howe Island, a UNESCO World Heritage Site. The 1.2 MWp solar PV

array with 3.2MWh Lithium-ion battery storage and micro-grid will generate and store enough energy to cover more than two thirds of the island's electricity needs, leading to a more resilient and environmentally sustainable power supply. Our operations and maintenance division also made significant progress last year, and now oversees solar assets with combined capacity of more than 300 MWp.

On the project development front, despite more difficult market entry conditions because of travel restrictions, we managed to increase our development pipeline for PV projects to a combined capacity of over 200 MWp in Hungary, Romania and Poland, where we are in the position of building several power plants in 2021. We also continued challenging and transforming the renewables industry, as illustrated by our recently concluded strategic investments. After an initial investment in April 2020, we have just announced our participation in for a capital increase in RayGen, a company specialising in high-efficiency concentrated PV generation with thermal absorption and storage. This technology promises to be a significant step forward in improving the economics of solar PV and power storage, especially as the demands for long duration storage are increasing. In December 2020, we also participated in the second equity financing round for Lerta, a Polish company, which develops virtual power plant technologies and services.

Photon Water has also made a major step forward in the Australian market with a trial phase remediation project for the Australian Government, Department of Defense to remove PFAS contamination from soil and ground water without the need for pumping and surface treatment or disposal processes using our (patent pending) nano-remediation process. In addition, our teams made great progress in water treatment and other areas of industrial and water quality processes using ultrasound.

2020 was eventually a crucial year for us in terms of our presence on capital markets. Our share listings were successfully transferred from alternative markets to the main (regulated) markets of the Warsaw and Prague Stock Exchanges, as well as to the Quotation Board of the Frankfurt Stock Exchange. The aim of these transfers was to widen our investor base across Europe and to stimulate trading liquidity.

In a consolidation of our experience and expertise, we embarked on an exciting new path in combining solar energy, energy storage and water technologies to create more wide-ranging, adaptable water and energy solutions. This was an important step in expanding our project development pipeline and strengthening our overall business in 2020. Our teams' hard work resulted in a spectacular year; we stand amazed and grateful for this accomplishment.

Financial Metrics

We closed 2020 with total revenues amounting to EUR 28.258 million, representing a 6.3% decrease YoY. Despite lower revenues in the sale of technology (-27.8% YoY), an area in which conditions remained challenging due to the coronavirus crisis, there was a robust 17.6% increase in revenues from the sale of electricity. We also managed to raise our EBITDA to EUR 8.440 million (+6.3% YoY) thanks to a more favourable revenue mix and an improvement on the gross margin across all activities. During the year, we continued our capacity expansion, mainly expressed in a growing headcount, which is crucial for the development of existing business lines as well as new activities.

Increased financial expenses linked to the development of PV power plants led to an EBIT loss of EUR 0.142 million, compared to a profit of EUR 5.382 million in 2019. Our business model involves significant bank financing at the project level, where debt/equity ratios reach up to 80/20. Non-recourse financing is aligned with the life cycle of power plants and is long-term, with tenors of up to 15 years. Thus a higher level of debt is expected in our industry.

Following the connection of new PV plants in Hungary, our total comprehensive income in 2020 amounted to EUR 2.084 million compared to EUR 8.064 million in 2019. The adjusted equity ratio remained at the sound level of 29.0%.

Outlook for 2021

During the coming year, we will remain focused on our strategic goal to develop, design and construct new projects for our proprietary portfolio with a clear focus on Australia, Hungary, Poland and Romania, where we have made strong progress and embarked on a path of dynamic growth. In Australia, we have just announced an exchange of project rights with our development partner Canadian Solar. As a result, we will continue developing the 160 MWp Maryvale Solar Farm with an increased 65% stake in the project, while further development of Gunning Solar Farm and Suntop2 Solar Farm will be handled by Canadian Solar. Of the three projects, Maryvale is in the furthest stage of development and we are very excited to advance the project to construction phase. Finally, we see significant potential to expand in the field of water treatment technology, with likely applications including contaminated land remediation and water management. Our Photon Water business line currently accounts for less than 10% of our revenue, but developments like these are expected to contribute to its significant growth in the near future.

Reporting on Sustainability

The pandemic has reminded us how the biggest crises demand an ambitious, global response. It has driven us to confront the threat of climate change more forcefully and to consider how, much like the COVID-19, it will inevitably alter our lives. In 2020, the foundations were laid for strategic management, controlling and reporting that are fully geared to sustainability. We have just released our first sustainability report, which formally expresses our commitment to delivering sustainable outcomes. Providing an overview of our efforts to integrate ESG into our organization, the report is set to provide clarity and guidance on sustainably integrated procedures and an overall embedded sustainable way of thinking.

We take our commitment to our employees, business partners, customers, bond- and shareholders very seriously and look to 2021 and beyond with the utmost confidence in our ability to meet or exceed those commitments.

Thank you all for your continued support, and for the trust you have placed in Photon Energy Group.

Amsterdam, April 2021

Board of Directors



Michael Gartner, Director



Georg Hotar, Director