

**HBL Germany GmbH
Zwickau**

Report
on the Audit of the Financial Statements as of
March 31, 2019

Schneider + Partner GmbH | Schackstraße 1 | 80539 München

HBL Germany GmbH
Zwickau

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Schneider + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Member of IGAL
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Accountants and Lawyers

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Attachments

- Appendix 1** Balance sheet as of March 31, 2019
- Appendix 2** Profit and loss account for the period from April 1, 2018 to March 31, 2019
- Appendix 3** Notes to the financial statements
- General engagement terms for German public auditors and public auditing companies - as of January 1, 2017

Note: Due to computational reasons rounding differences can occur

A. AUDIT ASSIGNMENT

The management of

HBL Germany GmbH, Zwickau

- hereinafter referred to as „Company“ -

has instructed us to audit the financial statements of HBL Germany GmbH for the year ending March 31, 2019 according to the provisions of art. 316 and following, HGB (German Commercial Code), including the accounting and to provide a written report on the results of the audit.

The audit engagement, dated April 21, 2019 was based on a resolution approved by the shareholder's meeting held on June 21, 2018 in which we were appointed as auditors.

We confirm according to art. 321 (4a) HGB that we considered the applicable regulations for independence during our audit.

The Company is a small-sized corporation in accordance with the size criteria set out in Art. 267 (1) HGB.

We have enclosed the audited financial statements, consisting of balance sheet (Appendix 1), profit and loss account (Appendix 2) and the notes to the financial statements (Appendix 3).

The audit was performed in the time period from May 2, until May 27, 2019. The final analysis of the audit findings and the report was established in the Munich offices of our company.

The audit of the financial statements was completed May 27, 2019.

We have also audited the financial statement as of Mar 31, 2018; reference is made to our audit report dated June 1, 2018.

We provide the following report in compliance with the principles of proper reporting for audits of financial statements set out in audit standard PS 450 of the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany).

The fulfilment of our assignment and our responsibility - also in relation to third parties - are governed by the "General engagement terms for German public auditors and public auditing companies - as of January 1, 2017", which are enclosed with this report.

The audit was carried out in compliance with the general provisions of commercial law, especially §§ 317 and following, HGB, the principles of proper accounting and the principles for the proper execution of annual audits laid down in the IDW audit standards of the Institut der Wirtschaftsprüfer in Deutschland e. V.

B. Basic conclusions

1. Situation of the company

The Company has refrained from posting a management report. This is in compliance with the exemptions provided in §264 (1) HGB. For this reason we cannot explicitly, as per § 321 (1) HGB, issue any statement regarding the legal representatives' evaluation of the state of the Company, as it would otherwise appear in a report.

Throughout the course of the audit, we did not encounter any information that would make a report compulsory.

1.1. Economic situation and the course of business

The sales decreased from kEUR 5,382 prior year to kEUR 4,456 this year. Upon completion of restructuring measures in 2015 the company could concentrate on developing its business in the following.

The margin of sales of the company were close to expectations on the small sales volume, and after deducting for commissions and transport, a positive margin could be realized.

The company anticipates continued stability in their key industrial and commercial sectors of the German economy. In the medium-term the German energy transition appears very promising. The solvency of the company is backed by HBL Power Systems Ltd.

For the current fiscal year the management of the company expects the business to be profitable.

Currently, the company is making regular payments to the parent company against the payables. Parent company is expected to continue the support in reviving the company into profits.

2. Findings pursuant to art. 321 (1) S. 3 HGB

2.1. Risks to the development and existence of the company

According to art. 321 (1) S. 3 HGB, we as auditors are required to report detected irregularities or violation against law as well as facts which may thread the existence or the development of the audited company substantially.

As of March 31, 2019 the equity of the company is negative. The company shows a deficit not covered by equity of EUR 800,252.41. In the financial year 2018/2019 the company achieved a profit of EUR 162,351.86.

As of March 31, 2019 the company reports liabilities in the amount of EUR 1,694,818.53. These are payables to the parent company HBL Power Systems Ltd., Hyderabad, India.

Management's financial planning for the year 2018/19 forecasts a profit for this period again. According to this planning, the parent company will extend the required support to the company. Consequently, the financial statements have been prepared under the going concern assumption. According to our findings, the going concern assumption is correct.

2.2. Irregularities

According to art. 321 (1) S. 3 HGB, we are required to report on ascertained incorrect information or violations of legal regulation, as well as information that represents legal representatives' or employees' direct violation of law, company contract or statutes.

C. Object, nature and scope of the audit

The subject of our audit were the accounting and the financial statements (Appendix 1 to 3) for the year ending March 31, 2019, as well as the Company's compliance with the accounting provisions of the German Commercial Code.

The Company's management is responsible for the bookkeeping system, the preparation of the financial statements and management report, and for the information provided to us. Our responsibility is to form an opinion on the financial statements and disclosures presented to us by the management during the performance of our audit.

The starting point for our audit was the financial statement for the previous fiscal year for the period April 1, 2017 to March 31, 2018, on which we expressed our opinion on June 1, 2018; those financial statements were approved by shareholders' resolution on June 21, 2018 without amendment.

The financial statement presented to us for audit for the 2018/2019 fiscal year was prepared by the Company.

The legal representatives or the persons named by them provided us with all requested explanations, clarifications and documentary proofs.

Additionally the management board has given us a written confirmation, that in accounting and the financial statements all assets, liabilities, risks and accruals are included, income and costs are completely recorded and all notes and off balance sheet liabilities have been disclosed.

Our audit was carried out in compliance with the general provision of commercial law, especially art. 316 and subs HGB, and the provisions of the articles of association supplementing them, regarding the financial statements, the principles of proper accounting and the principles of proper execution of annual audits laid down in the audit standards of the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW).

In this respect we have planned our audit procedures on a problem-based methodology – without, however, performing procedures specifically designed to detect fraud – such that we detect with a reasonable assurance misstatements materially affecting net assets, financial position and results of operation in the financial statements.

Within the scope of this annual audit, we obtained information about the external corporate environment, the legal background conditions, the client and supplier structure, the range of goods and services offered, the services obtained by the Company and the Company's IT environment. Specifically at the beginning of the audit we have developed a comprehensive understanding of the Company's external and internal corporate environment from a set of questions discussed with management. In addition, the development of the Company over several years was analysed on the basis of the financial statements submitted as well as further internal and external information.

In addition, information provided by the legal representatives in relation to the main strategies and business risks was included in our considerations.

On the basis of the documents submitted and the information provided, we undertook a provisional evaluation of the systems and methods of accounting and preparation of the financial statements, taking into account the internal control system described. The internal control system implemented by the Company was analysed to determine whether the Company's monitoring environment, the risk assessment within the Company, the design of monitoring activities, the internal supervisory measures and the Company's information and communication systems contributed sufficiently to ensuring the truth and fairness of the accounts and compliance with laws and other regulations.

Based on the risk areas identified in the audit planning the following matters of emphasis were determined for our audit:

- Process of establishment financial statements
- Processes of valuation and cut-off of accounts receivable and sales revenues,
- Stock-keeping and valuation,
- Going concern.

Based on a preliminary assessment of the internal control system we determined the remaining audit procedures under consideration of materiality and cost-effectiveness principles. Accordingly, we performed both analytical and substantive audit tests on a sample basis, determined under consideration of the significance of the audit area and the organization of accounting procedures. Samples were selected to ensure, under consideration of the economic significance of each position in the financial statements, that sufficient coverage was obtained to verify compliance with statutory accounting requirements.

In auditing evidence of the Company's assets and liabilities we have, amongst other things, obtained bank and lawyers' confirmations, and obtained balance confirmations for selected trade receivables and trade payables accounts.

The nature, scope, and results of the individual audit tests performed by us are documented in our working papers.

D. Statements and Comments on the Accounting

1. Correctness of the Accounting

1.1. Accounting and other audited documents

The Company's financial and payroll accounting is maintained by the Company using the DATEV accounting software.

The Company's accounting-related internal control system (ICS) is appropriate for its business purpose and scope and allows for an orderly organization and control of relevant work-flows.

The organization of the books and records and the accounting-related internal control system allow for the complete, accurate, timely, and orderly recognition and recording of business transactions. The primary books of accounts are appropriately organized and document flows are transparent. The books and records open correctly with the closing balances from the previous year's balance sheet audited by us, and were maintained in an orderly fashion throughout the fiscal year.

Data gathered from other audited documents are properly reflected in the books and records, the financial statements and the management report.

Overall, based on the results of our work, it can be concluded that the bookkeeping system and other audited documents (including record and document management, internal control system) comply with the legal requirements, generally accepted accounting standards, and the additional requirements of the Shareholders' Agreement.

1.2. Annual financial statements

The company is a small-sized corporation pursuant to § 267 (1) HGB. The attached annual financial statements for the fiscal year ended March 31, 2019 have been prepared in accordance with the accounting requirements of the Commercial Code as applicable to partnerships in the sense of § 264 a HGB and the additional requirements of the Shareholders' Agreement.

The Company has applied the simplification exemptions available to small-sized companies under § 276 and § 288 HGB.

The financial statements comply with the statutory regulations including the generally accepted accounting principles. The balance sheet and profit and loss account were properly developed from the accounting and other audited documents. The principles of recognition, presentation and valuation applicable for corporations were observed.

The balance sheet and income statement are properly derived from the bookkeeping records and other audited documents. The classification of the balance sheet (Appendix 1) follows the presentation

method set out in art. 266 (2) and (3) HGB. The income statement (Appendix 2) is prepared using the total cost convention in accordance with art. 275 (2) HGB.

To the extent that a choice of presentational treatments of balance sheet or income statement disclosure items was available, the appropriate disclosure has primarily been made in the notes.

The notes to the financial statements (Appendix 3) contain the required disclosures concerning the individual items in the balance sheet and profit and loss account and include the other obligatory information correctly and completely.

Based on the results of our audit the annual financial statements comply with statutory requirements, generally accepted accounting standards and the additional requirements of the Shareholders' Agreement. The audit did not lead to any reservations.

2. Overall presentation of the financial statements

2.1. Findings relating to the overall presentation of the financial statements

Our audit revealed that the annual financial statements overall – i. e. the combined impression given by the combination of the balance sheet, income statement, and notes to the financial statements – give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with generally accepted accounting standards or other applicable accounting regulations (Art. 264 Para. 2 HGB).

2.2. Main valuation principles, changes in the valuation principles, proceedings affecting the facts of the situation

As regards the valuation principles, we refer to Section 1 in the notes to the financial statements (Appendix III).

2.3. Analysis and explanation of main items in the financial statements

	Book value 31.03.2019		Book value 31.03.2018		+ Increase - Decrease	
	T€	%	T€	%	T€	%
Assets						
Fixed assets						
Intangibles	0	0,0	0	0,0	0	0,0
Technical and office equipment	1	0,1	4	0,2	-3	-72,5
Long-term assets	1	0,1	4	0,2	-3	-72,5
Current assets						
Inventories	0	0,0	107	4,1	-107	-100,0
Trade receivables	908	80,1	2.367	91,0	-1.459	-61,6
Other assets	6	0,5	26	1,0	-20	-76,5
Cash-in-hand, bank balances	219	19,3	97	3,7	122	>100,0
Short term assets	1.133	99,9	2.597	99,8	-1.465	-56,4
Assets	1.134	100,0	2.601	100,0	-1.468	-56,4
Equity and liabilities						
Shareholders' equity						
Subscribed capital	25	2,2	25	1,0	0	0,0
Profit carried forward	-988	-87,1	-1.041	-40,0	54	-5,2
Net income/loss of the year	162	14,3	54	2,1	109	>100,0
Equity	-800	-70,6	-963	-37,0	162	-16,9
Liabilities						
Provisions	13	1,1	245	9,4	-232	-94,7
Trade payables	1.897	167,3	3.318	127,5	-1.420	-42,8
Other liabilities	24	2,1	1	0,1	23	>100,0
Short-term liabilities	1.934	170,6	3.564	137,0	-1.630	-45,7
Equity and liabilities	1.134	100,0	2.601	100,0	-1.468	-56,4

2.3.1. Changes in net assets

The total assets have decreased from 2,601 T€ to 1,134 T€ compared to March 31, 2018. This decrease was mainly the result of the decrease of the trade receivables.

The equity of the Company increased compared to the financial year 2017/2018 (from -963 T€ to -800 T€). This increase is caused by the net annual profit totaling 162 T€. Despite of the positive development the Company shows a deficit not covered by equity in the amount of 800 T€ as of 31 March, 2019.

The trade payables include mainly liabilities to affiliated companies (HBL Power Systems Ltd, India) (1.695 T€).

2.3.2. Changes in financial position

The purpose of the cash flow statement is to provide supplementary information about the Company's investment and financing activities. Cash at year end are presented starting with the net income for the period, which is then adjusted for non-cash items and payments made and received with respect to investing and financing activities.

The cash flow statement was drawn up in accordance with German Accounting Standards No. 2 - 10 (DRS 2-10). Cash and cash equivalents include cash-in-hand, central bank balances, bank balances and cheques.

	2018/2019 €	2017/2018 €
Net loss / income for the period before extraordinary items	161	54
+ Depreciation of fixed assets	1	2
-/+ Decrease/Increase of provisions	-232	123
+ Loss on disposal of fixed assets	0	0
+/- Decrease/Increase in inventories, trade receivable and other assets not attributable to investing or financing activities	1.589	59
-/+ Decrease/Increase in trade payables and other liabilities not attributable to investing or financing activities	-1.398	-378
= Cash-flow from operating activities	121	-140
- Purchase of tangible fixed assets	0	-1
= Cash-flow from investing activities	0	-1
= Cash-flow from financing activities	0	0
= Net change in cash funds	121	-141
+ Cash funds at the beginning of period	97	238
= Cash funds at the end of period	218	97

2.3.3. Statement of operation results

The following statement represents the results of operation for the financial year compared with the previous year derived from the income statement (Appendix 2):

	2018/2019		2017/2018		+Increase/-Decrease	
	T€	%	T€	%	T€	%
Operating income						
Revenue	4.456	100,0	5.382	100,0	-926	-17,2
Other operating income	68	1,5	77	1,4	-9	-11,7
Material costs	-4.256	-95,5	-5.081	-94,4	825	-16,2
Operating income	268	6,0	378	7,0	-111	-29,3
Operating expenses						
Personnel expenses	-44	-1,0	-77	-1,4	33	-42,8
Depreciation	-1	0,0	-2	0,0	1	-43,7
Other operating expenses	-62	-1,4	-164	-3,0	103	-62,5
Other taxes	0	0,0	-70	-1,3	70	-
Operating expenses	-107	-2,4	-314	-5,8	207	-65,9
Operating result	161	3,6	65	1,2	96	147,7
Net interest	0	0,0	-11	-0,2	11	-99,6
Income before taxes	161	3,6	54	1,0	107	198,3
Income taxes	0	0,0	0	0,0	0	0,0
Net income	161	3,6	54	1,0	107	198,3

With regard to the development of the profit and loss we refer to section B. of this report.

E. Reproduction of the audit opinion and closing comment

"Independent Auditor's Report"

Audit opinions

We have audited the annual financial statements of HBL Germany GmbH, Zwickau, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019, and the notes to the financial statements, together with a description of the accounting policies used. Based on the findings of our audit, the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with German principles of proper accounting and German commercial law.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements in accordance with §317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements" of our audit opinion. We are independent of the company in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German principles of proper accounting and in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have a responsibility to report matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for ac-

counting for the continuation of operations on the basis of the accounting principle, unless there are factual or legal grounds to the contrary.

Responsibility of the auditor for the audit of the annual financial statements

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and to express an opinion that includes our audit opinion on the annual financial statements.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these annual financial statements.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the annual financial statements, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- we understand the internal control system relevant to the audit of the financial statements and the procedures and measures relevant to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as the reasonableness of accounting estimates made and related disclosures made.

we draw conclusions about the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related statements in the financial statements or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Company to cease operating.

- we express an opinion on the overall presentation, the structure and the content of the annual financial statements, including the disclosures, as well as on whether the annual financial

statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the Shareholders' Agreement) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the principles of proper accounting.

Without qualifying our opinion, we hereby draw attention to the fact that the financial statement was prepared under going concern assumption (Art. 252 (1) No. 2 HGB) despite negative equity.

Munich, May 27, 2019

Schneider + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klaus Schneider
Wirtschaftsprüfer
[Certified Public Accountant]

Christian Seeberg
Wirtschaftsprüfer
[Certified Public Accountant]"

We issue the above audit report in accordance with the statutory requirements and in accordance with generally accepted audit standards (IDW PS 450).

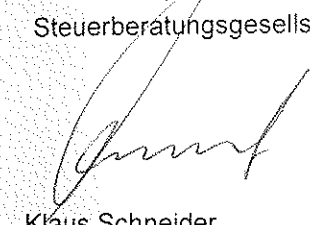
The audit opinion reproduced here may only be used separately from this audit report with our prior approval. The publication or reproduction of these financial statements and/or the management report in any form not consistent with the version on which we have issued our opinion (including foreign language translations) requires the issue of a new opinion by us, in advance, if our audit opinion is quoted or if reference is made to our audit; we refer to Art. 328 HGB.


The audit report above is submitted according to the legal provisions and the Standards of proper reporting set out in audit standard PS 450.

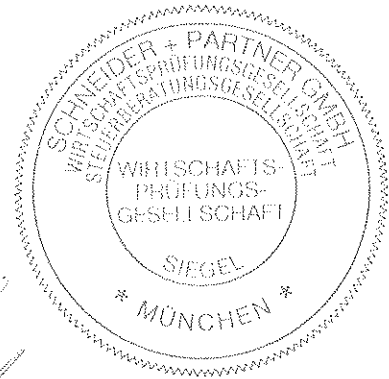
Any use of the above duplicated audit opinion without this audit report needs our consent prior of the use. Prior to any publication or distribution of the financial statements in a copy, which deviates from the audited form a further opinion of us is needed, if reference is made to our audit or our audit opinion. Reference to para 328 HGB (German Commercial Code) is made.

Munich, May 27, 2019

Schneider + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft


Klaus Schneider
Wirtschaftsprüfer
[Certified Public Accountant]


Christian Seeberg
Wirtschaftsprüfer
[Certified Public Accountant]



HBL Germany GmbH, Germany, Zwickau
Balance Sheet
As at March 31, 2019

	03-31-2019		03-31-2018	
	EUR	EUR	EUR	EUR
Assets				
A. Fixed assets				
I. <u>Intangible fixed assets</u>				
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		0,00		0,00
II. <u>Tangible assets</u>				
Other equipment, operating and office equipment		1.154,20		4.196,88
		<u>1.154,20</u>		<u>4.196,88</u>
B. Current assets				
I. <u>Inventories</u>				
Finished goods and merchandise		0,00		107.488,51
II. <u>Receivables and other assets</u>				
1. Trade receivables	908.048,03		2.305.623,80	
2. Receivables from affiliated companies	0,00		61.655,25	
3. Other receivables and other assets	<u>6.055,54</u>	914.103,57	<u>25.764,86</u>	2.393.043,91
III. Cash-in-hand, central bank balances, bank balances and cheques		<u>218.629,45</u>		<u>96.758,78</u>
		<u>1.132.733,02</u>		<u>2.597.291,20</u>
C. Prepaid expenses		<u>0,00</u>		<u>0,00</u>
D. Deficit not covered by equity		<u>800.252,41</u>		<u>962.604,27</u>
Total assets		<u>1.934.139,63</u>		<u>3.564.092,35</u>

HBL Germany GmbH, Germany, Zwickau
Balance Sheet
As at March 31, 2019

	03-31-2019		03-31-2018	
	EUR	EUR	EUR	EUR
Liabilities				
A. Shareholders' equity				
I. <u>Subscribed capital</u>	25.000,00		25.000,00	
II. <u>Loss carry forward</u>	-987.604,27		-1.041.420,76	
III. <u>Net gain for the financial year</u>	162.351,86		53.816,49	
IV. <u>Deficit not covered by equity</u> <u>(reported in equity)</u>	<u>800.252,41</u>		<u>962.604,27</u>	
		0.00		0.00
B. Provisions				
1. Provisions for taxes	0,00		70.000,00	
2. Other provisions	12.957,08	<u>12.957,08</u>	175.102,02	<u>245.102,02</u>
C. Liabilities				
1. Payments received on account of orders	200.171,00		6.334,80	
2. Trade payables	2.284,36		250,34	
3. Liabilities from affiliated companies	1.694.818,53		3.311.076,91	
4. Other liabilities	<u>23.908,66</u>		<u>1.328,28</u>	
		<u>1.921.182,55</u>		<u>3.318.990,33</u>
Total liabilities		<u><u>1.934.139,63</u></u>		<u><u>3.564.092,35</u></u>

HBL Germany GmbH, Germany, Zwickau

Income statement
For the year ended March 31, 2019

	2018/ 2019		2017/ 2018	
	EUR	EUR	EUR	EUR
1. Sales		4.455.730,60		5.382.126,23
2. Increase or decrease in stock of finished goods and work in progress		-107.488,51		-27.382,01
3. Other operating income of which EUR 9.649,74 (previous year: EUR 20.346,20) relating to income from currency translation		67.973,87		76.946,67
4. Cost of purchased materials and services				
a) Cost of raw materials, consumables and of purchased merchandise	-4.148.593,22		-5.053.298,58	
b) Cost of purchased services	<u>0,00</u>		<u>0,00</u>	
		-4.148.593,22		-5.053.298,58
5. Personnel expenses				
a) Wages and salaries	-36.180,00		-71.646,98	
b) Social security, post-employment and other employee benefit costs	<u>-8.077,72</u>		<u>-5.695,23</u>	
		-44.257,72		-77.342,21
6. Depreciation and amortization on intangible assets and on property, plant and equipment		-1.176,53		-2.088,52
7. Other operating expenses of which EUR 4.874,95 (previous year: EUR 25.100,37) relating to expenses from currency translation		-61.622,87		-164.145,09
8. Other interest and similar income		1.822,76		-11.000,00
9. Interest and similar expenses		-46,52		0,00
10. Result before tax		162.341,86		123.816,49
11. Taxes on income		10,00		0,00
12. Other taxes		<u>0,00</u>		<u>-70.000,00</u>
13. Net gain for the year		<u>162.351,86</u>		<u>53.816,49</u>

HBL Germany GmbH, Zwickau

Notes as of March 31, 2019

(Translation)

HBL Germany GmbH is classified as a small-sized company in terms of Section 267 of the German Commercial Code (hereinafter referred to HGB). The present financial statements comply with Sections 242 et seqq. and 264 et seqq. of the HGB and the German Companies Act.

The Income statement is presented in the nature of expense format.

Valuation concept is based on the assumption of going concern. Trade payables are due to the sole shareholder HBL Power Systems Ltd., a listed company which is headquartered in Hyderabad. The company's deficit not covered by its equity is funded by payables to the sole shareholder.

I. Valuation methods

Intangible fixed assets are accounted for at acquisition cost net of regular depreciation which is based on the useful life of the individual items.

Tangible fixed assets are accounted for at acquisition cost net of regular depreciation which in accordance with para 253 (3) HGB is based on the useful life of the individual items under applicable straight-line method.

Inventory is accounted for under the lower of cost or market concept. The underlying quantity structure is retroactively calculated from the post balance sheet purchases; the result is reconciled with quantity per books.

Receivables are accounted for under a lower of nominal values or free of future loss concept which is achieved by devaluations for bad debt risks.

Expected post balance sheet date outflows of economic resources of the company which are caused by past circumstances are accounted for as reserves conditional upon circumstances providing reasonable means of estimation.

Payables are accounted for at redemption amounts.

II. Foreign currency translation methods

Liabilities in foreign currencies are recognized at their buying rates on the day of acquisition. Accounts receivables in foreign currencies are recognized at their offered rates on the day they incurred. Items denominated in a foreign currency are measured at the mean rate of exchange on the balance sheet date.

III. Balance sheet details

Accounts receivables trade

Accounts receivables are basically accounted for in accordance with written customers' confirmations.

All receivables are due within one year.

Liabilities

All liabilities are due within one year.

Reserves

Reserves contain audit costs, outstanding invoices and for commission.

IV. Other financial obligations

At March 31, 2019 the company has other financial obligations in the amount of 8k.

V. Other disclosures

Number of employees

During the fiscal year the company had two employees.

Disclosures on the Board of Directors

Since May 2014 Mr. Robert Herrity was the sole Managing Director of the company.

Disclosures on the parental company and consolidated statements

The company is included in the consolidated statements of the shareholding HBL Power Systems Ltd., headquartered in Hyderabad, India.

Proposal for the appropriation of the annual result

The Managing Director of the company proposes to carry forward the profit of fiscal year 2017/18 into the new fiscal year 2018/19.

Zwickau, April 30, 2019

Robert Herritty
Managing Director

Audit Opinion

Independent Auditor's Report

Audit opinions

We have audited the annual financial statements of HBL Germany GmbH, Zwickau, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019, and the notes to the financial statements, together with a description of the accounting policies used. Based on the findings of our audit, the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with German principles of proper accounting and German commercial law.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements in accordance with §317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements" of our audit opinion. We are independent of the company in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation and fair presentation of the annual financial statements in accordance with German principles of proper accounting and in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to

fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have a responsibility to report matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for the continuation of operations on the basis of the accounting principle, unless there are factual or legal grounds to the contrary.

Responsibility of the auditor for the audit of the annual financial statements

Our objective is to obtain reasonable assurance whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and to express an opinion that includes our audit opinion on the annual financial statements.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these annual financial statements.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the annual financial statements, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- we understand the internal control system relevant to the audit of the financial statements and the procedures and measures relevant to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as the reasonableness of accounting estimates made and related disclosures made.
- we draw conclusions about the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company's activities and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express

an opinion on the related statements in the financial statements or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Company to cease operating.

- we express an opinion on the overall presentation, the structure and the content of the annual financial statements, including the disclosures, as well as on whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the Shareholders' Agreement) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the principles of proper accounting.

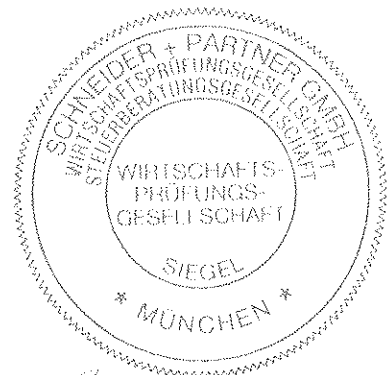
Without qualifying our opinion, we hereby draw attention to the fact that the financial statement was prepared under going concern assumption (Art. 252 (1) No. 2 HGB) despite negative equity.

Munich, May 27, 2019

Schneider + Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Klaus Schneider
Wirtschaftsprüfer
[Certified Public Accountant]



Christian Seeberg
Wirtschaftsprüfer
[Certified Public Accountant]

General Engagement Terms for

Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of 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*) [Translator's Note: The German term “Textform” means in written form, but without requiring a signature] 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 (*Steuerberatungsvergütungsverordnung*) 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 (*Verbraucherschlichtungsstelle*) 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.

Schneider + Partner GmbH

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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