

# Report of the Supervisory Board

The Supervisory Board hereby submits its report to the Annual General Meeting of shareholders, particularly on its supervision of management during the year under review, on its audit of the company's financial statements and management report prepared as of Saturday, December 31, 2016, pursuant to the provisions of the German Commercial Code (HGB), as well as on the consolidated financial statements and Group management report, and on its opinion on the auditor's report.

## BACKGROUND INFORMATION

In the year under review, the Supervisory Board held four regular meetings, including two closed-door sessions. In doing so, it fulfilled the tasks incumbent upon it according to the law, the articles of incorporation, and its rules of business procedure. Owing to the company's situation, the Supervisory Board kept abreast of the development of ongoing restructuring and related measures by way of five telephone meetings. If required, resolutions were also passed in these meetings. In exceptional cases, voting was made by way of circulation procedure. All Supervisory Board members participated at all meetings.

Since the AGM on June 20, 2015, the Supervisory Board has consisted of the following three members: Oliver Gosemann (Chairman), Prof. Thomas Zinser (Deputy Chairman) and Michael Fischl. The period of office of Supervisory Board member Prof. Dr. Thomas Zinser ended with the AGM on June 1, 2016.

The AGM reappointed Prof. Dr. Thomas Zinser to the Supervisory Board with effect as of the end of the AGM of June 1, 2016 until the end of the AGM that approves the discharge of the directors for the 2017 financial year.

At its June 1, 2016 meeting, the Supervisory Board re-elected Prof. Dr. Thomas Zinser to be its Deputy Chairman.

As a consequence, since June 1, 2016, as a result of the reappointment of Prof. Dr. Thomas Zinser the Supervisory Board has continued to consist of the following members: Oliver Gosemann (Chairman), Prof. Thomas Zinser (Deputy Chairman) and Michael Fischl. The requirements in terms of independent financial experts in the meaning of Section 100 (5) of the German Stock Corporation Act (AktG) (financial expert) were, and are, fulfilled by Prof. Thomas Zinser, whose main professional occupation is as a tax adviser.

No committees were formed.

Pursuant to the resolution of the AGM of June 1, 2016, the Supervisory Board Chairman on February 10, 2017 mandated PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, pursuant to Section 111 (2) Clause 3 of the German Stock Corporation Act (AktG), to audit the separate annual financial statements, the management report, and the consolidated financial statements and Group management report that are prepared pursuant to Section 315a of the German Commercial Code (HGB) on the basis of IFRS / IAS. On May 12, 2016, the auditor submitted an auditor's independence declaration to the Supervisory Board Chairman in accordance with section 7.2.1 of the German Corporate Governance Code, of whose correctness the Supervisory Board is not in doubt.

On March 22, 2017, the Supervisory Board consulted with the Executive Board concerning the corporate governance report pursuant to the regulations of the German Corporate Governance Code, and in the version of May 5, 2015 (published in the Federal Gazette of June 12, 2015), and coordinated concerning

the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The declaration of conformity was published pursuant to statutory regulations. The complete corporate governance report, including the declaration of conformity, forms part of the annual report.

The Supervisory Board reviews the efficiency of its work annually as part of its closed-door session. Suggestions for improvement are also submitted at each meeting. The key areas of this efficiency review comprise the structuring and organization of the meetings, the optimizing of reporting by the Executive Board, and the passing of resolutions on agenda items, as well as the presentation of the company's financial position and performance, and the subsidiaries' positions. The Supervisory Board members participated in external further training measures over the course of the year to further optimize specialist qualifications. This particularly entailed more in-depth examination of topics preparing for the AGM and questions concerning statutory amendments to the German Stock Corporation Act (AktG).

#### REPORT ON THE SUPERVISION OF THE COMPANY'S MANAGEMENT BY THE SUPERVISORY BOARD DURING THE REPORTING YEAR

The Supervisory Board held regular meetings, consulted intensively on the items on the agenda, and actively analyzed the development of the company and the situation in the sector. The Supervisory Board frequently consulted with the Executive Board about the management of the company, and supervised its activities. The supervision of the company's management is conducted primarily through regular written and verbal reports by the Executive Board, and discussion of these reports. The Executive Board reported promptly on the course of business, strategic development, and the current situation of the company and the Group. In addition to the Supervisory Board meetings, the Supervisory Board Chairman maintained constant contact with the CEO and CFO, and had himself be informed of the current status of business, specific business transactions, and, in particular, the situation of the major subsidiaries.

Furthermore, the Supervisory Board kept itself informed through regular telephone conferences with the Executive Board of the development of the company's financing, and discussions with the financing consortium.

The Supervisory Board was thereby rapidly involved in all decisions of key significance for the company and the Group.

Supervisory and advisory activity in the period of this report focused on the following issues:

- Deepening of business strategy action areas within the international context
- Refining the conceptual structure of corporate financing
- Expanding business activities in the Middle East and Asia
- Assessing business potentials connected with changed political situations in the USA
- Further developing the sales organization, especially in the USA
- Ongoing monitoring of the liquidity position and the status of refinancing
- Reviewing and discussing important major projects
- More in-depth appraisal and discussion of the project pipeline and opportunities to implement it
- Business planning for the Group and its subsidiaries
- Receipt and discussion of the Executive Board reports pursuant to Section 90 of the German Stock Corporation Act (AktG) on the liquidity and financial positions, intended business policy and other fundamental issues pertaining to corporate planning (in particular finance, investment and personnel planning),
- Monitoring the development of the internal control system (risk monitoring and early warning system pursuant to Section 91 (2) of the German Stock Corporation Act [AktG]), and information obtained on this basis,

- Engagement with the findings of the DPR (the German Financial Reporting Panel) concerning the consolidated financial statements as of December 31, 2014
- Receipt and discussion of compliance reports,
- Receipt and discussion of reports submitted by the internal audit function,
- Consultation concerning the content of the German Corporate Governance Code,

The Supervisory Board agreed to the Executive Board's proposed resolutions following extensive review and discussion. In the case of measures subject to approval by the Supervisory Board, the main topics comprised:

- Approving major projects
- Extending the Group financing
- Takeover of minority interests in PSSG
- Founding a national company in Turkey
- Transfer of PSUS to PSDE
- Disposal of the company Bâtisolaire 3
- Setting targets for participation by women
- Appointing managers
- Consultancy contract with Dr. Murray Cameron

In respect of the members of the Executive and Supervisory boards no conflicts of interest arose that must be reported without delay to the Supervisory Board and about which the Annual General Meeting is to be informed.

#### CHANGES AT EXECUTIVE BOARD LEVEL

As of the end of the reporting period, Dr. Murray Cameron, whose contract expired as of December 31, 2016, stepped down from the Executive Board. The Executive Board otherwise remains unchanged with Mr. Tim P. Ryan as Managing Board Chairman (CEO) and Mr. Manfred Hochleitner as Chief Financial Officer (CFO).

#### REPORT BY THE SUPERVISORY BOARD ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS OF THE COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board members received the following in good time ahead of the meeting it held to approve the financial statements:

- the separate annual financial statements for the 2016 financial year,
- the management report by the Executive Board on the company's position in 2016,
- the 2016 consolidated financial statements prepared in accordance with IFRS / IAS standards,
- the Group management report by the Executive Board on the Group's position in 2016.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the separate financial statements and separate management report, as well as the consolidated financial statements and Group management report. The audits resulted in no objections; unqualified audit opinions were issued.

At its financial accounts meeting on March 22, 2017 – which was also attended by the Executive Board who explained the financial statements they had prepared as well as the risk management system – the Supervisory Board examined the separate annual financial statements and management reports, and conducted an intensive and in-depth discussion with the auditor who was also present and reported on the significant results of its audit, as well as its focal points and scope, and was available to provide

additional information. No major weaknesses in the internal control and risk management system relating to the accounting process were identified.

The Supervisory Board had the independent auditor report in detail, and confirm that

- all elements of financial accounting, to the extent that the separate annual financial statements are based on it, are systematically correct,
- the processes for achieving a complete, accurate, timely and proper collecting, processing and recording of accounting data are correctly organized,
- the system of documentation is well organized, and each individual transaction can be traced to its presentation in the annual financial statements and vice versa,
- random sample testing of the underlying documentation shows that they are in accordance with the reported accounting entries,
- the contract register used for the assessment of pending transactions and the notes to the financial statements convey no impression of a lack of clarity or completeness,
- the statutory provisions on recognition, reporting and measurement were complied with, and the separate financial statements give a true and fair view of the company's financial position and performance.

The Supervisory Board declared its agreement with the findings of the audit conducted by the independent auditor. Following the conclusive result of its review, the Supervisory Board ascertained that no objections were to be raised.

The Supervisory Board ratified the separate annual financial statements prepared by the Executive Board for the company, which are adopted as a consequence. The Supervisory Board also ratified the consolidated financial statements.

At its meeting on March 22, 2017, following consultation with the independent auditor pursuant to Section 171 (2) of the German Stock Corporation Act (AktG), the Supervisory Board issued the following statement on the independent auditor's report:

*"Based on its own review, the Supervisory Board concurs with the results of the audit of the separate annual financial statements and the 2016 management report, as well as the consolidated financial statements and 2016 Group management report, by the independent auditor who has issued unqualified audit opinions. No objections were raised following the final result of the review by the Supervisory Board. Accordingly, the separate annual financial statements as at December 31, 2016 are ratified by the Supervisory Board in its meeting on March 22, 2017, and thereby adopted. Moreover, the Supervisory Board also ratifies the consolidated financial statements as at December 31, 2016."*

Sulzemoos, March 22, 2017

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Oliver Gosemann  
(Supervisory Board Chairman)