Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

ALTERNUS ENERGY INC.

A Nevada Corporation

One World Trade Center, Suite 8500, New York, NY 10007
212-220-7434
www.alternusenergy.com
info@alternusenergy.com
4911

Annual Report
For the Period Ending: December 31, 2018
(the "Reporting Period")

As of December 31, 2018, the number of shares outstanding of our Common Stock was:

110,726,725

As of September 30, 2018, the number of shares outstanding of our Common Stock was:

71,726,725

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Alternus Energy Inc. (November 29, 2018 - present)
Power Clouds Inc. (April 24, 2015 - November 28, 2018)
World Assurance Group Inc. (September 12, 2008 - April 23, 2015)

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable) Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

The issuer was originally incorporated on January 1, 2000 in the State of Colorado.
The issuer was reorganized and incorporated on November 8, 2006 in the State of Nevada.
The issuer is currently active and in good standing in Nevada.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

2) Security Information

Trading symbol:	ALTN	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	02156H100	
Par or stated value:	$0.001	
Total shares authorized:	450,000,000	as of date: December 31, 2018
Total shares outstanding:	110,726,725	as of date: December 31, 2018
Number of shares in the Public Float[2]:	4,875,365	as of date: December 31, 2018
Total number of shareholders of record:	117	as of date: December 31, 2018

Additional class of securities (if any):

Exact title and class of securities outstanding:	Preferred Stock	
Par or stated value:	$0.001	
Total shares authorized:	50,000,000	as of date: December 31, 2018
Total shares outstanding:	0	as of date: December 31, 2018

Transfer Agent

Name: ClearTrust LLC
Phone: 813-235-4490
Email: inbox@cleartrusttransfer.com

Is the Transfer Agent registered under the Exchange Act?[3] Yes: ☒ No: ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:
None

[2] "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

[3] To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Number of Shares outstanding as of January 1, 2017	Opening Balance: Common: 65,477,098 Preferred: 30,000,000								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
2/8/17	New Issue	74,627	Common	0.13	No	Eurasian Capital / Jeff Stone	Investor Relations Services	Restricted	Reg D Exempt
4/1/17	New Issue	5,800,000	Common	0.09	No	Gaia Energy Srl/ Lorenzo Silvestre	Acquisition Consideration	Restricted	Reg S Exempt
8/24/17	New Issue	50,000	Common	0.05	No	ERC Energie/ A. Barabino	Business Development Services	Restricted	Reg D Exempt
8/25/17	New Issue	75,000	Common	0.07	No	Eurasian Capital/ Jeff Stone	Investor Relations Services	Restricted	Reg D Exempt
5/2/18	New Issue	250,000	Common	0.05	No	PCG Advisory / Jeff Ramson	Investor Relations Services	Restricted	Reg D Exempt

11/15/18	New Issue	1,000,000	Common	0.06	No	Joseph Duey	Chief Financial Officer Services	Restricted	Reg D Exempt
11/20/18	New Issue	1,000,000	Common	0.07	No	John Thomas	Board Member Services	Restricted	Reg D Exempt
11/20/18	New Issue	3,000,000	Common	0.07	No	Doonbeg Capital / John Thomas	Business Development Services	Restricted	Reg D Exempt
11/27/18	Cancellation	(30,000,000)	Preferred	0.07	No	Power Clouds Holdings Pte. / Vincent Browne	Auto Conversion	Restricted	Reg S Exempt
11/27/18	New Issue	30,000,000	Common	0.07	No	Power Clouds Holdings Pte. / Vincent Browne	Auto Conversion	Restricted	Reg S Exempt
12/10/18	New Issue	1,000,000	Common	0.02	No	Taliesin Durant	General Counsel Services	Restricted	Reg D Exempt
12/10/18	New Issue	500,000	Common	0.02	No	Cloudfield Co. / Harry Wolkenfelt	Business Development Services	Restricted	Reg S Exempt
12/20/18	New Issue	500,000	Common	0.03	No	John McQuillan	Board Member Services	Restricted	Reg D Exempt
12/20/18	New Issue	1,000,000	Common	0.03	No	Joseph Duey	Chief Financial Officer Services	Restricted	Reg D Exempt
12/20/18	New Issue	1,000,000	Common	0.03	No	SC Oresi Energy / Ovidiu Flaviu	Business Development Services	Restricted	Reg S Exempt
1/7/2019	New Issue	2,000,000	Common	0.03	No	Jean-Marc O’Brien	Advisory Services	Restricted	Reg D Exempt
1/7/2019	New Issue	1,000,000	Common	0.03	No	Joseph Duey	Chief Financial Officer Services	Restricted	Reg D Exempt

1/7/2019	New Issue	1,000,000	Common	0.03	No	Taliesin Durant	General Counsel Services	Restricted	Reg D Exempt
1/7/2019	New Issue	150,000	Common	0.03	No	Gita Shah	Employee Incentive	Restricted	Reg S Exempt
1/9/2019	New Issue	310,876	Common	0.03	No	Ardour Capital: Kerry Dukes; Walter V. Nasdeo; Jean-Marc O'Brien; Brian J. Greenstein	Financing Fees	Restricted	Reg D Exempt
1/9/2019	New Issue	3,500,000	Common	0.03	No	John Gildea Consultancy Ltd. / John Gildea	Corporate Strategy Consulting Services	Restricted	Reg S Exempt
1/17/2019	New Issue	100,000	Common	0.09	No	Ionela Cainaru	Employee Incentive	Restricted	Reg S Exempt
1/31/2019	New Issue	5,000	Common	0.148	No	David Yakerson	Maintenance Consulting Services	Restricted	Reg D Exempt
2/28/2019	New Issue	10,000,000	Common	0.09	No	VestCo Corp. / Vincent Browne	CEO Services	Restricted	Reg D Exempt
3/29/2019	New Issue	675,000	Common	0.07	No	John Thomas	Board Member Services	Restricted	Reg D Exempt
3/29/2019	New Issue	675,000	Common	0.07	No	John McQuillan	Board Member Services	Restricted	Reg S Exempt
3/29/2019	New Issue	2,500,000	Common	0.07	No	VestCo Corp. / Vincent Browne	Chairman of the Board Services	Restricted	Reg D Exempt
Shares Outstanding on 3/31/19:	Ending Balance: Common: 132,642,601 Preferred: 0								

Use the space below to provide any additional details, including footnotes to the table above:

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe any issuance of promissory notes, convertible notes or convertible debentures **in the past two completed fiscal years and any subsequent interim period**.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
3/30/17	0	1,395,680	0	12/31/17	N/A	Gaia Energy Srl	Consideration for Acquisition
11/7/17	25,400	100,000	283	On Demand	$0.20/share	Vincent Browne	Loan
12/11/17	0	100,000	0	On Demand	$0.20/share	VestCo Corp.	Loan
5/16/18	0	275,000	0	10/31/18	N/A	Brian O'Connor; Carlo Farina; N Oliviera-O'Brien	Loan
8/10/18	0	57,500	0	9/30/18	N/A	Brian O'Connor; Carlo Farina	Loan
6/11/18	0	1,100,008	0	10/15/018	N/A	IDC DR Fund	Loan
7/31/18	304,340	308,000	17,418	1/30/20	$0.20 / share	S.C. Oresi Energy S.R.L.	Loan
7/23/18	89,736	91,200	9,383	1/30/20	$0.20 / share	S.C. Oresi Energy S.R.L.	Loan
10/15/18	3,586,080	3,658,652	36,458	11/1/20	N/A	IDC DR Fund	Loan
12/20/18	1,423,811	4,405,176	0	02/20/19	N/A	IDC DR Fund	Loan
12/28/18	8,681,958	8,857,656	265,454	06/28/19	N/A	IDC DR Fund	Loan
10/09/18	664,298	718,683	0	11/30/37	N/A	MVB Bank of Germany	Loan
07/27/18	2,430,171	2,529,124	0	07/27/36	N/A	GLS Bank of Germany	Loan
12/19/18	2,418,299	2,586,991	0	12/19/36	N/A	Sparkase Bank of Germany	Loan

2/19/19	352,941	352,941	0	2/19/21	$0.20 / share	Brian O'Connor; Brett Macune; Thomas Drelles Trust; Carlos Farina	Loan
2/19/19	291,540	291,540	0	2/19/21	$0.20/share	VestCo Corp. / Vincent Browne	Refinanced Existing Note
03/31/19	2,893,986	2,893,986	0	06/28/19	N/A	IDC DR Fund	Loan

Use the space below to provide any additional details, including footnotes to the table above:

____

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)[4]:

Name: **Joseph E. Duey**
Title: **Chief Financial Officer**
Relationship to Issuer: **Chief Financial Officer**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

C. Balance sheet;
D. Statement of income;
E. Statement of cash flows;
F. Financial notes; and
G. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below.

_____

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

[4] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Alternus Energy Inc. owns and operates Utility Scale Solar projects internationally that provide clean energy to national power grids under long term, government supported, fixed price contracts. The Company currently has operational plants in Romania, Italy and Germany. The Company plans to expand further within Italy, Germany and the Netherlands, and to other worldwide locations in the future.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Alternus Energy Inc. is a United States holding company and conducts all of its business through, and derives all of its income from, its investment holding subsidiaries and operating subsidiaries in various countries around the world, as described in Footnote 1 to its Financial Statements attached to this report.

C. Describe the issuers' principal products or services, and their markets

Alternus Energy Inc. owns and operates Utility Scale Solar projects internationally that provide clean energy to national power grids under long term, government supported, fixed price contracts. The Company has operational plants in Romania, Italy and Germany.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Project Location	Project Entity	Type	Project Size
Italy	PC Italia 02 SRL	Solar Photovoltaic Asset	7.2 MW
Italy	Sant 'Angelo Energia SRL	Solar Photovoltaic Asset	.7 MW
Romania	Power Clouds SRL	Solar Photovoltaic Asset	3.3MW
Romania	Fran Energy Investment	Solar Photovoltaic Asset	2.8MW
Germany	PSM 40 GmbH & Co KG	Solar Photovoltaic Asset	.4 MW
Germany	GRT 1.1 GmbH	Solar Photovoltaic Asset	.7 MW
			15.1MW

Leases:

The Company has signed a ten-year lease, with an option to terminate at the end of year five, for office space for its corporate headquarters located at Suite 11, Plaza 212, Blanchardstown Corporate Park 2, Dublin 15, D15 PK64, Ireland.

The Company leases office space for its operations on a month-to-month basis; its office is located at One World Trade Center, Suite 8500, New York, NY 10007.

The Company’s two Romanian subsidiaries, Power Clouds SRL and F.R.A.N. Energy Investments SRL, are together under a lease that continues until May 15, 2020; the office is located at Bucharest, Street Aviator Mircea Zorileanu, no. 39, Floor 3, Room 5, District 1, District 1, Bucharest.

Through its Romanian subsidiaries, the Company owns and operates two solar parks with a combined power output of 6.1 MW constructed at Scornicesti and Nucet in Romania that generate an average of 7,100 MWh/yr. The parks occupy approximately 6 hectares of land that is leased on a 25 year term.

The Company’s Italian subsidiary leases the land used to house the parks operated by it from local municipalities. The leases have 20 year terms with 5 year extension options. Sant’Angelo Energia S.r.l. paid the land lease for the full term in a single payment when the park was constructed that was subsequently capitalized.

The Company’s German subsidiaries lease office space on a month-to-month basis; its office space is located in Frankfurt, Germany. The Company’s German subsidiaries also lease various rooftops to house the solar parks operated by them from various private third parties. The leases average a minimum of 20-year terms with options to extend the leases every 3 years for the following 9 years.

The Company’s Netherlands subsidiary leases office space on a month-to-month basis; its office space is located at Schipol, Amsterdam.

7) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% of more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Vincent Browne	Chief Executive Officer and Director	Ratoath-Meath / Ireland	67,337,571	Common	50.8%	50,587,571 shares held through Power Clouds Holdings Pte.; 16,750,000 shares held though VestCo Corp.
Joseph E. Duey	Chief Financial Officer	Tega Cay / SC	3,000,000	Common	2.3%	_____
Taliesin Durant	General Counsel and Corporate Secretary	East Kingston / NH	3,000,000	Common	2.3%	All shares held through DART Business Services LLC
John Thomas	Director	Spring Lake / NJ	4,675,000	Common	3.6%	3,000,000 shares held through Doonbeg Partners LLC

John McQuillan	Director	Wicklow / Ireland	1,175,000	Common	0.9%	_____
Telenergia Europe S.R.L.	>5% Owner	Strada Madrigalului 42A, Ap4, Rm2 Bucharest, Romania	21,701,784	Common	16.4%	Roberto Forlani
Gaia Energy S.R.L.	>5% Owner	Xona Asi Aversa Nord Italy	10,000,000	Common	7.5%	Lorenzo Silvestre

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

   None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

   None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

   None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Accountant or Auditor

Name: Alan Markowitz
Firm: Marcum LLP
Address 1: 750 Third Avenue

Address 2: New York, NY 10017
Phone: 212-485-5590
Email: alan.markowitz@marcumllp.com

Investor Relations Consultant

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Vincent Browne certify that:

1. I have reviewed this annual disclosure statement of Alternus Energy Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 9, 2019

/s/ Vincent Browne

Principal Financial Officer:

I, Joseph E. Duey certify that:

1. I have reviewed this annual disclosure statement of Alternus Energy Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

July 9, 2019

/s/ Joseph E. Duey

ALTERNUS ENERGY, INC.
AND SUBSIDIARIES

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

ALTERNUS ENERGY, INC. AND SUBSIDIARIES

Index to the Consolidated Financial Statements

	Page(s)
Consolidated Financial Statements:	
Report of the Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets, December 31, 2018 and 2017	F-2
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2018 and 2017	F-3
Consolidated Statements of Shareholders' Equity for the Years ended December 31, 2018 and 2017	F-4
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	F-5
Notes to the Consolidated Financial Statements	F-7

MARCUM
ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Alternus Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alternus Energy, Inc. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2018, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Marcum LLP

Marcum LLP

We have served as the Company's auditor since December 31, 2017.

New York, NY
June 26, 2019

MARCUMGROUP
MEMBER

Marcum LLP ■ 750 Third Avenue ■ 11th Floor ■ New York, New York 10017 ■ Phone 212.485.5500 ■ Fax 212.485.5501 ■ marcumllp.com

ALTERNUS ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,026,533	$ 130,366
Accounts receivable, trade	307,307	275,111
Other receivable, sale of asset	531,717	-
Unbilled energy incentives earned	164,687	652,468
Prepaid expenses and other current assets	334,078	365,485
Taxes recoverable	178,995	30,521
Total Current Assets	**2,543,317**	**1,453,951**
Investment in Energy Property and Equipment, Net	14,739,767	8,240,229
Construction in Process	6,979,080	-
Intangible Assets, Net	-	4,553,941
Restricted cash for future acquisitions	8,857,966	-
Total Assets	**$33,120,130**	**$14,248,121**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,696,200	$ 963,378
Contingent amounts payable under earn-out agreement	-	1,795,665
Promissory notes including convertible notes, current portion	14,510,204	2,492,001
Capital leases, current portion	85,325	85,205
Derivative liability	338,861	-
Taxes payable	27,451	119,144
Total Current Liabilities	**16,658,041**	**5,455,393**
Promissory notes including convertible notes, net of current portion and debt discount	10,320,240	1,467,902
Capital leases, net of current portion	1,032,453	1,154,027
Asset retirement obligation	75,032	20,528
Deferred amounts payable for acquisitions	-	20,998
Total Liabilities	**28,085,766**	**8,118,848**
Commitments and Contingencies		
Shareholders' equity		
Series D convertible preferred stock, $0.001 par value; 50,000,000 shares authorized and 30,000,000 were issued, and outstanding in 2017	-	30,000
Common stock, $0.001 par value; 450,000,000 shares authorized, 110,726,725 and 71,476,725 shares issued and outstanding as of December 31, 2018 and December 31, 2017 respectively.	110,727	71,477
Additional paid in capital	13,164,601	11,949,748
Other comprehensive income (loss)	(260,424)	205,875
Accumulated deficit	(7,980,540)	(6,127,827)
Total Shareholders' Equity	**5,034,364**	**6,129,273**
Total Liabilities and Shareholders' Equity	**$33,120,130**	**$14,248,121**

See accompanying notes to the consolidated financial statements.

ALTERNUS ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	December 31, 2018	December 31, 2017
Revenues	$ 2,592,964	$ 2,485,869
Cost of revenues	(1,278,614)	(1,265,616)
Gross Profit	1,314,350	1,220,253
Operating Expenses		
Selling, general and administrative	1,817,567	970,519
Loss on disposal of investment in energy property	681,421	232,146
Goodwill impairment	-	999,573
Depreciation and amortization	699,573	642,541
Total Operating Expenses	3,198,561	2,844,779
Loss from Operations	(1,884,211)	(1,624,526)
Other Income (Expense)		
Interest expense	(1,412,864)	(248,060)
Other income	480	33,000
Gain on bargain purchase	1,623,883	260,198
Total other income (expense)	211,499	45,138
(Loss) before Provision for Income Taxes	**(1,672,712)**	**(1,579,388)**
Provision for Income Taxes	**(180,000)**	**-**
Net Loss	**$(1,852,712)**	**$(1,579,388)**
Basic and diluted loss per share	($0.02)	($0.02)
Weighted average shares outstanding:		
Basic and diluted	**75,195,218**	**70,147,661**
<u>Comprehensive loss:</u>		
Net loss	(1,852,712)	(1,579,388)
Unrealized gain (loss) on currency translation adjustment	(466,299)	388,701
Comprehensive loss	**$(2,319,011)**	**$(1,190,687)**

See accompanying notes to the financial statements.

ALTERNUS ENEGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	Preferred Shares		Common stock issued		Additional	Other		
	Series D	Amount	Shares	Amount	Paid-In Capital	Comprehensive Income/(Loss)	Accumulated (Deficit)	Total
Balance at December 31, 2016	**30,000,000**	**$30,000**	**65,477,098**	**$65,477**	**$11,414,860**	**$(182,826)**	**$(4,584,439)**	**$6,779,072**
Restricted shares stock compensation			199,627	200	18,688			18,888
Acquisition of Italian operating companies			5,800,000	5,800	516,200			522,000
Unrealized gain (loss) on currency translation adjustment						388,701		388,701
Net loss							(1,579,388)	(1,579,388)
Balance at December 31, 2017	**30,000,000**	**$30,000**	**71,476,725**	**$71,477**	**$11,949,748**	**$205,875**	**$(6,127,827)**	**6,129,273**
Conversion of preferred shares to common shares	(30,000,000)	(30,000)	30,000,000	30,000				-
Restricted shares stock compensation			9,250,000	9,250	507,250			516,500
Warrant expense related to financing					707,603			707,603
Unrealized gain (loss) on currency translation adjustment						(466,299)		(466,299)
Net loss							(1,852,712)	(1,672,712)
Balance at December 31, 2018	**-**	**-**	**110,726,725**	**$110,727**	**$13,164,601**	**$(260,424)**	**$(7,980,540)**	**$ 5,214,365**

See accompanying notes to the consolidated financial statements.

ALTERNUS ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	December 31, 2018	December 31, 2017
Cash Flows from Operating Activities:		
Net loss	**$(1,852,712)**	**$(1,579,388)**
Adjustments to reconcile net loss to net cash provided by (used in) operations		
Depreciation and amortization	699,573	642,541
Stock compensation costs	516,500	18,588
Amortization of debt discount	707,603	-
Loss on sale of investment in energy asset	681,421	232,146
Goodwill impairment	-	999,573
Gain on bargain purchase	(1,623,883)	(260,198)
Changes in assets and liabilities, net of acquisition and disposals:		
Accounts receivable and other short-term receivables	(655,334)	(226,519)
Accounts payable & accrued liabilities	943,229	295,309
Energy incentives earned not yet received	428,083	(499,203)
Vendor deposits & prepayments	(129,565)	79,390
Warrant liability	338,861	
Net Cash Provided by (Used in) Operating Activities	**53,776**	**(297,761)**
Cash Flows from Investing Activities:		
Additions to plants under construction	(7,003,171)	-
Cash used for investment in energy assets	(6,871,219)	-
Proceeds from sale of fixed assets	3,760,155	2,104,927
Deposits paid under acquisition contracts	-	(59,101)
Cash paid for the acquisition of Italian subsidiaries	-	(807,908)
Net Cash (Used in) Provided by Investing Activities	**(10,114,235)**	**1,237,918**
Cash Flows from Financing Activities:		
Proceeds from debt principal - related parties	147,000	
Payments of debt principal - related parties		(268,580)
Proceeds from debt - senior debt	23,491,575	40,269
Payments on debt principal - senior debt	(3,836,815)	(442,363)
Net proceeds from lines of credit	5,033	51,882
Payments on leased assets - principal		(44,673)
Restricted cash for future acquisitions	(9,140,166)	-
Payment on notes payable related to acquisitions	-	(491,802)
Net Cash Provided by (Used in) Financing Activities	**10,666,627**	**(1,155,267)**
Effect of exchange rate on cash	289,999	28,431
Net increase (decrease) in cash and cash equivalents	896,167	(186,679)
Cash and cash equivalents, beginning of the Year	130,366	317,045
Cash and cash equivalents, end of the Year	**$1,026,533**	**$130,366**

See accompanying notes to the consolidated financial statements.

ALTERNUS ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED SUPPLEMENTAL STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	December 31 2018	December 31 2017
Supplemental Cash Flow Disclosure		
Cash paid for interest	$281,210	$ 200,913
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Restricted shares issued to consultants for services	516,500	18,688
Warrants issued as part of financing activities	707,603	-
Sale of Assets in reduction of Accounts payable		128,124
Shares issued as part of project acquisition prepayments		522,000
2018 Acquisition of Liquid Sun Italian operating asset:		
Working Capital Net	131,394	-
Investment in Energy Property, Net	4,177,206	-
Cash paid	**$4,308,600**	**$ -**
2018 Disposal of Tre Vallie Italian operating company		
Investment in Energy Property, Net	4,346,507	-
Less: cash received prior to close	(586,352)	-
Net Working Capital Adjustment	246,636	-
Loss on Sale of Asset and Related Operating Companies	(681,421)	-
Cash proceeds from sale	**$3,325,370**	**$ -**
2017 Acquisition of Tre Vallie Italian operating companies:		
Working Capital Net	-	$(2,232,595)
Investment in Energy Property, Net	-	3,278,116
Intangibles, Net	-	3,404,955
Capital Leases	-	(1,150,513)
Net Debt Acquired	-	(1,970,056)
Common Stock Expense	-	(522,000)
Cash paid	**$ -**	**$ 807,907**
2017 Disposal of Japanese plant and operating companies		
Land	$ -	$ 85,500
Plant under construction	-	2,247,388
Loss on foreign exchange	-	(32,158)
Loss on sale of assets	-	(195,802)
Cash proceeds from sale	**$ -**	**$ 2,104,928**

See accompanying notes to the financial statements.

1. Organization and Formation

Alternus Energy Inc. (formerly Power Clouds, Inc.) ("We", "ALTN" or the "Company") was incorporated in the State of Colorado on January 1, 2000, then reorganized as a Nevada corporation on November 8, 2006. On September 11, 2008 the corporation changed its name from Asset Realization, Inc. to World Assurance Group, Inc. On April 24, 2015, the Company changed its name from World Assurance Group, Inc. to Power Clouds Inc. On November 29, 2018, the Company changed its name from Power Clouds Inc. to Alternus Energy Inc. and related stock ticker symbol change from PWCL to ALTN.

Power Clouds Europe B.V.
In August of 2016, the Company incorporated a new wholly owned subsidiary in the Netherlands, Power Clouds Europe B.V. This company was incorporated to ultimately hold the Company's European operating companies and sub-holding companies as appropriate. It has no direct operating activities as of December 31, 2018.

PC_Italia_01 S.R.L. (Formerly Power Clouds Wind Italia S.R.L.)
In June of 2015, PWCL incorporated a company in Italy, PC_Italia_01 S.R.L. (formerly named Power Clouds Wind Italia S.R.L.). This company was incorporated to acquire Italian special purpose vehicles (SPV's), power plants and / or other assets located in Italy. During the quarter ended March 31, 2107, this Company completed the acquisition of Tre Vallie Energia S.r.l in Italy which operates a 1MW PV solar park. During the quarter ended September 2018, the Company sold the asset. (See Footnote 4 for more detail on the asset sale).

PC_Italia_02 S.R.L.
In August of 2016, the Company incorporated a new company in Italy, PC_Italia_02 SRL as a wholly owned subsidiary of Power Clouds Europe B.V. This Company was incorporated to acquire Italian special purpose vehicles, power plants and/or other assets located in Italy. During the quarter ended March 31, 2107, the Company completed the acquisition of the Sant' Angelo Energia S.r.l. in Italy which operates a 702KW PV solar park. (See Footnote 4 for more information).

PCG_HoldCo UG & PCG_GP UG
In June of 2018, the Company acquired 100% of the share capital of two 'shelf companies' in Germany which were renamed as PCG_HoldCo UG and PCG_GP UG immediately thereafter. These two companies were acquired in order to acquire German special purpose vehicles, PV solar parks and/or other assets located in Germany. During the twelve months ended December 31, 2018, these companies completed the acquisitions of 4 SPVs in Germany, PSM 20 GmbH & Co KG, GRK 17.2 GmbH & Co KG, GRT 1.1 GmbH and PSM 40 GmbH & Co KG.

Summary
Alternus Energy, Inc. (ALTN) is a holding company that operated through eight operating subsidiaries as of December 31, 2018:

Subsidiary	Date Acquired / Established	ALTN Ownership	Country of Operation
Power Clouds SRL	March 31, 2015	99.5%*	Romania
F.R.A.N. Energy Investment SRL	March 31, 2015	99.5%*	Romania
Power Clouds (Japan) GK	March 31, 2015	100%	Japan
Power Clouds Europe B.V. ("PCE")	Established August 2016	100%	Netherlands
PC_Italia_01 S.R.L.	Established June 2015	100% (via PCE)	Italy
PC_Italia_02 S.R.L.	Established August 2016	100% (via PCE)	Italy
Sant'Angelo Energia S.r.l.	March 30, 2017	100% (via PC_Italia_02)	Italy
PCG_HoldCo UG	July 6, 2018	100%	Germany
PCG_GP UG	August 30, 2018	100%	Germany
PSM 20 GmbH & Co KG	November 14, 2018	100% (via PCG_HoldCo)	Germany
PSM 40 GmbH & Co KG	December 28, 2018	100% (via PCG_HoldCo)	Germany
GRK 17.2 GmbH & Co KG	November 17, 2018	100% (via PCG_HoldCo)	Germany
GRT 1.1 GmbH	December 21, 2018	100% (via PCG_HoldCo)	Germany

* Non-controlling interest is not material

2. Summary of Significant Accounting Policies

Basis of presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of consolidation
The consolidated financial statements for the years ended December 31, 2018 and 2017 include the accounts of the Company and the aforementioned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The results of subsidiaries acquired or disposed of during the respective periods are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Use of estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses for the periods presented. The most significant estimates with regard to these statements relate to the assumptions utilized in the calculation of stock and warrant compensation expense, asset retirement obligations and impairment of long-lived assets. Actual results could differ from these estimates.

Cash and Cash Equivalents
The Company considers cash, demand deposits and highly liquid investments with maturities of less than three months when purchased to be cash and cash equivalents. The Company maintains cash and cash equivalents with major financial institutions, which may at times exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of loss to be remote.

Accounts Receivable
Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within that period. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management establishes an allowance for doubtful customer accounts through a review of historical losses, specific customer balances, and industry economic conditions. Customer accounts are charged off against the allowance for doubtful accounts when management determines that the likelihood of eventual collection is remote. The Company extends credit based on an evaluation of customers' financial conditions and determines any additional collateral requirements. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company considers invoices past due when they are outstanding longer than the stated term. Additionally, the Company monitors its exposure for credit losses and maintains allowances for anticipated losses. At December 31, 2018 and 2017, management determined that no allowance for doubtful accounts was considered necessary.

Energy Property and Equipment
Acquired energy property and equipment is recognized at fair value at the date of acquisition, less depreciation. Energy property constructed by the Company is recognized at its cost, less depreciation. The Company provides for depreciation utilizing the straight-line method by charges to operations over the estimated useful lives of the solar energy facilities. Expenditures during the construction of new solar energy facilities are capitalized to development in progress as incurred until achievement of the commercial operation date (COD). Expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are removed from the accounts and the related gain or loss, if any, is reflected in the year of disposal. When the Company abandons the anticipated construction of a new solar energy facility during the development phase, costs previously capitalized to development in progress are written off.

Goodwill and Indefinite-Lived Intangible Assets
The Company has goodwill and certain indefinite-lived intangible assets that have been recorded in connection with the acquisition of a business. Goodwill and indefinite-lived assets are not amortized, but instead are tested for impairment at least annually. Goodwill represents the excess of the purchase price of an acquired business over the estimated fair value of the underlying net tangible and intangible assets acquired. The Company tests goodwill resulting from acquisitions for a possible impairment annually on December 31st, or whenever events or changes in circumstances indicate an impairment. For purposes of the goodwill impairment test, the Company has determined that it currently operates as a single reporting unit. If it is determined that an impairment has occurred, the Company adjusts the carrying value accordingly, and charges the impairment as an operating expense in the period the determination is made. Although the Company believes goodwill is appropriately stated in the consolidated financial statements, changes in strategy or market conditions could significantly impact these judgments and require an adjustment to the recorded balance.

Intangible Assets
Intangible assets consist of long-term operating contracts acquired through the acquisition of solar energy facilities. Intangible assets are initially recognized at their fair value and are amortized over the term of the related Power Purchase Agreement (PPAs) using the straight-line method. For solar energy facilities that are purchased and then put into construction, intangible assets are recorded at cost, and are amortized over the term of the related PPAs using the straight-line method.

Impairment of Long-Lived Assets
The Company reviews its investment in energy property and PPAs for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When evaluating impairment, if the undiscounted cash flows estimated to be generated by the energy property are less than its carrying amount, the differential carrying amount is determined to be not recoverable. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value.

Asset Retirement Obligation
In connection with the acquisition or development of solar energy facilities, the Company may have the legal requirement to remove long-lived assets constructed on leased property and to restore the leased property to its condition prior to the construction of the long-lived assets. This legal requirement is referred to as an asset retirement obligation (ARO). If the Company determines that an ARO is required for a specific solar energy facility, the Company records the present value of the estimated future liability when the solar energy facility is placed in service. AROs recorded for owned facilities are recorded by increasing the carrying value of investment in energy property and depreciated over the solar energy facility's useful life, while an ARO recorded for a leasing arrangement is accounted for as a liability in the initial period recognized and amortized over the term of the solar energy facility's useful life. After initial recognition of the liability, the Company accretes the ARO to its future value over the solar energy facility's useful life.

Revenue Recognition
The Company derives revenues from the sale of electricity and the sale of solar renewable energy credits. Energy generation revenue and solar renewable energy credits revenue are recognized as electricity is generated by the solar energy facility, delivered to the customers and when collectability is reasonably assured. Revenues are based on actual output and contractual sale prices set forth in long-term contracts. The Company has a limited number of customers, generally of high credit quality. During the year ended December 31, 2018, two different customers represented 29% and 26% of revenues and 34% and 1% of accounts receivable balance. During the year ended December 31, 2017, the same two customers represented 32% and 13% of revenues and 28% and 1% of the accounts receivable balance.

Unbilled Energy Incentives Earned
The Company derives revenues from the sale of green certificates for the Romania projects. The green certificates revenue are recognized in the month they are generated by the solar project and registered with the local authority. The Company considers them unbilled at the end of the period if they have not been invoiced to a third party customer.

Taxes Recoverable
The Company records taxes recoverable, when there has been an overpayment of taxes due to timing of the Value Added Tax (VAT) between vendors and customers. The VAT tax can also be offset against a Country's income taxes where the VAT was registered.

Risks and Uncertainties
The Company's operations are subject to significant risk and uncertainties including financial, operational, technological, and regulatory risks including the potential risk of business failure. Also see Footnote 3 regarding going concern matters.

Fair Value of Financial Instruments
The Company measures its financial instruments at fair value. Accounting principles generally accepted in the United States of America (U.S. GAAP) establishes a framework for measuring fair value and disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy are described below:

> Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
> Level 2 Pricing inputs other than quoted prices in active markets included in Level 1 that are either directly or indirectly observable as of the reporting date.
> Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The carrying amount of the Company's financial assets and liabilities, such as cash, accounts payable, approximate their fair value because of the short maturity of those instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

Income Taxes

The Company accounts for income taxes using the liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences arising between the tax bases of assets and liabilities and their reported amounts for financial reporting purposes. The Company records valuation allowances to reduce its deferred tax assets to the amount expected to be realized. In assessing the adequacy of recorded valuation allowances, the Company considers a variety of factors including the scheduled reversal of deferred tax liabilities, future taxable income and prudent and feasible tax planning strategies. The Company follows applicable authoritative guidance on accounting for uncertainty in income taxes, which, among other things, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods and disclosure. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2018 and 2017, the Company had no uncertain tax positions and no unrecognized tax benefits. Penalties and interest assessed by income tax authorities would be included in income tax expense. For the years ended December 31, 2018 and 2017, the Company did not incur any penalties or interest. As of December 31, 2018, the Company accrued $180,000 related to noncompliance of administrative filing for their foreign entities for the periods 2012 – 2017.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of ASC 718 apply to new grants and to grants that were outstanding as of the effective date and subsequently modified.

Net Income (Loss) per Common Share

Net income (loss) per common share is computed pursuant to section 260 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants. As of December 31, 2018, the Company had 12,286,213 of warrants, and 4,360,105 of convertible shares associated with debt issuance. As of December 31, 2017, the Company had 30,000,000 preferred shares, 1,240,000 of warrants, and 3,338,165 of convertible shares associated with debt issuance. For both 2018 and 2017, the potentially dilutive shares were excluded since they were anti-dilutive.

Foreign Currency and Other Comprehensive Loss

The functional currency of our foreign subsidiaries is typically the applicable local currency which is Romania Lei, Japanese Yen or European Union Euros. The translation from the respective foreign currency to United States Dollars (U.S. Dollar) is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income statement accounts using an average exchange rate during the period. Gains or losses resulting from such translation are included as a separate component of accumulated other comprehensive income. Gains or losses resulting from foreign currency transactions are included in foreign currency income or loss except for the effect of exchange rates on long-term inter-company transactions considered to be a long-term investment, which are accumulated and credited or charged to other comprehensive income. For the years ended December 31, 2018 and 2017, the increase (decrease) in accumulated comprehensive gain (loss) was approximately ($466,299) and $388,701, respectively.

Transaction gains and losses are recognized in our results of operations based on the difference between the foreign exchange rates on the transaction date and on the reporting date. The Company had a non-material net foreign exchange loss for the years ended December 31, 2018 and 2017, respectively. The foreign currency exchange gains and losses are included as a component of general and administrative expenses in the accompanying Consolidated Statements of Operations.

The exchange rate adopted for the foreign exchange transactions are the rates of exchange as quoted on an OANDA, a Canadian-based foreign exchange company providing currency conversion, online retail foreign exchange trading, online foreign currency transfers, and forex information, internet website. Translation of amounts from Romania Lei, Japanese Yen and European Union Euros into United States dollars was made at the following exchange rates for the respective periods:

2018 End of Year Rate	2018 Average Rate
4.06 Romania Lei to $1.00 USD	3.95 Romania Lei to $1.00 USD
.87 European Union Euro to $1.00 USD	.85 European Union Euro to $1.00 USD

2017 End of Year Rate	2017 Average Rate
3.9 Romania Lei to $1.00 USD	4.1 Romania Lei to $1.00 USD
112.6 Japanese Yen to $1.00 USD	112.1 Japanese Yen to $1.00 USD
.83 European Union Euro to $1.00 USD	.87 European Union Euro to $1.00 USD

Preferred Stock

We apply the accounting standards for distinguishing liabilities from equity under U.S. GAAP when determining the classification and measurement of our convertible preferred stock. Preferred Stock subject to mandatory redemption is classified as liability instruments and is measured at fair value. Conditionally redeemable Preferred Stock (including preferred stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control) is classified as temporary equity. At all other times, preferred stock is classified as permanent equity.

Subsequent Events

The Company follows the guidance in Section 855 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company considers its financial statements issued when they are widely distributed to users, such as through filing them with OTC Markets.

Recent Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The standard provides enhancements to the quality and consistency of how revenue is reported by companies, while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards or U.S. GAAP. The new standard also will require enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. This accounting standard becomes effective for the Company for reporting periods beginning after December 15, 2018, and interim reporting periods thereafter. Early adoption is permitted for annual reporting periods (including interim periods) beginning after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method.

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of December 31, 2018. Under the modified retrospective transition method, an entity compares the revenue recognized from contract inception up to the date of initial application to the amount that would have been recognized if it had applied ASC 606 since contract inception. The difference between those two amounts would be accounted for as a cumulative effect adjustment and recognized on the date of initial application. The Company has completed its assessment of the new standard, including a review of the Company's revenue streams based on the five principles outlined above to identify potential differences in accounting because of the new standard. This evaluation has influenced the Company to conclude that the adoption of the new guidance will not have a material impact and will not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment is required. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC Topic 718, Compensation — Stock Compensation. The ASU includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The Company adopted this standard effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period The Company does not expect the adoption of the new standard to have a material impact on its financial position, results of operations or financial statement disclosure.

In February 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-02, Leases (Topic 842), which establishes a new lease accounting model for lessees. The updated guidance requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. In June 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, which further clarifies how to apply certain aspects of the new lease standard. Topic 842 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company adopted Topic 842 on January 1, 2019, using a modified retrospective approach as applied to lease existing as of or entered into after the adoption date. Topic 842 provides a number of optional practical expedients and accounting policy elections. The Company elected the package of practical expedients requiring no reassessment of whether any expired or existing contracts are or contain leases, the lease classification of any expired or existing leases, or initial direct costs for any existing leases. The Company is in the final process of implementing a new lease accounting policy and updating its controls and procedures for maintaining and accounting for its lease portfolio under the new guidance. Upon adoption of Topic 842, the Company expects recognition of additional assets and corresponding liabilities pertaining to its operating leases on its consolidated balance sheets. The Company does not expect the adoption of the new standard to have a significant impact on its consolidated statements of operations and cash flows.

In January 2017, the FASB issued ASU 2017-01 "Business Combinations (Topic 805): *Clarifying the Definition of a Business*", which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. The Company adopted this standard effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The impact of this standard will be limited to future business acquisitions.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The guidance in this ASU expands the scope of ASC Topic 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. This amendment will be effective for annual and interim periods beginning after December 31, 2018. The company does not expect ASU No. 2018-07 will have a material impact on its financial position, results of operations or financial statement disclosure.

3. Going Concern

The financial statements for the years ended December 31, 2018 and 2017 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of our business. As reflected in the accompanying financial statements, the Company had a net loss of $1,852,712 and $1,579,388 for the years ended December 31, 2018 and 2017, respectively.

The Company had accumulated shareholders' equity of $5,034,364 and $6,129,273 as at December 31, 2018 and December 31, 2017, respectively, and a working capital deficit of $14,114,724 and $4,001,441 as of December 31, 2018 and December 31, 2017, respectively. As at December 31, 2018, the Company had $1,026,533 of cash on hand.

Given the current level of cash resources, receivables and long-term supply contracts, management believes the Company's current level of operations is sufficient to mitigate such uncertainty. The working capital deficit for 2018 is related to the acquisition of long term assets that will be refinanced with long term debt in 2019. These assets will also provide long term cash flow to the Company.

As a result, the accompanying financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the company be unable to continue as a going concern.

4. Acquisitions and Dispositions

2018 Acquisition of PSM 20 GmbH & Co KG
On June 7, 2018, ALTN entered into a Purchase and Transfer Agreement, to acquire PSM 20 GmbH & Co KG ("PSM"), $115.00 in cash paid and the deposit of approximately $1.3M in cash deposited into an escrow account pursuant to an Escrow Agreement by and among the Company, as part of the above transaction, the Seller is constructing 7 photovoltaic installations with a total of 3,084 KW of power.

2018 Acquisition of GRK 17.2 GmbH & Co KG
On November 20, 2018, Alternate Energy's wholly owned German subsidiary, PCG_HoldCo UG ("PCG") entered into a Purchase and Transfer Agreement (pursuant to which PCG purchased one hundred percent (100%) of GRK 17.2's entire share capital in exchange for $115.00 in cash paid at Closing and the deposit of approximately $419,408 in cash deposited into GRK 17.2.As part of the above transaction, the Seller is constructing 7 photovoltaic installations s in Germany with a total of 2,521KW of power.

2018 Acquisition of PSM 40 GmbH & Co KG
On or about December 28, 2018, Alternate Energy's wholly owned German subsidiary, PCG_HoldCo UG ("PCG") entered into a Purchase and Transfer Agreement pursuant to which PCG purchased 100% of the share capital of PSM 40 in exchange for i) $115.00 in cash paid at Closing and ii) $570,000 in cash, a portion of which, $427,500, was immediately paid and the remaining $142,500 will be disbursed when certain conditions being met related to Grid Connection. As part of the above transaction, the Seller is constructing 6 photovoltaic installations in Germany with a total of 2,645kW of power.

2018 Acquisition of GRT 1.1 GmbH
On or about December 21, 2018 , PCG_HoldCo UG ("PCG"), a wholly owned German subsidiary of ALTN entered into a Share Purchase and Assignment Agreement for the purchase of 100% of the share capital of GRT 1.1 GmbH ("GRT 1.1") in exchange for i) $26,434 in cash paid at Closing, ii) the repayment of a third party cash advance in the amount of $160,845, iii) full settlement of third party liabilities in the amount of $43,046, and iv) the assumption of a senior bank loan in the amount of $876,005. As part of the above transaction, the Seller is constructing 5 photovoltaic installations in Germany with a total of 2,100 KW of power.

2018 Acquisition of Liquid Sun S.R.L
On December 18, 2018, PC_Italia_02 S.R.l., a wholly owned subsidiary of Power Clouds Europe BV ("PC Europe"), ALTN's Netherlands' subsidiary, closed the acquisition of certain assets, agreements and liabilities of Liquid Sun Srl, an Italian company, related to three photovoltaic installations located on three power plants with a total of 2,244.37 KW of power located in the Budrio and Anagni regions of Italy in exchange for approximately $4.3M, plus working capital, and transaction costs, commissions and required Italian taxes.

The fair value of the purchase consideration issued to the sellers of the project was allocated to the net assets acquired. The Company accounted for the acquisition as the purchase of a business under U.S. GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $5.8 million. The excess of the aggregate fair value of the net tangible assets has been treated as a gain on bargain purchase in accordance with ASC 805. The purchase price allocation was based, in part, on management's knowledge of the project and the results of a fair value assessment that the Company performed.

The Company then undertook a review to determine what factors might contribute to a bargain purchase and if it was reasonable for a bargain purchase to occur. The main reason for the bargain purchase price was a motivated seller who was looking to exit the business. The seller is a supplier to the solar industry and their strategy is to not keep assets on their books for the long-term.

Acquisition Cost	
Cash paid for assets	$ 4,177,206
Taxes paid at closing	131,394
Total acquisition cost	**4,308,600**

Fair value of assets acquired	
NPV of discounted cash flow	5,790,731
Net working capital acquired	148,685
Less asset retirement obligation	(57,013)
Net fair value of assets acquired	**$ 5,882,403**
Gain on bargain purchase	**$ 1,573,803**

2018 Disposition of Tre Valli Energia S.R.L

On September 30, 2018, PC Italia 01 S.R.L. sold 100% of the share capital of Tre Valli Energia S.R.L. The net aggregate consideration paid in exchange for the sale was $3,760,155.

Proceeds from sale	3,760,155
Net carrying cost of asset at time of sale	(4,688,212)
Net working capital adjustment	246,636
Loss on sale of asset and related operating companies	**$ (681,421)**

2017 Acquisition of Tre Valli Energia S.R.L:

On March 30 2017, PC Italia 01 S.R.L., a wholly owned subsidiary of Power Clouds Europe B.V., which is, in turn, a wholly owned subsidiary of ALTN acquired 80% of the share capital of Tre Valli Energia S.R.L., an Italian SPV that owns a 1MW Solar Park in Central Italy.

The shares were acquired from Gaia Energy S.R.L. pursuant to a Share Purchase Agreement entered into on July 26, 2016, as amended on March 30, 2017 (the SPA). The aggregate consideration provided by ALTN in exchange for the acquisition consisted of the following: (i) $429,440 in cash paid 4,200,000 shares of ALTN restricted common stock previously issued to Gaia Energy which had a market value of $378,000 at time of issue, (ii) 5,800,000 shares of ALTN restricted common stock, issued in April of 2017 (the "Shares") which had a market value of $522,000 when issued, (iii) the issuance of $1,395,680) unsecured promissory note, accruing no interest and having a maturity date of December 31, 2017 (the "Note"), (iv) $536,800) to be paid in cash by ALTN or its subsidiaries (v) additional earn-out consideration of approximately $1,579,150) based on the net production generated by Tre Valli Energia and delivered into the power grid between April 1, 2017 and March 31, 2018. The difference between the acquisition value of the earn-out consideration and the amount on the balance sheet is due to foreign currency translation. The difference between the acquisition value of the goodwill and the amount of goodwill impairment on the income statement is due to foreign currency translation

The table below summarizes the transaction details for the Tre Valli acquisition:

Cost of Acquisition	
Cash Paid	$429,440
Stock Issued - 4.2M Shares	378,000
Stock Issued - 5.8M Shares	522,000
Earn Out	1,579,150
Payable	536,800
Debt Acquired	1,395,680
Total Acquisition Cost	**$4,841,070**
Fair Value of Assets Acquired	
NPV of DCF - Intangible Asset	3,817,559
Net Working Capital Acquired	90,801
	$3,908,360
Goodwill on Acquisition	**$ 932,710**

In the fourth quarter of 2017, the Company received a letter of intent to purchase the Tre Vallie Energia S.r.l. The Company felt the offer represented the market value of the project. As part of the Company's annual goodwill impairment review it was determined based on the current market conditions that the Company recognize a goodwill impairment loss of $999,573 related to the Tre Vallie Energia S.r.l.

2017 Acquisition of Sant'Angelo Energia S.R.L.

On March 30, 2017, PC Italia 02 S.R.L., a wholly owned subsidiary of Power Clouds Europe B.V., which is, in turn, a wholly owned subsidiary of Power Clouds Inc. ("PWCL" or the "Company") acquired 100% of the share capital of Sant'Angelo Energia S.R.L., an Italian Special Purpose Vehicle ("SPV") that owns a 708kW Solar Park in Central Italy. The aggregate consideration provided by ALTN in exchange for the acquisition consisted of the following: (i) $799,028) in cash paid at Closing of which 42,944) held in escrow for 12 months from Closing against certain tax open items and as a hold back for any unexpected costs not found in due diligence, (ii) deferred consideration of $37,576 is due to be paid in two equal payments on March 30, 2018 and 2019 and (iii) assumption of lease liability in the amount of $1,267,711. The difference between the bargain purchase gain at acquisition and the amount on the income statement is due to foreign currency translation.

The fair value of the purchase consideration issued to the sellers of the project was allocated to the net assets acquired. The Company accounted for the acquisition as the purchase of a business under U.S. GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $2.3 million. The excess of the aggregate fair value of the net tangible assets has been treated as a gain on bargain purchase in accordance with ASC 805. The purchase price allocation was based, in part, on management's knowledge of the project and the results of a fair value assessment that the Company performed.

The Company then undertook a review to determine what factors might contribute to a bargain purchase and if it was reasonable for a bargain purchase to occur. The main reason for the bargain purchase price was a motivated seller who was looking to exist the business.

The table below summarizes the transaction details for the Sant'Angelo Energia acquisition:

Cost of Acquisition	
Cash Paid	$ 756,084
Escrow	42,944
Deferred March 30, 2018	18,788
Deferred March 30, 2019	18,788
Lease Liability Acquired	1,267,711
Total Acquisition Cost	**$2,104,315**
Fair Value of Asset Acquired	
NPV of DCF - Fixed Assets	2,197,331
Net Working Capital Acquired	134,606
Less: ARO	(18,367)
Total Acquisition Value	**$2,313,570**
Bargain Purchase Price	**$ 209,255**

The following presents the proforma combined results of operations as if the entities were combined on January 1, 2017:

	2018	2017
Revenues, net	$ 3,295,064	$ 3,480,183
Net loss allocable to common shareholders	(1,419,812)	(1,261,869)
Net loss per share	(0.02)	(0.02)
Weighted average number of shares outstanding	75,195,218	70,147,661

2017 Disposition of Japan Asset

In March of 2017, ALTN , agreed to sell its Otaru PV project in Hokkaido province, including the land owned, in exchange for ($4,530,000) including sales taxes. ALTN incurred placement agent fees and expenses as part of this transaction in the amount of $761K that are deducted from the gross proceeds. On October 18, 2017, ALTN also entered into an agreement to sell its Green Light GK entity as part of the placement agent fees and expenses.

The table below outlines the transaction details for the sale of the Japanese Solar project and operating companies:

Proceeds from Sale	$4,529,569
Costs to Complete Construction	(1,697,569)
Placement Agent Fees & Costs	(761,100)
Net Cash Proceeds	2,070,900
Net Carrying Cost of Land and Project Assets at Time of Sale	(2,312,572)
Net Working Capital Adjustment	67,000
Loss on Sale of Asset and Related Operating Companies	**$ (174,672)**

5. Investment in Energy Property and Equipment, Net

As of December 31, 2018, the Company had $14,739,767 of net investment in energy property as outlined in the table below.

	2018	2017
Solar energy facilities operating	$16,206,412	$9,416,190
Asset retirement obligation	71,840	20,528
	16,278,252	9,436,718
Less accumulated depreciation	(1,538.485)	(1,196,489)
Net Assets	**$14,739,767**	**$8,240,229**

The estimated useful life remaining on the investment in energy property and intangible asset is between 15 and 25 years.

Depreciation expense for the years ended December 31, 2018 and 2017, was $699,573 and $624,224, respectively

The Company leases various equipment under capital leases. Assets held under capital leases are included in property and equipment as follows:

	2018	2017
Leased solar facilities	$ 2,358,588	$ 2,455,749
Less accumulated depreciation	(208,989)	(98,206)
Net Assets	**$ 2,149,599**	**$ 2,357,543**

6. Intangible Assets

As of December 31, 2018 and 2017, intangible assets as outlined in the table below.

	2018	2017
Capitalized costs relating to PV plants	$ -	$ 4,399,830
Prepayments relating to acquisition of PV Plants	-	351,029
	-	4,750,859
Accumulated Amortization	-	(196,917)
Net Assets	$ -	$ 4,553,942

Amortization expense for the years ended December 31, 2018 and 2017, was $193,798 and $196,917, respectively.

The intangible asset related to the Tre Vallie acquisition in 2017. The Tre Vallie Srl was sold in September of 2018. The Company amortizes the intangible assets over straight-line over the shorter of the contract term or the economic life of the asset. The PV plant's remaining amortization period was 15.75 years, which was based on the remaining life of the operating contract.

7. Capital Leases

We have acquired equipment through a capital lease obligations for the Sant'Angelo Park in Italy. As at December 31, 2018 there was approximately $1,117,738 remaining on the lease of which $85,325 was the short-term portion. The lease commenced in 2011, has a term of 18 years and will expire in September 2029. Interest is calculated on the outstanding principal based on EURIBOR 3 months (EUR3M) plus an agreed margin for the lender. The interest rate was 5.3% as of December 31, 2018.

Capital lease future minimum payments for each of the next five years and thereafter is as follows:

2019	$ 142,876
2020	142,876
2021	142,876
2022	142,876
2023	142,876
Thereafter	762,006
	1,476,386
Less Interest Expense	358,609
	$ 1,117,778

Interest expense for the years ended December 31, 2018 and 2017, was $119,325 and $78,716, respectively

8. Convertible and Unconvertible Promissory Notes

The following table reflects the total debt balances of the Company as of December 31, 2018 and 2017:

	2018	**2017**
Short term line of credit	$ 73,560	$ 71,747
Promissory notes related parties	207,753	1,700,804
Convertible notes related parties	284,000	355,098
Senior secured debt	10,192,602	1,062,888
Debt discount	(303,563)	-
Promissory notes	13,278,803	-
Convertible promissory notes	1,097,289	769,367
	24,830,444	3,959,904
Less current maturities	(14,510,204)	(2,492,002)
Long Term Debt, net of current maturities	**$10,320,240**	**$1,467,902**

Note principal payments next five years and thereafter:

2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
$14,510,204	$4,610,641	$243,367	$248,357	$253,450	$4,660,861	24,526,880

Line of Credit
In 2016, Power Clouds S.R.L entered into a 300,000 RON ($77,000) line of credit with OTP Bank. The credit line is a revolving credit facility available for the payment of trade payables up to the agreed limit. The initial term is twelve months which was renewed by agreement of both parties. Drawn funds accrue interest annually at a rate of ROBOR 3M + 3.3%, which was 6.6% as of December 31, 2018 and 5.5% as of December 31, 2017. The Company had used $73,560 and $71,747 of the facility as of December 31, 2018 and 2017.

Senior Secured Note
In October of 2018, in order to complete additional solar park acquisitions in Germany, the Company entered into the following agreements with a third party accredited investor (the "Lender"), in connection with the Company's German subsidiary, PCG_HoldCo UG (PCG) issuing a loan note in the aggregate principal amount of $3,644,585 with an interest rate of 12% and a term of 2 years.

In December of 2018, PSM 20 GmbH & Co KG entered into a senior secured loan with Sparkase Bank in Germany. This relates to the acquisition of 7 photovoltaic installations as part of the PSM 20 GmbH & Co KG acquisition. The total amount available under the loan is $2,975,544 with an interest rate of 2.10% and a term of 18 years.

In April of 2018, PSM 40 GmbH & Co KG entered into a senior secured loan with GLS Bank in Germany. This relates to the acquisition of 6 photovoltaic installations as part of the PSM 40 GmbH & Co KG acquisition. The total amount available under the loan is $2,815,224 with an interest rate of 2.0% and a term of 18 years.

In October of 2018, GRT 1.1 GmbH entered into a senior secured loan with GLS Bank in Germany. This relates to the acquisition of 6 photovoltaic installations as part of the PSM 40 GmbH & Co KG acquisition. The total amount available under the loan is $718,683 with an interest rate of 2.05% and a term of 19 years.

In December of 2018, in order to complete additional solar park acquisitions in Italy, the Company entered into the following agreements with a third party accredited investor (the "Lender"), in connection with the Company's German subsidiary, PCG_HoldCo UG (PCG) issuing a loan note in the aggregate principal amount of $4,405,331, with an interest rate of 12% and a term of 6 months.

In December of 2018, in order to complete additional solar park acquisitions in Italy, the Company entered into the following agreements with a third party accredited investor (the "Lender"), in connection with the Company's Netherlands subsidiary, Power Clouds Europe B.V. (PCE) issuing a loan note in the aggregate principal amount of $8,857,965, with an interest rate of 12% and a term of 6 months.

In 2016, the Company guaranteed a 6.5 million RON (equivalent to approximately US$1,592,500) promissory note issued by one of its subsidiaries, Power Clouds S.R.L., a Romanian company ("Power Clouds Romania") to OTP Bank in Romania, which is secured in first position against the Romanian solar parks and customer contracts held by Power Clouds Romania, accruing interest annually at a rate of ROBOR 3M + 3.3% and having a term of 60 months. The Company had principal outstanding of $698,820 and $1,062,888 as of December 31, 2018 and 2017.

Related-Party Notes
During the twelve months ended December 31, 2017, the Company issued a $100,000 convertible promissory note to the Chief Executive Office (CEO) and a $100,000 convertible promissory note to VestCo Corp., a company controlled by the CEO, in exchange for $200,000 cash to be provided to the Company as required for working capital purposes. The notes accrue 10% annual interest and are convertible into shares of restricted common stock at $0.20 per share, at the noteholder's option, and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest. As the conversion price was above the market price at the time of at the time of issuance of the note no beneficial costs were recorded. As at December 31, 2018, $284,000 was past due under loan notes issued to the CEO, VestCo Corp.

PCH has advanced $207,753 to the Company which amount has not yet been repaid. As of December 31, 2018 this advance from PCH was short term in nature and non-interest bearing, and included in accounts payable in the financial statements. During the year ended December 31, 2017 the Company repaid $203,031 to the Chief Technical Officer (CTO) representing $186,120 in principal and interest of $16,911.

During the year ended December 31, 2017 the $1,700,804 of promissory notes to related parties relates to ALTN issuing to Gaia Energy S.R.L. ("Gaia") a $1,395,680) unsecured promissory note, accruing no interest and having a maturity date of December 31, 2017 (the "Note"), and a promissory note of $536,800) to be paid in cash by ALTN or its subsidiaries by no later than June 30, 2017, as part of the consideration for the acquisition of Tre Valli Energia S.R.L. As part of this transaction, the Company also issued a total of 10 million shares of restricted common stock to Gaia, making Gaia a related party upon the closing of the transaction due to its resulting beneficial ownership of approximately 15% of ALNT's total issued common stock. (See Footnote 6). During the year ended December 31, 2017 the company paid $429,440 to Gaia. As at December 31, 2017 $1,679,806 is due under the notes. On April 3, 2018 Gaia filed an Arbitration Application with the Arbitration Chamber of Milan, Italy, against PC-Italia-01, requesting the appointment of an arbitrator and demanding the unwinding of the above transaction due to the delay in payment of the remaining amounts due to Gaia. This matter was settled in 2018 see Footnote 9. In addition, ALTN owed $20,998 as a final payment on the Sant Angelo acquisition.

Convertible Promissory Notes
In July of 2018, the Company issued a convertible promissory note to a third party foreign investor in exchange for a total of $258,700 cash provided to the Company for working capital purposes. The note accrues 15% annual interest and is convertible into shares of restricted common stock at $0.20 per share, at the noteholder's option, and is repayable on January 30, 2020. As the conversion price was above the market price at the time of at the time of issuance of the note no beneficial costs were recorded. As of December 31, 2018 $251,666 was due under this note.

In July of 2018, the Company issued an $80,000 convertible promissory note to a third party foreign consultant in exchange for sales commissions owed. The note accrues 15% annual interest and is convertible into shares of restricted common stock at $0.20 per share, at the noteholder's option, and is repayable on January 30, 2020. As the conversion price was above the market price at the time of at the time of issuance of the note no beneficial costs were recorded. As of December 31, 2018 $91,555 was due under this note.

On September 30, 2015, the Company issued a convertible loan note for $1,000,000 to World Global Assets Pte. Ltd. (WGA), in conjunction with the spin out of WRMT. The note had a three-year term, accrued no interest, and was convertible at a fixed price of $0.20 per share, subject to certain triggers and restrictions. In 2016 a portion of the convertible loan note of approximately $300,000 was assigned to various third parties and is now convertible at market price, with a floor price of $0.20 per share and a maturity date of June 30, 2019. Another portion of this note approximately $492,000 was assigned to various third parties, is not convertible and includes a maturity date of December 31, 2020. As at December 31, 2018 the total convertible promissory note of $754,067 relates to $244,800 three year note and $509,267 five year note due under the assigned notes. As of December 31, 2017 the total convertible promissory note of $769,367 relates to $260,100 three year note and $509,267 five year note due under the assigned notes.

9. Commitments and Contingencies

Litigation:
Other than as set forth below, the Company is not currently involved in or aware of any litigation that could result in a loss. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

On April 3, 2018 Gaia filed an Arbitration Application with the Arbitration Chamber of Milan, Italy, against PC-Italia-01, requesting the appointment of an arbitrator and demanding the unwinding of the above transaction due to the delay in payment of the remaining amounts due under the original contract which the parties have agreed is $3,475,471, and is accrued as a liability on the balance sheet for the year ended 2017. The balance due consists of the $1,795,665 of earn out obligation and $1,679,806 due under the promissory note. On September 29, 2018, the Company sold the Tre Vallie entity and the amount due Gaia was paid in full.

Leases:
Our Romanian companies lease the land for the solar parks at a combined annual cost of $9,788 for 2019 and $8,183 thereafter. The leases commenced in 2013 and run for 25 years.

2019	9,788
2020	8,138
2021	8,138
2022	8,138
2023	8,138
Thereafter	122,065
	$ 164,404

10. Shareholder's Equity

Common Stock:

During the twelve months ended December 31, 2018, the Company issued a total of 9,250,000 shares of restricted common stock in exchange for services rendered. The value was based on the stock price of the various dates of issuance equal to $516,500.

During the twelve months ended December 31, 2017, the Company issued 5,800,000 shares to Gaia Energy as a portion of the consideration for the acquisition of certain third party PV solar assets (See Financial Footnote 4 for more detail). The value was based on the stock price of the date of issuance of $522,000. In addition, there were 199,627 shares of restricted common stock issued to two consultants for services rendered. The consulting compensation was valued at the stock price of the date of issuance with a total expense of $18,888.

Preferred Stock:

On November 27, 2018 the 30,000,000 shares of Series D Convertible Preferred Stock held by Power Clouds Holdings Pte. Ltd. automatically converted into 30,000,000 shares of restricted common stock due to the increase in total authorized common shares to 450,000,000.

As of December 31, 2017, 50,000,000 total shares of preferred stock, par value $0.001, were authorized, and 30,000,000 shares of Series D Convertible Preferred Stock were issued and outstanding. Series A, B and C Preferred Stock have been retired. On October 4, 2016 the Company authorized and issued 30,000,000 shares of Series D Convertible Preferred Stock, $0.001 par value per share. The Series D Preferred rank pari-passu with the common shares and convert into a total of 30,000,000 common shares.

Conversion

Each share of Series D Preferred shall automatically convert to Common Stock on the earlier of (i) the date on which the Company's Articles of Incorporation shall have been amended to increase the number of total authorized shares of common stock to 150,000,000 or greater, or (ii) the date on which the Company completes a reverse stock split of its common stock, into that number of fully paid and non-assessable shares of Common Stock as is determined by a factor of at least 3, for a full conversion of all issued and outstanding shares of Series D Preferred into a maximum potential total of thirty million (30,000,000) shares of common stock.

Dividends

The Holders of the Series D Preferred shall not be entitled to receive any dividend payment

Liquidation Preference

Upon liquidation, the holders of record of the shares of the Series D Preferred Stock shall be entitled to receive assets and funds on parity with the Common Stock and any other series of Preferred Stock.

Redemption

Neither the Corporation nor the holders of the Series D Preferred Stock shall have any right at any time to require the redemption of any of the shares of Series D Preferred Stock, except upon and by reason of any liquidation, dissolution or winding-up of the Corporation.

Voting

The Series D Preferred vote on an as-converted basis with the common stock.

During the year ended December 31, 2018 and 2017, no additional preferred stock was issued.

Warrants:

As of December 31, 2018, warrants to purchase up to 11,646,213 shares of restricted common stock were issued and outstanding. The Company issued 1,687,500 warrants exercisable at $0.20 per share and having a 5 year term from the date of issuance, which was related to a short term bridge facility and was recorded as interest expense in the current year. The Company also issued 4,659,328 warrants exercisable at $.122 and having a 3 year term from the date of issuance, which was related to a short term loan facility and was recorded as interest expense in the current year The Company also issued 5,299,385 warrants exercisable at $.122 and having a 3 year term from the date of issuance, which was related to two year loan facility. For these warrants, the Company recorded a derivative liability and debt discount of $374,159. The Company recorded $35,298 of debt discount amortization in 2018, In 2018, the Company recorded warrant expense totalling $707,603.

As of December 31, 2017, warrants to purchase up to 1,240,000 shares of restricted common stock were issued and outstanding, exercisable at $0.20 per share and having a 3 year term, 600,000 of which expires in July of 2018 and the remaining 640,000 expires in July of 2019. The warrants were recorded as an expense on the issuance dates per the Black Scholes model. In 2017, the Company recorded warrant expense of $58,713.

	2018		2017	
	Warrants	Average Exercise Price	Warrants	Average Exercise Price
Balance - beginning of the year	1,240,000	$0.20	1,240,000	0.20
Expired during the year	(600,000)		-	
Granted during the year	11,646,213	0.13	-	0.20
Balance - end of year	12,286,213	0.13	1,240,000	0.20
Exercisable - end of year	12,286,213	$0.13	1,240,000	$0.20

11. Related Party Transactions

On November 7, 2017, the CEO, and CTO, each executed an amendment to their consulting agreement whereby each reduced their fees to $120,000 per year.

In October of 2018, the Company entered into a settlement agreement with the CTO and Telenergia Europe S.r.l., (TES) a company controlled by the CTO the Company agreed to pay $100,000 to TES in settlement of all amounts due and owed to the CTO and TES.

John Thomas, who became a Director of the Company in 2018, is also the owner and managing director of a merchant bank offering advisory services. The Company contracted Mr. Thomas firm in June of 2017 to provide certain consulting services to the Company. For the twelve months ended 2018, the related party was paid $25,000 in fees and stock compensation valued at $210,000.

Effective as of November 15, 2018, Mr. Vincent Browne resigned as acting CFO and Mr. Joseph E. Duey was appointed Alternus Energy Inc.'s Chief Financial Officer. As of October 1, 2018, the Company and Mr. Duey entered into an Employment Agreement pursuant to which the Company agreed to pay (i) a monthly base salary of $10,000, (ii) a potential cash bonus of up to 100% of base salary, based on Mr. Duey achieving certain milestone deliverables and the Company achieving specific operating objectives and based on reasonable specific performance targets, (iii) the issuance of 1,000,000 shares of restricted common stock (the "Stock"), and iv) an additional 1,000,000 shares of restricted common stock through the Company's Stock Incentive Plan, based on Mr. Duey achieving certain milestone deliverables and the Company achieving specific operating objectives based on reasonable specific performance targets (the "Earn Out Stock"). The Employment Agreement has an initial term of 3 years; if the Employment Agreement is terminated early without cause by the Company within the Initial term, Mr. Duey shall receive severance pay equal to 6 months base salary.

Effective as of December 1, 2018, Mr. Vincent Browne resigned as Corporate Secretary and Ms. Taliesin Durant was appointed Alternus Energy Inc.'s Corporate Secretary and General Counsel. As of December 1, 2018, the Company and Ms. Durant entered into an Employment Agreement pursuant to which the Company agreed to pay (i) a monthly base salary of $10,000, (ii) a potential cash bonus of up to 100% of base salary, based on Ms. Durant achieving certain milestone deliverables and the Company achieving specific operating objectives and based on reasonable specific performance targets, (iii) the issuance of 1,000,000 shares of restricted common stock (the "Stock"), and iv) an additional 1,000,000 shares of restricted common stock through the Company's Stock Incentive Plan, based on Ms. Durant achieving certain milestone deliverables and the Company achieving specific operating objectives based on reasonable specific performance targets (the "Earn Out Stock"). The Employment Agreement has an initial term of 3 years; if the Employment Agreement is terminated early without cause by the Company within the Initial term, Ms. Durant shall receive severance pay equal to 6 months base salary.

12. Geographical Information

The Company has one operating segment and the decision-making group is the senior executive management team.

Revenue	**2018**	**2017**
Romania	$ 1,763,170	$ 1,591,172
Italy	829,794	894,697
Germany	-	-
	$ 2,592,964	$ 2,485,869

Investment In Energy Property and Equipment, Net		
Romania	$ 5,272,802	$ 5,861,749
Italy	8,048,477	2,378,480
Germany	1,418,488	-
	$14,739,767	**$ 8,240,229**

13. Subsequent Events

In accordance with ASC 855, Subsequent Events, we have evaluated subsequent events through June 15, 2019, the date of available issuance of these unaudited financial statements. During this period, we had the following materially recognizable subsequent events.

Common Stock Issuances:
From January 1, 2019 to the date of the filing of this report, 5,605,000 shares of common stock have been issued to consultants for services rendered, 310,876 shares were issued as fees related to third party investment and 16,000,000 shares were issued to officers and directors for continued services and performance.

Investment:
In February of 2019, Alternus Energy Inc. (the "Company") entered into a Securities Purchase Agreement with four accredited investors (the "Lenders"), in connection with an investment of a total amount of $300,000, and pursuant to which the Company issued i) a convertible promissory note with a 15% OID, having a two year term, secured behind an accredited investor via a US UCC filing on all assets of the Company, having a call option right for the noteholder, a redemption right for the Corporation, and convertible at $0.20 per share, and ii) a warrant to purchase shares of the Corporation's common stock equal to 50% of the total number of shares if the Note is fully converted, divided by the Exercise Price of $0.25, (equal to a total of 750,000 warrants) subject to adjustment as provided therein, exercisable at $0.25 per share or through its cashless exercise provision and having a 4 year term.

Additionally in February of 2019, the terms under which all cash previously loaned by VestCo Corp., a company owned and controlled by Vincent Browne, the Company's CEO, to the Company to date has been amended and restated under the identical investment transaction terms as described above, pursuant to which the Corporation executed a Securities Purchase Agreement with VestCo Corp. and issued to VestCo Corp. i) a convertible promissory note with a 15% OID, and therefore having a Principal Amount of $291,539.54, having a two year term, secured behind an accredited investor via a US UCC filing on all assets of the Corporation, having a call option right for the noteholder, a redemption right for the Corporation, and convertible at $0.20 per share, and ii) a warrant to purchase up to 619,522 shares of the Corporation's common stock, exercisable at $0.25 per share or through its cashless exercise provision and having a 4 year term.

In May of 2019, the Corporation entered into Securities Purchase Agreements with 3 accredited investors (the "Lenders"), in connection with an investment of up to a total amount of $100,000, and pursuant to which the Corporation issued a convertible promissory note with a 15% OID, having a two year term, secured behind an acquired investors via a US UCC filing on all assets of the Corporation, having a call option right for the noteholder, a redemption right for the Corporation, and convertible at $0.25 per share, and a warrant to purchase shares of the Corporation's common stock equal to 25% of such Lender's investment divided by the Conversion Price of $0.25, subject to adjustment as provided therein, exercisable at $0.30 per share and having a 3 year term.

Also in May of 2019, the Corporation entered into a Securities Purchase Agreement with another accredited investor (the "Lender"), in connection with an investment of $500,000, and pursuant to which the Corporation issued a convertible promissory note accruing 12% interest per annum with bi-annual interest payments, having a two year term, senior in priority to all obligations of the Company other than the Company's obligations to an accredited investor and its affiliated investment funds, or a similar replacement thereto, having a call option right for the noteholder, a redemption right for the Corporation, and convertible at $0.25 per share.

Dublin Office Lease:
On March 6, 2019, the Company signed a lease for office space located in Dublin, Ireland, having a term of ten years, with a break option at the end of year five, payments of $58,062 per annum, to be paid quarterly, a six month security deposit in the sum of $28,134.

Risen Italy Acquisition:
On May 14, 2019, PC-Italia-02 S.R.l., a wholly owned subsidiary of Alternus Energy Inc.'s (the "Company") Netherlands' subsidiary, completed the acquisition of 100% of the share capital of four out of five SPVs (Special Purpose Vehicles) the Company planned to purchase under a definitive sale and purchase agreement signed with Risen Energy PV Holding Italy GmbH and Risen Energy (HongKong) Co., Limited. The total acquisition will consist of seven operating photovoltaic plants located in Italy having a total installed capacity of 5.1 MWs in exchange for approximately $8.1M cash, less $1.5M held back for the acquisition of the fifth SPV, and less $0.4M held in escrow for two months from closing against certain tax open items and as a hold back for any unexpected items not found in due diligence.

Eiffel Energy Transaction:
In June 2019, the Company entered into a bridge financing agreement with Eiffel Energy Transition Fund for our solar projects in Italy. Under the terms of the agreement, Eiffel Energy Transition Fund will finance the Company's 7.2 MWs projects in Italy in the amount of $9.75 million.