

Photon Energy N.V.

Financial Statements

for the year ended 31 December 2018

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Directors' report

Directors' report

The directors present their report together with the annual financial statements of Photon Energy N.V. (the "Company") for the year ended 31 December 2018.

Photon Energy N.V. (the "Company") is a joint-stock company incorporated under the laws of the Netherlands on 9 December 2010. The statutory seat of the Company is Barbara Stroz-zilaan 201, 1083HN Amsterdam. The consolidated financial

statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The company is controlled by the following shareholders:

<i>In shares</i>	No. of shares	% of capital
Solar Future Cooperatief U.A.	22,266,182	37.11%
Solar Power to the People Cooperatief U.A.	20,843,375	34.74%
Photon Energy N.V.	8,955,934	14.93%
Free float	7,934,509	13.22%
Total	60,000,000	100.00%

The Board of Directors consists of the Directors Mr. Georg Hotar and Mr. Michael Gartner.

Developments in 2018

Result

The total equity attributable to the owners of the Company as at 31 December 2018 amounts to EUR 29,819 thousand (2017: EUR 26,001 thousand). The total result for the year 2018 amounts to a profit of EUR 510 thousand (2017: loss EUR 807 thousand).

Revenues and cost of sales

Revenues in 2018 increased to EUR 20,256 thousand compared to 2017, when the revenues amounted to EUR 17,219 thousand. In 2018, cost of sales increased to 5,539 thousand from EUR 4,145 thousand in the financial year 2017.

The increase in revenues is a result of higher revenues in all the segments except of others and PV investments.

The gross profit margin equalled to 68% in 2018 compared to 71% in 2017. The lower margin in 2018 is mainly a consequence of higher cost of sales coming from the revenue growth of less profitable engineering and technology sales compared to electricity production.

Financial income and expenses

Financial income and expenses consist mainly of interest expense. The other part of financial income and expenses represents the result from revaluation of swaps, interest income, and bank fees.

Other comprehensive income

Other comprehensive income includes mainly positive impact of revaluation of PPE (positive effect of EUR 2,366 thousand coming from the newly connected power plants in Hungary) and

change in the derivatives reserve (positive impact of EUR 113 thousand) compensated by negative impact of the currency translation reserve of EUR 457 thousand.

Non-current assets

The increase in fixed assets compared to 2017, is mainly influenced by the put in use and the revaluation of the powerplants in Hungary and high balance of the assets in progress compensated by the annual depreciation.

Current assets

Current assets increased in 2018 compared to 2017, from EUR 15,338 thousand to EUR 23,856 thousand. This increase was influenced mainly by higher cash, higher trade and other receivables, and higher prepayments.

Total liabilities

The total liabilities include primarily:

- 1) Loans and borrowings
- 2) Trade payables
- 3) Bond related liability

Long-term liabilities increased by EUR 16,885 thousand. The main driver of this increase was the increase in the bond liability by EUR 23,266 thousand compensated by lower bank loans, lower deferred tax liability and lower other loans. The Group's current payables decreased mainly due to repayment of the short-term part of the bond (EUR 6,533 thousand) compensated by slightly higher trade and other payables.

Financial instruments and risk management

In 2018, financial instruments were only used to mitigate risks and were not used for trading purposes. We refer to the notes in the financial statements for more details about the company's financial instruments.

Principle risks

The Group has exposure to the following risks:

- ▶ Credit risk,
- ▶ Sovereign
- ▶ Liquidity risk,
- ▶ Operational risk,
- ▶ Currency risk,
- ▶ Interest risk,
- ▶ Market risk.

In the notes to the consolidated financial statements, information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Sovereign risk

The Company's results can be adversely affected by political or regulatory developments negatively impacting on the income streams of projects in the portfolio. A number of countries have already succumbed to retroactive measures reneging on existing agreements, guarantees and legislation by imposing levies, cancelling contracts or renegotiating terms unilaterally or by other measures reducing or in the worst case cancelling Feed in Tariffs for renewable energy investments. Legal remedies available to compensate investors for expropriation or other takings may be inadequate. Lack of legal certainty exposes projects in the portfolio to increased risk of adverse or unpredictable actions by government officials, and also makes it more difficult for us to enforce existing contracts. In some cases these risks can be partially offset by agreements to arbitrate disputes in an international forum, but the adequacy of this remedy may still depend on the local legal system to enforce the award.

Operational risk

The economic viability of energy production using photovoltaic power plants installations depends on Feed-in-Tariff (FiT) systems. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per kWh produced, an elimination or reduction of the indexation of the FiT and a shortening of the period for which the FiT applies to photovoltaic installations. On the investment side the Company faces uncertainty in relation to the approval process for the construction of photovoltaic installations, grid connection and the investment cost per KWP

of installed capacity. The operating and financial results of the Company can be seriously affected by a sudden or significant change in the regulatory environment in each of the countries where the Company or its subsidiaries conduct business.

During the fourth quarter of 2010, the Czech parliament and the Czech government approved several changes in the legal framework governing certain aspects of the photovoltaic and other industries. Those changes included mainly: (i) a 3 years solar levy, newly introduced into the Czech tax system, of 26% on the revenues of photovoltaic power plants above 30kW of installed capacity, completed in the years 2009 and 2010, (ii) the abolishment of a six-year corporate income tax exemption for photovoltaic power plants, and (iii) a tenfold increase of the contractual fees previously agreed between the photovoltaic power plant operators and the state Land Fund for the extraction of certain classes of land from the state fund.

In September 2013, additional prolongation of the solar levy was approved. The percentage was decreased to 10% and applicability of this tax prolonged till end of the useful economic life of the power plants. The Company reflected this change in the DCF models for Czech SPVs already as of 30 September 2013. The fair value decrease was reflected in the value of assets, related deferred tax and other comprehensive income in 2013 financial statements.

After opting for its Czech power plants for the green bonus scheme in the years 2016 and 2017, the Group reconsidered this approach and applied again for the feed-in-tariff scheme in 2018.

Since 2013 several investigations relating to the issuance of the energy production license of the PV power plant of Photon Energy SPV 11 s.r.o. (SPV 11) have been conducted, always coming to the conclusion that the license had been issued legitimately. At the beginning of 2018 criminal charges were filed against two former subcontractors of the EPC provider of SPV 11 and as of August 2018 the difference of the feed in tariff 2010 and 2011 is withheld by ČEZ Prodej a.s. In total this amounts to EUR 316 thousand (CZK 8,126 thousand) of revenues, which is shown as trade receivables in the financial statements as of 31.12.2018. In case of a conviction of one or both of these subcontractors a reassessment of the issuance of the license could be initiated. Management is not aware of any fact that neither the issuance of the license had been not lawful nor that such reassessment would not come to the same result of the lawfulness of the feed in tariff 2010. Therefore, no provisions have been made in the financial statements for 2018. SPV 11 is valued in the financial statements at an entity value of EUR 7,629 thousand (CZK 196,247 thousand). If SPV should be only entitled to the feed in tariff for 2011, the fair value would decrease to EUR 4,298 thousand (CZK 110,564 thousand). If the feed in tariff for 2011 were to be applied retrospectively or in case that the

license would be withdrawn, the full value would need to be written off.

Currency risk

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The transactions of the Group entities are denominated in CZK, EUR, AUD, CHF, and HUF mainly. There is no financial hedging used by the company against the currency risk. Company's management does not formally monitor the FX positions.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, including the electricity distributors.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. In most cases, the Company requires advance payments (partial or 100%) for the delivery of electricity in order to minimise the credit risk. Additionally, in case of new customers, the company looks for market references of the potential customers that are available in public resources. The collections are regularly monitored by the responsible employees and any significant overdue receivables are discussed with the management of the company. Management of the company is responsible for the decision whether allowance is to be created or any other steps need to be performed.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 12,340 thousand at 31 December 2018 (2017: EUR 7,333 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institution counterparties. Only those banks and financial institutions, which were approved by the members of the board of directors, can be used by the company.

Cash held by the SPVs under legal ownership of Raiffeisen Leasing s.r.o. (RL) is restricted only for certain transactions, e.g. loan and related interest provided to those SPV's by Photon Energy N.V. is subordinated to the loan from RL and will be paid only after the repayment of the RL loan. Total amount of the cash owned by these SPVs is EUR 4,634 thousand as at 31 December 2018 (2017: EUR 2,553 thousand).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities

that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Interest risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense. The Company uses interest rate derivatives for managing the interest rate risk.

Slovak SPVs, consolidated in full or by using the equity method by the Group, own interest rate derivatives used for hedging. The purpose of the derivatives is to hedge against movement of interest rates. Concluding the derivative contract was one of conditions required by financing bank as defined in the Loan contract.

The change in fair value of these derivatives is recognized via equity of the Company and the result is shown in Derivatives reserve of the Company's equity since 1 January 2012. Until then, the change in fair value of the derivatives was recorded to profit and loss.

The Czech SPVs own interest rate derivatives. Concluding the derivative contract was one of conditions required by the financing bank as defined in the Loan contract. The change in value of these derivatives is recognized via Profit and loss as they do not meet criteria for the hedging derivatives.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy will unwind accordingly to the further negotiations with the Group's creditors.

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

<i>In thousand of EUR</i>	2018	2017
Total liabilities	76,569	63,709
Less: cash and cash equivalents	12,340	7,333
Net debt	64,229	56,376
Total equity	29,779	25,982
Net debt to adjusted equity ratio at 31 December	2.16	2.17

There were no changes in the Group's approach to capital management during the year. A net debt to adjusted equity ratio shows lower indebtedness of the Group than in the previous year.

Selected indicators

Debt to assets ratio (total liabilities/total assets)

- 2018: 0.72
- 2017: 0.71

Debt to equity ratio (total liabilities/shareholders' equity)

- 2018: 2.58
- 2017: 2.45

Research and development

The Company does not perform any material research and development activities.

Personnel

During the year, the number of staff employed by the Group was 92 (2017: 74). Management expects that the number of employees in 2019 will be higher compared to the current year.

On 1 January 2014, The Management and Supervision Act came into force requiring that at least 30% of the directors is female

Strategy for 2019 and beyond

In 2018 we have managed to continue implementing our growth strategy by expanding our proprietary portfolio by 6.3 MWp in Hungary and another 5.5 MWp slated for grid-connection in 2019Q1, by progressing with our project development activities in Australia and by expanding our O&M and related service businesses. Outstanding electricity production by our proprietary power plant portfolio contributed strongly to our 17.6% revenue growth to a record EUR 20.26 million, while our EBITDA improved by 3.7% to EUR 8.15 million and our EBIT grew by 11.0% to EUR 2.54 million. The most significant improvement occurred at the bottom line with pre-tax profit jumping by 431.4% to EUR 1.84 million and our company turning a previous net loss of EUR 0.81 million into a EUR 0.51 million net profit in 2018! Total comprehensive income advanced by 40.5% to EUR 2.53 million, pushing our consolidated group equity to EUR 29.78 million.

The past year has been full of important highlights starting with the signing of an agreement for the joint development of five utility-scale PV projects with a planned installed capacity exceeding 1.1 GWp in New South Wales with Canadian Solar, one of the world's leading integrated solar companies. We completed the construction of 11.5 MWp of PV power plants across three locations in Hungary and secured the long-term project financing of these plants with one of the leading local banks. Our pipeline of additional projects puts us well on the way of

Current ratio (current assets/current liabilities)

- 2018: 2.77
- 2017: 1.23

Debt to equity slightly worsened in 2018 compared to 2017 due to higher total liabilities. The current ratio has improved due to higher current assets.

and at least 30% is male. At this moment the company does not comply with this Act and management does not believe nominations for (re-) appointments will change this in the near future.

achieving of our goal of expanding our proprietary portfolio by 50 MWp in Hungary. The continuing support for solar energy in Hungary through the METAR support system including indicated upcoming auctions provides a promising outlook for this very attractive market for several years to come. The Hungarian market also provides us with ample opportunities to grow our O&M business and for Photon Energy to become the leading O&M provider in the CEE region. The signing of an EPC contract for the installation of 4.6 MWp of rooftop solar systems for the retail chain ALDI across 32 locations in Australia underscores Photon Energy's market leading quality in the fast growing commercial user market.

Our Photon Water business is equally providing us with exciting new opportunities as we have brought ultra-sound-based solutions to fight blue-green algae formation in several locations in the Czech Republic. We believe that the success of this technology is a good foundation to bring our services approach to this widespread and growing problem to more lakes in the Czech Republic and other markets. A pilot project to treat drinking water contaminated by arsenic and boron has taken us to Peru, where we opened a new office at year-end 2018 and which will serve as a springboard to other Latin American markets for both our solar and water business lines.

Last but not least, in 2018 Photon Energy successfully repaid its first EUR bond and completed the placement of its EUR 30 million 5-year bond with a 7.75% coupon on the German capital market. The following stellar performance of the bond has pushed the yield-to-maturity of the bond to around 6%. This is testament to the transparency of the company, our proactive communication with investors and our flawless track record in serving our quarterly bond coupons since 2013. During 2018 Photon Energy's share price on the NewConnect market of the Warsaw Stock Exchange advanced by 31.4% to close at PLN 1.84. We believe in the importance of access to capital through public markets and therefore we remain strongly committed to open and pro-active investors relations.

We are looking ahead to 2019 as another year full of opportunities across all our business lines and are looking forward to some of our Australian utility-scale projects reaching the ready-

to-build stage, to a further increase in our proprietary portfolio of power plants mainly in Hungary as well as strong growth in our O&M business and related services. We are also convinced that our Photon Water business will become an ever stronger contributor to our Group's business volume.

Going concern

Management statement

In preparing these accounts on a going concern basis, management used its best estimates to forecast cash movements over the next 12 months from the date of these accounts. As per today, management believes the Company will be able to repay its liabilities and ensure the further development of the Group.

Subsequent events

Hungarian refinancing

In January 2019, the Company signed a financing agreement amounting to 3.33 billion HUF (10.4 million EUR) provided by K&H Bank, the Hungarian subsidiary of Belgian KBC Group N.V. and one of Hungary's largest banking and financial services firms as well as a leading local player in project finance, for a period of 15 years. The financing has been provided for its 11.5 MWp proprietary PV power plant portfolio in Hungary. The portfolio is comprised of 17 individual KÁT-licensed PV power plants in three different locations. Draw down of the loan is planned for April 2019.

Almasfuzito

In March 2019, the Companies subsidiary Photon Energy Solutions HU Kft has finished building and grid-connected eight PV power plants with a combined capacity of 5.5 MWp located in Almásfüzitő, Hungary, expanding the Group's proprietary portfolio of PV power plants to 37.1 MWp. The Company owns and operates the projects through the Group's wholly owned company Ráció Master Kft. Revaluation of the Group's proprietary portfolio will be recorded as the Group's Other Comprehensive Income in the 2019Q1 Profit and Loss Statement.

Amsterdam, 12 April 2019

The Board of Directors:



Georg Hotar, Director



Michael Gartner, Director

**Consolidated
Financial Statements**
for the year ended 31 December 2018

Consolidated statement of comprehensive income for the year ended 31 December

<i>In thousand of EUR</i>	Note	2018	2017
Revenue	<u>10</u>	20,256	17,219
Cost of sales	<u>11</u>	-5,539	-4,145
Energy tax	<u>11</u>	-877	-821
Gross profit		13,840	12,254
Other income	<u>12</u>	392	517
Administrative expenses	<u>14</u>	-2,342	-1,756
Personnel expenses	<u>14</u>	-3,371	-2,592
Other expenses	<u>13</u>	-373	-572
Depreciation		-5,602	-5,560
Results from operating activities		2,544	2,291
Finance income	<u>15</u>	0	0
Interest income	<u>15</u>	149	191
Finance costs	<u>15</u>	-434	-489
Revaluation of derivatives	<u>15</u>	171	997
Interest costs	<u>15</u>	-3,687	-2,710
Net finance expenses		-3,801	-2,010
Disposal of investment		3,074	0
Share of profit equity-accounted investments (net of tax)	<u>24</u>	23	66
Profit/loss before taxation		1,840	346
Income tax due/deferred	<u>16</u>	-1,331	-1,153
Profit/loss for the year from continuing operations		510	-807
Profit for the year from discontinued operations	<u>9</u>	0	0
Profit/loss for the year		510	-807
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	<u>23</u>	2,366	0
Share of revaluation of property, plant and equipment of associates/joint ventures	<u>23</u>	0	0
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation difference - foreign operations	<u>23</u>	-457	2,294
Derivatives (hedging)	<u>28</u>	113	315
Share of currency translation diff. Of associates / JV	<u>23</u>	0	0
Other comprehensive income for the year, net of tax		2,022	2,609
Total comprehensive income for the year		2,531	1,802
Profit attributable to:			
Attributable to the owners of the company		530	-788
Attributable to non controlling interest		-20	-19
Profit for the year		510	-807
Total comprehensive income attributable to:			
Attributable to the owners of the company		2,552	1,821
Attributable to non controlling interest		-20	-19
Total comprehensive income for the year		2,531	1,802
Earnings per share			
Earnings per share (basic) (in EUR)	<u>24</u>	0.012	-0.015
Earnings per share (diluted) (in EUR)	<u>24</u>	0.010	-0.013
Total comprehensive income per share (in EUR)	<u>24</u>	0.051	0.035

The notes on pages 16 to 65 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December

<i>In thousand of EUR</i>	Note	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	<u>17</u>	79,294	72,742
Investments in equity-accounted investees	<u>9.3</u>	3,179	1,604
Other investments	<u>18</u>	20	9
Long-term receivables	<u>21</u>	0	0
Deferred tax assets		0	0
Non-current assets		82,492	74,354
Inventories	<u>20</u>	1,148	1,345
Trade receivables	<u>21</u>	2,394	1,459
Other receivables	<u>21</u>	5,370	3,109
Gross amount due from customers for contract work	<u>20</u>	587	374
Current tax receivable	<u>21</u>	0	0
Loans	<u>21</u>	840	650
Prepaid expenses	<u>21</u>	1,176	715
Cash and cash equivalents	<u>22</u>	12,340	7,333
Other S-T financial asset	<u>22</u>	0	352
Assets classified as held for sale	<u>8</u>	0	0
Current assets		23,856	15,338
Total assets		106,348	89,692
Equity & Liabilities			
Equity			
Share capital	<u>23</u>	600	600
Share premium	<u>23</u>	23,760	23,760
Revaluation reserve	<u>23</u>	22,935	22,506
Legal reserve fund	<u>23</u>	13	13
Hedging reserve	<u>23</u>	223	110
Translation reserve	<u>23</u>	698	1,155
Retained earnings	<u>23</u>	-18,411	-22,143
Equity attributable to owners of the Company		29,819	26,001
Non-controlling interests	<u>23</u>	-40	-19
Total equity		29,779	25,982
Liabilities			
Loans and borrowings	<u>25</u>	29,250	34,786
Other long-term liabilities	<u>27</u>	32,551	9,285
Other loans	<u>25</u>	0	1,000
Deferred tax liabilities	<u>19</u>	6,308	6,153
Long-term liability from income tax	<u>27</u>	0	0
Non-current liabilities		68,110	51,225
Loans and borrowings	<u>25</u>	3,686	3,695
Trade payables	<u>26</u>	1,166	238
Other payables	<u>26</u>	3,177	1,263
Other Loans	<u>25</u>	0	270
Other short-term liabilities	<u>27</u>	0	6,533
Current tax liabilities	<u>27</u>	430	469
Provisions	<u>27</u>	0	17
Liabilities classified as held for sale	<u>8</u>	0	0
Current liabilities		8,459	12,484
Total liabilities		76,569	63,709
Total equity and liabilities		106,348	89,692

The notes on pages 16 to 65 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December

<i>In thousand EUR</i>	Share capital	Share premium	Legal reserve fund	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
BALANCE at 31.12.2016	600	23,760	13	24,410	-1,139	-205	-23,260	24,180	-	24,180
BALANCE at 1.1.2017	600	23,760	13	24,410	-1,139	-205	-23,260	24,180	-	24,180
Profit for the year	-	-	-	-	-	-	-788	-788	-19	-807
Revaluation of PPE	-	-	-	-	-	-	-	-	-	-
Share on revaluation of PPE of associates, JV	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	2,294	-	-	2,294	-	2,294
Derivatives	-	-	-	-	-	315	-	315	-	315
Acquisition on JV	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	2,294	315	-788	1,821	-19	1,802
Move from revaluation reserve to retained earnings	-	-	-	-1,904	-	-	1,904	-	-	-
Legal reserve fund	-	-	-	-	-	-	-	-	-	-
New shares	-	-	-	-	-	-	-	-	-	-
Move of RE due to entity disposal/change of cons. method	-	-	-	-	-	-	-	-	-	-
BALANCE at 31.12.2017	600	23,760	13	22,506	1,155	110	-22,143	26,001	-19	25,982
BALANCE at 1.1.2018	600	23,760	13	22,506	1,155	110	-22,143	26,001	-19	25,982
Profit for the year	-	-	-	-	-	-	530	530	-20	510
Revaluation of PPE	-	-	-	2,366	-	-	-	2,366	-	2,366
Share on revaluation of PPE of associates, JV	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-457	-	-	-457	-	-457
Derivatives	-	-	-	-	-	113	-	113	-	113
Acquisition on JV	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	2,366	-457	113	530	2,552	-20	2,531
Move from revaluation reserve to retained earnings	-	-	-	-1,936	-	-	1,936	-	-	-
Legal reserve fund	-	-	-	-	-	-	-	-	-	-
Equity effect of JV capital increase	-	-	-	-	-	-	1,267	1,267	-	1,267
Move of RE due to entity disposal/change of cons. method	-	-	-	-	-	-	-	-	-	-
BALANCE at 31.12.2018	600	23,760	13	22,935	698	223	-18,411	29,819	-40	29,779

The notes on pages 16 to 65 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

<i>In thousand of EUR</i>	Note	2018	2017
Cash flows from operating activities			
Profit for the year before tax		1,840	346
Adjustments for:			
Depreciation	<u>17</u>	5,602	5,560
Other changes in fixed assets	<u>17</u>	0	0
Share of profit of equity-accounted investments	<u>24</u>	-23	-66
Profit/loss on sale of property, plant and equipment	<u>17</u>	0	0
Other non-cash items	<u>24</u>	-153	247
Capital gains		-3,074	0
Net finance costs		3,801	0
Changes in:			
Trade and other receivables	<u>21</u>	-2,665	-945
Gross amount due from customers for contract work		-213	-374
Prepaid expenses	<u>21</u>	-461	-326
Inventories	<u>20</u>	197	-223
Trade and other payables	<u>26</u>	2,842	-2,013
Other liabilities	<u>27</u>	-39	454
Net cash from operating activities		7,654	2,661
Cash flows from investing activities			
Acquisition of property, plant and equipment	<u>9</u>	-9,552	0
Acquisition of subsidiaries, associates, JV	<u>9</u>	-2,532	-53
Acquisition of other investments	<u>9</u>	-404	0
Proceeds from sale of investments	<u>9</u>	3,074	0
Sale of investments- cash sold	<u>9</u>	0	0
Interest received	<u>15</u>	0	0
Net cash used in investing activities		-9,415	-53
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		0	0
Proceeds from borrowings	<u>25</u>	0	1,000
Change in consolidation method	<u>25</u>	0	0
Repayment of borrowings	<u>25</u>	-6,039	-5,064
Proceeds from issuing bonds	<u>25</u>	23,026	7,844
Repayment of bonds	<u>25</u>	-6,533	-4,059
Interest expenses	<u>25</u>	-3,687	-2,710
Net cash from (used in) financing activities		6,767	-2,989
Net increase/decrease in cash and cash equivalents		5,006	-381
Cash and cash equivalents at 1 January		7,333	5,420
Effect of exchange rate fluctuations on cash held		0	2,294
Cash and cash equivalents at 31 December		12,340	7,333

The notes on pages 16 to 65 are an integral part of these consolidated financial statements.

**Notes to the Consolidated
Financial Statements**
for the year ended 31 December 2018

1. Reporting entity

Photon Energy N.V. ("Photon Energy" or the "Company"), ID 51447126, is a joint-stock company incorporated under the laws of Netherlands on 9 December 2010. The statutory seat of the Company is Barbara Strozilaan 201, 1083HN Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU IFRSs") and title 9 Book 2 of the Netherlands Civil code. It represents the international accounting standards adopted in the form of European Commission Regulations in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements were authorised for issue by the Board of Directors on 12 April 2019.

Going concern

In preparing these accounts on a going concern basis, management used its best estimates to forecast cash movements over the next 12 months from the date of these accounts. As per today, management believes the Company will be able to repay its liabilities and ensure the further development of the Group.

2.2 Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- ▶ Property, plant and equipment – photovoltaic power plants are measured at revalued amounts (for revaluation details refer to the note [23](#))
- ▶ Investments in equity instruments accounted for using the equity method

2.3 Functional currency

These financial statements are presented in EUR.

The functional currencies used in the Group are CZK for Czech subsidiaries, EUR for Dutch, German and Slovak companies, CHF for Swiss subsidiary, HUF for Hungarian entities and AUD for Australian subsidiaries. All financial information presented in EUR has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with EU IFRSs requires management to make judge-

ments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant management judgement is used in key assumptions applied discounted cash flow projections related to the valuation of the photovoltaic power plants (refer to Note [5.1](#)) and in case of professional judgment and internal knowledge of the customer related to the creation of the allowance for bad and doubtful debts (refer to Note [28.2](#)).

The Group is engaged in the development of photovoltaic power plants. This activity involves securing suitable sites by purchase or long-term lease, obtaining all licenses and permits, the design, installation of photovoltaic equipment, financing, operations and maintenance. Photon Energy pursues a comprehensive strategy of focusing both on green-field and rooftop installations while trying to cover the largest possible part of the value chain and lifecycle of the power plant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- ▶ Note [5.1](#) – key assumptions used in discounted cash flow projections related to the valuation of the photovoltaic power plants
- ▶ Note [28.2](#) – professional judgment and internal knowledge of the customer related to the creation of the allowance for bad and doubtful debts

3. Application of new and revised EU IFRSs

3.1 New and revised EU IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised EU IFRSs have been applied in the current period and have affected the amounts reported in the financial statements.

IFRS 15 Revenue

Effective from annual periods beginning on or after 1 January 2018 the core principle of IFRS 15 is that an entity will recognize revenue to reflect the transfer of goods or services, measured as the amount to which the entity expects to be entitled in exchange for those goods or services. In particular, the new standard requires distinct goods or services to be accounted for separately, which may have a significant impact on the timing of revenue and profit recognition. While the overall principles will sound familiar, IFRS 15 includes a significant amount of guidance on many issues that arise in determining the appropriate timing and measurement of revenue. Finally, the new standard also requires significant disclosures relating to the reporting of revenue, and entities will need to ensure that they can gather the appropriate information in a timely manner.

Company performed the analysis of the potential impact of the IFRS 15 application and based on the analysis concluded the impact of the application should not be material under the existing conditions and for the currently concluded and running contracts.

IFRS 9 Financial instruments

On 24 July 2014, IASB issued IFRS 9 Financial instruments. This is the final version of the standard and supersedes all previous versions. The standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Company has reviewed its financial assets and liabilities and based on this review there have not been any reclassifications from the application of IFRS 9 in the financial statements for the financial year 2018.

3.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised EU IFRSs that have been issued but are not yet effective (dates in brackets shows effective date):

- ▀ IFRS 17 Insurance contracts (January 2021)
- ▀ IFRS 16 Leases (January 2019)

IFRS 16 Leases

Effective from annual periods beginning on or after 1 January 2019 lessees are required to account for all leases on their balance sheets, including those which had previously been treated as operating leases and accounted for in the P&L account as an "in-year" expense. This will include leases of retail and commercial property, equipment and vehicles.

The Group will apply the standard from its mandatory adoption date 1 January 2019; the Company intends to apply the simplified transition approach and will not restate comparative amounts for the year to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted to any prepaid or accrued lease expenses). As at reporting date, the group has non-cancellable lease commitments and right of use assets in the total value of EUR 1,939 thousand.

IAS 17 Insurance contracts

IFRS 17 required insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance contracts as of 1 January 2021.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

4.1.1 Business combinations

Acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

4.1.2 Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Income and expenses and other comprehensive income of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group accounting policies.

4.1.3 Special purpose entities

The Group includes special purpose entities (SPEs). The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the

SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

SPEs currently include entities owned by Raiffeisen – Leasing s.r.o. ("RL"). All these SPEs are financed by RL.

Based on new contractual agreements, the Company has the right to apply a call option for purchase of a 100% share in the RL SPVs in case of full repayment of external loans, security loans, and all the other financial liabilities of PENV towards RL and the Financing bank, plus payment of the future purchase price for the transfer of share in the SPEs.

See the list of SPEs in note [30](#).

4.1.4 Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of another entity. Joint ventures are arrangements that the Company controls jointly with one or more other investors, and over which the Company has rights to a share of the arrangements net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

4.1.6 Transactions eliminated on consolidation

Regarding subsidiaries all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Regarding equity-accounted investees (see note 4.1.5) part of a margin on sales to these entities is eliminated. This part is calculated as a percentage of margins equal to the percentage of the entity's shares owned by the Group.

4.2 Foreign currency

4.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments.

4.2.2 Foreign operations

The assets and liabilities of foreign operations (those in the Czech Republic, Switzerland, Hungary and Australia as of 31 December 2018) are translated into Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at exchange rates at the dates of the transactions.

4.2.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.3 Financial instruments

Financial instruments are only used to mitigate risks and are not used for trading purposes.

4.3.1 Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at amortised costs, fair value through P&L and fair value through OCI.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on bank accounts and cash on hand and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise other shares, where the Group holds less than 20% of the voting power and the Group has no control, joint control or significant influence over the investee.

4.3.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

4.3.3 Share capital

Ordinary shares

Ordinary shares are classified as equity. Consideration received above the nominal value of the ordinary shares is classified in equity as Share premium. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

4.3.4 Derivative financial instruments

The Slovak SPVs own interest rate derivatives used for hedging. The purpose of the derivatives is to hedge against movement of interest rates. Concluding the derivative contract was one of the conditions required by the financing bank as defined in the loan contract. The change in value of these derivatives is recognized via the equity of the Company and the result is shown in the derivatives reserve of the Company's equity since 1 January 2012. Until then, they were recognized via profit and loss.

The required documentation has been prepared and derivatives were successfully tested for effectiveness.

The Czech SPVs own interest rate derivatives. Concluding the derivative contract was one of the conditions required by the financing bank as defined in the loan contract with the fixed interest rate of 5.19%. The change in value of these derivatives is recognized via the profit and loss as they do not meet criteria for hedging derivatives.

4.4 Property, plant and equipment

4.4.1 Recognition and measurement

Photovoltaic power plants are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed at sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The need for revaluations is assessed every quarter.

For fair value determination see note 5.1.

Any revaluation surplus arising on the revaluation of such photovoltaic power plant is recognized in other comprehensive income and accumulated in equity, except to the extent that the surplus reverses a revaluation deficit on the same asset previously recognized in profit or loss. Any deficit on the revaluation of such photovoltaic power plants is recognized in profit or loss except to the extent that it reserves a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income.

Photovoltaic power plants, which the Company consolidates, in the course of construction are carried at cost, less any recognized impairment loss. The cost of self-constructed assets includes the cost of materials and direct labor plus any other costs directly attributable to bringing the assets to a working condition for their intended use and capitalized borrowing costs. Such properties are reported as Property, plant, equipment - Assets in progress and are classified to Property, plant and equipment - Photovoltaic power plants when completed and ready for use. These assets are completed and ready for use when the power plant is connected to the electricity network and all technical parameters necessary for electricity production are completed. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Additional costs capitalized in the value of the asset are included in the regular review of power plants value as done on quarterly basis.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

Included in the property plant and equipment are non separable intangible assets mainly relating to the rights to build and operate photovoltaic power plants in a specific country. Because the items are non separable, the rights are included in property, plant and equipment.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The gain or loss on disposal of an item of fixtures and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

4.4.2 Depreciation

Depreciation is recognized so as to write off the costs or revalued amount of property, plant and equipment (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of revalued photovoltaic power plants is recognized in profit or loss. Every quarter the amount equal to the difference between depreciation based on the revalued carrying amount of photovoltaic power plants and depreciation based on asset's original cost is transferred directly to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows (based on the professional judgement combining the Feed in Tariff period and useful estimated live of the components and technology used in the power plants):

- ▶ Photovoltaic power plants 20 years
- ▶ Fixtures and equipments 3–10 years

4.5 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4.6 Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less

costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.7 Non-current assets held for sale or distribution

Non-current assets held for sale or distribution comprises assets and liabilities, which are expected to be recovered primarily through sale or distribution rather than through continuing use. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated.

4.8 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4.8.1 Warranties

A provision for warranties is recognized when the underlying services are sold, i.e. when the construction contracts are finished. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

4.9 Revenue

4.9.1 Goods sold

Revenues are booked when the control over the goods is transferred from the supplier (Group) to the customer. This transfer of control is clearly defined in the contractual conditions. Group as a supplier does not provide in major of the cases any other

separate performance as part of the delivery. In very rare immaterial cases, the storage services or arrangement of customs duty is provided and invoiced individually, however this is provided only on the individual basis and represents an immaterial part of the overall revenues within the sale of technology division.

4.9.2 Services

Revenue from services (e.g. maintenance, technical-administrative; installation) are invoiced on regular monthly basis for a fixed fee agreed in the contract, additionally to this adhoc interventions are invoiced based on the actual usage of the on call service intervention. In this case, invoice is issued only on the basis of the accepted protocol confirming the services were really provided to the customer and were accepted. Part of this intervention and service provided can be also provision/usage the miscellaneous material that is at the end part of the total invoice. However, this is not provided independently without the related service so it cannot be considered as a separate performance obligation.

4.9.3 Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Construction services are provided based on the engineering and procurement contracts (EPC) either to the internal or external customers. In the contract, stages for invoicing are clearly defined. EPC provider commits itself to the construction and delivery of the powerplant with the regular warranty for quality of the work delivered. No long-term extraordinary guarantees that could be considered as a separate obligation under IFRS 15 are provided.

4.9.4 Sale of electricity

Revenues from sale of electricity are coming from the sale of electricity produced and sold to the local electricity distributor. Invoices are issued/ revenues are booked only when the electricity is delivered to the distribution net in the volume reviewed and accepted by the distributors.

4.10 Finance income and finance costs

Finance income comprises interest income on loans and net foreign currency gains. Interest income is recognized in profit or loss using the effective interest rate method.

Finance costs comprise interest expense on borrowings, bank account fees and net foreign currency losses. Interest expense is recognized using the effective interest rate method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss. Borrowing costs incurred by the Group directly attributable to the construction of power plants is capitalized in the cost of the related asset until the date of its completion.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.11 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- ▶ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ▶ Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- ▶ Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax liability is recognized for assets revaluation reported in other comprehensive income and other temporary differences. Assets revaluation represents the revaluation of photovoltaic power plants described in note [4.4.1](#).

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on

the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.12 Earnings per share

The Group uses ordinary shares only. The Group presents basic earnings per share and total comprehensive income per share data.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Total comprehensive income per share is calculated by dividing the total comprehensive income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach, using quoted market prices for similar items when available, or the income approach (an internally generated discounted cash-flow model) if there is no market based evidence of the fair value. Otherwise, the depreciated replacement cost approach will be used, when appropriate. The depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

For photovoltaic power plants market prices are not available. Therefore, the income approach is used. Under this approach the fair value of photovoltaic power plants was in previous years based on an internally generated discounted cash flow model, discounted at weighted average cost of capital. Cash flows were calculated for the period equal to the duration of the Feed-in-Tariff (period with guaranteed sales prices) in a given country and based on the expected after tax cost of debt and expected cost of equity. On a quarterly basis, management reviewed the expected debt costs of individual projects vis-a-vis actual inter-

4.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management and directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's office premises), head office expenses, and other minor expenses non-allocable to the any of the segments.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

est cost, financial market conditions, and interest rate for a 15-year state bond. On a quarterly basis, management also reviewed expected cost of equity for the period of the cash flow model. The initial valuations were done as of the date of put in use of an individual power plant, and each model is periodically reviewed and any potential change in inputs is considered. The cash flow projections were prepared for 20 years in Czech Republic and 15 years in Slovak Republic, equal to the duration of the projects. Main inputs used in the models are the following: overall project budget, taxes, interest rates, reserve funds, feed in tariff, OPEX.

- ▶ The valuation for Czech SPVs (represented by option rights) was approximated by the current Project Value. Moreover the valuation was based on Unlevered Free Cash Flow to Firm (FCFF) basis of the SPVs. The FCFF calculation used in the valuation was consistent with the overall known definition and approaches.
- ▶ The valuation of the Slovak SPVs was based on the Unlevered Free Cash Flow to Firm (FCFF) basis of the SPVs. The discount rate was based on the Capital Asset Pricing Model ("CAPM"). The CAPM is used to determine the appropriate required rate of return of an asset, if that asset is to be added to an already well-diversified portfolio, given that asset's non-diversifiable risk.
- ▶ The valuation of the Hungarian SPVs follows the in 2014 changed valuation methodology and was based

on the Levered Free Cash Flow to Equity (FCFE) basis of the SPVs. The discount rate was based on the Capital Asset Pricing Model adjusted by the Miller-Modigliani formula ("CAPMMM"). The CAPMMM is used to determine the appropriate required rate of return of an asset, if that asset is to be added to an already well-diversified portfolio, given that asset's non-diversifiable risk.

The revaluation reserve created, based on the DCF models, was annually released to the retained earnings in the amount equal to the depreciation calculated from the amount of revaluation.

Changes in valuation methodology in 2014

During summer 2014 the Group managed to change various conditions of senior bank financing at the project level. These changes consisted mainly of debt increase, changes in interest rates, changes in reserve accounts and in some cases extension of loan tenor (i.e. changes in debt repayment schedule). In addition to changes in project finance there were major changes in inputs for SK Portfolio that were not reflected in the old valuation models. These changes were imposing a new grid connection fee for Slovak projects.

Moreover the old methodology based on DCF Entity with not adjusting discount rates due to capital structure change tended to provide less accurate results on the value by DCF. Therefore the DCF Equity method with clear cash streams available to shareholders was chosen to provide significantly more accurate results, because all the changes in financing structure and related interest/principal payments are reflected undistorted.

Changes in the valuation methodology

The DCF Equity valuation method is based on a Discounted Cash Flow method. This method includes the future cash flows available to the shareholders/providers of equity of photovoltaic projects (i.e. after all debt repayments and interests) that are later discounted by respective discount rates. On the contrary the old model was based on DCF Entity and included future cash flows available to the company.

The new valuation of the project keeps in mind the risk profile of future cash flows and the way the project is financed. The risk profile is represented by a discount rate (cost of equity levered). Due to existence of senior project finance the cost of equity

calculated by CAPM formula is adjusted by Miller-Modigliani formula to achieve the most precise cost of equity levered for each project respecting its unique capital structure. On the contrary the old model used unchanging WACC as the cost of capital.

Another change of the valuation model is the change in discounting frequency. In the new valuation model, a quarterly discount is applied. This is based on the fact that debt repayments are happening on quarterly basis. This is effecting the overall change in financing structure and indirectly effecting cost of equity levered. On the contrary the old model discounted a yearly cash flow (mid-year convention).

Result of the revaluation based on the above described change amounted to EUR 6,581 thousand in 2014.

This methodology and input parameters have not been changed in 2018.

5.2 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

5.3 Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

5.4 Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value (estimated at the present value of the future cash outflows discounted by effective interest rate) plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. For finance leases the market rate of interest is determined by reference to similar lease agreements.

6. Financial risk management

6.1 Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined

and constructive control environment in which all employees understand their roles and obligations.

6.2 Sovereign Risk

The Company's results can be adversely affected by political or regulatory developments negatively impacting on the income streams of projects in the portfolio. A number of countries have already succumbed to retroactive measures renegeing on existing

agreements, guarantees and legislation by imposing levies, cancelling contracts or renegotiating terms unilaterally or by other measures reducing or in the worst case cancelling Feed in Tariffs for renewable energy investments. Legal remedies available to compensate investors for expropriation or other takings may be inadequate. Lack of legal certainty exposes projects in the portfolio to increased risk of adverse or unpredictable actions by government officials, and also makes it more difficult for us to enforce existing contracts. In some cases these risks can be partially offset by agreements to arbitrate disputes in an international forum, but the adequacy of this remedy may still depend on the local legal system to enforce the award.

6.3 Operational risk

The economic viability of energy production using photovoltaic power plants installations depends on Feed-in-Tariff (FiT) systems. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per kWh produced, an elimination or reduction of the indexation of the FiT and a shortening of the period for which the FiT applies to photovoltaic installations. On the investment side the Company faces uncertainty in relation to the approval process for the construction of photovoltaic installations, grid connection and the investment cost per kWp of installed capacity. The operating and financial results of the Company can be seriously affected by a sudden or significant change in the regulatory environment in each of the countries where the Company or its subsidiaries conduct business.

During the fourth quarter of 2010, the Czech parliament and the Czech government approved several changes in the legal framework governing certain aspects of the photovoltaic and other industries. Those changes included mainly: (i) a 3 years solar levy, newly introduced into the Czech tax system, of 26% on the revenues of photovoltaic power plants above 30kW of installed capacity, completed in the years 2009 and 2010, (ii) the abolishment of a six-year corporate income tax exemption for photovoltaic power plants, and (iii) a tenfold increase of the contractual fees previously agreed between the photovoltaic power plant operators and the state Land Fund for the extraction of certain classes of land from the state fund.

In September 2013, additional prolongation of the solar levy was approved. The percentage was decreased to 10% and applicability of this tax prolonged till end of the useful economic life of the power plants. The Company reflected this change in the DCF models for Czech SPVs already as of 30 September 2013. The fair value decrease was reflected in the value of assets, related deferred tax and other comprehensive income in 2013 financial statements.

For the years 2016 and 2017 the Group opted for its Czech power plants for the green bonus scheme and for 2018 the management decided to opt again back for the feed-in-tariff.

Photon SPV 11 s.r.o.

Since 2013 several investigations relating to the issuance of the energy production license of the PV power plant of Photon

Energy SPV 11 s.r.o. (SPV 11) have been conducted, always coming to the conclusion that the license had been issued legitimately. At the beginning of 2018 criminal charges were filed against two former subcontractors of the EPC provider of SPV 11 and as of August 2018 the difference of the feed in tariff 2010 and 2011 is withheld by ČEZ Prodej a.s. In total this amounts to EUR 316 thousand (CZK 8,126 thousand) of revenues, which is shown as trade receivables in the financial statements as of 31.12.2018. In case of a conviction of one or both of these subcontractors a reassessment of the issuance of the license could be initiated. Management is not aware of any fact that neither the issuance of the license had been not lawful nor that such reassessment would not come to the same result of the lawfulness of the feed in tariff 2010. Therefore, no provisions have been made in the financial statements for 2018. SPV 11 is valued in the financial statements at an entity value of EUR 7,629 thousand (CZK 196,247 thousand). If SPV should be only entitled to the feed in tariff for 2011, the fair value would decrease to EUR 4,298 thousand (CZK 110,564 thousand). If the feed in tariff for 2011 were to be applied retrospectively or in case that the license would be withdrawn, the full value would need to be written off.

6.4 Currency risk

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The transactions of the Group entities are denominated in CZK, EUR, AUD, CHF, and HUF. There is no financial hedging used by the company against the currency risk. Company's management does not formally monitor the FX positions.

6.5 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, including the electricity distributors.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. In most cases, the Company requires advance payments (partial or 100%) for the delivery of electricity in order to minimise the credit risk. Additionally, in case of new customers, the company looks for market references of the potential customers that are available in public resources. The collections are regularly monitored by the responsible employees and any significant overdue receivables are discussed with the management of the company. Management of the company is responsible for the decision whether allowance is to be created or any other steps need to be performed.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 12,340 thousand at 31 December 2018 (2017: EUR 7,333 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institution counterparties. Only those banks and financial institutions, which were approved by the members of the board of directors, can be used by the company.

Cash held by the SPVs under legal ownership of RL is restricted only for certain transactions, e.g. loan and related interest provided to those SPV's by Photon Energy N.V. (originally by Phoenix Energy a.s.) is subordinated to the loan from RL and will be paid only after the repayment of the RL loan. Total amount of the cash owned by these SPVs is EUR 4,634 thousand as at 31 December 2018 (2017: EUR 2,553 thousand).

6.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

6.7 Interest risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense. The Company uses interest rate derivatives for managing the interest rate risk.

Slovak SPVs, consolidated in full or by using the equity method by the Group, own interest rate derivatives used for hedging.

The purpose of the derivatives is to hedge against movement of interest rates. Concluding the derivative contract was one of conditions required by financing bank as defined in the Loan contract.

The change in fair value of these derivatives is recognized via equity of the Company and the result is shown in Derivatives reserve of the Company's equity since 1 January 2012. Until then, the change in fair value of the derivatives was recorded to profit and loss.

The Czech SPVs own interest rate derivatives. Concluding the derivative contract was one of conditions required by the financing bank as defined in the Loan contract. The change in value of these derivatives is recognized via Profit and loss as they do not meet criteria for the hedging derivatives.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy will unwind accordingly to the further negotiations with the Group's creditors.

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

<i>In thousand of EUR</i>	2018	2017
Total liabilities	76,569	63,709
Less: cash and cash equivalents	12,340	7,333
Net debt	64,229	56,376
Total equity	29,779	25,982
Net debt to adjusted equity ratio at 31 December	2.16	2.17

There were no changes in the Group's approach to capital management during the year. A net debt to adjusted equity ratio shows lower indebtedness of the Group.

7. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management and directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Company's Management has assessed the Group's business from the segment reporting perspective and decided that the financial results of Photon Energy Group to be reported in segments from 1 January 2010.

As of 31 December 2013, Management Board has decided to decrease the number of segments reported:

The Management identified the following segments:

- ▶ Energy Solutions (wholesale and import of FVE components, engineering and construction services -turn-key photovoltaic systems' installations for external clients and Photon Energy),
- ▶ Production of electricity (includes SPE that finished building of photovoltaic power plants and those are connected to the distribution network and produce the electricity)

- ▶ FVE Investment – This segment represents OCI of the Group flowing from the revaluation of the FVE producing the electricity and it is related to project companies that generate the revenues as shown in segment Production of electricity.
- ▶ Operations, maintenance and PVPP supervision
- ▶ Other, not related to any of the above mentioned segments.

Other operations include the water treatment business and other less significant activities. None of these operations meets any of the quantitative thresholds for determining reportable segments in 2018 or 2017.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

7. Operating segments (continued)

Information about reportable segments

Operating segments for the period from 1 January 2018 to 31 December 2018

<i>In thousand EUR</i>	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
External revenues from sale of products, goods and services	5,241	12,537	2,200	0	278	20,256	0	20,256
Revenues within segments from sale of products, goods, services	17,966	299	912	0	4,552	23,728	-23,728	0
Cost of sale	-16,649	-1,180	-1,616	0	-178	-19,624	14,086	-5,539
Solar levy	0	-877	0	0	0	-877	0	-877
Gross profit	6,558	10,779	1,495	0	4,651	23,482	-9,643	13,840
Other external income	2	178	36	0	175	391	0	391
Administrative and other expenses	-3,200	-489	-2,277	0	-4,998	-10,965	4,879	-6,086
Depreciation	-10	-5,483	-76	0	-33	-5,602	0	-5,602
Operating income	3,350	4,985	-823	0	-206	7,306	-4,763	2,544
Interest income	80	301	54	0	592	1,028	-878	149
Interest expenses	-188	-1,851	-124	0	-2,403	-4,565	879	-3,687
Other financial revenues	0	0	0	0	0	0	0	0
Other financial expenses	-259	-37	-44	0	-94	-434	0	-434
Revaluation of derivatives	0	171	0	0	0	171	0	171
Profit/loss share in entities in equivalency	0	0	0	23	0	23	0	23
Disposal of investment	0	0	0	0	3,074	3,074	0	3,074
Income tax	-219	-989	0	0	-9	-1,218	0	-1,218
Deferred tax	0	-112	0	0	0	-112	0	-112
Profit/loss from discontinuing operations	0	0	0	0	0	0	0	0
Profit/loss after taxation	2,764	2,468	-937	23	955	5,273	-4,763	510
Revaluation of property, plant and equipment	0	2,366	0	0	0	2,366	0	2,366
Foreign currency translation diff. - foreign operations	0	-457	0	0	0	-457	0	-457
Share of revaluation of PPE of associates /joint venture	0	0	0	0	0	0	0	0
Share of currency translation diff. of associates / JV	0	0	0	0	0	0	0	0
Derivatives (hedging)	0	113	0	0	0	113	0	113
Total comprehensive income	2,764	4,489	-937	23	955	7,295	-4,763	2,531

<i>In thousand EUR</i>	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
Assets, of which	18,665	91,364	7,144	3,179	47,398	167,749	-61,402	106,348
PPE – Lands	0	3,615	0	0	451	4,066	0	4,066
PPE – Photovoltaic power plants	0	69,893	0	0	0	69,893	0	69,893
PPE – Equipment	0	453	0	0	107	560	0	560
PPE – Assets in progress	5	4,105	436	0	230	4,776	0	4,776
Intangibles	0	0	0	0	0	0	0	0
Trade and other receivables	17,568	6,545	6,053	0	38,999	69,166	-61,402	7,764
Loans	0	0	0	0	840	840	0	840
Gross amount due from customers for contract work	277	0	0	0	310	587	0	587
Inventories – Goods	333	324	441	0	51	1,148	0	1,148
Investments in associates, JV, other	0	0	9	3,179	11	3,199	0	3,199
Deferred tax receivables	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	0	0	0
Prepaid expenses	18	27	22	0	1,109	1,176	0	1,176
Assets held for sale	0	0	0	0	0	0	0	0
Cash and cash equivalents	464	6,402	184	0	5,290	12,340	0	12,340
Other S-T financial assets	0	0	0	0	0	0	0	0
Liabilities, of which	18,345	54,988	11,170	0	53,468	137,971	-61,402	76,569
Trade and other payables	17,981	14,970	11,054	0	21,741	65,745	-61,402	4,343
Bank Loans and other loans	0	32,936	0	0	0	32,936	0	32,936
Other long term liabilities	0	674	117	0	31,761	32,551	0	32,551
Other short term liabilities	0	0	0	0	0	0	0	0
Current tax liabilities (income tax)	364	100	-1	0	-33	430	0	430
Provisions	0	0	0	0	0	0	0	0
Deferred tax liabilities	0	6,308	0	0	0	6,308	0	6,308

Operating segments for the period from 1 January 2017 to 31 December 2017

<i>In thousand EUR</i>	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
External revenues from sale of products, goods and services	3,091	11,782	2,109	0	237	17,219	0	17,219
Revenues within segments from sale of products, goods, services	572	0	1,488	0	3,239	5,299	-5,299	0
Cost of sale	-2,806	-891	-1,390	0	-180	-5,267	1,122	-4,145
Solar levy	0	-821	0	0	0	-821	0	-821
Gross profit	856	10,077	2,207	0	3,296	16,430	-4,177	12,254
Other external income	59	105	78	0	276	517	0	517
Administrative and other expenses	-1,159	-359	-2,717	0	-4,861	-9,096	4,177	-4,920
Depreciation	0	-5,469	-61	0	-30	-5,560	0	-5,560
Operating income	-244	4,354	-493	0	-1,320	2,291	0	2,291
Interest income	44	246	27	0	944	1,262	-1,071	191
Interest expenses	-77	-2,340	-97	0	-1,268	-3,781	1,071	-2,710
Other financial revenues	0	0	0	0	0	0	0	0
Other financial expenses	10	-7	-6	0	-486	-489	0	-489
Revaluation of derivatives	0	997	0	0	0	997	0	997
Profit/loss share in entities in equivalency	0	0	0	66	0	66	0	66
Income tax	-1	-1,014	-1	0	-1	-1,016	0	-1,016
Deferred tax	0	-137	0	0	0	-137	0	-137
Profit/loss from discontinuing operations	0	0	0	0	0	0	0	0
Profit/loss after taxation	-268	2,100	-569	66	-2,129	-807	0	-807
Revaluation of property, plant and equipment	0	0	0	0	0	0	0	0
Foreign currency translation diff. - foreign operations	0	0	0	2,294	0	2,294	0	2,294
Share of revaluation of PPE of associates /joint venture	0	0	0	0	0	0	0	0
Share of currency translation diff. of associates / JV	0	0	0	0	0	0	0	0
Derivatives (hedging)	0	0	0	315	0	315	0	315
Total comprehensive income	-268	2,100	-569	2,675	-2,129	1,802	0	1,802

<i>In thousand EUR</i>	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
Assets, of which	5,148	84,904	4,061	1,605	22,265	117,982	-28,290	89,692
PPE – Lands	0	3,137	0	0	0	3,137	0	3,137
PPE – Photovoltaic power plants	0	68,752	0	0	0	68,752	0	68,752
PPE – Equipment	0	0	145	0	39	184	0	184
PPE – Assets in progress	92	0	188	0	443	723	-54	669
Intangibles	0	0	0	0	0	0	0	0
Trade and other receivables	4,464	7,948	3,165	0	17,227	32,804	-28,236	4,568
Loans	0	0	0	0	650	650	0	650
Gross amount due from customers for contract work	148	0	0	0	226	374	0	374
Inventories – Goods	368	557	405	0	14	1,345	0	1,345
Investments in associates, JV, other	0	0	0	1,605	9	1,613	0	1,613
Deferred tax receivables	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	0	0	0
Prepaid expenses	9	70	36	0	600	715	0	715
Assets held for sale	0	0	0	0	0	0	0	0
Cash and cash equivalents	66	4,440	121	0	2,705	7,333	0	7,333
Other S-T financial assets	0	0	0	0	352	352	0	352
Liabilities, of which	-6,791	-47,634	-7,030	0	-30,490	-91,945	28,236	-63,709
Trade and other payables	-6,791	-2,032	-6,891	0	-14,022	-29,737	28,236	-1,501
Bank Loans and other loans	0	-38,481	0	0	-1,270	-39,751	0	-39,751
Other long term liabilities	0	-499	-139	0	-8,648	-9,285	0	-9,285
Other short term liabilities	0	0	0	0	-6,533	-6,533	0	-6,533
Current tax liabilities (income tax)	0	-469	0	0	0	-469	0	-469
Provisions	0	0	0	0	-17	-17	0	-17
Deferred tax liabilities	0	-6,153	0	0	0	-6,153	0	-6,153

7. Operating segments (continued)

All the operational segments are managed on an international basis (not on a country level). In 2018 the Group operated in the Czech Republic, Slovak Republic, Germany, Hungary, Australia, Switzerland, Peru and the Netherlands with headquarters in the Netherlands.

In 2018, revenues were generated in all above mentioned markets, except of the Netherlands and Peru. Non-current assets (power plants) are located in the Czech Republic, Slovak Republic, Hungary and Australia.

For the booking of transactions between the segments, the same rules for the recognition are applied as for the third parties.

In 2018, revenues increased in all the segments, except of Other and FVE Investments. When presenting geographical information below, segment revenue is based on the geographical location of entities generating the revenues. Segment assets are based on the geographical location of the assets.

Revenue

<i>In thousand of EUR</i>	2018	2017
The Czech Republic	13,835	13,111
The Slovak Republic	3,101	3,361
Australia	3,269	747
Germany	0	0
Hungary	51	0
Switzerland	0	0
Consolidated revenues	20,256	17,219

Non-current assets ⁽ⁱ⁾

<i>In thousand of EUR</i>	2018	2017
The Czech Republic	49,848	54,648
The Slovak Republic	16,203	17,560
Hungary	12,489	153
Australia	754	381
Total	79,294	72,742

Note: (i) Non-current assets presented consist mainly of property, plant and equipment (lands, photovoltaic power plants, other equipment, and assets under construction), and assets in progress.

Major customer

The Group has many customers. For the companies selling electricity, there is usually only one distribution company, which buys produced electricity. These local electricity distributors further deliver and resell electricity to final customers. Distribu-

tors are obliged to purchase all of the electricity production for the price based on Feed in Tariff prices. The Group as such is not dependent on any individual customer.

8. Current assets held for sale

Assets classified as held for sale

On 31 December 2018, the Company did not classify any assets as held for sale.

9. Acquisitions of subsidiary and non-controlling interests; financial information for the joint ventures and associates

9.1 Establishment of new subsidiaries

During 2018, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiaries:

- ▶ Archway Solar Kft.
- ▶ Barbican Solar Kft.
- ▶ Belsize Solar Kft.
- ▶ Blackhorse Solar Kft.
- ▶ Caledonian Solar Kft
- ▶ Camden Solar Kft
- ▶ Hampstead Solar Kft.
- ▶ Tataimmo Kft
- ▶ Öreghal Kft.
- ▶ European Sport Contact Kft.
- ▶ Ráció Master Kft.
- ▶ P&P Solar Immo Kft.
- ▶ ALFEMO Alpha Kft..
- ▶ ALFEMO Beta Kft.
- ▶ ALFEMO Gamma Kft.
- ▶ Photon Energy Peru S.C.A.

During 2017, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiaries:

- ▶ Photon Energy AUS SPV 5 Pty. Ltd.
- ▶ Photon Energy AUS SPV 6 Pty. Ltd.
- ▶ Photon Energy AUS SPV 7 Pty. Ltd.
- ▶ Photon Energy AUS SPV 8 Pty. Ltd.
- ▶ Photon Energy AUS SPV 9 Pty. Ltd.
- ▶ Photon Energy AUS SPV 10 Pty. Ltd.
- ▶ Photon Energy Operations HU Kft.
- ▶ Photon Energy Solutions HU Kft.

9.2 Acquisitions of subsidiaries

During 2018, Photon Energy N.V. (directly or via its subsidiaries) acquired the following entities:

- ▶ Future Solar Energy Kft
- ▶ Montagem Befektetési Kft
- ▶ Solarkit Befektetesi Kft.
- ▶ Energy499 Invest Kft.
- ▶ SunCollector Kft.
- ▶ Green-symbol Invest Kft.
- ▶ Ekopanel Befektetési és Szolgáltató Kft.
- ▶ Onyx-sun Kft.

The total consideration paid for the acquiring of the Hungarian entities' shares equaled to EUR 1,300 thousands. Detail of the acquired entities as follows:

<i>In thousand of EUR</i>	
Long-term assets	404
Current assets	33
Cash	42
Short-term liabilities	161
Resources	518

The above mentioned entities incurred a loss of EUR 75 thousands consisting mainly from interest expenses and bank fees.

Photon Energy Peru S.C.A. was incorporated on behalf of the Company by Peruvian lawyers and transferred to the Company at nominal value immediately after.

During 2017, Photon Energy N.V. (directly or via its subsidiaries) acquired the following entities:

- ▶ Fertod Napenergia-Termelo Kft.
- ▶ Alfemo AG
- ▶ Koradol AG

The total consideration paid for the acquiring of the entity's shares (Fertod Napaenergia-Termelo Kft) equaled to EUR 53 thousands. Value of assets acquired at the moment of acquisition equals to approximately EUR 28 thousand and the value of liabilities to approximately EUR 18 thousand.

Alfemo AG and Koradol AG were established by Georg Hotar and sold to Photon Energy N.V. for the nominal value of CHF 100 thousand each. Both companies were at the moment of acquisition newly established with only share capital paid.

Other developments in 2018

The following SPVs were renamed during 2018:

- ▶ Photon Energy AUS SPV 5 was renamed to SUNTOP Stage 2 Solar Farm Pty Ltd.
- ▶ Photon Energy Generation Pty Ltd was renamed to GUNNING SOLAR FARM Pty Ltd.
- ▶ Photon Energy AUS SPV 7 Pty Ltd was renamed to - GUNNEDAH SOLAR FARM Pty Ltd
- ▶ Photon Energy AUS SPV 8 Pty Ltd was renamed to SUNTOP SOLAR FARM Pty Ltd
- ▶ Photon Energy AUS SPV 10 Pty Ltd was renamed to MARYVALE SOLAR FARM Pty Ltd

In January 2018, the Group has signed an agreement for the joint development of five of its utility scale solar projects with a total capacity of 1.14 GWp in New South Wales, Australia with Canadian Solar. Photon Energy's utility scale solar project pipeline, the largest pipeline in Australia, includes the 316 MWp project in Gunning as well as four projects co-developed with a local partner, namely the 178 MWp project in Mumbil, the 165 MWp project in Gunnedah, the 286 MWp project in Suntop and the 196 MWp project in Maryvale, all of which will be further codeveloped with Canadian Solar. Canadian Solar has acquired a 51% shareholding in all five project companies. Post-transaction, Photon Energy NV retains a 49% stake in the Gunning project and 24.99% stakes in the four other projects. Total income from the disposal of the stakes equalled to EUR 3,074 thousand.

Other developments in 2017

During 2017, Photon Energy N.V. sold the company Photon Energy Water s.r.o. for symbolical amount of CZK 10.

9.3 Financial information for the joint ventures and associates

Joint ventures and associates

Investments in equity-accounted investees amounting to EUR 3,179 thousand (2017: EUR 1,604 thousand) represent the nominal share in the joint ventures and associates owned by the Group.

2018:

<i>In thousand of EUR</i>	Photon SK SPV 1	Solarpark Myjava	Solarpark Polianka	PE AUS SPV 5 - Suntop II	PE AUS SPV 6	PE AUS SPV 7 - Gunnedah	PE AUS SPV 8 - Suntop	PE AUS SPV 9	PE AUS SPV 10 - Maryvale	PE Generation Aust. Gunning	P&P Solar Immo Kft	Total
Definition	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	
Share	50%	50%	50%	25%	51%	25%	25%	51%	25%	49%	34%	
Share on equity	-593	-384	-686	-192	1	-300	-329	1	-184	-512	0	-3,179
Share of profit	15	25	-5	-2	-1	-1	-2	-1	-2	-3	0	23
Cash and cash equivalents	205	236	240	325	5	19	45	5	91	85	0	1,257
Current assets	251	289	301	327	6	21	96	16	91	95	0	1,491
Long-term assets	2,405	1,924	2,654	541	1,147	1,225	1,421	280	848	1,051	0	13,495
Current liabilities	-401	-302	-409	-98	-203	-46	-201	-288	-202	-101	0	-2,251
Long-term liabilities	-1,086	-1,142	-1,189	0	0	0	0	0	0	0	0	-3,417
Expenses	367	383	392	7	2	6	7	1	7	7	0	1,178
Revenues	-397	-433	-382	0	0	-1	0	0	0	0	0	-1,213

2017:

<i>In thousand of EUR</i>	Photon SK SPV 1	Solarpark Myjava	Solarpark Pollanka	AUS SPV 5	AUS SPV 6	AUS SPV 7	AUS SPV 8	AUS SPV 9	AUS SPV 10	Total
Definition	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	joint venture	
Share	50%	50%	50%	51%	51%	51%	51%	51%	51%	
Share on equity	-575	-402	-627	0	0	0	0	0	0	-1,604
Share of profit	18	33	17	-0	-0	-1	-1	-0	-0	66
Other comprehensive income	-49	-43	-38	0	0	0	0	0	0	-129
Total comprehensive income	-32	-9	-21	-0	0	-63	0	0	0	-125
Cash and cash equivalents	230	242	214	1	5	16	8	2	4	722
Current assets	266	286	265	7	6	21	12	3	5	871
Long-term assets	2,577	2,157	2,822	92	127	249	209	115	119	8,467
Current liabilities	-460	-297	-398	-85	-97	-158	-122	-109	-74	-1,800
Long-term liabilities	-1,252	-1,345	-1,370	0	0	0	0	0	0	-3,967
Expenses	357	363	343	1	1	1	1	1	1	1,069
Revenues	-393	-430	-378	0	0	0	0	0	0	-1,201

All of the entities included in the above table are accounted for using the equity method of consolidation as at 31 December 2018 and have been accounted for in the financial year 2017 (SK SPVs) using the equity method as well. The joint ventures can

distribute profit only after agreement of the financing bank and the approval of the co-owner of the entity (via the general meeting, valid for SK SPVs).

Disposals in 2018

The Group did not dispose any entity during 2018.

Disposals in 2017

- 1) Photon Water s.r.o.

<i>In thousand of EUR</i>	Photon Water s.r.o.	Total
Cash & cash held	5	5
Net assets	9	9
Local cost of FI	89	89
Sales price	0	0
Loss/profit from the sale	-89	-89
Total consideration received in cash	0	0

10. Revenue

<i>In thousand of EUR</i>	2018	2017
Sale of goods	2,086	2,379
Rendering of services	5,633	3,058
Sale of electricity	12,537	11,782
	20,256	17,219

The increase in revenues is a result of higher revenues in all the segments. Electricity production increased as a result of higher production. Additionally, the revenues from engineering and

O&M services, together with revenues from the sales of technology increased significantly compared to last year.

11. Cost of sales

Main expense' classes represent material consumed, cost of goods sold, 3rd party services received, depreciation and other expenses, such as travelling or representation costs.

<i>In thousand of EUR</i>	2018	2017
Material consumed	-20	-19
Goods (invertors, etc)	-2,003	-2,193
Services (3 rd party services received)	-3,516	-1,933
Other (representation, travelling, NBV of assets sold, etc)	0	0
Change of allowances for receivables/reserves	0	0
	-5,539	-4,145

Cost of sales consists mainly of material and goods necessary for construction of photovoltaic power plants and related services. Its increase is mainly caused by higher consumption of material, goods and subcontracted services for the projects realized during 2018.

11.1 Solar levy

<i>In thousand of EUR</i>	2018	2017
10%/26% solar levy	-877	-821
	-877	-821

For detailed information about the solar levy refer to Note 6.2.

12. Other income

<i>In thousand of EUR</i>	2018	2017
Other income	392	517
	392	517

Other income included revenues from insurance compensation (EUR 111 thousands), government subsidy (EUR 87 thousand) and income from recycling fees (EUR 103 thousands).

13. Other expenses

Other expenses comprise of other taxes, penalties and other minor expenses.

<i>In thousand of EUR</i>	2018	2017
Other taxes and fees	-27	-4
Insurance	-102	0
Receivables write-off	-220	-379
Other expenses	-24	-189
	-373	-572

14. Administrative and personnel expenses

<i>In thousand of EUR</i>	2018	2017
Wages and salaries	-3,000	-2,336
Social and health insurance *	-371	-256
Consulting, legal and other administrative services	-2,342	-1,756
	-5,713	-4,348

*Pension costs are integral part of social security expenses

On 31 December 2018 the Group employs 92 employees. 4 are employed in Slovakia by Slovak entities; 5 are employed in Hungary, 10 in Australia; 3 in Romania, 1 in Switzerland and 1 in the Netherlands. The remaining employees are employed in the Czech Republic.

Split per professional occupation is the following: 44 technical and engineering employees, 12 monitoring and SW development employees, 13 project/development managers, rest co-

vers various back office professions, including accountants, lawyers, marketing, HR, sales support.

On 31 December 2017 the Group employs 74 employees. 4 are employed in Slovakia by Slovak entities; 5 in Australia; 3 in Romania, 1 in Switzerland and 1 in the Netherlands. The remaining employees are employed in the Czech Republic.

Rental expenses of the Group amount to EUR 140 thousand annually. The Company is not involved in long-term rental lease contracts.

15. Finance income and finance costs

<i>In thousand of EUR</i>	2018	2017
Interest income on loans and receivables	149	191
Finance income	-	-
Release of allowances	-	-
Profit from revaluation of derivatives	171	997
Finance income	320	1,188
Interest expense on loans and receivables	-3,687	-2,710
Net bank account fees	-85	-33
Fx Losses	-349	-456
Loss from revaluation of derivatives	-	-
VAT related interest costs	-	-
Finance costs	-4,121	-3,199
Net finance income / costs	-3,801	-2,010

16. Income tax expense

16.1 Income tax recognized in profit or loss

<i>In thousand of EUR</i>	2018	2017
Current tax expense		
Current year	-1,218	-1,016
	-1,218	-1,016
Deferred tax expense		
Temporary differences (margin on PPV)	-112	-137
Total tax expense	-1,331	-1,153

16.2 Income tax recognized in other comprehensive income

<i>In thousand of EUR</i>	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Revaluation of property, plant and equipment	2,366	234	2,600	-	-	-
Total deferred tax for the revaluation		-			-	

16.3 Reconciliation of effective tax rate

<i>In thousand of EUR</i>	%	2018
Profit before income tax		1,934
Tax using the Company's domestic tax rate	-25%	-483
Effect of tax rates difference in foreign jurisdictions	-6%	-116
Non-deductible expenses		
Interest expenses	-12%	-233
other	-15%	-290
Recognition of tax effect previously unrecognized tax losses	-105%	-2,030
Current year losses for which no deferred tax asset was recognized	0%	0
Total tax expenses		-1,218

<i>In thousand of EUR</i>	%	2017
Profit before income tax		383
Tax using the Company's domestic tax rate	-25%	-106
Effect of tax rates difference in foreign jurisdictions	-6%	-251
Non-deductible expenses		
Interest expenses	-145%	-615
other	-15%	-60
Recognition of tax effect previously unrecognized tax losses	-105%	-445
Current year losses for which no deferred tax asset was recognized	0%	0
Total tax expenses		-1,016

17. Property, plant and equipment

<i>In thousand of EUR</i>	Land	Photovoltaic power plant	Other equipment	In progress	Total
Carrying amounts					
At 31 December 2017	3,136	68,753	184	669	72,742
At 31 December 2018	4,066	69,893	560	4,776	79,294
Gross revalued amount					
Balance at 1 January 2017	2,860	98,778	849	0	102,487
Other Additions	130	0	0	669	799
Transfer from assets in progress		0	0	0	0
Disposals	0	0	0	0	0
Revaluation increase	0	0	0	0	0
Effect of movements in exchange rates	146	3,372	8	0	3,526
Balance at 31 December 2017	3,136	102,150	857	669	106,812
Balance at 1 January 2018	3,136	102,150	857	669	106,812
Other Additions	930	0	686	9,415	11,031
Transfer from assets in progress	0	5,308	0	-5,308	0
Disposals	0	0	0	0	0
Revaluation increase	0	2,366	0	0	2,366
Effect of movements in exchange rates	0	-1,142	-100	0	-1,242
Balance at 31 December 2018	4,066	108,682	1,443	4,776	118,967
Depreciation and impairment losses					
Balance at 1 January 2017	0	28,037	473	0	28,510
Depreciation for the year	0	5,360	200	0	5,560
Impairment loss	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0
Balance at 31 December 2017	0	33,397	673	0	34,070
Balance at 1 January 2018	0	33,397	673	0	34,070
Depreciation for the year	0	5,392	210	0	5,602
Impairment loss	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0
Balance at 31 December 2018	0	38,789	883	0	39,672
Carrying amounts					
At 31 December 2017	3,136	68,753	184	669	72,742
At 31 December 2018	4,066	69,893	560	4,776	79,294

17. Property, plant and equipment (continued)

Revaluation details by power plants

<i>In thousand of EUR</i>		Net book value at costs as at 31 December 2018	Net book value at FV as at 31 December 2018	Net book value at costs as at 31 December 2017	Net book value at FV as at 31 December 2017
Photovoltaic power plants	kWp				
Breclav – ZS	137	449	864	525	946
Cukrovar Slavkov	1,159	836	3,879	1,172	4,244
Dolni Dvoriste	1,64	708	5,564	1,151	6,048
Komorovice	2,354	542	7,616	1,135	8,266
Mostkovice – Mostkovice plocha	1,135	2,565	3,302	2,864	3,625
Prerov Radvanice	2,305	1,107	7,612	1,765	8,326
Svatoslav pozemek	1,231	3,240	4,068	3,595	4,453
Zdice I	1,498	2,878	5,021	3,255	5,436
Zdice II	1,498	1,419	4,966	1,844	5,428
Zvikov	2,031	1,154	6,958	1,701	7,557
Mokr Lka II	990	1,048	2,102	1,225	2,280
Mokr Lka III	990	1,355	2,097	1,532	2,274
Jovice V	990	1,409	2,072	1,563	2,226
Jovice VI	990	1,253	2,064	1,405	2,217
Babina II	999	1,017	2,146	1,204	2,334
Babina III	999	1,895	2,140	2,081	2,327
Blatn	700	2,068	1,489	2,192	1,613
Prsa I	999	1,662	2,094	1,856	2,290
Fertod	528	649	695	0	0
Tiszakecske 1	689	583	901	0	0
Tiszakecske 2	689	582	906	0	0
Tiszakecske 3	689	584	889	0	0
Tiszakecske 4	689	582	906	0	0
Tiszakecske 5	689	579	904	0	0
Tiszakecske 6	689	583	906	0	0
Tiszakecske 7	689	583	900	0	0
Tiszakecske 8	689	583	901	0	0
		31,912	73,959	32,066	71,889

In 2018, company performed revaluation of the powerplants in Hungary, total OCI coming from this transactions net of tax resulted in EUR 2,366 thousand. Total adjustment related to the revaluation of powerplants equaled to EUR 7,908 thousand.

In 2018 the Group did not capitalize any borrowing cost into Property, plant and equipment (2017: EUR 0 thousand).

The Group has purchased several intangible assets, however these cannot be classified as intangible assets as they are con-

sidered to represent an inseparable part of photovoltaic power plants. These intangible assets mainly include rights to build the power plant, or rights to use land on which to build a power plant are classified as property plant and equipment. The total amount of these rights amounted to EUR 22 thousand (2017: EUR 1,375).

Security

As at 31 December 2018 the following properties with a carrying amount of EUR 66,051 thousand (2017: EUR 71,190 thousand) are subject to a registered debenture to secure bank loans (see note 25):

- ▶ Property, plant and equipment – Lands in an amount of EUR 2,654 thousand pledged to RL and EUR 333 thousand pledged to UniCredit Bank Czech Republic and Slovakia a.s.
- ▶ Property, plant and equipment – Photovoltaic power plants in an amount of EUR 47,194 thousand pledged to RL

- ▶ Property, plant and equipment – Photovoltaic power plants in an amount of EUR 15,870 thousand pledged to UniCredit Bank Czech Republic and Slovakia a.s.

Property, plant and equipment under construction

Property, plant and equipment under construction equaled to the amount of EUR 4,776 thousand (2017: EUR 669 thousand) comprising mainly of powerplants under construction in Hungary.

Sale of property, plant and equipment

In 2018, proceeds from sales of property, plant and equipment amounted to EUR 0 thousand (2017: EUR 0 thousand).

18. Other investments

<i>In thousand of EUR</i>	2018	2017
Non-current investments		
Other investments measured at cost ⁽¹⁾	20	9
	20	9

Notes: (1) The equity investments represent shares in IPVIC GBR.

19. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2018:

<i>In thousand of EUR</i>	Assets			Liabilities			Net		
	2018	y-y change	2017	2018	y-y change	2017	2018	y-y change	2017
Property, plant and equipment	2,160	247	1,913	-8,468	-382	-8,086	-6,308	-135	-6,153
Inventories (allowance)	0	0	0	0	0	0	0	0	0
Construction contracts	0	0	0	0	0	0	0	0	0
Receivables (allowances)	0	0	0	0	0	0	0	0	0
Employee benefits	0	0	0	0	0	0	0	0	0
Tax loss carry-forwards	0	-473	473	0	0	0	0	0	0
Tax assets (liabilities)	2,160	-226	2,386	-8,468	-382	-8,086	-6,308	-135	-6,153
Net tax assets (liabilities)	2,160	-226	2,386	-8,468	-382	-8,086	-6,308	-135	-6,153

2017:

<i>In thousand of EUR</i>	Assets			Liabilities			Net		
	2017	y-y change	2016	2017	y-y change	2016	2017	y-y change	2016
Property, plant and equipment	1,913	-493	1,933	-8,086	-347	-7,739	-6,153	-347	-6,279
Inventories (allowance)	0	0	0	0	0	0	0	0	0
Construction contracts	0	0	0	0	0	0	0	0	0
Receivables (allowances)	0	0	0	0	0	0	0	0	0
Employee benefits	0	0	0	0	0	0	0	0	0
Tax loss carry-forwards	473	-473	0	0	0	0	0	0	473
Tax assets (liabilities)	2,386	-493	1,933	-8,086	-347	-7,739	-6,153	-347	-5,806
Net tax assets (liabilities)	2,236	-493	1,933	-8,086	-347	-7,739	-6,153	-347	-5,806

19. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

<i>In thousand of EUR</i>	Balance as at 31 December 2016	Recognized in profit or loss	Recognized in OCI of which Fx translation	Recognized in OCI of which DT from revaluation	Balance as at 31 December 2017	Recognized in profit or loss	Recognized in OCI of which Fx translation	Recognized in OCI of which DT from revaluation	Balance as at 31 December 2018
Property, plant and equipment	-6,279	-137	263	0	-6,153	-112	-43	0	-6,308
Inventories (allowance)	0	0	0	0	0	0	0	0	0
Construction contracts	0	0	0	0	0	0	0	0	0
Receivables (allowance)	0	0	0	0	0	0	0	0	0
Employee benefits	0	0	0	0	0	0	0	0	0
Tax loss carry-forwards	473	0	-473	0	0	0	0	0	0
Total	-5,806	-137	-210	0	-6,153	-112	-43	0	-6,308

20. Inventories

<i>In thousand of EUR</i>	2018	2017
Goods	1,148	1,345
Gross amount due from customers (work in progress)	587	374
	1,735	1,719

Goods consist mainly of photovoltaic panels, invertors and other system components for photovoltaic power plants.

The cost of inventories recognized as an expense in cost of sales during the year in respect of continuing operations amounted to EUR 2,003 thousand (31 December 2017: EUR 2,193 thousand).

21. Trade and other receivables

Trade receivables

<i>In thousand of EUR</i>	Note	2018	2017
Trade receivables	<u>28.2</u>	2,394	1,459
Allowance for doubtful debts	<u>28.2</u>	0	0
		2,394	1,459

The average credit period on sales of goods and services is 42 days. No interest is charged. The Group recognizes an allowance for doubtful debts according to individual assessment. If the receivables are individually not significant the Company recognizes a potential allowance for doubtful debts based on the collective assessment. However Company usually does not create allowances as the receivables are usually overdue 1-2 months.

During 2018 receivables with a total amount of EUR 102 thousand were written-off (2017: EUR 379 thousand).

The receivables include as well EUR 316 thousand in relation to the revenues, which are currently held back by ČEZ Prodej a.s. in the SPV 11 case. More detailed information on the case is given in Chapter 6.3 above.

Other receivables

<i>In thousand of EUR</i>	Note	2018	2017
Paid advances		1,782	9
Loans to directors	<u>29.1</u>	220	137
Loans to associates / joint ventures	<u>29.1</u>	46	135
Other receivables		3,322	2,828
Loans to related parties		840	650
		6,210	3,759

Other receivables includes mainly a VAT receivable (EUR 396 thousand); deferred revenue (EUR 533 thousand); revaluation of derivatives (EUR 178 thousand), rest is mainly represented by other loans provided to the 3rd parties.

Prepaid expenses as presented in the financial statements amounted to EUR 1,176 thousand in 2018 (2017: EUR 715 thousand) and include mainly bond-related costs (EUR 1,013 thousand).

22. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and at banks. Cash and cash equivalents at the end of the reporting period as

shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

<i>In thousand of EUR</i>	2018	2017
Bank balances	12,340	7,333
Cash on hand	0	0
Cash and cash equivalents	12,340	7,333

Cash held by the SPVs under legal ownership of the RL is restricted only for certain transactions e.g. loan and related interest provided to those SPV's by Photon Energy N.V. is subordinated to the loan from RL and will be paid only after the

repayment of the RL loan. Total amount of the cash owned by these SPVs is EUR 4,634 thousand at 31 December 2018 (2017: EUR 2,553 thousand).

23. Capital and reserves

During 2018 and 2017, transfer of shares between Free float and other shareholders and between Solar Age Investment B.V. and Solar Future Cooperatief U.A. and Solar Power to the People Cooperatief U.A. were performed within the capital structure of the Group, refer to the tables below.

Share capital and share premium

Ordinary shares

<i>In shares</i>	2018
On issue at 1 January 2018	60,000,000
On issue at 31 December – fully paid	60,000,000

The Company's share capital is EUR 600,000 divided into 60,000,000 shares with a nominal value of EUR 0.01 each. The share capital is fully paid-up.

As of 31 December 2018 the shareholder structure was as follows.

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders' meetings of the Company.

Shareholder	No. of shares	% of capital	No. of votes at Shareholders Meeting	% of votes at Shareholders Meeting
Solar Future Cooperatief U.A.	22,266,182	37.11%	22,266,182	43.62%
Solar Power to the People Cooperatief U.A.	20,843,375	34.74%	20,843,375	40.84%
Photon Energy N.V.	8,955,934	14.93%	0	0.00%
Free float	7,934,509	13.22%	7,934,509	15.54%
Total	60,000,000	100.00%	51,044,066	100.00%

As of 31 December 2017 the shareholder structure was as follows.

Shareholder	No. of shares	% of capital	No. of votes at Shareholders Meeting	% of votes at Shareholders Meeting
Solar Age Investments B.V.	26,467,000	44.11%	26,467,000	51.54%
Solar Future Cooperatief U.A.	8,590,683	14.32%	8,590,683	16.73%
Solar Power to the People Cooperatief U.A.	8,051,874	13.42%	8,051,874	15.68%
Photon Energy N.V.	8,649,357	14.42%	0	0.00%
Free float	8,241,086	13.74%	8,241,086	16.05%
Total	60,000,000	100.00%	51,350,643	100.00%

The Free float includes shares allocated to the employee incentive programme. The disposition rights to these shares are limited and employees can dispose of these shares only under specific conditions.

With respect to a deed of transfer of Photon Energy N.V. shares from Solar Age Investments B.V. ("SAI") to Solar Future Cooperatief U.A. and Solar Power to the People Cooperatief U.A. executed on 28 December 2018, SAI transferred 13,675,499 Photon Energy N.V. shares to Solar Future Cooperatief U.A. and 12,791,501 Photon Energy N.V. shares to Solar Power to the People Cooperatief U.A..

- ▶ As from that date, SAI is no longer a shareholder in the Company.
- ▶ As the aforementioned transfers have been executed in proportion to Solar Future Cooperatief U.A. and Solar Power to the People Cooperatief U.A.'s respective shares in the capital of SAI (41.67% and 48.33%), the detailed transactions have no impact on the ultimate ownership of the Company's shares, which remains unchanged.

Reserves

The reserves relate to the legal reserve; the revaluation of property, plant and equipment - photovoltaic power plants the hedging reserve and the currency translation reserve. Refer below.

<i>In thousand of EUR</i>	2018	2017
Legal reserve	13	13
Revaluation reserve	22,935	22,506
Foreign currency translation reserve	698	1,155
Hedging reserve	223	110
	23,870	23,784

Legal reserve fund

The legal reserve is a reserve required by the Czech commercial law and Slovak commercial law. It has been created from the prior years' profit of the Czech and Slovak entities based on the approval of the general meeting.

The legal reserve amounts to EUR 13 thousand at 31 December 2018 (2017: EUR 13 thousand).

Revaluation reserve

<i>In thousand of EUR</i>	2018	2017
Balance at beginning of year	22,506	24,410
Increase arising on revaluation of properties net of deferred tax	2,366	0
Share on revaluation of PPE of associates JV	0	0
Share of non-controlling interest	0	0
Increase arising on acquisition of properties-associates JV	0	0
Share on non-controlling interest	0	0
Impairment losses	0	0
Reversals of impairment losses	0	0
Move from revaluation reserve to retained earnings	-1,936	-1,904
NCI release	0	0
Balance at end of year	22,935	22,506

The revaluation reserve arises on the revaluation of photovoltaic power plants. The revaluation reserve is being released to the retained earnings during the duration of Feed-in-Tariff-currently 20 years. The amount equal to the amount of depreciation coming from revaluation released in 2018 is equal to EUR 1,936 thousand (2017: EUR 1,904 thousand). The Group revalued its powerplants newly built in Hungary, total revaluation net of deferred tax amounted to EUR 2,366 thousand. See note [16](#) and [17](#).

For NCI release description, refer to statement of changes in equity.

The revaluation reserve as such cannot be distributed only the amounts released to retained earnings can be distributed to the shareholder.

Foreign currency translation reserve

<i>In thousand of EUR</i>	2018	2017
Balance at beginning of year	1,155	-1,139
Foreign currency translation differences for foreign operations	-457	2,294
Balance at end of year	698	1,155

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of operations using different currency from Euro. It relates to Czech Republic, Hungary, Switzerland and Australia. This reserve cannot be distributed.

Derivatives hedging reserve

<i>In thousand of EUR</i>	2018	2017
Balance at beginning of year	110	-205
Derivatives	113	315
Share on non-controlling interest	0	0
Share on derivatives joint ventures	0	0
Share on non-controlling interest	0	0
Release of non-controlling interest	0	0
Balance at end of year	223	110

Derivatives hedging reserve cannot be distributed.

Dividends

There were no dividends declared and paid by the Company in 2018 and 2017.

24. Earnings per share

<i>In EUR</i>	2018	2017
Basic earnings per share	0.012	-0.015
Diluted earnings per share	0.010	-0.013
Total comprehensive income per share	0.05	0.035

Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of profit EUR 530 thousand (2017: loss EUR 788 thousand) and a weighted average number of ordinary shares outstanding of

51,298 thousand (2017: 51,017 thousand). The calculation of diluted earnings per share as 31 December 2018 was based on the profit attributable to ordinary shareholders of profit EUR 530 thousand (2017: loss EUR 788 thousand) and a weighted average number of total shares outstanding of 60,000 thousand.

Profit (loss) attributable to ordinary shareholders

<i>In thousand of EUR</i>	Profit (loss) attributable to ordinary shareholders	
	2018	2017
Profit (loss) for the year	530	-788
Profit (loss) attributable to ordinary shareholders	530	-788

Weighted average number of ordinary shares

There were no new shares issued in 2018. The number of shares at the year-end 2017, 2016 was 60,000,000.

Share on profit of equity-accounted investees amounted to EUR 23 thousand (2017: EUR 66 thousand)

Basic and diluted total comprehensive income per share

The calculation of total comprehensive earnings per share (the calculation is the same for the diluted EPS) at 31 December 2018 and 2017 was based on the total comprehensive income (loss) attributable to ordinary shareholders of EUR 2,552 thousand (2017: EUR 1,802 thousand) and a weighted average number of ordinary shares outstanding of 60,000 thousand (2017: 60,000 thousand).

25. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

<i>In thousand of EUR</i>	2018	2017
Non-current liabilities		
Long-term secured bank loans	29,250	34,786
Long-term portion of other loans	0	1,000
Total	29,250	35,786
Current liabilities		
Current portion of long-term secured bank loans	3,686	3,695
Short-term secured bank loans	0	0
Current portion of other loans	0	270
Total	3,686	3,965
Total loans & borrowings	32,936	39,751

Movement schedule for the bank loans

<i>In EUR</i>	Short-term portion	Long-term portion
Opening balance as of 1.1.2018	3,695	34,786
Repayments	-193	-5,846
Fx impact	184	310
Closing balance as of 31.12.2018	3,686	29,250

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<i>In thousand of EUR</i>	Currency	Nominal interest rate	Year of maturity	31 December 2018		31 December 2017	
				Credit limit	Credit limit	Credit limit	Credit limit
Secured bank loan	CZK	5.19%	5.1.2021	23,399	23,399	27,440	27,440
Secured bank loan	EUR	3M EURIBOR+2.7%	30.6.2024	4,679	5,452	5,452	5,452
Secured bank loan	EUR	3M EURIBOR+2.7%	31.12.2024	4,858	5,589	5,589	5,589
Other loan	EUR	9%	12.12.2019	0	0	1,000	1,000
Other loan	EUR	3%	12.3.2018	0	0	270	270
Total interest bearing liabilities				32,936	34,440	39,751	39,751

Other long-term liabilities (bonds)

<i>In thousand of EUR</i>	2018	2017
Non-current liabilities		
EUR bond	30,000	7,004
CZK bond	1,682	1,652
Total	31,682	8,656

On 30 December 2015 a contract on refinancing of the Czech portfolio was concluded, the actual flow of money was performed in January 2016. The total amount of the increase in loan equaled to EUR 1,479 thousand.

All secured bank loans are secured by SPVs assets of power plants including real estate if any and technology receivables generated by power plants. In case of secured bank loans denominated in CZK nearly all power plants are cross-collateralized.

Covenants

The project financing sets certain operational conditions to be met by each power plant with Debt Service Coverage Ratio (DSCR) typically above 1.20.

All power plants met the DSCR criteria as of 31 December 2018.

Bonds

In October 2017, Group has issued new EUR bonds with annual coupon of 7.75% with maturity in October 2022. Outstanding amount as of 31 December 2017 was EUR 30,000 thousand. CZK bond issued in October 2016 has an annual coupon of 6% and maturity date in October 2023, with an outstanding amount of EUR 1,682 thousand as of 31 December 2017.

26. Trade and other payables

Trade payables

<i>In thousand of EUR</i>	2018	2017
Payables to suppliers	1,166	238
	1,166	238

Other payables

<i>In thousand of EUR</i>	2018	2017
Advances received	1,205	319
Accrued expenses	580	571
Payables to employees	281	166
Payables to health and social authorities	9	15
Derivatives	0	59
Other payables-loans	1,102	134
	3,177	1,263

Advances received from customers for contract work amounted to EUR 1,205 thousand (31 December 2017: EUR 319 thousand). Accrued expenses include mainly not invoiced deliveries of goods (technology) and services provided and amounted to EUR 580 thousand (31 December 2017: EUR 571 thousand). Payables to employees and health and social authorities amount to EUR 290 thousand. Other payables-loans represented loans provided by originally intercompany companies that were sold out of the group during. An interest charge of 3% was applied to the outstanding balances. These are not classified as loans and borrow-

ing as they have not been provided by financial institution or a bank but former subsidiaries. At 31 December 2018 retentions held by customers for contract work amounted to EUR 0 thousand (31 December 2017: EUR 0 thousand).

27. Other long-term and short-term liabilities

27.1 Other long term liabilities

<i>In thousand of EUR</i>	2018	2017
VAT payables	0	0
Long term liability from income tax	0	0
Other long-term loans	0	0
Other long-term liabilities	869	629
Bond	31,682	8,656
	32,551	9,285

In February and March 2013 the Company placed an 8% corporate bond in Germany, Austria, the Czech Republic, Slovakia and Poland. The bond was listed on the stock exchanges in Frankfurt, Munich, Berlin, Hamburg, Hannover and Vienna.

The bond coupon was paid quarterly and the bond was due 5 years after issuance in 2018. Bond related costs in the amount of approximately EUR 1,013 thousand have been accrued for the period of 5 years and were regularly released in the P&L. The total outstanding balance was repaid in March 2018.

In December 2016 the Company placed a 6% CZK corporate bond in the Czech Republic. The bond is listed on the Prague

Stock Exchange. The bond coupon is paid monthly and the bond is due in 7 years from issuance. The balance of this bond as of the year-end 2018 is equal to EUR 1,682 thousand. In October 2017, the group has launched the process of exchange offer and issuance of a new EUR bond. Annual interest is 7.75%, the bond coupon is paid quarterly and it is due in 5 years. The bond was fully placed and the outstanding amount as of 31 December 2018 is EUR 30,000 thousand.

Other long-term liabilities include leasing liabilities and provision for liquidation of panels in the future.

27.2 Other short term liabilities

<i>In thousand of EUR</i>	2018	2017
VAT liability /provision	0	17
Other liabilities	0	6,533
Other loans	0	270
	0	6,820

All the short-term liabilities listed in the above table were repaid within the year 2018.

27.3 Current tax liability

Other liabilities in amount of EUR 430 thousand represent payable for other taxes. This liability relates mainly to the Czech SPVs and is result of their actual annual result.

28. Financial instruments

The major financial risks faced by the Company are those related to credit exposures, exchange change risk, interest rate risk and solar levy risk. These risks are managed in the following manner.

28.1 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incur-

ring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements.

Total current assets of the Group as of 31 December 2018 equals to EUR 21,530 thousand comparing to contractual cash flows of non-derivative financial liabilities of EUR 10,255 thousand payable within the next 12 months.

31 December 2018

<i>In thousand of EUR</i>	Carrying amount	Contractual cash flows	1 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Secured bank loans	32,936	34,325	4,101	4,232	24,276	1,715
Trade payables	1,166	1,166	1,166	0	0	0
Bond	31,682	44,093	2,426	2,426	37,278	1,963
Other payables	3,177	3,177	3,177	0	0	0
Tax payables	430	430	430	0	0	0
	69,391	83,191	11,300	6,658	61,554	3,678

31 December 2017

<i>In thousand of EUR</i>	Carrying amount	Contractual cash flows	1 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Secured bank loans	39,751	43,140	4,556	4,500	34,084	0
Other loans	1,270	1,365	285	1,080	0	0
Trade payables	238	238	238	0	0	0
Bond	14,349	17,920	7,647	592	1,775	7,907
Other payables	1,263	1,263	1,263	0	0	0
Tax payables	486	486	486	0	0	0
	57,357	64,412	14,475	6,172	35,858	7,907

In 2017, other loans consisted of a loan provided by a non-bank financial institution therefore it is classified as other loan. The interest rate charged was 3%. This loan was repaid in 2018.

28. Financial instruments (continued)

28.1 Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Effective interest rates and re-pricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date

and the periods in which they re-price. The table includes only loans with variable interest rate and the balance is shown in a period within 6 months, as the interest rate is changed within this period.

For 2018, none of the bank loans have a variable interest rate (the Czech portfolio has a fixed interest rate and the Slovak portfolio interest rates are hedged), therefore the table below includes only those hedged (Slovak SPVs).

2018:

<i>In thousand of EUR</i>	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.78%	-9,537	-9,537	0	0	0
Total		-9,537	-9,537	0	0	0

2017:

<i>In thousand of EUR</i>	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.78%	-11,041	-11,041	0	0	0
Total		-11,041	-11,041	0	0	0

28.2 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Company.

The Company's exposure to credit risk is disclosed in the tables below that show the analysis of credit quality of financial assets:

Trade receivables

<i>In thousand of EUR</i>	2018	2017
Financial assets		
Not due yet	534	544
Overdue 180 days or less	908	820
Overdue over 180 days	952	95
Total	2,394	1,459
Out of which		
Overdue 180 days or less	0	0
Overdue over 180 days	0	0
Impairment loss to trade receivables overdue 360 days	0	0
Total overdue impaired	368	0
Total overdue not impaired	1,544	915
Total financial assets after impairment	2,394	1,459

<i>In thousand of EUR</i>	2018
Allowance for receivables as at 31 December 2017	0
Creation of allowance in 2018	85
Allowance for receivables as at 31 December 2018	85

The Group believes that the other unimpaired amounts that are past due by more than 30 days are still collectible based on historic payment behavior; business relationships or management judgment.

28.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It is measured by the extent to which changes in market interest rates impact on net interest expense.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

<i>In thousand of EUR</i>	Carrying amount	
	2018	2017
Interest rate instruments		
Financial assets	0	0
Financial liabilities	-32,936	-39,751
	-32,936	-39,751

Financial liabilities comprise short-term and long-term bank loans (see note 25).

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and also due date of loans based on the valid repayment schedules:

Interest bearing financial liabilities

31 December 2018

<i>In thousand of EUR</i>	Effective interest rate	Total	Less than 1 year	2–5 years	More than 5 years
Bank and other loans	4.53%	32,936	4,093	28,497	1,714
Total		32,936	4,093	28,497	1,714

31 December 2017

<i>In thousand of EUR</i>	Effective interest rate	Total	Less than 1 year	2–5 years	More than 5 years
Bank and other loans	4.55%	39,751	4,556	4,500	34,084
Total		39,751	4,556	4,500	34,084

Loans and borrowings with variable rate

Below analysis includes only loans with a variable interest rate.

For 2018 the Czech portfolio has a fixed interest rate and the Slovak portfolio has a variable interest rate that is hedged, therefore the table below includes only those hedged Slovak SPVs.

2018:

<i>In thousand of EUR</i>	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.56%	-9,537	-9,537	0	0	0
Total		-9,537	-9,537	0	0	0

2017:

<i>In thousand of EUR</i>	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.82%	-11,041	-11,041	0	0	0
Total		-11,041	-11,041	0	0	0

Loans and borrowings with variable rate – Slovak portfolio

Slovak loans interest rate is hedged by the interest derivatives.

On 31 December 2018 the total amount of the hedging reserve amounted to EUR 223 thousand (2017: EUR 110 thousand)

Loans and borrowings with variable rate

2018:

<i>In EUR thousand</i>	Carrying amount	Contractual cash flow					
Derivatives financial liabilities		Total	1 year	2 years	3 year	4 years	5 years
Interest rate swaps used for hedging	178	293	127	96	70	0	0

2017:

<i>In EUR thousand</i>	Carrying amount	Contractual cash flow					
Derivatives financial liabilities		Total	1 year	2 years	3 year	4 years	5 years
Interest rate swaps used for hedging	238	444	151	127	96	70	0

The effect on equity would be the same as the effect on profit or loss. In the calculation, the assumptions that current debt maturing in 2018 will be rolled over in that period.

Actual interest expenses related to bank loans and borrowings incurred by the Company in 2018 were EUR 1,833 thousand

(2017: EUR 2,710 thousand) coming from the carrying value of loans drawn in the amount of EUR 32,936 thousand as at 31 December 2018 (2017: EUR 39,751 thousand).

An increase/decrease of interest rates by 1% at the reporting date would have decreased/increased the profit before tax by

EUR 15 thousand as shown in the following table. This analysis assumes that all other variables remain constant.

31. 12. 2018	Effective interest rate	Total	Interest (calculated)	Effective interest rate	Interest (calculated)	Additional PL effect	Effective interest rate	Interest (calculated)	Additional PL effect
Bank loans with variable rate	4.53	32,936	1,490	4.57	1,505	-15	4.48	1,476	15
Total		32,936	1,490			-15			15

31. 12. 2017	Effective interest rate	Total	Interest (calculated)	Effective interest rate	Interest (calculated)	Additional PL effect	Effective interest rate	Interest (calculated)	Additional PL effect
Bank loans with variable rate	4.55	39,751	1,808	4.60	1,826	-18	4.50	1,790	18
Total		39,751	1,808			-18			18

28.4 Exchange rate risk

The Company's functional currency of its major subsidiaries is EUR and CZK. Foreign exchange risk is associated with sales and purchases of goods and services and loans received denominated in local currencies.

An increase/decrease of exchange rates by 10% at the reporting date would have decreased/increased the profit before tax by EUR 28 thousand (EUR 34 thousand respectively) as shown in the following table. This analysis assumes that all other variables remain constant.

2018

	31 December 2018	+ 10%	- 10%
exchange rate CZK/EUR	25.724	28.2964	23.1516

31.12.2018	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade receivables	TCZK	39,663	1,542	1,402	-140	1,713	171
Total TCZK					-140		171

31.12.2018	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade payables, loans	TCZK	-47,477	-1,846	-1,678	168	-2,051	-205
Total TCZK					168		-205

2017

	31 December 2017	+ 10%	- 10%
exchange rate CZK/EUR	25.535	28.0885	22.9815

31.12.2017	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade receivables	TCZK	44,894	1,758	1,598	-160	1,953	195
Total TCZK					-160		195

31.12.2017	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade payables, loans	TCZK	-70,438	-2,759	-2,508	251	-3,065	-307
Total TCZK					251		-307

28.5 Accounting classifications and fair values

Fair values vs. carrying amounts

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position

are as follows. For the other financial assets/financial liabilities, the fair value approximates the carrying amount.

31 December 2018

<i>In thousand of EUR</i>	Note	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and Cash equivalents	<u>22</u>	0	12,340	0	12,340	12,340
Loans and receivables	<u>21</u>	0	8,605	0	8,605	8,605
Secured bank loans	<u>26</u>	0	0	32,936	32,936	32,936
Trade payables	<u>267</u>	0	0	1,166	1,166	1,166
Bond	<u>27</u>	0	31,682	0	31,682	31,682
Other payables	<u>26</u>	0	0	3,177	3,177	3,177
Tax payables	<u>27</u>	0	0	430	430	430
Interest rate derivatives	<u>4.3.2</u>	177	0	0	177	177

31 December 2017

<i>In thousand of EUR</i>	Note	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and Cash equivalents	<u>23</u>	0	7,333	0	7,333	7,333
Loans and receivables	<u>21</u>	0	5,218	0	5,218	5,218
Secured bank loans	<u>26</u>	0	0	38,481	38,481	38,481
Other loans	<u>26</u>	0	0	1,270	1,270	1,270
Trade payables	<u>27</u>	0	0	238	238	238
Bond	<u>27</u>	0	14,349	0	14,349	14,349
Other payables	<u>27</u>	0	0	1,434	1,434	1,434
Tax payables	<u>27</u>	0	0	486	486	486
Interest rate derivatives	<u>4.3.2</u>	59	0	0	59	59

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the end of the reporting period plus an appropriate credit spread discount rate used equalled to 4.53% for 2018.

Fair value hierarchy

The table above analyses financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2018

<i>In thousand of EUR</i>	Level 1	Level 2	Level 3	Total
Cash and Cash equivalents	0	12,340	0	12,340
Loans and receivables	0	8,605	0	8,605
Secured bank loans	0	32,936	0	32,936
Trade payables	0	1,166	0	1,166
Bond	0	31,682	0	31,682
Other payables	0	3,177	0	3,177
Tax payables	0	430	0	430
Interest rate derivatives	0	177	0	177

31 December 2017

<i>In thousand of EUR</i>	Level 1	Level 2	Level 3	Total
Cash and Cash equivalents	0	7,333	0	7,333
Loans and receivables	0	5,218	0	5,218
Secured bank loans	0	38,481	0	38,481
Other loans	0	1,270	0	1,270
Trade payables	0	239	0	239
Bond	0	14,349	0	14,349
Other payables	0	1,263	0	1,263
Tax payables	0	486	0	486
Interest rate derivatives	0	59	0	59

The below analysis shows impact of change in discount rate by +/-3% on the enterprise/entity value in absolute and relative figures as of 31.12.2018.

Sensitivity analysis of DCF for powerplants

<i>In thousand of EUR</i>	Discount rate +3%	Discount rate +3% in %	Discount rate -3%	Discount rate -3% in %
HU powerplants	-976	-13%	3,477	47%
CZ powerplants	-5,972	-11.2%	7,783	14.6%
SK powerplants	-1,169	-5.7%	1,358	6.6%

All financial assets and financial liabilities (refer to Note 4.3.4) have been defined to Level 2.

Assumptions used for calculating revalued amounts of PPE (level 3) are as follows:

The DCF Equity valuation method is based on a Discounted Cash Flow method. It includes the future cash flows available to the shareholders/providers of equity of photovoltaic projects (i.e. after all debt repayments and interests) that are later discounted by respective discount rates. The risk profile is represented

by a discount rate (cost of equity levered). Due to existence of senior project finance the cost of equity calculated by CAPM formula is adjusted by Miller-Modigliani formula to achieve the most precise cost of equity levered for each project respecting its unique capital structure.

In the valuation model, a quarterly discount is applied. This is based on the fact that debt repayments are happening on a quarterly basis. This is effecting the overall change in financing structure and indirectly effecting cost of equity levered.

29. Related parties

Balances and transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

29.1 Parent and ultimate controlling party

The Company is jointly controlled by Mr. Michael Gartner (via Solar Future Coöperatief U.A.) and Mr. Georg Hotar (via Solar

Power to the People Coöperatief U.A.), who are the Company's directors.

The original lender (loans provided to the Directors) has been sold out of the Group in December 2012. However, the Group has provided the following loans to the above directors in compliance with the arm-length principle:

<i>In thousand of EUR</i>	2018	2017
Balance at beginning of year	153	163
Transferred due to the sale	0	0
Loan provided to Mr. Hotar	77	0
Unpaid interests from Mr. Hotar	0	0
Loan provided to Mr. Gartner	0	0
Unpaid interests from Mr. Gartner	0	0
Effect of the movement of Fx rate	-13	-10
Carrying amount at 31 December	219	153

Members of the board of directors did not receive any compensation during 2018 nor 2017 for their duties serving on the board of directors for the Group of entities. There were no trade relations between the Group and members of the board of directors of the Company.

The total outstanding loan from the related parties above the structure of Photon Energy N.V. equals to EUR 156 thousand as of 31 December 2018.

Other related party transactions

<i>In thousand of EUR</i>	transaction value for the year-ended		balance outstanding at the year-end	
	2018	2017	2018	2017
Sale of goods and services				
Joint ventures – sale of services	0	0	0	0
Joint ventures – construction contracts revenues (SK SPV1, Solarpark Myjava, Solarpark Polianka, AUS SPVs)	0	0	0	0
Purchase of goods and services				
Joint ventures – purchase of services	0	51	0	15
Joint ventures – purchase of services activated (AUS SPVs)	4,485	554	4,485	554
Current assets				
Loans	45	129	45	129

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

30. Group entities

Subsidiaries

The following subsidiaries are consolidated as at 31 December 2018.

	Name	% of share capital held by the holding company	Country of registration	Consolid. method	Legal Owner
1	Photon Energy N.V. (PENV)	Holding	NL	Full Cons.	-
2	Photon Directors B.V.	100%	NL	Full Cons.	PENV
3	Photon Energy Engineering B.V. (PEE BV)	100%	NL	Full Cons.	PENV
4	Photon Energy Operations N.V. (PEO NV)	100%	NL	Full Cons.	PENV
5	Photon Energy Australia Pty Ltd.	100%	AUS	Full Cons.	PENV
6	Gunning Solar Farm Pty. Ltd. (former Photon Energy Generation Australia Pty. Ltd.)	49%	AUS	Equity	PENV
7	Photon Energy AUS SPV 1 Pty. Ltd.	100%	AUS	Full Cons.	PENV
8	Photon Energy AUS SPV 2 Pty. Ltd.	100%	AUS	Full Cons.	PENV
9	Photon Energy AUS SPV 3 Pty. Ltd.	100%	AUS	Full Cons.	PENV
10	Photon Energy AUS SPV 4 Pty. Ltd.	100%	AUS	Full Cons.	PENV
11	Suntop Stage 2 Solar farm Pty. Ltd. (former Mumbil Solar Farm Pty. Ltd.)	25%	AUS	Equity	PENV
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	AUS	Equity	PENV
13	Gunnedah Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 7 Pty. Ltd.)	25%	AUS	Equity	PENV
14	Suntop Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 8 Pty. Ltd.)	25%	AUS	Equity	PENV
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	AUS	Equity	PENV
16	Maryvale Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 10 Pty. Ltd.)	25%	AUS	Equity	PENV
17	Photon Energy Operations Australia Pty.Ltd.	100%	AUS	Full Cons.	PEONV
18	Photon Energy Engineering Australia Pty Ltd	100%	AUS	Full Cons.	PEEBV
19	Global Investment Protection AG (GIP AG)	100%	CH	Full Cons.	PENV
20	ALFEMO AG	100%	CH	Full Cons.	PENV
21	KORADOL AG	100%	CH	Full Cons.	PENV
22	Photon Energy Corporate Services CZ s.r.o.	100%	CZ	Full Cons.	PENV
23	Photon SPV 1 s.r.o.	100%	CZ	Full Cons.	PENV
24	Photon Energy Operations CZ s.r.o. (PEOCZ) ¹	100%	CZ	Full Cons.	PEONV
25	Photon Energy Control s.r.o.	100%	CZ	Full Cons.	PEOCZ
26	Photon Energy Technology CEE s.r.o.	100%	CZ	Full Cons.	PEEBV
27	Photon Water Technology s.r.o.	65%	CZ	Full Cons.	PENV
28	Photon Energy Solutions s.r.o.	100%	CZ	Full Cons.	PENV
29	Photon Energy Projects s.r.o. (PEP)	100%	CZ	Full Cons.	PENV
30	Photon Energy Cardio s.r.o.	100%	CZ	Full Cons.	PEOCZ
31	The Special One s.r.o.	100%	CZ	Full Cons.	PENV
32	Charles Bridge Services s.r.o.	100%	CZ	Full Cons.	PENV
33	Photon Energy Finance Europe GmbH	100%	DE	Full Cons.	PENV
34	Photon Energy Corporate Services DE GmbH	100%	DE	Full Cons.	PENV
35	Photon Energy Engineering Europe GmbH	100%	DE	Full Cons.	PEEBV
36	EcoPlan 2 s.r.o.	100%	SK	Full Cons.	PENV
37	EcoPlan 3 s.r.o.	100%	SK	Full Cons.	PENV
38	Fotonika, s.r.o.	100%	SK	Full Cons.	PENV
39	Photon SK SPV 1 s.r.o.	50%	SK	Equity	PENV
40	Photon SK SPV 2 s.r.o.	100%	SK	Full Cons.	PENV
41	Photon SK SPV 3 s.r.o.	100%	SK	Full Cons.	PENV
42	Solarpark Myjava s.r.o.	50%	SK	Equity	PENV
43	Solarpark Polianka s.r.o.	50%	SK	Equity	PENV
44	SUN4ENERGY ZVB, s.r.o.	100%	SK	Full Cons.	PENV
45	SUN4ENERGY ZVC, s.r.o.	100%	SK	Full Cons.	PENV
46	ATS Energy, s.r.o.	100%	SK	Full Cons.	PENV
47	Photon Energy Operations SK s.r.o.	100%	SK	Full Cons.	PEONV
48	Photon Energy HU SPV 1 Kft. b.a	100%	HU	Full Cons.	Alfemo AG
49	Fertod Napenergia-Termelo Kft.	100%	HU	Full Cons.	Alfemo AG
50	Photon Energy Operations HU Kft.	100%	HU	Full Cons.	PEONV
51	Photon Energy Solutions HU Kft.	100%	HU	Full Cons.	PENV
52	Future Solar Energy Kft	100%	HU	Full Cons.	Alfemo AG
53	Montagem Befektetési Kft.	100%	HU	Full Cons.	Alfemo AG
54	Solarkit Befektetesi Kft.	100%	HU	Full Cons.	Alfemo AG
55	Energy499 Invest Kft.	100%	HU	Full Cons.	Alfemo AG
56	SunCollector Kft.	100%	HU	Full Cons.	Alfemo AG
57	Green-symbol Invest Kft.	100%	HU	Full Cons.	Alfemo AG

Name	% of share capital held by the holding company	Country of registration	Consolid. method	Legal Owner	
58	Ekopanel Befektetési és Szolgáltató Kft.	100%	HU	Full Cons.	Alfemo AG
59	Onyx-sun Kft.	100%	HU	Full Cons.	Alfemo AG
60	Tataimmo Kft	100%	HU	Full Cons.	Alfemo AG
61	Öregfal Kft.	100%	HU	Full Cons.	Alfemo AG
62	European Sport Contact Kft.	100%	HU	Full Cons.	Alfemo AG
63	ALFEMO Alpha Kft.	100%	HU	Full Cons.	Alfemo AG
64	ALFEMO Beta Kft.	100%	HU	Full Cons.	Alfemo AG
65	ALFEMO Gamma Kft.	100%	HU	Full Cons.	Alfemo AG
66	Archway Solar Kft.	100%	HU	Full Cons.	PENV
67	Barbican Solar Kft.	100%	HU	Full Cons.	Alfemo AG
68	Belsize Solar Kft.	100%	HU	Full Cons.	Alfemo AG
69	Blackhorse Solar Kft.	100%	HU	Full Cons.	Alfemo AG
70	Caledonian Solar Kft	100%	HU	Full Cons.	Alfemo AG
71	Camden Solar Kft	100%	HU	Full Cons.	Alfemo AG
72	Hampstead Solar Kft.	100%	HU	Full Cons.	Alfemo AG
73	Ráció Master Oktatási	100%	HU	Full Cons.	Alfemo AG
74	P&P Solar Immo Kft.	35%	HU	Equity	Alfemo AG
75	Photon Energy Peru S.C.A.	99%	PE	Full Cons.	GIP AG

The following subsidiaries are consolidated as at 31 December 2017.

Name	% of share capital held by the holding company	% of votes held by the holding company	Country of registration	Legal Owner
1	Photon Energy N.V. (PENV)	Holding	NL	-
2	Photon Directors B.V.	100%	NL	Photon Energy
3	Photon Energy Engineering B.V. (PEE BV)	100%	NL	Photon Energy
4	Photon Energy Operations N.V. (PEO NV)	100%	NL	Photon Energy
5	Photon Energy Australia Pty Ltd.	100%	AUS	Photon Energy
6	Photon Energy Generation Australia Pty. Ltd.	100%	AUS	Photon Energy
7	Photon Energy AUS SPV 1 Pty. Ltd.	100%	AUS	Photon Energy
8	Photon Energy AUS SPV 2 Pty. Ltd.	100%	AUS	Photon Energy
9	Photon Energy AUS SPV 3 Pty. Ltd.	100%	AUS	Photon Energy
10	Photon Energy AUS SPV 4 Pty. Ltd.	100%	AUS	Photon Energy
11	Photon Energy AUS SPV 5 Pty. Ltd.	51%	AUS	Photon Energy
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	AUS	Photon Energy
13	Photon Energy AUS SPV 7 Pty. Ltd.	51%	AUS	Photon Energy
14	Photon Energy AUS SPV 8 Pty. Ltd.	51%	AUS	Photon Energy
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	AUS	Photon Energy
16	Photon Energy AUS SPV 10 Pty. Ltd.	51%	AUS	Photon Energy
17	Photon Energy Operations Australia Pty.Ltd.	100%	AUS	PEO NV
18	Photon Energy Engineering Australia Pty Ltd	100%	AUS	PEE BV
19	Global Investment Protection AG	100%	CH	Photon Energy
20	Alfemo AG	100%	CH	Photon Energy
21	Koradol AG	100%	CH	Photon Energy
22	Photon Energy Corporate Services CZ s.r.o.	100%	CZ	Photon Energy
23	Photon SPV 1 s.r.o.	100%	CZ	Photon Energy
24	Photon Energy Operations CZ s.r.o. (PEOCZ) ¹	100%	CZ	PEO NV
25	Photon Energy Control s.r.o.	100%	CZ	PEO CZ
26	Photon Energy Technology CEE s.r.o.	100%	CZ	PEE BV
27	Photon Water Technology s.r.o.	65%	CZ	Photon Energy
28	Photon Energy Solutions s.r.o.	100%	CZ	Photon Energy
29	Photon Energy Projects s.r.o. (PEP)	100%	CZ	Photon Energy
30	Photon Energy Cardio s.r.o.	100%	CZ	PEO CZ
31	The Special One s.r.o.	100%	CZ	Photon Energy
32	Charles Bridge Services s.r.o.	100%	CZ	Photon Energy
33	Photon Energy Finance Europe GmbH	100%	DE	Photon Energy
34	Photon Energy Corporate Services DE GmbH	100%	DE	Photon Energy
35	Photon Energy Engineering Europe GmbH	100%	DE	PEE BV
36	EcoPlan 2 s.r.o.	100%	SK	Photon Energy

	Name	% of share capital held by the holding company	% of votes held by the holding company	Country of registration	Legal Owner
37	EcoPlan 3 s.r.o.	100%	100%	SK	Photon Energy
38	Fotonika, s.r.o.	100%	100%	SK	Photon Energy
39	Photon SK SPV 1 s.r.o.	50%	50%	SK	Photon Energy
40	Photon SK SPV 2 s.r.o.	100%	100%	SK	Photon Energy
41	Photon SK SPV 3 s.r.o.	100%	100%	SK	Photon Energy
42	Solarpark Myjava s.r.o.	50%	50%	SK	Photon Energy
43	Solarpark Polianka s.r.o.	50%	50%	SK	Photon Energy
44	SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	Photon Energy
45	SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	Photon Energy
46	ATS Energy, s.r.o.	100%	100%	SK	Photon Energy
47	Photon Energy Operations SK s.r.o.	100%	100%	SK	PEONV
48	Photon Energy HU SPV 1 Kft. b.a	100%	100%	HU	PEP
49	Fertod Napenergia-Termelo Kft.	100%	100%	HU	PEP
50	Photon Energy Operations HU Kft.	100%	100%	HU	PEO NV
51	Photon Energy Solutions HU Kft.	100%	100%	HU	Photon Energy

CZ = Czech Republic, SK = Slovak Republic, NL = Netherlands, CH = Switzerland, AUS = Australia, HU= Hungary

Other consolidated subsidiaries (special purpose entities) exist as at 31 December 2018, where the holding company has control but does not have any ownership or direct voting rights. The following entities are included:

Name	% of Consolidated share	% of Ownership share	Country of registration	Legal Owner
Kaliopé s.r.o.	100%	0%	CZ	RL
Photon SPV 3 s.r.o.	100%	0%	CZ	RL
Photon SPV 8 s.r.o.	100%	0%	CZ	RL
Exit 90 SPV s.r.o.	100%	0%	CZ	RL
Photon SPV 4 s.r.o.	100%	0%	CZ	RL
Photon SPV 6 s.r.o.	100%	0%	CZ	RL
Onyx Energy s.r.o.	100%	0%	CZ	RL
Onyx Energy projekt II s.r.o.	100%	0%	CZ	RL
Photon SPV 10 s.r.o.	100%	0%	CZ	RL
Photon SPV 11 s.r.o.	100%	0%	CZ	RL

CZ = Czech Republic

100% share in the above entities is owned by Raiffeisen – Leasing s.r.o. (“RL”). Although those companies are legally owned by RL, the Group consolidates them under IFRS rules. Photon Ener-

gy N.V. is considered the beneficial owner as it is owner of economic benefits and is directly exposed to economic risks of those companies.

31. Subsequent events

Hungarian refinancing

In January 2019, the Company signed a financing agreement amounting to 3.33 billion HUF (10.4 million EUR) provided by K&H Bank, the Hungarian subsidiary of Belgian KBC Group N.V. and one of Hungary's largest banking and financial services firms as well as a leading local player in project finance, for a period of 15 years. The financing has been provided for its 11.5 MWp proprietary PV power plant portfolio in Hungary. The portfolio is comprised of 17 individual KÁT-licensed PV power plants in three different locations. Draw down of the loan is planned for April 2019.

Almasfuzito

In March 2019, the Companies subsidiary Photon Energy Solutions HU Kft has finished building and grid-connected eight PV power plants with a combined capacity of 5.5 MWp located in Almásfüzitő, Hungary, expanding the Group's proprietary portfolio of PV power plants to 37.1 MWp. The Company owns and operates the projects through the Group's wholly owned company Ráció Master Kft. Revaluation of the Group's proprietary portfolio will be recorded as the Group's Other Comprehensive Income in the 2019Q1 Profit and Loss Statement.

32. Contingent assets and liabilities

There are no significant contingent assets or liabilities that need to be disclosed.

**Standalone
Financial Statements**
for the year ended 31 December 2018

Company balance sheet as at 31 December 2018

(before profit appropriation)

<i>In thousand of EUR</i>	Note	31 December 2018	31 December 2017
Fixed assets			
Financial fixed assets	<u>36</u>	44,507	38,209
Intangible assets	<u>36</u>	0	1
Long-term receivables		83	0
Total fixed assets		44,590	38,210
Current assets			
Trade and other receivables	<u>38</u>	10,834	7,136
Loans	<u>37</u>	15,944	3,554
Cash and cash equivalents	<u>38</u>	5,143	2,752
Total current assets		31,921	13,442
Total assets		76,511	51,652
Shareholders' equity	<u>39</u>		
Issued share capital		600	600
Share premium		36,871	36,871
Revaluation reserve		15,644	16,049
Hedging reserve		223	110
Currency translation reserve		698	1,155
Unappropriated result		8,417	-788
Retained Earnings		-24,808	-25,308
Total equity		37,645	28,689
Non-current liabilities	<u>40</u>	33,625	11,607
Other loans		1,933	2,951
Other long-term liability		31,692	8,656
Current liabilities	<u>41</u>	5,241	11,355
Trade and other liabilities		1,759	8,074
Other loans		3,481	3,281
Total equity and liabilities		76,511	51,652

The notes on pages 70 to 78 are an integral part of these financial statements.

Company income statement for the financial year ended 31 December 2018

<i>In thousand of EUR</i>	1 January – 31 December 2018	1 January – 31 December 2017
Share in results from participating interests, after taxation	5,480	-1,286
Income from subsidiaries	0	0
Other result after taxation	2,937	498
Net result	8,417	-788

The notes on pages 70 to 78 are an integral part of these financial statements.

Notes to the Company
Financial Statements
for the year ended 31 December 2018

34. General

The company financial statements are part of the 2016 financial statements of Photon Energy N.V. (the 'Company'). With reference to the income statement of the company, use has been

made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

35. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the

equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please see pages 23 to 37 for a description of these principles. The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves are not incorporated insofar as they can be deemed to be unrealised.

36. Financial fixed assets

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Participating interests in group companies	44,507	38,209
	44,507	38,209

The movements of the financial fixed assets can be shown as follows:

<i>In thousand of EUR</i>	Note	Participating interests in group companies	Total
Balance at 1 January 2018		38,209	38,209
Capital contribution existing subsidiaries	36	1,267	1,267
Revaluation reserve change	36	-405	-405
Share in result of participating interests	43	5,480	5,480
Set-up of new entities	36	181	181
Excess cash correction	36	0	0
Liquidation of subsidiaries	36	0	0
Share in foreign currency translation differences in participating interest	36	-457	-457
Dividend payment	36	-1,003	-1,003
Derivatives	36	113	113
Sale of subsidiaries		0	0
Balance at 31 December		44,299	44,299
Allowances	36	207	207
Final balance at 31 December 2018		44,507	44,507

2018

A participating legal Company is under Dutch law a participation which exercises significant influence over the operating and financial policies (hereinafter: participation), valued using the equity method. This method means that the carrying amount of

the investment is increased or decreased by the share in the results and changes in equity of the associate, less the dividend from the participation. The carrying amount, the share in the results and changes in equity are determined according to the principles of the holding.

Therefore the direct changes in equity in the participations of PE NV are included in the standalone financial statements of the Company.

The direct equity movements of the subsidiaries of PE NV consist of:

- 1) Revaluation of assets valued at fair value in the participations (decrease of value of assets)
- 2) Foreign currency translation differences in the participations
- 3) Effective portion of hedging derivatives in the participations

The Company, with statutory seat in Amsterdam, is the holding company and has the following financial interests:

	Name	% of share capital held by the holding company	Country of registration	Consolid. method	Legal Owner
1	Photon Energy N.V. (PENV)	Holding	NL	Full Cons.	-
2	Photon Directors B.V.	100%	NL	Full Cons.	PENV
3	Photon Energy Engineering B.V. (PEE BV)	100%	NL	Full Cons.	PENV
4	Photon Energy Operations N.V. (PEO NV)	100%	NL	Full Cons.	PENV
5	Photon Energy Australia Pty Ltd.	100%	AUS	Full Cons.	PENV
6	Gunning Solar Farm Pty. Ltd. (former Photon Energy Generation Australia Pty. Ltd.)	49%	AUS	Equity	PENV
7	Photon Energy AUS SPV 1 Pty. Ltd.	100%	AUS	Full Cons.	PENV
8	Photon Energy AUS SPV 2 Pty. Ltd.	100%	AUS	Full Cons.	PENV
9	Photon Energy AUS SPV 3 Pty. Ltd.	100%	AUS	Full Cons.	PENV
10	Photon Energy AUS SPV 4 Pty. Ltd.	100%	AUS	Full Cons.	PENV
11	Suntop Stage 2 Solar farm Pty. Ltd. (former Mumbil Solar Farm Pty. Ltd.)	25%	AUS	Equity	PENV
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	AUS	Equity	PENV
13	Gunnedah Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 7 Pty. Ltd.)	25%	AUS	Equity	PENV
14	Suntop Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 8 Pty. Ltd.)	25%	AUS	Equity	PENV
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	AUS	Equity	PENV
16	Maryvale Solar Farm Pty. Ltd. (former Photon Energy AUS SPV 10 Pty. Ltd.)	25%	AUS	Equity	PENV
17	Photon Energy Operations Australia Pty.Ltd.	100%	AUS	Full Cons.	PEONV
18	Photon Energy Engineering Australia Pty Ltd	100%	AUS	Full Cons.	PEEBV
19	Global Investment Protection AG (GIP AG)	100%	CH	Full Cons.	PENV
20	ALFEMO AG	100%	CH	Full Cons.	PENV
21	KORADOL AG	100%	CH	Full Cons.	PENV
22	Photon Energy Corporate Services CZ s.r.o.	100%	CZ	Full Cons.	PENV
23	Photon SPV 1 s.r.o.	100%	CZ	Full Cons.	PENV
24	Photon Energy Operations CZ s.r.o. (PEOCZ) ¹	100%	CZ	Full Cons.	PEONV
25	Photon Energy Control s.r.o.	100%	CZ	Full Cons.	PEOCZ
26	Photon Energy Technology CEE s.r.o.	100%	CZ	Full Cons.	PEEBV
27	Photon Water Technology s.r.o.	65%	CZ	Full Cons.	PENV
28	Photon Energy Solutions s.r.o.	100%	CZ	Full Cons.	PENV
29	Photon Energy Projects s.r.o. (PEP)	100%	CZ	Full Cons.	PENV
30	Photon Energy Cardio s.r.o.	100%	CZ	Full Cons.	PEOCZ
31	The Special One s.r.o.	100%	CZ	Full Cons.	PENV
32	Charles Bridge Services s.r.o.	100%	CZ	Full Cons.	PENV
33	Photon Energy Finance Europe GmbH	100%	DE	Full Cons.	PENV
34	Photon Energy Corporate Services DE GmbH	100%	DE	Full Cons.	PENV
35	Photon Energy Engineering Europe GmbH	100%	DE	Full Cons.	PEEBV
36	EcoPlan 2 s.r.o.	100%	SK	Full Cons.	PENV
37	EcoPlan 3 s.r.o.	100%	SK	Full Cons.	PENV
38	Fotonika, s.r.o.	100%	SK	Full Cons.	PENV
39	Photon SK SPV 1 s.r.o.	50%	SK	Equity	PENV
40	Photon SK SPV 2 s.r.o.	100%	SK	Full Cons.	PENV
41	Photon SK SPV 3 s.r.o.	100%	SK	Full Cons.	PENV
42	Solarpark Myjava s.r.o.	50%	SK	Equity	PENV
43	Solarpark Polianka s.r.o.	50%	SK	Equity	PENV
44	SUN4ENERGY ZVB, s.r.o.	100%	SK	Full Cons.	PENV
45	SUN4ENERGY ZVC, s.r.o.	100%	SK	Full Cons.	PENV
46	ATS Energy, s.r.o.	100%	SK	Full Cons.	PENV
47	Photon Energy Operations SK s.r.o.	100%	SK	Full Cons.	PEONV
48	Photon Energy HU SPV 1 Kft. b.a	100%	HU	Full Cons.	Alfemo AG
49	Fertod Napenergia-Termelo Kft.	100%	HU	Full Cons.	Alfemo AG
50	Photon Energy Operations HU Kft.	100%	HU	Full Cons.	PEONV
51	Photon Energy Solutions HU Kft.	100%	HU	Full Cons.	PENV
52	Future Solar Energy Kft	100%	HU	Full Cons.	Alfemo AG
53	Montagem Befektetési Kft.	100%	HU	Full Cons.	Alfemo AG
54	Solarkit Befektetesi Kft.	100%	HU	Full Cons.	Alfemo AG
55	Energy499 Invest Kft.	100%	HU	Full Cons.	Alfemo AG

	Name	% of share capital held by the holding company	Country of registration	Consolid. method	Legal Owner
56	SunCollector Kft.	100%	HU	Full Cons.	Alfemo AG
57	Green-symbol Invest Kft.	100%	HU	Full Cons.	Alfemo AG
58	Ekopanel Befektetési és Szolgáltató Kft.	100%	HU	Full Cons.	Alfemo AG
59	Onyx-sun Kft.	100%	HU	Full Cons.	Alfemo AG
60	Tataimmo Kft	100%	HU	Full Cons.	Alfemo AG
61	Öreghal Kft.	100%	HU	Full Cons.	Alfemo AG
62	European Sport Contact Kft.	100%	HU	Full Cons.	Alfemo AG
63	ALFEMO Alpha Kft.	100%	HU	Full Cons.	Alfemo AG
64	ALFEMO Beta Kft.	100%	HU	Full Cons.	Alfemo AG
65	ALFEMO Gamma Kft.	100%	HU	Full Cons.	Alfemo AG
66	Archway Solar Kft.	100%	HU	Full Cons.	PENV
67	Barbican Solar Kft.	100%	HU	Full Cons.	Alfemo AG
68	Belsize Solar Kft.	100%	HU	Full Cons.	Alfemo AG
69	Blackhorse Solar Kft.	100%	HU	Full Cons.	Alfemo AG
70	Caledonian Solar Kft	100%	HU	Full Cons.	Alfemo AG
71	Camden Solar Kft	100%	HU	Full Cons.	Alfemo AG
72	Hampstead Solar Kft.	100%	HU	Full Cons.	Alfemo AG
73	Ráció Master Oktatási	100%	HU	Full Cons.	Alfemo AG
74	P&P Solar Immo Kft.	35%	HU	Equity	Alfemo AG
75	Photon Energy Peru S.C.A.	99%	PE	Full Cons.	GIP AG

CZ = Czech Republic, SK = Slovak Republic, NL = Netherlands, CH = Switzerland, AUS = Australia, HU=Hungary

The company booked a provision for negative equity in subsidiaries in the amount of EUR 668 thousand (outstanding balance 2017: EUR 9,483 thousand) as the Company's management has intention to maintain and support the related subsidiaries within the structure and support them by providing the required cash-flow and settle their liabilities. This allowance is presented in the current liabilities.

The total amount invested into capital contributions (by capitalization of entity's receivables from subsidiaries or issuance of a new share via retained earnings) to subsidiaries in 2018 amounted to EUR 1,267 thousand (2017: EUR 89 thousand; refer to Movement schedule above).

Increase of value resulting from the revaluation of subsidiaries amounted to EUR 11 thousand. Total result from participations resulted in loss of EUR 8,102 thousand. The Company also set-up/purchased new entities in value of EUR 181 thousand.

2018 developments

During 2018, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiaries:

- ▶ Archway Solar Kft.
- ▶ Barbican Solar Kft.
- ▶ Belsize Solar Kft.
- ▶ Blackhorse Solar Kft.
- ▶ Caledonian Solar Kft
- ▶ Camden Solar Kft
- ▶ Hampstead Solar Kft.

During 2018, Photon Energy N.V. (directly or via its subsidiaries) acquired the following entities:

- ▶ Future Solar Energy Kft
- ▶ Montagem Befektetési Kft
- ▶ Solarkit Befektetési Kft.
- ▶ Energy499 Invest Kft.
- ▶ SunCollector Kft.
- ▶ Green-symbol Invest Kft.
- ▶ Ekopanel Befektetési és Szolgáltató Kft.
- ▶ Onyx-sun Kft.
- ▶ Tataimmo Kft
- ▶ Öreghal Kft.
- ▶ European Sport Contact Kft.
- ▶ Ráció Master Kft.
- ▶ P&P Solar Immo Kft.
- ▶ ALFEMO Alpha Kft..
- ▶ ALFEMO Beta Kft.
- ▶ ALFEMO Gamma Kft.
- ▶ Photon Energy Peru S.C.A.

The following SPVs were renamed during 2018:

- ▶ Photon Energy AUS SPV 5 was renamed to SUNTOP Stage 2 Solar Farm Pty Ltd.
- ▶ Photon Energy Generation Pty Ltd was renamed to GUNNING SOLAR FARM Pty Ltd.

- ▶ Photon Energy AUS SPV 7 Pty Ltd was renamed to GUNNEDAH SOLAR FARM Pty Ltd
- ▶ Photon Energy AUS SPV 8 Pty Ltd was renamed to SUNTOP SOLAR FARM Pty Ltd
- ▶ Photon Energy AUS SPV 10 Pty Ltd was renamed to MARYVALE SOLAR FARM Pty Ltd

In January 2018, the Group has signed an agreement for the joint development of five of its utility scale solar projects with a total capacity of 1.14 GWp in New South Wales, Australia with Canadian Solar. Photon Energy's utility scale solar project pipeline, the largest pipeline in Australia, includes the 316 MWp project in Gunning as well as four projects co-developed with a local partner, namely the 178 MWp project in Mumbil, the 165 MWp project in Gunnedah, the 286 MWp project in Suntop and the 196 MWp project in Maryvale, all of which will be further codeveloped with Canadian Solar. Canadian Solar has acquired a 51% shareholding in all five project companies. Post-transaction, Photon Energy NV retains a 49% stake in the Gunning project and 24.99% stakes in the four other projects.

2017 developments

During 2017, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiaries:

- ▶ Photon Energy AUS SPV 5 Pty. Ltd.
- ▶ Photon Energy AUS SPV 6 Pty. Ltd.
- ▶ Photon Energy AUS SPV 7 Pty. Ltd.
- ▶ Photon Energy AUS SPV 8 Pty. Ltd.
- ▶ Photon Energy AUS SPV 9 Pty. Ltd.
- ▶ Photon Energy AUS SPV 10 Pty. Ltd.
- ▶ Photon Energy Operations HU Kft.
- ▶ Photon Energy Solutions HU Kft.

During 2017, Photon Energy N.V. (directly or via its subsidiaries) acquired the following entities:

- ▶ Fertod Napenergia-Termelo Kft.
- ▶ Alfemo AG
- ▶ Koradol AG

Alfemo AG and Koradol AG were established by Georg Hotar and sold to Photon Energy N.V. for the nominal value of CHF 100 thousand each.

37. Loans

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Loans provided	15,944	3,554
	15,944	3,554

The balance of loans provided consists of the loans provided primarily to the companies within the Group and its increase is caused by provision of new funds during the year to the subsidi-

aries. Interest charged by PENV to its subsidiaries is 3% and the loans have a short-term character.

38. Current assets

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Trade and other receivables	10,834	7,136
Cash	5,143	2,752
	15,977	9,888

39. Shareholders' equity

39.1 Reconciliation of movement in capital and reserves

<i>In thousand of EUR</i>	Issued share capital	Share premium	Currency translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Unappropriated result	Total equity
Balance at 1 January 2017	600	36,871	-1,139	-205	16,056	-25,343	-2,660	24,180
Revaluation of assets in participating interest	-	-	-	-	-7	-	-	-7
Foreign currency translation differences in participating interest	-	-	2,294	-	-	-	-	2,294
Transfer to retained earnings	-	-	-	-	-	-2,660	2,660	0
Release of provision to financial investments	-	-	-	-	-	2,688	-	2,688
Correction of RE previous period	-	-	-	-	-	7	-	7
Derivatives	-	-	-	314	-	-	-	314
Actual result	-	-	-	-	-	-	-788	-788
Balance at 31 December 2017	600	36,871	1,155	110	16,049	-25,309	-788	28,689
Balance at 1 January 2018	600	36,871	1,155	110	16,049	-25,309	-788	28,689
Revaluation of assets in participating interest	-	-	-	-	-405	-	-	-405
Foreign currency translation differences in participating interest	-	-	-458	-	-	-	-	-458
Transfer to retained earnings	-	-	-	-	-	-788	788	0
Release of provision to financial investments	-	-	-	-	-	-	-	-
Derivatives	-	-	-	113	-	-	-	113
Correction of RE previous period	-	-	-	-	-	22	-	22
Capital increase of the subsidiaries	-	-	-	-	-	1,267	-	1,267
Actual result	-	-	-	-	-	-	8,417	8,417
Balance at 31 December 2018	600	36,871	698	223	15,644	-24,808	8,417	37,645

39.2 Share capital and share premium

39.2.1 Ordinary shares

The Company's share capital is EUR 600,000 divided into 60,000,000 shares with a nominal value of EUR 0.01 each. The share capital is fully paid-up. Each of the 60,000,000 shares represent one vote at the General Meeting.

The holders of ordinary shares (except of Treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

Reserves

Reserves of the Company consist of the revaluation reserve, the currency translation reserve and the hedging reserve.

The revaluation reserve arises on the revaluation of photovoltaic power plant owned by the participation(s) and it amounted to

EUR 15,644 thousand as of 31 December 2018 (31 December 2017: EUR 16,049 thousand).

Currency translation reserve includes all foreign translation exchange differences in the participations and amounted to a profit EUR 698 thousand as of 31 December 2018 (31 December 2017: EUR 1,155 thousand).

The hedging reserve includes results from hedging derivatives in the participations and amounted to a profit of EUR 223 thousand in 2018 (2017: EUR 110 thousand).

39.2.2 Unappropriated result

To the General Meeting of Shareholders the following appropriation of the result 2018 will be proposed: the profit of EUR 8,417 thousand to be transferred and added to the retained earnings item in the shareholders' equity.

39.2.3 Reconciliation of consolidated group equity with company equity

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Group equity	29,779	26,001
Released provision for financial participations	0	2,689
Difference in results	7,907	0
Minority interest of third parties in subsidiary:		
Non-controlling interest	-40	0
Shareholders' equity (company)	37,645	28,689
Group result	530	-788
Income from subsidiaries	7,907	0
Minority interest of third parties in result:		
Non-controlling interest	-20	0
Net result (company)	8,417	-788

40. Long-term liabilities

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Loans	1,933	2,951
Other long-term liabilities	31,692	8,656
	33,625	11,607

Long-term loan was provided by a group entity (EUR 1,933 thousand). Other long-term liabilities include a EUR bond issued

in 2017 (EUR 30,000 thousand) and a CZK bond issued in December 2016 (EUR 1,692 thousand).

41. Current liabilities

<i>In thousand of EUR</i>	31 December 2018	31 December 2017
Loans	3,481	3,281
Trade payables	86	71
Accruals and deferred income	580	225
Other payables	1,094	7,778
	5,241	11,355

All loans included in the above table are provided by the subsidiaries of the entity.

The amount of EUR 6,533 thousands included in other payables in 2017 represented a short-term portion of the bond issued in 2013 and repaid in March 2018. Remaining other payables consisted of Company's liabilities from VAT, liabilities towards employees, advances or resulting from the cash transfers within the Group.

42. Financial instruments

42.1 General

The Group has exposure to the following risks from its use of financial instruments:

- ▶ Credit risk.
- ▶ Liquidity risk.
- ▶ Market risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital also apply to the company financial statements of Photon Energy N.V.

No derivative financial instruments are being used at parent company level.

42.2 Fair value

The fair value of the financial instruments stated on the balance sheet, including cash at bank and in hand and current liabilities, is close to the carrying amount.

43. Share in results from participating interests

An amount of EUR 5,480 thousand (profit) of share in results from participating interests relates to group companies (2017: loss of EUR 788 thousand).

44. Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by Grant Thornton Accountants en Adviseurs B.V. to the Company in 2018:

2018:

<i>In thousand of EUR</i>	Grant Thornton Accountants en Adviseurs B.V.	Other Grant Thornton member firms and affiliates	Total
Statutory audit of annual accounts	33	-	33
	33	-	33

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2017 have been charged by Grant Thornton Accountants en Adviseurs B.V. to the Company:

2017:

<i>In thousand of EUR</i>	Grant Thornton Accountants en Adviseurs B.V.	Other Grant Thornton member firms and affiliates	Total
Statutory audit of annual accounts	33	-	33
	33	-	33

45. Related parties

45.1 Transactions with key management personnel

45.1.1 Key management personnel compensation

Key management personnel did not obtain any compensation for their activity for PE NV in 2018.

45.1.2 Key management personnel and director

The directors of the Company control 86.26% of the voting shares of the Company. The Directors hold positions in other

group entities that result in having control or significant influence over the financial or operating policies of these entities.

45.1.3 Emoluments of directors and supervisory directors

No emoluments, including pension obligations as intended in Section 2:383(1) of the Netherlands Civil Code were charged in the financial period to the Company.

Amsterdam, 12 April 2019

The Board of Directors:



Georg Hotar, Director



Michael Gartner, Director

Other information

Other information

I. Provisions in the Articles of Association governing the appropriation of profit

According to article 20 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity are greater than the paid-up and called-up part of the capital plus the legally required reserves.

II. Subsidiaries

The Company has subsidiaries in the Czech Republic, Slovak Republic, Germany, Hungary, Switzerland, Netherlands and Australia. For the list of all subsidiaries refer to the Note 30 of the Consolidated financial statements.

III. Independent auditor's report

The independent auditor's report is set forth on the next pages.

To: the General Meeting of Shareholders of
Photon Energy N.V.

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Accountants en Adviseurs B.V.
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INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements

Our Opinion

We have audited the accompanying financial statements for the year ended December 31, 2018 of Photon Energy N.V., based in Amsterdam, as set out on pages 1 to 80. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Photon Energy N.V. as at December 31, 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Photon Energy N.V. as at December 31, 2018, and of its result in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at December 31 2018;
- 2 the following statements for the year ended December 31, 2018:
the consolidated statement of income, the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company statement of financial position as at December 31;
- 2 the company statement of income for the year ended December 31, 2018; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Photon Energy N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to paragraph 6.3 in the notes of the financial statements which describes circumstances related to Photon Energy SPV 11 s.r.o. Our opinion is not modified in respect of this matter.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information, that consists of:

- the Director’s report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board’s report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements .

Our Responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, April 15, 2019

Grant Thornton Accountants en Adviseurs B.V.

M.J.J. Welsink
Registeraccountant