
FERTŐD, HUNGARY
528 kWp

Photon Energy N.V.

ANNUAL REPORT 2017

PHOTON ENERGY

Photon Energy N.V.
Annual Report 2017

Published on 9 April 2018
Available online at www.photonenergy.com

For questions contact our Investor Relations Department at ir@photonenergy.com

PHOTON ENERGY
EXPERTS FOR THE SOLAR AGE.

Photon Energy offers worldwide solar power solutions and services for all who want to fully harvest free energy from the sun. Our solutions and services cover the entire lifecycle of photovoltaic power systems. We are active across the globe and have a proven track record of developing PV projects, building and commissioning solar power plants. Our O&M division provides operations and maintenance services to hundreds of MWp of solar power plants worldwide. Photon Energy also manages its own proprietary portfolio of 26 MWp of power plants in three countries across two continents.

~50 MWp
of PV plants installed

Own portfolio of
26 MWp

O&M services supplied for
210+ MWp

27.3 GWh
produced in 2017

Energy supplied for
10,000+ households

Active in
10+ countries

SELECTED FINANCIAL INFORMATION

In thousands	EUR		PLN		CZK	
	2017	2016	2017	2016	2017	2016
Revenues	17,219	13,089	73,301	57,092	453,374	353,822
Gross profit	12,254	10,723	52,165	46,773	322,644	289,871
EBITDA	7,851	6,551	33,422	28,574	206,720	177,086
EBIT	2,291	1,286	9,752	5,610	60,317	34,770
Profit / loss before taxation	346	-1,996	1,474	-8,707	9,117	-53,958
Net profit	-807	-2,660	-3,436	-11,605	-21,251	-71,920
Other comprehensive income	2,609	653	11,107	2,848	68,695	17,653
Total comprehensive income	**1,802**	**-2,007**	**7,671**	**-8,756**	**47,444**	**-54,267**
Fixed assets	74,354	75,570	310,578	333,337	1,899,012	2,041,889
Current assets	15,338	11,556	64,065	50,973	391,721	312,239
of which Cash and cash equivalents	7,333	5,420	30,631	23,906	187,289	146,437
Total assets	89,692	87,125	374,643	384,310	2,290,733	2,354,128
Total equity	**25,982**	**24,180**	**108,528**	**106,657**	**663,587**	**653,339**
Short-term liabilities	12,484	7,910	52,144	34,890	318,832	213,723
Long-term liabilities	51,225	55,035	213,966	242,761	1,308,280	1,487,056
Operating cash flow	2,661	2,848	11,327	12,421	70,056	76,977
Investment cash flow	-53	-463	-226	-2,020	-1,395	-12,516
Financial cash flow	-2,989	-1,286	-12,724	-5,608	-78,701	-34,757
Net change in cash	**-381**	**1,099**	**-1,623**	**4,793**	**-10,040**	**29,704**
EUR exchange rate – low	–	–	4.171	4.234	25.410	27.020
EUR exchange rate – average	–	–	4.257	4.362	26.330	27.033
EUR exchange rate – end of period	–	–	4.177	4.411	25.540	27.020
EUR exchange rate – high	–	–	4.412	4.500	27.060	27.150

Note:

All financial figures throughout this report are provided in Euro (EUR). Figures stated in other currency such as Polish Złoty (PLN) and Czech Koruna (CZK) are provided for information purpose only.

Figures provided in PLN and CZK were translated in accordance with IAS 21 as follows: Statement of Comprehensive Income – at the average exchange rate for given period; Statement of Financial Position – at the closing exchange rate for given period.

For simplicity, throughout this report following separators were used: point "." for decimals, comma "," for thousand and million.

FACTS & FIGURES

Record-breaking FY2017:

- Highest revenues in the company's history of EUR 17.2 million (+32% YoY)
- Strongest EBITDA of EUR 7.9 million (+20% YoY) & EBIT of EUR 2.3 million (+78% YoY)

Continuous **growth of revenues** and **improved balance between segments** compared to previous years.

Continuously improving **operating profitability** as well as below the line (adjusted profit before taxation) during past years.

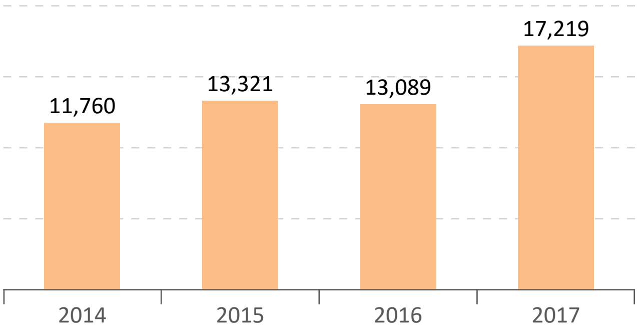
Turn-around in profit before taxation.

Sound Balance Sheet with EUR 74.4 million in Non-Current Assets, Total Assets of EUR 89.7 million and Equity of EUR 26.0 million as of 31 December 2017. Increase of short term liabilities only due to reclassification of the 2013-18 bond, which has been repaid on 12 March 2018.

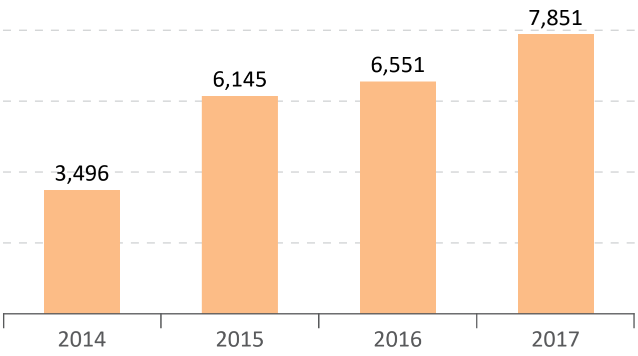
Strongly improved balance sheet indicators:

- Net debt/EBITDA reduced from 14.3x to 6.1x between 2014 and 2017
- Interest coverage ratio increased from 1.2x to 2.9x between 2014 and 2017
- Net debt/Equity of 1.9x at year-end 2017

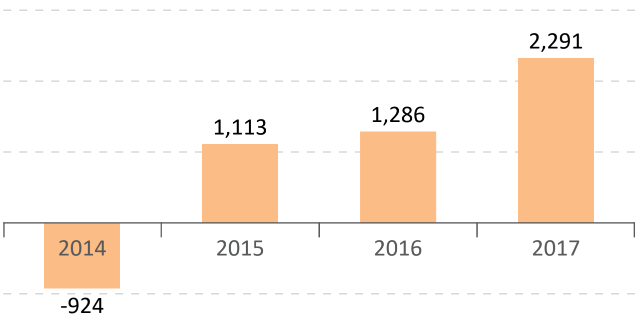
Total revenues *(In thousands of EUR)*



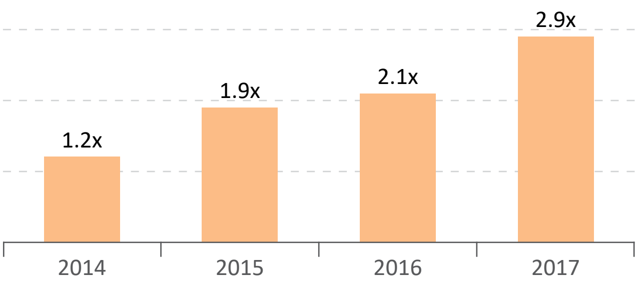
EBITDA *(In thousands of EUR)*



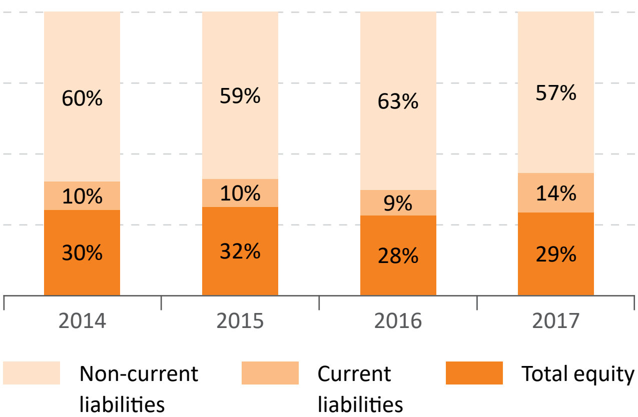
EBIT *(In thousands of EUR)*



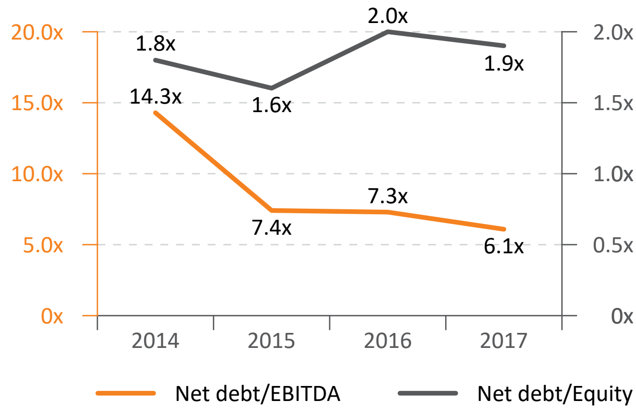
Interest coverage ratio *(EBITDA/Interest costs)*



Breakdown of liabilities & Equity



Debt ratios



SUCCESS STORY DOWN UNDER

Australia has been in the DNA of Photon Energy from the outset. As a solar project developer and operator, Photon Energy was co-founded by an Australian and is a strong and established player with more than 10 years of experience. We were there from the start of large scale solar in Europe and we have brought our experience to Australia.

From our estimates, the Australian solar market could triple in the next 24 months and can exceed 3–4 GW of installed capacity each year over the next two years due to the massive roll out of utility scale solar.

During 2017 the market has shifted dramatically in our favour with the electricity price shock brought on by the early retirement of one of Australia's largest and oldest coal power plants in Hazelwood in Victoria. With a nameplate capacity of 1.6 GW, its closure removed around 12,000 GWh of electricity from the National Energy Market and caused prices to spike. Answering to this challenge, Photon Energy is improving its capabilities to provide highly competitive behind-the-meter solutions though our integrated business model including EPC, O&M, PPA and funding options to secure our long term position in the commercial and industrial (C&I) segment of the Australian solar market.

1.4 GWp

Project pipeline in Australia

1.14 GWp

Co-development pipeline with Canadian Solar

2011

Establishment of Photon Energy Australia

The deal with Canadian Solar to finance the continued development of 5 of our utility scale projects is the largest of its kind in Australia to date representing about 1.14 GWp of solar PV and sets a clear pathway to the ready to build stage of the projects. After an eventful and successful 2017, 2018 is destined to be the biggest year in the history for Photon Energy and reflective of the hard work and perseverance of the management team and staff who have continued to show commitment to the Australian market over the last 6 years.

The great thing about solar plants is that they are built in harmony with the existing landscape and built environment. Solar power creates jobs and reduces electricity prices and is becoming a significant source of power generation. We are excited to be positioned at the right time in the right place to pounce on these opportunities and being an integral part of Australia's energy transformation.

LETTER FROM THE MANAGEMENT

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

Dear shareholders, dear bondholders, dear readers,

In many ways, the year 2017 will go down in our company's ten-year history as a truly pivotal period. After several years of consolidation with a strong emphasis on strengthening our balance sheet as well as the development of our service businesses, we have made strong progress in Australia and our new market Hungary and embarked on a dynamic growth path. On the back of outstanding production by our proprietary portfolio of operating PV plants we managed to grow our revenues by 32% to a record level of EUR 17.22 million, while boosting our EBITDA by 20% to EUR 7.85 million, turning into the black at the pre-tax level and swinging to a EUR 1.80 million total comprehensive income.

The main reason, why 2017 will be remembered fondly, is the truly remarkable progress in our utility-scale solar project development effort in New South Wales, Australia. From a clean slate, our Sydney-based team has originated and developed a pipeline of seven utility-scale projects with a potential total installed capacity of over 1.4 GWp. In addition, in October 2017 we received construction approval and are in the final stages of concluding the connection agreement for our 28.7 MWp project in Leeton. As a significant vote of confidence in our strategy and development skills an agreement was signed in late January 2018 with the global solar industry giant Canadian Solar to finance the ongoing development of five of our utility scale projects, leaving us with significant equity stakes and upside once fully developed. This milestone crystallized our strong efforts in the Australian market in the past years and proved that our strategic investment Down Under is bearing fruit. The deal is the largest of its kind in Australia to date, representing about 1.14 GWp of solar PV and sets a clear pathway to the ready-to-build stage of the projects. We are now completing a similar capital raising process for the other two projects in Brewongle and Carrick.

A co-development financing deal was signed with the global solar industry giant Canadian Solar for 1.14 GWp of Photon Energy's project pipeline in Australia.

Our business in Hungary is also on a very promising growth trajectory. During 2017, we opened an office in Budapest and our project pipeline in Hungary has grown to 26.1 MWp spread across 38 projects in five locations. In the municipality of Fertőd, in the Győr-Moson-Sopron region of Western Hungary, we connected the Group's first photovoltaic power plant in Hungary at the end of March 2018. The completion of the Fertőd project has allowed us to gain a lot of valuable experience in this new market and represents the first step towards our goal of adding 50 MWp of operating Hungarian PV plants to our PV portfolio by year-end 2019.

During 2017, our project pipeline in Hungary has grown to 26.1 MWp spread across 38 projects in five locations.

In line with Photon Energy's integrated business model for solar PV plants, the company has expanded its strategic focus to Water, intending to cover the entire life cycle of water purification and remediation systems both as a turn-key supplier as well as a provider of the final product – drinking water. Thanks to available and reliable technologies to turn both saline and contaminated fresh water into drinking water, Photon Water Technology offers packaging customized water solutions into containers and thus enabling their deployment to any location. Photon Energy's proprietary monitoring and control software will allow integrated real-time management and efficient operations and maintenance.

In line with Photon Energy's integrated business model for solar PV plants, the company has expanded its strategic focus to Water, intending to cover the entire life cycle of water purification and remediation systems.

We are happy to inform you that our new water division has hit a running start in 2017, generating some 2% of group revenues and ending the year with a lower start-up loss than planned for its first year of operation. The most promising aspect for us is that we have been able to win customers and references in a wide variety of markets including France, Switzerland, the Czech Republic, China and Peru.

On the back of outstanding electricity production by our proprietary portfolio of operating PV plants we managed to grow our revenues by 32% to a record level of EUR 17.22 million, while boosting our EBITDA by 20% to EUR 7.85 million, turning into the black at the pre-tax level and swinging to a EUR 1.80 million total comprehensive income. The last remaining challenge for the upcoming year is to eliminate the red ink at the after-tax profit level, where we managed to materially reduce our deficit by nearly three quarters to EUR 0.81 million in 2017.

In 2017, the company recorded the highest revenues (EUR 17.2 million, +32% YoY), EBITDA (EUR 7.9 million, +20% YoY) and EBIT (EUR 2.3 million, +78% YoY) in its history.

Last but not least, 2017 has also been a crucial year for our presence on capital markets. In October 2017 Photon Energy launched a public offer for its second EUR-denominated 5-year corporate bond (with a 7.75% coupon and quarterly payments) together with an exchange offer for the holders of its first 8% EUR-bond due in March 2018. The results of the exchange offer and the bond placement, combined with the growing free cash flows from the company's operations, have enabled us to repay our 8% bond on 12 March 2018 fully, successfully completing our debut on the European corporate bond market. Loan and bond repayments are the ultimate litmus tests for any company and we are proud to have mastered the full life-cycle of our first publicly traded bond down to the dot.

Building and expanding on our experience, know-how and technical capabilities we are embarking on an exciting new path, where solar energy, energy storage and water technologies will be combined to meet the growing needs of billions of potential customers. We believe that our underlying business strengths and our focus on managing for the long term will continue to benefit us as we move forward. We laid a strong foundation to build the future of our company around our well-performing power plant portfolio, our business development activities as well as our diversified sources of revenues. As always, we take our commitment to our employees, business partners, customers, bond and shareholders very seriously and are thrilled about the exciting times ahead.

In October 2017, Photon Energy launched a public offer for its second EUR-denominated 5-year corporate bond (with a 7.75% coupon and quarterly payments).

Amsterdam, 9 April 2018
Board of Directors

Michael Gartner
Director

Georg Hotar
Director

CONTENTS

1.

Company Introduction

COMPANY PROFILE

Photon Energy N.V. is a global solar power solutions and services company with a wide range of expertise covering the entire life-cycle of solar power systems.

Our track record includes almost 50 MWp of solar power plants built and commissioned and more than 210 MWp in our operations & maintenance portfolio. Photon Energy also manages its own proprietary portfolio of 26 MWp of power plant in three countries across two continents.

Photon Energy's team has a proven track record and in-depth knowledge of project development, investment management, project finance, insurance, technology solutions, EPC and O&M.

Photon Energy is headquartered in the Netherlands and has offices in Australia, the Czech Republic, Slovakia, Switzerland and Hungary.

Photon Energy is an innovative company dedicated to providing best-in-class solar power solutions that are robust, reliable, cost effective and applicable anywhere there is sunshine. Our power solutions provide solar and solar-hybrid power for a wide range of customers and applications.

Our O&M division Photon Energy Operations provides a wide range of first-in-class services for owners of PV power plants.

PROJECTS

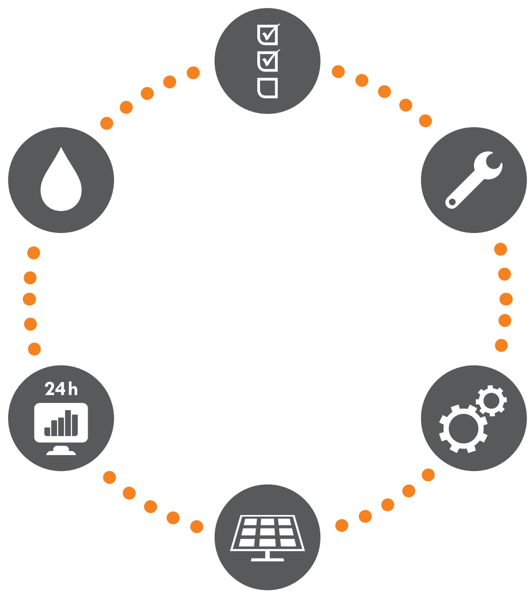
Project development for rooftop and green-field installations from 300 kW to 300 MW.

WATER

Comprehensive services in the fields of contaminated land and ground water remediation and water purification.

SOLUTIONS

Design and construction of on-grid and off-grid installations, including battery storage solutions.



OPERATIONS

Operations and maintenance of PV power plants, including own control room and monitoring platform.

TECHNOLOGY

Trading and distribution of PV components (panels and inverters).

INVESTMENTS

Investments in PV power plants for the sustainable production and sale of solar energy.

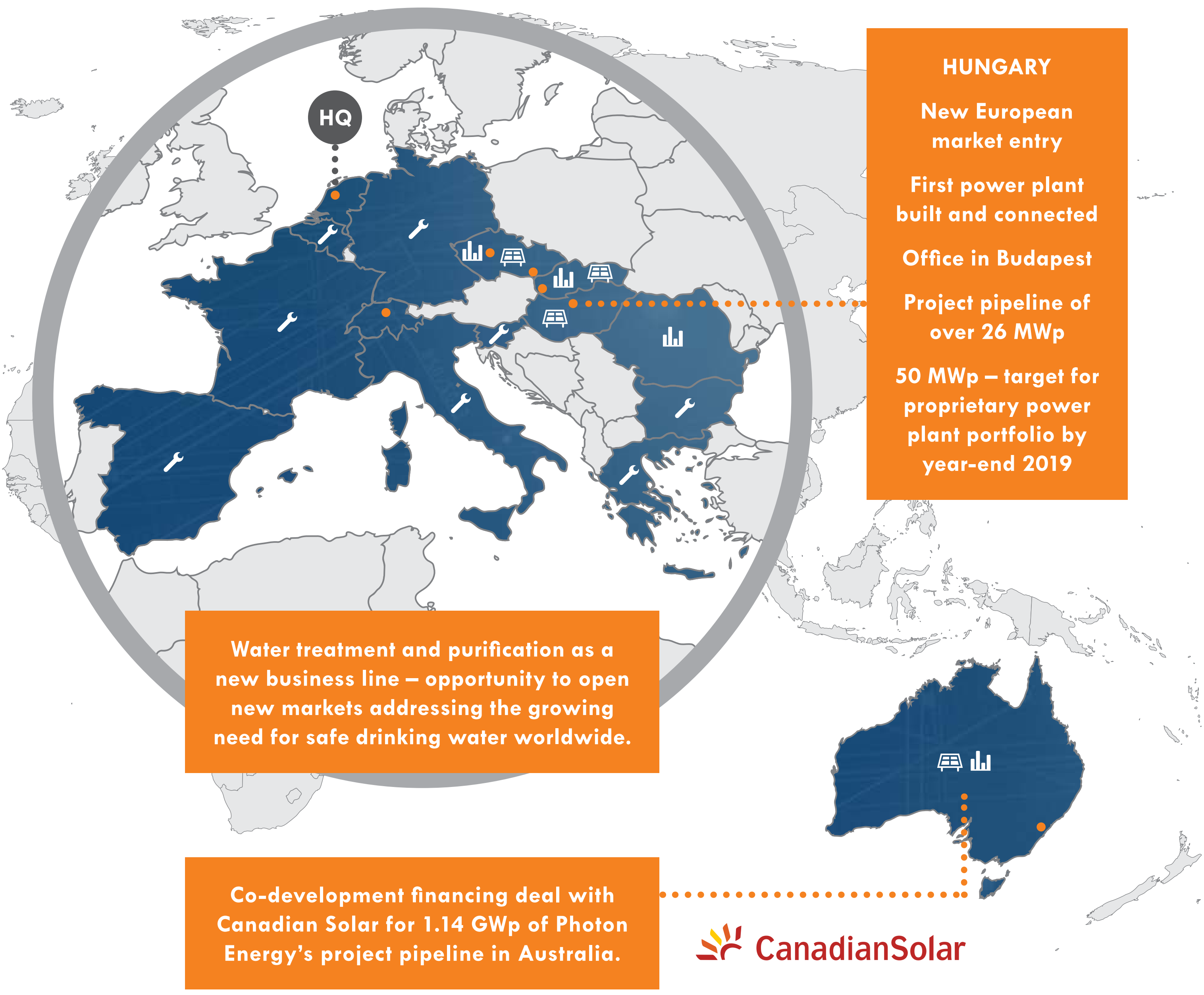
CONTACT DETAILS

Name:	**Photon Energy N.V.**
Legal form:	Joint-stock company (Naamloze Vennootschap)
Address:	Barbara Strozzilaan 201, 1083 HN, Amsterdam, the Netherlands
Registration:	Dutch Chamber of Commerce (Kamer van Koophandel)

Company No.:	51447126
Tax No:	NL850020827B01
Web address:	www.photonenergy.com
E-mail:	info@photonenergy.com

GLOBAL PRESENCE

Power plants owned by Photon Energy
Power plants under O&M
Other O&M services
Offices



NEW EUROPEAN HORIZON: CLOSEUP ON HUNGARY

"Each country has its specifics and Hungary is no different. One of the areas, for which it proved to be true, is the grid connection part of the solar power plant design and the requirements set by the Distribution System Operators. Besides this challenge, all the companies participating in the KÁT support scheme in Hungary (for renewable energy production providing an off-take framework for up to 25 years) will very soon face a lack of certain components of the power plants, starting from modules and good quality inverters to high efficiency transformers and production monitoring software, which by law should be able to offer performance forecasts.

Furthermore, due to the construction boom in residential real estate sector, which began several years ago in Hungary, the industry is now experiencing a serious need for qualified manpower and reliable subcontractors to deliver and realize the projects according to high standards.

All of these (and many more) factors are solvable and our team is ready to tackle them thanks to the close cooperation between our divisions and areas of expertise."

Jan Marešovský

Managing Director, Photon Energy Solutions

"The Hungarian PV market offers signficant potential for the next couple of years as renewable energy production in the country in relation to the electricity demand is much lower than in other European countries.

In order to stay successful we need to be able to control and minimize unpredictable losses by expedient handling of insurance claims, ensuring security system stability, online monitoring of inverter and transformer defects and minimizing transmission line errors, etc. Such losses may be the result of poor product quality, a lack of PV experience among subcontractors and questionable project design and thus technically beyond our immediate control and influence, it is crucial to be mindful of such risks in what is a new market for us.

Thanks to the experienced team of Photon Energy and particularly the strong in-house O&M support with top-notch production monitoring we feel confident to be able to tackle these issues safely and reliably.

Ultimately, the ability to increase power plant reliability, performance and predictability, while also decreasing maintenance expenses will allow us to take a strong lead ahead of our competitors in 5 to 10 years' time."

Gergely Tóvári

Managing Director, Photon Energy Operations HU

LEADERSHIP

Georg Hotar Chief Executive Officer and co-founder

Georg co-founded Photon Energy in 2008 and was the company's CFO until 2011. Since then he has spearheaded the group's expansion in Europe and overseas as CEO. Georg has extensive knowledge of the solar energy industry as well as in international finance. Before Photon Energy, Georg established a finance and strategy advisory boutique focused on the CEE region and previously held various positions in financial services in London, Zurich and Prague.

Michael Gartner Managing Director of Photon Energy Australia and co-founder

Michael developed one of the first large PV installations in the Czech Republic before co-founding Photon Energy in 2008. Michael was CEO of Photon Energy until rolling out the company's business in Australia. Michael is instrumental in driving Photon Energy's off-grid and solar-hybrid power solutions. Before Photon Energy, Michael ran an investment boutique and was an analyst and head of fixed income sales at ING and Commerzbank Securities in Prague.

Clemens Wohlmuth Chief Financial Officer

Clemens joined Photon Energy in 2012 and is responsible for the group's financial activities and strategies. He contributes many years of experience in financial management, having run his own consulting practice focused on financial services and interim management. Prior to this, he was CFO and later CEO at Telekom Austria's subsidiary, Czech On Line. From 1994 to 2000 he was Senior Manager for Ernst & Young Consulting in Austria and worked on several reorganisation projects in Central Europe.

Lukáš Kubásek Regional Manager of Photon Energy Operations Central Europe

Lukáš is responsible for growing Photon Energy's customer base for operations and maintenance in Central Europe. Previously he was responsible for asset managing our 26 MW portfolio of power plants on the technical, administrative and economic side, ensuring maximum portfolio performance. After joining Photon Energy in early 2010 he oversaw the construction and commissioning of some of the company's own power plants as Project Manager in the Czech Republic and Germany. Before Photon Energy, Lukáš worked as Project and Real Estate Manager in the retail sector.

Marek Farský Managing Director of Photon Energy Technology CEE

Marek joined Photon Energy in 2009 and has since then overseen the procurement and sale of PV technology worth several hundred MWp. Marek has wide ranging contacts among PV manufacturers and substantial knowledge of solar technology. Before joining Photon Energy he worked for, among others, Ernst & Young and Deloitte.

Jan Marešovský Managing Director of Photon Energy Solutions

Jan joined Photon Energy in 2017 and oversees the company's EPC activities, currently focusing on projects in Hungary, where he previously worked for three years as a real estate development manager. Thanks to his experience in construction and track record of delivering projects on time and at the highest standard, Jan and his team design and build solar power plants for Photon Energy's proprietary portfolio. Before Photon Energy Jan worked with Metrostav, one of the leading general construction companies in the Czech Republic.

Petr Kvapil Managing Director of Photon Water Technology

Petr joined Photon Energy in 2017 to head the new business line and drive the company's water management activities in the Czech Republic, EU and selected countries in Asia and Latin America. The Photon Water team focuses on contaminated land and ground water remediation, water treatment, water management and since 2018 also algae and biofilm control. Prior to joining Photon Energy, Petr worked as R&D Director and Member of the Board of one of the leading water management and environmental services companies in the Czech Republic.

HISTORY

2008

Photon Energy a.s., the predecessor company was founded in the Czech Republic in January. In September, the company raised EUR 0.6m in a private placement (as the only external equity financing to date) and in October its shares were listed on the NewConnect segment of the Warsaw Stock Exchange.

2009

Photon Energy connected the first large scale PV plant of 911 KWp as an EPC in July. In total the company commissioned four plants with an installed capacity of 3.5 MWp, including the 795 KWp plant in Mostkovice, the first plant in its proprietary portfolio.

2010

Photon Energy built and connected 32.5 MWp of PV plants in the Czech Republic and Slovakia and expanded its proprietary portfolio to 20 MWp. In December Photon Energy N.V. was incorporated by two founding shareholders: Mr. Georg Hotar (48.33% of share capital) and Mr. Michael Gartner (51.67%) under the laws of the Netherlands, with its statutory seat in Amsterdam in the Netherlands.

2011

Photon Energy built an additional 8.8 MWp of PV plants in Slovakia and added 1.3 MWp in Germany and 0.3 MWp in Italy (first power plant). The Company also established its presence in Australia and started project development.

2012

The Group completed its corporate restructuring, implemented a structure based on legally separated business lines and transferred all activities and assets under its Dutch holding structure. Photon Energy connected a 1 MWp rooftop PV plant in Italy in June.

2013

Photon Energy placed a 5-year corporate bond with an 8% coupon, which trades in Frankfurt, Berlin, Hamburg, Hannover and Vienna. In June 2013 Photon Energy relisted on the NewConnect segment of the Warsaw Stock Exchange, followed by a capital increase by EUR 24 million. Subsequently, the Group announced its new global strategy and signed contracts for new PV projects in the ACT, Australia.

2014

Photon Energy commissioned one of Australia's largest rooftop power plants and installed a revolutionary solar-storage battery system that powers a large-scale radio antenna. Photon Energy's O&M division added five new countries to our map. In September 2014 Photon Energy partially repaid and successfully refinanced its short term loan facility in the amount of approximately EUR 6 million, significantly improving its liquidity position.

2015

1M

Photon Energy further grew its O&M customer base by 35 MWp, expanding its activities to Romania. In 2015, Photon Energy also hit the 1 MWp mark in Australia. In the same year, we proactively managed our balance sheet to support our business operations: a financing facility amendment was signed with Raiffeisen Leasing s.r.o. to increase the existing credit facilities on nine power plants on attractive terms, and Photon Energy further implemented its geographical focus by selling its two Italian power plants, as well as its small-scale rooftop power plants in Germany.

2016

More power plants were built in Australia, including two rooftop projects totalling 347 kWp as part of a general building reconstruction in Canberra, a smaller rooftop power plant for Sydney's Macquarie University, as well as a 99 kWp power plant in Leeton, New South Wales, providing a large proportion of the power for a sewerage treatment plant. 2016 also saw the Company close its best business year in terms of O&M contracts, with 45 MWp added in total, and strengthen its proprietary portfolio of PV power plants by acquiring the outstanding equity interests from JV partners in Slovakia. Photon Energy was active on the capital markets, with the dual-listing of our shares on the Prague Stock Exchange and the issuance of a 6% corporate bond in the Czech Republic.

MAJOR ACHIEVEMENTS IN 2017

AUSTRALIA'S LARGEST UTILITY-SCALE PROJECT PIPELINE

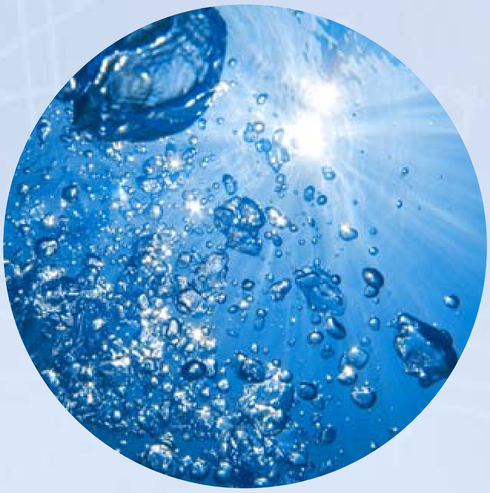
The main reason, why 2017 will be remembered fondly, is the truly remarkable progress in our utility scale solar project development effort in New South Wales, Australia. From a clean slate, our Sydney-based team has originated and developed a pipeline of seven utility scale projects with a potential total installed capacity of over 1.4 GWp.

In addition, in October 2017 we received construction approval and are in the final stages of concluding the connection agreement for our 28.7 MWp project in Leeton.

SIGNING CO-DEVELOPMENT DEAL WITH CANADIAN SOLAR

As a significant vote of confidence in our strategy and development skills an agreement was signed in late January 2018 with the global solar industry giant Canadian Solar to finance the ongoing development of five of our utility-scale projects, leaving us with significant equity stakes and upside.

This milestone crystallized our strong efforts in the Australian market in the past years and proved that our strategic investment Down Under is bearing fruit. The deal is the largest of its kind in Australia to date representing about 1.14 GWp of solar PV and sets a clear pathway to the ready-to-build stage of the projects.



PHOTON ENERGY EXPANDS ITS STRATEGIC FOCUS TO WATER

In line with Photon Energy's integrated business model for solar PV plants, the company intends to cover the entire life cycle of water purification and remediation systems both as a turn-key supplier as well as a provider of the final product – drinking water.

Thanks to available and reliable technologies to turn both saline and contaminated fresh water into drinking water, Photon Water Technology offers packaging customized water solutions into containers and thus enabling their deployment to any location.

Photon Energy's proprietary monitoring and control software will allow integrated real-time management and efficient operations and maintenance. Our new division has hit a running start in 2017, generating some 2% of group revenues.

HUNGARY, THE NEW SOLAR HOT-SPOT IN CENTRAL EUROPE

A combined set of factors led us towards entering the Hungarian PV market in 2016, a market attractive not only for project development and investing ourselves, but also for growing our O&M and EPC businesses based on the European Union's commitment to cover 20% of the electricity demand from renewable sources by 2020, Hungary's limited potential for renewable energy sources other than solar energy, as well as a favourable functioning support mechanism.

Off-take prices for renewable energy around EUR 100 per MWh for up to 25 years allow for attractive returns for investors, while local banks have a strong mandate and appetite to provide long-term project financing on attractive terms. During 2017, an office has been opened in Budapest, the project pipeline in Hungary has grown to 26.1 MWp, with a target of adding 50 MWp to the company's proprietary portfolio in Hungary by year-end 2019.

Photon Energy's first Hungarian photovoltaic power plant with an installed capacity of 528 kWp in the Western Hungarian municipality of Fertőd has been connected on 28 March 2018.

BACK TO PROFITABILITY

On the back of outstanding production by our proprietary portfolio of operating PV plants we managed to grow our revenues by 32% to a record level of EUR 17.22 million while boosting our EBITDA by 20% to EUR 7.85 million, turning into the black the pre-tax level and swinging to a EUR 1.80 million total comprehensive income.

The last remaining challenge for the upcoming year is to eliminate the red ink at the after-tax profit level, where we managed to materially reduce our deficit by nearly three quarters to EUR 0.81 million in 2017.

PHOTON ENERGY PLACES A 5-YEAR EUR-BOND WITH A 7.75% COUPON

Last but not least, 2017 has also been a crucial year for our presence on capital markets. In October 2017 Photon Energy launched a public offer for its second EUR-denominated 5-year corporate bond (with a 7.75% coupon and quarterly payments) together with an exchange offer for the holders of its first 8% EUR-bond due in March 2018.

The results of the exchange offer and the bond placement, combined with the growing free cash flows from the company's operations have enabled us to repay our 8% bond on 12 March 2018 fully, successfully completing our debut on the European corporate bond market.

Loan and bond repayments are the ultimate litmus tests for any company and we are proud to have mastered the full life-cycle of our publicly traded bond down to the dot.

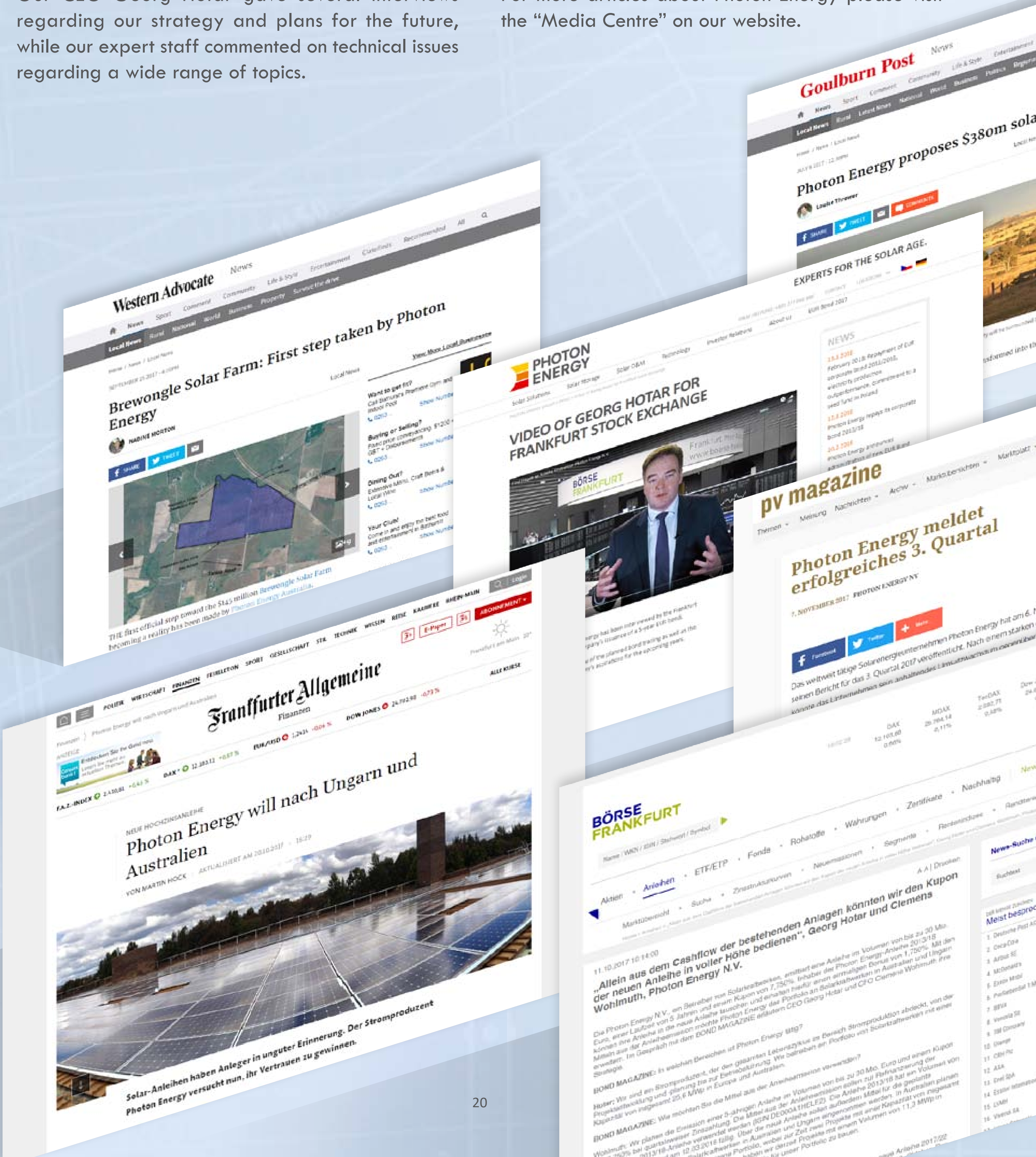
ALWAYS THERE FOR THE MEDIA

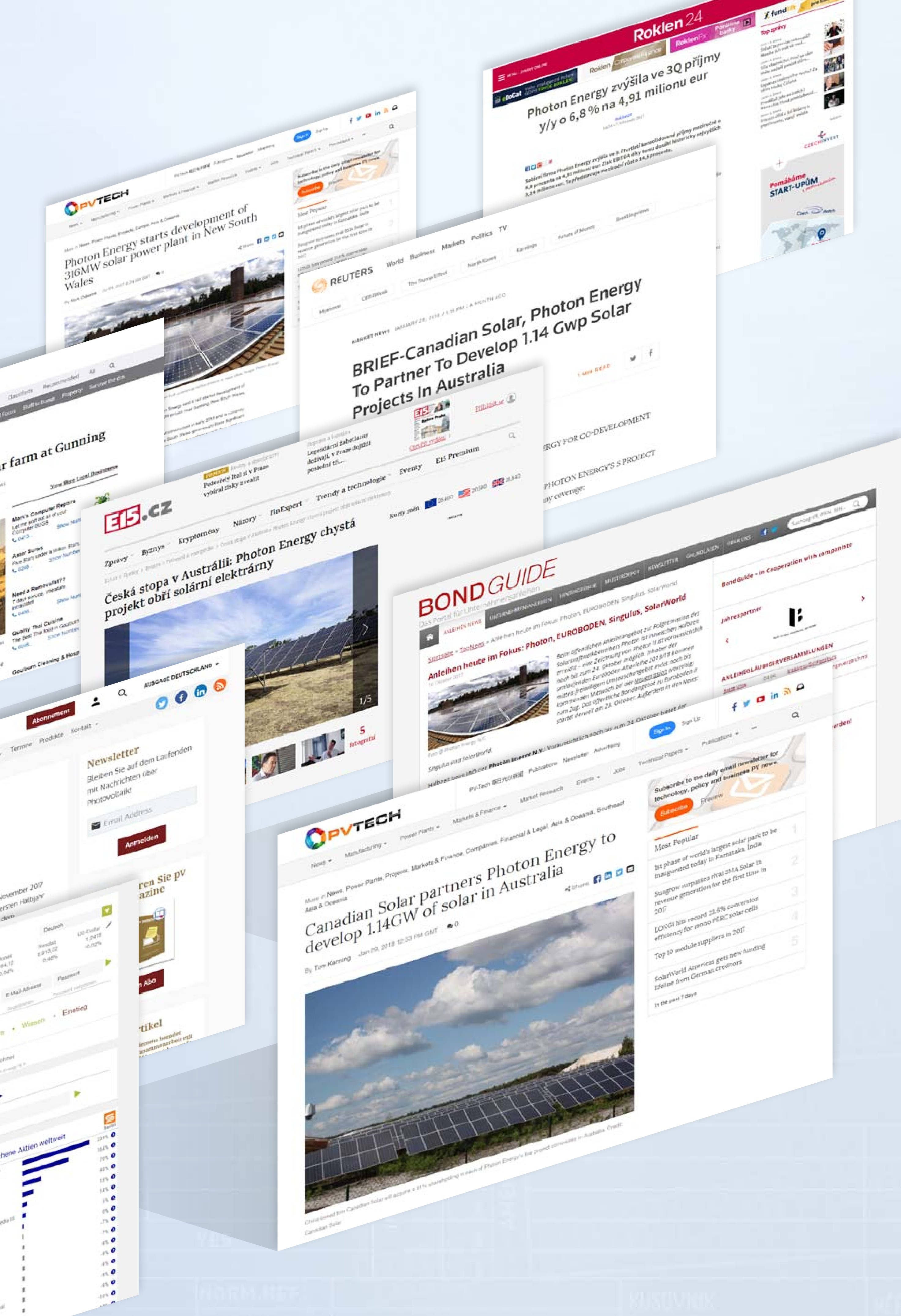
We continued in our successful media relations strategy in 2017, which saw us become a regular port of call for journalists writing about solar energy and renewables in general. Our activities were reported in the European as well as the Australian media, from specialised solar energy news websites to popular daily newspapers.

Our CEO Georg Hotar gave several interviews regarding our strategy and plans for the future, while our expert staff commented on technical issues regarding a wide range of topics.

At the same time we work closely with industry associations and NGOs to provide best practices and concrete information. Given the backlash that solar power has experienced in several EU countries after negative campaigns, we see it as our duty to help in the joint effort to restore the good reputation that renewable energy deserves.

For more articles about Photon Energy please visit the “Media Centre” on our website.




PV TECH
Photon Energy starts development of 316MW solar power plant in New South Wales
Roklen 24
Photon Energy zvýšila ve 3Q příjmy y/y o 6,8 % na 4,91 milionu eur
REUTERS
BRIEF-Canadian Solar, Photon Energy To Partner To Develop 1.14 Gwp Solar Projects In Australia
farm at Gunning
E15.cz
Česká stopa v Austrálii: Photon Energy chystá projekt obří solární elektrárny
BOND GUIDE
Anleihen heute im Fokus: Photon, EUROBODEN, Singulus, SolarWorld
Newsletter
Bleiben Sie auf dem Laufenden mit Nachrichten über Photovoltaik!
Anmelden
Canadian Solar partners Photon Energy to develop 1.14GW of solar in Australia

EMPLOYEES

As of 31 December 2017

74
Employees

36
Average age

32%
Female employees

15
Languages spoken

Martin Morovics   Project Finance Manager, Photon Energy Group

1. How long have you been a part of Photon Energy?
I joined Photon Energy on an Internship program in 2010 while I was still studying at the University of Economics in Prague. I used this unique opportunity to complete my Master Thesis that was focused on a specific rooftop PV project in Prague. I have been in the company ever since.

2. What aspects of the corporate culture do you enjoy the most?
I feel that the relationships with the majority of my colleagues (also abroad) grew and strengthened over time beyond professional cooperation, which is a pleasing aspect of working in a multinational corporation.

3. Which challenges do you face in your job?
My challenge in such a dynamically developing company as Photon Energy has often been the ability to keep up with the pace at which the company is evolving. On the other hand, such corporate development has been driving me forward and helped me develop my skills. So now my new challenge is to meet the requirements and support the company's activities in Hungary and pursue the opportunity for a managerial position.

Miroslav Simek   Key Account Manager, Photon Energy Operations

1. How long have you been a part of Photon Energy?
I joined Photon Energy exactly 5 years ago building on my past experience in engineering and construction of PV power plants. I was tasked to oversee monitoring and preventive maintenance of our own as well as clients' power plants.

2. Which challenges do you face in your job?
In my opinion Photon Energy is not a typical corporate entity: even though we are an international company, the inner culture has been established to enable most issues to be communicated directly and personally to the management, as well as among the colleagues thanks to an open atmosphere, preference for a live exchange face to face or via the phone instead of a "cold" email.

3. What aspects of your job do you enjoy the most?
Very often I conduct a special and deep analysis of the production data to explain the special behaviour of the power plant. In this way we can identify a particular defect in the installation and come up with a solution to directly increase the energy production and hence, yields. Sometimes I realize an opportunity to avoid future problems and potentially expensive repairs. This is a challenging, yet an exciting part of my work.

Nationalities represented among our employees:

Australia	Austria	Canada	Czech Republic	France	Hungary
Iran	Netherlands	Romania	Slovakia	Sweden	Ukraine

Group structure

The following table presents the Group's structure (subsidiaries and joint-ventures) and the holding company's stake in the entities comprising the Group as of 31 December 2017.

	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	Photon Energy Generation Australia Pty. Ltd.	100%	AUS	Full Cons.	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	Photon Energy AUS SPV 5 Pty. Ltd.	51%	AUS	Equity	PENV
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	AUS	Equity	PENV
13	Photon Energy AUS SPV 7 Pty. Ltd.	51%	AUS	Equity	PENV
14	Photon Energy AUS SPV 8 Pty. Ltd.	51%	AUS	Equity	PENV
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	AUS	Equity	PENV
16	Photon Energy AUS SPV 10 Pty. Ltd.	51%	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	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.	PEP
49	Fertod Napenergia-Termelo Kft.	100%	HU	Full Cons.	PEP
50	Photon Energy Operations HU Kft.	100%	HU	Full Cons.	PEONV
51	Photon Energy Solutions HU Kft.	100%	HU	Full Cons.	PENV

Notes:

Country of registration
NL – the Netherlands
SK – Slovakia
CZ – the Czech Republic
DE – Germany
AUS – Australia

Consolidation method:
Full Cons. – Full Consolidation
Not Cons. – Not Consolidated
Equity – Equity Method

On 29 September 2015, Photon Energy Operations CZ s.r.o. established a branch office in Romania: Photon Energy Operations CZ s.r.o. Praga sucursala Bucuresti.

In addition to the above subsidiaries, for the purposes of **IFRS reporting,** the Company consolidates the following entities:

	Name	% of Consolidated share	% of Ownership share	Country of registration	Consolidation method	Legal Owner
1	Photon SPV 3 s.r.o. (Mostkovice SPV3)	100%	0%	CZ	Full Cons.	RL
2	Photon SPV 8 s.r.o. (Zvikov I)	100%	0%	CZ	Full Cons.	RL
3	Exit 90 SPV s.r.o. (Komorovice)	100%	0%	CZ	Full Cons.	RL
4	Photon SPV 4 s.r.o. (Svatoslav)	100%	0%	CZ	Full Cons.	RL
5	Photon SPV 6 s.r.o. (Slavkov)	100%	0%	CZ	Full Cons.	RL
6	Onyx Energy s.r.o. (Zdice I)	100%	0%	CZ	Full Cons.	RL
7	Onyx Energy projekt II s.r.o. (Zdice II)	100%	0%	CZ	Full Cons.	RL
8	Photon SPV 10 s.r.o. (Dolní Dvořiště)	100%	0%	CZ	Full Cons.	RL
9	Photon SPV 11 s.r.o. (Radvanice)	100%	0%	CZ	Full Cons.	RL

Notes:
RL – Raiffeisen - Leasing, s.r.o.

In the reporting period, there were the following changes to the Group structure:

List of incorporated subsidiaries

- On 22 May 2017, Photon Energy AUS SPV 5 Pty. Ltd. was incorporated as a Joint-venture held 51% by Photon Energy NV and 49% by Polpo Investments Pty Ltd.
- On 23 May 2017, Photon Energy AUS SPV 6 Pty. Ltd. was incorporated as a Joint-venture held 51% by Photon Energy NV and 49% by Polpo Investments Pty Ltd.
- On 30 June 2017, Photon Energy AUS SPV 7 Pty. Ltd. , Photon Energy AUS SPV 8 Pty. Ltd., Photon Energy AUS SPV 9 Pty. Ltd. and Photon Energy AUS SPV 10 Pty. Ltd. were incorporated as Joint-ventures held 51% by Photon Energy NV and 49% by Polpo Investments Pty Ltd each.
- On 22 September 2017, Photon Energy Operations HU Kft. was incorporated as a 100% subsidiary of Photon Energy Operations NV.
- On 27 September 2017, Photon Energy Solutions HU Kft. was incorporated as a 100% subsidiary of Photon Energy NV.
- On 22 December 2017, ALFEMO AG was incorporated as a 100% subsidiary of Photon Energy NV.
- On 22 December 2017, KORADOL AG was incorporated as a 100% subsidiary of Photon Energy NV.

Mergers

- None in 2017.

List of liquidated subsidiaries

- None in 2017.

List of acquired subsidiaries

- On 13 July 2017, Photon Energy Projects s.r.o. acquired Fertőd Napenergia-Termelő Kft.

List of disposed subsidiaries

During 2017 the following subsidiaries were disposed out of the Group:

- On 31 January 2017 Photon Energy N.V. sold 35% of its share in Photon Water Technology s.r.o. to its Managing Director Dr Petr Kvapil.
- On 28 February 2017, Photon Energy N.V. sold its 100% share in Photon Water s.r.o.

Renaming

- None in 2017.

After the reporting period the following events occurred from the beginning of the year 2018

- On 29 January 2018, Photon Energy entered into a co-financing development agreement with Canadian Solar Energy Holding Singapore 4 Pty. Ltd. in which it sold 51% of its shareholding in Photon Energy Generation Australia Pty. Ltd. and 26.01% of its respective shareholdings in Photon Energy AUS SPV 5 Pty. Ltd., Photon Energy AUS SPV 7 Pty. Ltd., Photon Energy AUS SPV 8 Pty. Ltd. and Photon Energy AUS SPV 10 Pty. Ltd.

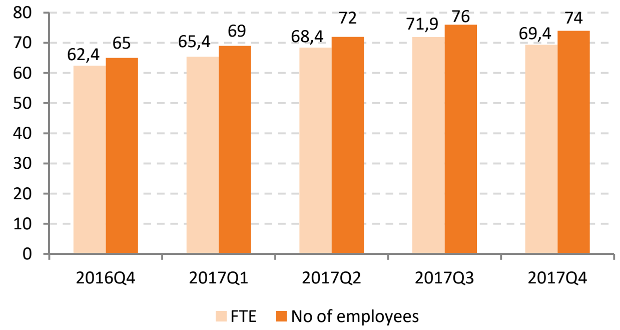
Employees

As of 31 December 2017 the Photon Energy Group had 74 employees (compared to 65 employees as of 31 December 2016), which translates into 69.4 FTE[1] (compared to 62.4 FTE in 2016).

Employee Share Purchase Programme

The management of the Company recognises the significant contribution of the team members to the future development of the Group. Therefore, it manages an Employee Share Purchase Programme as a part of its motivation system. Under the terms of the programme, the Group periodically purchases shares for employees equal to 10% of their gross compensation. The disposition rights to these shares are limited and employees can dispose of these shares only under specific conditions.

Total number of employees and full-time equivalent employees per quarter



[1] **Full-time equivalent (FTE)** is a unit that indicates the workload of an person in a way that makes workloads comparable across various contexts. An FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 signals that the worker is only half-time.

Statutory bodies

Board of Directors as of 31 December 2017

The Board of Directors is responsible for the day-to-day operations of the Company. The Issuer's Board of Directors has the following members:

Name	Position	Date of birth	Term of office expiry date
Georg Hotar	Director *(Bestuurder)*	21. 04. 1975	No term of expiry
Michael Gartner	Director *(Bestuurder)*	29. 06. 1968	No term of expiry

Supervisory board

Under Dutch law, a public company is required to establish a supervisory board if:

- The issued share capital of the company together with the reserves pursuant to the balance of sheet amounts to at least EUR 16 million,
- The company or a dependent company has established a work council pursuant to a statutory obligation and,
- The company together with its dependent companies employs at least one hundred employees in the Netherlands.

The company will only be under the obligation to establish a supervisory board if it meets such criteria on the balance sheet dates in three subsequent financial years. The Issuer does not meet the above described criteria and therefore is not required to create a supervisory board. No Supervisory Board was established, however, the Issuer has the intention to appoint an independent Supervisory Board in the future.

Shares and shareholder structure

Market: NewConnect, Poland
Ticker: PEN
Web address: www.newconnect.pl

Market: Free Market, Czech Republic
Ticker: PEN
Web address: https://www.pse.cz/en/

Share capital

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 share has one vote at the General Meeting of Shareholders, with the exception of the treasury shares held by the Issuer.

Share capital as of 31 December 2017

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (EUR)	Capital covered with
A	bearer	-	-	60,000,000	600,000	cash
Total number of shares				60,000,000		
Total share capital					600,000	
Nominal value per share = EUR 0.01						

Shareholder structure

The number of issued shares by the Company amounts to 60,000,000. As of the reporting date, to the knowledge of the Management, the shareholder structure was as follows:

The shareholder structure as of 31 December 2017 can be found in the Directors' report.

Shareholdership as of 09.04.2018	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Solar Age Investments B.V.	26,467,000	44.11%	26,467,000	51.46%
Solar Future Cooperatief U.A.	8,590,683	14.32%	8,590,683	16.70%
Solar Power to the People Cooperatief U.A.	8,051,874	13.42%	8,051,874	15.66%
Photon Energy N.V.	8,569,981	14.28%	0	0.00%
Free float	8,320,462	13.87%	8,320,462	16.18%
Total	**60,000,000**	**100.00%**	**51,491,000**	**100.00%**

In 2017 shares were transferred from Photon Energy NV to the Employee share purchase programme. These shares were added to the free-float.

- **Solar Age Investments B.V.** is a limited liability company established under the laws of the Netherlands, with its statutory seat in Amsterdam and its place of business at Barbara Strozzilaan 201, 1083 HN, Amsterdam, The Netherlands. The board of Directors has one member, Mr. Georg Hotar.
- **Solar Future Cooperatief U.A.** is a cooperative established under the laws of the Netherlands, with its statutory seat in Amsterdam and its place of business at Barbara Strozzilaan 201, 1083 HN, Amsterdam, The Netherlands. The Board of Directors has two members: Mr. Michael Gartner as Director A and Mrs. Magda Gartnerova as Director B.
- **Photon Energy N.V.** is a company established under the laws of the Netherlands, with its statutory seat in Amsterdam and its place of business at Barbara Strozzilaan 201, 1083 HN, Amsterdam, the Netherlands. The Board of Directors has two members: Mr. Georg Hotar and Mr. Michael Gartner.
- **Solar Power to the People Cooperatief U.A.** is a cooperative established under the laws of the Netherlands, with its statutory seat in Amsterdam and its place of business at Barbara Strozzilaan 201, 1083 HN, Amsterdam, The Netherlands. The Board of Directors has two members: Mr. Georg Hotar as Director A and Mr. Michael Gartner as Director B.

Market Maker Details

Dom Maklerski PKO Bank Polski
Address: ul. Puławska 15, 02-515 Warszawa, Poland
Internet: www.dm.pkobp.pl

Communications with investors

The Company attaches great importance to maintaining good relationships with all shareholders and ensures that shareholders and bondholders are kept informed of significant Company developments.

- The Company's website continues to be developed to ensure it remains a principal source of information on the Group and its activities. An **investor relations news service** allows investors to stay up-to-date on Company announcements, reports and other ad-hoc information.
- In 2017, the IR department organised **two online chats** – on 10 May and on 13 November – jointly with the Polish retail investors association SII. SII members as well as other investors were able to submit questions to Georg Hotar, the Company's CEO. The chats were webcast live in Polish and English at www.sii.org.pl and transcripts of the chats in Polish were published in the investor relations section of our website.
- The Company participated in the **MKK Conference** (Münchner Kapitalmarkt Konferenz) held on 12 December 2017 in Munich.

Dividend policy

The Company's strategy is to create value for its shareholders through strong expansion in the globalising PV industry. For as long as value-creating growth and investment opportunities exist, the Board of Directors does not intend to propose to distribute dividends to shareholders.

Share performance in 2017

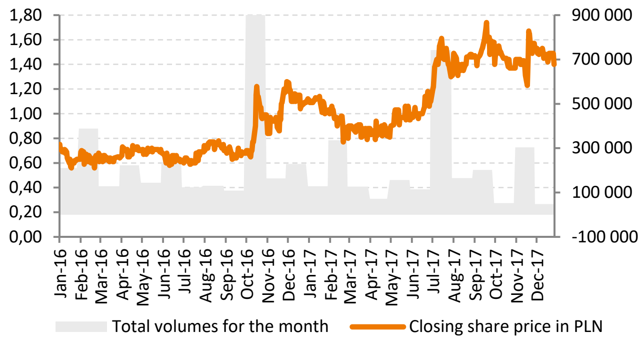
NewConnect (Warsaw Stock Exchange)

Selected share information	PLN
Opening price (2 January 2017)	1.09
52-week max (21 September 2017)	1.74
52-week min (23 February 2017)	0.77
Closing price (29 December 2017)	**1.40**

Source: http://www.newconnect.pl/

The average trading volume in the year 2017 amounted to 9,713 shares per trading session compared to 12,222 shares in 2016. The Company has been listed on NewConnect since 4 June 2013.

Performance of Photon Energy shares in 2016 & 2017



Free Market (Prague Stock Exchange)

Since 17 October 2016, in addition to the listing on the NewConnect segment of the Warsaw Stock Exchange, the Company's shares have now also been traded on the PSE Free Market. No additional shares have been issued, nor capital raised through this listing.

Selected share information	CZK
Reference price (17 October 2016)	4.90
Opening price (2 January 2017)	7.00
52-week max (7 August 2017)	9.90
52-week min (12 May 2017)	5.20
Closing price (29 December 2017)	**9.25**

Source: http://www.pse.cz

On 31 December 2017, the share price (ISIN NL0010391108) closed at a price of CZK 9.25 (+32% vs 31 December 2016, +89% vs CZK 4.90, the reference price on the first trading day on 17 October 2016), corresponding to a price to book ratio of 0.69x. The Company reports a yearly trading volume of 519,736 shares compared to 623,307 shares (from 17 October 2016 until 31 December 2016).

Bonds performance in 2017

In March 2013, the Company issued a 5-year corporate bond with an 8% annual coupon and quarterly payment. The corporate bond, with a denomination of **EUR 1,000** (ISIN DE000A1HELE2), was traded in the Open Market of the Frankfurt Stock Exchange and on the stock exchanges in Berlin, Hamburg, Hannover, Munich and Vienna. Since listing the bond had been trading between 93% and 102.50%. On 12 March 2018 the Company fully repaid the bond.

In December 2016, the Company issued a 7-year corporate bond with a 6% annual coupon and monthly coupon payments in the Czech Republic. The corporate bond, with a nominal value of **CZK 30,000** (ISIN CZ0000000815), has been traded on the Free Market of the Prague Stock Exchange since 12 December 2016.

On 27 October 2017, the Company issued a 5-year corporate EUR bond with a 7.75% annual coupon and quarterly coupon payments in Germany, Austria and Luxemburg. The corporate bond, with a nominal value of **EUR 1,000** (ISIN DE000A19MFH4), has been traded on the Open Market of the Frankfurt Stock exchange since 27 October 2017. As of the reporting date, the total placement amounts to EUR 8,650,000. The public offer will end on 20 September 2018.

EUR Bond 2013/18 trading performance in Frankfurt

Selected bond information	%
Opening price (2 January 2017)	100.50
52-week max (2 February 2017)	102.50
52-week min (26 June 2017)	98.00
Closing price (29 December 2017)	**99.00**

Source: http://www.en.boerse-frankfurt.de

CZK Bond trading performance in Prague

In the trading period from 12 December 2016 until 31 December 2017 the trading volume amounted to CZK 6,030,000 (nominal value) with a closing price of 100.00.

EUR Bond 2013/18 trading performance

In the trading period from 12 March 2013 until 31 December 2017, the trading volume amounted to EUR 9.201 million (nominal value) with an opening price of 100.00 and a closing price of 99.00 in Frankfurt. As of 31 December 2017, the total outstanding nominal amounted to EUR 6.533 million. As of 12 March 2018 the bond was fully repaid.

EUR Bond 2017/22 trading performance

In the trading period from 25 October until 31 December 2017, the trading volume amounted to EUR 2.686 million (nominal value) with an opening price of 100.00 and a closing price of 100.33 in Frankfurt. As of 31 December 2017, the total placement amounts to EUR 7.004 million and to EUR 8.650 million as of the reporting date. The public offer will end on 20 September 2018.

PHOTON ENERGY BOND

7.75% annual coupon

Quarterly payment

Daily liquidity

To subscribe or for more information head to www.photonenergy.com or contact us at bond@photonenergy.com

TERMS AND CONDITIONS

Issuer:	**Photon Energy N.V.**
Planned issue volume:	Up to EUR 30 Mio.
Coupon:	7.75% p.a., quarterly payment
Initial offering:	27. 10. 2017
Placement / Segment:	Public offer in Germany, Austria and Luxembourg Private placement in other European countries Secondary market: traded on Open Market of the Frankfurt Stock Exchange since 27. 10. 2017
Covenants:	• Dividend restriction (no dividend first 2 years, after max 50% if EBITDA/ICR >2) • Pari passu – Equal seniority of existing and future unsecured claims • Cross default • Negative pledge • Change of Control-Clause • Equity ratio must always be at least 25%* * Subject to current legal framework requirements. The sum of interest-bearing debt capital and equity capital are used as total capital to determine the Equity ratio.
Denomination:	EUR 1,000
Term / Redemption:	Five years: 26. 10. 2022 / 27. 10. 2022 at par
ISIN:	DE 000A19MFH4
Use of proceeds:	Refinancing of outstanding bonds (ISIN DE000A1HELE2). Remaining proceeds will be invested with focus on Australia and Hungary.

EXPERIENCED O&M PARTNER IN CEE REGION

“Photon Energy Operations is proud to have maintained its position in the Czech solar market as the largest O&M provider with over 135 MWp contracted and serviced.

In 2017 our team was strengthened by Lauru Badita, an experienced business developer in the renewable energy sector, who leads our corporate development in the competitive Romanian O&M market.

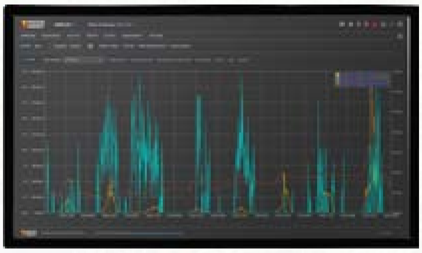
Through expansion of our geographic focus to include Hungary from 2018 onwards, we are sure to claim that thanks to our strong foothold in the Czech and Slovak markets we are ready to roll out our activities in the entire CEE in full scale.

Due to the peculiarities of both Hungary and Romania and specific legal requirements to, for instance, provide regular production forecasts, we are fine-tuning our monitoring software PECOM to automatically address these challenges and make the lives of power plants owners easier and more predictable.”

Lukáš Kubásek

Managing Director, Photon Energy Operations

210+	10	150+
MWp under O&M	countries	O&M projects



PRODUCTION ANALYSIS

PV PLANT ADMINISTRATION

DARK / LIGHT VERSION

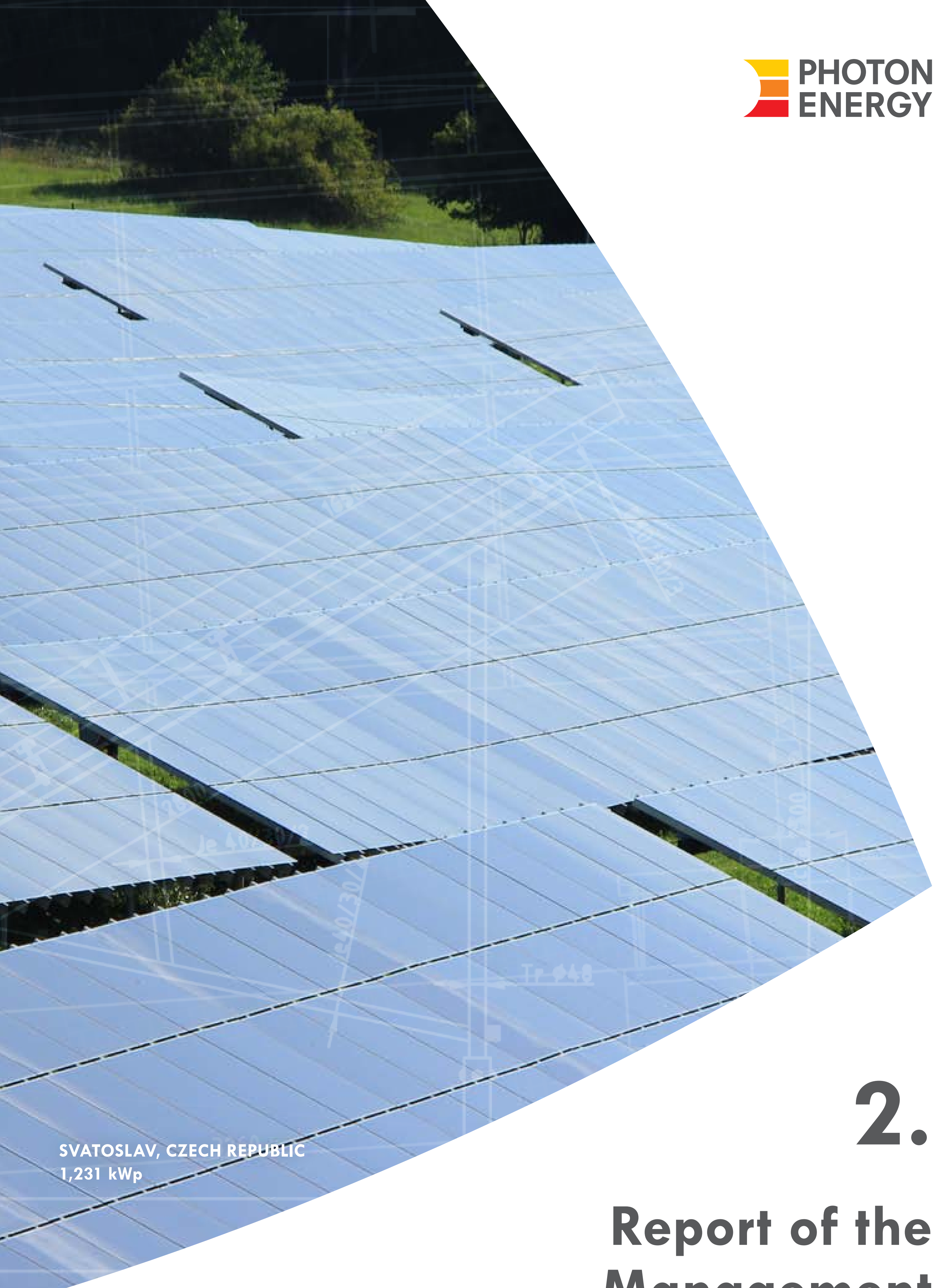
"Photon Energy Command, or PECOM, is an ideal monitoring, planning and supervision tool designed for managing portfolios of PV power plants. Easily customisable, it can be set to suit the needs of a demanding service technician, who need the complete data with immediate response update, or a busy investor, who receives an overview of the past performance, revenue yield and a future production forecast.

Relying on our experienced in-house team of developers we are capable of further developing the software in the face of new requirements in other countries. Thanks to close cooperation with our O&M colleagues we receive honest feedback based on their first-hand experience in applying the monitoring platform in practice.

Our clients highly appreciate the wide range of services that can be delivered by our software solution. Among the most sought-after features are performance forecasting, intelligent alarm system, intuitive interface as well as stock and spare parts overview."

Jan Černý

Control Operator, Photon Energy Control



PHOTON ENERGY

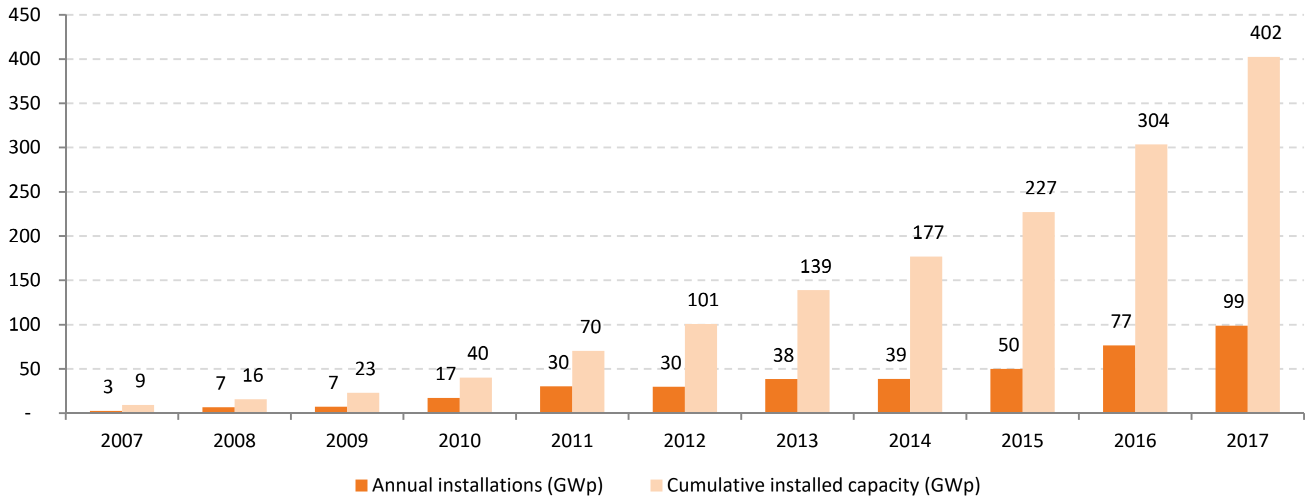
2.

Report of the Management

Market description and positioning

Global market and regional trends in 2017[1]

Evolution of global annual and cumulative installed capacity 2007-2017 (GWp)



SolarPower Europe presented its latest solar market data at the SolarPower Summit, which illustrated a very successful 2017 for the industry. Global solar power additions increased by 29.3% to 98.9 GW in 2017, in comparison to 76.5 GW in 2016. The European solar market, including Turkey, grew at nearly the same growth rate, increasing by 28.4% to 8.6 GW in 2017, up from 6.7 GW of newly installed capacity the year before.

According to the first estimates of SolarPower Europe, Turkey was the largest European solar market in 2017, growing around 213% year-on-year and connecting at least 1.79 GW to the grid. The second largest European market was Germany, adding approximately 1.75 GW, with the UK, the solar champion in 2016, coming in third in 2017.

Asia is a major source of this continued growth – solar deployment in China and India contribute over 63% of the total solar demand in 2017. The Chinese solar market grew 53% to 52.8 GW in 2017, up from 34.5 GW in 2016 – this is far ahead of the US, in second place with 11.8 GW, and India, coming in third with 9.6 GW.

Solar's continued growth is great news but Europe is at risk of being left behind. The EU must ensure that it addresses obstacles to solar's potential, such as barriers to self-consumption and it must ensure a strong framework for small scale solar. The EU must support policies that encourage more solar installations, such as the removal of trade barriers on solar panels.

Top 3 global countries in 2017

- **China,** leading the PV market since 2013, installed in 2017 an absolute world record of 52.8 GWp, representing an increase of 53% YoY.
- **The USA** was the second largest global market with 11.8 GWp installed in 2017, compared to around 13 GWp in 2015.
- **India** took Japan's third spot on the global scene in 2017 with around 9.6 GWp, compared to 4.5 GWp in 2016.

Evolution of European markets in 2017

European countries installed at least 8.6 GWp of solar power systems in 2017, that is a 28% increase in comparison to the 6.7 GWp added in 2016 according to a first estimate from Solar Power Europe.

Evolution of US market in 2017

The US installed 11.8 GWp of new PV capacity in 2017 (10.6 GWp according to the SEIA – Solar energy industries association, to reach 53.3 GWp of total installed capacity), led by strong growth in the corporate and community solar segments. The US market recorded double-digit gigawatt solar photovoltaic additions for the second year in a row, with a 9% decline over a record-breaking 2016. Total installed U.S. PV capacity is expected to more than double over the next five years, and by 2023, over 15 GW of PV capacity will be installed annually.

Evolution of Asian market in 2017

Asia is a major source of this continued growth – solar deployment in China and India contribute over 63% of the total solar demand in 2017. The Chinese solar market grew 53% to 52.8 GW in 2017, up from 34.5 GW in 2016 – this is far ahead of the US, in second place with 11.8 GW, and India, coming in third with 9.6 GW.

[1] After Solar Power Europe press release dated 14 March 2018.

Photon Energy's geographical presence

All in all, the Group commissioned nearly **50 MWp** of PV power plants across 5 countries and has more than **210 MWp** of PV power plants under O&M management across two continents.

The Company's proprietary portfolio of power plants owned directly or indirectly by Photon Energy N.V. at the end of the reporting period i.e. as of 31 December 2017, consisted of 23 power plants, in the Czech Republic (15.0 MWp), Slovakia (10.4 MWp) and Australia (0.1 MWp) with a total installed capacity of 25.6 MWp.

Moreover, at the end of December 2017 the total O&M portfolio could be broken down geographically into 134.5 MWp operated in the Czech Republic, 21.4 MWp in Slovakia, 21.3 MWp in France, 15.0 MWp in Italy, 11.0 MWp in Romania, 1.8 MWp in Germany, 10.2 MWp in Belgium, and 1.1 MWp in Australia with a total capacity of 216.2 MWp (+9.5% compared to one year ago).

Overview of Photon Energy's markets at the end of 2017

in MWp		Proprietary portfolio	O&M Services
Czech Republic		15.0	134.5
Slovakia		10.4	21.4
France			21.3
Italy			15.0
Romania			11.0
Belgium			10.2
Germany			1.8
Australia		0.1	1.1
Total		**25.6**	**216.2**

Australia

At the end of 2017 Australia surpassed 7 GWp of solar PV capacity and added over 1.3 GWp during the year putting it firmly in the top 10 solar markets globally. Solar PV generated over 4% of Australia's electricity in 2017 and is now the fastest growing form of new power generation capacity in Australia, surpassing Wind, Hydro, Coal and Gas. The vast proportion of Australia's solar PV systems are residential and small commercial with the average installation size in of around 7 kWp. In 2017, 17% of the market were installations of over 100 kWp in size of which 80% was represented by three utility scale power plants, Oakey and Longreach in Queensland and Griffith in New South Wales. This is all about to change and the utility scale segment of the market will grow rapidly to become the largest segment of the Australian market in the next two years.

From our estimates, the Australian solar market could triple in the next 24 months and can exceed 3–4 GW of installed capacity each year over the next two years due to the massive roll out of utility scale solar. In addition to the incentive of the Renewable Energy Target of 20% by 2030, the race is on to take advantage of high electricity prices driven be the double ended sword of the further decommissioning of 10.7 GW of coal generation between 2022 to 2035 and increasing energy demand particularly in summer as temperatures in Australia's cities continue to rise. This opportunity is well suited to a massive rollout of low cost solar PV and the increasing integration of battery and other forms of energy storage and back-up generation.

The Company's proprietary portfolio comprised one rooftop photovoltaic power plant in Symonston with a total capacity of **144 kWp** acquired in April 2013.

In 2016, the Australian market remained our focus for the expansion of PV generation capacity.

The total O&M portfolio operated in Australia comprised **1.1 MWp** of PV plants managed for the proprietary portfolio and external client.

Czech Republic

The proprietary portfolio of Photon Energy in the Czech Republic comprises 12 photovoltaic power plants. The portfolio mainly includes green-field installations, with a total installed output of approximately **15.0 MWp**. All projects (with one exception) were connected to the network/grid in November/December 2010. Photon Energy did not commission new capacities in 2017.

The Czech Republic has over 2000 MWp of installed PV capacity. Since 2010, additions to the Czech Republic's solar power sector have been small. The reason for this is the decision by the government to reduce subsidies by 25%, since the country had already reached its national solar target of 1,695 MW in that year. The Czech Republic was one of the two countries in the European Union to reach its "National renewable energy action Plan" ten years in advance of the target date. The EPIA also estimates that the Czech Republic has a potential market of 241 MWp annually and therefore should easily achieve 4000 MWp of solar capacity by 2020.

In 2017 the Czech Republic invested into and launched several locations with large-scale systems for energy storage. First was a battery energy storage system with the capacity of 1.20 MW in the South-East region originated by a competitor on the energy market, Solar Global Group (they also offer O&M services in the Czech Republic as well as construction of small hydro power plants, trade electricity and own solar power plants), who also aims at constructing the largest battery storage system in the CEE with 10MWh of capacity.

More than 60% of the installed capacity is in the residential sector. Photon Energy comes the 13th largest owner of PV plants in the Czech Republic with 15 MWp of installed capacity.

The ongoing consolidation of the Czech and Slovak PV markets means that the ownership of PV power plants will be less fragmented, enhancing the conditions for a renowned O&M provider such as our subsidiary Photon Energy Operations. When current O&M clients acquire new PV plants the chances are high that – based on their good experience with Photon Energy – they will entrust the Group with the operations and maintenance of new PV power plants.

The total **O&M portfolio** operated in the Czech Republic included **134.5 MWp** (vs 115.8 MWp in December 2016 of PV capacities managed for the proprietary portfolio and external clients (118.8 MWp as of the date of this report). `

Slovakia

The same as in 2016, Slovakia's additional capacity was inexistent in 2017, implying an unchanged cumulative capacity of around **545 MWp** at the end of December 2017. The non-transparent FiT calculations and adjustments for three years have created a largely unattractive environment for PV investors in Slovakia.

Photon Energy Group currently owns shares in 11 SPVs in Slovakia with a total installed output of approximately **10.4 MWp**. Each SPV operates one photovoltaic power plant. Photon Energy did not commission new PV capacities in 2017.

The total **O&M portfolio** operated in Slovakia includes **21.4 MWp** (unchanged compared to December 2016) of PV capacities managed for the proprietary portfolio and external clients.

Italy

The total O&M portfolio operated in Italy comprises **15.0 MWp** (unchanged compared to December 2016) of serviced capacity.

Germany

Around 1.75 GWp were connected in Germany in 2017, representing an increase of around 200 MWp compared with the previous two years but still behind the 2.5 GWp target set by the German government. Formerly the top global market, the nation had experienced PV market decreases since 2013, originating from a series of cuts and changes to the nation's FIT under two successive coalition governments.

In the wake of PV service providers going insolvent there is a large addressable market of PV power plants that need O&M services.

Belgium

The total O&M portfolio operated in Belgium comprised **10.2 MWp** of PV plants managed for third parties. The team provides preventive maintenance services, called "Inverter Cardio". After the now bankrupt manufacturer Satcon (estimated capacity of 350 MWp of inverters installed across Europe), closed its operations, Photon Energy Operations secured both key personnel and access to spare parts. The Group is well positioned to offer cost-effective remote and on-site support, repair of faulty components and quick, diversified access to spare parts at competitive prices. In some countries like France or Germany the Group is holding a leading market position while in Belgium in particular, the Group is servicing all of the Satcon inverters ever installed (10.2 MWp).

France

In 2017 Photon Energy Operations provided preventive maintenance in France on the base of contracts for Satcon central inverters at power plants worth **3 MWp**.

Romania

In 2017 Photon Energy Operations provided full monitoring, operations and maintenance for three power plants in the North-West of the country. The power plants have a total installed capacity of **11 MWp.**

Competition

The market for PV downstream services solutions continues to become more competitive. Photon Energy's competitive landscape is comprised of internal PV departments of large utilities companies, as well as independent competitors or new entrants that may compete broadly with us or in limited segments of our market.

With the end or the reduction of incentives in some big markets, one of the main drivers for creating value in the PV sector is the improvement of operating efficiency in existing plants through operations and maintenance, an increasingly central activity for many operators in different markets.

A report from GTM Research and SoliChamba Consulting released in December 2017 was expecting the total addressable market for solar PV operations and maintenance (O&M) to reach 395 GW worldwide by the end of 2017. It will more than double by 2022 to exceed 900 GW worldwide.

The competitive landscape of the PV O&M market is country specific, with different firms leading in each of the top solar markets.

The companies that offer O&M services are mostly: EPCs, Developers, electrical/inverter firms, vertically integrated solar firms, IPPs/utility companies and independent O&M providers.

The typical clients are solar system owners, ranging from private investors to large banks.

We believe that we are able to differentiate ourselves from these competitors by, among other things:

- Applying our 10 year experience to the development and delivery of products and professional services that enable our customers to overcome their challenges and achieve service differentiation by providing a personalized and intelligent customer experience, simplifying the complexity of the operating environment,
- Continuing to design and develop solution targeted specifically to the PV industry,
- Innovating and enabling our customers to adopt new business models that will improve their ability to drive new revenues, and compete and win in a changing market,
- Providing high-quality, scalable, reliable, integrated, yet modular services.

.

Subsequent events in 2018, which had material impact on the Group's business

- **Australian Canadian Solar:** On 29 January 2018, as a result of its development partner selection process managed by its financial advisor Pottinger, the company 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, one of the world's largest solar power companies. 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. The equity capital contributed by Canadian Solar is subject to certain development milestones, joint management processes and other terms customary for project co-development and covers the development budgets to bring all five projects to the ready-to-build stage. Post-transaction, Photon Energy NV retains a 49% stake in the Gunning project and 24.99% stakes in the four other projects.
- **Bond March 2018**: On 12 March 2018 the company has fully repaid its outstanding EUR bond 2013/2018 (WKN: A1HELE) in the amount of EUR 6,533 thousand.

Future plans

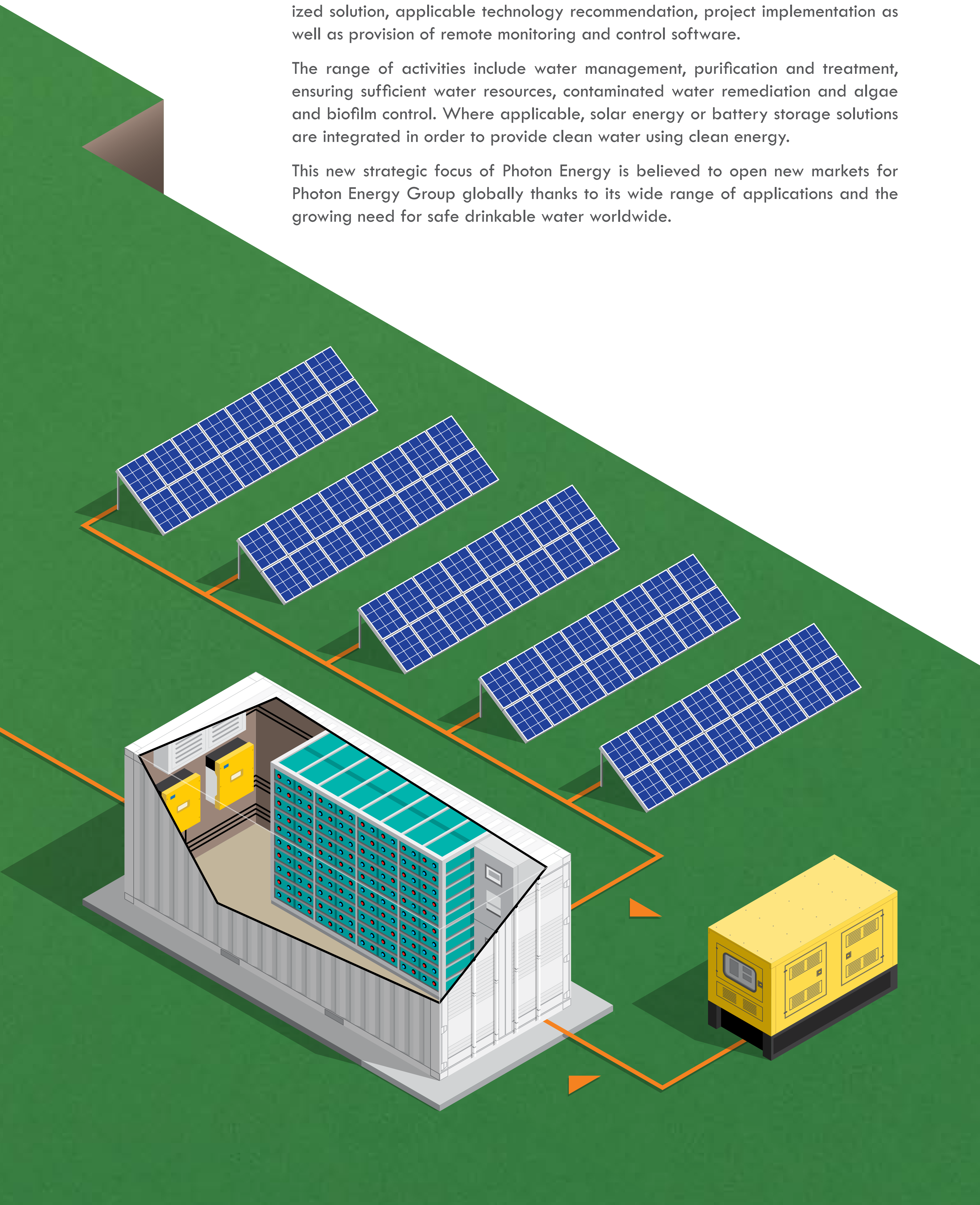
Building and expanding on our experience, know-how and technical capabilities we are embarking on an exciting new path, which will take us into many new markets around the world. We will combine solar energy, energy storage and water technologies to meet the growing needs of billions of potential customers from the poorest to the richest countries in the world. See presentation of the detailed strategy in the Directors' report.

COMPREHENSIVE WATER TREATMENT SOLUTIONS

Photon Water represents a new business line of the company's global activities, aiming to complement solar energy and help face the world's growing problem of scarce fresh drinking water. The company covers the entire life cycle of water management, from analysis of the current need to design of the suitable customized solution, applicable technology recommendation, project implementation as well as provision of remote monitoring and control software.

The range of activities include water management, purification and treatment, ensuring sufficient water resources, contaminated water remediation and algae and biofilm control. Where applicable, solar energy or battery storage solutions are integrated in order to provide clean water using clean energy.

This new strategic focus of Photon Energy is believed to open new markets for Photon Energy Group globally thanks to its wide range of applications and the growing need for safe drinkable water worldwide.



Financial ratios

Selected financial ratios for consolidated performance are presented below.

Financial Ratios – Consolidated	2015	2016	2017
Profitability			
Net Profit / Revenues	-13%	-20%	-5%
Return on Equity (Net profit / Total equity)	-6%	-11%	-3%
Return on Assets (Net profit / Total assets)	**-2%**	**-3%**	**-1%**
Liquidity			
Quick ratio ((Cash + Account receivables)/ Current liabilities)	1.06	1.10	0.95
Current ratio (Current Assets / Current liabilities)	**1.25**	**1.46**	**1.23**
Working Capital			
Net Working Capital (Current assets - Current liabilities)	2,188	3,646	2,854
Net Working Capital / Total Assets	**0.02**	**0.04**	**0.03**
Indebtness			
Debt ratio (Total Debt / Total Assets)	0.68	0.72	0.71
Debt / Equity Ratio (Total liabilities / Stockholders' Equity)	**2.16**	**2.60**	**2.45**

Authorised Advisors remuneration

It was agreed with the Authorised Advisor not to disclose the amount of remuneration.

Statutory Auditor remuneration

Total remuneration of the Company's auditor Grant Thornton Accountants en Adviseurs B.V. in the year 2017 amounted to EUR 108,000 and included fees for a full-year review of 2017 financial statements.

Total Board of Directors remuneration

The remuneration of the Board of Directors is subject to confidentiality.

NewConnect's Best Practices applied and not applied in 2017

The Company's goal is to follow fully the corporate governance rules as formatted in the Best Practises of NewConnect Listed Companies. The Code of Best Practises accommodates opinions of market participants as well as European trends and highest communication standards applicable to companies listed in alternative trading systems in Europe.

According to the NewConnect requirements we provide the list of Best Practises applied and not applied in 2017 by our Company:

No.	Rule	Comments
1	A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and state-of the-art communication tools ensuring fast, secure, broad and interactive access to information.	Applied
	Using such methods to the broadest extent possible, a company should ensure adequate communication with investors and analysts using for this purpose also modern methods of Internet communication, enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.	Not applied due to high costs – the Company provides investors with appropriate access to information on the organisation and conduct of the General Meeting by publishing relevant EBI and ESPI reports and information on its website.
2	A company should ensure effective access to information necessary to assess the company's situation and outlook as well as its operations.	Applied
3	A company should maintain a corporate website and publish:	Applied
3.1.	Basic information about the company and its business (home page);	Applied
3.2.	Description of the issuer's business including indication of the issuer's business segment generating the highest revenue;	Applied
3.3	Description of the issuer's market including indication of the issuer's market position;	Applied
3.4.	Professional CVs of the members of the company's governing bodies;	Applied
3.5.	Information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;	Not applied – there is no Supervisory Board.
3.6.	Corporate documents of the company: Statute, excerpt from the registry;	Applied
3.7.	Outline of the company's strategic plans;	Applied
3.8.	Published financial targets for the current financial year including their assumptions and adjustments of such targets (if targets are published by the issuer);	Not applied – the Company does not intend to publish financial forecasts due to the dynamic phase of development of the market in which the Company operates and in view of the fact that the Company is currently building up its position in this market. For this reason, the publication of any financial forecast is subject to very high level of uncertainty.
3.9.	Shareholder structure, with indication of the main shareholders and the free float shares;	Applied
3.10.	Contact details to the person responsible for investor relations and contacts with media;	Applied
3.11.	Published current and periodic reports;	Applied
3.12.	Dates of planned publication of periodic financial reports, GA, meetings with investors and analysts and press conferences;	Applied
3.13.	Information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make	Applied

No.	Rule	Comments
	investment decisions;	
3.14.	Shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;	Applied
3.15.	Information on the reasons for cancellation of the General Meeting, changes to the date or agenda, together with the reasons;	Applied
3.16.	Information about the break in the proceedings of the General Meeting together with the reasons;	Applied
3.17.	Information about the entity which signed an Authorised Adviser Service Agreement with the company, including the name, the website address, telephone numbers and e-mail addresses of the Adviser;	Applied
3.18.	Information about the entity acting as animator of the issuer's shares;	Applied
3.19.	Information document (issue prospectus) of the company published within the last 12 months;	Applied
4	A company should publish its corporate website in Polish or in English, at the issuer's discretion. Current and periodic reports should be published on the website in the same language in which they are published according to regulations applicable to the issuer.	Applied
5	A company should pursue an information policy with a particular emphasis on the needs of individual investors. For this purpose, in addition to its corporate website, the company should use its individual investor relations section on the website www.gpwinfostrefa.pl.	Not applied – on its website the Company provides a separate investor relations section that provides individual investors with access to sufficient information about the Company.
6	An issuer should maintain on-going contacts with representatives of the Authorised Adviser in order to enable it to properly perform its obligations towards the issuer. The company should appoint a person responsible for contacts with the Authorised Adviser.	Applied
7	If an event occurs in the company, which, in the opinion of the issuer, has material significance to the performance of obligations by the Authorised Adviser, the issuer should immediately inform the Authorised Adviser thereof.	Applied
8	An issuer should give the Authorised Adviser access to all documents and information necessary to perform the obligations of an Authorised Adviser.	Applied
9	In the annual report the issuer should publish:	
9.1	Information about the total amount of remuneration of all members of the Management Board and the Supervisory Board;	Not applied since 2014 after the publication of EBI report 11/2014.
		There is no Supervisory Board
9.2	Information about the fee paid by the issuer to the Authorised Advisor in respect of all services provided to the issuer;	Not applied – The remuneration of the Authorised Adviser is subject to confidentiality and cannot be disclosed without the consent of both parties. The Parties have chosen not to disclose this information in order to protect their own interests.
10	Members of the Management Board and the Supervisory Board who can answer questions asked at the General Meeting should attend a General Meeting.	Applied
		There is no Supervisory Board.
11	An issuer in co-operation with the Authorised Adviser should organize meetings with investors, analysts and the media open to the public at least 2 times per year.	Applied. The Company has ruled out the organisation of two online chats with investors during the year – a first one was organised in April 2017, and a second one in Nov 2017 – these meetings are open to the public.

No.	Rule	Comments
12	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	Applied
13	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	Applied
13a.	If the Management Board of an issuer is notified by a shareholder who holds at least a half of the share capital or at least a half of all votes in the company that the issuer has summoned an extraordinary General Meeting pursuant to Article 399 § 3 of the Code of Commercial Partnerships and Companies, the Management Board of the issuer shall immediately perform actions it is obliged to take in organising and conducting a General Meeting. This principle shall also apply where the registration court authorises shareholders to summon an extraordinary General Meeting pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies."	Applied
14	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	Applied
15	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend.	Applied
16	An issuer should publish monthly reports within 14 days after the end of each month. Monthly reports should include at least the following:	Applied
	- information on trends and events occurring in the issuer's market environment which, in the opinion of the issuer, could in future have significant effects to the financial standing and the financial results of the issuer;	
	- list of all information published by the issuer in the form of current reports in the reporting period;	
	- information about achievement of the goals of an issue if they were achieved at least partly in the reporting period;	
	- dates important to investors including events planned in the coming month concerning the issuer and important from the perspective of investor rights, including in particular dates of publication of periodic reports, planned General Meetings, opening of subscriptions, meetings with investors or analysts and expected dates of publication of analytical reports.	
16a.	If an issuer is in breach of the reporting obligation set out in Exhibit 3 to the Alternative Trading System Rules ("Current and Periodical Information in the Alternative Trading System on the NewConnect Market"), the issuer shall immediately publish information explaining the situation pursuant to the procedure applicable to providing current reports on the NewConnect market."	Applied

**Announced in the Statement of the Management Board of Photon Energy N.V. on the use of the Company's corporate governance rules set by the "Good Practices of Companies Listed on NewConnect"*

Summary of information disseminated

Below is a summary of the key events which were important for the Issuer's business from 1 January until 31 December 2017 and which were reported in the EBI system:

- **EBI 1/2017** published on 6 January 2017: Publication dates of periodic reports in 2017.
- **EBI 2/2017** published on 11 January 2017: Monthly report for December 2016.
- **EBI 3/2017** published on 6 February 2017: Quarterly report for 2016 Q4.
- **EBI 4/2017** published on 10 February 2017: Monthly report for January 2017.
- **EBI 5/2017** published on 6 March 2017: Publication date of the annual report.
- **EBI 6/2017** published on 9 March 2017: Monthly report for February 2017.
- **EBI 7/2017** published on 13 March 2017: Annual report for the year 2016.
- **EBI 8/2017** published on 11 April 2017: Photon Energy enters Hungarian market.
- **EBI 9/2017** published on 11 April 2017: Monthly report for March 2017.
- **EBI 10/2017** published on 11 April 2017: Convocation of the Annual General Meeting of Shareholders on 29 May 2017.
- **EBI 11/2017** published on 11 April 2017: The draft of resolutions of the AGM on 29 May 2017.
- **EBI 12/2017** published on 3 May 2017: Q & A Chat to be held in collaboration with Polish retail investors association SII on Wednesday, the 10th of May 2017 at 11:00am.
- **EBI 13/2017** published on 9 May 2017: Quarterly report for 2017Q1.
- **EBI 14/2017** published on 11 May 2017: Monthly report for April 2017.
- **EBI 15/2017** published on 29 May 2017: The Minutes of the AGM of shareholders held on 29 May 2017.
- **EBI 16/2017** published on 12 June 2017: Monthly report for May 2017.
- **EBI 17/2017** published on 27 June 2017: Photon Energy arranges the refinancing of the corporate bond 2013/2018.
- **EBI 18/2017** published on 3 July 2017: Photon Energy is developing a 316 MWp solar power plant in Australia.
- **EBI 19/2017** published on 12 July 2017: Monthly report for June 2017.
- **EBI 20/2017** published on 13 July 2017: Photon Energy acquires 520 kW solar PV project in Hungary.
- **EBI 21/2017** published on 19 July 2017: Photon Energy mandates Pottinger as financial advisors for Australian project pipeline.
- **EBI 22/2017** published on 2 August 2017: Photon Energy announces the development of a 155 MWp solar plant in Australia.
- **EBI 23/2017** published on 7 August 2017: Quarterly report for 2017 Q2.
- **EBI 24/2017** published on 9 August 2017: Monthly report for July 2017.
- **EBI 25/2017** published on 29 August 2017: Photon Energy announces the development of a 253 MWp solar plant in Australia.
- **EBI 26/2017** published on 31 August 2017: Photon Energy announces the development of a 166 MWp solar plant in Australia.
- **EBI 27/2017** published on 4 September 2017: Photon Energy announces the development of three further solar plants in Australia for a total capacity of 402 MWp.
- **EBI 28/2017** published on 11 September 2017: Monthly report for August 2017.
- **EBI 29/2017** published on 21 September 2017: Photon Energy launches a public exchange offer and a public offer for a 5-year 7.75% corporate bond with a placement volume of up to EUR 30 million.
- **EBI 30/2017** published on 4 October 2017: Photon Energy acquires 8 PV projects with 4 MW AC in Hungary.
- **EBI 31/2017** published on 9 October 2017: Photon Energy announces Development Approval for 28.6 MWp solar farm in Leeton, Australia.
- **EBI 32/2017** published on 10 October 2017: Monthly report for September 2017.
- **EBI 33/2017** published on 24 October 2017: Interim result of the placement of the bond 2017/2022 (ISIN DE000A19MFH4).
- **EBI 34/2017** published on 6 November 2017: Quarterly report for 2017 Q3.
- **EBI 35/2017** published on 9 November 2017: Monthly report for October 2017.
- **EBI 36/2017** published on 8 December 2017: Publication dates of periodic reports in 2018.
- **EBI 37/2017** published on 11 December 2017: Monthly report for November 2017.
- **EBI 38/2017** published on 12 December 2017: Photon Energy announces the partial retirement of its 8% EUR Bond 2013-18.

Below is a summary of the key events which were important for the Issuer's business after 31 December 2017 until the date of this report and which were reported in the EBI and ESPI system:

- **EBI 1/2018** published on 10 January 2018: Monthly report for December 2017.
- **EBI 2/2018** published on 17 January 2018: Photon Energy expects 31% revenue growth, 18% EBITDA growth and 74% EBIT growth in 2017.
- **EBI 3/2018** published on 29 January 2018: Photon Energy and Canadian Solar enter into co-development financing deal for 1.14 GWp Australian Solar Project Pipeline.
- **EBI 4/2018** published on 5 February 2018: Quarterly report for 2017 Q4.
- **EBI 5/2018** published on 6 February: Photon Energy expands its Hungarian pipeline to 20.6 MWp by adding 13 projects in two locations.
- **EBI 6/2018** published on 9 February: Photon Energy commits PLN 4.8 million to the Valuetech seed fund in Poland and announces first investment.
- **EBI 7/2018** published on 12 February: Monthly report for January 2018.
- **EBI 8/2018** published on 12 March: Photon Energy repays its corporate bond 2013/18.
- **EBI 9/2018** published on 12 March: Monthly report for February 2018.
- **EBI 10/2018** published on 28 March 2018: Publication date of the annual report 2017.
- **ESPI 1/2018** published on 19 February: Photon Energy announces administration of new EUR Bond 2017/2022 by Bankhaus Neelmeyer AG.
- **ESPI 2/2018** published on 20 February 2018: Insider trading notification.
- **ESPI 3/2018** published on 1 March 2018: Insider trading notification.
- **ESPI 4/2018** published on 6 March 2018: Notification substantial block of shares.
- **ESPI 5/2018** published on 21 March 2018: Insider trading notification.
- **ESPI 6/2018** published on 21 March 2018: Photon Energy expands its Hungarian pipeline to 26.1 MWp by acquiring eight projects with 5.5 MWp.

Statement of relations

Statement on relations between the Issuer, its managing and supervising persons and its shareholders owning more than 5% of the Company's shares

No Supervisory Board was established.

According to the knowledge of the Board of Directors following relations existed between the Issuer, its managing and supervising persons and its shareholders owning more than 5% of the Company's shares:

Shareholdership as of 31 December 2017	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the 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%**

- Mr. Michael Gartner and Mr. Georg Hotar are the only members of the Company's Board of Directors.
- Mr. Michael Gartner indirectly owns 39.0% of votes at the Shareholders Meeting, via co-operative Solar Future Coöperatief U.A., Mr. Georg Hotar indirectly owns 36.5% of votes at the Shareholders Meeting, via co-operative Solar Power to the People Coöperatief U.A..
- Solar Age Investments B.V., which owns 26,467,000 shares representing 51.5% of votes at the Shareholders Meeting and 44.1% of the Company's share capital, is 100% owned by Solar Future Coöperatief U.A. and Solar Power to the People Coöperatief U.A., controlled by Mr. Michael Gartner and Mr. Georg Hotar respectively. Mr. Georg Hotar is the only Director of Solar Age Investments B.V.

Implementation of innovative activities in the Company in 2017

None in 2017.

Material off-balance sheet items

The Group did not have any material off-balance sheet items in the year 2017.

Further information

For more information about:

a) characteristics of the structure of assets and liabilities of the consolidated balance sheet, also from perspective of the liquidity of the Issuer's group and

b) description of the structure of main equity deposits or main capital investments made within the Issuer's group during the financial year

Please refer to Chapter 3 – Financial section and the Company's audit.

Board of Directors’ statements

Board of Directors’ statement concerning reliability of prepared financial statement for the year 2017 and report on the Company's activity

The Board of Directors declares that according to their best knowledge the audited consolidated IFRS financial statements, which were derived from local financial statements, were prepared in accordance with International Financial and Reporting Standards and further declares that they present a true and fair view of the Company’s property and financial situation and its financial result as of the date of the publication of this report and that the report on the Report of the Management presents a fair view of the Issuer’s situation, including a description of basic exposures and risks.

Michael Gartner
Director

Georg Hotar
Director

Board of Directors’ statement concerning the entity entitled to audit the annual financial statement for the year 2017

The Board of Directors’ declares that the entity authorised to audit financial statements which audited annual consolidated financial statements was selected in accordance with legal regulations and that such entity and certified auditors who audited these statements met conditions to express their impartial and independent opinion on the audit, in accordance with relevant regulations of local law.

Michael Gartner
Director

Georg Hotar
Director

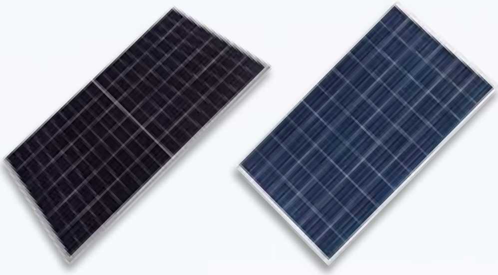
PROVEN PARTNER TO EPC CUSTOMERS IN CEE REGION

Photon Energy Technology, a subsidiary of Photon Energy Group, oversees technology procurement and logistics for our own power plants as well as for a range of external international clients.

For our clients we find the most appropriate technology solution to match their project's location, design and budget. Professional handling of all logistics allows us to minimize the risks and direct involvement for the power plant owner.

Our warehouses are located in Rotterdam, the Netherlands and in Prague, the Czech Republic, whereas we also maintain certain stocks with our partners in Germany, Poland and Slovakia on a consignment stock basis. Such geographical distribution of our products allows us to bring the technology closer to all our customers in a shorter time preserving the quality and price competitiveness.

As an official supply and distribution partner of JinkoSolar, we are proud to offer this technology for our clients under highly competitive conditions in the entire CEE region and particularly in Hungary, where a certain “solar boom” is expected to unfold in the second half of 2018.



JinKO Solar
Building **Your Trust** in Solar

“Having been a part of Photon Energy since 2008 we were one of the first to establish strong ties with manufacturers of technology and components. Thanks to our close relationships ever since, we are confident to offer reliable after-sales service to our customers.

We select our suppliers very carefully, while our long-term experience in this volatile market has taught us that is crucial to maintain close relationships with reputable manufacturers that have passed rigorous due diligence, have stable corporate backgrounds, provide industry leading warranties and are price-competitive.”

Marek Farský

Managing Director, Photon Energy Technology

PHOTON ENERGY

3.

Financial Section

PHOTON ENERGY

Financial Statements

for the year ended 31 December 2017

Contents

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 2017.

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 Strozzilaan 201, 1083HN Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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:

In shares	No. of shares	% of capital
Solar Age Investments B.V.	26,467,000	44.11%
Solar Future Cooperatief U.A.	8,590,683	14.32%
Solar Power to the People Cooperatief U.A.	8,051,874	13.42%
Photon Energy N.V.	8,649,357	14.42%
Free float	8,241,086	13.74%
Total	**60,000,000**	**100.00%**

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

Developments in 2017

Result

The total equity attributable to the owners of the Company as at 31 December 2017 amounts to EUR 26,001 thousand (2016: EUR 24,180 thousand). The total result for the year 2017 amounts to a loss of EUR 807 thousand (2016: loss EUR 2,660 thousand).

Revenues and cost of sales

Revenues in 2017 increased to EUR 17,219 thousand compared to 2016, when the revenues amounted to EUR 13,089 thousand. In 2017, cost of sales increased to 4,145 thousand from EUR 1,589 thousand in the financial year 2016.

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 71% in 2017 compared to 82% in 2016. The lower margin in 2017 is a consequence of higher cost of sales, and low margins in the sale of technology.

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 Fx development resulting in positive increase of currency translation reserve (positive effect of EUR 2,294 thousand) and change in the derivatives reserve (positive impact of EUR 315 thousand).

Non-current assets

The decrease in fixed assets compared to 2016, is mainly influenced by the annual depreciation compensated by higher outstanding balance of assets in progress.

Current assets

Current assets increased in 2017 compared to 2016, from EUR 11,556 thousand to EUR 15,338 thousand. This increase was influenced mainly by higher other receivables, higher gross amount from customers and higher cash.

Total liabilities

The total liabilities include primarily:

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

Long-term liabilities decreased by EUR 3,810 thousand. The main driver of this decrease was caused by repayment of the bank loans and reclassification of the bond to the short-term. This was compensated by higher deferred tax liability and higher other loans. The Group's current payables increase mainly due to above mentioned reclassified bond. Increase was compensated by lower trade and other payables.

Financial instruments and risk management

In 2017, 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.

For the years 2016 and 2017 the Group opted for its Czech power plants for the currently economically more beneficial green bonus scheme instead of the feed-in-tariff.

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.

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 7,285 thousand at 31 December 2017 (2016: EUR 5,420 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. 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 2,553 thousand as at 31 December 2017 (2016: EUR 2,991 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:

In thousand of EUR	**2017**	**2016**
Total liabilities	63,709	62,945
Less: cash and cash equivalents	7,333	5,420
Net debt	56,376	57,525
Total equity	25,982	24,180
Net debt to adjusted equity ratio at 31 December	**2.17**	**2.38**

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

Selected indicators

Debt to assets ratio (total liabilities/total assets)

- 2017: 0.71
- 2016: 0.72

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

- 2017: 2.45
- 2016: 2.60

Current ratio (current assets/current liabilities)

- 2017: 1.23
- 2016: 1.46

Debt to equity slightly improved in 2017 compared to 2016 due to higher equity. The current ratio has improved due to higher current assets.

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 74 (2016: 62). Management expects that the number of employees in 2018 will be similar or slightly higher comparing 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 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.

Strategy for 2018 and beyond

The year 2017 will go down in our company's ten-year history as a truly pivotal moment. After several years of consolidation with a strong emphasis on strengthening our balance sheet as well as the development of our service businesses, we have made strong progress in Australia and our new market Hungary and embarked on a dynamic growth path. On the back of outstanding production by our proprietary portfolio of operating PV plants we managed to grow our revenues by 31.9% to a record level of EUR 17.26 million while boosting our EBITDA by 21% to EUR 7.93 million and turning into the black the pre-tax level and swinging to a EUR 1.93 million total comprehensive income. The last remaining challenge for the upcoming year is to eliminate the red ink at the after-tax profit level, where we managed to materially reduce our deficit by nearly three quarters to EUR 0.73 million.

The main reason, however, why 2017 will be remembered fondly, is the truly remarkable progress in our utility scale solar project development effort in New South Wales, Australia. From a clean slate, our Sydney-based team has originated and developed a pipeline of seven utility scale projects with a potential total installed capacity of over 1.4 GWp and in late January 2018 we managed to close a co-development transaction for five of the projects with over 1.1 GWp of installed capacity with Canadian Solar, one of the world's largest solar companies. This milestone crystallized our strong efforts in the Australian market in the past years and proves that our strategic investment Down Under is bearing fruit. An initial EUR 3 million capital gain that will be recorded in our financial statements for 2018 Q1 in line with the transaction with Canadian Solar has put us on a solid path towards a net profit in 2018. We firmly believe that our expansion plans in the upcoming years will allow us to consistently grow our revenues and profitability, which we expect to be reflected in a sustainable increase in our valuation.

Last but not least, 2017 has also been a crucial year for our presence on capital markets. In October 2017 Photon Energy launched a public offer for its second EUR-denominated 5-year corporate bond (with a 7.75% coupon and quarterly payments) together with an exchange offer for the holders of its first 8% EUR-bond due in March 2018. The results of the exchange offer and the bond placement, together with the growing free cash flows from the company's operations have enabled us to repay our 8% bond on 12 March 2018 fully, successfully completing our debut on the European corporate bond market. Loan and bond repayments are the ultimate litmus tests for any company and we are proud to have mastered the full life cycle of our publicly traded bond down to the dot.

Last year we informed you about our strategic expansion to include water purification through our newly-formed subsidiary Photon Water Technology to fulfill our mission to ensure that

Energy and Water must be Clean, Safe, Accessible and Affordable for Everyone.

We are happy to inform you that our new division has hit a running start in 2017, generating some 2% of group revenues and ending the year with a lower loss than planned for its first year of operation. The most astounding aspect for us is that we have been able to win customers and references in a wide variety of markets including France, Switzerland, the Czech Republic, China and Peru.

Access to sufficient supplies of drinking and for other purposes usable water is quickly developing into the world's most pressing challenge. Changing weather patterns, pollution and the irresponsible use of ground water affect not only developing countries but increasingly threaten the largest and most developed economies. Devastating droughts in the US and the catastrophic water pollution in China are among the most visible examples, imperiling the livelihoods of tens of millions in the world's two largest economies. Across Africa, Latin America, India and many other Asian nations well over a billion people do not have access to clean and safe drinking water, resulting in millions of deaths from disease every year. Tackling this challenge to humanity alongside meeting the need for ever more energy without destroying the planet we all share is the stated mission of Photon Energy from now on.

While we intend to provide state-of-the-art technical solutions for water purification, soil remediation and waste water treatment on a stand-alone basis, we will strongly focus on solutions combining these with the benefits of distributed energy generation from solar and other renewable energy sources. Following our established business model we intend to cover the entire life-cycle of water technologies from project development to the engineering & construction as well as the operation & maintenance of our solutions. Whenever suitable we intend to be the owner-operators of these plants, very much as we are today with our proprietary portfolio of power plants. In other words, our business model will remain largely unchanged as we add the most important commodity to our offering, which is clean, safe, accessible and affordable water to the benefit of the communities we will serve.

Building and expanding on our experience, know-how and technical capabilities we are embarking on an exciting new path, which will take us into many new markets around the world. We will combine solar energy, energy storage and water technologies to meet the growing needs of billions of potential customers from the poorest to the richest countries in the world.

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

Australia – Canadian Solar

On 29 January 2018, as a result of its development partner selection process managed by its financial advisor Pottinger, the company 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, one of the world's largest solar power companies. 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. The equity capital contributed by Canadian Solar is subject to certain development milestones, joint management processes and other terms customary for project co-development and covers the development budgets to bring all five projects to the ready-to-build stage. Post-transaction, Photon Energy NV retains a 49% stake in the Gunning project and 24.99% stakes in the four other projects.

Bond March 2018

On 12 March 2018 the company has repaid its outstanding EUR bond 2013/2018 (WKN: A1HELE) in the amount of EUR 6,533 thousand.

Amsterdam, 30 March 2018

The Board of Directors:

Georg Hotar, Director

Michael Gartner, Director

Consolidated Financial Statements

for the year ended 31 December 2017

Consolidated statement of comprehensive income for the year ended 31 December

In thousand of EUR	Note	2017	2016
Revenue	10	17,219	13,089
Cost of sales	11	-4,145	-1,589
Solar levy	11	-821	-777
Gross profit		**12,254**	**10,723**
Other income	12	517	374
Administrative expenses	14	-1,756	-1,690
Personnel expenses	14	-2,592	-2,241
Other expenses	13	-572	-616
Depreciation		-5,560	-5,265
Results from operating activities		**2,291**	**1,286**
Finance income	15	0	125
Interest income	15	191	42
Finance costs	15	-489	-55
Revaluation of derivatives	15	997	-345
Interest costs	15	-2,710	-3,109
Net finance expenses		**-2,010**	**-3,342**
Share of profit equity-accounted investments (net of tax)	24	66	59
Profit/loss before taxation		**346**	**-1,996**
Income tax due/deferred	16	-1,153	-653
Profit/loss for the year from continuing operations		**-807**	**-2,649**
Profit for the year from discontinued operations	9	0	-11
Profit/loss for the year		**-807**	**-2,660**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	23	0	602
Share of revaluation of property, plant and equipment of associates/joint ventures	23	0	0
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation difference - foreign operations	23	2,294	-164
Derivatives (hedging)	28	315	215
Share of currency translation diff. Of associates / JV	23	0	0
Other comprehensive income for the year, net of tax		**2,609**	**653**
Total comprehensive income for the year		**1,802**	**-2,007**
Profit attributable to:			
Attributable to the owners of the company		-788	-2,660
Attributable to non controlling interest		-19	0
Profit for the year		**-807**	**-2,660**
Total comprehensive income attributable to:			
Attributable to the owners of the company		1,821	-2,007
Attributable to non controlling interest		-19	0
Total comprehensive income for the year		**1,802**	**-2,007**
Earnings per share			
Earnings per share (basic) (in EUR)	24	-0.015	-0.052
Earnings per share (diluted) (in EUR)	24	-0.013	-0.044
Total comprehensive income per share (in EUR)	24	0.035	-0.034

The notes on pages 70 to 114 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December

In thousand of EUR	Note	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	17	72,742	73,977
Investments in equity-accounted investees	9.3	1,604	1,585
Other investments	18	9	8
Long-term receivables	21	0	0
Deferred tax assets		0	0
Non-current assets		**74,354**	**75,570**
Inventories	20	1,345	1,122
Trade receivables	21	1,459	1,123
Other receivables	21	3,109	2,150
Gross amount due from customers for contract work	20	374	0
Current tax receivable	21	0	0
Loans	21	650	812
Prepaid expenses	21	715	389
Cash and cash equivalents	22	7,333	5,420
Other S-T financial asset	22	352	541
Assets classified as held for sale	8	0	0
Current assets		**15,338**	**11,556**
Total assets		**89,692**	**87,125**
Equity & Liabilities			
Equity			
Share capital	23	600	600
Share premium	23	23,760	23,760
Revaluation reserve	23	22,506	24,410
Legal reserve fund	23	13	13
Hedging reserve	23	110	-205
Translation reserve	23	1,155	-1,139
Retained earnings	23	-22,143	-23,260
Equity attributable to owners of the Company		**26,001**	**24,180**
Non-controlling interests	23	-19	0
Total equity		**25,982**	**24,180**
Liabilities			
Loans and borrowings	25	34,786	37,551
Other long-term liabilities	28	9,285	11,410
Other loans	25	1,000	269
Deferred tax liabilities	19	6,153	5,806
Long-term liability from income tax	27	0	0
Non-current liabilities		**51,225**	**55,035**
Loans and borrowings	25	3,695	3,597
Trade payables	26	238	619
Other payables	26	1,263	2,894
Other Loans	25	270	269
Other short-term liabilities	27	6,533	0
Current tax liabilities	27	469	305
Provisions	27	17	225
Liabilities classified as held for sale	8	0	0
Current liabilities		**12,484**	**7,910**
Total liabilities		**63,709**	**62,945**
Total equity and liabilities		**89,692**	**87,125**

The notes on pages 70 to 114 are an integral part of these financial statements.

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

In thousand EUR	Share capital	Share premium	Legal reserve fund	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
BALANCE at 31.12.2015	**600**	**23,760**	**10**	**25,415**	**-975**	**-420**	**-20,001**	**28,389**	**151**	**28,540**
BALANCE at 1.1.2016	**600**	**23,760**	**10**	**25,415**	**-975**	**-420**	**-20,001**	**28,389**	**151**	**28,540**
Profit for the year	-	-	-	-	-	-	**-2,660**	**-2,660**	-	**-2,660**
Revaluation of PPE	-	-	-	-	-	-	-	-	-	-
Share on revaluation of PPE of associates, JV	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-164	-	-	**-164**	-	**-164**
Derivatives	-	-	-	-	-	215	-	**215**	-	**215**
Acquisition on JV		-	-	602	-	-	-	**602**	-	**602**
Other comprehensive income	**0**	**0**	**-**	**602**	**-164**	**215**	**-2,660**	**-2,007**	**-**	**-2,007**
Move from revaluation reserve to retained earnings	-	-	-	-1,607	-	-	1,607	**0**	-	**0**
Legal reserve fund	-	-	3	-	-	-	-3	**0**	-	**0**
New shares	-	-	-	-	-	-	-	-	-	-
Move of RE due to entity disposal/change of cons. method	-	-	-	-	-	-	-2,202	-2,202	-151	-2,353
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**

The notes on pages 70 to 114 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

In thousand of EUR	Note	2017	2016
Cash flows from operating activities			
Profit for the year before tax		**346**	**-1,996**
Adjustments for:			
Depreciation	17	5,560	5,265
Other changes in fixed assets	17	0	0
Share of profit of equity-accounted investments	24	-66	-59
Profit/loss on sale of property, plant and equipment	17	0	0
Other non-cash items	24	247	-776
Changes in:			
Trade and other receivables	21	-945	260
Gross amount due from customers for contract work		-374	0
Prepaid expenses	21	-326	299
Inventories	20	-223	-198
Trade and other payables	26	-2,013	-642
Other liabilities	27	454	-117
Net cash from operating activities		**2,661**	**2,035**
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	0	0
Acquisition of subsidiaries, associates, JV	9	-53	-438
Acquisition of other investments	9	0	0
Proceeds from sale of investments	9	0	25
Sale of investments- cash sold	9	0	0
Interest received	15	0	0
Net cash used in investing activities		**-53**	**-463**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		0	0
Proceeds from borrowings	25	1,000	1,479
Change in consolidation method	25	0	1,809
Repayment of borrowings	25	-5,064	-4,337
Proceeds from issuing bonds	25	7,844	2,872
Repayment of bonds	25	-4,059	0
Interest expenses	25	-2,710	-3,109
Net cash from (used in) financing activities		**-2,989**	**-1,286**
Net increase/decrease in cash and cash equivalents		**-381**	**287**
Cash and cash equivalents at 1 January		**5,420**	**5,297**
Effect of exchange rate fluctuations on cash held		2,294	-164
Cash and cash equivalents at 31 December		**7,333**	**5,420**

The notes on pages 70 to 114 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

1. Reporting entity

Photon Energy N.V. ("Photon Energy" or the "Company") is a joint-stock company incorporated under the laws of Netherlands on 9 December 2010. The statutory seat of the Company is Barbara Strozzilaan 201, 1083HN Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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 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.

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 30 March 2018.

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.

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 judgements, 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).

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.

IAS 7 Disclosure Initiative – Amendments to IAS 7

For reporting periods beginning on or after 1 January 2017, preparers are required to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (IAS 7.44A). Furthermore, preparers are reminded to provide an entity-specific accounting policy on which instruments meet the definition of cash and cash equivalents in accordance with paragraph IAS 7.6, and, where relevant, to disclose whether, and to what extent, overdraft bank facilities (notably those repayable on demand) and balances resulting from cash pool facilities are considered as cash and cash equivalents.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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):

- Amendments to IFRS 7 Financial Instruments: Disclosures (January 2018)
- IFRS 15 Revenue (January 2018)
- IFRS 16 Leases (January 2019)

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 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.

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.

IAS 28 Long-term Interests in Associates and Joint Ventures

The proposed amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:

Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group does not plan to adopt these standards earlier than as of the effective date.

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 2017) 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: loans and receivables and available-for-sale financial assets.

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

4.6.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

4.6.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

A CGU corresponds to the individual power plant operated by the legal entity. In 2017, the legal entity owns always only one power plant.

The recoverable amount of an asset or CGU is the greater of its value in use and its selling price less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

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

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement (e.g. Incoterms conditions).

4.9.2 Services

Revenue from services (e.g. maintenance, technical-administrative; installation) rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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.

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. After the end of each month, the production reports are downloaded from the monitoring system and based on the data from the report, the invoices are issued. The revenues are recognized in accordance with the delivered electricity.

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.

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.

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 interest 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 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 and IT Portfolio that were not reflected in the old valuation models. These changes were imposing a new grid connection fee for Slovak projects and change in Feed in tariff mechanism for Italian 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 it 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 2017.

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 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.

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 levy 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 currently economically more beneficial green bonus scheme instead of the feed-in-tariff.

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 incurred losses in respect of trade and other receivables.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 7,285 thousand at 31 December 2017 (2016: EUR 5,420 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 2,553 thousand as at 31 December 2017 (2016: EUR 2,991 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:

In thousand of EUR	**2017**	**2016**
Total liabilities	63,709	62,945
Less: cash and cash equivalents	7,333	5,420
Net debt	56,376	57,525
Total equity	25,982	24,180
Net debt to adjusted equity ratio at 31 December	**2.17**	**2.38**

There were no changes in the Group's approach to capital management during the year. A net debt to adjusted equity ratio shows lower indebtness 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 -turnkey 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 2017 or 2016.

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 2017 to 31 December 2017

In thousand EUR	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**	**02**	**0**	**1,802**

In thousand EUR	**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

Operating segments for the period from 1 January 2016 to 31 December 2016

In thousand EUR	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	FVE Investments	Other	Total for segments	Elimination	Consolidated financial information
External revenues from the sale of products, goods and services	774	10,869	1,445	0	0	13,089	0	13,089
Revenues within segments from sale of products, goods , services	388	0	1,286	0	3,227	4,901	-4,901	0
Cost of sale	-656	-928	-885	0	-11	-2,480	891	-1,589
Solar levy	0	-777	0	0	0	-777	0	-777
Gross profit	**506**	**9,164**	**1,847**	**0**	**3,216**	**14,733**	**-4,010**	**10,723**
Other external income	68	162	49	0	96	374	0	374
Administrative and other expenses	-1,215	-399	-2,241	0	-4,700	-8,556	4,010	-4,546
Depreciation	0	-5,205	-26	0	-33	-5,265	0	-5,265
Operating income	**-642**	**3,722**	**-372**	**0**	**-1,421**	**1,286**	**0**	**1,286**
Interest income	31	215	23	0	3,091	3,359	-3,317	42
Interest expenses	-51	-4,887	-88	0	-1,400	-6,426	3,317	-3,109
Other financial revenues	19	1	25	0	79	125	0	125
Other financial expenses	-13	-14	-11	0	-18	-55	0	-55
Revaluation of derivatives	0	-345	0	0	0	-345	0	-345
Profit/loss share in entities in equivalency	0	0	0	59	0	59	0	59
Income tax	0	-383	0	0	-149	-532	0	-532
Profit/loss after taxation from continuing operations	0	-121	0	0	0	-121	0	-121
Profit/loss from discontinued operations	0	0	-11	0	0	-11	0	-11
Profit/loss for the year	**-656**	**-1,812**	**-434**	**59**	**182**	**-2,660**	**0**	**-2,660**
Revaluation of property, plant and equipment	0	0	0	602	0	602	0	602
Foreign currency translation diff. - foreign operations	0	0	0	-164	0	-164	0	-164
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	215	0	215	0	215
Total comprehensive income	**-656**	**-1,812**	**-434**	**712**	**182**	**-2,007**	**0**	**-2,007**

In thousand EUR	Energy solutions	Production of electricity	Operations, maint. and PVPP supervision	FVE Investments	Other	Total for segments	Elimination	Consolidated financial information
Assets, of which	**2,603**	**85,637**	**3,536**	**1,593**	**15,284**	**108,645**	**-21,520**	**87,125**
PPE – Lands	0	2,860	0	0	0	2,860	0	2,860
PPE – Photovoltaic power plants	0	70,741	0	0	0	70,741	0	70,741
PPE - Equipment	96	0	219	0	60	376	0	376
PPE – Assets in progress	0	0	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0	0	0
Trade and other receivables	2,225	6,892	2,969	0	13,520	25,605	-21,520	4,085
Loans	0	0	0	0	0	0	0	0
Gross amount due from customers for contract work	0	0	0	0	0	0	0	0
Inventories – Goods	274	531	317	0	0	1,122	0	1,122
Investments in associates, JV, other	0	0	0	1,593	8	1,593	0	1,593
Deferred tax receivables	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	0	0	0
Prepaid expenses	8	28	31	0	322	389	0	389
Assets held for sale	0	0	0	0	0	0	0	0
Cash and cash equivalents	0	4,586	0	0	833	5,420	0	5,420
Other S-T financial assets	0	0	0	0	541	541	0	541

Liabilities, of which	**-4,475**	**-53,041**	**-6,992**	**0**	**-19,948**	**-84,457**	**21,513**	**-62,945**
Trade and other payables	-4,475	-5,480	-6,845	0	-8,225	-25,025	21,513	-3,513
Bank Loans and other loans	0	-41,147	0	0	-538	-41,685	0	-41,685
Other long term liabilities	0	-302	-148	0	-10,960	-11,410	0	-11,410
Other short term liabilities	0	0	0	0	0	0	0	0
Current tax liabilities (income tax)	0	-305	0	0	0	-305	0	-305
Provisions	0	0	0	0	-225	-225	0	-225
Deferred tax liabilities	0	-5,806	0	0	0	-5,806	0	-5,806

7. Operating segments (continued)

All the operational segments are managed on an international basis (not on a country level). In 2017 the Group operated in the Czech Republic, Slovak Republic, Germany, Hungary, Australia, Switzerland and the Netherlands with headquarters in the Netherlands.

In 2017, revenues were generated in all above mentioned markets, except of the Netherlands, Hungary and Germany. Non-current assets (power plants) are located in the Czech Republic, Slovak Republic and Australia.

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

In 2017, 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

In thousand of EUR	2017	2016
The Czech Republic	13,111	9,548
The Slovak Republic	3,361	3,120
Australia	747	419
Germany	0	0
Hungary	0	0
Switzerland	0	2
Consolidated revenues	**17,219**	**13,089**

Non-current assets (i)

In thousand of EUR	2017	2016
The Czech Republic	54,648	55,102
The Slovak Republic	17,560	18,863
Hungary	153	0
Australia	381	12
Total	**72,742**	**73,977**

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. Distributors 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 2017, 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 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 2016, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiaries:

- Photon Energy Projects s.r.o.
- Photon Energy Solutions s.r.o.
- Photon Energy Cardio s.r.o.
- The Special One s.r.o.
- Charles Bridge Services s.r.o
- Photon Energy AUS SPV 3 Pty. Ltd.
- Photon Energy AUS SPV 4 Pty. Ltd.
- Photon Energy HU SPV 1 Kft. b.a.

9.2 Acquisitions of subsidiaries

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.

During 2016, Photon Energy N.V. (directly or via its subsidiaries) acquired the following entities:

- Photon Water Technology s.r.o.
- Photon Water s.r.o

The Company also acquired 100% full share in the originally joint ventures entities in 2016:

- ATS Energy s.r.o.
- Fotonika s.r.o.

The total consideration paid for the acquiring of the remaining 30% share in ATS Energy s.r.o. (September 2016) and 40% share in Fotonika s.r.o. (June 2016) equaled to EUR 438 thousand. While ATS Energy s.r.o. was already consolidated using the full method, Fotonika s.r.o. was originally consolidated using the equity method that has been changed for full method since the acquisition.

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.

Other developments in 2016

During 2016, Photon Energy N.V. liquidated Photon Energy Investments CZ N.V., Photon Energy Investments DE N.V. and European Solar Holdings. Photon Energy Operations DE GmbH was sold in January 2016.

9.3 Financial information for the joint ventures and associates

Joint ventures and associates

Investments in equity-accounted investees amounting to EUR 1,604 thousand (2016: EUR 1,585 thousand) represent the nominal share in the joint ventures and associates owned by the Group.

2017:

In thousand of EUR	Photon SK SPV 1	Solarpark Myjava	Solarpark Polianka	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

2016:

In thousand of EUR	Photon SK SPV 1	Solarpark Myjava	Solarpark Polianka	Total
Definition	joint venture	joint venture	joint venture	
Share	50%	50%	50%	
Share on equity	-572	-367	-646	-1,585
Share of profit	20	28	11	59
Other comprehensive income	-54	-52	-58	-164
Total comprehensive income	-34	-23	-47	-104
Cash and cash equivalents	206	237	210	653
Current assets	228	263	242	733
Long-term assets	2,741	2,323	2,991	8,055
Current liabilities	-430	-316	-411	-1,157
Long-term liabilities	-1,414	-1,541	-1,547	-4,501
Expenses	332	358	343	1,032
Revenues	-372	-414	-365	-1,151

All of the entities included in the above table are accounted for using the equity method of consolidation as at 31 December 2017 and have been accounted for in the financial year 2016 (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 2017

1) Photon Water s.r.o.

In thousand of EUR	**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

Disposals in 2016

1) Photon Energy Operations DE GmbH

In thousand of EUR	**Photon Energy Operations DE GmbH**	**Total**
Cash&cash held	41	41
Net assets	14	14
Local cost of FI	14	14
Sales price	25	25
Loss/profit from the sale	-14	-14
Total consideration received in cash	25	25

10. Revenue

In thousand of EUR	**2017**	**2016**
Sale of goods	2,379	559
Rendering of services	3,058	1,661
Sale of electricity	11,782	10,869
	17,219	**13,089**

The increase in revenues is a result of higher revenues in all the segments. Electricity production increased as a result of higher production, as well as the favourable exchange rate development. 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.

In thousand of EUR	**2017**	**2016**
Material consumed	-19	-30
Goods (invertors, etc)	-2,193	-809
Services (3rd party services received)	-1,933	-510
Other (representation, travelling, NBV of assets sold, etc)	0	-240
Change of allowances for receivables/reserves	0	0
	-4,145	**-1,589**

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 project realized during 2017.

11.1 Solar levy

In thousand of EUR	**2017**	**2016**
10%/26% solar levy	-821	-777
	-821	**-777**

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

12. Other income

In thousand of EUR	**2017**	**2016**
Other income	517	374
	517	**374**

Other income included revenues from write-off of payables (EUR 73 thousands), and income from allocation of WIP by AUS entities to JVs (292 teur), and income from provision of back-point place by Czech SPVs for recycling company.

13. Other expenses

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

In thousand of EUR	**2017**	**2016**
Other taxes and fees	-4	-7
Penalties and fines	0	-225
Receivables write-off	-379	-121
Other expenses	-189	-263
	-572	**-616**

Other expense includes mainly insurance and costs related to maintenance of the recycling spots and VAT coefficient.

14. Administrative and personnel expenses

In thousand of EUR	**2017**	**2016**
Wages and salaries	-2,336	-2,020
Social and health insurance *	-256	-221
Consulting, legal and other administrative services	-1,756	-1,690
	-4,348	**-3,931**

*Pension costs are integral part of social security expenses

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.

On 31 December 2016 the Group employed 62 employees. 4 were employed in Slovakia by Slovak entities; 6 in Australia; 2 in Romania, 1 in Switzerland and 2 in the Netherlands. The remaining employees were employed in the Czech Republic.

Rental expenses of the Group amount to EUR 95 thousand annually. The Company is not involved in long-term rental lease contracts.

15. Finance income and finance costs

In thousand of EUR	**2017**	**2016**
Interest income on loans and receivables	191	42
Finance income	-	125
Release of allowances	-	-
Profit from revaluation of derivatives	997	-
Finance income	**1,188**	**167**
Interest expense on loans and receivables	-2,710	-3,109
Net bank account fees	-33	-55
Fx Losses	-456	-
Loss from revaluation of derivatives	-	-345
VAT related interest costs	-	-
Finance costs	**-3,199**	**-3,509**
Net finance income / costs	**-2,010**	**-3,342**

16. Income tax expense

16.1 Income tax recognized in profit or loss

In thousand of EUR	**2017**	**2016**
Current tax expense		
Current year	-1,016	-532
	-1,016	**-532**
Deferred tax expense		
Temporary differences (margin on PPV)	-137	-121
Total tax expense	**-137**	**-121**

16.2 Income tax recognized in other comprehensive income

In thousand of EUR	**For the year ended 31 December 2017**			**For the year ended 31 December 2016**		
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of tax**
Revaluation of property, plant and equipment	-	-	-	-	-	-
Total deferred tax for the revaluation		-			-	

16.3 Reconciliation of effective tax rate

In thousand of EUR	**%**	**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**

In thousand of EUR	**%**	**2016**
Loss before income tax		**-1,996**
Tax using the Company's domestic tax rate	25%	-522
Effect of tax rates difference in foreign jurisdictions	-6%	121
Non-deductible expenses		
Interest expenses	0%	0
other	5%	-109
Recognition of tax effect previously unrecognized tax losses	11%	-222
Current year losses for which no deferred tax asset was recognized	-3%	61
Total tax expenses		**-653**

17. Property, plant and equipment

In thousand of EUR	Land	Photovoltaic power plant	Other equipment	In progress	Total
Carrying amounts					
At 31 December 2016	2,860	70,741	376	0	73,977
At 31 December 2017	3,136	68,753	184	669	72,742
Gross revalued amount					
Balance at 1 January 2016	**2,859**	**96,580**	**626**	**9**	**100,075**
Other Additions	0	2,467	214	0	2,681
Transfer from assets in progress	0	0	9	-9	0
Disposals	0	0	0	0	0
Revaluation increase	0	0	0	0	0
Effect of movements in exchange rates	1	-269	0	0	-269
Balance at 31 December 2016	**2,860**	**98,778**	**849**	**0**	**102,487**
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**
Depreciation and impairment losses					
Balance at 1 January 2016	0	22,831	414	0	23,245
Depreciation for the year	0	5,206	59	0	5,265
Impairment loss	0	0	0	0	0
Effect of movements in exchange rates	0	0	0	0	0
Balance at 31 December 2016	**0**	**28,037**	**473**	**0**	**28,510**
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**
Carrying amounts					
At 31 December 2016	2,860	70,741	376	0	73,977
At 31 December 2017	**3,136**	**68,753**	**184**	**669**	**72,742**

17. Property, plant and equipment (continued)

Revaluation details by power plants

In thousand of EUR **Photovoltaic power plants**	**kWp**	**Net book value at costs as at 31 December 2017**	**Net book value at FV as at 31 December 2017**	**Net book value at costs as at 31 December 2016**	**Net book value at FV as at 31 December 2016**
Breclav – ZS	137	525	946	577	957
Cukrovar Slavkov	1,159	1,172	4,244	1,342	4,291
Dolni Dvoriste	1,64	1,151	6,048	1,375	6,079
Komorovice	2,354	1,135	8,266	1,442	8,296
Mostkovice – Mostkovice plocha	1,135	2,864	3,625	3,000	3,677
Prerov Radvanice	2,305	1,765	8,326	2,093	8,417
Svatoslav pozemek	1,231	3,595	4,453	3,747	4,506
Zdice I	1,498	3,255	5,436	3,454	5,443
Zdice II	1,498	1,844	5,428	2,048	5,483
Zvikov	2,031	1,701	7,557	1,961	7,590
Mokrá Lúka II	990	1,225	2,280	1,349	2,455
Mokrá Lúka III	990	1,532	2,274	1,656	2,449
Jovice V	990	1,563	2,226	1,677	2,377
Jovice VI	990	1,405	2,217	1,514	2,367
Babina II	999	1,204	2,334	1,363	2,512
Babina III	999	2,081	2,327	2,238	2,505
Blatná	700	2,192	1,613	2,295	1,731
Prsa I	999	1,856	2,290	1,992	2,467
		32,066	**71,889**	**35,123**	**73,602**

In 2016, in the Consolidated statement of comprehensive income the revaluation of property plant and equipment of EUR 602 thousand resulting from the acquisition of the full share in the Fotonika s.r.o. that was originally accounted and presented by equity method, and not full consolidation method. In 2017, no such transaction has been recognized in the OCI statement.

In 2017 the Group did not capitalize any borrowing cost into Property, plant and equipment (2016: EUR 0 thousand).

The Group has purchased several intangible assets, however these cannot be classified as intangible assets as they are considered 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 (2016: EUR 1,375).

Security

As at 31 December 2017 the following properties with a carrying amount of EUR 71,190 thousand (2016: EUR 73,602 thousand) are subject to a registered debenture to secure bank loans (see note 25):

- Property, plant and equipment – Lands in an amount of EUR 2,673 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 51,656 thousand pledged to RL
- Property, plant and equipment – Photovoltaic power plants in an amount of EUR 17,228 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 669 thousand (2016: EUR 0 thousand).

Sale of property, plant and equipment

In 2017, proceeds from sales of property, plant and equipment amounted to EUR 0 thousand (2016: EUR 0 thousand).

18. Other investments

In thousand of EUR	2017	2016
Non-current investments		
Other investments measured at cost[1]	9	8
	9	**8**

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:

2017:

In thousand of EUR	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

2016:

In thousand of EUR	Assets			Liabilities			Net		
	2016	**y-y change**	**2015**	**2016**	**y-y change**	**2015**	**2016**	**y-y change**	**2015**
Property, plant and equipment	1,933	0	4,457	-7,739	2,672	-10,411	-6,279	-325	-5,954
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	0	473	0	0	0	473	0	473
Tax assets (liabilities)	2,406	0	4,930	-7,739	2,672	-10,411	-5,806	-325	-5,481
Net tax assets (liabilities)	2,406	0	4,930	-7,739	2,672	-10,411	-5,806	-325	-5,481

19. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousand of EUR	Balance as at 31 December 2015	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 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
Property, plant and equipment	-5,954	-121	-204	0	-6,279	-137	263	0	-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 (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	0	0	473	0	-473	0	0
Total	**-5,481**	**-121**	**-204**	**0**	**-5,806**	**-137**	**-210**	**0**	**-6,153**

20. Inventories

In thousand of EUR	2017	2016
Goods	1,345	1,122
Gross amount due from customers (work in progress)	374	-
	1,719	**1,122**

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

The cost of inventories recognized as an expense in cost of sales during the year in respect of continuing operations amounted to EUR 2,193 thousand (31 December 2016: EUR 1,589 thousand).

21. Trade and other receivables

Trade receivables

In thousand of EUR	Note	2017	2016
Trade receivables	28.2	1,459	1,123
Allowance for doubtful debts	28.2	0	0
		1,459	**1,123**

The average credit period on sales of goods and services is 29 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 2017 receivables with a total amount of EUR 379 thousand were written-off (2016: EUR 121 thousand were written-off).

Other receivables

In thousand of EUR	Note	2017	2016
Paid advances		9	499
Loans to directors	29.1	137	163
Loans to associates / joint ventures	29.1	135	0
Other receivables		2,178	1,488
Shareholders' loans		650	812
		3,109	**2,962**

Other receivables includes mainly a VAT receivable (EUR 276 thousand); deferred revenue (EUR 561 thousand); other loans provided to the 3rd parties (EUR 765 thousand).

Prepaid expenses as presented in the financial statements amounted to EUR 715 thousand in 2017 (2016: EUR 389 thousand) and include mainly bond-related costs (EUR 523 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:

In thousand of EUR	2017	2016
Bank balances	7,333	5,420
Cash on hand	0	0
Cash and cash equivalents	**7,333**	**5,420**

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 2,553 thousand at 31 December 2017 (2016: EUR 2,991 thousand).

23. Capital and reserves

During 2017 and 2016, transfer of shares between free float and other shareholders were performed within the capital structure of the Group, refer to the tables below.

Share capital and share premium

Ordinary shares

In shares	2017
On issue at 1 January 2017	**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.

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.

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%**

As of 31 December 2016 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.	26,463,974	44.11%	26,463,974	51.92%
Solar Future Cooperatief U.A.	8,590,683	14.32%	8,590,683	16.85%
Solar Power to the People Cooperatief U.A.	8,051,919	13.42%	8,051,919	15.80%
Photon Energy N.V.	9,028,251	15.05%	0	0.00%
Free float	7,865,173	13.11%	7,865,173	15.43%
Total	**60,000,000**	**100,00%**	**50,755,206**	**100,00%**

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.

In thousand of EUR	2017	2016
Legal reserve	13	13
Revaluation reserve	22,506	24,410
Foreign currency translation reserve	1,155	-1,139
Hedging reserve	110	-205
	23,784	**23,066**

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 2017 (2016: EUR 13 thousand).

Revaluation reserve

In thousand of EUR	2017	2016
Balance at beginning of year	24,410	25,415
Increase arising on revaluation of properties net of deferred tax	0	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	602
Share on non-controlling interest	0	0
Impairment losses	0	0
Reversals of impairment losses	0	0
Move from revaluation reserve to retained earnings	-1,904	-1,607
NCI release	0	0
Balance at end of year	**22,506**	**24,410**

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 2017 is equal to EUR 1,904 thousand (2016: EUR 1,607 thousand). There was no revaluation performed in 2017. The revaluation for the year 2014 amounts to EUR 6,013 thousand net of tax. 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

In thousand of EUR	**2017**	**2016**
Balance at beginning of year	-1,139	-975
Foreign currency translation differences for foreign operations	2,294	-164
Balance at end of year	**1,155**	**-1,139**

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.

Derivatives hedging reserve

In thousand of EUR	**2017**	**2016**
Balance at beginning of year	-205	-420
Derivatives	315	215
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	**110**	**-205**

Dividends

There were no dividends declared and paid by the Company in 2017 and 2016.

24. Earnings per share

In EUR	**2017**	**2016**
Basic earnings per share	-0.015	-0.052
Diluted earnings per share	-0.013	-0.044
Total comprehensive income per share	0.035	-0.034

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of loss EUR 788 thousand (2016: loss EUR 2,660 thousand) and a weighted average number of ordinary shares outstanding of 51,017 thousand (2016: 50,982 thousand). The calculation of diluted earnings per share as 31 December 2017 was based on the loss attributable to ordinary shareholders of loss EUR 788 thousand (2016: loss EUR 2,660 thousand) and a weighted average number of total shares outstanding of 60,000 thousand.

Profit (loss) attributable to ordinary shareholders

In thousand of EUR	Profit (loss) attributable to ordinary shareholders	
	2017	**2016**
Profit (loss) for the year	-788	-2,660
Profit (loss) attributable to ordinary shareholders	-788	-2,660

Weighted average number of ordinary shares

There were no new shares issued in 2017. The number of shares at the year-end 2016, 2015 was 60,000,000.

Share on profit of equity-accounted investees amounted to EUR 66 thousand (2016: EUR 59 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 2017 and 2016 was based on the total comprehensive income (loss) attributable to ordinary shareholders of EUR 1,802 thousand (2016: EUR -2,007 thousand) and a weighted average number of ordinary shares outstanding of 60,000 thousand (2016: 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.

In thousand of EUR	2017	2016
Non-current liabilities		
Long-term secured bank loans	34,786	37,551
Long-term portion of other loans	1,000	269
Total	**35,786**	**37,820**
Current liabilities		
Current portion of long-term secured bank loans	3,695	3,597
Short-term secured bank loans	0	0
Current portion of other loans	270	269
Total	**3,965**	**3,866**
Total loans & borrowings	**39,751**	**41,686**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousand of EUR	Currency	Nominal interest rate	Year of maturity	31 December 2017		31 December 2016	
				Credit limit	Credit limit	Credit limit	Credit limit
Secured bank loan	CZK	5.19%	5.1.2021	27,440	27,440	27,497	27,497
Secured bank loan	EUR	3M EURIBOR+2.7%	30.6.2024	5,452	5,452	6,202	6,202
Secured bank loan	EUR	3M EURIBOR+2.7%	31.12.2024	5,589	5,589	6,310	6,310
Other loan	EUR	9%	12.12.2019	1,000	1,000	568	568
Other loan	EUR	3%	12.3.2018	270	270	0	0
Total interest bearing liabilities				**39,751**	**39,751**	**42,876**	**42,876**

Other long-term liabilities (bonds)

In thousand of EUR	2017	2016
Non-current liabilities		
EUR bond	7,004	0
CZK bond	1,652	812
Total	**8,656**	**812**

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 2017.

Bonds

In October 2017, Group has issued and new EUR bonds with annual coupon of 7.75% with maturity in October 2022. Outstanding amount as of 31 December 2017 was EUR 7,004 thousand. CZK bond issued in October 2016 has annual coupon of 6% and maturity date in October 2023, with outstanding amount of EUR 1,652 thousand as of 31 December 2017.

26. Trade and other payables

Trade payables

In thousand of EUR	2017	2016
Payables to suppliers	238	619
	238	**619**

Other payables

In thousand of EUR	2017	2016
Advances received	319	208
Accrued expenses	571	780
Payables to employees	166	100
Payables to health and social authorities	15	110
Derivatives	59	1,550
Other payables-loans	134	146
	1,263	**2,894**

Advances received from customers for contract work amounted to EUR 319 thousand (31 December 2016: EUR 208 thousand). Accrued expenses include mainly not invoiced deliveries of goods (technology) and services provided and amounted to EUR 571 thousand (31 December 2016: EUR 780 thousand). Payables to employees and health and social authorities amount to EUR 181 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 borrowing as they have not been provided by financial institution or a bank but former subsidiaries. At 31 December 2017 retentions held by customers for contract work amounted to EUR 0 thousand (31 December 2016: EUR 0 thousand).

27. Other long-term and short-term liabilities

27.1 Other long term liabilities

In thousand of EUR	2017	2016
VAT payables	0	0
Long term liability from income tax	0	0
Other long-term loans	0	0
Other long-term liabilities	629	478
Bond	8,656	10,932
	9,285	**11,410**

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

The bond coupon is paid quarterly and the bond is due in 5 years from issuance. Bond related costs in the amount of approximately EUR 850 thousand have been accrued for a period of 5 years and are regularly released in the P&L. The total outstanding balance has been reclassified into short-term liabilities (see 27.2).

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 2017 is equal to EUR 1,652 thousand. In October 2017, the group has launched the process of exchange offer and issuance a new EUR bond. Annual interest is 7.75%, the bond coupon is paid quarterly and it is due in 5 years. The outstanding amount as of 31 December 2017 is EUR 7,004 thousand.

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

27.2 Other short term liabilities

In thousand of EUR	2017	2016
VAT liability /provision	17	225
Other liabilities	6,533	0
Other loans	270	269
	6,820	**494**

VAT provision in the amount of EUR 17 thousand represents an amount pre-agreed with the Financial authority in the Netherlands from the input VAT registered by the Photon Energy N.V. and its Dutch subsidiaries within the years 2011 to 2016 and considered by the Authority as unjustified input VAT. Other loans equal to EUR 270 thousand represents the outstanding balance of the loan provided by non-bank institution in 2011. Other short-term liabilities amounting to EUR 6,533 thousands is the outstanding amount of the bond issued in March 2013 and due in March 2018, which has been reclassified from the long-term to the short-term position (see also 27.1).

27.3 Current tax liability

Other liabilities in amount of EUR 469 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 incurring 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 2017 equals to EUR 15,939 thousand comparing to contractual cash flows of non-derivative financial liabilities of EUR 15,076 thousand payable within the next 12 months.

31 December 2017

In thousand of EUR	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**

31 December 2016

In thousand of EUR	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	41,147	47,607	4,639	4,502	14,639	23,827
Other loans	569	564	286	277	0	0
Trade payables	619	619	619	0	0	0
Bond	10,932	12,169	858	10,304	146	861
Other payables	3,034	3,034	3,034	0	0	0
Tax payables	383	383	383	0	0	0
	56,684	**63,566**	**19,265**	**4,828**	**14,785**	**24,688**

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%.

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 2017, 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).

2017:

In thousand of EUR	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**

2016:

In thousand of EUR	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.82%	-12,512	-12,512	0	0	0
Total		**-12,512**	**-12,512**	**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

In thousand of EUR	2017	2016
Financial assets		
Not due yet	544	363
Overdue 180 days or less	820	604
Overdue over 180 days	95	156
Total	**1,459**	**1,123**
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	**0**	**0**
Total overdue not impaired	**915**	**760**
Total financial assets after impairment	**1,459**	**1,123**

In thousand of EUR	2017
Allowance for receivables as at 31 December 2016	0
Creation of allowance in 2017	0
Allowance for receivables as at 31 December 2017	0

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:

In thousand of EUR	Carrying amount	
	2017	**2016**
Interest rate instruments		
Financial assets	0	0
Financial liabilities	-39,751	-41,686
	-39,751	**-41,686**

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 2017

In thousand of EUR	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**

31 December 2016

In thousand of EUR	Effective interest rate	Total	Less than 1 year	2–5 years	More than 5 years
Bank and other loans	4.53%	41,686	4,910	19,384	23,827
Total		**41,686**	**4,910**	**19,384**	**23,827**

Loans and borrowings with variable rate

Below analysis includes only loans with a variable interest rate.

For 2017 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.

2017:

In thousand of EUR	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**

2016:

In thousand of EUR	Effective interest rate	Total	6 months or less	6–12 months	1–5 years	Fixed interest rate
Bank loans	2.82%	-12,512	-12,512	0	0	0
Total		**-12,008**	**-12,008**	**0**	**0**	**0**

Loans and borrowings with variable rate – Slovak portfolio

Slovak loans interest rate is hedged by the interest derivatives.

On 31 December 2017 the total amount of the hedging reserve amounted to EUR 110 thousand (2016: EUR 205 thousand)

Loans and borrowings with variable rate

2017:

In EUR thousand	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

2016:

In EUR thousand	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	499	620	176	151	127	96	70

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 2017 were EUR 2,710 thousand (2016: EUR 3,109 thousand) coming from the carrying value of loans drawn in the amount of EUR 39,751 thousand as at 31 December 2017 (2016: EUR 41,686 thousand).

An increase/decrease of interest rates by 1% at the reporting date would have decreased/increased the profit before tax by EUR 18 thousand as shown in the following table. This analysis assumes that all other variables remain constant.

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

31. 12. 2016	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	4.62	41,686	1,926	4.67	1,945	-19	4.57	1,907	19
Total		41,686	1,926			-19			19

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 91 thousand (EUR 67 thousand respectively) as shown in the following table. This analysis assumes that all other variables remain constant.

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**

2016

	31 December 2016	+ 10%	- 10%
exchange rate CZK/EUR	27.021	29.7231	24.3189

31.12.2016	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade receivables	tczk	43,038	1,593	1,448	-145	1,770	177
Total TCZK					-145		177

31.12.2016	Currency	in Currency	teur	Teur +10%	change	teur -10%	change
Trade payables, loans	tczk	-62,897	-2,328	-2,116	212	-2,586	-259
Total TCZK					**212**		**-259**

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 2017

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

31 December 2016

In thousand of EUR	Note	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and Cash equivalents	23	0	5,420	0	5,420	5,420
Loans and receivables	21	0	4,085	0	4,085	4,085
Secured bank loans	26	0	0	41,147	41,147	41,147
Other loans	26	0	0	538	538	538
Trade payables	27	0	0	619	619	619
Bond	27	0	10,932	0	10,932	10,932
Other payables	27	0	0	2,894	2,894	2,894
Tax payables	27	0	0	305	305	305
Interest rate derivatives	4.3.2	1,550	0	0	1,550	1,550

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 4.55% for 2017.

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 2017

In thousand of EUR	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**

31 December 2016

In thousand of EUR	Level 1	Level 2	Level 3	Total
Cash and Cash equivalents	0	5,420	0	**5,420**
Loans and receivables	0	3,981	0	**3,981**
Secured bank loans	0	41,147	0	**41,147**
Other loans	0	538	0	**538**
Trade payables	0	619	0	**619**
Bond	0	10,932	0	**10,932**
Other payables	0	2,984	0	**2,984**
Tax payables	0	305	0	**305**
Interest rate derivatives	0	499	0	**499**

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 it unique capital structure.

In the 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.

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 Solar Age Investments B.V.) and Mr. Georg Hotar (via Solar Power to the People Coöperatief U.A. and Solar Age Investments B.V.), 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:

In thousand of EUR	2017	2016
Balance at beginning of year	163	103
Transferred due to the sale	0	0
Loan provided to Mr. Hotar	0	60
Unpaid interests (Mr. Hotar)	0	0
Loan provided to Mr. Gartner	0	0
Unpaid interests (Mr. Gartner)	0	0
Effect of the movement of Fx rate	-10	0
Carrying amount at 31 December	**153**	**163**

Members of the board of directors did not receive any compensation during 2017 nor 2016 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 650 thousand as of 31 December 2017.

Other related party transactions

In thousand of EUR	transaction value for the year-ended		balance outstanding at the year-end	
	2017	2016	2017	2016
Sale of goods and services				
Joint ventures – sale of services	0	0	0	0
Joint ventures – construction contracts revenues	0	0	0	0
(SK SPV1, Solarpark Myjava,Solarpark Polianka, AUS SPV 5, 6, 7, 8, 9, 10)				
Purchase of goods and services				
Joint ventures – purchase of services	48	51	15	0
Joint ventures – purchase of services activated (AUS SPVs)	554	0	554	0
Current assets				
Loans	129	0	129	0

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 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%	100%	NL	Photon Energy
3	Photon Energy Engineering B.V. (PEE BV)	100%	100%	NL	Photon Energy
4	Photon Energy Operations N.V. (PEO NV)	100%	100%	NL	Photon Energy
5	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Photon Energy
6	Photon Energy Generation Australia Pty. Ltd.	100%	100%	AUS	Photon Energy
7	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	AUS	Photon Energy
8	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	AUS	Photon Energy
9	Photon Energy AUS SPV 3 Pty. Ltd.	100%	100%	AUS	Photon Energy
10	Photon Energy AUS SPV 4 Pty. Ltd.	100%	100%	AUS	Photon Energy
11	Photon Energy AUS SPV 5 Pty. Ltd.	51%	50%	AUS	Photon Energy
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	50%	AUS	Photon Energy
13	Photon Energy AUS SPV 7 Pty. Ltd.	51%	50%	AUS	Photon Energy
14	Photon Energy AUS SPV 8 Pty. Ltd.	51%	50%	AUS	Photon Energy
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	50%	AUS	Photon Energy
16	Photon Energy AUS SPV 10 Pty. Ltd.	51%	50%	AUS	Photon Energy
17	Photon Energy Operations Australia Pty.Ltd.	100%	100%	AUS	PEO NV
18	Photon Energy Engineering Australia Pty Ltd	100%	100%	AUS	PEE BV
19	Global Investment Protection AG	100%	100%	CH	Photon Energy
20	Alfemo AG	100%	100%	CH	Photon Energy
21	Koradol AG	100%	100%	CH	Photon Energy
22	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Photon Energy
23	Photon SPV 1 s.r.o.	100%	100%	CZ	Photon Energy
24	Photon Energy Operations CZ s.r.o. (PEOCZ)[1]	100%	100%	CZ	PEO NV
25	Photon Energy Control s.r.o.	100%	100%	CZ	PEO CZ
26	Photon Energy Technology CEE s.r.o.	100%	100%	CZ	PEE BV
27	Photon Water Technology s.r.o.	65%	65%	CZ	Photon Energy
28	Photon Energy Solutions s.r.o.	100%	100%	CZ	Photon Energy
29	Photon Energy Projects s.r.o. (PEP)	100%	100%	CZ	Photon Energy
30	Photon Energy Cardio s.r.o.	100%	100%	CZ	PEO CZ
31	The Special One s.r.o.	100%	100%	CZ	Photon Energy
32	Charles Bridge Services s.r.o.	100%	100%	CZ	Photon Energy
33	Photon Energy Finance Europe GmbH	100%	100%	DE	Photon Energy
34	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Photon Energy
35	Photon Energy Engineering Europe GmbH	100%	100%	DE	PEE BV
36	EcoPlan 2 s.r.o.	100%	100%	SK	Photon Energy
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

The following subsidiaries are consolidated as at 31 December 2016.

	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.	Holding Company		NL	
2	Photon Directors B.V.	100%	100%	NL	Photon Energy
3	Photon Energy Engineering B.V.	100%	100%	NL	Photon Energy
4	Photon Energy Operations N.V.	100%	100%	NL	Photon Energy
5	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Photon Energy
6	Photon Energy Generation Australia Pty. Ltd.	100%	100%	AUS	Photon Energy
7	Photon Energy Operations Australia Pty.Ltd.	100%	100%	AUS	PEO NV
8	Photon Energy Engineering Australia Pty Ltd	100%	100%	AUS	PEE BV
9	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	AUS	Photon Energy
10	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	AUS	Photon Energy
11	Photon Energy AUS SPV 3 Pty. Ltd.	100%	100%	AUS	Photon Energy
12	Photon Energy AUS SPV 4 Pty. Ltd.	100%	100%	AUS	Photon Energy
13	Global Investment Protection AG	100%	100%	CH	Photon Energy
14	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Photon Energy
15	Photon SPV 1 s.r.o.	100%	100%	CZ	Photon Energy
16	Photon Energy Operations CZ s.r.o.	100%	100%	CZ	PEO NV
17	Photon Energy Control s.r.o.	100%	100%	CZ	PEO CZ
18	Photon Energy Cardio s.r.o.	100%	100%	CZ	PEO CZ
19	Photon Energy Technology CEE s.r.o.	100%	100%	CZ	PEE BV
20	Photon Water s.r.o.	100%	100%	CZ	Photon Energy
21	Photon Water Technology s.r.o.	100%	100%	CZ	Photon Energy
22	Photon Energy Solutions s.r.o	100%	100%	CZ	Photon Energy
23	Photon Energy Projects s.r.o.	100%	100%	CZ	Photon Energy
24	The Special One s.r.o.	100%	100%	CZ	Photon Energy
25	Charles Bridge Services s.r.o.	100%	100%	CZ	Photon Energy
26	Photon Energy Finance Europe GmbH	100%	100%	DE	Photon Energy
27	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Photon Energy
28	Photon Energy Engineering Europe GmbH	100%	100%	DE	PEE BV
29	EcoPlan 2 s.r.o.	100%	100%	SK	Photon Energy
30	EcoPlan 3 s.r.o.	100%	100%	SK	Photon Energy
31	Fotonika, s.r.o.	100%	100%	SK	Photon Energy
32	Photon SK SPV 1 s.r.o.	50%	50%	SK	Photon Energy
33	Photon SK SPV 2 s.r.o.	100%	100%	SK	Photon Energy
34	Photon SK SPV 3 s.r.o.	100%	100%	SK	Photon Energy
35	Solarpark Myjava s.r.o.	50%	50%	SK	Photon Energy
36	Solarpark Polianka s.r.o.	50%	50%	SK	Photon Energy
37	SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	Photon Energy
38	SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	Photon Energy
39	ATS Energy, s.r.o.	100%	100%	SK	Photon Energy
40	Photon Energy Operations SK s.r.o.	100%	100%	SK	PEO NV
41	Photon Energy HU SPV 1 Kft. b.a	100%	100%	HU	PEP s.r.o.

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 2017, 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
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 Energy 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

Australia Canadian Solar

As a result of its development partner selection process managed by its financial advisor Pottinger, the company 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, one of the world's largest solar power companies. 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. The equity capital contributed by Canadian Solar is subject to certain development milestones, joint management processes and other terms customary for project co-development and covers the development budgets to bring all five projects to the ready-to-build stage. Post-transaction, Photon Energy NV retains a 49% stake in the Gunning project and 24.99% stakes in the four other projects.

Bond March 2018

On 12 March 2018 the company has repaid its outstanding EUR bond 2013/2018 (WKN: A1HELE) in the amount of EUR 6,533 thousand.

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 2017

Company balance sheet as at 31 December 2017

(before profit appropriation)

In thousand of EUR	Note	31 December 2017	31 December 2016
Fixed assets			
Financial fixed assets	36	38,209	36,034
Intangible assets	36	1	12
Total fixed assets		**38,210**	**36,046**
Current assets			
Trade and other receivables	38	7,136	4,048
Loans	37	3,554	8,720
Cash and cash equivalents	38	2,752	438
Total current assets		**13,442**	**13,206**
Total assets		**51,652**	**49,252**
Shareholders' equity	39		
Issued share capital		600	600
Share premium		36,871	36,871
Revaluation reserve		16,049	16,056
Derivatives reserve		110	-204
Currency translation reserve		1,155	-1,139
Unappropriated result		-788	-2,660
Retained Earnings		-25,308	-25,343
Total equity		**28,689**	**24,180**
Non-current liabilities	40	**11,607**	**13,045**
Other loans		2,951	2,113
Other long-term liability		8,656	10,932
Current liabilities	41	**11,355**	**12,028**
Trade and other liabilities		8,074	9,139
Other loans		3,281	2,889
Total equity and liabilities		**51,652**	**49,252**

The notes on pages 120 to 127 are an integral part of these financial statements.

Company income statement for the financial year ended 31 December 2017

In thousand of EUR	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Share in results from participating interests, after taxation	-1,286	-4,010
Income from subsidiaries	0	0
Other result after taxation	498	1,350
Net result	**-788**	**-2,660**

The notes on pages 120 to 127 are an integral part of these financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2017

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

In thousand of EUR	31 December 2017	31 December 2016
Participating interests in group companies	38,209	36,034
	38,209	**36,034**

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

In thousand of EUR	Note	Participating interests in group companies	Total
Balance at 1 January 2017		**36,034**	**36,034**
Capital contribution existing subsidiaries	36	89	89
Revaluation reserve change	36	-	-
Share in result of participating interests	43	-1,286	-1,286
Set-up of new entities	36	15	15
Excess cash correction	36	0	0
Liquidation of subsidiaries	36	0	0
Share in foreign currency translation differences in participating interest	36	2,138	2,138
Dividend payment	36	-594	-594
Derivatives	36	314	314
Sale of subsidiaries		0	0
Balance at 31 December		**36,717**	**36,717**
Allowances	36	1,489	1,489
Final balance at 31 December 2017		**38,209**	**38,209**

2017

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	% 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%	100%	NL	Photon Energy
3	Photon Energy Engineering B.V. (PEE BV)	100%	100%	NL	Photon Energy
4	Photon Energy Operations N.V. (PEO NV)	100%	100%	NL	Photon Energy
5	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Photon Energy
6	Photon Energy Generation Australia Pty. Ltd.	100%	100%	AUS	Photon Energy
7	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	AUS	Photon Energy
8	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	AUS	Photon Energy
9	Photon Energy AUS SPV 3 Pty. Ltd.	100%	100%	AUS	Photon Energy
10	Photon Energy AUS SPV 4 Pty. Ltd.	100%	100%	AUS	Photon Energy
11	Photon Energy AUS SPV 5 Pty. Ltd.	51%	50%	AUS	Photon Energy
12	Photon Energy AUS SPV 6 Pty. Ltd.	51%	50%	AUS	Photon Energy
13	Photon Energy AUS SPV 7 Pty. Ltd.	51%	50%	AUS	Photon Energy
14	Photon Energy AUS SPV 8 Pty. Ltd.	51%	50%	AUS	Photon Energy
15	Photon Energy AUS SPV 9 Pty. Ltd.	51%	50%	AUS	Photon Energy
16	Photon Energy AUS SPV 10 Pty. Ltd.	51%	50%	AUS	Photon Energy
17	Photon Energy Operations Australia Pty.Ltd.	100%	100%	AUS	PEO NV
18	Photon Energy Engineering Australia Pty Ltd	100%	100%	AUS	PEE BV
19	Global Investment Protection AG	100%	100%	CH	Photon Energy
20	Alfemo AG	100%	100%	CH	Photon Energy
21	Koradol AG	100%	100%	CH	Photon Energy
22	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Photon Energy
23	Photon SPV 1 s.r.o.	100%	100%	CZ	Photon Energy
24	Photon Energy Operations CZ s.r.o. (PEOCZ)[1]	100%	100%	CZ	PEO NV
25	Photon Energy Control s.r.o.	100%	100%	CZ	PEO CZ
26	Photon Energy Technology CEE s.r.o.	100%	100%	CZ	PEE BV
27	Photon Water Technology s.r.o.	65%	65%	CZ	Photon Energy
28	Photon Energy Solutions s.r.o.	100%	100%	CZ	Photon Energy
29	Photon Energy Projects s.r.o. (PEP)	100%	100%	CZ	Photon Energy
30	Photon Energy Cardio s.r.o.	100%	100%	CZ	PEO CZ
31	The Special One s.r.o.	100%	100%	CZ	Photon Energy
32	Charles Bridge Services s.r.o.	100%	100%	CZ	Photon Energy
33	Photon Energy Finance Europe GmbH	100%	100%	DE	Photon Energy
34	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Photon Energy
35	Photon Energy Engineering Europe GmbH	100%	100%	DE	PEE BV
36	EcoPlan 2 s.r.o.	100%	100%	SK	Photon Energy
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

During 2017, impact of the change of the revaluation reserve amounted to EUR -7 thousand.

The Slovak SPVs use hedging derivatives for hedging of interest rates on received loans. Total impact into equity from their revaluation at the year-end amounted to a profit of EUR 110 thousand (2016: loss EUR 215 thousand).

The impact of foreign currency translation differences in participating interest resulted in a profit of EUR 1,155 thousand (2016: loss EUR 1,139 thousand).

The company booked a provision for negative equity in subsidiaries in the amount of EUR 9,483 thousand (outstanding balance 2016: EUR 7,994 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.

Intangible assets include the value of trademark in the amount of EUR 1 thousand.

The total amount invested into capital contributions (by capitalization of entity's receivables from subsidiaries) to subsidiaries in 2017 amounted to EUR 89 thousand (2016: EUR 236 thousand; refer to Movement schedule above).

Decrease of value resulting from the revaluation of subsidiaries amounted to EUR 7 thousand. Impact of derivatives revaluation equaled to EUR 314 thousand (positive); of dividend payment to EUR 594 thousand (negative); of currency retranslation to a profit of EUR 2,138 thousand. Total result from participations resulted in loss of EUR 1,286 thousand. The Company also set-up/purchased new entities in value of EUR 15 thousand.

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.

2016 developments

Photon Energy Investments CZ N.V., European Solar Holdings and Photon Energy Investments DE N.V. were liquidated during 2016.

During 2016, Photon Energy N.V. (directly or via its subsidiaries) incorporated or acquired the following entities:

- The Special One s.r.o.
- Charles Bridge Services s.r.o
- Photon Energy Projects s.r.o.
- Photon Energy Solutions s.r.o.
- Photon Energy AUS SPV 4 Pty. Ltd.
- Photon Energy AUS SPV 3 Pty. Ltd.
- Photon Water Technology s.r.o.
- Photon Water s.r.o.
- Photon Energy HU SPV 1 Kft. b.a.

Disposals in 2016

- Photon Energy Operations DE GmbH

Acquisition of full share in 2016

- ATS Energy s.r.o.
- Fotonika s.r.o.

37. Loans

In thousand of EUR	31 December 2017	31 December 2016
Loans provided	3,554	8,720
	3,554	**8,720**

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

38. Current assets

In thousand of EUR	31 December 2017	31 December 2016
Trade and other receivables	7,136	4,048
Cash	2,752	438
	9,888	**4,486**

39. Shareholders' equity

39.1 Reconciliation of movement in capital and reserves

In thousand of EUR	Issued share capital	Share premium	Currency translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Unappropri-ated result	Total equity
Balance at 1 January 2016	**600**	**36,871**	**-975**	**-420**	**17,641**	**-24,420**	**-1,088**	**28,389**
Revaluation of assets in participating interest	-	-	-	-	-1,585	-	-	-1,585
Foreign currency translation differences in participating interest	-	-	-164	-	-	-	-	-164
Transfer to retained earnings	-	-	-	-	-	-1,088	1,088	0
Correction of RE previous period	-	-	-	-	-	165	-	165
Derivatives	-	-	-	215	-	-	-	215
Actual result	-	-	-	-	-	-	-2,660	-2,660
Balance at 31 December 2016	**600**	**36,871**	**-1,139**	**-205**	**16,056**	**-25,343**	**-2,660**	**24,180**
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**

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 of Shareholders.

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 16,049 thousand as of 31 December 2017 (31 December 2016: EUR 16,056 thousand).

Currency translation reserve includes all foreign translation exchange differences in the participations and amounted to a profit EUR 1,155 thousand as of 31 December 2017 (31 December 2016: EUR 1,139 thousand).

The hedging reserve includes results from hedging derivatives in the participations and amounted to a profit of EUR 110 thousand in 2017 (2016: EUR 205 thousand).

39.2.2 Unappropriated result

To the General Meeting of Shareholders the following appropriation of the result 2017 will be proposed: the loss of EUR 788 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

In thousand of EUR	**31 December 2017**	**31 December 2016**
Group equity	**26,001**	**24,180**
Released provision for financial participations	2,689	0
Minority interest of third parties in subsidiary:		
Non-controlling interest	0	0
Shareholders' equity (company)	**28,689**	**24,180**
Group result	**-788**	**-2,660**
Income from subsidiaries	0	0
Minority interest of third parties in result:		
Non-controlling interest	0	0
Net result (company)	**-788**	**-2,660**

40. Long-term liabilities

In thousand of EUR	**31 December 2017**	**31 December 2016**
Loans	2,951	2,113
Other long-term liabilities	8,656	10,932
	11,607	**13,045**

Long-term loan represent long-term portion of loan provided by private financing company as described in chapter 41 (EUR 1,000 thousand) and loan provided by a group entity (EUR 1,951 thousand). Other long-term liabilities include a EUR bond issued in 2017 (EUR 7,004 thousand) and a CZK bond issued in December 2016 (EUR 1,652 thousand).

41. Current liabilities

In thousand of EUR	31 December 2017	31 December 2016
Loans	3,281	2,889
Trade payables	71	186
Accruals and deferred income	225	80
Other payables	7,778	879
Provision for 2017 negative equity subsidiaries	0	7,994
	11,355	**12,028**

Loan provided by private financing company in the original amount of EUR 8,000 thousand was gradually repaid and re-structured, so its outstanding balance as of the year-end 2017 is EUR 269 thousand shown in short-term liabilities.

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

The company booked a provision for negative equity in subsidi-aries in the previous in the amount of EUR 9,499 thousand (2016: EUR 7,994 thousand). This provision was in 2017 released against the loans from the relevant financial participations and the outstanding balance was released to the retained earnings.

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 informa-tion 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 788 thousand (loss) of share in results from participating interests relates to group companies (2016: loss of EUR 4,010 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 2017:

2017:

In thousand of EUR	**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 2016 have been charged by Grant Thornton Accountants en Adviseurs B.V. to the Company:

2016:

In thousand of EUR	**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 2017.

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, 30 March 2018

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.

Grant Thornton
Accountants en Adviseurs B.V.
Flemingweg 10
P.O. Box 2259
2400 CG Alphen aan den Rijn
The Netherlands

T 088 - 676 90 00
F 088 - 676 90 10
www.gt.nl

INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements 2017 of Photon Energy N.V., based in Amsterdam as set out on pages 1 to 79.

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 31 December 2017, and of its result and its cash flows for 2017 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 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated and company balance sheet on December 31, 2017;
2. the following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and 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 balance sheet as at 31 December 2017;
2. the company profit and loss account for 2017 ; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Grant Thornton

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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

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 management board'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 for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 detect all material 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 scepticism 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.

Grant Thornton

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, 30 March 2018

Grant Thornton Accountants en Adviseurs B.V.

M.J.J. Welsink
Registeraccountant

Photon Energy N.V.
Barbara Strozzilaan 201
Amsterdam 1083 HN
The Netherlands

Corporate number: 51447126
VAT number: NL850020827B01

T +31 20 240 25 70
www.photonenergy.com